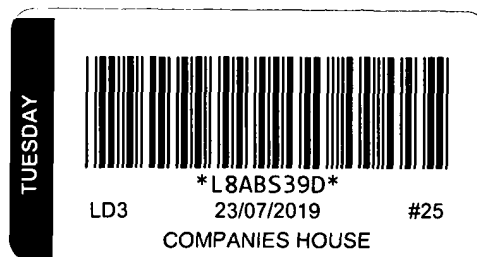


Company Registration No. 05363294

HORIZON DISCOVERY LIMITED

Report and Financial Statements

31 December 2018



(- 18/07/2019)

HORIZON DISCOVERY LIMITED

REPORT AND FINANCIAL STATEMENTS 2018

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HORIZON DISCOVERY LIMITED

REPORT AND FINANCIAL STATEMENTS 2018

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr J Pankhania
Dr I D Gilham
Mr T Pizzie

SECRETARY

Mr J Pankhania

REGISTERED OFFICE

Building 8100
Cambridge Research Park
Waterbeach
Cambridge
CB25 9TL

COMPANY NUMBER

05363294

AUDITOR

Deloitte LLP
Statutory Auditor
Cambridge
United Kingdom

HORIZON DISCOVERY LIMITED

STRATEGIC REPORT

FAIR REVIEW OF THE COMPANY'S BUSINESS

The principal activity of the company continued to be that of providing research products and services to the life science industry. Horizon's core technology is formed around a high-precision and flexible suite of gene-editing tools (our proprietary technology rAAV together with CRISPR and ZFN), which allow almost any genetic change to be made to mammalian cells. The consolidation of the operations of the high throughput screening facility from Boston, USA and the integrations of the cell-line manufacturing facility from Vienna, Austria was completed during the year. The Directors believe that the new products developed in the year, together with the strong pipeline of sales from existing products, services and leveraged, will continue to drive overall revenue growth and a continued accumulation in value of the Company's portfolio of future milestones.

KEY PERFORMANCE INDICATORS

In 2018, the Company generated revenue of £33.4m (73% growth versus 2017) primarily driven by high throughput screening revenue, strong uptake of Bioproduction licenses and the export of contract research services and products to non-UK markets. Gross profit margins have been maintained at 64% which is driven by the strength of the products business. The Company generated a profit for the financial year before exceptional items in line with the directors' expectations given the stage of development of the Company. The loss for the financial year was £7.6m (2017: £8.6m) after including a £7.3m (2017: £nil) impairment of intercompany receivables related to the In Vivo business unit.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company records its transactions and prepares its financial statements in pounds sterling. However, a substantial proportion of the Company's income is received in Euros and US dollars, as are some items of expenditure. As a result, cash balances are held in Euros and US dollars to provide a natural hedge. To the extent that the Company's foreign currency assets and liabilities are not matched, fluctuations in exchange rates between pounds sterling and both the US dollar and Euro may result in realised or unrealised exchange gains and losses on translation of the underlying transaction.

The Company's business faces competition from life science research tools companies and specialised biotechnology companies. The Company remains focussed upon:

- Development and protection of Intellectual Property that is central to the Company's business, in particular the Company's proprietary rAAV Genesis™ gene editing method. The Company's IP strategy is to seek effective and comprehensive patent protection wherever possible.
- Following on from the acquisitions in the Horizon Discovery plc Group, one of the Company's key strategic aims in the coming year is to continue to expand its geographic footprint and commercial offering to achieve further global market penetration.

The UK's departure from the EU may impact the global competitiveness of the business or expose the Company to additional foreign exchange risk. As described above, a substantial proportion of the Company's income is received in Euros and US dollars so a natural financial hedge exists. Training and incentive plans are in place to ensure the Company remains able to attract and retain top global talent following exiting the EU.

HORIZON DISCOVERY LIMITED

STRATEGIC REPORT (continued)

FUTURE DEVELOPMENTS

The Company plans to increase its geographic footprint and commercial offerings to gain global market penetration. This will be achieved through increasing market awareness of its existing products and services, increasing the scope of commercial offering via internal product development, in-licensing and M&A. The Company also aims to increase its IP portfolio in gene editing and add therapeutic area expertise beyond cancer.

Approved by the Board of Directors and signed on behalf of the Board



Mr J Pankhania

Director

Date: 19 July 2019

HORIZON DISCOVERY LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of Horizon Discovery Limited for the year ended 31 December 2018.

The company is incorporated in England and Wales and is domiciled in England.

