RNS

Horizon Discovery Group plc
Results for the Six Months Ended 30 June 2020

Cambridge, UK, 17 August 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 unaudited results for the six months ended 30 June 2020.

Group Financial Highlights

- Reported revenue of £22.4m (HY19: £26.1m)[1] down 13.9% (15.5% on a constant currency basis) largely due to impact of COVID-19 pandemic and a rapid reduction of academic research work in Q2 2020
- Revenue decline largely due to rapid reduction of academic research work caused by COVID-19 pandemic in Q2 2020 and was broadly within the range of our expectations
- Order backlog as at 30 June 2020 was £6.5m (HY19: £4.1m)
- Gross margin from continuing operations[1] 66.0% (HY19: 71.2%)
- Loss for the period on continuing operations of £9.4m for the half year (HY19: £4.8m) [1]
- Adjusted EBITDA from continuing operations[2] loss of £4.5m (HY19: £0.0m) [2]
- Cash and cash equivalents at 30 June 2020 of £23.6m (HY19: £24.8m; FY 2019: £18.8m), bolstered by Placing in April 2020, which raised gross proceeds of £6.9m, together with strong cash control measures implemented in April

Business Unit Performance

- Research Reagents (now including Diagnostics) [3]: Reported revenue of £16.0m a decrease of 15.3% on the prior half year period (HY19: £18.9m) or a decrease of 16.7% on a constant currency basis
- Screening: Reported revenue of £4.4m up 2.8% on the prior half year period (HY19: £4.3m) or an increase of 0.6% on a constant currency basis
- Bioproduction: Reported revenue of £2.0m a decrease of 29.8% on the prior half year period (HY19: £2.8m) or a decrease of 31.7% on a constant currency basis
- Delivery of the planned fivefold increase in capacity in Cell Line Engineering (CLE) together with new value proposition, pricing and go-to-market strategy

Financial Outlook

- Business remains robust with sustained recovery towards 2019 levels
- Fundamental drivers and demands for Horizon's products and services remain strong and the Group is confident of a return to growth in the second half of 2020
- In the long term, the fundamentals of our business are strong and our ambition is to grow revenue in the low double digit percentage levels

1. In December 2019, the Company completed its divestment of its non-core *In Vivo* business unit to Envigo RMS LLC. Revenues generated in the period in the financial year that the Company owned *In Vivo* are excluded from the Company's continuing operations
2. Adjusted EBITDA from continuing operations is a non-IFRS financial measure. Our definition of this non-IFRS measure and a reconciliation to loss for the period on continuing operations, the most nearly comparable financial measure calculated in accordance with IFRS, is presented in the "Financial Review" section

3. During the period the diagnostics business unit was restructured into the research reagents business unit, refer to "CEO review" section.

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

"Despite the impact of the global COVID-19 pandemic during the first half of 2020, we concentrated our efforts to ensure the business remained focused and executing on its strategy, whilst continuing to invest in long-term growth drivers such as our collaborations with Mammoth BioSciences and Rutgers in Base Editing.

"The fantastic efforts of our staff have ensured that we have been able to continue to operate effectively through the crisis, enhancing relationships with our biopharma customers despite the challenging operational environment. We are already seeing the benefit of this work through increased partnering activity with our customers, especially in Screening and Cell Line Engineering, as biopharma customers continue to adopt outsourcing.

"We are encouraged by the July 2020 trading levels, and looking ahead we expect a return to growth in the second half. With a good cash position and large parts of the business already regaining momentum, we look forward to the remainder of the year with confidence."

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 279 6619*
- *Participant US dial-in: 1 877 870 9135*
- *International dial-in: +44 (0) 2071 928338*
- *Participant code: 8772709*

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

https://horizondiscoveryplc.com/news-events/presentations-and-recordings/

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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 that, despite a challenging first half of 2020, the Group has responded well to the difficulties posed by the COVID-19 pandemic, with trading recovering well from a low point in April and large parts of the business regaining momentum and returning towards comparable 2019 levels.

We moved into 2020 with a simplified, more focused business and held realistic ambitions of delivering double digit top line growth. However, as with the whole global economy, we were affected by COVID-19 and the widespread lock-down in the second quarter of the year, which resulted in a rapid reduction in academic research work, leading to a marked reduction in orders for our Research Reagents business unit in particular.

We reacted quickly to these challenges and the relative ease with which the Group has been able to transition the business to operating remotely has been a credit to the versatility and commitment of all our employees and has demonstrated a high degree of business resilience that bodes well for the future.

Operationally, the Group's first priority has been the health and safety of its employees, and with appropriate safety measures in place, all locations have remained open throughout the pandemic and continue to operate effectively. Thanks to the fantastic efforts of our staff, whether working in our facilities or remotely, we have been able to operate normally throughout the crisis.

By working closely with our customers to overcome the shared challenges of the pandemic, we have built stronger and deeper relationships with our biopharma customers based on our ability to help them to solve their problems and add value in difficult conditions. A clear example of this is the extent to which they have increasingly adopted outsourcing and we have become recognised as an invaluable long-term partner. We expect the trend for increased outsourcing to continue, for these relationships to endure and for them to facilitate the high-level access within our biopharma customer base to help to lay the foundations for commercialising our new high growth areas.

In addition to business contingency planning, the Group rapidly implemented measures intended to provide the business with financial flexibility in an unknown and volatile environment. These included cash control measures and a successful Placing, which raised £6.9 million in gross proceeds. These prudent, proactive actions meant that the Group ended the period with £23.6 million in cash and cash equivalents. The strong balance sheet gives us sufficient cash resources to execute our strategy and maintain our investment in strategic projects, including commercialising our base editing technology and pursuing our collaboration with Mammoth Bioscience, even in the event of a prolonged period of economic disruption caused by the COVID-19 pandemic.

We ended the period with revenues down 13.9% against the same period in the prior year, which given the backdrop of the pandemic, is a creditable performance. Whilst in H2 2020 we will not make up the revenues lost in our Research Reagents business during Q2 and have experienced delays to evaluations in BioProduction, COVID-19 has also positively impacted demand for our services in Screening as our BioPharma customers embraced outsourcing to meet their own business challenges during the pandemic. We are also very encouraged by the strong demand for our Cell Line Engineering services, which whilst not related to the pandemic *per se*, does benefit from the tailwind in outsourcing in addition to providing a testament to credentials in industrialising a product line to create scale, operational leverage and expand our addressable market. We are also pleased with the progress we are making in Base Editing, having seen a high degree of interest and sustained engagement from a number of potential early-access biopharma partners.

Group Financial Performance

Revenues for H1 2020 were £22.4 million (HY 2019: £26.1 million)[1], £22.0 million on a constant currency basis. The change of 13.9% compared to the prior year, and 15.5% on a constant currency basis, was largely due to the rapid reduction of research work caused by the COVID-19 pandemic and was in the range of our internal expectations. The greatest impact was seen in Q2 2020, most notably in April. This was followed by a sustained recovery, which resulted in large parts of the business regaining momentum and returning towards 2019 levels by the end of June 2020.

