RNS

Horizon Discovery Group plc
Full Year Unaudited Results for the Twelve Months Ended 31 December 2019

Cambridge, UK, 27 April 2020: Horizon Discovery Group plc (LSE: HZD) ("Horizon", "the Group" or "the Company"), a cell engineering company focused on commercialising the application of gene editing and gene modulation to accelerate scientific innovation and biopharmaceutical drug development, today announces its full year unaudited financial results for the twelve months ended 31 December 2019.

Group Financial highlights

- Revenues[1] from Continuing Operations of £58.3m (FY 2018: £54.1m) growth of 7.8% (£56.7m on a constant currency basis[2] 4.8% YoY increase)
- Gross Margin from Continuing Operations of 70.0% (FY 2018: 69.7%)
- Adjusted EBITDA[3] from Continuing Operations of £3.9m (FY 2018: £2.1m)
- Cash position at 31 December 2019 of £18.8m (FY 2018: £26.7m)
- Loss on continuing operations before tax of £11.5m (FY 2018: £6.6m loss)

Business Unit performance[4]

- Research Reagents: Revenues of £33.5m, growth of 8.4% (FY 2018: £30.9m), or growth of 5.2% on a constant currency basis
- Screening: Revenues of £11.4m, growth of 28.1% (FY 2018: £8.9m), or growth of 24.7% on a constant currency basis
- Bioproduction: Revenues of £8.6m, down 1.1% (FY 2018: £8.7m), or a decline of 3.4% on a constant currency basis
- Diagnostics: Revenues of £4.8m, down 14.3% (FY 2018: £5.6m), or a decline of 16.0% on a constant currency basis

Other (including post-period end)

- Divestment of *In Vivo* business unit completed in December 2019
- Strategic collaboration with Mammoth Biosciences signed in December 2019
- Post period end, in January 2020, the Group exercised an option to exclusively license base editing technology from Rutgers, The State University of New Jersey (US), for use in all therapeutic applications
- Post period end, in April 2020, raised £6.9m gross through a Placing of approximately 4.5% of the current share capital in order to provide additional financial flexibility to protect and grow the business during the COVID-19 crisis

1 – During the 2019 financial year the *In Vivo* business unit contributed revenues of £4.6 million. The In Vivo business unit is reported as discontinued operations in the FY2019 and FY2018 results.
2 – Calculated revenue on a constant currency basis by translating any current year revenues generated in foreign currencies into British Pounds, our reporting currency, using the average foreign currency exchange rate from the prior period.
3 – Defined this as loss for the year from continuing operations before taxation, finance costs, investment income, amortisation and depreciation and items which are non-recurring and do not form part of our underlying year to year expense base. Adjusted EBITDA incorporates a positive £2.5m impact of IFRS 16 which was adopted on 1 January 2019. A reconciliation of the loss for the period from continuing operations to adjusted EBITDA is presented in the Financial Review section.
4 – New market aligned business unit structure introduced in January 2019. Prior year equivalents provided for comparison

Terry Pizzie, Chief Executive Officer of Horizon Discovery, commented:

"In 2019, we prepared the business for growth by investing to improve operational efficiency, discontinuing non-core operations and doubling down on high-growth operations. As a result, we moved into 2020 with a simplified, more robust and focused business comprising a mix of well-established and potentially disruptive business units.

"Following our recent Placing the Group has a robust balance sheet, which when combined with the range of other mitigating actions being taken, will mean the business has the financial flexibility to continue its investment in strategic projects and a sufficient working capital and liquidity position, providing protection in the event of a prolonged COVID-19 related economic downturn.

"We remain confident about the Group's long-term prospects given our industry-leading gene editing and gene modulation expertise and our broad portfolio of tools and services, which provide the basis for a sustainable competitive advantage and strong prospects for growth in 2020 and beyond.

"However, given the ongoing uncertainty around the scope, duration and impact of the pandemic, Horizon is unable to predict the full year consequences of coronavirus."

Analyst webcast and conference call:

Horizon Discovery will present its Results via live webcast today at 12:00pm BST. There will be a simultaneous live conference call

Conference call details:

- *Participant UK dial-in: 0800 2796 619*
- *Participant US dial-in: 1 877 870 9135*
- *International dial-in: +44 (0) 20 7192 8338*
- *Participant code: 7984877*

The live webcast and presentation slides will be available on the Group's website:

https://www.horizondiscoveryplc.com/category/presentations-recordings/

For further information from Horizon Discovery Group plc, please contact:

Horizon Discovery Group plc
Terry Pizzie, Chief Executive Officer
Jayesh Pankhania, Chief Financial Officer
Jon Davies, Head of Investor Relations
Tel: +44 (0) 1223 655 580

Numis Securities Limited (Broker and NOMAD)
Freddie Barnfield / Duncan Monteith
Tel: +44 (0) 207 260 1000

Consilium Strategic Communications (Financial Media and UK Investor Relations)

Mary-Jane Elliott / Matthew Neal / Melissa Gardiner
Tel: +44 (0) 20 3709 5700
Email: horizon@consilium-comms.com

Zyme Communications (Trade and Regional Media)
Katie Odgaard
Tel: +44 (0)7787 502 947
Email: katie.odgaard@zymecommunications.com

Westwicke, an ICR Company (US Investor Relations)
Stephanie Carrington
Tel. +1 646-277-1282
Email: horizondisovery@icrinc.com

About Horizon Discovery Group plc www.horizondiscovery.com

Horizon Discovery Group plc (LSE: HZD) ("Horizon") is a cell engineering company focused on commercializing the application of gene editing and gene modulation to accelerate scientific innovation and biopharmaceutical drug development. Horizon's portfolio of tools and services is built on decades of experience in altering the expression of genes across mammalian and human cell types to provide cell engineering tools and services to customers in three key areas of the therapeutic ecosystem: basic research, drug discovery and development and therapeutic applications. Horizon's offerings support and enable critical elements of the drug development and therapeutic value chain, particularly in the area of precision medicine. Horizon's customers include biopharmaceutical and diagnostics companies, contract research and manufacturing organizations and academic researchers across the globe.

Horizon is headquartered in Cambridge, UK with offices in USA and Japan. The Group is listed on the London Stock Exchange's AIM market under the ticker HZD.

CEO REVIEW

I am pleased to report on another year in which we delivered on the financial and operational goals that we set ourselves, as well as completing a number of key strategic initiatives that have helped us to continue our transformation into a high-growth, pure-play international tools and services company. These include the divestment of our non-core *In Vivo* business unit, and the establishment of a strategic collaboration with Mammoth Biosciences. Just after year-end, we exercised our option to exclusively license a novel base editing platform from Rutgers, The State University of New Jersey (US), for use in therapeutic, diagnostic and service applications. In April 2020 we raised £6.9 million gross through a Placing of approximately 4.5% of the current share capital in order to provide additional financial flexibility to protect and grow the business during the COVID-19 pandemic which emerged in the first quarter of 2020.

