CIRCASSIA

Improving the quality of life of millions of people suffering from respiratory disease

Circassia Group plc

(formerly Circassia Pharmaceuticals plc)

Annual Report & Accounts 2020

CIRCASSIA

The leading provider of point-of-care FeNO measurement and monitoring

Circassia is a medical device company focused on respiratory diagnostics and monitoring. Our market leading NIOX® products are used in clinical settings by physicians around the world to help improve asthma diagnosis and management, and by leading research organisations conducting clinical studies on behalf of pharmaceutical companies. Customers are able to buy products and receive customer service via dedicated teams in the United States, UK, Sweden, Germany and China, on-line in some regions and via our network of global partners.

For more information please visit:

www.circassia.com

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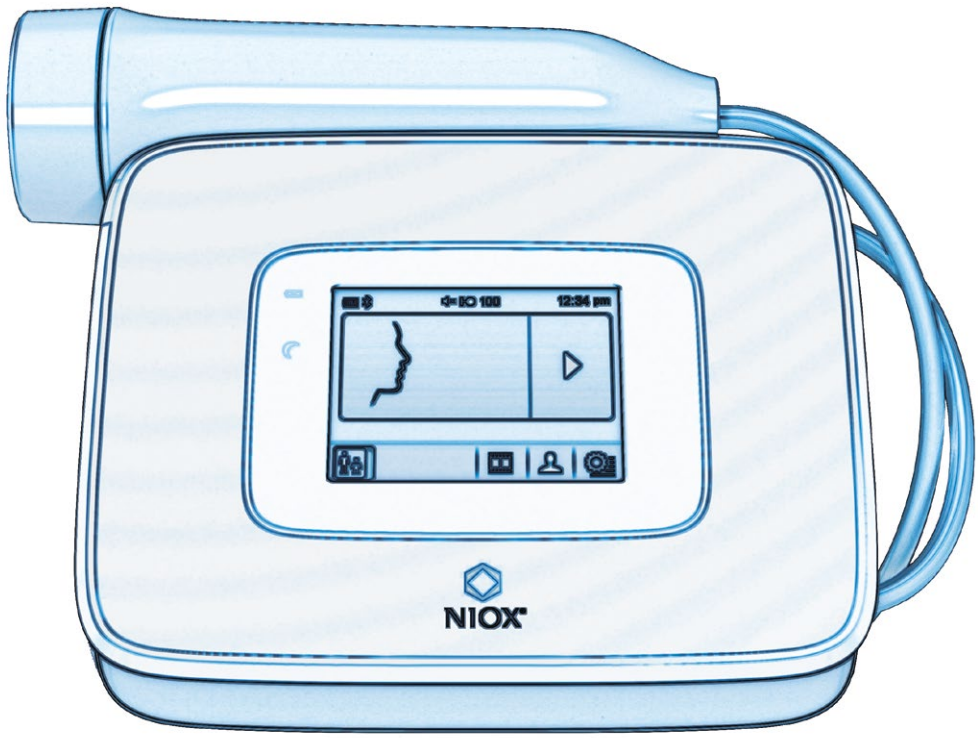
CIRCASSIA

Circassia emerges as a simplified business



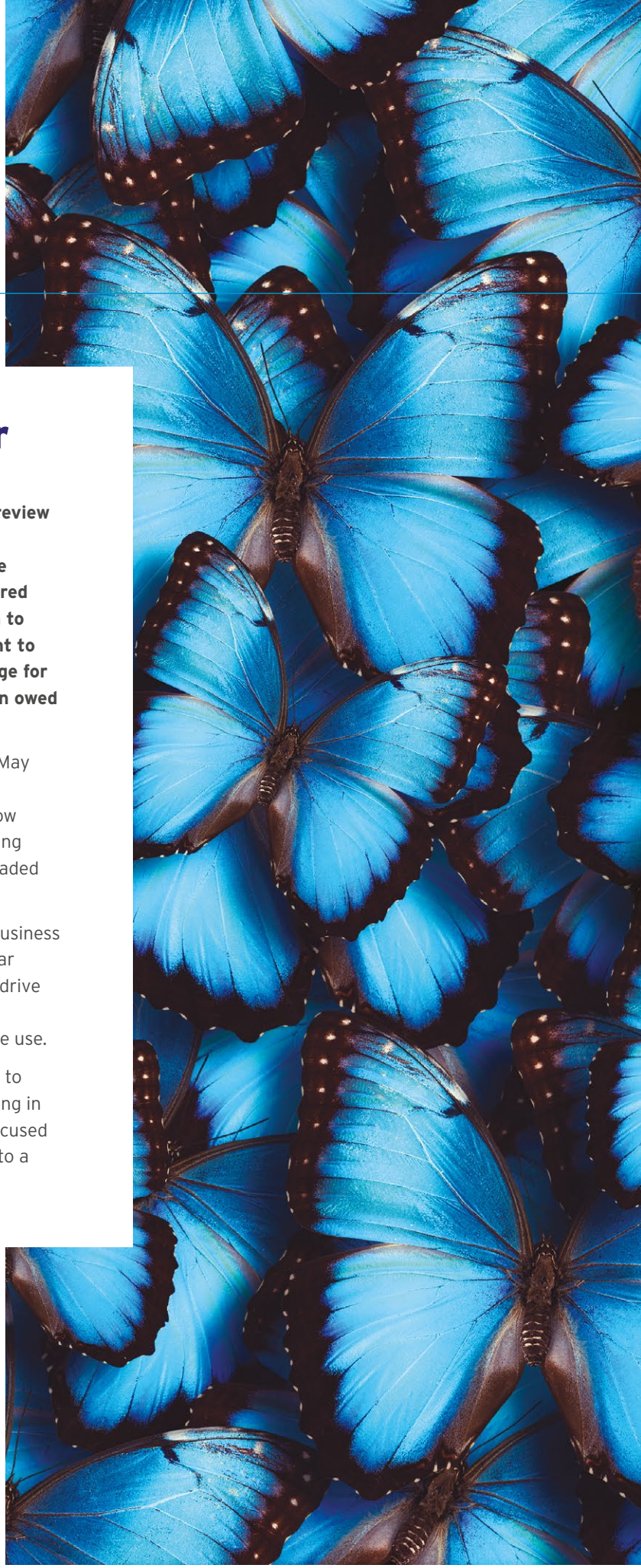
NIOX VERO® is a non-invasive, simple-to-use, point-of-care system that provides rapid standardised FeNO measurements.

2020 has been a transformational year for the Company, which was led by the decision to hand back the AstraZeneca COPD products in May and the decision to focus on the NIOX® product line. The management team has successfully completed a major restructuring of the business and concentrated relentlessly on the optimisation of the cost base. Circassia emerges as a simplified business with a market leading product for the diagnosis and management of asthma.

One of the strengths of the business is the high level of recurring revenues from consumables. In a normal year these are typically 90% of total revenues and, whilst the COVID-19 pandemic impacted these by restricting patient testing, the recovery by the end of year, with Q4 2020 revenues being 91% of Q1 2020 revenues, is testimony to the resilience of the business.

The Company is now debt free and has net cash, and whilst we will still be living with the effects of COVID-19, the Board believes that the actions taken will deliver greater shareholder value and that over the medium term the business will be profitable and cash generative.

Ian Johnson
Executive Chairman



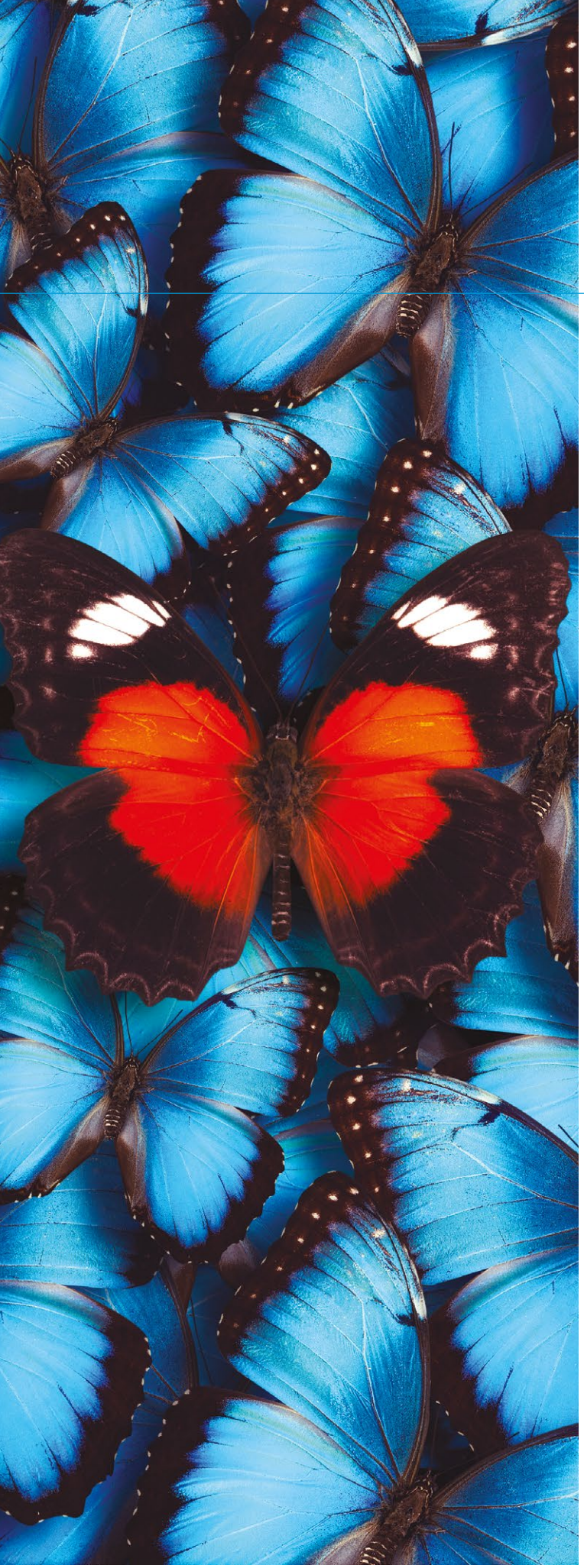
A transformational year

During early 2020 the Board conducted a strategic review of the business, which concluded the COPD business was unsustainable under all reasonable scenarios due to the level of continuing operating costs being incurred by the business. As a result, the Company entered in to discussions with AstraZeneca and reached agreement to return the Tudorza® and Duaklir® products in exchange for the forgiveness of the associated debt of $150 million owed to AstraZeneca in its entirety.

The transaction with AstraZeneca plc completed on 27 May 2020, leaving the Company in a much stronger position with a debt-free balance sheet. The COPD business is now approaching the end of a ten-month run-off period, during which profits are shared with AstraZeneca, and it has traded resiliently and profitably during this period.

Management is now focussing on building a profitable business around its market leading NIOX® products and has a clear strategy to grow the business. The Company intends to drive revenues in its core clinical and research markets and is examining the possibility of launching products for home use.

During the year management restructured the business to align its commercial resources with its new focus resulting in a significant reduction in overheads. By pursuing this focused strategy, the Company looks forward to transforming into a high-growth, cash-generative and profitable business.



Board changes

The Company's executive team was joined by new Chief Financial Officer (CFO) Michael Roller in January 2020 following the previous CFO, Julien Cotta, stepping down from the role. Michael is a highly experienced Finance Director and life science company Director and was previously Group Finance Director of Bioquell PLC and Corin Group PLC.

In March 2020, the Board was further strengthened with the addition of Garry Watts as Senior Independent Director and Non-Executive Director. Garry is an experienced Chairman and Director, is currently Non-Executive Chairman of Spire Healthcare Group PLC and was Chairman of BTG PLC until its sale to Boston Scientific in 2019.

Subsequently, in November 2020 Nicholas Mills joined the Board as a Non-Independent Non-Executive Director, representing a major shareholder.

Company name change

Following the agreement in April 2020 to transfer Tudorza® and Duaklir® to AstraZeneca, the Company sought shareholder approval to change its name from Circassia Pharmaceuticals plc to Circassia Group plc.

This change reflects the transformation in the Company's business and its exclusive focus on its world leading NIOX® products, rather than on pharmaceutical products. On 30 April 2020, shareholders approved the relevant resolution and the name change has been formally adopted by the Company.

Equity financing

On 2 June 2020, the Company announced that it had concluded an equity financing facility with two of its principal shareholders to allow it to access up to £5 million at a price of 24.6p per share. This facility was taken up in September 2020 and the full £5 million drawn down. On 24 March 2021, the Company announced a subscription of new ordinary shares, by three major shareholders at a price of 25 pence per share, to raise an additional £5 million to strengthen its balance sheet.

Executive Chairman's statement

The continuing NIOX® business

Revenues for the continuing NIOX® business for the year ended 31 December 2020 were £23.9 million (2019: £34.6 million) having been impacted by the COVID-19 pandemic causing restrictions in routine FeNO testing. H1 revenues were £11.4 million, with H2 revenues improving to £12.5 million.

The global lockdown which commenced at the start of the second quarter significantly affected testing volumes in the Clinical business and delayed studies for our Research customers. In the final few weeks of H1, revenues started to recover and have continued an upward trajectory, such that Q4 revenues were 91% of Q1 revenues.

At the time of the half year results, we indicated that management was in the process of undertaking a major restructuring of the business to focus on NIOX,® which would lead to significant cost savings, such that we would expect the Group to be EBITDA profitable on attaining its 2019 level of NIOX® revenues of £34.6 million.

We also indicated that annual overheads excluding head office costs would be no more than £23 million, down from £35 million in 2019.

We are now pleased to report that the restructuring is largely complete and has delivered further savings resulting in a revised annual cost base for the NIOX® business (excluding head office costs of around £1.8 million and share option expense of around £1.4 million) of approximately £21 million.

On current gross margins this means that the EBITDA breakeven point for the NIOX® business will be lower than previously indicated at around £30 million of annualised revenue, or £33 million for the Group.

The key business drivers of the NIOX® business are set out on pages 15 to 17.

The discontinued COPD business

This business has continued to trade resiliently throughout the COVID-19 pandemic with revenues in 2020 of £22.1 million (2019: £27.8 million). At the outset of the transition period, the discontinued COPD business was extensively restructured and as a result has traded profitably during the second half of 2020. Revenues proved very resilient both during the first lockdown in Q2 2020 and throughout the remainder of the year.

EBITDA for the year was a loss of £0.6 million (comprising a loss of £2.9 million in H1 and a profit of £2.3 million in H2), compared with a loss of £13.8 million in 2019. The transfer of the COPD products back to AstraZeneca is expected to be completed on 31 March 2021. In the intervening ten-month period, Circassia continued to sell the products with profits shared with AstraZeneca.

BeyondAir

In January 2019, Circassia acquired the US and Chinese commercial rights to LungFit™ PH from BeyondAir Inc. Under the terms of the companies' agreement, Circassia issued BeyondAir a total of $10.5 million in new ordinary shares by way of initial milestone payments.

At the end of 2019, BeyondAir terminated the companies' agreement for material breach which Circassia strongly disputes and intends to challenge BeyondAir's allegations and its purported termination. The Company has retained counsel and intends to take steps to enforce its rights under the agreement.

Employees

On behalf of the Board I would like to thank all employees within the Group for their hard work and commitment during what has been a difficult year for everyone. To those employees who continued to attend our offices and logistics facilities to ensure the continued smooth operation of the business during periods of lockdown, I would like to offer particular thanks.

Summary and outlook

The transaction with AstraZeneca leaves Circassia with a debt-free balance sheet and provides the opportunity to focus its resources exclusively on growing its market leading NIOX® business. With a strong commercial team and distribution partners in nearly 50 further countries, Circassia is well placed to pursue its goal of building a cash-generative, profitable business.

This year, the Company intends to build on this position, expanding its customer base and controlling underlying costs and corporate expenditure to further protect its balance sheet.

While it remains challenging to predict short-term business performance during the COVID-19 pandemic, we are cautiously optimistic following early signs of recovery in Q1 2021 trading in our Clinical business. Our Research business has made a strong start to the year. Beyond this period of disruption the Company anticipates a return to strong revenue growth in the medium to long-term, creating value for customers, patients, employees and shareholders alike.

With a strong commercial team and distribution partners in nearly 50 further countries, Circassia is well placed to pursue its goal of building a cash-generative, profitable business.

Revenues for year

£23.9m

Revenues for the continuing NIOX® business for the year ended 31 December 2020 (2019: £34.6 million)

Financial highlights

Revenues

£23.9m

Revenues of £23.9 million were down 31% (2019: £34.6 million)

Clinical revenues

▼31%

Clinical revenues were down 31% to £21.5 million (2019: £31.0 million)

Research revenues

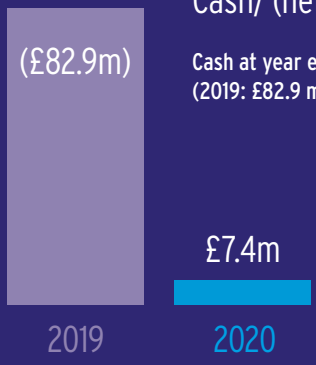
▼33%

Research revenues were down 33% to £2.4 million (2019: £3.6 million)

Operating loss

Operating loss reduced to £17.3 million from £63.8 million in 2019

Cash/ (net debt)



Cash at year end £7.4 million (2019: £82.9 million net debt)

Audited	2020 £m	2019[1] £m
Revenue	**23.9**	34.6
Gross margin	**68%**	74%
Total expenditure[2]	**(27.4)**	(40.8)
Adjusted EBITDA[3]	**(11.1)**	(15.3)
Operating loss	**(17.3)**	(63.8)
Loss before tax from continuing operations	**(18.4)**	(27.6)
Loss for the year from discontinued operations	**(6.7)**	(31.5)
Loss for the financial year	**(33.5)**	(48.3)
Cash/ (net debt) at year end[4]	**7.4**	(82.9)

[1] Restated to show the results of the COPD business as a discontinued operation.

[2] Excludes depreciation, amortisation and impairment

[3] Earnings before interest, tax, depreciation, amortisation and impairment. Adjusted EBITDA reconciles to operating loss as shown on page 134.

[4] Includes cash and cash equivalents.