Gross margin from continuing operations[1] was 66.0% (HY 2019: 71.2%). The margin decline is primarily due to reduced trading volumes and provisions for aged inventory for Research Reagents, additional consumable and labour costs in Screening and the impact on royalty costs due to a greater proportion of evaluations for BioProduction. Adjusted EBITDA was a loss of £4.5 million (HY 2019: £0.0 million[1]).

The Group's cash position was bolstered by a successful Placing in April 2020, which raised £6.9 million in gross proceeds, and was further strengthened by the implementation of enhanced cash control measures implemented in April. Taking this into account, the Group had cash and cash equivalents of £23.6 million as of 30 June 2020 (HY 2019: £24.8 million; FY 2019: £18.8 million). The Group's strong balance sheet position provides financial flexibility to ensure operational delivery and continued strategic investment to fully benefit from market recovery.

Performance by Business Unit

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

Research Reagents

- Revenue of £16.0 million (H19: £18.9 million) down 15.3% against the same period in the prior year, with trading significantly impacted by COVID-19
- On a constant currency basis Revenue of £15.8 million down 16.7%
- Gross Margin 65.1% (HY19: 68.7%)

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.

Following the restructuring of the Diagnostics business unit (see below) the Research Reagents business unit now includes four primary offerings:

- Custom-made and off-the-shelf (OTS) RNAi gene modulation reagents that are manufactured in our facility in Boulder, Colorado, US;
- CRISPR reagents that are manufactured in our facility in Boulder, Colorado, US;
- OTS cell models and custom cell engineering services that are delivered from our operations in Cambridge, UK and
- OTS and Made to Order (MTO) cell derived diagnostic reference standards

Revenue for the Research Reagents business was £16.0 million, down 15.3% against the same period last year with trading significantly impacted by COVID-19. Academic and government research labs account for approximately 40% of the Research Reagents business unit's revenues, and the closure of many of these facilities from mid-March led to a rapid reduction in orders for reagents and cell line products in late March. Revenues in April reduced to a low of 56% of the same period in FY19 before trading started to improve in May, as researchers began to return to work. By the end of July trading had recovered towards comparable 2019 levels. Horizon expects academic labs to increasingly return to work from September, which will drive growth in sales of reagents and cell line products. Long-term, ex-COVID the Group expects this Business Unit to return to mid-high single digit revenue growth.

At the end of Q1 we achieved the planned five-fold increase in capacity in Cell Line Engineering (CLE) (compared to the start of FY19) which created a new value proposition that allowed us to reduce pricing and delivery times, whilst maintaining margins, and enabling us to access a wider market. Take up was initially impacted by COVID-19 disruption, but there was strong demand from Biopharma customers from mid-May onwards. As a result, despite the unprecedented economic conditions in H1, orders in CLE were 11.2% higher than prior year, although given the length of these projects (typically 10 weeks) this strong growth is not reflected in the H1 revenue numbers. Order backlog as at HY 2020 was £0.8 million (HY19: £0.7 million).

Overall, the Group saw a 66% increase in initiated customer cell lines compared to H1 2019 and was successful in winning a higher percentage of orders from biopharma customers, including multiple cell line projects through new bulk purchase agreements.

Given the significant increase in demand, the Group has committed to additional investment in lab equipment and automation of approximately £3.5 million, over the next 18 months to further increase capacity to 25 times January 2019 levels. To conserve near-term cash, this investment will be largely funded through leasing equipment. In H2, the Group also expects to further benefit from demand for CLE from academic and government research as researchers return to work following the loosening of lock-down restrictions.

For the first time, the results for this business unit now include Diagnostics. A strategic review conducted at the end of FY19 determined that Horizon should discontinue the manufacture of custom reference standards (given the low margin and unpredictable demand for these products) and focus efforts on the sales of higher volume OTS and MTO reference standards. Custom reference standards represented approximately 20% of FY 19 Diagnostics revenues. The restructuring also resulted in a significant reduction to the cost base through the elimination of 13 full time positions. Despite exiting custom reference standards, Diagnostics' revenues were down 8.5% from H1 2019. We expect the business to return to growth in the second half.

Screening

- Revenue of £4.4 million (HY19: £4.3 million) represents a 2.8% increase on the same period in the prior year
- On a constant currency basis revenue of £4.3 million up 0.6%
- Gross Margin of 58.4% (HY19: 64.7%)

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.

Overall revenue of £4.4 million represents a 2.8% increase on the same period in the prior year. In line with typical biopharma spending patterns, the Screening business saw a relatively flat first quarter. Library sales were impacted by COVID-19 and a reduction in screening being done in-house. They are likely to remain challenged in the second half due to continued COVID-19 disruption.

However, after the initial hiatus of lock-down in late March, the Group saw a notable increase in orders from its Biopharma customer base from May, as these companies responded to the challenges of the COVID-19 crisis by prioritising key projects and supplementing their own in-house resources by outsourcing both CRISPR screening and High Throughput screening (HTS).

Accordingly, Horizon saw strong growth in Screening orders in the last two months of H1. Despite the impact of COVID-19, year to date orders in this Business Unit are 29.9% higher than the prior year, with CRISPR screening orders up 68.9% year on year. Many of these orders closed towards the end of the period and given the length of these projects (typically 3-9 months) and milestone payment terms, this growth is not reflected in the H1 revenue numbers. As of the end of June, the order backlog was £5.4 million (HY19: £3.0 million). The Group expects the trend for outsourcing to continue in the second half, as having established that these services can be cost-effectively provided by trusted partners such as Horizon, pharma companies will continue to leverage outsourced services. Long term we expect the Screening business unit to grow at mid-teens rates.

The Group has also expanded its Screening services portfolio with the launch of two new service lines.

In April 2020, Horizon was first in the market with the launch of a new primary B-cell screening service. B cells have an important role in modulating the immune response to cancer, but research into their role in anti-tumour activity has been largely overlooked in favour of focus on T cells. The launch of the new B-cell screening service complements the T-cell screening service launched in January 2019 and demonstrates Horizon's commitment to apply gene editing experience to support drug discovery and development for the treatment of human disease.

Post period, Horizon added single cell RNAseq-linked pooled CRISPR screening to its CRISPR screening services portfolio. Whilst Horizon's existing pooled format screens already offer researchers a highly robust whole-genome level analyses and outstanding data quality, coupling pooled CRISPR screening to single cell RNAseq means that the full impact of CRISPR-based gene modification can be examined on a global transcriptomic scale at single cell resolution. This means that this powerful genetic technique can reveal previously unforeseen links between genes, or genes and drugs. Horizon has already run CRISPRsc screens with two of the Top 20 Pharma Companies ahead of launch.

Bioproduction

- Revenue of £2.0 million (HY19: £2.8 million) down 29.8% on the same period in the prior year
- On a constant currency basis revenue of £1.9 million down 31.7%
- Gross Margin 90.3% (HY19: 98.0%)

Our BioProduction business unit provides biopharmaceutical and contract manufacturing organisations 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.

Revenue of £2.0 million for H1 was 29.8% down on the same period in the prior year, with revenues suffering the impact of COVID-19 restrictions and the closure of facilities, which resulted in delays to evaluations of our CHO cell line. Pick-up in activity in May and June indicates a potential road to recovery in H2.