Group financial performance*

Revenues from Continuing Operations were £58.3 million (FY 2018: £54.1 million), £56.7 million on a constant currency basis. Reported revenues represent growth of approximately 7.8% compared to the prior year, approximately 4.8% on a constant currency basis.

Adjusted EBITDA on Continuing Operations was £3.9 million (FY18 £2.1 million). Gross margin from Continuing Operations was 70.0% (FY 2018: 69.7%).

We report a loss for the year on Continuing Operations before tax of £11.5 million, representing an increase in the loss compared to the prior year (FY18: £6.6 million loss). This is partly a result of the continued execution of our investment for growth strategy, as the Group invests in its commercial, marketing and research, development and operations functions, but is particularly associated with fees associated with the U.S. Listing and the impairment of our joint venture in Avvinity.

In December 2019, we completed the divestment of our non-core *In Vivo* business. In the period in the financial year that Horizon owned *In Vivo*, the business unit generated revenues of £4.6 million. These are excluded from Continuing Operations in our FY 2019 results.

*For the alternative performance measures refer to the Financial review section

Strategy

"Investing for growth"

Our overarching goal is to leverage our leadership position in cell line engineering and expertise in innovation of gene editing and modulation applications to provide customers with tools and services to transform human health.

Key to the delivery of this strategic goal is the "Investing for Growth" strategy that was launched in late 2018. It includes investments in automation to increase production capacity, in Laboratory Information Management Systems (LIMS) to improved data handling, in Business Intelligence to add customer and business insight, and in digitisation to enhance customer experience through our eCommerce channel. Alongside this, we are continuing to invest in commercially led, scientific innovation in order to stay at the forefront of emerging technologies and maintain our market-leading position.

In the first year of this investment programme, we achieved all of the goals we set for ourselves. For example, by re-engineering existing processes, we tripled capacity in Cell Line Engineering with no additional headcount. Since then we have increased this further through the addition of automation which, by the end of the first quarter of 2020, resulted in a five-fold increase in capacity compared to the start of 2019.

In October 2019, we also completed our "OneWeb" eCommerce project that saw us consolidate what were formerly two separate web sites (Horizon and Dharmacon) into a single platform. This has provided an enhanced customer experience and created new opportunities for cross-selling across the Group's entire portfolio.

We expect these investments to generate significant payback in the short and long-term, by reducing costs, increasing capacity and operating leverage, whilst also opening up new avenues of growth.

Delivering a more focused business

Since my appointment as CEO, and the completion of our strategic review in late 2018, we have been focused on transforming the business into a high-growth, pure-play tools and services company. Our focus has been to prioritise the highest growth areas of our core markets where we believe there is the potential to establish strong market leading position and exiting business areas that were subscale or no longer aligned to our core pharma and biotech focus.

In line with this strategy, we completed the divestment of *In Vivo* to Envigo in December 2019, which provides an opportunity for the business to flourish within a larger, market-leading company and maintains continuity for its many customer relationships. Significantly, both parties remain committed to an ongoing collaboration to support growing opportunities with *in vivo* CRISPR screening. This will enable Horizon to continue crucial aspects of its animal model screening work in conjunction with Envigo, and to generate additional business opportunities of benefit to both companies.

Maintaining market leadership
Horizon is committed to investing in partnerships and high-value technologies that maintain the Group's market leadership positions. By extending our scientific and IP capabilities through such partnerships, Horizon will be able to more fully support our pharma, biotech and academic partners in the delivery of better cell therapy solutions to patients.

During the year, the Group signed a number of significant new partnerships:

Rutgers University and Base Editing
In January 2019, Horizon signed a strategic partnership with Rutgers, The State University of New Jersey (US), to develop and commercialise base editing, a novel technology platform that has the potential to provide more accurate gene editing and fewer unintended genomic changes than currently available gene editing methodologies. Base editing could therefore potentially help to target many diseases that to date have no treatment.

In January 2020, following a detailed twelve-month evaluation of the technology, Horizon exercised its option to exclusively license Rutgers' base editing technology for use in all therapeutic applications. This is potentially transformative for our business. There is significant latent demand for access to base editing and currently we believe we are one of only two commercial entities with the ability to enable base editing in therapeutic applications, and the only entity making this technology available to the market broadly.

We expect to refine this technology over the next 18 months ahead of full commercialisation. We are currently seeking early access customers to assess and shape the development of this technology, which we believe could enable customers to develop novel therapeutics that rely on engineering cells either directly in the body (gene therapy), or externally before transplanting back into the patient (cell therapy).

Strategic Collaboration with Mammoth Biosciences
In December 2019, we signed a strategic collaboration agreement with Mammoth Biosciences that will see us jointly develop a next-generation, technologically disruptive suite of CHO cell lines which have been optimised to solve challenges in biologic drug development.

Under the terms of the agreement, Horizon and Mammoth will collaborate to identify and optimise one of the company's novel proteins for use under license by Horizon, in a novel gene editing tool. This will then be deployed for the development of the Group's next generation of engineered CHO cell lines.

Having secured more than 70 licensing engagements and supported five successful Investigational New Drug (IND) filings, Horizon is now a highly credible player in the BioProduction market. We are now committed to delivering the next generation of CHO cell lines to an industry where greater flexibility, increased speed to market and cost reduction are key drivers. We believe that with a combination of Mammoth's technology and our cell engineering expertise, we have the opportunity to address many of these issues and become a disruptive provider of best in class engineered CHO cells.

Celyad Licensing Agreement
In October 2018, we announced a partnership with Celyad a clinical-stage biopharmaceutical company, which has licensed our optimised SMARTvector™ shRNA technology for use in CYAD-02, the company's novel autologous NKG2D based CAR-T cell therapy. In early July 2019, Celyad secured FDA Acceptance of an Investigational New Drug (IND) application which triggered a milestone payment. On 13 January 2020, Celyad announced that it had commenced the Phase 1 trial of CYAD-02, with the dosing of the first patient.

Plans for a U.S. Public Offering
On 4 February 2020, Horizon announced that it had confidentially submitted a draft registration statement on Form F-1 with the Securities and Exchange Commission (the "SEC") relating to the proposed initial U.S. public offering. The US Listing process is currently delayed due to market volatility, but the Company intends to pursue this when market conditions are considered to be more favourable. The Placing will support Horizon's aim to pursue a dual listing from a position of strength.

Placing
In April 2020, the Group raised £6.9m gross through a non-pre-emptive placing of 6,764,365 Placing Shares, representing approximately 4.5% of the current issued share capital of the Company. The net proceeds of the Placing will be used to strengthen the Group's balance sheet, working capital and liquidity position. Significantly, the improved liquidity will also allow Horizon to continue its investment in strategic projects, including commercialising its base editing technology, e-commerce enhancements and its collaboration with Mammoth Biosciences, even in the event of a prolonged period of economic disruption as a result of the COVID-19 pandemic.