RESEARCH AND DEVELOPMENT

In addition to the commercial services offered, the Company is also engaged in a number of multi-national, grant funded collaborative research projects, as well as pursuing its own internal research projects. These projects are dedicated to forwarding the science of translation genomics and personalised medicine; expenditure on research and development totalled £8.0m (2017: £6.0m).

FUTURE DEVELOPMENTS

Details of future developments can be found in the Strategic Report on page 3 and form part of this report by cross reference.

FINANCIAL INSTRUMENTS

The Company's exposure to foreign currency risk and its use of financial instruments to hedge that risk is explained in the strategic report.

GOING CONCERN

In assessing the going concern basis of preparation and appropriateness of disclosures, the directors have considered the availability of Group support and the available forecasts, results, internal risk factors and external factors which may influence the Company's ability to continue as a going concern for a period of at least the next twelve months. The Directors are satisfied that the business model of the Company is both robust and intrinsic to the development of the Group as a whole. Horizon Discovery Group plc has provided a letter which confirms financial support will be provided to the Company to enable it to meet its financial liabilities as and when they fall due. The directors deem Horizon Discovery Group plc has the ability to provide support and this support will be in place for a period of not less than twelve months from the date of signing the financial statements. Therefore the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

RESULTS AND DIVIDENDS

The results for the year are set out on page 9.

The directors do not recommend payment of a dividend (2017: £nil).

DIRECTORS

The directors who served throughout the year and to the date of this report (unless otherwise stated), are as follows:

Mr R Vellacott (resigned 26 February 2019)
Dr I D Gilham
Dr D M Disley (resigned 2 March 2018)
Mr J Pankhania (appointed 26 February 2019)
Mr T Pizzie (appointed 26 February 2019)

POST BALANCE SHEET EVENTS

Mr R Vellacott resigned and Mr J Pankhania and Mr T Pizzie were appointed on 26 February 2019 as disclosed in note 25.

CHARITABLE DONATIONS

The donations made by the Company during the year for charitable purposes were £4,400 (2017: £4,400).

HORIZON DISCOVERY LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

AUDITOR

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

J Pankhania

Mr J Pankhania

Director

Date: 19 July 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORIZON DISCOVERY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Horizon Discovery Limited:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Horizon Discovery Limited (the 'company') which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORIZON DISCOVERY LIMITED (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORIZON DISCOVERY LIMITED (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

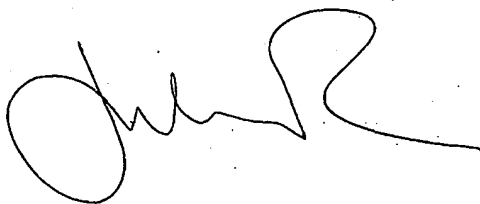
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Julian Rae (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Cambridge, United Kingdom

19 July 2019

HORIZON DISCOVERY LIMITED

INCOME STATEMENT

Year ended 31 December 2018

	Note	2018 £'000	2017 (as restated - note 3) £'000
REVENUE	4	33,420	19,351
Cost of sales		(11,885)	(7,006)
Gross profit		21,535	12,345
Other operating income	6	885	360
Sales, marketing and distribution costs		(5,440)	(4,638)
Research and development costs		(8,006)	(6,016)
Corporate and administrative expenses		(10,289)	(9,978)
Exceptional items	7	(7,653)	(1,246)
OPERATING LOSS		(8,968)	(9,173)
Investment income		2	1
LOSS BEFORE TAX		(8,966)	(9,172)
Taxation	10	1,379	585
LOSS FOR THE YEAR	5	(7,587)	(8,587)

All transactions derived from continuing operations. There was no other comprehensive income or expense other than as stated in the income statement.

HORIZON DISCOVERY LIMITED

BALANCE SHEET As at 31 December 2018

	Note	2018 £'000	2017 (as restated - note 3) £'000
Non current assets			
Goodwill	11	2,164	2,164
Intangible assets	12	4,847	5,383
Property, plant and equipment	13	6,954	7,215
Other receivables	16	433	433
		<u>14,398</u>	<u>15,195</u>
Current assets			
Inventories		1,281	1,239
Trade and other receivables	15	19,153	17,162
Corporation tax receivable		2,613	1,281
Cash and cash equivalents		8,535	1,395
		<u>31,582</u>	<u>21,077</u>
Total assets		<u>45,980</u>	<u>36,272</u>
Current liabilities			
Trade and other payables	17	(67,499)	(50,502)
Net current liabilities		<u>(35,917)</u>	<u>(29,425)</u>
Total liabilities		<u>(67,499)</u>	<u>(50,502)</u>
Net liabilities		<u>(21,519)</u>	<u>(14,230)</u>
Equity			
Share capital	18	2,082	2,082
Share premium account		12,087	12,087
Share option reserve		2,052	1,754
Accumulated deficit		(37,740)	(30,153)
Total equity		<u>(21,519)</u>	<u>(14,230)</u>