Having established our reputation in the market, with more than 80 customer engagements and seven INDs, 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 2019, 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 cell 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. Longer-term, the Group expects low double-digit revenue growth rates pending commercialisation of the Mammoth technology.

Base Editing

At the start of the financial year we created a new Base Editing business unit to provide the necessary focus to commercialise this disruptive gene editing platform as an alternative to CRISPR to accelerate therapeutic developments. Currently the technology is in Research and Development and no revenues were generated in H1 2020.

In January 2020, following a detailed twelve-month evaluation of the technology, Horizon exercised its option to exclusively license this base editing technology from Rutgers, The State University of New Jersey (US), 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 is well positioned for both the CAR-T therapy market and the gene therapy market. Following successful development, we would expect to target partnerships with approximately 10-20 BioPharma companies over the initial 10-year period. Typically, the Group would expect to receive an up-front access fee, milestone payments and royalties for on-market sales of each cell therapy product.

Placing

In April 2020, the Group raised £6.9 million gross through a 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 have bolstered the Group's balance sheet, working capital and liquidity position and will also allow the Group 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.

Supporting COVID-19 Research

Horizon's products and services are being used by our customers in several important areas of COVID-19 research, including in efforts to uncover the virus' weaknesses, find targets for potential therapies and help guide vaccine design. The Group's RNAi and CRISPR reagents are being used by high profile organisations such as the Krogan Lab, based at University of California San Francisco. Nevan Krogan, PhD, Professor of Cellular Molecular Pharmacology at UCSF, who leads the facility, has cited Horizon's ability to be quick and flexible in meeting the laboratory's needs for CRISPR and siRNA reagents as being instrumental in the rapid progression of its COVID research.

Outlook

Horizon is encouraged by the performance of the Group during the first half of the year against the backdrop of an ongoing global pandemic.

Whilst all of the Group's business units were impacted to some degree by COVID-19, particularly as a result of the widespread lock-downs in Q2, large parts of the business have returned towards 2019 performance levels and are showing signs of a sustained recovery. The fundamental drivers and demands for Horizon's products and services remain strong and the Group is confident of a return to growth in the second half of 2020. Horizon remains focused on executing its strategy and excited about the continued expansion of its screening market and the opening up of new high growth areas that will come from commercialising its investments in BioProduction and Base Editing. In the long term our ambition is to grow in the low double digit percentage levels.

Horizon's strong balance sheet position provides financial flexibility to ensure operational delivery and continued R&D investment to fully benefit from market recovery. The Group will continue to prudently manage the business, ensuring operational delivery and focused investment in order to be in a strong position as markets normalise. Notwithstanding further disruption, the Board remains confident about the Group's strategy and look forward to the future with confidence.

Terry Pizzie, CEO

FINANCIAL REVIEW

Revenue performance during HY20 of £22.4m (HY19: £26.1m), represents a decline of 13.9% against the equivalent prior period, primarily due to the impact of COVID-19. On a constant currency basis[1] reported revenue is £22.0m, being a decline of 15.5% compared to the prior year. The greatest impact was seen in Q2 2020, most notably in April. This was followed by a sustained recovery, which resulted in large parts of the business regaining momentum and returning to 2019 levels by the end of June 2020.

Reported gross margins for HY20 are 66.0% (HY19: 71.2%), which is primarily due to reduced trading volumes and provisions for aged inventory for Research Reagents, additional consumable and labour costs in Screening and the impact on royalty costs due to a greater proportion of evaluations for BioProduction.

We report a loss for the period on continuing operations of £9.4m for the period (HY19: £4.8m loss) with an adjusted EBITDA from continuing operations [2] loss of £4.5m (HY19: £0.0m). This included costs of £1.5m due to the work undertaken for preparing for a U.S. listing. While we engaged in cost containment measures, the resultant decline in adjusted EBITDA from continuing operations is driven by reduced revenues.

Management consider the following as additional alternative performance measures to supplement statutory measures of performance as they provide additional insight. Constant currency is the measured current year revenues based on the prevailing foreign exchange rates from the prior year.

Adjusted EBITDA from continuing operations	**HY 2020 £m**	**HY 2019 £m**
Loss for the period on continuing operations	(9.4)	(4.8)
Add back:		
Taxation	(2.0)	(0.4)
Finance costs	0.4	0.4
Amortisation and depreciation	5.0	4.7
Costs associated with preparation for Nasdaq listing*	1.5	-
Executive management exit costs*	-	0.1
Adjusted EBITDA	**(4.5)**	**(0.0)**

*These costs relate to expenditure the Group consider to be material due to their size, nature and expected infrequency of the events – please refer to Note 5 of the Financial Statements for details.

Order backlog

Order backlog represents revenue in relation to the unearned portion of customer contracts. As at 30 June 2020, order backlog was £6.5m (HY19: £4.1m).

Operating costs

Total operating expenses from continuing operations for the period are £25.8m (HY19: £23.4m). The net increase is primarily due to, costs associated with preparation for a Nasdaq listing, IT and website related costs, Base Editing R&D expenditure and higher net staff costs offset by savings in areas such as travel, conferences, and consultancy spend.

Balance sheet

Net assets of the Group were £131.2m at the end of the period (31 December 2019: £127.0m). Group working capital (net current assets) is £27.2m (31 December 2019: £28.9m). The Group's cash resources stand at £23.6m (HY 2019: £24.8 million; FY 2019: £18.8 million), which during H1 were bolstered by a successful Placing in April 2020, which raised £6.9m in gross proceeds. The Group's strong balance sheet position provides financial flexibility to ensure operational delivery and continued R&D investment to fully benefit from market recovery.

Current trading and outlook

As the Group builds momentum following the impact of COVID-19 on H1 2020, we anticipate a stronger second half performance, which is also consistent with trends in prior years. This is reflected by our growing order book which indicates a recovery from the initial impact of COVID-19. During H2 we remain committed to investing in key strategic projects which include our base editing technology and the automation of our Cell Line engineering operations, in order to be in a strong position as markets normalise.

Jayesh Pankhania, CFO

INDEPENDENT REVIEW REPORT TO HORIZON DISCOVERY GROUP PLC

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 2020 which comprises the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting," as adopted by the European Union.

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 Financial Reporting Council 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 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 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

Use of our report

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 Financial Reporting Council. 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.