Impact of COVID-19 pandemic
Consistent with the Group's COVID-19 update announcement of 27 March 2020 and the Placing announcement of 17 April 2020, Horizon initially experienced a limited impact from COVID-19 but events in relation to the pandemic continue to evolve rapidly.

Horizon's trading for the first quarter of 2020 has been broadly in-line with management expectations. However, orders towards the end of March indicated pressure in Research Reagents as academic research labs slowed or stopped working following the widespread lock-down in major economies that was implemented in the second half of the month. This trend appears to have continued into the second quarter of 2020.

Separately, the Group has seen increasing interest from its BioPharma clients and a trend towards outsourcing as companies continue prioritising key projects and supplement in-house resources. Both of Horizon's UK and US sites are open and running client projects without disruption, and the Group is not experiencing any material delays in either distributing its products or running its service projects. The Group is actively monitoring key suppliers regarding potential supply chain interruptions, and so far, no immediate risks to supply have been identified.

Horizon's first priority remains the health and safety of its employees on site. The Group has implemented appropriate action plans aligned to the latest government advice in each respective country of operation. These focus on safety, travel, hygiene (including self-quarantine) and contingency planning, primarily centred around remote working. Laboratory teams can work flexibly, facilitating different working patterns that should minimise the impact of COVID-19.

As previously reported, the Group is implementing measures intended to provide the business with financial flexibility in an unknown and volatile environment, and is conserving cash to minimise expenditure whilst maintaining operational delivery through a number of actions:

- Continuing with key strategic projects but deferring certain non-essential ones
- Deferring capital expenditure where there is no impact on key strategic projects
- Hiring freezes where appropriate
- Pay cuts and pension reductions for staff – on a sliding scale aligned to salary band
- Furloughing of c. 24 staff in the UK and planned implementation of US Paycheck Protection Programme covering c. 160 US employees (as well as rent and utilities)
- Travel, conferences and discretionary spend savings

Implementing the cash conservation measures listed above is expected to deliver in-year cash savings in the range of £8 million to £10 million.

Horizon has reviewed its financing options, including evaluating support from both the UK and US governments including the COVID-19 related loan schemes, and is also in preliminary discussions with providers of working capital facilities.

The Group's contingency planning includes a package of more extensive actions should conditions deteriorate and/or if additional government support is not available. The Group has modelled further downside scenarios under which adverse trading conditions extend in to H2 2020 and return to trading normality extends beyond the current year-end. The potential downside risks include further reduction in Research Reagents business unit revenues and delays to the phasing of BioProduction revenues. Under these scenarios Horizon would have to take further cash conservation measures including but not limited to:

- Further reduction in capital expenditure
- Further remuneration measures
- Review of staffing levels commensurate with revised revenue levels

These further mitigating measures could be augmented by any additional support available from the UK and US governments upon a more prolonged period of economic disruption. While we expect the cash conservation measures described to deliver headroom in each of the downside scenarios contemplated, the net proceeds of the Placing executed in April 2020 should mitigate any further downside risk.

Summary and outlook

2019 was a year that the Group embedded the new strategy focussing investment on our high-growth opportunities. The divestment of our *In Vivo* business has enabled us to focus on our core areas of growth. Our enhanced corporate and financial governance, investment in automation and IT infrastructure will provide a robust platform for continued, sustainable revenue growth. The additional investment in base editing and our collaboration with Mammoth Biosciences will strengthen the Group's core competence in cell-line engineering (which underpins all of our business units).

Horizon has moved into 2020 with a simplified, more robust and focused business. The Group is now well positioned as a world-leading expert in cell-based technologies with a unique and high value portfolio of tools and services which, combined with our commercial reach, provides the basis for a sustainable competitive advantage.

Following our recent Placing the Group has a robust balance sheet, which when combined with the mitigating actions described above, will mean the business has a sufficient working capital and liquidity position, providing protection in the event of a prolonged COVID-19 related economic downturn.

The Group's order book is growing which underpins confidence for H1 2020, but given the ongoing uncertainty around the scope, duration and impact of the pandemic, Horizon is unable to predict the full year consequences of the coronavirus pandemic. The Group does not expect to be in a position to provide revised guidance until the duration and extent of the market disruptions from the COVID-19 pandemic are known.

However, the vast majority of the Group's products and services support and enable critical elements of the drug development and therapeutic value chain, particularly in the area of precision medicine. We believe the fundamental drivers of the pharma-biotech market remain strong and will continue to support the growth of our business for the long-term. The Board therefore looks forward to the future with cautious confidence.

OPERATIONAL REVIEW

Performance by Business Unit

The metrics included below are all IFRS financial measures except for constant currency and adjusted EBITDA.

Research Reagents

- Revenue of £33.5million up 8.4% on the prior year (FY18: £30.9million)
- On a constant currency basis Revenue of £32.5 million up 5.2%
- Increase in Gross Margin to 65.0% (FY18: 63.7%)

The Research Reagents business unit provides both tools and services to enable customers to better understand disease mechanisms and identify drivers behind disease by inducing permanent (gene editing) and transient (gene modulation) changes in gene expression.

The Research Reagents business unit includes three primary offerings:

- Custom-made and off-the-shelf (OTS) RNAi gene modulation reagents that are manufactured in our facility in Boulder, Colorado;
- CRISPR reagents that are manufactured in our facility in Boulder, Colorado; and
- OTS cell models and custom cell engineering services that are delivered from our operations in Cambridge, UK.

Today, we are a market leader in the supply of RNAi gene modulation reagents and custom-made CRISPR reagents, both of which we believe are recognised as "industry standards" and are used by leading academic researchers around the world.

Research Reagents generated revenues of £33.5 million up 8.4% on the prior year (FY18: £30.9 million). This is an encouraging performance, driven largely by strong growth in sales of RNAi and CRISPR Reagents. This Business unit contributes 57% (FY18: 57%) of overall Group revenues and provides a solid platform that underpins the growth of the other business units, with a customer base of thousands of customers spending regularly with us.

Whilst revenue growth benefited from currency movement (most of this Business Unit's revenues are derived in US$) it also reflects a renewed market interest in RNAi. This follows the recent launch of a number of therapies which have been successfully developed by leading biopharmaceutical companies using this long-established gene modulation technology.

The full year performance is all the more encouraging given that the performance of the Research Reagents Business unit was held back somewhat by the performance of Cell Line Engineering where we faced hurdles to compete on price and delivery times.

We are pleased to report that the increase in capacity that has been delivered in Cell Line Engineering through the "Investing for Growth" strategy has enabled us to significantly decrease our manufacturing costs and extend our offering, with more compelling solutions on both price and turnaround times. We expect the benefits of the increased capacity and the launch of our new integrated eCommerce-enabled web site to come through more strongly in 2020.