Operational highlights

FeNO by NIOX®

Transformed Company from pharma platform to medical device business.

Strategic focus on the NIOX® product line.

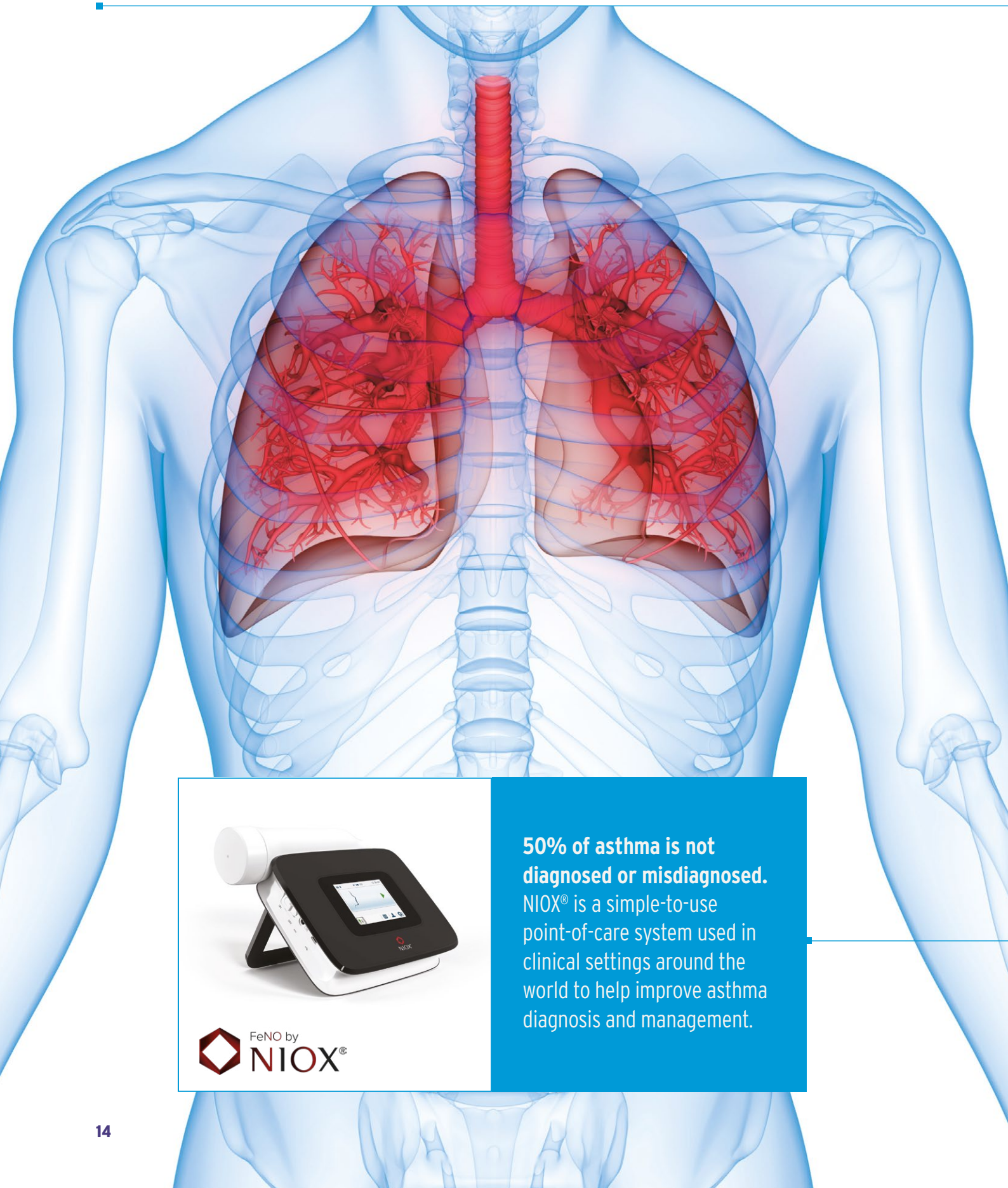
Handed back AstraZeneca COPD products wiping out $150 million debt.

Significant reduction in cost base as a result of restructuring.

Secured equity finance facility of £5 million.

Post-period update

- Further £5 million of equity raised on 24 March 2021 by way of a subscription from 3 major shareholders at 25 pence per share to strengthen balance sheet.
- Steady start to the year in Clinical business and strong start in Research.



FeNO by NIOX®

50% of asthma is not diagnosed or misdiagnosed. NIOX® is a simple-to-use point-of-care system used in clinical settings around the world to help improve asthma diagnosis and management.

Key strategic drivers of the Group

With the Group now focusing solely on its NIOX® asthma diagnosis and management products, this report focuses solely on the NIOX® business.

Asthma affects over 340 million people worldwide with 1,000 deaths every day. 50% of asthma is not diagnosed or misdiagnosed. NIOX® is a simple-to-use point-of-care system used in clinical settings around the world to help improve asthma diagnosis and management.

NIOX® directly measures the nitric oxide exhaled in patients' breath (fractional exhaled nitric oxide or FeNO), which is an important biomarker of the major underlying cause of asthma, type 2 airway inflammation. Currently a FeNO test is only offered to approximately 5% of the eligible population.

Circassia believes that raising awareness and levels of education regarding the benefits of FeNO testing will drive future growth in revenues. A recent European Respiratory Society symposium focused entirely on FeNO testing and an increasing quantity of highly credible, evidence based medical guidelines around the world have recommended the use of FeNO testing as a routine part of diagnosing and managing asthma.

The guidelines are based on a substantial body of published clinical trials that demonstrate the benefits of FeNO testing and NIOX® in particular.

Further impetus is coming from a new class of anti-inflammatory medicines for the treatment of type 2 inflammatory asthma, known as IL4 blockers. These medicines have the potential to replace or reduce the use of inhaled steroids, which have long been the standard of care for inflammatory asthma. IL4 blockers are targeted at asthmatics with elevated FeNO.

The acquisition cost of these new medicines is significant. This means that pharmaceutical companies with IL4 blockers are investing resources to raise the awareness and usage of FeNO testing in order to identify the patients that are most likely to respond to treatment as they seek to establish this new therapeutic class. Circassia also plans to engage with other respiratory professionals to promote the use of NIOX® in new and under-served customer segments such as primary care settings, pharmacies and potentially home use.

Circassia commercialises NIOX® through the sale of the core FeNO measurement device, the NIOX VERO,® which then generates high margin recurring revenues for sensors and consumables on a per test basis. NIOX® is registered and reimbursed in all major markets and available in more than 50 countries via Circassia's commercial teams in the United States, China, UK, Germany and through its international network of distribution partners.

NIOX® is the market leader in FeNO testing with revenues achieving a compound annual growth rate (CAGR) of 14% between 2016 and 2019. Nearly 17,000 devices have been installed to date with nearly 40 million FeNO tests carried out. The performance of the NIOX® business in non-pandemic conditions indicates that the business is one which is capable of delivering very attractive growth rates.

The impact of the COVID-19 pandemic has been to significantly reduce the routine testing of asthma patients, although as time passes our sales patterns indicate that different healthcare systems are developing strategies to reduce the level of disruption to routine healthcare services.

People affected by asthma

340m

With 1,000 deaths worldwide every day.

Clinical business

NIOX® revenues for clinical diagnosis and management of asthma were £21.5 million (2019: £31.0 million). Approximately 90% of these revenues are from recurring sales of consumables. With the business being spread across a large number of geographical markets, differences between the healthcare systems of different countries as well as differences in reimbursement levels affect the level of revenues to be expected from a particular market.

During 2020 a further complicating factor has been the varying impact of the COVID-19 pandemic in different markets; those markets where FeNO testing is carried out in a primary care environment have tended to perform better than those where it is carried out in a hospital setting.

In addition to raising awareness of FeNO testing, management intends to expand distribution of NIOX® in its clinical business by appointing further distributors and strategic marketing partners to deliver revenue growth.

Research business

NIOX® revenues for clinical studies by clinical research organisations (CROs) were £2.4 million (2019: £3.6 million).

Approximately 56% of these revenues are from recurring sales of consumables. Whereas devices are typically used routinely by clinicians, in the Research business consumable sales are driven by the length of the trial and number of patients recruited. The use by CROs raises the profile of FeNO testing and NIOX® in particular as the device of choice.

Sales to the Research sector are currently dominated by a small number of large CROs. Further sales resources will be added going forward to maintain relationships with these important customers and to add new customers to ensure that NIOX® remains the FeNO test of choice for the clinical trials business as a whole.

There is no evidence at this stage to suggest that any further amendments to normal business practices will have to be made as a result of Brexit.

Principal challenges

In implementing our strategy, we encounter a number of challenges, including the international nature of our markets, conservative customers who may be reluctant to start FeNO testing and the potential entry into the FeNO market of larger and better funded competitors.

COVID-19 impact and Brexit

The impact of the COVID-19 pandemic on the NIOX® business is discussed extensively elsewhere in this report. As regards Brexit, less than 5% of NIOX® sales are presently made in the UK, and our international logistics centres are based in Sweden (inside the EU) and the US.

The Group made specific arrangements to import a small amount of additional inventory into the UK, which typically does not hold any inventory, at the end of 2020 to counter the risk of supply disruption around the end of December. There is no evidence at this stage to suggest that any further amendments to normal business practices will have to be made as a result of Brexit.

Conclusion

The Group has a robust strategy in place to generate high margin revenues from customers in both its Clinical and Research businesses, with top line growth and strict cost control now key to the profitability of the Group.

Companies Act 2006 section 172(1) statement

Circassia believes that the success of the Company depends on positive engagement with its stakeholders. Reflecting this importance, the Board carefully considers the interests of its various stakeholder groups in its decision making. Through effective engagement, the Company aims to understand its stakeholders, allowing the Board to include issues that are important to each group in its discussions.

This approach to stakeholder engagement allows Circassia to continue supplying its important healthcare products to its patients and partners, providing high quality employment for colleagues, working effectively with suppliers, respecting the environment and local communities, maintaining high standards of professional conduct and building a sustainable, high value business for shareholders.

The COVID-19 pandemic has significantly impacted the business, including how the Board engages with its major stakeholders. Where possible meetings are held by telephone, or video conference to comply with the most up to date government guidelines.

The following tables set out Circassia's main stakeholders, the areas of its business relating to each and the Company's engagement on the important issues.

While the table provides a comprehensive overview, a number of the areas covered and the progress during the year are explored in more detail in this Annual Report and accounts, in particular in the Strategic report and corporate governance sections.

STAKEHOLDERS	Partners	Patients, healthcare professionals and payors
	In markets where Circassia has no direct presence, its success relies on partners who provide its products to local healthcare professionals.	Circassia provides innovative products to help healthcare professionals around the world improve patients' health. The success of the Company's business is only possible by continuing to meet the high standards expected by these important customers.
KEY FACTORS	▪ Partnership approach ▪ Promotional support ▪ Robust product supply	▪ Effective products ▪ High quality products ▪ Safe products ▪ Provide value ▪ Customer experience and support
ENGAGEMENT	Circassia works with an international network of partners to sell its products. Through its dedicated partner team, the Company provides a range of promotional materials and commercial support, including an annual partnership meeting and holds regular updates to resolve any issues.	Circassia's products meet stringent regulatory requirements to ensure their safety and efficacy. The Company has dedicated teams of regulatory and quality experts supporting its product supply and provides a customer support service in the markets where it sells directly. Circassia prices its products to reflect the value they provide.
2020 PROGRESS	▪ **New partners welcomed in several countries including:** Danhson in Ukraine Alerkan in Turkey Reymed in Poland	▪ **Regulatory approvals and launches in several markets including:** Turkey Ukraine

Our stakeholders

STAKEHOLDERS	Suppliers	Employees
	Circassia outsources a number of important functions to a range of suppliers. In particular, the Company's products are manufactured and distributed by third parties.	Circassia's worldwide team of employees drives the Company's business forward. These colleagues provide the broad range of expertise required to build a successful business.
KEY FACTORS	▪ Long-term partnerships ▪ Collaborative approach ▪ Fair terms of business	▪ Opportunity to make a difference ▪ Open communication ▪ Development and progression ▪ Flexible working ▪ Diversity and inclusion
ENGAGEMENT	The Company has a number of long-term collaborations with third parties for the supply of its products. Circassia's supply chain team holds regular meetings with suppliers to ensure close working and treats its partners with respect and fairness.	Circassia's employees are crucial to the ongoing provision of its important healthcare products and the whole team helps make a difference to patients' lives. The Company holds regular update meetings across the organisation and provides ongoing news updates. Circassia supports ongoing development of employees with annual plans and individual targets. The Company operates local flexible working and has a clear diversity and equality policy ensuring recruitment and progression is based on merit alone.
2020 PROGRESS	▪ Dedicated supply chain team in place ▪ Ongoing meetings with suppliers, taking place virtually if appropriate ▪ Payments on agreed terms	▪ Series of virtual townhall update meetings for all employees ▪ Local focus groups for employee feedback ▪ Training on Code of Conduct and related policies, including diversity and equality ▪ Annual development plans and flexible working policies implemented

Local communities and environment

As a responsible business Circassia recognises the importance of local communities and the global environment to its success.

- Quality employer
- Contribution to science base
- Minimal environmental impact

Circassia provides high quality, well remunerated employment in each of its local markets. The Company adheres to high standards of professional conduct and enforces a strict code of conduct.

Circassia contributes to science in its area of expertise, providing healthcare training in a number of countries, and supporting clinical research through the provision of its products.

As a business focused on commercialisation, the Company has a limited environmental impact, which it endeavours to minimise through a number of initiatives such as local recycling and home working policies.

- Broad range of quality employment
- Expansion of Asthma Masterclass training for health workers
- Recycling maintained across organisation

Shareholders

The support of the Company's shareholders is an important factor in building a strong, sustainable business. Shareholders also play a key role in monitoring and safeguarding Circassia's corporate governance.

- Strategy and business model
- Financial progress
- Clear communication

Circassia meets with shareholders throughout the year to outline its strategy and business plans and provides the market with regular updates on its commercial and financial progress, including via its interim and annual reports.

The Company's Executive Chairman is available to meet shareholders and its Annual General Meeting provides all members with the opportunity to meet senior management.

- Series of virtual investor meetings
- Annual shareholder meeting
- Publication of business updates

Strategy and business model

Strategy and objectives

Circassia is the leading provider of point-of-care FeNO measurement and monitoring. Our objective is to improve the quality of life of millions of people suffering from respiratory disease.

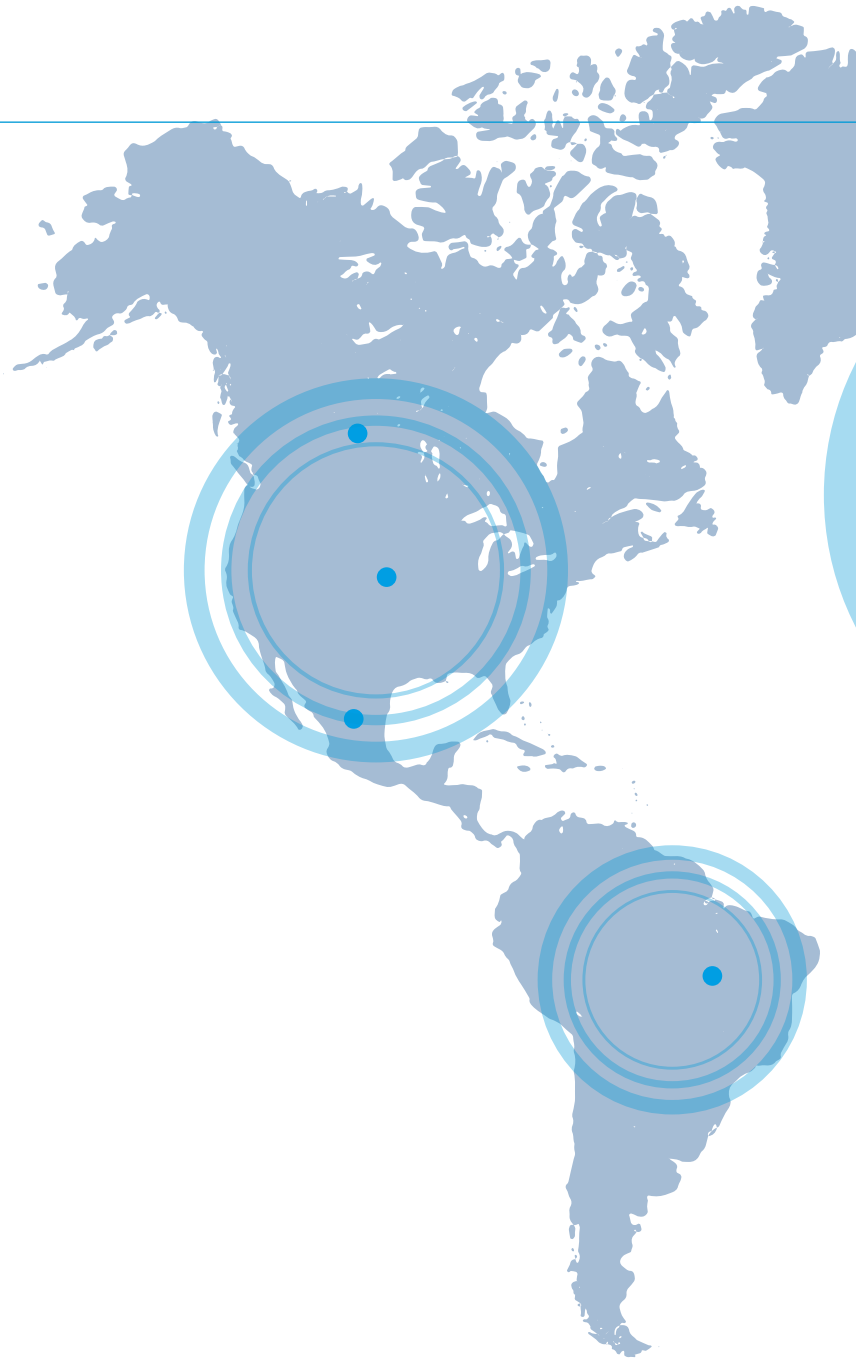
With our leading range of NIOX® products we are making good progress.