The financial statements of Horizon Discovery Limited, registered number 05363294, were approved by the Board of Directors and authorised for issue on 19 July 2019

Signed on behalf of the Board of Directors



Mr J Parkhania

Director

HORIZON DISCOVERY LIMITED

STATEMENT OF CHANGES IN EQUITY Year ended 31 December 2018

	Share capital £'000	Share premium account £'000	Share option reserve £'000	Accumulated deficit £'000	Total £'000
Balance at 1 January 2017	2,082	12,087	1,603	(21,566)	(5,794)
Comprehensive loss (restated - note 3)	-	-	-	(8,587)	(8,587)
Credit to equity for equity settled share based payment transactions	-	-	151	-	151
Balance at 31 December 2017 (restated - note 3)	<u>2,082</u>	<u>12,087</u>	<u>1,754</u>	<u>(30,153)</u>	<u>(14,230)</u>

	Share capital £'000	Share premium account £'000	Share option reserve £'000	Accumulated deficit £'000	Total £'000
Balance at 1 January 2018	2,082	12,087	1,754	(30,153)	(14,230)
Comprehensive loss	-	-	-	(7,587)	(7,587)
Credit to equity for equity settled share based payment transactions	-	-	298	-	298
Balance at 31 December 2018	<u>2,082</u>	<u>12,087</u>	<u>2,052</u>	<u>(37,740)</u>	<u>(21,519)</u>

HORIZON DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

Horizon Discovery Limited is a Private Company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the business review in the strategic report on pages 2 and 3.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the company has applied the requirements of IFRS 1.6-33 and related appendices. These financial statements are prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, on the basis that the Company is a wholly owned subsidiary of Horizon Discovery Group plc and is included in the consolidated financial statements of the parent for the year ended 31 December 2018. The financial statements of Horizon Discovery Group plc can be obtained from the investor relations section of its website.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, disclosure of key management personnel compensation and related party transactions. Where required, equivalent disclosures are given in the group accounts of Horizon Discovery Group plc.

Going concern

In assessing the going concern basis of preparation and appropriateness of disclosures, the directors have considered the available forecasts, results, internal risk factors and external factors which may influence the Company's ability to continue as a going concern for a period of at least the next twelve months. The Directors are satisfied that the business model of the Company is both robust and intrinsic to the development of the Group as a whole. Accordingly the directors are confident that Group support will be available as required. Therefore the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Horizon Discovery Group plc has provided a letter which confirms financial support will be provided to the Company to enable it to meet its financial liabilities as and when they fall due. The directors deem Horizon Discovery Group plc has the ability to provide support and this support will be in place for a period of not less than twelve months from the date of signing the financial statements.

HORIZON DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1 ACCOUNTING POLICIES (continued)

Adoption of new and revised standards

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

Annual Improvements to IFRSs: 2014 – 2017 Cycle (Dec 2017)	Annual Improvements to IFRSs: 2014-16 Cycle
Amendments to IAS 7 (Jan 2017)	Disclosure initiative
Amendments to IAS 12 (Jan 2017)	Recognition of Deferred Tax Assets for Unrealised Losses
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers

The impact of adopting IFRS 15 is discussed in the revenue recognition accounting policy on page 15.

The adoption of IFRS 9 from 1 January 2018 has resulted in changes to the Group's accounting policies. IFRS 9 replaced the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The only area which impacts the Group is the requirement to impair financial assets under the new IFRS 9 expected credit loss model. The identified change to the impairment against trade receivables at 1 January 2018 was immaterial.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

Amendments to IFRS 10 and IAS 28 (Sept 2018)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 16	Leases
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less depreciation less any provision for impairment. The costs of cell lines that are intended to be deposited into the master cell bank and that will be available for resale are capitalised as assets under construction and transferred to a separate category of fixed assets once the cell line is available for resale. No depreciation is provided on assets under construction. Depreciation is provided on assets at rates calculated to write off the cost, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	Over the lifetime of the lease
Laboratory equipment	20-25% on a straight line basis
Fixtures and fittings	20-25% on a straight line basis
Computer equipment	25-33% on a straight line basis
Master cell bank	10% on a straight line basis

HORIZON DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1 ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the fair value of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Intangible assets

Development costs include license payments. These are capitalised and amortised over the term of the license.

Patent costs relate to the licensed use of a patent for which the company pays a license fee as well as the related legal fees. These are capitalised and amortised over the term of the patent license, which reflects the anticipated useful life of the patent to the business.