Screening

- Revenue of £11.4 million up 28.1% on the prior year (FY18: £8.9 million)
- On a constant currency basis Revenue of £11.1 million up 24.7%
- Slight decrease in Gross Margin to 69.0% (FY18: 71.7%)

Our Screening business unit provides tools and services that allow our customers to understand disease pathways, find and validate novel drug targets, identify mechanisms of drug resistance or sensitivity and stratify patients for clinical trials based on their genetic profile. We believe we have a market-leading position in CRISPR screening and are also an established market leader in the supply of both siRNA and CRISPR screening libraries. Both can be applied across the full spectrum of drug discovery and development.

The business unit includes three primary business lines:

- Pooled CRISPR screens;
- Arrayed RNAi and CRISPR screens, drug screens and immunology assays; and
- RNAi and CRISPR screening libraries.

Pooled screening can produce quantitative data on new and established compounds, their relationship with disease pathways, the genetic determinants of disease or how genetic variation predicts patient responses to drug intervention. Arrayed CRISPR screening is more complex than pooled screening and gives researchers an inherently greater insight into single specific gene edits, and combinations of edits. Often an experiment will begin with a pooled screen and then proceed to an arrayed screen. A CRISPR library consists of thousands of plasmids or synthetic molecules, with each one containing a single gRNA that targets a specific gene. CRISPR screening libraries enable the investigation of entire gene families or biological pathways through the use of custom or pre-defined libraries of CRISPR-Cas9 reagents.

Screening generated revenues of £11.4 million (FY18: £8.9 million) up 28.1% on prior year, with the volume of CRISPR screenings up year on year and orders nearly doubling, continuing the strong momentum we have seen in previous years. Much of this growth has been driven by an increase in the number of highly complex large-scale screens for major biopharmaceutical companies. During the second half of the year we secured an order of £850,000 from one of the leading global pharma companies – our largest single order to date.

We have made significant R&D investments to optimise screening services. Combined with the insights we have gained around disease areas such as oncology, we are able to understand our clients' needs and advise them of the best CRISPR screening approach for their desired outcomes.

Bioproduction

- Revenue of £8.6 million down 1.1% on the prior year (FY18: £8.7million)
- On a constant currency basis Revenue of £8.4 million down 3.4%
- Increase in Gross Margin to 86.4% (FY18: 83.1%)

Our BioProduction business unit provides biopharmaceutical and contract manufacturing organizations with a commercially disruptive CHO cell line for use in the production of biologic drugs. The business unit includes two primary business lines:

- OTS gene-edited CHO cells; and
- Custom CHO cell lines.

The cell lines are provided to customers under license. We also provide custom CHO gene engineering services, either utilising our own cell line or one provided by the customer.

BioProduction continued to perform well and enjoyed a strong performance during the year generating revenues of £8.6 million but as expected, ended the year flat year-on-year. This is not an indication of momentum stalling, rather it reflects two large contracts with long lead times in FY18 that did not repeat in FY19.

Having established our reputation in the market, we believe that the opportunity now exists for us to move from being a commercially disruptive provider to a technologically disruptive provider of engineered CHO cells. In December we signed a strategic partnership with Mammoth Biosciences pursuant to which we will utilise Mammoth's novel Cas technology for the development of a suite of next generation engineered CHO lines. We will also have the right to sublicense this technology through Mammoth to customers who wish to modify their own proprietary CHO cell line. We are seeking early access customers through 2020 into 2021.

Diagnostics

- Revenue of £4.8 million down 14.3% on the prior year (FY18: £5.6 million) albeit with a strong recovery in second half of 2019
- On a constant currency basis Revenue of £4.7 million down 16.0%
- Decrease in Gross Margin to 77.3% (FY18: 78.5%)

The Diagnostics business unit provides molecular reference standards derived from gene-edited cell lines that we have developed to mimic human genetic diseases. The offering includes three primary business lines.

- OTS cell-based reference standards;

- Made to Order (MTO) reference standards (generally large volumes of OTS cell-based reference standards and/or modifications to their format) and
- Custom cell-based reference standards that are developed to meet customers' specific requirements.

These reference standards are used to evaluate molecular assays on a research use only basis.

The Diagnostics Business Unit had a challenging first half of the year, reporting revenues of £2.5 million, down 28.6% on the prior year as a result of internal organisational challenges. The Group took prompt action to rectify the situation and, under new leadership, this business unit had a stronger second half to the year, closing the period with revenues of £4.8m, down 14.3% on the prior year (FY18: £5.6 million).

In Vivo

- Revenue of £4.6 million for the 11 months to 2 December 2019 (FY18: £4.6 million)
- On a constant currency basis Revenue of £4.5 million down 2.2%
- Increase in Gross Margin to 40.4% (FY18: 39.3%)

In December 2019 we completed the divestment *In Vivo* Business Unit to Envigo RMS LLC for a nominal consideration settled in cash. In the period in the financial year that the Company owned the *In-Vivo* business revenues of £4.6 million were generated. These are excluded from Continuing Operations in the Company's FY19 results and going forward.

FINANCIAL REVIEW

During 2019, the Group delivered £58.3 million of revenues on Continuing Operations (FY18: £54.1 million), representing solid year-on-year growth of 7.8% (4.8% growth on a constant currency basis). The increase is primarily driven by strong performance of our Screening and Research Reagents business units, which offset a weaker performance of the Diagnostics business unit.

The Group maintained overall gross profit levels reporting a slight increase to 70.0% (FY18: 69.7%) driven by improved margins in Research Reagents and BioProduction. The discontinued operations reported a gross profit of 40.4% (FY18: 39.3%).

The Group reports a loss after taxation on Continuing Operations of £9.2 million (FY18: loss after tax on Continuing Operations of £3.7 million) for the full year and a positive adjusted EBITDA of £3.9 million (FY18: £2.1 million). The increased loss is as a result of continued investment for growth, but particularly fees associated with a U.S. Listing and the impairment of our joint venture in Avvinity.

On 2 December 2019 the Group completed the sale of the Group's *In Vivo* business unit to Envigo RMS LLC ("Envigo"), for a nominal consideration satisfied in cash. The consolidated income statement reports the results for the *In Vivo* business unit as discontinued. The combined continued and discontinued operations reported revenues of £62.9 million (FY18: £58.7 million) up 7.2%.