We are dedicated to maintaining our position as the 'gold standard' provider of FeNO testing, helping healthcare professionals offer the best asthma care worldwide. We continue to pursue our objectives - our NIOX® products are available in over 50 countries where we offer outstanding customer support through our dedicated local teams and our network of partners.

Business model

Circassia's business model focuses resources on commercialisation of its NIOX® products. Consequently, Circassia retains in-house expertise in marketing, sales, commercial operations, product support, regulatory, quality, medical affairs, device development and corporate functions.

The Group outsources other areas of its business, including product manufacture and commercialisation in partner markets beyond its direct sales territories.



NIOX® IS AVAILABLE IN OVER 50 COUNTRIES

NORTH AMERICA
Canada
United States of America
Mexico

SOUTH AMERICA
Brazil

EUROPE

Albania
Austria
Belgium
Bulgaria
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Iceland
Ireland
Italy
Latvia
Liechtenstein
Lithuania
Luxembourg
Malta
Netherlands
Norway
Poland
Portugal
Romania
Slovakia
Slovenia
Spain
Sweden
Switzerland
Turkey
Ukraine
United Kingdom

AFRICA

Morocco

MIDDLE EAST

Israel
Kuwait
United Arab Emirates
Saudi Arabia

ASIA

China
Hong Kong
Japan
South Korea
Malaysia
Singapore
Taiwan
Thailand

AUSTRALASIA

Australia
New Zealand

This financial year has been a period of substantial change for Circassia.

On 27 May 2020, the Group handed back the rights to its COPD products to AstraZeneca, and as such the results of the COPD business are classified as a discontinued operation in the table opposite. The NIOX® business represents the continuing operations of the Group. The performance of the NIOX® business has been affected significantly in the year by the impact of the COVID-19 pandemic on the level of FeNO testing carried out by our customers.

Revenue

NIOX® revenues for the year were £23.9 million (2019: £34.6 million) which include clinical sales of £21.5 million (2019: £31.0 million) and research sales of £2.4 million (2019: £3.6 million). NIOX® clinical revenues represent sales to physicians and hospitals for use in clinical practice and to the Company's distributors, while research sales are those to pharmaceutical companies and contract research organisations (CROs) for use in clinical studies. The downturn in NIOX® sales was due almost entirely to the impact of the COVID-19 pandemic.

Gross profit

Gross profit on NIOX® sales was £16.3 million (2019: £25.5 million), with a gross margin of 68% (2019: 74%). The decrease in gross margin was mainly due to a lower proportion of higher margin direct sales in China, combined with a repurchase of £0.4 million of obsolete inventory from a distributor in China required by the terms of the relevant distribution agreement.

Research and development

Research and development costs decreased slightly to £6.8 million (2019: £6.9 million). Included in this category are £1.5 million of Device Development costs, £1.3 million of Quality costs, £0.6 million of Medical Affairs costs, £0.5 million of Regulatory costs and £2.9 million of depreciation, amortisation and impairment. The current year costs include a £0.9 million (2019: £nil) impairment charge against internal device development costs due to a change in the strategic roadmap for product development. Excluding depreciation, amortisation and impairment, research and development costs decreased to £3.9 million (2019: £4.7 million) which is mainly due to lower headcount.

Revenue for period

£23.9m

Decreased (2019: £34.6 million)

Research & development

£6.8m

Decreased (2019: £6.9 million)

	2020 £m	2019[1] £m
Revenue	**23.9**	34.6
Cost of sales	**(7.6)**	(9.1)
Gross profit	**16.3**	25.5
Gross margin	**68%**	74%
Research and development costs	**(6.8)**	(6.9)
Sales and marketing costs	**(16.6)**	(24.6)
Administrative expenses	**(10.2)**	(12.5)
Non-underlying expenditure	**-**	(45.3)
Adjusted EBITDA[2]	**(11.1)**	(15.3)
Operating loss	**(17.3)**	(63.8)
Other (losses) and gains - net	**(0.9)**	(3.5)
Net finance costs	**(0.2)**	(0.1)
Non-underlying gains	**-**	39.8
Loss before tax	**(18.4)**	(27.6)
Taxation	**(8.4)**	10.8
Loss for the financial year from continuing operations	**(26.8)**	(16.8)
Loss for the financial year from discontinued operations	**(6.7)**	(31.5)
Loss for the financial year	**(33.5)**	(48.3)
Cash/ (net debt)[3]	**7.4**	(82.9)

[1] Restated to show the results of the COPD business as discontinued.

[2] Earnings before interest, tax, depreciation, amortisation and impairment. Adjusted EBITDA reconciles to operating loss as shown on page 134.

[3] Includes cash and cash equivalents.

Sales and marketing

Sales and marketing costs decreased markedly to £16.6 million (2019: £24.6 million) which was mainly due to a reduction in the number of dedicated NIOX® sales representatives in the US and China.

Administrative expenditure

Underlying administrative expenditure, which includes overheads relating to corporate functions, centrally managed support functions and corporate costs, decreased to £10.2 million (2019: £12.5 million). This was mainly due to lower senior management remuneration costs, and lower professional fees.

Non-underlying expenditure

Non-underlying expenditure in 2019 includes a £44.0 million impairment charge relating to the LungFit™ PH licence and £1.3 million of costs relating to the reorganisation of the Board and other members of senior management.

Taxation

Taxation for the year was a charge of £8.4 million (2019: £10.8 million credit) which arose due to a reduction in the amount of recognised carried-forward tax losses in the Group generated in Sweden by Circassia AB.

Loss after tax and loss per share

Basic loss per share for the year was 9p (2019: 13p) reflecting a loss of £33.5 million (2019: £48.3 million), with the decrease mainly due to an impairment of COPD intangible assets in the previous financial year. Loss per share for continuing operations was 7p (2019: 4p) reflecting a loss for the financial year of £26.8 million (2019: £16.8 million).

Loss from discontinued operations

Loss from discontinued operations decreased to £6.7 million (2019: £31.5 million). The main reasons for this are set out in the table below. The underlying trading loss decreased to £7.3 million (2019: £27.7 million) as a result of the much-reduced sales and marketing costs.

Discontinued operations	2020 £m	2019 £m
Underlying trading loss from discontinued operations	**(7.3)**	(27.7)
Loan write-off	**123.1**	-
Goodwill and intangible asset impairment	**(114.0)**	(46.2)
Fair value gain on contingent royalty consideration	**-**	53.6
Foreign exchange	**(8.3)**	4.1
Discount unwind	**(0.2)**	(15.3)
Loss from discontinued operations	**(6.7)**	(31.5)

Statement of financial position

The Group's net assets at 31 December 2020 were £66.1 million (2019: £84.8 million).

The decrease was mainly due to significant restructuring of the business reducing the operating loss of the Group, combined with movements in working capital.

Current liabilities at the end of the year were £26.7 million (31 December 2019: £41.3 million).

The decrease was mainly as a result of lower trade and other payables due to the settlement of invoices owing to AstraZeneca, together with lower COPD rebate accruals.

Group cash position

£7.4m

(2019: net debt £82.9 million)

Cash flow

At 31 December 2019, the Group had net debt of £82.9 million. This comprised cash of £27.0 million and debt owed to AstraZeneca of £109.9 million. The debt owed to AstraZeneca was forgiven as a result of the transaction which completed on 27 May 2020. The Group's cash balance at 31 December 2020 was £7.4 million.

Cash used in operations during the year aggregated £23.9 million, of which £9.8 million was used in the COPD discontinued operations.

£5.0 million of equity finance was raised in the year (2019: £8.0 million), and other non-operating cash movements aggregated £1.2 million.

Exchange differences on cash and cash equivalents arose as a result of translation of foreign currency balances at the beginning and end of the relevant year.

The exchange gain for the year was £0.5 million (2019: £0.6 million loss).

Michael Roller
Chief Financial Officer
24 March 2021

Cash used in operations in the year by business unit	NIOX® £m	COPD (Discontinued) £m	Head office £m	Group £m
Adjusted EBITDA	(6.8)	(0.6)	(4.3)	(11.7)
Net working capital movements	(3.4)	(9.2)	(1.9)	(14.5)
Other non-cash movements	0.1	-	2.2	2.3
Cash used in operations by business unit	**(10.1)**	**(9.8)**	**(4.0)**	**(23.9)**

The Board has responsibility for all matters relating to corporate social responsibility.

The directors recognise the importance of corporate social responsibility and seek to take account of the interests of all the Group's stakeholders, including its investors, customers, suppliers, partners, and employees when operating the business.

The Board believes that fostering an environment in which employees act in an ethical and socially responsible fashion is critical to its long-term success. The Group strives to be a good corporate citizen and respects the laws of the countries in which it operates.

People

Attracting, motivating and retaining a highly skilled workforce is key to the Group's long-term success. The policies put in place by the Group accord with best practice, and stipulate that there should be equal opportunities and an absence of discrimination for all employees.

Values

Our values, and the behaviours that underpin them, describe the culture of our business.

- **Passion:**
  Our passion for delivering products to improve patients' lives energises us to attain our goals.
- **Recognition:**
  We recognise and acknowledge the contribution of teams and individuals in achieving our goals.
- **Integrity:**
  We act with honesty and fairness at all times and always strive to do the right thing.
- **Drive:**
  We set ambitious goals and go for them, believing this drives extraordinary behaviour.
- **Effectiveness:**
  We understand key business drivers and manage our resources effectively.

Employee welfare and involvement

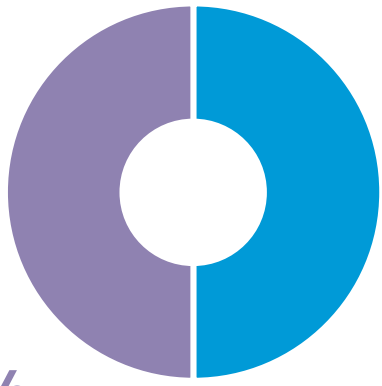
Employees are regularly provided with information about the Group, for example through regular 'open house' sessions at which the Executive Chairman and/or COO and other members of the management team present on various topics such as strategic and operational progress and employee-related policies.

Feedback is frequently sought by line managers and the Executive Leadership Team through team meetings. Feedback is also provided through an annual employee engagement survey.

Employment, training, career development and promotion of disabled persons

The Board recognises the value of diversity at all levels of the Group. The Group has an Equal Treatment, Equal Opportunities and Diversity policy which extends to the Board. This provides that the Group will employ and promote employees on the basis of their abilities and qualifications without regard to age, disability, gender, marriage and civil partnership, pregnancy and maternity, race (including colour, nationality and ethnic or national origins), religion or belief or sexual orientation. The Group appoints, trains, develops and promotes on the basis of merit alone.

TOTAL EMPLOYEES



Male
50%

Female
50%

Diversity

The importance of diversity within the Group is also reflected in its policies and procedures.

The Group does not have formal diversity quotas but recognises that a diverse employee profile is of significant benefit. The table below shows the gender profile at different levels of the Group as at 31 December 2020.

Member	Male	Female	Total	% Male	% Female
plc Board including Non-Executive Directors	5	2	7	71%	29%
Employees in other senior executive positions	4	2	6	67%	33%
Directors of subsidiary companies not included in above	0	2	2	0%	100%
Total Senior Managers excluding directors	12	5	17	71%	29%
All other employees	60	70	130	46%	54%
Total	**81**	**81**	**162**	**50%**	**50%**

Corporate social responsibility

Health and safety

The Group is committed to protecting the health and safety of its employees and endeavours to maintain an effective health and safety culture.

The Group provides ongoing training to individuals who are responsible for health and safety and all staff are notified of health and safety practices. The Group continuously monitors its health and safety policy and practices to ensure they are robust, appropriate, and reflect changes in best practice.

Ethical and social policies

The Group sells medical devices and accordingly operates in a highly regulated ethical framework. It complies fully with these laws and regulations. The Group has a clear anti-bribery policy which is monitored by the Compliance department.

Sunshine Act

The Group is committed to promoting transparency of its relationships with healthcare providers.

It collects, tracks and reports payments to healthcare professionals and organisations in compliance with the US Physician Payment Sunshine Act and equivalent legislation in other countries such as France.

Human rights

The Group supports the UN Universal Declaration of Human Rights and recognises the obligation to promote universal respect for and observance of human rights and fundamental freedoms for all, without distinction. The Group complies with all applicable human rights laws.

Product development

The Group commissions third-party laboratories to conduct the minimum necessary pre-clinical product safety testing in animal models as required by regulatory authorities before commencing clinical studies. The Group works according to the 3Rs policy relating to preclinical testing (Refine, Reduce, Replace).

Environment

The Group is committed to minimising the impact of its activities on the environment.

The materials used to manufacture the NIOX® products are carefully considered to minimise their environmental impact whilst maintaining maximum functionality. The mouth pieces required to be used with the NIOX® VERO® devices are single-use for hygiene reasons, and although not currently recyclable, the impact on the environment from their disposal is considered to be negligible.

The majority of the Group's employees operate out of modern office suites, although it also occupies laboratory space in Oxford and has warehouses in Uppsala, Sweden and Morrisville, USA.

Accordingly, the Group believes that efficient use of energy and materials in those premises, and responsible disposal of hazardous waste, are the most important means of climate protection currently available to it.

Office-based initiatives to reduce waste have also been adopted, which include recycling of paper waste, cans, plastics, batteries and printer toners/ cartridges. The Group does not possess or make use of corporate jets or private planes.

Political and charitable donations

The Group does not make political or charitable donations, although charitable fundraising by employees is encouraged.

Slavery and human trafficking statement

The Group is committed to combatting slavery and human trafficking. As part of its initiative to identify and mitigate risks it performs due diligence on potential suppliers and distributors and protects whistleblowers, who can raise concerns anonymously through an externally provided reporting service. The Group's suppliers and distributors are provided with its Partner Code of Conduct which makes it clear that the Group expects them to comply with the requirements of the Modern Slavery Act.

Greenhouse gas emissions

Greenhouse gas emissions are reported in line with the UK Government's 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance' (dated March 2019). In line with the guidelines, the Group measures greenhouse gas emissions from its main activities categorised as scope 1, 2 and 3 emissions.

The Group has no scope 1 direct emissions.

Scope 2 comprises indirect emissions associated with the consumption of gas and electricity in leased offices.

Scope 3 relates to other indirect emissions, which for the Group mainly relates to business travel. Scope 3 emissions are immaterial to the Group, and the reporting of such emissions is voluntary and has therefore been excluded from this report.

The Group considers that its current activities have a low environmental impact. Nonetheless, it still actively seeks to make energy savings in a fashion which is environmentally responsible and cost effective.

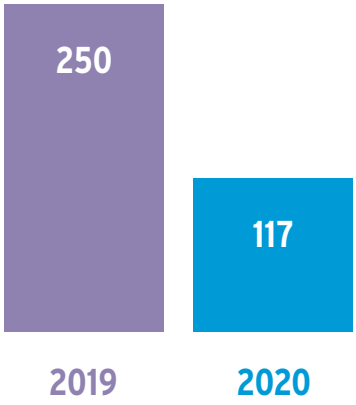
GHG emissions are reported in metric tonnes of carbon dioxide equivalents and calculated using the Defra conversion factors. In order to express annual emissions in relation to a quantifiable factor associated with the Group's business, an intensity ratio has been calculated which shows emissions reported per square metre of the office space occupied by the Group.

Gas and electricity usage information has been obtained from purchase invoices and verified by reference to meter readings. Where actual data for all of the individual periods that make up the financial year are not available by the reporting date, the Group applies the use of estimates.

Emissions have decreased in 2020 mainly due to a reduction in the use of offices due to the COVID-19 pandemic. To the extent that office use increases in 2021, an increase in emissions is likely.

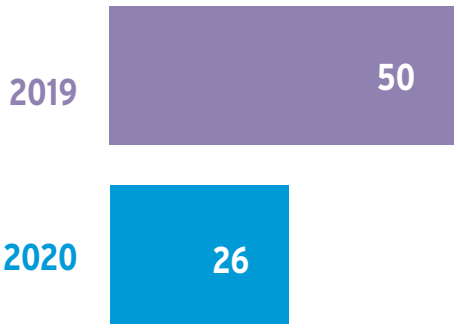
SCOPE 2 EMISSIONS

CO2 equivalent emissions - scope 2 (tonnes)



OFFICE SPACE EMISSIONS

Intensity ratio (kg/m2 of office space)



The management of risks is a key responsibility of the Board of Directors.

The Board ensures that the risks taken by the Group are understood and are appropriate in the light of its strategy and objectives, and that internal controls are in place to effectively identify, assess and manage important risks.

The Board has determined to focus on its NIOX® business which is a single product business therefore all risks to the NIOX® business are risks to the business as a whole. The risk management strategy adopted by the Group has a number of facets. A risk register has been created and is updated on an annual basis by those individuals in the business who manage risks on a day to day basis. This identifies each risk, assesses the likelihood of its occurrence and the level of impact on the business. This process is coordinated by the Chief Financial Officer. The register is reviewed by the Executive Leadership Team and subsequently reviewed by the Audit and Risk Committee and reported to the Board.

There is a particular emphasis on ensuring that the risk appetite of the Board is fully understood by the Executive Leadership Team. The register also sets out activities and controls which are designed to mitigate the identified risks, and again the Board and the Executive Leadership Team analyse these mitigation strategies and ensure that the approach taken is consistent with the nature and degree of risks which are considered acceptable by the Board.

Aside from the review, risk owners across the business are responsible for reporting any significant issues on an ongoing basis to the Executive Leadership Team and for ensuring that other members of their teams are aware of the risk management process.

The risk management system is designed to manage risks, rather than eliminate them at the expense of achieving corporate objectives. Accordingly, it can only provide a reasonable and not an absolute assurance against material misstatement or loss.

The main risks relevant to the Group have been identified on the following pages, together with an explanation of how they are managed and controlled. Some risks are common across the medical device industry, while others reflect the Group's specific strategy. The Group considers all of these risks relevant to any decision to invest in it.

Commercial success

The Group's competitors, many of whom have considerably greater financial and human resources, may develop safer or more effective products or be able to compete more effectively in the markets targeted by the Group. New companies may enter these markets and novel products and technologies may become available which are more commercially successful than those being developed by the Group.