Deloitte LLP

Statutory Auditor

Cambridge, UK

14 August 2020

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
Six months ended 30 June 2020

	Note	Six months ended 30 June 2020 £`000	Restated[1] Six months ended 30 June 2019 £`000	Year ended 31 December 2019 £`000
Continuing Operations				
Revenue	3	22,444	26,067	58,253
Cost of sales		(7,632)	(7,499)	(17,498)
GROSS PROFIT		14,812	18,568	40,755
Other operating income		1,072	1,014	2,085
Sales, marketing and distribution costs		(6,844)	(6,801)	(14,312)
Research, development and operations costs		(7,466)	(6,936)	(14,204)
Corporate and administrative expenses		(12,537)	(10,317)	(24,387)
Share of results of joint ventures		-	(313)	(641)
OPERATING LOSS		(10,963)	(4,785)	(10,704)
Investment income		17	40	58
Finance costs		(394)	(428)	(866)
LOSS BEFORE TAX		(11,340)	(5,173)	(11,512)
Taxation		1,964	399	2,285
LOSS FOR THE PERIOD ON CONTINUING OPERATIONS	5	(9,376)	(4,774)	(9,227)
DISCONTINUED OPERATIONS				
(Loss)/profit for the period from discontinued operations net of tax	8	-	(810)	4,622
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(9,376)	(5,584)	(4,605)
LOSS PER SHARE				
From Continuing operations				
Basic and diluted (pence)	7	(6.1p)	(3.2p)	(6.1p)
From Continuing and discontinued operations				
Basic and diluted (pence)	7	(6.1p)	(3.7p)	(3.1p)

1 The results for the six months ended 30 June 2019 have been restated to include the impact of operations classified as discontinued in 2019 (see note 8), for a reclassification of executive management exit costs that were reported as exceptional items within corporate and administrative expenses and for a tax adjustment which formed part of a prior year adjustment for the year ended 31 December 2019. The total tax credit for the six months ended 30 June 2019, including amounts classified in discontinued operations has decreased from £884k to 549k following this adjustment. See note 2 for full details of restatement. No activities have been classified as discontinued during the six months ended 30 June 2020.

HORIZON DISCOVERY GROUP PLC

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
Six months ended 30 June 2020

	Note	Six months ended 30 June 2020 £`000	Restated Six months ended 30 June 2019 £`000	Year ended 31 December 2019 £`000
LOSS FOR THE PERIOD		(9,376)	(5,584)	(4,605)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations		6,077	482	(3,184)
Taxation on exchange difference on translation of intercompany loans on consolidation		(528)	-	202
Foreign exchange gains recycled to the income statement		-	-	(8,386)
Other comprehensive income/(loss) for the period net of tax		5,549	482	(11,368)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(3,827)	(5,102)	(15,973)
Total comprehensive loss for the period attributable to Owners of the Company arises from:				
Continuing operations		(3,827)	(4,233)	(12,877)
Discontinued operations	8	-	(869)	(3,096)
		(3,827)	(5,102)	(15,973)

HORIZON DISCOVERY GROUP PLC

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
30 June 2020

	Note	As at 30 June 2020 £`000	Restated[1] As at 30 June 2019 £`000	31 December 2019 £`000
Non current assets				
Goodwill	9	53,345	51,940	50,110
Other intangible assets	10	44,563	44,558	42,232
Property, plant and equipment		8,878	10,905	9,498
Right of use assets		9,461	11,216	9,988
Investments		-	2,647	-
Other receivables		433	433	433
		116,680	121,699	112,261
Current assets				
Inventories		1,964	2,272	2,166
Trade and other receivables		12,495	15,280	18,828
Corporation tax receivable		2,275	1,820	3,411
Cash and cash equivalents		23,601	24,831	18,779
		40,335	44,203	43,184
Total assets		157,015	165,902	155,445
Current liabilities				
Trade and other payables		(10,898)	(9,481)	(12,374)
Lease liabilities		(2,219)	(2,880)	(1,955)
Total current liabilities		(13,117)	(12,361)	(14,329)
Net current assets		27,218	31,842	28,855
Non-current liabilities				
Lease liabilities		(9,564)	(11,349)	(10,267)
Deferred tax		(2,408)	(4,724)	(3,142)
Long term provisions		(721)	(200)	(673)
Total non-current liabilities		(12,693)	(16,273)	(14,082)
Total liabilities		(25,810)	(28,634)	(28,411)
Net assets		**131,205**	**137,268**	**127,034**
Equity				
Share capital	11	3,210	3,135	3,137
Share premium account		146,403	139,195	139,511
Share option reserve		4,770	3,418	3,737
Merger reserve		67,457	67,457	67,457
Currency reserve		5,397	11,698	(152)
Accumulated deficit		(96,032)	(87,635)	(86,656)
Total equity		**131,205**	**137,268**	**127,034**

[1] The 30 June 2019 balance sheet has been restated for a prior period adjustment relating to deferred tax, for a transitional difference on adoption of IFRS 16 and for a classification restatement within equity which were identified in the 2019 Annual Report. See note 2 for full details of restatement.

HORIZON DISCOVERY GROUP PLC

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Six months ended 30 June 2020

	Share capital £`000	Share premium account £`000	Share option reserve £`000	Merger reserve[1] £`000	Currency reserve £`000	Accumulated deficit £`000	Total £`000
Balance at 1 January 2020	3,137	139,511	3,737	67,457	(152)	(86,656)	127,034
Loss for the period	-	-	-	-	-	(9,376)	(9,376)
Other comprehensive income for the period	-	-	-	-	5,549	-	5,549
Total comprehensive income/(loss) for the period	-	-	-	-	**5,549**	**(9,376)**	**(3,827)**
Shares issued from option exercises	5	352	-	-	-	-	357
Shares issued through external share placing (see note 11)	68	6,832					6,900
Costs attributable to issue of new shares	-	(292)	-	-	-	-	(292)
Credit to equity for equity settled share-based payment transactions[3]	-	-	1,033	-	-	-	1,033
Balance at 30 June 2020	**3,210**	**146,403**	**4,770**	**67,457**	**5,397**	**(96,032)**	**131,205**

	Share capital £`000	Share premium account £`000	Share option reserve £`000	Merger Reserve[1] £`000	Restated Currency Reserve[2] £`000	Restated Accumulated deficit[2] £`000	Restated Total £`000
Balance at 1 January 2019	3,134	139,102	3,100	67,457	11,216	(82,051)	141,958
Loss for the period	-	-	-	-	-	(5,584)	(5,584)
Other comprehensive income for the period	-	-	-	-	482	-	482
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**-**	**482**	**(5,584)**	**(5,102)**
Shares issued	1	93	-	-	-	-	94
Credit to equity for equity settled share-based payment transactions	-	-	318	-	-	-	318
Balance at 30 June 2019	**3,135**	**139,195**	**3,418**	**67,457**	**11,698**	**(87,635)**	**137,268**

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 unaudited condensed consolidated balance sheet and statement of changes in equity for the six months ended 30 June 2019 have been restated to correct an error relating to deferred tax, for a transitional adjustment on adoption of IFRS 16 and to correct an error in the classification of exchange differences on translation of foreign operations from accumulated deficit into the currency reserve. Full details of this restatement have been included in Note 2.

3 £568k credit to equity for equity settled share-based payment transactions relates to amounts capitalised as an intangible asset (see note 10).