Patents and development costs are assessed for indicators of impairment on an annual basis, and an impairment review undertaken where such indicators are present. Amortisation is provided at the following rates, with the exception of intangible assets under construction, which are not amortised:

Patent costs	over the term of the license on a straight line basis
Development costs	over the term of the license on a straight line basis
Intangible assets from acquisition	10-20% on a straight line basis
Software	10-20% on a straight line basis

Patent amortisation is charged to cost of sales and research and development costs, development costs amortisation is charged to research and development costs, acquired intangibles amortisation is charged to research and development costs and software amortisation is charged to corporate and administrative expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise of "trade and other receivables" and "cash and cash equivalents" in the balance sheet.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand.

Inventories

All inventories are classified as finished goods and 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 cost method. Net realisable value represents the estimated selling price less all estimated costs of disposal.

HORIZON DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1 ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and estimated credit notes and returns

Revenue from a contract to provide custom services is recognised proportionately when the outcome of each performance obligation of the project can be estimated reliably and is based on the stage of completion of the performance obligation. The transaction price is allocated to each performance obligation in the services contracts which is then recognised as revenue when it is probable that economic benefits will flow to the company. Invoices issued that exceed the value of work undertaken are recorded as deferred income and work undertaken that exceeds the value of work billed is recorded as accrued income.

Revenue in respect of licence fee income is recognised when the agreement is signed where the company is entitled to receive the revenue, all obligations have been fulfilled and the agreement is non-cancellable. Payments received prior to this are recorded as deferred income.

Sales of goods are recognised when goods are despatched and title has passed, under IFRS 15, this is when the customer takes control of the goods. Any transaction price received ahead of the goods being shipped, is recognised as deferred income until the goods have been despatched to the customer.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Grant income is disclosed as other operating income in the income statement.

£381k (2017: £254k) has been recognised in other operating income (note 6) and £192k (2017: £88k) is included in other receivables as at 31 December 2018.

Taxation

The tax expense represents the sum of tax currently payable and deferred tax.

Taxable loss differs from net loss as reported in the income statement because it excludes items of income and expenditure that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Full provision is made for deferred tax assets and liabilities arising from all temporary differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary difference and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Full provision is made for Research and Development tax credit calculated at the tax rates effective for the current year. It is included as an income tax credit under current assets

HORIZON DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1 ACCOUNTING POLICIES (continued)

Leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Foreign currency translation

The functional currency of the company is UK sterling. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement.

Research and development

Research expenditure is written off to the income statement in the year in which it is incurred.

Development expenditure is written off in the same way unless the directors are satisfied that the following criteria have been met:

- an asset is created that can be separately identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the assets can be measured reliably.

Capitalised development expenditure is reviewed annually and where future benefits are deemed to have ceased or to be in doubt, the balance of any related research and development is written off to the income statement.

Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with IAS 19.

Share based payments

Horizon Discovery Group plc operates an equity settled share based option scheme under which the entity receives services from employees in consideration for equity instruments (options) of the parent company. The fair value of the employees' services received in exchange for the grant of options is recognised as an expense and additionally as a contribution to equity from the parent company. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions. The total amount expensed is recognised over the vesting period, which is the period over which all the specified conditions are satisfied. At each balance sheet, the entity revises its estimates of the number of options that are expected to vest based on the vesting conditions.

Exceptional items

Exceptional items represent significant items of income and expense which due to their size, nature or the expected infrequency of the events giving rise to them, are presented separately on the face of the income statement. Management believes this presentation helps readers of the financial statements understand the elements of financial performance in the year, so as to facilitate comparison with prior years and to better assess trends in future financial performance.

Investments

Investments are stated at cost less provision for impairment in value.

HORIZON DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The following are the critical estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Provision for slow moving or defective inventory

The provision for slow moving inventory is based on management's estimation of the commercial life and shelf life of inventory lines. In assessing this, management takes into consideration the sales history of products together with sales forecasts.

Revenue recognition

The amount of revenue to be recognised is based on, inter alia, management's estimate of the fair value of the consideration received or receivable, the stage of completion and of the point in time at which management considers that it becomes probable that economic benefits will flow to the entity (as the outcome is not always certain at the inception of a contract).

Where possible, projects are broken down into discrete stages that can be reliably measured for fair value and stage completion. In the cases where this is not possible due to the level of technical risk involved, revenue will be recognised on a milestone basis at the point that the milestone is demonstrably achieved and the risks and rewards pass to the customer.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Forecasts and discount rates

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Whilst there is no indication of impairment, the model used by management in performing this assessment contains estimates in regards to the inputs and discount rates and the inherent assumptions in forecasting which includes estimates of the growth in future sales, projected production costs and operating expenditure. Discount rates are based on management's assessment of risk inherent in the current business model.