The Group's NIOX MINO® and NIOX VERO® devices compete in Europe with products made by Bedfont Limited, Bosch Healthcare Solutions GmbH (based in Germany), and Spirosure Inc. (headquartered in the United States).

In China, a competing product is supplied to the market by Sunvou Medical. In the United States, Spirosure Inc.'s product has been approved by the FDA and is, therefore, a potential competitor to the Group's NIOX VERO® device.

The Group may not be able to sell its products profitably if reimbursement from third party payers such as private health insurers and government health authorities is restricted or not available. For example, it may prove difficult to build a strong enough economic case based on the burden of illness and population impact.

Third party payers are increasingly managing costs to both their organisations as well as patients, and as a result, medical products in competitive markets can be denied or limited in terms of coverage and reimbursement.

Moreover, even if the products can be sold profitably, they may not be accepted by patients and the medical community.

Outside the United States, United Kingdom, China and Germany the Group relies on distributors to sell its NIOX® devices and such relationships must be carefully managed in order to ensure the commercialisation services provided are of a sufficiently high quality and an appropriate level of resources is applied by the distributor to the marketing of the devices.

Other factors that may undermine the Group's efforts to commercialise its products include: the inability to train and retain effective sales and marketing personnel and higher costs of marketing and promotion than are anticipated by the Group.

Mitigating activities: The Group continues to apply significant resources to sales of the NIOX® device and holds a patent portfolio associated with this product range. The Group continues to invest in research and development to maintain its leadership position in this area. In the United States there is a dedicated commercial team, including sales representatives, selling NIOX.®

The products are also sold directly by the Group's teams in China, the United Kingdom and Germany who manage local commercialisation activities. Partner markets, where products are sold through distributors, are managed by an experienced Senior Director of Partner Management.

Compliance with healthcare regulations

The Group must comply with complex regulations in relation to the marketing of its devices. These regulations are strictly enforced. Failure by the Group (or its commercial partners) to comply with relevant legislation and regulations, including the US Physician Payment Sunshine Act (and equivalent legislation in other countries), US False Claims Act, Anti-Kickback Statute and the US Foreign and Corrupt Practices Act and regulations relating to data privacy (amongst others) and similar legislation in countries outside the United States, such as China, may result in criminal and civil proceedings against the Group.

Mitigating activities: The Group has an internal Compliance function, which is managed by the Chief Compliance Officer together with dedicated Compliance resources in the United States.

The Chief Compliance Officer has a direct reporting line to the Chair of the Audit and Risk Committee. Activities in this area are reviewed by the Executive Leadership Team on a quarterly basis.

The Compliance function works with a network of external advisers in the relevant territories to ensure local regulations are understood. Robust processes are in place to ensure that sales compliance requirements are met, and any failures or allegations of failure are swiftly investigated. This includes training of employees, ride-alongs with sales representatives, due diligence on distributors and suppliers prior to contracting with them, compliance oversight of sampling activities, and audits of distributors and suppliers.

Unforeseen side effects

Unforeseen side effects may result from the use of the Group's devices. There is a risk that the malfunction of a medical diagnostic or device may have an adverse impact on patients.

If any of the Group's products are found to cause adverse reactions or unacceptable side effects or risk of misdiagnosis, then product sales may be adversely impacted, and, in extreme circumstances, it may prove necessary to suspend sale and/or withdraw the product from the market.

Adverse events or unforeseen side effects or device malfunction may also potentially lead to product liability claims being raised against the Group as the seller of the product.

Mitigating activities: The Group's medical devices are subject to rigorous testing procedures. A robust device vigilance plan is in place to ensure any safety issues are identified and reported. Insurance is in place to cover product liability claims which may arise during the sale of the Group's NIOX MINO® and NIOX VERO® products.

Regulatory approvals

The Group may not obtain regulatory approval for its products that are in development. Even where products are approved, subsequent regulatory difficulties may arise, or the conditions relating to the approval may be more onerous or restrictive than the Group expects, or existing approvals might be withdrawn.

The medical device industry is highly regulated. Regulatory authorities across the world enforce a range of laws and regulations which govern the testing, approval, manufacturing, labelling and marketing of such products. Stringent standards are imposed which relate to the quality, safety and efficacy of these products.

These requirements are a major determinant of whether it is commercially feasible to develop a medical device given the time, expertise, and expense which must be invested, and whether it is possible to commercialise products effectively or at all. Moreover, approval in one territory offers no guarantee that regulatory approval will be obtained in any other territory.

The Group already holds regulatory approvals for its NIOX MINO® and NIOX VERO® devices in certain key countries such as the United States, Japan, China, the United Kingdom and Germany but approvals are still pending for the VERO® in a number of other countries. Delays or complications in any of these regulatory applications could adversely affect the Group's business.

The Group relies on partners, such as third party sub-contractors and service providers for the execution of most aspects of development programmes.

Failure of these third parties to provide services of a suitable quality within acceptable timeframes – for example due to technical reasons or bankruptcy of the provider – may cause the failure or delay of these development programmes.

Even where approval is obtained, regulatory authorities may still impose significant restrictions on the indicated uses or marketing of a product or impose costly, ongoing requirements for post-marketing surveillance or post-approval studies or may even withdraw the approval if new concerns over safety and efficacy arise.

Mitigating activities: The Group manages its regulatory risk by employing highly experienced professionals who, where appropriate, will commission advice from external advisers and consult with the regulatory authorities on the design of any pre-clinical and clinical programmes that may be required.

These in-house experts would ensure that high quality protocols and other documentation are submitted during the regulatory process, and that well-reputed contract research organisations with global capabilities are retained to manage the trials.

The Group manages its regulatory risk by employing highly experienced professionals

Supply chain

The Group relies on third parties for the supply of key materials, finished products and services, including shipping. Problems at these contractors, such as technical issues, contamination, and regulatory actions may lead to delays or even loss of supply or inadequate supply of these materials, products and services during commercialisation.

Some materials may only be available from one source, as is currently the case for the NIOX® devices and the sensors contained in those devices, and regulatory requirements may make substitution costly and time-consuming.

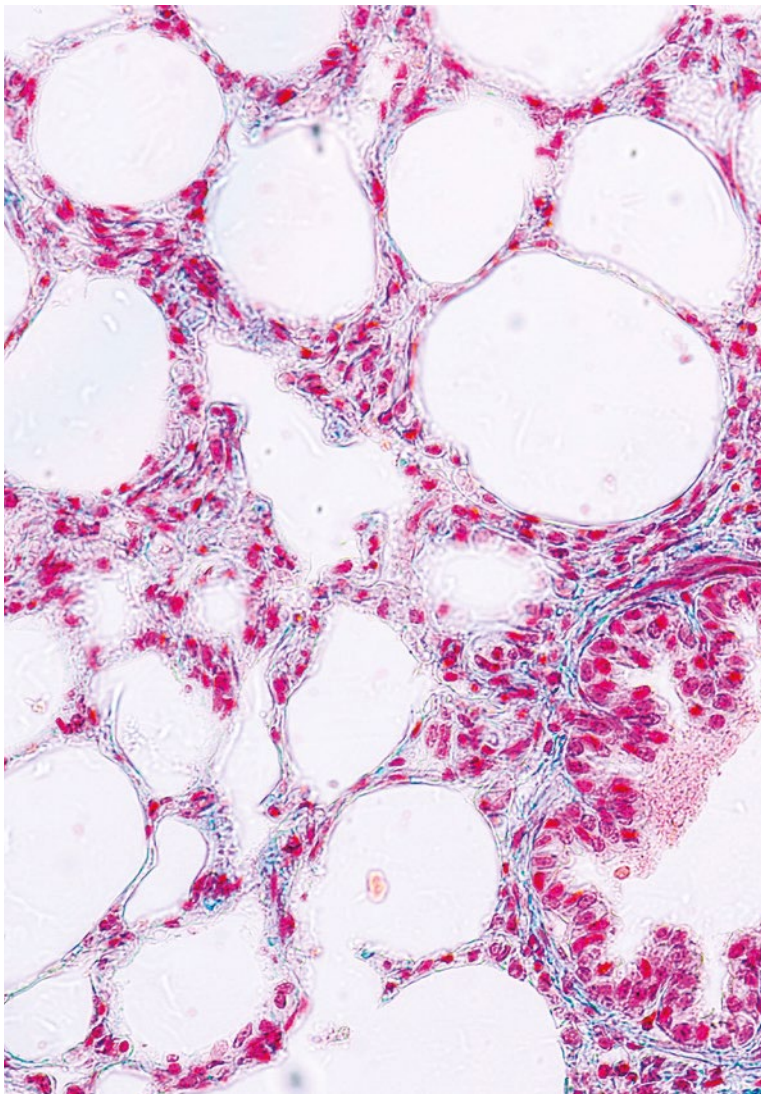
During the COVID-19 pandemic, the supply chain proved fully resilient.

Mitigating activities: Audits of contractors are routinely conducted according to procedures set out in the Group's quality system. Dual sourcing is investigated where this is practicable. Manufacturing sites are well established FDA-approved facilities.

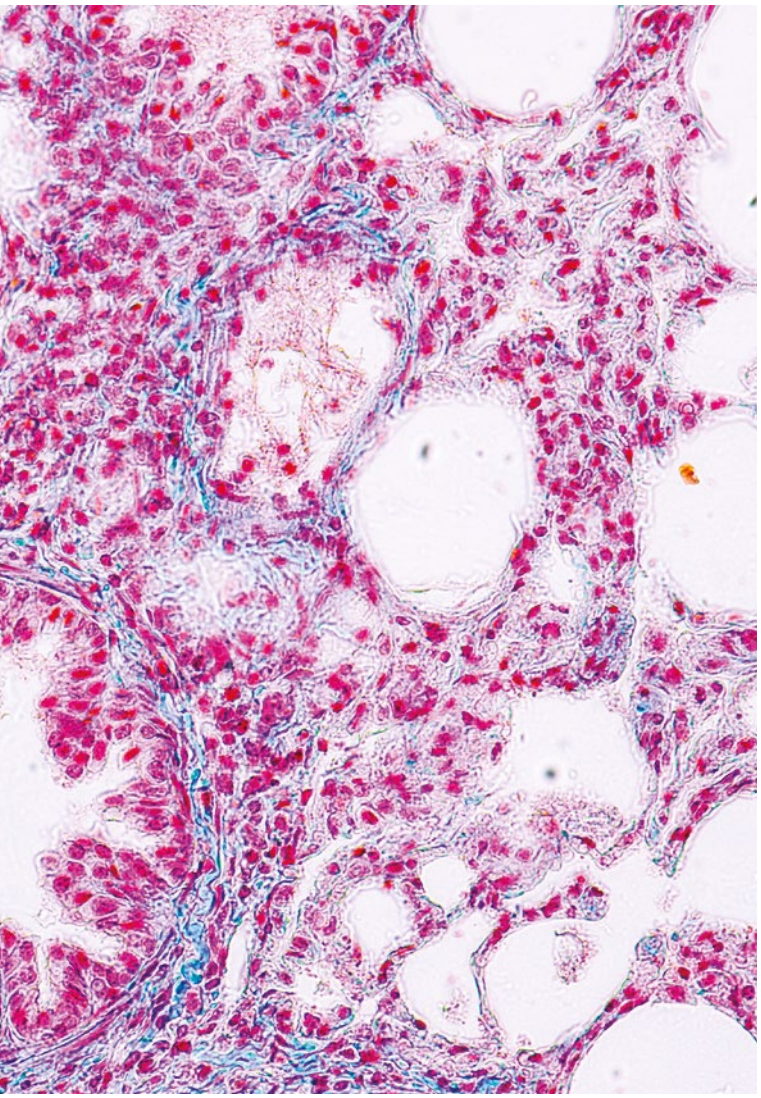
Research and development risks

The Group relies upon its collaborations with PHC Corporation for the development of the NIOX® device and upon IT Dr. Gambert GmbH for the development of the sensors contained in the NIOX® devices.

Mitigating activities: The development collaboration with PHC Corporation is managed by steering committees which include representatives from the Group.



Audits of contractors are routinely conducted according to procedures set out in the Group's quality system



Financial operations

The Group has incurred significant losses since the inception of its various businesses. However, it anticipates that it should become profit making in the near future once the effects of COVID-19 on the short term trading of the NIOX® business have ceased.

Foreign exchange fluctuations may adversely affect the Group's results and financial condition. The Group records its transactions and prepares its financial statements in British pound sterling, but a significant proportion of its income and expenditure is in United States dollar, Swedish krona, euro and Chinese yuan.

Mitigating activities: At the end of each year, the Board reviews and approves a budget for the following year and reviews the 5 year plan. As part of the review the Board considers the robustness of the Group taking into account its current position, potential future developments, the principal risks facing it, and the effectiveness of mitigation plans and controls.

The review also encompasses the potential impact of significant credible scenarios on the business model and future performance of the business.

Forward purchases of foreign currencies may be made when it is considered necessary to do so in order to mitigate specific foreign exchange risks.

Intellectual property, knowhow, and trade secrets

The Group may be subject to challenges relating to the validity of its patents or third-party patents to which it has rights. If these challenges are successful then the Group may be exposed to generic competition.

The Group could also be sued for infringement of third party patent rights. If these actions are successful then it would have to pay substantial damages and potentially remove its products from the market. Such litigation, particularly in the United States, involves significant costs and uncertainties.

It is possible that the Group will not be able to secure intellectual property protection, or sufficient protection, in relation to products which are acquired or in development. Similarly, a failure by the Group to maintain or renew key patents would lead to the loss of such protection. In both cases the potential of the Group to earn revenue from its products could be compromised as it would be less difficult for third parties to copy the products.

The Group may rely upon knowhow and trade secrets to protect its products and maintain a competitive advantage. This may be especially important where patent protection is limited or lacking. Conversely, the Group may be subject to claims that its employees or agents have wrongfully used or disclosed the confidential information of third parties which could lead to damages or injunctions which affect particular products.

The Group licenses certain intellectual property rights from third parties. If the Group fails to comply with its obligations under these licence agreements it may enable the other party to terminate the agreement.

Mitigating activities: Important products are covered by a range of different patents or patent families and attacks on patents are defended using expert external patent attorneys and lawyers. A robust system is in place which ensures patents are renewed on time.

Third party patent filings are monitored to ensure the Group continues to have freedom to operate and oppositions are filed where this is considered expedient.

Confidential information (both belonging to the Group and to third parties) is protected through use of confidential disclosure agreements with third parties, and suitable provisions relating to confidentiality and intellectual property exist in the Group's employment contracts. Licences are monitored for compliance with their terms.

Important products are covered by a range of different patents or patent families and attacks on patents are defended using expert external patent attorneys and lawyers

Organisational capabilities and capacity

The Group may be unable to successfully implement its plans for growth if it does not attract and retain employees with the requisite capabilities and experience, in appropriate numbers. The Group depends on the skills and experience of its current management team and employees, and is generally subject to competition for, and may fail to retain, skilled personnel.

Existing employees, investigators, consultants and commercial partners may engage in misconduct or improper activities, including non-compliance with regulatory standards and laws.

Where the Group acquires complementary technologies, products, or businesses it may not be able to integrate those acquisitions effectively or realise their expected benefits. The Group may be vulnerable to disruption and damage as a result of failures of its computer systems.

Mitigating activities: Remuneration packages for employees are competitive, and incentive plans based on the contingent award of shares are in place to attract, motivate and retain staff. Disciplinary and whistleblowing policies exist to address misconduct by employees and officers.

To address IT and cyber risks, a disaster recovery plan has been developed. Data is backed up daily on off-site servers and the Group operates from a number of physically separate sites. In addition, the Group maintains up to date anti-virus, anti-malware and anti-spyware software. In addition, a cybersecurity policy has been created to inform all users of company systems of their obligations to protect the systems from unauthorized access, theft and destruction.

Brexit

There continue to be political and economic uncertainties following the United Kingdom leaving the European Union (EU) on 31 January 2020. The Group continues to face a range of risks associated with this decision. For example, the vote to leave the EU may lead to changes in the regulatory system by which medical devices are approved for use. The Group's NIOX® product is currently CE marked in accordance with European regulations. Now that the United Kingdom has left the EU, there is a plan in place to change this registration in line with the MHRA published timelines to permit sales of the device to continue in the United Kingdom.

Brexit may also result in restrictions on the movement of people which may make it harder for the Group to attract the talent it needs to support the business. The general economic uncertainty created by the process may also make it harder to enter into strategic partnerships with European companies. The uncertainties surrounding Brexit also caused a significant depreciation in the value of sterling and continue to result in further foreign exchange volatility. This may affect the Group as indicated in the more general risk relating to financial operations set out on page 37.

Mitigating activities: The Group continues to monitor developments relating to Brexit and receives updates from its legal and regulatory advisers on a frequent basis. The Group already has established subsidiaries in Germany (Circassia AG) and Sweden (Circassia AB), where the Group's NIOX® inventory for the EU and other markets outside the United States is held, so the Group will still have a presence in the EU. In the event of extreme disruption, product could be shipped to the UK from the US warehouse to mitigate EU-UK border issues.

Corporate Governance

CIRCASSIA

Board of Directors

Ian Johnson
Executive Chairman

Ian joined Circassia as Executive Chairman on 5 December 2019.

Ian has spent his business career in life science and was founder and CEO of Biotrace International PLC, which was a listed company until its sale to 3M in December 2006. In addition to his current role with Circassia, Ian is a Non-Executive Director of Ergomed PLC and Non-Executive Chairman of Redcentric PLC. Prior to these appointments Ian was Executive Chairman of Bioquell PLC from 2016 until acquired by Ecolab Inc. in January 2019, Non-Executive Chairman of Quantum Pharma PLC, Cyprotex PLC and Celsis Group Ltd. He has also served on the boards of various other public and private companies including AIM listed companies; Evans Analytical Group and AOI Medical Inc.

Ian studied at Cardiff University obtaining a B.Sc. and M.Sc. in Microbiology. He is a Chartered Biologist, a Fellow of the Royal Society of Biology and a member of the Institute of Directors.