HORIZON DISCOVERY GROUP PLC

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
Six months ended 30 June 2020

	Note	Six months ended 30 June 2020 £`000	Six months ended 30 June 2019 £`000	Year ended 31 December 2019 £`000
Net cash inflow from operating activities	13	544	1,309	985
Investing activities				
Interest received		17	38	58
Acquisition of investment in joint venture		-	-	(700)
Purchases of property, plant and equipment		(519)	(607)	(1,973)
Purchase of intangible assets		(782)	(1,182)	(2,743)
Disposal of business unit		-	-	(287)
Net cash used in investing activities		(1,284)	(1,751)	(5,645)
Financing activities				
Interest paid		(527)	(602)	(1,248)
Proceeds on issue of shares net of expenses		6,965	93	412
Principal elements of lease payments		(1,020)	(982)	(1,997)
Net cash from/(used in) from financing activities		5,418	(1,491)	(2,833)
Net increase/(decrease) in cash and cash equivalents		4,678	(1,933)	(7,493)
Cash and cash equivalents at beginning of period		18,779	26,740	26,740
Effect of exchange rate changes		144	24	(468)
Cash and cash equivalents at end of period		**23,601**	**24,831**	**18,779**

1. ACCOUNTING POLICIES

General information

This condensed consolidated interim financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2019 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.

The condensed consolidated interim financial statements have been reviewed, not audited.

Basis of preparation and application of accounting policies

The condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in compliance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019, which were prepared in accordance with International Financial Reporting Standards as issued by the IASB and adopted by the EU ("IFRSs"). The Interim Financial Statements have been prepared applying the accounting policies that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2019 except where disclosed below, and have been prepared on a going concern basis as described further below.

Inventories

For the year ended 31 December 2019, the group's inventory policy stated:

Inventories are stated at the lower of cost and net realisable value. Cost represents the cost of consumables, production overheads and staff costs that are directly apportionable to the production of inventories. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of disposal.

In 2020, the group has changed its policy on inventory valuation from using the weighted average methodology to standard costing. This change in accounting policy is to provide more reliable and relevant information to users, to allow the business to better track and improve cost control and to aid planning and decision making by analysing variances against expected standard costs. This change in accounting policy has been applied in the current year and no retrospective application as the impact of the change in policy is immaterial.

Adoption of new and revised standards

No new standards have come into effect in the period which have a material impact on the Group.

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

Risks and estimation uncertainties

An outline of the key risks and uncertainties faced by the Group was described on pages 36 and 37 of the Company's Annual Report and Financial Statements for the year ended 31 December 2019. These have been reviewed in light of COVID-19 and a series of mitigating actions implemented. The following risk has been added:

- Risk of a second wave of COVID-19 leading to an impact on operations and/or revenue

The identified key sources of estimation uncertainty in the 2019 Annual Report and Financial Statements were:

- Forecasts and discount rates;
- Incremental borrowing rates on lease liabilities;
- Assessment of lease terms for leases falling under IFRS 16; and
- Deferred tax assets.

At 31 December 2019, in the opinion of the directors, there were no critical accounting judgements.

The key sources of estimation uncertainty listed above have remained in the period, especially given the significant uncertainty during the period arising from the COVID-19 pandemic. Management has

1. ACCOUNTING POLICIES (continued)

exercised judgment in evaluating the impact of COVID-19 in the going concern modelling and in assessing the impact on future cash flows included within our value in use calculations used in the impairment assessments of the Genomic Products and Research Reagents cash generating units. The judgments made in respect of the going concern modelling are described below and the assumptions used in the impairment assessments, including cash flow projections, long-term growth, and discount rate are disclosed in note 9.

Going concern

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 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.

As part of the directors' consideration of the appropriateness of adopting the going concern basis in preparing the interim report and financial statements, management has reassessed and updated forecasts. In addition a range of potential scenarios forecast have been assessed. The assumptions modelled include estimates of the potential impact of COVID-19 resulting from government restrictions and regulations, along with our proposed responses over the course of the next 12 months. These include a range of estimated impacts based on length of time various levels of restrictions are in place and the severity of the consequent impact of those restrictions. The scenarios are most sensitive to changes in revenue, consequently management has performed sensitivity analysis of revenue to projected cash positions with no resulting liquidity shortfall in the downside scenario. A key judgement applied is the likely time period of restrictions on trading activities in the markets in which we operate, movement of people and social distancing. Under each scenario, mitigating actions are all within management control, can be initiated as they relate to discretionary spend, and do not impact the ability to meet the needs of our customers. These actions include stopping all non-essential and non-committed capital expenditure in the next 12 months. We have assumed no significant structural changes to the business will be needed in any of the scenarios modelled.

As at 30 June 2020, the unaudited condensed consolidated balance sheet reflects a net asset position of £131.2m and the liquidity of the Group remains strong with cash of £23.6m.

The Group's forecasts and projections 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.

Government assistance

The group have made use of government assistance provided in response to the COVID-19 outbreak. The Coronavirus Job Retention Scheme offered in the UK and Employee Retention Credits provided by the government in USA have been used to assist cash flow in the six months ended 30 June 2020. As permitted under IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, the government support has been netted against associated costs incurred by the Group.

2. PRIOR YEAR RESTATEMENT

a) Discontinued operations

The consolidated income statement for the six months ended 30 June 2019 has been restated to include the impact of operations classified as discontinued in 2019 (see Note 8).

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. Part of this restatement was included in the tax credit for the six months ended 30 June 2019, but reversed at the year ended 31 December 2019 to include full impact as a prior period restatement.

2. PRIOR YEAR RESTATEMENT (continued)

c) Lease assets and liabilities

A change on the transitional impact of adoption of IFRS 16 was made after the results for 30 June 2019 and included in the results for the year ended 31 December 2019. The results for the six months ended 30 June 2020 have been restated to show this change in adoption of the new standard for the 2019 year.

The deferred tax and lease adjustments have been corrected by restating each of the affected financial statement line items in the prior period as follows:

	Six months ended 30 June 2019 £'000	**Deferred tax adjustment £'000**	**IFRS 16 transition Adjustment £'000**	**Restated Six months ended 30 June 2019 £'000**
Consolidated Income Statement				
Loss for the year attributable to owners of the company	(5,250)	(334)	-	(5,584)
Consolidated Statement of Comprehensive Income				
Total comprehensive loss for the year attributable to owners of the company	(4,768)	(334)	-	(5,102)
Consolidated Balance Sheet				
Right of use assets	11,161	-	55	11,216
Total Assets	165,847	-	55	165,902
Lease liabilities – current	(2,990)	-	110	(2,880)
Deferred tax	(5,043)	348	(29)	(4,724)
Other non current liabilities	(201)	-	1	(200)
Total liabilities	(29,064)	348	82	(28,634)
Net assets	136,783	348	137	137,268
Accumulated deficit at 1 January 2019	(71,654)	682	137	(70,835)
Total Accumulated deficit	(76,422)	348	137	(75,937)

Basic and diluted loss per share for the six months ended 30 June 2019 has also been restated. The amount of the correction for both basic and diluted loss per share was an decrease of 0.2p per share for continuing and discontinued operations, which all relates to continuing operations.

d) Currency reserve

The June 2019 unaudited condensed 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 2019, was to instate a currency reserve of £11,216k and increase accumulated deficit from £(70,835k) per the above table to £(82,051k) per the unaudited condensed consolidated statement of changes in equity.