HORIZON DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

3. PRIOR PERIOD ADJUSTMENTS

In 2019, the Group became aware of potential revenue recognition matters in connection with certain license revenue contracts. As a result, the Group undertook a detailed review of all such contracts and determined that the terms and conditions in some of those contracts had been misinterpreted and as a consequence, the accounting periods in which the revenue is recognised have been reassessed, due to license revenues being recognised before they were committed. This has led to a prior year adjustment to the revenue recognised in 2017 of a reduction of £1.6m, and an associated reduction of £0.2m in expenses, and consequently the opening balances have been restated.

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

	2017 (as previously reported) £'000	Increase/ (decrease) £'000	2017 (as restated) £'000
Income Statement			
Revenue	20,907	(1,556)	19,351
Cost of sales	(7,233)	227	(7,006)
Statement of Comprehensive Income			
Total comprehensive income	(7,258)	(1,329)	(8,587)
Balance Sheet			
Trade and other receivables	18,718	(1,556)	17,162
Trade and other payables	(50,729)	227	(50,502)
Accumulated deficit	(28,824)	(1,329)	(30,153)

The correction further affected some of the amounts disclosed in notes 4,9,15 and 17.

4. REVENUE

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

	Revenue by business unit 2017 (as restated - note 3)	
	2018 £'000	2017 £'000
Products	23,911	7,519
Services	8,142	8,271
Licenses	1,367	3,561
	<hr/>	<hr/>
	33,420	19,351
Other operating income (note 6)	885	360
Investment income	2	1
	<hr/>	<hr/>
	34,307	19,712
	<hr/>	<hr/>

HORIZON DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

4. REVENUE (continued)

	Revenue from external customers	
	2018	2017
	(£'000)	(as restated - note 3) (£'000)
Americas	14,292	11,485
Europe, Middle East and Africa	16,407	5,855
Asia Pacific	2,721	2,011
	<u>33,420</u>	<u>19,351</u>
	2018	2017
	(£'000)	(as restated - note 3) (£'000)
Timing of revenue recognition		
Product revenue		
- At a point in time	21,880	8,413
- Over time	2,593	2,262
Services and Leveraged revenue		
- Over time	8,947	8,676
	<u>33,420</u>	<u>19,351</u>

The transaction price allocated to (partially) unsatisfied performance obligations at 31 December 2018 is £5,074k which are expected to be fully satisfied within the next financial year for Services and Leveraged R&D and by April 2021 for all Product performance obligations. As permitted under the transitional provisions in IFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2017 is not disclosed.

5. LOSS FOR THE YEAR

	2018	2017
	(£'000)	(£'000)
Loss for the year is stated after charging/(crediting):		
Amortisation of other intangible assets	952	858
Depreciation of property, plant and equipment	1,649	1,672
Loss on disposal of property, plant and equipment	-	2
Pension costs	1,120	923
Research and development costs	8,006	6,016
Staff costs - share based payments	298	151
Cost of inventories recognised as an expense	8,960	2,708
Net foreign exchange (gains)/losses	(774)	810

Fees payable to Deloitte LLP and its associates for audit and non-audit services to the company are disclosed within the consolidated financial statements of Horizon Discovery Group plc on a consolidated basis as this is the basis on which the fees are agreed, and no separate fee is attributed to the Company.

HORIZON DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

6. OTHER OPERATING INCOME

	2018 £'000	2017 £'000
Grant income	381	254
R&D expenditure credit	504	106
	<u>885</u>	<u>360</u>

7. EXCEPTIONAL ITEMS

	2018 £'000	2017 £'000
Restructuring costs	-	285
Acquisition related integration costs	-	961
Impairment of intercompany receivable	7,267	-
CEO exit costs	386	-
	<u>7,653</u>	<u>1,246</u>

The 2018 exceptional items are costs relating to the departure of Darrin Disley as Chief Executive Officer and the impairment of intercompany receivables. The CEO exit costs include a payment in lieu of notice of £322k and other recruitment and legal costs relating to the departure.

The 2017 exceptional items include integration costs relating to the acquisition of Dharmacon, reorganisation of the commercial team, consolidation of operations from Vienna and Boston into the UK headquarters, and reduction of UK headcount.

8. DIRECTORS' EMOLUMENTS

	2018 £'000	2017 £'000
Directors' remuneration		
Aggregate emoluments	672	545
Compensation for loss of office	322	-
Pension contributions	44	56
	<u>1,038</u>	<u>601</u>

Pension contributions are accruing in respect of two directors (2017 – two).