Michael Roller
Chief Financial Officer

Michael Roller joined Circassia as Chief Financial Officer on 9 January 2020.

Michael is a highly experienced Finance Director and life sciences company Director. He was previously a Non-Executive Director of Filtronic PLC and Group Finance Director of Bioquell PLC, Corin Group PLC and Genus PLC. In addition, Michael has held a number of senior finance roles in a broad range of public and private companies.

Michael completed his training at KPMG and is a Chartered Accountant and member of the ICAEW. He graduated from Merton College, Oxford with a BA in History.

Jonathan Emms
Chief Operating Officer

Jonathan Emms joined Circassia as Chief Operating Officer on 2 September 2019.

Jonathan brings significant senior-level experience of the global pharmaceutical industry to Circassia. Prior to joining the Company, he was Chief Commercial Officer for Pfizer's Internal Medicines organisation, where he led commercial activities across the company's global operations.

Previously, he held a number of senior positions at Pfizer, including Head of Marketing for its Global Established Pharmaceutical Business and Head of Marketing for Specialty Care, Europe, and oversaw the UK launch of Spiriva® under the company's co-promotion agreement with Boehringer Ingelheim. He was also Country Manager in the UK, Pfizer's largest affiliate outside the United States, where he had responsibility for manufacturing, research and commercial operations and during his tenure was elected President of the Association of the British Pharmaceutical Industry (ABPI).

Prior to his time at Pfizer, Jonathan held several roles of increasing responsibility at GSK, where he gained significant respiratory experience, including leading the UK launch of Serevent® in COPD. He holds a BSc in Materials Technology from Coventry University, UK.

Garry Watts
Senior Independent Director and Non-Executive Director

Garry Watts joined Circassia as a Non-Executive Director and Senior Independent Director on 2 March 2020.

Garry brings to the Company extensive Board-level experience gained in the healthcare sector. He is currently Non-Executive Chairman of Spire Healthcare Group plc and a Non-Executive Director of Coca Cola European Partners plc. He was previously Non-Executive Chairman of BTG plc, Chairman of Foxtons plc, CEO of SSL International plc, Finance Director at Medeva plc and a Director of Celltech Group plc. In addition to his executive roles, Garry was a Non-Executive Director at Protherics plc and a Non-Executive member of the Board of the UK Medicines and Healthcare Regulatory Products Agency for over 15 years.

Garry is a Chartered Accountant and former partner at KPMG and is a member of the ICAEW.

Board of Directors

Jo LeCouilliard
Non-Executive Director

Jo LeCouilliard was appointed to the Board as an Independent Non-Executive Director on 8 February 2018.

She has 25 years' healthcare management experience gained in Europe, the US and Asia. Much of her career has been in pharmaceuticals at GlaxoSmithKline where, amongst other roles, she headed the US vaccines business and Asia Pacific Pharmaceuticals business and led a program to modernise the commercial model. She was previously Chief Operating Officer at the BMI group of private hospitals in the UK.

She was a Non-Executive Director at Frimley Park NHS Foundation Trust in the UK, Cello Health PLC and at the Duke NUS Medical School in Singapore.

Jo is currently a Non-Executive Director at the UK listed company, Alliance Pharma plc, and at the Italian listed pharmaceutical company, Recordati S.p.a. She is a graduate of Cambridge University and a Chartered Accountant.

Sharon Curran
Non-Executive Director

Sharon Curran was appointed to the Board as an Independent Non-Executive Director on 8 February 2018.

Sharon brings to the Company extensive commercial and launch experience in pharmaceuticals and devices across Europe, US, Asia and emerging markets. Sharon has held numerous senior operational and strategic roles at Eli Lilly, Abbott and most recently as VP Global Marketing and Commercial Operations at AbbVie (US) leading their global specialty franchise and development of global commercial and launch capabilities.

She is also currently a Non-Executive Director with biopharmaceutical plc MorphoSys AG and with a global specialty pharmaceutical private company Noden Pharma DAC.

Sharon holds an Executive MSc in Business Administration from Trinity College Dublin, BSc in Biotechnology from Dublin City University and a Diploma in Company Management from Institute of Directors.

Nicholas Mills
Non-Executive Director

Nicholas Mills was appointed to the Board as a Non-Independent Non-Executive Director on 13 November 2020.

Nicholas joined Harwood Capital LLP in 2019 after spending 5 years at Gabelli Asset Management in New York and currently acts as a fund manager.

At Gabelli, he acted primarily as a Research Analyst covering the multi-industrial space and also gained experience in Merger Arbitrage strategies and marketing Closed End Funds.

He has a Bachelor of Science Degree from Boston College's Carroll School of Management.

Corporate governance report

Dear shareholders,

On behalf of the Board, I am pleased to present Circassia's Corporate governance report for the year ended 31 December 2020.

High standards of corporate governance are fundamental to our business and are implemented and supported through appropriate internal policies and procedures. During the year there have been no key governance related matters, or any changes in governance arrangements, with the exception of those impacted by the COVID-19 pandemic.

The responsibility for ensuring this framework is effective lies with the Board, and we are constantly striving to improve standards while building a successful company.

As Chair, it is my role to oversee the adoption, delivery and communication of the Company's corporate governance model.

Maintaining good communication with our shareholders is extremely important to us. During the year the Executive Directors have held a number of meetings with investors and current shareholders, many of which have been held via video or teleconference due to the COVID-19 pandemic.

Ian Johnson
Executive Chairman
24 March 2021

Corporate Governance Statement

Statement of Compliance with the Quoted Companies Alliance (QCA) Corporate Governance Code (the 'Code')

Circassia Group plc adopts compliance with the QCA Corporate Governance Code and confirms that the Group is fully compliant. This report follows the structure of these guidelines and explains how we have applied the guidance.

1) Establish a strategy and business model which promotes long-term value for shareholders

The Group's values are stated within the Corporate social responsibility report on page 28 and the Group's strategy and business model are explained in detail in the Strategic report on page 22.

2) Seek to understand and meet shareholder needs and expectations

The Executive Chairman is responsible for ensuring regular and effective communication with shareholders, brokers and analysts.

Circassia engages with its shareholders through regular reporting on the London Stock Exchange, regulatory announcements on its website and by direct contact with its major shareholders. Meetings between material shareholders and the Executive Directors take place throughout the year. The Executive Chairman and other directors are available to meet with major shareholders on request. The Executive Chairman and the Chief Financial Officer give annual and bi-annual presentations to institutional investors and analysts. These presentations are available on the website.

The Annual General Meeting (AGM) provides an excellent opportunity for all shareholders to meet Board members and ask about the proposed resolutions and the business in general.

3) Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Group is aware of its corporate social responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. These include the Group's employees, partners, suppliers and regulatory authorities. The Group's Corporate social responsibility report can be found on page 28.

The Group's operations and working methodologies take account of the need to balance the needs of all stakeholder groups while maintaining focus on the Board's primary responsibility to promote the success of the Group for the benefit of its members as a whole. The Group endeavours to take account of feedback received from stakeholders, making amendments to working arrangements and operational plans where appropriate and where such amendments are consistent with the Group's longer-term strategy.

The Group takes due account of any impact that its activities may have on the environment and seeks to minimise this impact wherever possible. Through the various procedures and systems it operates, the Group ensures full compliance with health and safety and environmental legislation relevant to its activities.

4) Embed effective risk management, considering both opportunities and threats, throughout the organisation

A description of the risk management system and the Group's principal risks is outlined in the Strategic report on page 32. The system is designed to manage risks, not to eliminate them completely, and can only provide a reasonable degree of assurance against material misstatement or loss. Inherent in the concept of reasonable assurance is the recognition that the cost of a control procedure should not exceed its anticipated benefits. The Audit and Risk Committee reviews the Group's risks and mitigating actions on an annual basis and makes recommendations to the Board where improvements are required.

The efficacy of control systems is reviewed by the full Board as required by the Code. The Board confirms that it has conducted a review of the Group's risk management and internal controls systems, including financial, operational and compliance controls and has found them to be effective.

5) Maintain the board as a well-functioning, balanced team led by the chair

The role of the Board
The Board is responsible for the leadership and long-term success of the business. It has a schedule of matters which are reserved for its review. These include the review and approval of strategic plans, financial statements and budgets, financing, acquisitions and disposals, major capital expenditure, dividend policy, making key risk decisions, monitoring risks and compliance, monitoring health, safety and environmental performance, and executive remuneration and appointments.

Roles and responsibilities
The Board currently comprises the Executive Chairman, two Executive Directors, the Senior Independent Director, and two Independent Non-Executive Directors. A third Non-Executive Director, Nicholas Mills, is the representative of a major shareholder and is not considered to be independent. The biographies of the current members of the Board are set out on pages 42 to 45 of this report.

The Executive Directors have direct responsibility for the business operations of the Group. The Non-Executive Directors, by virtue of their wide range of industry experience and skills, bring an informed view to the decision-making process.

The Non-Executive Directors are expected to devote such time as is necessary for the proper performance of their duties. The Executive Directors are full time employees of the Company.

The Board is supported by three committees (the Audit and Risk Committee; the Nomination Committee; and the Remuneration Committee) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.

Executive Chairman
The Executive Chairman is responsible for the day to day management of the Group, for implementing the strategy which has been reviewed and approved by the Board and for the leadership of the Board and its effectiveness by ensuring that:

- the agenda for meetings is appropriate, and the Board is provided with the information it needs for high quality decision making in a timely fashion;
- the Board plays a full and constructive role in shaping the strategy of the Group;
- the Board environment is productive and utilises the skills and experience of all members;
- the Board complies with the appropriate standards of corporate governance;
- the Committees are properly structured and resourced;
- the performance of the Board, its Committees, and individual directors is evaluated each year; and
- there is effective communication with shareholders, brokers, and analysts.

Non-Executive Directors
The role of the Non-Executive Directors, and of the Committees of which they are members, is to scrutinise the performance of management, satisfy themselves that the financial and risk control mechanisms are robust, and determine appropriate levels of executive pay.

They have wide ranging experience of industry and bring their judgement to bear in the decision-making process of the Board. Their seniority and range of skills ensure that no one individual can dominate this process.

Independence
The Board considers itself to be sufficiently independent. The Code suggests that a board should have at least two independent Non-Executive Directors. As at the date of signing this report, there are four Non-Executive Directors (including the Senior Independent Director), three of whom are deemed to be independent.

Board meetings
The Board aims to meet at least six times during the year, with monthly conference calls taking place in the intervening period. Additional meetings may be arranged where urgent matters arise. Board meetings may be held by video conference, telephone, or in person as appropriate.

The table opposite sets out the attendance of the directors, while they were Board members, at scheduled meetings which occurred during the year to 31 December 2020.

	Committee Memberships	Independent Status	Board	Nomination Committee	Audit & Risk Committee	Remuneration Committee
Executive Directors						
Ian Johnson	n/a	n/a	12 (12)	-	4 (4)[1]	4 (4)[1]
Michael Roller[2]	n/a	n/a	12 (12)	-	4 (4)[3]	4 (4)[1]
Jonathan Emms	n/a	n/a	12 (12)	-	-	4 (4)[1]
Non-Executive Directors						
Garry Watts[4]	N[5], N(Chair)[6], A[7], R[8]	Yes	11 (11)	4 (4)	4 (4)	3 (3)
Jo LeCouilliard	N(Chair)[9], N, A(Chair), R	Yes	12 (12)	4 (4)	4 (4)	4 (4)
Sharon Curran	N, A, R(Chair)	Yes	12 (12)	4 (4)	4 (4)	4 (4)
Nicholas Mills[10]	n/a	No	1 (1)	-	-	-

N = Nomination Committee

R = Remuneration Committee

A = Audit and Risk Committee

Figures in brackets represent the total number of meetings occurring during the year to 31 December 2020 when the director was in office.

[1] By invitation.

[2] From 9 January 2020, when he was appointed as Chief Financial Officer.

[3] In the capacity of Secretary to the Committee.

[4] From 2 March 2020, when he was appointed as Non-Executive Director and Senior Independent Director.

[5] From 2 March 2020, when he was appointed as a member of the Nomination Committee to 17 June 2020 when he succeeded Jo LeCouilliard as Chair of the Nomination Committee.

[6] From 17 June 2020, when he succeeded Jo LeCouilliard as Chair of the Nomination Committee.

[7] From 2 March 2020, when he was appointed as a member of the Audit and Risk Committee.

[8] From 2 March 2020, when he was appointed as a member of the Remuneration Committee.

[9] Until 17 June 2020, when she stepped down as Chair of the Nomination Committee and became a member of the Nomination Committee.

[10] From 13 November 2020, when he was appointed as a Non-Executive Director.

6) Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The directors believe that the Board, taken as a whole, has sufficient expertise and variety of complementary skills for the Company to operate and develop its business satisfactorily. The current Board, although holders of suitably sufficient skill level in the areas of the business, are always looking to improve and further their knowledge of the industry so as to gain a competitive advantage over an expectedly crowded market. All directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the directors in advance of meetings by the Company Secretary.

7) Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Formal Board evaluations are carried out once a year, and informal evaluations are carried out on a continuing basis throughout the year. The formal evaluation commences with the circulation of a written questionnaire which is prepared by the Company Secretary. This invites directors to rate and comment on the performance of the Board in a number of areas, including the conduct of Board meetings; the standard and timeliness of information; the balance of skills of the members of the Board; the roles and responsibilities of individual directors; and compliance with good corporate governance practices. A detailed, anonymised analysis of these responses is then prepared by the Company Secretary and reviewed and discussed by the Board which then debates the responses and agrees upon the actions required.

The most recent Board evaluation concluded that the Board was operating effectively. The survey identified a bias in Non-Executive Director experience to pharmaceuticals rather than diagnostic devices. The Board agreed that this would inform future decisions as Non-Executive Directors retire from the Board.

8) Promote a corporate culture that is based on ethical values and behaviours

The Board is committed to promoting a strong ethical and values driven culture throughout the Company. The Board aims to lead by example and do what is in the best interests of the Group, its stakeholders and shareholders. The Executive Directors strive to act in a manner which is professional and ethical and has published its ethical policies for all employees to observe and comply with.

9) Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Board programme

The Board sets direction for the Company through a formal schedule of matters reserved for its decision. The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting and Board and Committee papers are distributed by the Company Secretary several days before the meetings take place. Any director may challenge Company proposals and decisions are taken after full discussion. Any director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Company's management.

Board Committees

The Board has three Committees to which it delegates specific responsibilities; the Audit and Risk Committee; the Nomination Committee; and the Remuneration Committee. The reports of these Committees and details of their composition form part of the Corporate governance report. Each Committee has full terms of reference which have been approved by the Board and also appear on the website at www.circassia.com. These terms of reference are reviewed annually. The Board provides the Committees with sufficient resources, including access to external advisers, as may be required in order to fulfil their roles.

10) Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Executive Chairman and Chief Financial Officer regularly meet with investors after results announcements have been made and at other shareholder participant events. They also meet regularly with the Group's Nominated Adviser/broker and discuss any shareholder feedback – the Board is briefed accordingly.

Although the COVID-19 pandemic had an effect in 2020, it is company policy that all directors attend the AGM and engage both formally and informally with shareholders during and after the meeting. The results of voting at the AGM are communicated to shareholders via RNS and on the Group's website.

The Executive Chairman and the Chief Financial Officer make presentations to institutional shareholders and analysts each year immediately following the release of interim and full year results. The slides used for such presentations are made available on the Group's website under the financial reports section.

Audit and Risk Committee report

Dear shareholders,

On behalf of the Board I am pleased to present Circassia's Audit and Risk Committee report for the year ended 31 December 2020.

This report sets out how the Committee has discharged its responsibilities under the Quoted Companies Alliance Code (the "Code").

Jo LeCouilliard
Chair of the Audit and Risk Committee
24 March 2021

Responsibilities

The Audit and Risk Committee's terms of reference include the following responsibilities:

- Monitoring the integrity of the Company's financial statements and any other formal announcements relating to the Company's financial performance;
- Annually considering the need for an internal audit function;
- Reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration the relevant UK professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services;
- Making recommendations to the Board in relation to the appointment, reappointment and removal of the external auditors and approving the remuneration and terms of engagement of the external auditors;
- Reviewing the adequacy and effectiveness of the Company's internal financial controls and the Group's internal control and risk management systems;
- Ensuring that the Company has arrangements in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to the propriety of financial reporting or other matters.

If necessary, the Committee may appoint external accounting and legal advisers to assist it with its work.

The Committee reviews its terms of reference and its effectiveness annually and recommends to the Board any changes required as a result of the review. The terms of reference are available on the Company website.

Membership

The Company Secretary acts as the Secretary to the Committee. The Executive Chairman, Chief Financial Officer and Chief Operating Officer may attend meetings by invitation.

The Committee meets with the external auditors at least once a year in the absence of management.

The Board considers that the members of the Committee are independent and collectively have the skills and experience required to discharge their duties effectively.

Ms Jo LeCouilliard, Chair of the Audit and Risk Committee, is a Chartered Accountant and a member of the ICAEW. She has recent and relevant experience which enables her to understand the risks facing the business, be able to challenge the financial position and performance of the Company and make recommendations to the Board.

As such, the Board considers that the Chair of the Committee has recent and relevant financial experience.

Member	Date appointed	Meetings attended (held)
J LeCouilliard (Chair of the Committee)[1]	30 May 2018	4 (4)
S Curran	30 May 2018	4 (4)
G Watts	2 March 2020	4 (4)

[1] Ms Jo LeCouilliard became Chair of the Committee on 4 February 2019.

Matters considered

A summary of the matters considered by the Committee since the last financial statements is shown in the table below and explained in further detail in the subsequent text:

Area of review	Activities undertaken
Financial reporting	▪ Review of the interim and full year results. ▪ Consideration of whether the Annual Report and accounts is fair, balanced and understandable. ▪ Review of the external auditors' report for the full year results. ▪ Review of significant accounting judgements and estimates (see overleaf). ▪ Review of anticipated changes in accounting standards and their impact. ▪ Review of the going concern basis of preparation of the financial statements.
External auditors	▪ Review of the external auditors' independence. ▪ Review of the external auditors' compliance with ethical and professional guidance on audit partner rotation. ▪ Assessment of the effectiveness of the audit process. ▪ Recommendation regarding reappointment of the external auditors.
Risk management and internal control	▪ Review of risk, risk management systems, internal controls and the whistleblowing policy. The Group's principal risks are outlined on page 32 to 39. ▪ Review of compliance activities.
Governance	▪ Review of the Committee's terms of reference.