3. REVENUE

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

	Six months ended 30 June 2020 £`000	Restated[1] Six months ended 30 June 2019 £`000	Restated[1] Year ended 31 December 2019 £`000
Screening	4,426	4,307	11,409
Research Reagents	16,039	18,943	38,279
BioProduction	1,979	2,817	8,565
	22,444	26,067	58,253
Other operating income	1,072	1,014	2,085
Investment income	17	40	58
Total from continuing operations	23,533	27,121	60,396
Total revenue from discontinued operations	-	2,486	4,607

[1] Revenue for the year ended 31 December 2019 has been restated for the combination of the research reagents and diagnostics segments (see note 4). Revenue for the period ended 30 June 2019 has been restated for the change in segments and for split of revenue from discontinued operations.

Revenue is derived from	Six months ended 30 June 2020 £`000	Restated Six months ended 30 June 2019 £`000	Year ended 31 December 2019 £`000
Products	17,120	20,964	45,040
Services	5,324	5,103	13,213
	22,444	26,067	58,253

Timing of revenue recognition from continuing operations	Six months ended 30 June 2020 £`000	Restated Six months ended 30 June 2019 £`000	Year ended 31 December 2019 £`000
At a point in time	15,413	20,596	43,574
Over time	7,031	5,471	14,679
	22,444	26,067	58,253

Revenues are attributed to regions based on customers' location. The Group's revenue from external customers is set out below:

	Six months ended 30 June 2020 £`000	Restated Six months ended 30 June 2019 £`000	Year ended 31 December 2019 £`000
United States of Americas	11,477	12,792	29,840
Other Americas	396	413	784
United Kingdom	2,901	3,117	5,520
Europe, Middle East & Africa	4,193	4,721	12,261
Asia Pacific	3,477	5,024	9,848
	22,444	26,067	58,253

Revenue is not considered to be seasonal in nature in any segment.

4. SEGMENT INFORMATION

The Directors consider that the Group's business units are separately identifiable operating segments for the purpose of revenue generation. As previously disclosed in the consolidated financial statements as at and for the year ended 31 December 2019, operating segments were changed to better represent how the business analyses and reports performance by business unit.

In H1 2020, the business was further restructured such that the Diagnostics and Research Reagents business units now form one operating segment, Research Reagents, and are reported to the Chief Executive Officer, who is considered the chief operating decision maker ("CODM") on this combined basis. This restructuring has taken place due to a move away from custom services and towards the development of catalogue products to be sold through the e-commerce platform. It no longer warrants separate management focus and, as an extension of the cell line engineering process, it naturally aligns with the portfolio within the Research Reagents business unit. The comparatives have been restated to reflect this change.

The information reported to the 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 operating segments; Screening, Research Reagents, BioProduction, Base Editing and In Vivo. The In Vivo business was sold during the 2019 year and results for this business are reported within discontinued operations. 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, custom-made and off-the-shelf gene modification and gene editing reagents and molecular reference standards derived from gene-edited cell lines.

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

Base Editing – There have been no revenues or costs of sale relating to this business unit in H1 2020. We are refining this technology ahead of fully commercialising and we expect future revenues to arise from upfront fees, milestone payments and royalty payments. We have not recognized any revenue or cost of sales to date from this business unit.

Operating segments have not been aggregated to form these reportable 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 from continuing operations:

Six months ended 30 June 2020	Screening £'000	Research Reagents £'000	BioProduction £'000	Consolidated £'000
Revenue	4,426	16,039	1,979	22,444
Cost of sales	(1,840)	(5,601)	(191)	(7,632)
Gross profit	**2,586**	**10,438**	**1,788**	**14,812**
Other operating income				1,072
Sales, marketing, and distribution costs				(6,844)
Research, development and operations costs				(7,466)
Corporate and administrative expenses				(12,537)
Operating loss				**(10,963)**
Investment income				17
Finance costs				(394)
Loss before tax				**(11,340)**
Taxation				1,964
Loss for the period on continuing operations				**(9,376)**

4. SEGMENT INFORMATION (Continued)

Six months ended 30 June 2019	Screening £'000	Restated[1] Research Reagents £'000	BioProduction £'000	Restated[1] Consolidated £'000
Revenue	4,307	18,943	2,817	26,067
Cost of sales	(1,522)	(5,922)	(55)	(7,499)
Gross profit	**2,785**	**13,021**	**2,762**	**18,568**
Other operating income				1,014
Sales, marketing, and distribution costs				(6,801)
Research, development and operations costs				(6,936)
Corporate and administrative expenses				(10,317)
Share of results of joint venture				(313)
Operating loss				**(4,785)**
Investment income				40
Finance costs				(428)
Loss before tax				**(5,173)**
Taxation				399
Loss for the period on continuing operations				**(4,774)**

[1] Revenues for the six months ended 30 June 2019 have been restated to reflect the combination of research reagents and diagnostics into one operating segment and for operations treated as discontinued operations (see note 8).

Year ended 31 December 2019	Screening £'000	Restated[1] Research Reagents £'000	BioProduction £'000	Consolidated £'000
Revenue	11,409	38,279	8,565	58,253
Cost of sales	(3,536)	(12,794)	(1,168)	(17,498)
Gross profit	**7,873**	**25,485**	**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 period on continuing operations				**(9,227)**

[1] Revenues for the year ended 31 December 2019 have been restated to reflect the combination of research reagents and diagnostics into one business unit.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the 2019 Annual Report, with the exception of inventory costing as described in Note 1. Segment performance is monitored at a gross margin level and operational costs are not allocated between operating segments.

5. LOSS FOR THE PERIOD

Loss for the half-year includes the following items of expenditure which the group consider to be material due to their size, nature or the expected infrequency of the events giving rise to them and are therefore disclosed separately. Management believes this presentation helps shareholders understand the

5. LOSS FOR THE PERIOD (continued)

elements of financial performance in the year, to facilitate comparison with prior years and to better assess trends in future financial performance. These items are as follows:

	Six months ended 30 June 2020 £`000	Six months ended 30 June 2019 £`000	Year ended 31 December 2019 £`000
Costs associated with NASDAQ listing	1,495	-	1,682
Executive management exit costs	-	143	281
	1,495	143	1,963

All items above are presented in corporate and administrative expenses.

6. INCOME TAX

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate from continuing operations used for the year to 30 June 2020 is 17.3%, compared to 7.7% for the six months ended 30 June 2019. The difference in the average annual tax rate is due to taxation on exchange differences on translation of intercompany loans on consolidation and UK tax assets not recognised. The tax rate was lower than the UK Corporation tax rate of 19% in both periods due to the tax effect of expenses not deductible in determining taxable profit.

7. LOSS PER SHARE

FROM CONTINUING AND DISCONTINUED OPERATIONS

The calculations of basic and diluted loss per share are based upon the following data:

	Six months ended 30 June 2020 £`000	Restated Six months ended 30 June 2019 £`000	Year ended 31 December 2019 £`000
Loss for the purposes of basic and diluted loss per share being net loss attributable to owners of the Company	(9,376)	(5,584)	(4,605)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	153,341,563	150,421,755	150,470,207
Loss per share	(6.1p)	(3.7p)	(3.1p)

FROM CONTINUING OPERATIONS

The calculations of basic and diluted loss per share are based upon the following data:

	Six months ended 30 June 2020 £`000	Restated Six months ended 30 June 2019 £`000	Year ended 31 December 2019 £`000
Loss for the purposes of basic and diluted loss per share being net loss attributable to owners of the Company	(9,376)	(4,774)	(9,227)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	153,341,563	150,421,755	150,470,207
Loss per share	(6.1p)	(3.2p)	(6.1p)

7. LOSS PER SHARE (continued)

No adjustment has been made to the basic loss per share as 30 June 2020, 30 June 2019 or 31 December 2019 as the exercise of share options would have the effect of reducing the loss per ordinary share, and therefore is not dilutive.