We present alternative performance measures because we believe they are frequently used by analysts, investors and other interest parties to evaluate companies in our industry and facilitate comparisons on a consistent basis across reporting periods. The reconciliations are presented below:

Adjusted EBITDA

The following is a reconciliation of our loss for the period from continuing operations, the most directly comparable financial measure calculated under IFRS, to adjusted EBITDA:

Year Ended 31 December £'000	Continuing Operations 2019	Continuing Operations 2018
Loss for the year on continuing operations	(9,227)	(3,680)
Add back:		
Taxation	(2,285)	(2,938)
Finance costs	866	7
Investment income	(58)	(90)
Depreciation and Amortisation	9,608	7,700
Costs associated with preparation for a NASDAQ listing	1,682	-
Impairment of investment in Joint Venture	3,019	-
Executive management exit costs	281	476
Non recurring legal and advisory fees	-	585
Adjusted EBITDA [3]	3,886	2,060

The reported 2019 Adjusted EBITDA incorporates the impact of IFRS 16 (refer to Financial Statements Note 1) which was adopted on 1 January 2019. There is a positive £2.5m impact to EBITDA due to the reclassification of operating lease expenses previously recorded in operating expenses to depreciation, amortisation and interest payments. The Adjusted EBITDA for 2019 before the impact of IFRS16 is £1.4m (FY18: £2.1m). The movement in EBITDA is the result of the continued strategy of investment for growth, as the Group continues to invest in its commercial, marketing and Research, Development and operations functions to support this.

Constant currency

Constant currency is the measured current year revenues based on the prevailing foreign exchange rates from the prior year.

Revenue and Gross Profit by business unit – Continuing Operations

Total revenue for continuing operations was £58.3m for the year (FY18: £54.1m, representing an increase of £4.2m, or 7.8%. Summary of the performance by business unit:

	Revenue 2019 £'000	Revenue – constant currency 2019 £'000	Revenue 2018 £,000	Gross Profit 2019 £'000	Gross Profit % 2019	Gross Profit 2018 £'000	Gross Profit % 2018
Research Reagents	33,464	32,491	30,871	21,761	65.0%	19,668	63.7%
Screening	11,409	11,139	8,931	7,873	69.0%	6,402	71.7%
Bioproduction	8,565	8,391	8,717	7,397	86.4%	7,242	83.1%
Diagnostics	4,815	4,659	5,614	3,724	77.3%	4,408	78.5%

Continuing operations	**58,253**	**56,680**	**54,133**	**40,755**	**70.0%**	**37,720**	**69.7%**

Other Operating Income
Other operating income was £2.1m (FY18: £2.2m) and includes grant income, R&D tax credits and sublease income.

Sales, marketing and distribution costs
During 2019, Horizon continued to make substantial investments in building world-class commercial operations, resulting in sales, marketing and distribution expenses of £14.3m (FY18: £12.5m). The increase in cost is primarily due to increased marketing spend and the full-year impact of hires in 2018.

Research, Development and Operations costs
Innovation remains central to sustainable value creation for the business. During 2019, we continued to invest in our innovation capability, and our expenditure on research, development and operations was £14.2m (FY18: £13.4m). Spending on R&D, new product introduction, customer support, attendance at scientific conferences, and training contribute to this increase.

We expect to increase investment in research and development, specifically concerning the development of our next generation CHO cells with Mammoth Biosciences and our base editing with Rutgers University programme.

Corporate and administrative expenses
During 2019 we incurred corporate and administrative expenses of £24.4m (FY18: £20.4m). Included in this expense category is the impairment of £3.0m (FY18: nil) of our investment in the Avvinity joint venture. The resultant increase is due to the Group expanding the corporate team to drive improved corporate and financial governance and strengthening the Group's resources in finance and IT to support a potential U.S. listing.

Balance Sheet
Non-current assets decreased by £0.2m to £112.3m (FY18: £112.5m), this is primarily the result of the recognition of the right of use assets of £10.0m on the adoption of IFRS 16 offset by the impairment of £3.0m in respect of the Joint Venture and amortisation and depreciation of £9.6m. Non-current liabilities have increased by £8.1m, driven by the recognition of lease liabilities of £10.3m on the adoption of IFRS 16.

Net current assets decreased to £28.9m (FY18: £37.5m), which is significantly driven by the reduction of our cash and cash equivalents of £8m.

Cashflow
The Group had cash resources on 31 December 2019 of £18.8m (FY18: £26.7m). For the second year, the Group experienced a positive cash flow from operating activities. Overall cash resources decreased as the Group continued to invest for growth, with cash investments mainly consisting of £4.7m in respect of property, plant and equipment and intangible assets, along with change in working capital.

Capital Expenditure
During 2019, Horizon invested £2.7m (FY18: £0.9m) in intangible assets and £2.0m (FY18: £2.7m) in plant and equipment to enhance our intellectual property, automation and business infrastructure including the creation of an enhanced website. In 2020, the Group will continue investing in programmes including automation, eCommerce and improved IT infrastructure, which will enable Horizon to scale up operations and deliver sustainable growth.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2019

Continuing operations	**Note**	**2019 £'000**	**Restated[1] 2018 £'000**
REVENUE	3	58,253	54,133
Cost of sales		(17,498)	(16,413)
Gross profit		40,755	37,720
Other operating income		2,085	2,171
Sales, marketing and distribution costs		(14,312)	(12,489)
Research, development and operations costs		(14,204)	(13,420)
Corporate and administrative expenses		(24,387)	(20,384)
Share of results of joint venture		(641)	(299)
OPERATING LOSS		(10,704)	(6,701)
Investment income		58	90
Finance costs		(866)	(7)
LOSS BEFORE TAX		(11,512)	(6,618)
Taxation		2,285	2,938
LOSS FOR THE YEAR		(9,227)	(3,680)
Discontinued operations			
Profit/(loss) for the year from discontinued operations net of tax		4,622	(31,459)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		(4,605)	(35,139)
LOSS PER SHARE	5		
From continuing operations			
Basic and Diluted (Pence)		(6.1p)	(2.5p)
From continuing and discontinued operations			
Basic and Diluted (Pence)		(3.1p)	(23.5p)

1 The 2018 income statement has been restated to include the impact of operations classified as discontinued in 2019 (see Note 4), for a prior period adjustment relating to deferred tax (see Note 2) and for a reclassification of executive management exit costs and legal and advisory fees related to the rejection of an unsolicited shareholder proposal that were reported as exceptional items within corporate and administrative expenses.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019

	2019 £'000	Restated 2018 £'000
LOSS FOR THE YEAR	(4,605)	(35,139)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(3,184)	6,936
Tax on items that may be reclassified subsequently to profit or loss	202	314
Foreign exchange gains recycled to the income statement	(8,386)	-
Other comprehensive (loss)/income for the year net of tax	(11,368)	7,250
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	(15,973)	(27,889)
Total comprehensive profit / (loss) for the year attributable to owners of the Company arises from:		
Continuing operations	(12,877)	1,808
Discontinued operations	(3,096)	(29,697)
	(15,973)	(27,889)