Significant accounting matters

The following key areas of risk and critical accounting estimates have been identified and considered by the Audit and Risk Committee in relation to the business activities and financial statements of the Group:

- Measurement of Tudorza® revenue deductions.
- Recognition of deferred tax asset for carried-forward tax losses.
- Assessment of the possible impairment of goodwill and intangible assets.
- Assessment of the possible impairment of investments in subsidiaries and intercompany receivables.
- Going concern and cash flow.

Measurement of Tudorza® revenue deductions

Circassia must estimate the rebates and chargebacks that are expected to be paid on sales of Tudorza® and also a refund liability for the amount of consideration received for which the entity does not expect to be entitled. The liability relating to these revenue deductions is re-estimated at the end of each period.

The value of the rebate accrual is calculated by taking into account specific contract provisions, coupled with expected performance.

A deduction to revenue of £33.0 million was recognised in the income statement for the year ended 31 December 2020, and a liability of £14.1 million was recognised on the statement of financial position as at 31 December 2020.

Recognition of deferred tax asset for carried-forward tax losses

A deferred tax asset has been recognised relating to the carried-forward tax losses of Circassia AB (previously known as Aerocrine AB). These losses were generated before the company was acquired by Circassia Group plc. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiary. The subsidiary has generated taxable income from the year ended 2017 and is expected to continue generating taxable income from 2021 onwards. A deferred tax asset of £12.0 million (2019: £18.9 million) was recognised on the statement of financial position as at 31 December 2020.

Assessment of the possible impairment of goodwill and intangible assets

In line with IAS 36 Impairment of Assets, the carrying value of each cash generating unit (CGU) including the allocated goodwill was tested for impairment. Impairment assessments were performed at the NIOX® CGU level and at an individual intangible asset level.

During 2020, the performance of the NIOX® business was significantly impacted by the COVID-19 pandemic. The speed of recovery from the pandemic will have a significant impact on the carrying value of the CGU. If the Group's sales are lower than forecast due to a slower recovery, or the pre-tax discount rate applied to the cash flow projections is higher than management's estimates, this could result in an impairment of the related goodwill and intangible assets.

Management performed detailed impairment assessments and concluded that no impairment was required to the NIOX® CGU as the carrying value of the CGU was greater than the value of the assets held. See notes 16 and 17 for further details.

Assessment of the possible impairment of investments in subsidiaries and intercompany receivables

In line with IAS 36 Impairment of Assets, the carrying value of each investment held by Circassia Group plc in its subsidiaries was tested for impairment.
At the beginning of the year, an intercompany balance of £121.4 million owed by Circassia Pharmaceuticals Inc was reclassified as an investment. This intercompany balance had a provision of £95.1 million against it.
As such, this provision was reclassified as a provision against investments. Management concluded that a further provision was required to the investment in Circassia Limited, Circassia Pharmaceuticals Inc and Circassia (Beijing) Medical Device Co. Limited.
This resulted in an additional provision of £30.0 million being recognised. See note 18 for further details.

In line with IFRS 9, the carrying value of intercompany receivable balances owed to Circassia Group plc by its subsidiaries was assessed measuring expected credit losses by using a range of probability weighted scenarios for the recoverability of the balances.
Due to the aforementioned reclassification, provisions against intercompany receivables decreased by £95.1 million at the beginning of the year.

Management concluded that a further provision was required to the intercompany receivable balance with Circassia Limited, Circassia Pharmaceuticals Inc and Circassia (Beijing) Medical Device Co. Limited. This resulted in an additional provision of £18.1 million being recognised. See notes 2 and 20 for further details.

Going concern and cash flow

In assessing the appropriateness of the going concern assumption, the Board has considered the availability of funding alongside the possible cash requirements of the Group and Company, taking into account the unprecedented circumstances caused by the COVID-19 pandemic. The Board has prepared cash flow forecasts for a period of 18 months from the date of approval of these financial statements. This base case scenario includes the benefits of actions already taken by management to mitigate the trading downsides brought about by COVID-19, for example, restrictions on travel, limiting new hires and reducing discretionary spend as well as agreeing a further equity facility with significant shareholders. This base case assumes that sales of NIOX® will gradually build back towards pre-COVID-19 levels by the middle of 2022 and then grow at a slower rate than previous periods. Under this base case scenario, the Group is expected to continue to have sufficient resources beyond 12 months from the approval of the financial statements.

The most extreme downside scenario modelled the impact of sales gradually building to pre-COVID-19 levels by the end of 2022. These reductions in revenue versus the base case forecast of 11% in 2021 and 8% in 2022 would be offset by significant mitigating cost reductions and cash protection actions, within the control of the Board, commencing in April 2021 (for example significant salary cuts for Board members, non-payment of discretionary bonuses and a reduction in discretionary marketing expenditure without further impacting NIOX® growth rates). In this scenario the Group remains cash positive beyond 12 months from the approval of the financial statements. After due consideration, the Board has concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of this report. The directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the 'Basis of preparation' paragraph in note 1 to the accounts.

Risk management and internal control

The Board has overall responsibility for the review of the Group's risk management framework and the level of risk which is acceptable in order to achieve its strategic objectives.

The Committee, on behalf of the Board, undertakes the detailed monitoring of the risk management framework and system of internal controls and reports to the Board on their suitability and efficacy annually.

In order to discharge its duties in this respect, the Committee receives and reviews reports from the Group's management team. The Committee continues to assess what is an acceptable level of risk in key areas and the best strategy for mitigating those risks given the cost and time constraints which exist.

During the year, as is required by the Code, the Committee performed a detailed assessment of the principal risks faced by the Group and how these are managed and mitigated. An annual review of the effectiveness of the Group's monitoring and review systems was carried out at the December Committee meeting.

Whistleblowing

A confidential whistleblowing procedure exists to enable employees to raise concerns regarding possible improprieties in relation to financial or other matters. This procedure has been communicated to all staff. Reports can be made through an online tool or a telephone helpline operated by a third-party provider. The Committee has reviewed these arrangements and is satisfied that the current procedure allows for proportionate and independent investigation of such disclosures and for appropriate follow up actions to be taken. In accordance with the current policy, concerned employees may raise matters directly with the Compliance team or directly with the Chair of the Audit and Risk Committee.

Anti-corruption and anti-bribery

The Group has an anti-corruption and anti-bribery policy which has been communicated to all staff. This policy ensures full compliance with the UK Bribery Act 2010, the US Foreign Corrupt Practices Act and other major anti-corruption legislation. The policy extends to carrying out due diligence on new key business partners who are judged to be acting on behalf of the Group in high risk areas.

Internal audit

This year, the Committee considered again whether there is a need for an internal audit function and concluded that, given the scale of operations at this time, it is not currently necessary. Internal assurance is received through thorough review of monthly management accounts, combined with periodic reviews of overseas accounting functions.

This does not affect the work of the external auditors. The Board accepted this recommendation. This decision will be kept under review.

External auditors

Effectiveness

The effectiveness of the external audit process is reviewed annually by the Committee. This review encompasses an examination of the independence, qualifications, capabilities and remuneration of the auditors. If issues are identified which may affect the effectiveness of the process, then actions will be agreed. No such issues were identified in the year to 31 December 2020 or up to the date of this report.

At the end of the audit for the year ended 31 December 2019, the Committee formally evaluated the performance of PricewaterhouseCoopers LLP (PwC) who had been reappointed as auditors following a tender carried out in 2016 for the audit of the 2017 financial year. To conduct this evaluation, the Committee completed a questionnaire to assess the robustness of the audit process, quality of its delivery, quality of reporting and quality of the individuals and service.

Moreover, the Committee takes into account the quality of its interactions with the auditors in forming a view on their effectiveness.

Independence

The Group's external auditors, PwC are engaged to express its opinion on the Group's and the Company's financial statements. The Committee is responsible for reviewing the independence and objectivity of the external auditors.

Each year the external auditors confirms its policies for ensuring its independence and provides the Committee with written confirmation that they continue to be independent. The Committee pays careful regard to whether non-audit work is carried out by the auditor to ensure that the provision of such additional services does not impair its independence or objectivity.

A formal process exists for approving the use of the auditors for non-audit work. The auditors should not be appointed to provide non-audit services which might put the auditors in the position of auditing its own work or create a mutual interest between the Group and the auditors or result in the auditors acting as an advocate, manager, or employee of the Group.

The total fees paid to the auditors are shown in note 9 of the financial statements. During the year, the Group did not make any payments to PwC in respect of non-audit services.

In summary, the Committee confirms that the Group has received an independent audit service in the year to 31 December 2020 and up to the date of this report.

Audit partner rotation

PwC adheres to a rotation policy which complies with the ethical standards of the Audit Practices Board (the "APB") and the audit partner is rotated every five years. Miles Saunders, the current audit partner, was appointed for the year ending 31 December 2019 and is not due for rotation until after the completion of the audit for the year ending 31 December 2023.

Tendering

PwC have been the Company's auditors since the year ended 31 December 2007. The Committee is actively monitoring developments arising from the EU audit reform framework and the Competition and Markets Authority. In view of those developments, the Committee conducted an audit tender process during the course of 2016 and recommended PwC for re-appointment by shareholders.

Committee evaluation

An internal review of the effectiveness of the Committee was carried out in December 2020 as part of the process of evaluating Board effectiveness. The findings of the evaluation were debated by the Board and a list of actions agreed.

Jo LeCouilliard
Chair of the Audit and Risk Committee
24 March 2021

Nomination Committee report

Dear shareholders,

On behalf of the Board, I am pleased to present the Nomination Committee report for the year ended 31 December 2020.

The key objective of the Committee is to ensure the Board is made up of a range of individuals who together have the appropriate mixture of skills and experience to lead the Group. During the year, the composition of the Board has evolved. In January 2020, Julien Cotta stepped down from his role of CFO and Executive Director and was succeeded by Michael Roller. Subsequently, the Nomination Committee, chaired by Jo LeCouilliard, recommended my appointment as Senior Independent Director.

I joined the Board in March 2020 and became a member of the Nomination Committee and replaced Jo LeCouilliard as Chair of the Nomination Committee with effect from 17 June 2020. Subsequently, Nicholas Mills was recommended to the Board as a Non-Independent Non-Executive Director representing a major shareholder. Nicholas joined the Board on 13 November 2020.

A summary of the activities of the Committee is set out below.

Garry Watts
Chair of the Nomination Committee
24 March 2021

Responsibilities

The Committee is responsible for considering the composition and efficacy of the Board as a whole and for making recommendations as appropriate to ensure that the Group has the ability to perform effectively now and in the future. The Committee also plans for the orderly succession of directors to the Board and recommends to the Board the membership and chairmanship of the Audit and Risk and Remuneration Committees.

The full terms of reference of the Committee can be found on the website.

Membership

The names of the members of the Nomination Committee, their dates of appointment and the number of meetings attended during the year are set out in the table opposite:

Member	Date appointed	Meetings attended (held)
G Watts (Chair of the Committee)[1]	2 March 2020	4 (4)
J LeCouilliard[1]	30 May 2018	4 (4)
S Curran	5 December 2019	4 (4)

[1] Mr Garry Watts replaced Jo LeCouilliard as Chair of the Committee on 17 June 2020.

The Company Secretary acts as Secretary to the Committee. The Executive Chairman, Chief Financial Officer and Senior Vice President of Global Human Resources may be invited to attend meetings where this may assist the Committee in fulfilling its responsibilities. The Committee is empowered to obtain external professional advice to assist in the performance of its duties. However, during the year the Committee did not require any external services.

Primary responsibilities

In accordance with its terms of reference, the Nomination Committee's primary responsibilities include:

- leading the process for Board appointments and making recommendations to the Board;
- regularly reviewing the Board structure, size and composition (including skills, knowledge, independence, experience and diversity) and making recommendations for further recruitment to the Board or proposing changes to the existing Board;
- considering plans for orderly succession for appointments to the Board and to senior management to maintain an appropriate balance of skills and experience within the Company and to ensure progressive refreshing of the Board;
- keeping under review the leadership needs of the Group, both executive and non-executive, to ensure the organisation competes efficiently in the marketplace; and
- being responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

Committee activities during the year

The principal activities during the year were:

- Chief Financial Officer appointment:
  The Nomination Committee carried out a recruitment process to identify suitable candidates to succeed Mr Julien Cotta as Chief Financial Officer based on criteria agreed by the Nomination Committee. All directors met with the final candidate. Following its deliberations, the Nomination Committee recommended to the Board to appoint Mr Michael Roller as Chief Financial Officer commencing 9 January 2020.
- Company Secretary appointment:
  Following feedback from the previous year's Board performance evaluation that the Company Secretary role should be undertaken by someone other than an Executive Director, the Nomination Committee recommended to the Board to appoint Ms Sarah Duncan as Company Secretary to replace Michael Roller with effect from 1 November 2020.
- Reviewing Board composition:
  The Nomination Committee met during the period to discuss the Board's size and composition in relation to the various Board appointments noted above. Following its deliberations, the Nomination Committee recommended to the Board to appoint Mr Garry Watts as Senior Independent Director and Non-Executive Director, and Mr Nicholas Mills as a Non-Independent Non-Executive Director. Mr Watts joined the Board in March 2020 and Mr Mills joined the Board in November 2020.
- Performance evaluation:
  The Committee's effectiveness was reviewed as part of the Board's performance evaluation process which was carried out during the final quarter of the year under review. This evaluation concluded that the Committee was continuing to function effectively.

Remuneration Committee report

Dear shareholders,

On behalf of the Board, I am pleased to present Circassia's Remuneration Committee report for the year ended 31 December 2020. This report complies with the regime set out in the Quoted Company Alliance Code ('the Code').

The Committee has a duty to establish a remuneration policy which will enable it to attract and retain individuals of the highest calibre to run the Group. Its policy is to ensure that the executive remuneration packages of Executive Directors are appropriate given performance, scale of responsibility and experience. Packages are structured to motivate executives to achieve the highest level of performance in line with the best interests of shareholders.

The Company, being quoted on AIM, is not required to produce a comprehensive Directors' remuneration report or to submit a remuneration policy to a binding vote. The directors' remuneration policy, which is required to be disclosed every three years, was included in the previous Annual Report.

There have been no substantial changes to the remuneration policy and there have been no major decisions taken by the Remuneration Committee this year. The Board does wish to maintain transparency and demonstrate good governance standards and a simple remuneration structure and so it provides the following annual report on remuneration.

We have engaged with and consulted our principal shareholders, in particular with regards to the resolutions that were passed at the Extraordinary General Meeting (EGM) on 30 April 2020. I am grateful to those with whom we have engaged for their support, and for their constructive responses to our remuneration policy and the actions taken by the Committee. The Committee will continue its shareholder engagement programme and will consult with our principal shareholders on future material changes in policy.

Sharon Curran

Chair of the Remuneration Committee
24 March 2021

Annual report on remuneration

This section describes the remuneration outcomes for the Executive Directors for the year ended 31 December 2020 in accordance with the remuneration policy applicable to that year.

Members of the Remuneration Committee

The names of the members of the Remuneration Committee, their dates of appointment, and the number of meetings attended during the year are set out in the table below:

Member	Date appointed	Meetings attended (held)
S Curran (Chair of the Committee)[1]	30 May 2018	4 (4)
J LeCouilliard	30 May 2018	4 (4)
G Watts	2 March 2020	4 (4)

[1] Ms Sharon Curran became Chair of the Committee on 4 February 2019.

All members are considered to be independent and therefore the Committee complied with the requirements of the QCA Code that all members of the Remuneration Committee are to be Independent Non-Executive Directors.

No director participates in discussions about his or her own remuneration.

No external advisors have been used by the Remuneration Committee to materially assist the Committee with their decisions.

Single total figure of remuneration for each director

The table below shows the remuneration for each person who has served as a director of Circassia Group plc at any time during the year:

The reasoning for salary changes between 2019 and 2020, including roles relating to different committees, is explained through the rest of this report.

For the year ended 31 December 2020	Salary and fees[1] £'000	Pension £'000	Benefits £'000	Total £'000
Executive Directors				
Ian Johnson[2]	312	-	-	312
Michael Roller	218	-	-	218
Jonathan Emms	300	30	2	332
Non-Executive Directors				
Jo LeCouilliard[3]	71	-	-	71
Sharon Curran[4]	75	-	-	75
Garry Watts	61	-	-	61
Nicholas Mills	6	-	-	6
Total	**1,043**	**30**	**2**	**1,075**

[1] Includes £10,000 per annum expenses allowance for Ian Johnson and Michael Roller, which was waived from 1 April 2020

[2] Includes £9,000 in respect of the 2019 financial year

[3] Includes £1,000 underpayment from the previous year

[4] Includes £5,000 underpayment from the previous year

For the year ended 31 December 2019	Salary and fees £'000	Pension £'000	Benefits £'000	Annual bonus £'000	LTIP/ PSP[1] £'000	Payments for loss of office[2] £'000	Total £'000
Executive Directors							
Ian Johnson	12	-	-	-	-	-	12
Steven Harris	420	49	2	105	15	432	1,032
Julien Cotta	281	22	2	69	8	392	774
Rod Hafner[3]	167	23	1	73	8	96	368
Jonathan Emms	103	5	1	-	-	-	109
Non-Executive Directors							
Francesco Granata	138	-	-	-	-	37	175
Russell Cummings	26	-	-	-	-	-	26
Lota Zoth	6	-	-	-	-	-	6
Jo LeCouilliard	70	-	-	-	-	-	70
Sharon Curran	58	-	-	-	-	-	58
Heribert Staudinger	4	-	-	-	-	-	4
Total	**1,285**	**99**	**6**	**247**	**31**	**957**	**2,625**

[1] The amount shown relates to the gain, being the market value on the vesting date less the exercise price in respect of awards which vested during the relevant year

[2] Payments for loss of office is the total amount of compensation for loss of office paid to or receivable by the person, and any other payments paid to or receivable by the person in connection with the termination of qualifying services

[3] Remuneration has been pro-rated to 2 September 2019, being the date he stepped down from the Board

Annual bonus for the year to 31 December 2020

Mr Ian Johnson and Mr Michael Roller are not eligible to participate in the annual bonus scheme for any financial year. As a result of the COVID-19 pandemic, Mr Jonathan Emms has volunteered to waive his rights to a bonus in relation to the financial year ended 31 December 2020.