8. DISCONTINUED OPERATIONS

8(A) DESCRIPTION

On 7 November 2019, the Group entered into a sale 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 from 2 December 2019 and is reported in the year ended 31 December 2019 as a discontinued operation. No activities have been classed as discontinued operations in the six months ended 30 June 2020. Financial information relating to the discontinued operation for the period to the date of the disposal is set out below.

8(B) FINANCIAL PERFORMANCE INFORMATION

The financial performance of the discontinued operation for the 11 months ended 2 December 2019 and the six months ended 30 June 2019 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:

	Note	Six months ended 30 June 2019 £`000	Year ended 31 December 2019 £`000
Revenue	3	2,486	4,607
Cost of sales		(1,503)	(2,747)
GROSS PROFIT		983	1,860
Other operating income		-	(6)
Sales, marketing and distribution costs		(264)	(712)
Research, development and operations costs		(928)	(1,734)
Corporate and administrative expenses		(718)	(2,553)
OPERATING LOSS		(927)	(3,145)
Finance costs		(34)	(67)
LOSS BEFORE TAX		(961)	(3,212)
Taxation		151	571
LOSS FOR THE PERIOD BEFORE DISPOSALS		(810)	(2,641)
Profit on disposal of discontinued operations		-	7,263
(LOSS)/PROFIT FOR THE PERIOD NET OF TAX		(810)	4,622
Exchange differences on translation of discontinued operations		(59)	668
Foreign exchange gains recycled to the income statement		-	(8,386)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ON DISCONTINUED OPERATIONS		(869)	(3,096)

8. DISCONTINUED OPERATIONS (continued)

(LOSS)/EARNINGS PER SHARE ON DISCONTINUED OPERATIONS

	Six months ended 30 June 2020 £`000	Six months ended 30 June 2019 £`000	Year ended 31 December 2019 £`000
(Loss)/Profit for the purposes of basic and diluted (loss)/profit per share being net (loss)/profit attributable to owners of the Company	-	(810)	4,622
Number of shares			
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	153,341,563	150,421,755	150,470,207
(Loss)/profit per share	-	(0.5p)	3.0p

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

	Six months ended 30 June 2019 £`000	Year ended 31 December 2019 £`000
Net cash outflow from operating activities	(1,200)	(3,320)
Net cash outflow from investing activities (31 December 2019 includes an inflow of £1 from sale of the CGU)	(52)	(358)
Net cash outflow from financing activity	(47)	(89)
NET CASH OUTFLOW FROM DISCONTINUED OPERATIONS	(1,299)	(3,767)

8(C) DETAILS OF THE SALE OF BUSINESS UNIT

The profit 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 SALE 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

9. GOODWILL

As at 30 June 2020

	£000
Cost	
At 31 December 2019	50,110
Effects of movements in foreign exchange	3,235
At 30 June 2020	53,345
Accumulated impairment losses	
At 31 December 2019	-
Effects of movements in foreign exchange	-
At 30 June 2020	-
Net book value	
At 30 June 2020	53,345
At 31 December 2019	50,110

As at 30 June 2019

	£000
Cost	
At 31 December 2018	77,642
Effects of movements in foreign exchange	314
At 30 June 2019	77,956
Accumulated impairment losses	
At 31 December 2018	(25,892)
Effects of movements in foreign exchange	(124)
At 30 June 2019	(26,016)
Net book value	
At 30 June 2019	51,940
At 31 December 2018	51,750

Management tested goodwill arising from business combinations for impairment when preparing the consolidated financial statements for the year ended 31 December 2019. This test is required annually and when there is an indicator of impairment. Indicators of impairment have been identified in 2020 with respect to the goodwill allocated to the Genomic Products and Research Reagents cash generating units as results are below expectations due to the impact of the COVID-19 pandemic on the business. No indicators of impairment have been identified in relation to the Combination Screening cash generating unit.

The carrying amount of the goodwill allocated to the Genomic Products and Research Reagents cash generating units has been assessed for impairment by comparing the carrying amount to the recoverable amount based on value in use. The value in use calculation for each cash generating unit uses estimated future cash flows, for which the key assumptions are the revenue growth rates over the next five and a half years, which are based on management's estimates of the growth in future sales; the terminal growth rate for revenues beyond that period, which reflects a higher expected growth in the personalized medicine market than the expected average growth rate or the economy; and the pre-tax discount rate, which is based on management's assessment of risk inherent in the current business model.

Genomic Products – As of 30 June 2020, the value in use of this cash generating unit was greater than the goodwill carrying amount of £7,265k (30 June 2019: £7,163k). Management has applied revenue growth rates at an average CAGR of 20% (2019: 27.9%) over the five years beyond 2020, a terminal growth rate of 5% (2019: 5%), and a pre-tax discount rate of 13.4% (2019: 13.4%). This cash generating unit sits within the Research Reagents operating segment as disclosed in these notes.

The achievement of the revenue growth is dependent on no further impact of the COVID-19 pandemic and successful execution of a plan to fill the increased operational capacity gained in 2019, implementation of a customer segment matched pricing strategy and streamlining commercial services contracts. If this plan is not executed successfully, market share will not be increased. It is reasonably possible that changes to the revenue growth rates within the next financial year could materially affect the outcome of the impairment assessment for the Genomic Products cash generating unit.

Reducing revenue in H2 2020 to reflect a sustained impact from the COVID-19 pandemic and reducing revenue growth rates to an average CAGR of 19.2% in the periods beyond that, which is the expected growth rate of the cell line engineering market, would reduce headroom to zero. Additionally, the consequential effects of that change on the other variables used to measure the recoverable amount have been incorporated, including the terminal growth rate. The table below summarizes the revenue growth in the base model and the headroom if the CAGR decreased to the amount indicated.

	H2 2020 Revenue £m	**2021 Revenue £m**	**2022 Revenue £m**	**2023 Revenue £m**	**2024 Revenue £m**	**2025 Revenue £m**	**Headroom / impairment*** £m
Base case	3.2	5.7	7.0	8.5	10.0	11.8	42.0
Break-even scenario	1.5	3.3	4.9	5.9	6.8	7.3	-

* The headroom is calculated by comparing the carrying value of the Goodwill, acquisition intangible assets and property, plant and equipment assigned to the Genomic Products CGU against the discounted future cash flows of the CGU.

Research Reagents –As of 30 June 2020, the value in use of this cash generating unit was greater than the goodwill carrying amount of £43,915k (30 June 2019: £42,613k). Management has applied revenue growth rates at an average CAGR of 9.8% (2019: 6.1%) over the five years beyond 2020, a terminal growth rate of 5% (2019: 5%), and a pre-tax discount rate of 15.5% (2019: 15.5%). There are no reasonably possible changes in key assumptions that would give rise to a material impairment loss. This cash generating unit sits within the Research Reagents operating segment as disclosed in these notes.