CONSOLIDATED BALANCE SHEET
31 December 2019

	Note	2019 £'000	Restated[1] 2018 £'000
Non current assets			
Goodwill		50,110	51,750
Other intangible assets		42,232	45,644
Property, plant and equipment		9,498	11,680
Right of use assets		9,988	-
Investments		-	2,960
Other receivables		433	433
		112,261	112,467
Current assets			
Inventories		2,166	2,541
Trade and other receivables		18,828	19,071
Corporation tax receivable		3,411	3,053
Cash and cash equivalents		18,779	26,740
		43,184	51,405
Total assets		155,445	163,872
Current liabilities			
Trade and other payables		(12,374)	(13,912)
Lease liabilities		(1,955)	-
Total current liabilities		(14,329)	(13,912)
Net current assets		28,855	37,493
Non-current liabilities			
Lease liabilities		(10,267)	-
Deferred tax[1]		(3,142)	(5,273)
Long-term provisions[1]		(673)	(692)
		(14,082)	(5,965)
Total liabilities[1]		(28,411)	(19,877)
Net assets[1]		127,034	143,995
Equity			
Share capital	6	3,137	3,134
Share premium account		139,511	139,102
Share option reserve		3,737	3,100
Merger reserve		67,457	67,457
Currency reserve[1]		(152)	11,216
Retained earnings[1]		(86,656)	(80,014)
Total equity		127,034	143,995

[1] The 2018 balance sheet has been restated for a prior period adjustment relating to deferred tax (see Note 2) and for a classification restatement within equity that is explained in footnote 2 presented on the consolidated statement of changes in equity.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2019

	Share capital £'000	Share premium account £'000	Share option reserve £'000	Merger Reserve[1] £'000	Restated[2] Currency reserve £'000	Restated[2] Accumulated deficit £'000	Restated[3] Total £'000
Balance at 1 January 2018	3,121	137,681	2,478	67,457	-	(40,909)	169,828
Restatement of reserves classification[2]	-	-	-	-	3,966	(3,966)	-
Balance at 1 January 2018 (as restated)	3,121	137,681	2,478	67,457	3,966	(44,875)	169,828
Loss for the year	-	-	-	-	-	(35,139)	(35,139)
Other comprehensive income	-	-	-	-	7,250	-	7,250
Total comprehensive loss	-	-	-	-	7,250	(35,139)	(27,889)
Issue of shares on exercise of options	13	1,421	-	-	-	-	1,434
Credit to equity for equity settled share based payments	-	-	622	-	-	-	622
Balance at 31 December 2018	3,134	139,102	3,100	67,457	11,216	(80,014)	143,995

	Share capital £'000	Share premium account £'000	Share option reserve £'000	Merger Reserve[1] £'000	Currency reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2019	3,134	139,102	3,100	67,457	11,216	(80,014)	143,995
Restatement of opening retained earnings for IFRS 16	-	-	-	-	-	(2,037)	(2,037)
Balance at 1 January 2019 (as restated)	3,134	139,102	3,100	67,457	11,216	(82,051)	141,958
Loss for the year	-	-	-	-	-	(4,605)	(4,605)
Other comprehensive income	-	-	-	-	(2,982)	-	(2,982)
Foreign exchange gains recycled to the income statement	-	-	-	-	(8,386)	-	(8,386)
Total comprehensive loss	-	-	-	-	(11,368)	(4,605)	(15,973)
Issue of shares on exercise of options	3	409	-	-	-	-	412
Credit to equity for equity settled share based payments	-	-	637	-	-	-	637
Balance at 31 December 2019	3,137	139,511	3,737	67,457	(152)	(86,656)	127,034

1 The merger reserve relates to difference between consideration and nominal value of the shares issued during a merger and the fair value of the assets transferred.

2 The 2018 consolidated statement of changes in equity has been restated to correct an error in the classification of exchange differences on translation of foreign operations from accumulated deficit into revaluation surplus. This restates the balance sheet and statement of changes in equity. The impact of the restatement at 1 January 2018 was to instate a revaluation surplus reserve of £3,966k and increase the accumulated deficit reserve from £40,909k to £44,875k.

3 The 2018 loss for the year has been restated for a prior period adjustment relating to deferred tax (see Note 2).

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Net cash inflow from operating activities	7	985	1,519
Investing activities			
Interest received		58	90
Acquisition of investment in joint venture		(700)	(1,400)
Purchases of property, plant and equipment		(1,973)	(2,708)
Purchase of intangible assets		(2,743)	(851)
Disposal of business unit		(287)	-
Net cash used in investing activities		(5,645)	(4,869)
Financing activities			
Interest paid		(1,248)	(11)
Proceeds on issue of shares net of expenses		412	1,433
Principal elements of lease payments (2018 – principal elements of finance lease payments)		(1,997)	-
Net cash (used in)/from financing activities		(2,833)	1,422
Net decrease in cash and cash equivalents		(7,493)	(1,928)
Cash and cash equivalents at beginning of year		26,740	28,084
Effect of exchange rate changes		(468)	584
Cash and cash equivalents at end of year		18,779	26,740

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

1. BASIS OF THE ANNOUNCEMENT

The preliminary results for the year ended 31 December 2019 were approved by the Board of Directors on 24 April 2020.

The financial information set out in the announcement does not constitute the company's statutory accounts for the years ended 31 December 2019 or 2018. The financial information for the year ended 31 December 2018 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006. The audit of the statutory accounts for the year ended 31 December 2019 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the company's annual general meeting.

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 Company.

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 with the exception of those relating to the joint venture.

IFRS 16 'Leases'

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of 12 months or less from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated, as permitted under the specific transitional provisions in the standard. In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- for contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as a lease under IAS 17 and IFRIC 4;
- the Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019;
- reliance on historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16;
- the use of hindsight for determining the lease term when considering options to extend and terminate leases; and
- for leases previously accounted for as operating leases with a remaining lease term of 12 months or less and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	As previously reported £'000	**IFRS 16 adjustment £'000**	**As restated £'000**
Right of use assets	-	12,200	12,200
Net impact on total assets	-	12,200	12,200
Trade creditors and accruals	11,149	(207)	10,942
Lease liabilities	-	15,182	15,182
Long term provisions	692	(495)	197
Deferred tax	5,273	(243)	5,030
Net impact on total liabilities	17,114	14,237	31,351
Accumulated deficit	(80,014)	(2,037)	(82,051)

Going concern

There are significant uncertainties around the impact of the COVID-19 pandemic including the extent and duration of social distancing measures, the inability to travel, the closure of academic institutions and the impact on the economy.

Management has considered the current economic uncertainty and market volatility caused by the COVID-19 outbreak. In assessing whether the going concern assumption is appropriate, management has reviewed the impact on the business to date and developed a range of downside scenarios that could impact the business together with mitigating actions.

In the downside scenarios a liquidity shortfall would result, due to a fall in demand for some products and services, if no action was taken. Accordingly, a series of cost saving and cashflow measures have been implemented. These actions include, temporary pay cuts, furloughing some UK employees, delaying non-essential capital expenditure and tightening of working capital. Management also plan to take advantage of the Payment Protection Program under the U.S. CARES Act. These changes do not impact upon major strategic projects such as the development of products for our BioProduction business unit, commercialising our Base Editing technology and continuing to invest in our Screening Business unit. This is supplemented by additional funding in respect of a share placing, explained further in note 8. The net proceeds of the placing will be used to strengthen the Group's balance sheet, working capital and liquidity position.