Scheme interests awarded to directors during the financial year

Following approval at the EGM, on 1 May 2020 Messrs Roller and Johnson were granted 4,000,000 and 1,677,233 options respectively over new ordinary shares in the Company under the Performance Share Plan ("PSP"). This grant required shareholder approval as the market value of the options was in excess of the annual limit on individual participation set out in Circassia's remuneration policy.

Mr Emms was also granted 1,128,966 options on the same date; however, shareholder approval was not required as this grant was in line with the previously approved remuneration policy. The options will vest on the third anniversary of the date of grant and are exercisable until the tenth anniversary of the date of grant. Vesting is subject to either the price of an ordinary share reaching 62.4p for at least 30 consecutive dealing days or a liquidity event occurring above this level.

On 14 August 2020, Mr Emms was granted a further 2,479,339 options over new ordinary shares in the Company under the Performance Share Plan ("PSP"). The options will vest on the third anniversary of the date of grant and are exercisable until the tenth anniversary of the date of grant.

Vesting is subject to either the price of an ordinary share reaching a specific price for at least 30 consecutive dealing days or a liquidity event occurring above the specified level. 33% vesting will occur at a level of 40p, 66% vesting at a level of 50p and full vesting at a level of 60p.

Mr Emms has, at the same time, forfeited his interest in 1,630,435 nominal cost options granted to him in 2019. These options had vesting criteria which were in part associated with the Company's structure prior to the completion of the transaction to transfer

Executive Director	Plan	Type of award	Share price at date of grant	Number of shares over which award was granted	% of shares granted that vest at threshold performance	Face value of shares over which award originally granted £'000
I Johnson	PSP	Nil cost option	£0.28	1,677,233	0.00%	£470
I Johnson	SAYE	Fixed cost option	£0.31	81,781	0.00%	£25
M Roller	PSP	Nil cost option	£0.28	4,000,000	0.00%	£1,120
M Roller	SAYE	Fixed cost option	£0.31	81,781	0.00%	£25
J Emms	PSP	Nominal cost option	£0.28	1,128,966	0.00%	£316
J Emms	PSP	Nominal cost option	£0.31	2,479,339	33.00%	£769
J Emms	SAYE	Fixed cost option	£0.31	81,781	0.00%	£25

the U.S. commercial rights to Tudorza® and Duaklir® to AstraZeneca, and their cancellation and replacement permits Mr Emms' equity incentive to be more closely aligned with that of the other members of the executive management team.

Awards made to Mr Emms under the PSP scheme have an additional holding period of two years, other than for the sale of shares to satisfy any tax liability created on exercise.

Also approved by shareholders at the EGM, the Save As You Earn ("SAYE") scheme was introduced in August 2020 which was open to UK based employees of the Group. The options will vest on the third anniversary of the date of grant and entitle the option holder to purchase ordinary shares in Circassia Group plc at a price of 22.01 pence per share. Following the publication of the Group results in March 2021, this scheme will be extended to US employees of the Group. US and UK employees combined represent 56% of Group employees.

Gain on exercise of share options

No directors exercised share options in the financial years ended 31 December 2020 and 2019.

Payments to past directors

There were no payments during the financial year to past directors, except those payments for loss of office disclosed below.

Payments for loss of office

There were no payments for loss of office in respect of the current financial year. Payments for loss of office were made to Steve Harris, Julien Cotta and Rod Hafner in respect of the prior financial year in line with the 2019 Annual Report.

Statement of directors' shareholding and share interests

The following table shows the number of shares beneficially owned by the directors who served during the financial year which are not subject to any restrictions on transfer or to forfeiture.

The value of the shareholding is calculated using the higher of the share price on 31 December 2020 (28p) and the acquisition price of the shares.

The Executive Directors are required to hold shares worth at least 200% of salary.

	Shares beneficially owned as at 31 December 2020	Value of owned shares as a % of salary	Requirement met?
Executive Directors			
I Johnson	200,000	19%	No
M Roller	200,000	26%	No
J Emms	600,000	56%	No
Non-Executive Directors			
G Watts	477,340	n/a	n/a
N Mills	130,000	n/a	n/a

Name	Plan	Date of grant	Awards granted and options held as at 1 January 2020	Awards and options granted, exercised, lapsed, or cancelled during year	Awards and options held at 31 December 2020 and at the date of this report	
I Johnson	2019 PSP	19-Dec-19	4,322,767	-	4,322,767	
	2019 PSP	01-May-20	-	1,677,233	1,677,233	
	2020 SAYE	21-Aug-20	-	81,781	81,781	
	Total		**4,322,767**	**1,759,014**	**6,081,781**	
M Roller	2019 PSP	01-May-20	-	4,000,000	4,000,000	
	2020 SAYE	21-Aug-20	-	81,781	81,781	
	Total		-	**4,081,781**	**4,081,781**	
J Emms	2019 PSP	17-Oct-19	1,630,435	(1,630,435)	-	
	2019 PSP	01-May-20	-	1,128,966	1,128,966	
	2020 PSP	13-Aug-20	-	2,479,339	2,479,339	
	2020 SAYE	21-Aug-20	-	81,781	81,781	
	Total		**1,630,435**	**2,059,651**	**3,690,086**	

Performance graph

The performance of the Company's ordinary shares compared with the FTSE AIM 100 (the "Index") for the period from its IPO on 18 March 2014 up to 31 December 2020 is shown in the following graph:

	Vested as at year end	Unvested as at year end	Exercise price (p)	Date from which first exercisable	Expiry date
	-	4,322,767	nil	19-Dec-22	19-Dec-29
	-	1,677,233	nil	19-Dec-22	19-Dec-29
	-	81,781	22.01	21-Aug-23	21-Feb-24
	-	**6,081,781**			
	-	4,000,000	nil	01-May-23	01-May-30
	-	81,781	22.01	21-Aug-23	21-Feb-24
	-	**4,081,781**			
	-	-	0.08	17-Oct-22	17-Oct-29
	-	1,128,966	0.08	01-May-23	01-May-30
	-	2,479,339	0.08	13-Aug-23	13-Aug-30
	-	81,781	22.01	21-Aug-23	21-Feb-24
	-	**3,690,086**			

Relative importance of spend on pay

The table below shows the expenditure by the Company on remuneration paid to all employees of the Group and distributions to shareholders for the financial year.

	2020 £m	2019 £m
Overall expenditure on pay	25.1	37.9
Dividend plus share buyback	Nil	Nil

Chief Executive Officer's remuneration

The table below shows the total remuneration of the director undertaking the role of the Chief Executive Officer during the financial years in which the Company has been constituted as a public company.

The total remuneration figure includes the annual bonus and LTIP awards which vested based on performance during those years and excludes payments for loss of office. The annual bonus and PSP percentages show the amount paid out for each year as a percentage of the maximum. Ian Johnson joined the Board as Executive Chairman on 5 December 2019. Steve Harris stepped down from the Board as Chief Executive Officer on 31 December 2019.

The Executive Chairman's salary did not increase between 31 December 2019 and 31 December 2020. The average percentage increase in respect of employees of the Group was nil.

Statement of voting at general meeting

The remuneration report was approved by shareholders at the AGM with the following votes cast for and against:

Voting results at AGM	For (%)	Against (%)	Withheld (votes)
2020 AGM on 23 July 2020	99.66	0.34	2,013
2019 AGM on 7 June 2019	99.99	0.01	2,100

		2020	2019	2018	2017	2016	2015	2014
I Johnson	(£'000)	310	12	-	-	-	-	-
S Harris	(£'000)	-	649	669	825	458	831	1,528
Total remuneration	**(£'000)**	**310**	**661**	**669**	**825**	**458**	**831**	**1,528**
Percentage change in total remuneration from the preceding financial year	(%)	(53%)	(1%)	(19%)	80%	(45%)	(46%)	-
Bonus awarded	(%)	n/a	25%	40%	75%	Nil	100%	93%
LTIP vesting	(%)	n/a	38%	20%	21%	n/a	n/a	100%

Directors' remuneration

The remuneration packages for Messrs Johnson and Roller were negotiated last year and determined by the Remuneration Committee in consultation with and with support from the principal shareholders in the Company As shown below, each package includes a base salary (which are significantly lower than the salaries of their predecessors) and participation in the Company's equity, in the form of share options.

The share options granted are for a number of ordinary shares with a market value in excess of the annual limit on individual participation set out in Circassia's remuneration policy, and as such, the grant was approved by shareholders at the EGM on 30 April 2020.

Copies of the service contracts and letters of appointment are available for inspection at the registered office.

Details of the service contracts currently in place for directors are as follows:

Statement of implementation of remuneration policy in the following financial year

The Committee considered the base salaries for Executive Directors and agreed there will be no change.

Details of the specific financial targets for the bonuses are not provided as these are commercially sensitive. The achievement against these targets will be disclosed in next financial year's Annual Report.

Shareholder approval

The annual report on remuneration will be the subject of an advisory vote at the AGM on 21 May 2021.

Approval

This report was approved by the Board on 24 March 2021 and signed on its behalf by:

Sharon Curran
Chair of the Remuneration Committee

Name	Role	Executive service agreement appointment date	Key current terms	Notice period
Ian Johnson	Executive Chairman	5 December 2019	£300,000 base salary £10,000 expenses allowance	Six months
Michael Roller	Chief Financial Officer	9 January 2020	£220,000 base salary £10,000 expenses allowance	Six months
Jonathan Emms	Chief Operating Officer	2 September 2019	£300,000 base salary	Six months

Name	Roles				Non-Executive terms of appointment date	Fee	Notice period
	Board	Nomination Committee	Remuneration Committee	Audit and Risk Committee			
Jo LeCouilliard	NED	M	M	C	8 February 2018	£69,685	Three months
Sharon Curran	NED	M	C	M	8 February 2018	£69,685	Three months
Garry Watts	SID	C	M	M	2 March 2020	£74,165	Three months
Nicholas Mills	NED				13 November 2020	£47,225	Three months

(NED = Non-Executive Director, SID = Senior Independent Director, C = Chair of Committee, M = Member of Committee)

Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2020.

Change of name

With effect from 1 May 2020, the name of the Company was changed from Circassia Pharmaceuticals plc to Circassia Group plc.

Information included elsewhere

The table below sets out the location of information required to be disclosed in the directors' report which can be found in other sections of this Annual Report and is incorporated by reference:

Subject matter	Page reference
Future developments	15 to 17
Employee involvement	28
Streamlined energy and carbon reporting	31
General information (note 1)	94
Financial risk management (note 2)	103
Post balance sheet events (note 36)	133

Corporate governance

The Company's statement on corporate governance can be found in the corporate governance report on pages 46 to 51. The corporate governance report forms part of this directors' report and is incorporated into it by cross-reference.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2020 (2019: £nil).

Directors and directors' interests

Details of the directors who held office during the financial year ended 31 December 2020 and as at the date of this report can be found on pages 42 to 45.

The beneficial interests of the directors and their connected persons in the ordinary share capital of the Company, together with the interests of the Executive Directors in share options and awards of shares as at 31 December 2020, and as at the date of this report are disclosed in the remuneration report on pages 65 to 67.

Directors' third-party indemnity provisions

The Company has maintained insurance cover for its directors and officers under a Directors' and Officers' Liability Policy. Qualifying third-party indemnity was in force during the financial year and at the date this report was approved.

The directors may exercise their powers pursuant to the Articles of Association, the Companies Act 2006 and related legislation, and any resolution of the shareholders. The Articles are available for review at the registered office.

Treasury shares

Details of employee share schemes are set out in note 26 to the financial statements. The Circassia Pharmaceuticals plc Employee Benefit Trust (the "Trust") abstains from voting on the shares held by it. No shares were acquired by the Trust during the year (2019: nil), 412,706 shares were allotted to the Trust during the year (2019: nil), 578,050 were transferred out (2019: 6,738) and the balance of shares held at 31 December 2020 was therefore 561,794 (2019: 727,138).

Going concern

The accounts have been prepared on a going concern basis. The budget and five-year plan are prepared on a bottom up basis and presented to the Board each year for review and approval. The directors have reviewed the current and projected financial position of the Company considering existing cash balances and available financial facilities. As further discussed on page 94, the directors have not identified any material uncertainties to the Group's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date of approval of the financial statements.

Employment and environment

The Company's policies on health and safety, the environment, and employee-related matters are disclosed in the report on corporate social responsibility.

Political and charitable donations

There were no charitable or political donations in the year to 31 December 2020 (2019: none).

Disclosure of information to auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the AGM. The directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps a director ought to have taken to make themselves aware of relevant audit information and to establish that the auditors are aware of that information.

Annual General Meeting

The AGM will be held at the offices of Circassia Group plc on 21 May 2021 at 10:00 a.m. Details of the business to be transacted at the forthcoming AGM will be given in a separate circular to shareholders.

By order of the Board

Sarah Duncan
Company Secretary
24 March 2021

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, 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 Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the group financial statements and international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

By order of the Board

Sarah Duncan
Company Secretary
24 March 2021

Independent auditors' report to the members of Circassia Group plc

Report on the audit of the financial statements

Opinion

In our opinion, Circassia Group plc's Group financial statements and Parent Company financial statements (the "financial statements"):

- Give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss and the Group's and Parent Company's cash flows for the year then ended;
- Have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Parent Company statements of financial position as at 31 December 2020; the Consolidated statement of comprehensive income, the Consolidated and Parent Company statements of cash flows, and the Consolidated and Parent Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- Overall Group materiality: £2,239,000 (2019: £3,200,000).
- Circassia Group plc is a public limited company incorporated under the laws of England and Wales and is listed on the Alternative Investment Market.
- The Group's headquarters are in the United Kingdom, which is where Group management resides.
- We identified 4 reporting units which, in our view, required a full scope audit based on their size and risk. In addition, we determined that audit procedures over certain accounts or balances were required over one further reporting unit to provide sufficient overall Group coverage of particular financial statement line items.
- We used component teams in 3 countries to perform full scope audit procedures, with the Group team performing the remainder. Group financial statement disclosures and a number of complex areas were audited by the UK Group engagement team. These included goodwill, other intangible assets, investments, intercompany, current and deferred taxes, going concern and central adjustments recorded as part of the consolidation process.
- Reporting units where audit procedures were performed accounted for 96% of Group revenue and 99% of Group total losses before tax from continuing operations. Our audit scope provided sufficient appropriate audit evidence as a basis for our opinion on the Group financial statements as a whole.

Key audit matters

- Accuracy of revenue recognition and completeness of gross-to-net adjustments for Tudorza (Group).
- Impairment of goodwill and intangible assets (Group).
- Impairment of investment in subsidiaries and intercompany balances (Parent Company).
- Recoverability of Swedish deferred tax assets (Group).
- COVID-19 (Group and Parent Company).

Materiality

- Overall Group materiality: £2,329,000 (2019: £3,200,000) based on 5% of average loss before tax from continuing operations for the three years FY18 - FY20.
- Overall Parent Company materiality: £2,212,000 (2019: £2,900,000) based on 1% of total assets restricted so as not to exceed 95% of Group materiality.
- Performance materiality: £1,746,000 (Group) and £1,659,000 (Parent Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to patent protection, data privacy, product safety and regulatory compliance, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results, misappropriation of cash and potential management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work.

Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management and internal legal counsel including consideration of known or suspected instances of non-compliance with laws and regulations and fraud.
- Review of minutes of meeting with the Board of Directors.
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and journals posted by senior management.
- Challenging assumptions made by management in their significant accounting estimates, in particular in relation to the calculation of the rebate accruals, deferred tax asset and impairment reviews relating to the recoverability of goodwill, intangible assets, investments in subsidiaries and intercompany receivables.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Recoverability of Swedish deferred tax asset is a new key audit matter this year. Misstatement of Duaklir® royalty consideration, which was a key audit matter last year, is no longer included because of the quantum of the balance no longer being material to the Group. Otherwise, the following key audit matters are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Accuracy of revenue recognition and completeness of gross-to-net adjustments for Tudorza® (Group) (Completeness and accuracy assertions) Circassia must estimate the rebates and chargebacks that are expected to be paid on sales of Tudorza® and also a refund liability for the amount of consideration received for which the entity does not expect to be entitled. The liability relating to these revenue deductions is re-estimated at the end of each period. The value of the rebate accrual is calculated by taking into account specific contract provisions, coupled with expected performance. The value of the refund liability is calculated based on historical information. A deduction to revenue of £33.0 million was recognised in the income statement for the year ended 31 December 2020, and a liability of £14.1 million was recognised on the statement of financial position as at 31 December 2020. Refer to page 55 (Audit and Risk Committee Report) and page 95 (Critical accounting estimates and judgements).	**Our US component audit team have performed the following audit procedures:** ▪ Evaluated methodology applied by management in estimating the accrual against industry practice; ▪ Substantively tested a sample of actual rebate claims received and paid to supporting documentation; ▪ Tested a sample of estimated rebate percentages to contract or government invoice; ▪ Tested a sample of estimated utilisation rates to third-party information; ▪ Recalculated the accrual recognised using management's assumptions; ▪ Compared the accrual recognised by management as at 31 December 2019 to the actual costs through the year to 31 December 2020; ▪ Traced a sample of management's estimate of sales by channel to independent third-party sales data obtained by management; and ▪ Developed an expectation of the accrual balance for each of the key channels, based on historical claims received adjusted to reflect market changes in the period including an assessment of the time lag between the initial point of sale and the claim receipt. We then used this expectation to consider the appropriateness of management's year end accrual position. ▪ We have supported and directed as appropriate the work performed by our component audit team, including reviewing their working papers and by attending key meetings.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and intangible assets (Group) (Valuation assertion) In line with IAS 36 Impairment of Assets, the carrying value of each cash generating unit (CGU), including the allocated goodwill, was tested for impairment. Impairment assessments were performed at the NIOX® CGU level and at an individual intangible asset level. During 2020, the performance of the NIOX® business was significantly impacted by the COVID-19 Pandemic. The speed of recovery from the pandemic will have a significant impact on the carrying value of the CGU. If the Group's NIOX sales are lower than forecast due to a slower recovery, or the pre-tax discount rate applied to the cash flow projections is higher than managements' estimates, this could result in an impairment of the related goodwill and intangible assets. Management performed detailed impairment assessments and concluded that no impairment was required to the NIOX® CGU as the carrying value of the CGU was greater than the value of the assets held. Refer to page 55 (Audit and Risk Committee Report), page 95 (Critical accounting estimates and judgements), and pages 115 to 116 in the notes.	We assessed the level at which impairment testing was performed. Based on our knowledge of the business, including the use of assets and internal reporting, we agreed with management's judgement that, for the assessment of the impairment of goodwill and intangible assets, the Group only had one active cash generating unit (CGU) being the NIOX® business. The impact of COVID-19 on the performance of the NIOX® business is considered to be a potential impairment trigger. We obtained management's impairment analysis, which applies a value in use methodology to calculate the CGU's and individual assets' recoverable amount, and gained an understanding of the key assumptions and judgements underlying the assessment. We assessed the appropriateness of the methodology applied and tested the mathematical accuracy of the models, with no exceptions identified. **We assessed the key assumptions, including:** ▪ Future revenue streams: We tested historical forecasting accuracy prior to the impact of COVID-19 and assessed the appropriateness of growth assumptions as the business recovers from the impact of the COVID-19 pandemic in both the short (2021 and 2022) and medium (2023 - 2025) term. We compared the forecast level of sales and margin against pre-COVID levels, and also against historic growth rates achieved by the business. ▪ Expenses and overheads: We tested historical forecasting accuracy and assessed the appropriateness of assumptions. We tested the level of forecast cost levels against historic levels and current run rates and corroborated any differences to appropriate explanations and support. ▪ Discount rate: We used our experts to calculate an acceptable range of discount rates based on rates for companies of a similar nature. Based upon our review of their work we concluded that management's rate is within the expected range. ▪ We obtained management's sensitivity analysis and performed our own sensitivities reflecting what we believed to be a range of reasonably individually possible alternative outcomes over the forecast cash flows and discount rate included by management. We read the related disclosures and consider them appropriate.