10. OTHER INTANGIBLE ASSETS

As at 30 June 2020

Group	Acquired customer relationships £'000	Other intangible assets £'000	Intangible assets under construction £'000	Patents £'000	Software £'000	Develop-ment £'000	Total £'000
Cost							
At 31 December 2019	8,694	36,721	314	2,550	5,733	3,154	57,166
Additions[1]	-	-	2,246	162	100	10	2,518
Exchange differences	609	2,437	(2)	-	68	62	3,174
Transfers	-	-	(39)	-	-	39	-
Disposals	-	-	-	-	(6)	-	(6)
At 30 June 2020	**9,303**	**39,158**	**2,519**	**2,712**	**5,895**	**3,265**	**62,852**
Amortisation & impairment losses							
At 31 December 2019	1,541	9,010	-	796	2,311	1,276	14,934
Charge for year	300	1,506	-	71	553	129	2,559
Disposals	-	-	-	-	(6)	-	(6)
Exchange differences	115	571	-	-	34	82	802
At 30 June 2020	**1,956**	**11,087**	**-**	**867**	**2,892**	**1,487**	**18,289**
Net book value							
At 30 June 2020	**7,347**	**28,071**	**2,519**	**1,845**	**3,003**	**1,778**	**44,563**
At 31 December 2019	**7,153**	**27,711**	**314**	**1,754**	**3,422**	**1,878**	**42,232**

1 £568k additions included within intangible assets under construction relates to a share based payment transaction which meets the criteria for capitalisation as an intangible asset. £568k has been taken to the share option reserve in relation to this transaction.

As at 30 June 2019

Group	Acquired customer relationships £'000	Other intangible assets £'000	Intangible assets under construction £'000	Patents £'000	Software £'000	Develop-ment £'000	Total £'000
Cost							
At 31 December 2018	14,562	40,431	59	2,437	3,972	3,009	64,470
Additions	-	-	884	186	92	20	1,182
Exchange differences	67	160	1	-	4	(1)	231
Transfers	-	-	(32)	-	32	-	-
Disposals	-	-	-	(76)	-	(28)	(104)
At 30 June 2019	**14,629**	**40,591**	**912**	**2,547**	**4,100**	**3,000**	**65,779**
Amortisation & impairment losses							
At 31 December 2018	6,573	8,797	-	686	1,822	948	18,826
Charge for year	293	1,467	-	76	362	132	2,330
Disposals	-	-	-	(30)	-	(4)	(34)
Exchange differences	36	58	-	-	4	1	99
At 30 June 2019	**6,902**	**10,322**	**-**	**732**	**2,188**	**1,077**	**21,221**
Net book value							
At 30 June 2019	**7,727**	**30,269**	**912**	**1,815**	**1,912**	**1,923**	**44,558**
At 31 December 2018	**7,989**	**31,634**	**59**	**1,751**	**2,150**	**2,061**	**45,644**

10. OTHER INTANGIBLE ASSETS (continued)

Individually material intangible assets

	Asset classification	Carrying value 30 June 2020 £'000	Carrying value 30 June 2019 £'000	Carrying value 31 December 2019 £'000	Remaining amortisation period at 30 June 2020
Technology arising from the acquisition of Dharmacon, Inc	Other intangible assets	24,996	26,248	24,321	13 years
Customer relationships arising from the acquisition of Dharmacon, Inc	Acquired customer relationships	7,045	7,398	6,855	13 years
Intellectual property arising from the acquisition of Horizon Genomics GmbH	Other intangible assets	2,375	2,490	2,290	14 years

11. SHARE CAPITAL

Authorised, issued and fully paid	30 June 2020 £`000	30 June 2019 £`000	31 December 2019 £`000
157,964,918 (31 December 2019: 150,667,096, 30 June 2019: 150,435,910) Ordinary shares of £0.01 each	3,210	3,135	3,137

During the 6 months ended 30 June 2020, the Company issued 533,457 ordinary shares as a result of employee option exercises. 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. Of these proceeds £67.6k has been recognised within share capital and £6,832.0k recognised in share premium.

12. DIVIDENDS

The directors do not recommend payment of a dividend. No dividend was paid or proposed in the six months ended 30 June 2019 or year ended 31 December 2019.

13. NOTES TO THE CASH FLOW STATEMENT

	Six months ended 30 June 2020 £`000	Restated[1] Six months ended 30 June 2019 £`000	Year ended 31 December 2019 £`000
Loss for the period	(9,376)	(5,584)	(4,605)
Adjustments for:			
Investment income	(17)	(40)	(58)
Finance costs	527	627	1,243
Depreciation of property, plant and equipment	1,372	1,354	2,704
Amortisation of intangible assets	2,611	2,363	4,895
Amortisation of right of use assets	1,039	1,000	2,040
Loss on disposal of property, plant and equipment	-	71	73
Tax credit	(2,219)	(675)	(3,375)
Share option charge	475	318	653
Unrealised gains/losses on foreign exchange	397	-	1,001
Profit on disposal of discontinued operation	-	-	(7,263)
Impairment of joint venture	-	-	3,019
Share of loss of joint venture	-	313	641
	4,185	5,331	5,573
Operating cash flows before movements in working capital	(5,191)	(253)	968
Decrease/(increase) in inventories	257	271	(3)
Decrease in receivables	5,934	4,429	803
Decrease in payables	(2,353)	(4,709)	(2,338)
	3,838	(9)	(1,538)
Cash generated by operations	(1,353)	(262)	(570)
Tax credit received	1,897	1,571	1,555
Net cash from operating activities	**544**	**1,309**	**985**

[1] Loss for the period and tax credit for the six months ended 30 June 2019 have been restated for a prior period adjustment relating to deferred tax. Loss for the period increased by £334k and tax credit decreased by £334k. There is no change in operating cash flows before movement in working capital or net cash from operating activities.

14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides an update on the judgements and estimates made by the group in determining the fair values of the financial instruments.

FAIR VALUE HEIRARCHY

To provide an indication about the reliability of the inputs used in determining fair value, the group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2020, 30 June 2019 and 31 December 2019 on a recurring basis. Fair value hierarchy is determined as:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted marked price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over–the–counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

At 30 June 2019	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial Assets at fair value through profit and loss (FVPL)	-	-	1,653	1,653
Total financial assets	**-**	**-**	**1,653**	**1,653**

No financial assets were held at fair value at 31 December 2019 or 30 June 2020 and no financial liabilities were held at fair value at any period end.

The Group's Level 3 financial instruments consist of property, plant and equipment which formed part of the discontinued operations (see note 8). The fair value of the these assets was determined by reference to expected market values based on assessments of market conditions for similar properties in the same area and list price of equipment.

15. CAPITAL COMMITMENTS

As at 30 June 2020, the Group had capital commitments of £47k (31 December 2019: £853k, 30 June 2019: £113k) relating to the acquisition of property, plant and equipment.

16. 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 2019.

17. SUBSEQUENT EVENTS

At the date of this announcement there are no subsequent events to report.