The group had cash and cash equivalents of £18.8m as at 31 December 2019, and net current assets of £28.9m at the same date. This combined with the measures above provides adequate headroom in terms of liquidity for a period of at least 12 months from the date of approval of these financial statements. Therefore, the financial statements are prepared on a going concern basis.

2. PRIOR YEAR RESTATEMENT AND RECLASSIFICATIONS

a) Discontinued operations

The 2018 consolidated income statement has been restated to include the impact of operations classified as discontinued in 2019 (see note 4).

b) Deferred tax

In 2019, the Group became aware of certain additional deferred tax items that arose in 2018 as a result of the reorganisation of the U.S. group. The Group has adjusted for such items in aggregate and this has led to a prior year adjustment to the taxation credit on continuing operations and the taxation credit relating to discontinued operations for the year ended 31 December 2018, and the deferred tax balance for the group as at 31 December 2018.

This has been corrected by restating each of the affected financial statement line items in the prior period as follows:

	2018 £'000	Adjustment £'000	2018 restated £'000
Consolidated Income Statement[1]			
Loss for the year attributable to owners of the company	(35,821)	682	(35,139)
Consolidated Statement of Comprehensive Income			
Total comprehensive loss for the year attributable to owners of the company	(28,571)	682	(27,889)
Consolidated Balance Sheet			
Deferred tax	(5,955)	682	(5,273)
Total liabilities	(20,559)	682	(19,877)
Net assets	143,313	682	143,995
Accumulated deficit	(80,696)	682	(80,014)

As this was an issue arising in 2018, the opening accumulated deficit at 1 January 2018 was not impacted.

[1] The £682k adjustment to taxation comprises of £125k related to continuing operations, which is presented as the taxation financial statement line item in the consolidated income statement, and £557k related to discontinued operations. As taxation for the year ended December 31, 2018, was not presented separately on continuing and discontinued operations prior to the restatement described in Note 4, it has not been presented in the table above.

Basic and diluted loss per share for the prior year has also been restated. The amount of the correction for both basic and diluted loss per share was an increase of 0.4p per share for continuing and discontinued operations, 0.3p per share for continuing operations and 0.1p for discontinued operations.

c) Currency reserve

The 2018 consolidated balance sheet and statement of changes in equity have been restated to correct an error in the classification of exchange differences on the translation of foreign operations from accumulated deficit into the currency reserve. The impact of the restatement at 1 January 2018, was to instate a currency reserve of £3,966k and increase accumulated deficit from (£40,909k) to (£44,875k). The impact of the restatement at 31 December 2018, was to reclassify £7,250k from accumulated deficit to currency reserve.

3. OPERATING SEGMENTS

The Directors consider that the Group's business units are separately identifiable business segments for the purpose of revenue generation. Prior to 2019, the operating segments reported by the Group were Products, Services and Leveraged R&D. The operating segments have been changed to Screening, Research Reagents, Diagnostics, BioProduction and *In Vivo* in 2019 to better represent how the business analyses and reports performance. 2018 amounts have been restated under the new segment headings.

The information reported to the Chief Executive Officer, who is considered the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performance is focussed on the revenues and gross margins in respect of the Group's business units; Screening, Research Reagents, Diagnostics, BioProduction and *In Vivo*. The In Vivo business was sold during the 2019 year and results for the current and previous year are reported within discontinued operations in Note 4. The Group's reportable segments under IFRS 8 are therefore as follows:

Screening – Revenues arise from the sales of CRISPR and high throughput compound screening and CRISPR and RNAi libraries.

Research Reagents – Revenues arise from the sales of off-the-shelf cell models, bespoke cell engineering services and custom-made and off-the-shelf gene modification and gene editing reagents.

Diagnostics – Revenues arise from the sales of molecular reference standards derived from gene-edited cell lines.

BioProduction – Revenues arise from the sales of engineered cell lines under a license.

Base Editing – In 2020 we created a new business unit which will be an operating segment reportable in our 2020 financial results.

Operating segments have not been aggregated to form these reporting segments. Assets and liabilities are not reported or provided to the CODM by business unit. There are no transactions between reportable segments.

The following is an analysis of the Group's revenue and results by reportable segment in 2019 from continuing operations:

	Screening £'000	Research Reagents £'000	Diagnostics £'000	BioProduction £'000	Consolidated £'000
Revenue	11,409	33,464	4,815	8,565	58,253
Cost of sales	(3,536)	(11,703)	(1,091)	(1,168)	(17,498)
Gross profit	7,873	21,761	3,724	7,397	40,755
Other operating income					2,085
Sales, marketing and distribution costs					(14,312)
Research, development and operations costs					(14,204)
Corporate and administrative expenses					(24,387)
Share of results of joint venture					(641)
Operating loss					(10,704)
Investment income					58
Finance costs					(866)
Loss before tax					(11,512)
Taxation					2,285
Loss for the year					(9,227)

The following is an analysis of the Group's revenue and results by reportable segment in 2018 from continuing operations:

	Screening £'000	Research Reagents £'000	Diagnostics £'000	BioProduction £'000	Restated Consolidated £'000
Revenue	8,931	30,871	5,614	8,717	54,133
Cost of sales	(2,529)	(11,203)	(1,206)	(1,475)	(16,413)
Gross profit	6,402	19,668	4,408	7,242	37,720
Other operating income					2,171
Sales, marketing and distribution costs					(12,489)
Research, development and operations costs					(13,420)
Corporate and administrative expenses					(20,384)
Share of results of joint venture					(299)
Operating loss					(6,701)
Investment income					90
Finance costs					(7)
Loss before tax					(6,618)

Taxation	2,938
Loss for the year	(3,680)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment performance is monitored at a gross margin level and operational costs are not allocated between operating segments.

Revenues are attributed to regions based on customers' location. The Group's revenue from external customers and information about its non-current segment assets (excluding deferred tax and non-current assets relating to discontinued operations) is set out below:

	Revenue from external customers		**Non-current assets**	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
United States of America	29,840	28,476	81,545	82,855
Other Americas	784	949	-	-
United Kingdom	5,520	7,012	22,467	20,566
Europe, Middle East and Africa	12,261	10,860	8,242	9,046
Asia Pacific	9,848	6,836	7	-
	58,253	54,133	112,261	112,467

4. DISCONTINUED OPERATIONS

4(a) Description

On 7 November 2019, the Group entered into an agreement to dispose of the trade and assets of Sage Labs Inc, which carried out the Group's *In Vivo* operating segment activity. The disposal was effective on 2 December 2019 and is reported in the current period as a discontinued operation, as it represents the disposal of a separate major line of business of the Group. Financial information relating to the discontinued operation for the period to the date of the disposal is set out below.