	2018 £'000	2017 £'000
Highest paid director		
Aggregate emoluments	459	313
Pension contributions	37	30
	<u>496</u>	<u>343</u>

The highest paid director exercised no share options (2017 – 10,869) and was granted 37,038 share options (2017 – 70,040) in the year.

One director (2017: Two directors) received share options in the parent company in the year for £58k (2017: £278k).

HORIZON DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

9. STAFF COSTS

The average monthly number of employees (including executive directors) was:

	2018 Number	2017 Number
Research and development	107	105
Sales and marketing	48	32
Administration	44	37
	<u>199</u>	<u>174</u>
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	10,996	8,817
Severance payments	349	166
Social security costs	1,177	997
Staff pension costs	1,120	923
	<u>13,642</u>	<u>10,903</u>

10. TAXATION

	2018 £'000	2017 £'000
Current tax		
UK corporation tax credit for the year	<u>(1,379)</u>	<u>(585)</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 19% (2017 – 19.25%). The actual tax credit for the year differs from the standard rate for the reasons set out in the following reconciliation.

	2018 £'000	2017 (as restated - note 3) £'000
Loss before tax	<u>(8,966)</u>	<u>(9,172)</u>
Tax on loss at standard rate of 19% (2017: 19.25%)	<u>(1,704)</u>	<u>(1,766)</u>
Factors affecting the credit:		
Disallowable expenses	1,469	19
Change in unrecognised deferred tax assets	(228)	1,141
Tax effect of R&D uplift	(602)	(454)
Tax effect of losses surrendered for R&D tax credit	252	198
Deferred tax not recognised on R&D expenditure credit	48	21
Prior year adjustment	<u>(614)</u>	<u>256</u>
Actual amount of tax credit for the year	<u>(1,379)</u>	<u>(585)</u>

The Finance (No 2) Act 2017, which was substantively enacted on 6 September 2017, provides for reductions in the main rate of UK corporation tax from 20% to 19% effective from 1 April 2017 and 17% effective from 1 April 2020. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date. The closing deferred tax balance at 31 December 2018 has been calculated at 17% reflecting the tax rate at which the deferred tax balance is expected to be reversed in future periods. The Finance Act 2019, which received Royal Assent in February 2019, is not expected to impact the tax position.

HORIZON DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

11. GOODWILL

	£'000
Cost	
At 1 January 2018 and 31 December 2018	2,164
Accumulated impairment losses	
At 1 January 2018 and 31 December 2018	-
Net book value	
At 31 December 2017 and 31 December 2018	2,164

The carrying value of Goodwill has been tested for impairment as follows:

Combination services – the recoverable amount of goodwill totalling £2,164k (2017: £2,164k) has been assessed based on value in use using cash projections that cover a five year period in which the key judgements are the revenue growth rates and the applied pre-tax discount rate of 11.0% (2017: 11.1%). Cash flows beyond that period have been extrapolated using a terminal growth rate of 5%, which is consistent with 2017. This reflects a higher expected growth for the foreseeable future in the personalised medicine market than the expected average growth rate for the economy.

12. OTHER INTANGIBLE ASSETS

	Intangible assets under construction £'000	Intangible assets from acquisition £'000	Patents £'000	Software £'000	Develop- ment £'000	Total £'000
Cost						
At 1 January 2018	142	1,984	1,430	2,504	1,912	7,972
Additions	-	-	-	210	278	488
Transfers	(70)	-	-	70	-	-
Disposals	(72)	-	-	-	-	(72)
At 31 December 2018	-	1,984	1,430	2,784	2,190	8,388
Amortisation						
At 1 January 2018	-	955	494	675	465	2,589
Charge for the year	-	160	73	536	183	952
At 31 December 2018	-	1,115	567	1,211	648	3,541
Net book value						
At 31 December 2018	-	869	863	1,573	1,542	4,847
At 31 December 2017	142	1,029	936	1,829	1,447	5,383

Intangible assets under construction at 31 December 2018 represented software in development.