4(b) Financial performance and cash flow information

The financial performance of the discontinued operation for the 11 months ended 2 December 2019 (2019 column) and the year ended 31 December 2018 which have been included in loss for the year attributable to owners of the company and total comprehensive loss for the year attributable to owners of the company were as follows:

	Note		**Restated**
		2019	**2018**
		£'000	**£'000**
REVENUE		4,607	4,600
Cost of sales		(2,747)	(2,792)
Gross profit		1,860	1,808
Other operating income		(6)	33
Sales, marketing and distribution costs		(712)	(514)

Research, development and operations costs		(1,734)	(1,821)
Corporate and administrative expenses		(2,553)	(33,538)
OPERATING LOSS		(3,145)	(34,032)
Finance costs		(67)	(4)
LOSS BEFORE TAX		(3,212)	(34,036)
Taxation		571	2,577
Loss for the year from discontinued operations before disposals		(2,641)	(31,459)
Profit on disposal of discontinued operations	4(c)	7,263	-
Loss for the year from discontinued operations net of tax		4,622	(31,459)
Exchange differences on translation of discontinued operations		668	1,762
Foreign exchange gains recycled to income statement		(8,386)	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ON DISCONTINUED OPERATIONS		(3,096)	(29,697)

The calculation of basic and diluted earnings/(loss) per share from discontinuing operations is based on the following data:

	2019 £'000	Restated 2018 £'000
Profit/(loss)		
Profit/(loss) for the purposes of basic and diluted earnings/(loss) per share being net loss attributable to owners of the Company	4,622	(31,459)
	2019	**2018**
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	150,470,207	149,597,584
Earnings/(loss) per share		
Earnings/(loss) per share from discontinued operations, Basic and Diluted (Pence)	3.0p	(21.0p)

The following items of expenditure which the group considers to be material due to their size, nature or the expected infrequency of the events giving rise to them and are therefore separately disclosed separately relate to activities in discontinued operations:

	2019 £'000	2018 £'000
Impairment of intangible assets	-	4,775
Impairment of goodwill	-	25,892
Impairment of property, plant and equipment	-	1,457

The contribution to the Group's statement of cash flows in respect of discontinued operations was as follows:

	2019 £'000	2018 £'000
Net cash outflow from operating activities	(3,320)	(833)
Net cash outflow from investing activities (2019 includes an inflow of £1 from sale of the Business Unit)	(358)	(242)
Net cash inflow from financing activity	(89)	-
Effect of changes in exchange rate	-	(9)
Net cash outflow from discontinued operations	(3,767)	(1,084)

4(c) Details of the disposal of the business unit

The loss on the disposal of the discontinued operations at the date of disposal on 2 December 2019 was as follows:

	2019 £'000
Property, plant and equipment	1,316
Inventories	354
Trade and other receivables	345
Trade and other payables	(352)
Lease liabilities	(745)
Net Assets	918
Consideration received or receivable	
Cash[1]	-
Total disposal consideration	-
Legal fees attributable to disposal	(287)
Loss on disposal before income tax and reclassification of foreign currency reserve	(1,205)
Tax credit on disposal	82
Reclassification of foreign currency reserve	8,386
Profit on disposal after income tax	7,263

[1] The nominal consideration of £1 for the trade and assets of Sage Labs, Inc. was satisfied in cash.

There were no disposals during the year ended 31 December 2018.

5. LOSS PER SHARE

From continuing and discontinued operations

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

	2019 £'000	Restated 2018 £'000
Loss for the purposes of basic and diluted loss per share being net loss attributable to owners of the Company	(4,605)	(35,139)

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	150,470,207	149,597,584
Loss per share	(3.1p)	(23.5p)

From continuing operations

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

	2019 £'000	Restated 2018 £'000
Loss for the purposes of basic and diluted loss per share being net loss attributable to owners of the Company	(9,227)	(3,680)

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	150,470,207	149,597,584
Loss per share	(6.1p)	(2.5p)

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 2019 or 31 December 2018, as the exercise of share options would have the effect of reducing the loss per ordinary share, and therefore is not dilutive.

6. SHARE CAPITAL

	2019 £'000	2018 £'000
Authorised, issued and fully paid		
150,667,096 (2018: 150,354,304) ordinary shares of £0.01 each	3,137	3,134

During the year, the Company issued 312,792 (2018: 1,267,703) ordinary shares as a result of employee option exercises.

7. NOTES TO THE CASH FLOW STATEMENT

Group	2019 £'000	Restated 2018 £'000
Loss for the year	(4,605)	(35,139)
Adjustments for:		
Investment income	(58)	(90)
Finance costs	1,243	11
Depreciation of property, plant and equipment	2,704	2,876
Amortisation of intangible assets	4,895	5,354
Amortisation of right of use assets	2,040	-
Goodwill, intangible asset and property, plant and equipment impairment charges	-	32,124
Loss on disposal of property, plant and equipment	73	7
Loss on disposal of intangible assets	-	145
Tax credit	(3,375)	(5,515)
Share option charge	653	622
Unrealised gain / loss on foreign exchange	1,001	-
Profit on disposal of discontinued operations	(7,263)	-
Impairment of joint venture	3,019	-
Share of loss of joint venture	641	299
	5,573	35,833
Operating cash flows before movements in working capital	968	694
(Increase)/decrease in inventories	(3)	33
Decrease/(increase) in receivables	803	(1,894)
(Decrease)/increase in payables	(2,338)	3,610
Cash generated by operations	(570)	2,443
Tax credit received/(tax paid)	1,555	(924)
Net cash from operating activities	985	1,519

8. SUBSEQUENT EVENTS

On 4 February 2020, the Group announced that it had confidentially submitted a draft registration statement with the Securities and Exchange Commission relating to a proposed initial U.S. public offering of American Depositary Shares representing the Group's ordinary shares, the Offering. The US Listing process is currently delayed, but the Company intends to pursue this when market conditions are considered to be more favourable. The Placing will support Horizon's aim to pursue a dual listing from a position of strength.

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity. We have taken several measures to monitor and mitigate the effects of the COVID-19 virus. These include as health and safety measures for our employees such as social distancing at work for operational staff and home working for those able to do so and ensuring continuity of supply of materials that are essential to our production process.

At this stage, we are monitoring the impact on our business on a regular basis and will implement appropriate mitigating actions as conditions evolve. We will continue to follow the various national or state level advice and in parallel ensure continuity of our operations in the safest way possible. We also refer to note 1 where we describe our going concern assessment.

At this stage we are not aware of any adverse impact on the carrying value of the Group’s assets, including goodwill, or liabilities as a result of the outbreak.

However, given the ongoing uncertainty around the scope, duration and impact of the pandemic, we are not able to forecast the consequences of the pandemic. There may be a potential future impact on the carrying value of goodwill and acquisition related intangibles.

On 17 April 2020 the Company successfully placed 6,764,365 shares at a price of 102 pence per share, raising gross proceeds of £6.9 million.