HORIZON DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

13. PROPERTY, PLANT AND EQUIPMENT

	Assets under construc- tion £'000	Leasehold improve- ments £'000	Master cell bank £'000	Lab equipment £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost							
At 1 January 2018	2	3,402	3,892	4,088	358	1,065	12,807
Additions	-	-	152	1,137	19	80	1,388
Disposals	-	-	-	(1)	-	-	(1)
At 31 December 2018	2	3,402	4,044	5,224	377	1,145	14,194
Depreciation							
At 1 January 2018	-	396	1,909	2,424	214	649	5,592
Charge for the year	-	242	393	740	68	206	1,649
Disposals	-	-	-	(1)	-	-	(1)
At 31 December 2018	-	638	2,302	3,163	282	855	7,240
Net book value							
At 31 December 2018	2	2,764	1,742	2,061	95	290	6,954
At 31 December 2017	2	3,006	1,983	1,664	144	416	7,215

HORIZON DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

14. SUBSIDIARY UNDERTAKINGS

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration	Registered office	Holding
Subsidiary undertakings			
Horizon Discovery Inc	United States of America	245 First St, 3 rd Floor, Cambridge MA 02142	100%
Horizon Diagnostics Limited	England and Wales	8100 Cambridge	100%
Horizon Discovery Services Limited	England and Wales	Research Park,	100%
Synthetx Limited	England and Wales	Waterbeach, Cambridge, CB25 9TL	100%

All shares held in subsidiary companies are ordinary shares.

The aggregate of the share capital and reserves as at 31 December 2018 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Principal activity	Aggregate of ordinary share capital and reserves £	Profit/(loss) £
Horizon Discovery Inc	Provision of research services to the life science industry	(6,795,315)	(142,009)
Horizon Diagnostics Limited	Dormant	97	-
Horizon Discovery Services Limited	Dormant	105,803	-
Synthetx Limited	Dormant	86	-

15. TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 (as restated - note 3) £'000
Trade receivables	10,667	5,337
Intercompany receivables	4,071	7,223
Accrued income	2,153	3,219
Prepayments	953	1,154
Other receivables	1,309	229
	<u>19,153</u>	<u>17,162</u>

HORIZON DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

16. OTHER RECEIVABLES

	2018	2017
	£'000	£'000
Long term building deposit	<u>433</u>	<u>433</u>

17. TRADE AND OTHER PAYABLES

	2018	2017
	£'000	(as restated note 3) £'000
Trade creditors and accruals	5,692	4,361
Intercompany creditors	59,860	45,093
Deferred income	1,623	729
Other creditors	36	74
Amount due in relation to taxation and social security	<u>288</u>	<u>245</u>
	<u>67,499</u>	<u>50,502</u>

18. SHARE CAPITAL

	2018	2017
	£'000	£'000
Authorised, issued and fully paid		
16,419,888 ordinary G1 and G2 shares of £0.10 each (2017: 16,419,888 ordinary G1 and G2 shares of £0.10 each)	1,642	1,642
439,586,865 ordinary shares of £0.001 each (2017: 439,586,865 ordinary shares of £0.001 each)	<u>440</u>	<u>440</u>
	<u>2,082</u>	<u>2,082</u>

The ordinary G1 and G2 shares are non-voting and, except on sale of the Company, have no rights to dividends. Otherwise the ordinary G1 and G2 shares rank pari passu with ordinary shares.

HORIZON DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

19. SHARE BASED PAYMENTS

The Group operates a share option scheme under which certain employees of the company are eligible to participate. Grants are made at the discretion of the Board of Directors. Options are forfeited 40 days following the employee ceasing employment with the company and can only be exercised to the extent they have vested on the earliest of the third anniversary of the date of grant or upon a sale of the shares in Horizon Discovery Group plc. The directors may decide that the employee may retain the portion of the option vested at the time of the cessation of the employee's employment.

During the year ended 31 December 2018, 918,004 options were exercised by employees of the Company with a weighted average exercise price of 97p at the date of exercise (2017: 86p). At 31 December 2018, there were 5,292,110 options outstanding with a weighted average exercise price of 158p (2017: 140p). The expense in the year recognised in the income statement and as contribution to equity was £298k (2017: £151k).

20. DEFERRED TAXATION

The following is the deferred tax movement during the current and prior reporting period:

	2018 £'000	2017 £'000
Balance brought forward	-	-
Released during the year	-	-
Balance carried forward	-	-

The deferred tax asset is made up as follows:

	2018 £'000	2017 £'000
Accelerated capital allowances	-	(1,193)
Short-term timing differences	1	138
Tax losses carried forward	4,594	6,086
RDEC tax credit carried forward	238	144
Share options	209	-
Less: deferred tax not recognised	(5,042)	(5,175)

At the balance sheet date, the company had unused tax losses of £27,860k (2017 - £29,589k) available for offset against future trading profits. A deferred tax asset of £142k (2017 - £1,193k) has been recognised in respect of such losses to offset deferred tax liabilities. No deferred tax asset has been recognised in respect of the remaining £4,594k (2017 - £5,031k), or in respect of the Research & Development Expenditure Credit carried forward of £238k as it is not considered probable that there will be future taxable profits available. The tax losses and Research & Development Expenditure Credit may be carried forward indefinitely.

HORIZON DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

21. PENSION COSTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

Upon the acquisition of GE Healthcare Dharmacon Inc. the Company inherited a defined benefit pension scheme for qualifying employees in Germany. The plan provides life-long benefit payments and it is financed by fictive annual contributions from the employer. The annual contribution amounts to 2.0% for the pensionable salary up to the social security contribution ceiling (SSCC) and 6.0% for the pensionable salary exceeding the SSCC.

A valuation of the present value of the defined benefit liability was carried out as at 31 December 2017. The present value of the defined benefit liability was measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	2017
Interest rate	1.8%
Salary increase rate	2.5%
Pension increase rate	1.0%

The liabilities under this scheme were settled on 28 December 2018 with the final payment of €144k (£129k) being due on 1 March 2019. Employees in Germany now participate in a defined contribution scheme which is an independently administered fund. The only obligation of the group is to make the specified contributions.

The amount included in the balance sheet arising from the group's obligation in respect of the defined benefit retirement scheme is £129k (2017: £141k). No amounts have been recognised in the consolidated income statement in relation to the defined benefit scheme.

The pension cost represents contributions payable by the company to the defined contribution fund during the year and amounted to £1,120k (2017 - £923k). No contributions were payable to the fund at the balance sheet date (2017 - nil).

22. FINANCIAL COMMITMENTS

The Company as lessee

	2018 £'000	2017 £'000
Lease payments under operating leases recognised as an expense in the year	607	630

At 31 December 2018 the Company was committed to making the following payments under non-cancellable operating leases which fall due as follows:

	Land and buildings	
	2018 £'000	2017 £'000
Within one year	722	616
Between two and five years	2,886	2,681
After five years	4,750	5,472
	8,358	8,769

Operating lease payments represent rentals payable by the company for certain of its properties and office equipment.

HORIZON DISCOVERY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

23. RELATED PARTY TRANSACTIONS

The Company purchased £5k (2017 - £11k) of goods and services from Abcam plc during the year, a company of which Dr J S Milner, formerly a director of Horizon Discovery Group plc, is a director and shareholder. The company made sales of £175k (2017 - £457k) to Abcam plc and at the balance sheet date £nil (2017 - £165k) was owing from Abcam plc.

In December 2013, Horizon Discovery Limited entered into a contract with Desktop Genetics Limited for design services, of which Dr D Disley, formerly a director of the company, is a director and shareholder. The company made sales of £nil (2017 - £5k) and purchases of £nil (2017 - £31k) from Desktop Genetics Limited for the year. The company had £nil outstanding at the end of the year (2017 - £5k).

In March 2017, Horizon Discovery Group plc formed a joint venture, Avvinity Therapeutics Limited, with Centauri Therapeutics Limited. The Company made sales of £202k (2017 - £487) to Avvinity Therapeutics during the year and at the balance sheet date £36k (2017 - £41k) was owing from Avvinity Therapeutics Limited.

The Company made sales of £8k (2017 - £13k) to Axol Bioscience during the year, a company of which Dr J S Milner is a director, and at the balance sheet date £9k (2017 - £nil) was owing to from Axol Bioscience.

The Company made sales of £8k (2017 - £nil) to Phoremest Ltd during the year, a company of which Dr J S Milner is a director, and at the balance sheet date £1k (2017 - £nil) was owing to from Phoremest Ltd.

The terms and conditions associated with the related party transactions are in line with the standard terms of the business. There are no guarantees given or received and no bad debt provisions have been made against balances due.

The remuneration of the directors and the key management personnel of the company is set out in note 8.

24. OWNERSHIP

As at 31 December 2018, Horizon Discovery Group plc, a Company incorporated in Great Britain, was the parent company and ultimate controlling party of the group. Horizon Discovery plc's registered office is 8100 Cambridge Research Park, Waterbeach, Cambridge, CB25 9TL. The Horizon Discovery Group plc accounts are the largest and smallest set of consolidated accounts in which the Company is included. Copies of the group financial statements of Horizon Discovery Group plc are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

25. SUBSEQUENT EVENTS

On 28 January 2019 Mr R Vellacott stepped down as Chief Financial Officer. Mr J Pankhania, has been appointed as Chief Financial Officer and joined the board of Horizon Discovery Limited on 26 February 2019. Mr T Pizzie, Chief Executive Officer of Horizon Discovery Group plc, joined the board of Horizon Discovery Limited on 26 February 2019. At the date these financial statements were authorised for issue there had been no other subsequent events to report.