Key audit matter	How our audit addressed the key audit matter
Impairment of investment in subsidiaries and intercompany balances (Parent Company) (Valuation assertion) In line with IAS 36 Impairment of Assets, the carrying value of each investment held by Circassia Group plc in its subsidiaries was tested for impairment. At the beginning of the year, an intercompany balance of £121.4 million owed by Circassia Pharmaceuticals Inc was reclassified as an investment. This intercompany balance had a provision of £95.1 million against it. As such, this provision was reclassified as a provision against investments. Management concluded that a further provision was required to the investment in Circassia Limited, Circassia Pharmaceuticals Inc and Circassia (Beijing) Medical Device Co. Limited. This resulted in an additional provision of £30.0 million being recognised. In line with IFRS 9, the carrying value of intercompany receivable balances owed to Circassia Group plc by its subsidiaries was assessed, measuring expected credit losses by using a range of probability weighted scenarios for the recoverability of the balances. Due to the aforementioned reclassification, provisions against intercompany receivables decreased by £95.1 million at the beginning of the year. Management concluded that a further provision was required to the intercompany receivable balance with Circassia Limited, Circassia Pharmaceuticals Inc and Circassia (Beijing) Medical Device Co. Limited. This resulted in an additional provision of £18.1 million being recognised. Refer to pages 55 to 56 (Audit and Risk Committee Report), pages 95 to 96 (Critical accounting estimates and judgements), and page 119 in the notes.	The Parent Company's investment in subsidiaries and intercompany receivables balances are expected to be repaid from future trading cashflows. The impact of COVID-19 on the performance of the NIOX® business is considered to be a potential impairment trigger. Management have performed an assessment over the recoverability of the asset balances. We assessed the appropriateness of the methodology applied and tested the mathematical accuracy of the models, with no exceptions identified. We have leveraged our testing (as set out in the key audit matter titled "Impairment of goodwill and intangible assets") of the analysis and understanding of key assumptions and judgements in the value in use models used for testing for potential impairment of goodwill and intangible assets in the consolidated financial statements on a subsidiary-by-subsidiary basis. In assessing the carrying value of investments in subsidiaries and intercompany receivables balances, we compared the carrying value of these balances with the cash flows expected to be generated from the value in use models for each cash generating unit. We concluded that the impairment of £30.0 million to investments in subsidiaries and the provision £18.1 million against intercompany receivables recorded by management are appropriate.

Key audit matter	How our audit addressed the key audit matter
Recoverability of Swedish deferred tax assets (Group) (Valuation assertion) A deferred tax asset has been recognised relating to the carried-forward tax losses of Circassia AB (previously known as Aerocrine AB). These losses were generated before the company was acquired by Circassia Group plc. Management have concluded that the deferred assets will be recoverable using the estimated future taxable income based on the Board approved business plans and budgets for the subsidiary. The subsidiary has generated taxable income from the year ended 2017 and is expected to continue generating taxable income from 2021 onwards. A deferred tax asset of £12.0 million (2019: £18.9 million) was recognised on the statement of financial position as at 31 December 2020. Refer to page 55 (Audit and Risk Committee Report) and page 95 (Critical accounting estimates and judgements).	The deferred tax asset is based on unused Swedish tax losses that are expected to be utilised against profits from future trading in the Swedish entity. We assessed the appropriateness of the methodology applied and tested the mathematical accuracy of the model, with no exceptions identified. We have leveraged our testing (as set out in the key audit matter titled "Impairment of goodwill and intangible assets" above) of the underlying forecasts used for testing for potential impairment of goodwill and intangible assets and ensured that the cashflows included in management's assessment of deferred tax recoverability agreed to these, with no exceptions identified. We tested the accuracy of the tax rates and the availability of the losses utilised in the model with no exceptions noted. We concluded that the deferred tax asset of £12.0 million recognised by management is appropriate.

Key audit matter	How our audit addressed the key audit matter
COVID-19 (Group and Parent Company) (All assertions) The directors have considered the risks associated with COVID-19 in the Strategic report. As noted in the Company's press release dated 12 January 2021, COVID-19 has had an impact on the Group's trading in 2020 by causing restrictions in routine FeNO testing. The Group has considered the continuing potential impacts on its cash flow and liquidity position by performing various sensitivities and modelling scenarios to ensure that it has sufficient liquidity to continue as a going concern. The Group has also considered the potential impacts on the valuation of and it's required disclosures in relation to impairment testing of intangible assets, goodwill, deferred tax assets and for the parent investments and intercompany receivables. Refer to page 56 (Audit and Risk Committee Report) and page 94 (Accounting policies and significant judgements).	**We have performed the following procedures to address this key audit matter:** ▪ Held discussions with management to understand, in qualitative terms, the impact of COVID-19 on business operations; ▪ Evaluated management's sensitivities/modelling and challenged the key assumptions contained within the cash flow forecasts; ▪ Assessed the reasonableness/achievability of management's mitigating actions; and ▪ Read management's disclosures in the financial statements. From the procedures performed, we agree that it is appropriate that the Group prepares the accounts on a going concern basis and consider that the related disclosures within the financial statements are appropriate. In addition, we have considered the impact of COVID-19 on the valuation of intangible assets, goodwill, deferred tax assets and Parent Company investments and intercompany receivables as set out in the relevant key audit matters above.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group's accounting process is structured around local finance functions in each of the Group's reporting entities. These functions maintain their own accounting records and controls (although transactional processing and certain controls for some reporting units are performed by the head office finance team) and report to the head office finance team through an integrated consolidation system.

In establishing the overall Group audit strategy and plan, we determined the type of work that needed to be performed at the reporting units by the Group engagement team and by component auditors from other PwC network firms. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units so as to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. For each reporting entity we determined whether we required an audit of their reported financial information ("full scope"). The 4 reporting entities where a full scope audit was required included Circassia Inc (incorporated in the USA), Circassia AB (incorporated in Sweden), Circassia (Beijing) Medical Devices Co. Ltd (incorporated in China) and Circassia Limited (incorporated in the UK) were determined as individually financially significant because all four individually contribute more than 15% of the Group's loss before tax. We maintained regular communication with the local teams, before, during and after their audits. We directed the work of the component teams, reviewed their approach and findings and participated in the closing meetings of the significant components.

We also undertook the statutory audit of one further reporting unit incorporated in the UK, Circassia Group plc, which is not a financially significant component of the Group.

In addition to the work performed at the in-scope reporting entities, there is work performed at head office by the Group audit engagement team. The Group consolidation, financial statement disclosures and a number of complex items, prepared by the head office finance function, were audited by the Group engagement team. These included goodwill, other intangible assets, investments, intercompany, current and deferred taxes, going concern and central adjustments recorded as part of the consolidation process.

Reporting units where audit procedures were performed accounted for 96% of Group revenue and 99% of Group total losses before tax from continuing operations. As a result of its structure and size, the Group also has a number of small reporting entities that make up the remaining portion of the key coverage metrics. These small reporting units are covered by the work performed by the Group audit engagement team, where we perform analytical review procedures. Those not subject to analytical review procedures were individually, and in aggregate, immaterial. This gave us the evidence we needed for our opinion on the financial statements as a whole.

The Parent Company's accounting process is performed by the head office finance team, who maintain the Parent Company's own accounting records and controls.

All of the work is performed at the head office by the Group engagement team. This includes the financial statement disclosures and complex items, prepared by the head office finance function such as investments and intercompany.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - Group	Financial statements – Parent Company
Overall materiality	£2,329,000 (2019: £3,200,000).	£2,212,000 (2019: £2,900,000).
How we determined it	5% of average loss before tax from continuing operations for the three years FY18 - FY20.	1% of total assets restricted so as not to exceed 95% of Group materiality.
Rationale for benchmark applied	The business continues to pursue revenue generating activities. The significant variability in losses due to one off factors in recent years is continued in FY20 with the overall results of the business impacted by COVID-19. Otherwise, we would have expected the business to recover and therefore we considered to maintain the same benchmark this year as for FY19 that takes into account the average trading performance of the Group's continuing operations over the past three years.	We believe that total assets is the primary measure used by the shareholders in assessing the performance and position of the entity and reflects the Parent Company's principal activity as a holding company.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.9 million and £2.2 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality.

Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes.

Our performance materiality was 75% of overall materiality, amounting to £1,746,000 for the Group financial statements and £1,659,000 for the Parent Company financial statements. In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £116,400 (Group audit) (2019: £157,600) and £110,600 (Parent Company audit) (2019: £157,600) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained managements base case and downside and mitigated downside cashflow models, which we tested for mathematical accuracy with no exceptions noted, and considered the level of liquidity headroom within the models;
- We agreed the equity subscription to signed third-party agreements and considered the ability of the third parties to pay for the subscription;
- We evaluated management's model and challenged the key assumptions contained within the cash flow forecasts, including potential disruption caused by the impact of COVID-19; and
- We obtained management's mitigating actions and assessed their reasonableness/achievability

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Parent Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Miles Saunders
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
24 March 2021

Group Financial Statements

CIRCASSIA

Consolidated statement of comprehensive income for the year ended 31 December 2020

	Notes	2020 Underlying operations £m	2020 Non-underlying items £m	2020 Total £m	2019 Restated[1] Underlying operations £m	2019 Restated[1] Non-underlying items £m	2019 Restated[1] Total £m
Continuing operations							
Revenue from contracts with customers	4	**23.9**	**-**	**23.9**	34.6	-	34.6
Cost of sales		**(7.6)**	**-**	**(7.6)**	(9.1)	-	(9.1)
Gross profit		**16.3**	**-**	**16.3**	25.5	-	25.5
Research and development costs		**(6.8)**	**-**	**(6.8)**	(6.9)	(44.2)	(51.1)
Sales and marketing costs		**(16.6)**	**-**	**(16.6)**	(24.6)	-	(24.6)
Administrative expenses		**(10.2)**	**-**	**(10.2)**	(12.5)	(1.1)	(13.6)
Operating loss	6	**(17.3)**	**-**	**(17.3)**	(18.5)	(45.3)	(63.8)
Other (losses) and gains - net	7	**(0.9)**	**-**	**(0.9)**	(3.5)	39.8	36.3
Finance costs	8	**(0.3)**	**-**	**(0.3)**	(0.3)	-	(0.3)
Finance income	8	**0.1**	**-**	**0.1**	0.2	-	0.2
Loss before tax		**(18.4)**	**-**	**(18.4)**	(22.1)	(5.5)	(27.6)
Taxation	12	**(8.4)**	**-**	**(8.4)**	10.8	-	10.8
Loss from continuing operations	-	**(26.8)**	**-**	**(26.8)**	(11.3)	(5.5)	(16.8)
Loss from discontinued operations (attributable to equity holders of Circassia Group plc)	10	**(6.7)**	**-**	**(6.7)**	-	(31.5)	(31.5)
Loss for the year		**(33.5)**	**-**	**(33.5)**	(11.3)	(37.0)	(48.3)
Other comprehensive income/(expense)							
Items that may be subsequently reclassified to profit or loss							
Exchange differences on translation of foreign operations	30	**7.8**	**-**	**7.8**	(1.6)	-	(1.6)
Other comprehensive income/(expense) for the year, net of tax		**7.8**	**-**	**7.8**	(1.6)	-	(1.6)
Total comprehensive expense for the year		**(25.7)**	**-**	**(25.7)**	(12.9)	(37.0)	(49.9)

Loss per share attributable to owners of the parent during the year (expressed in £ per share)

		2020	2019 Restated[1]
Basic and diluted loss per share		**£**	£
Loss per share from continuing operations	13	**(0.07)**	(0.04)
Total loss per share	13	**(0.09)**	(0.13)

[1] Restated to show the results of the COPD business as a discontinued operation. See note 10.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company profit and loss account.

The notes on pages 94 to 133 are an integral part of these financial statements.

Consolidated statement of financial position as at 31 December 2020

	Notes	2020 £m	2019 £m
Assets			
Non-current assets			
Property, plant and equipment	14	**0.1**	0.5
Right-of-use assets	15	**1.3**	1.9
Goodwill	16	**5.3**	4.8
Intangible assets	17	**45.1**	163.0
Deferred tax assets	25	**21.6**	28.3
		73.4	198.5
Current assets			
Inventories	19	**4.0**	6.5
Trade and other receivables	20	**18.3**	14.6
Current tax assets	12	**-**	0.2
Cash and cash equivalents	21	**7.4**	27.0
		29.7	48.3
Total assets		**103.1**	246.8
Equity			
Share capital	27	**0.3**	0.3
Share premium	28	**635.4**	630.4
Other reserves	30	**24.5**	14.7
Accumulated losses	29	**(594.1)**	(560.6)
Total equity		**66.1**	84.8
Liabilities			
Non-current liabilities			
Borrowings	24	**-**	109.9
Lease liabilities	15	**0.8**	1.5
Deferred tax liabilities	25	**9.5**	9.3
		10.3	120.7
Current liabilities			
Trade and other payables	22	**25.6**	39.6
Lease liabilities	15	**0.8**	0.6
Contingent consideration	23	**0.3**	1.1
		26.7	41.3
Total liabilities		**37.0**	162.0
Total equity and liabilities		**103.1**	246.8

The notes on pages 94 to 133 are an integral part of these financial statements.

The financial statements on pages 88 to 133 were authorised for issue by the Board of Directors on 24 March 2021 and were signed on its behalf by

Ian Johnson
Executive Chairman,
Circassia Group plc

Michael Roller
Chief Financial Officer,
Circassia Group plc

Registered number: 05822706

Parent Company statement of financial position as at 31 December 2020

	Notes	2020 £m	2019 £m
Assets			
Non-current assets			
Investments in subsidiaries	18	**54.8**	56.5
		54.8	56.5
Current assets			
Trade and other receivables	20	**0.2**	35.1
Cash and cash equivalents	21	**0.1**	0.1
		0.3	35.2
Total assets		**55.1**	91.7
Equity attributable to the owners of the Company			
Share capital	27	**0.3**	0.3
Share premium	28	**635.4**	630.4
Accumulated losses	29	**(608.2)**	(558.7)
Other reserves	30	**13.8**	11.8
Total equity		**41.3**	83.8
Liabilities			
Current liabilities			
Trade and other payables	22	**13.8**	7.9
		13.8	7.9
Total equity and liabilities		**55.1**	91.7

The loss for the Parent Company for the year was £49.5 million (2019: £268.8 million).
The notes on pages 94 to 133 are an integral part of these financial statements.

The financial statements on pages 88 to 133 were authorised for issue by the Board of Directors on 24 March 2021 and were signed on its behalf by

Ian Johnson
Executive Chairman,
Circassia Group plc

Michael Roller
Chief Financial Officer,
Circassia Group plc

Registered number: 05822706

Consolidated and Parent Company statements of cash flows for the year ended 31 December 2020

		GROUP		COMPANY	
		2020	2019	2020	2019
	Notes	£m	£m	£m	£m
Cash flows from operating activities					
Cash used in operations	31	**(23.9)**	(28.9)	**(3.3)**	(6.7)
Interest paid	8	**(0.2)**	(0.1)	**(0.1)**	-
Tax credit received	12	**0.2**	3.9	**-**	-
Net cash used in operating activities		**(23.9)**	(25.1)	**(3.4)**	(6.7)
Cash flows from investing activities					
Payments for property, plant and equipment	14	**(0.1)**	(0.3)	**-**	-
Payments for intangible assets	17	**(0.4)**	(10.0)	**-**	-
Interest received	8	**-**	0.3	**-**	-
Dividends from joint venture		**-**	0.1	**-**	-
Grant of loans to subsidiary undertakings		**-**	-	**(1.6)**	(1.2)
Net cash used in investing activities		**(0.5)**	(9.9)	**(1.6)**	(1.2)
Cash flows from financing activities					
Proceeds from issue of shares	28	**5.0**	8.0	**5.0**	8.0
Share issue transaction costs	28	**-**	(0.1)	**-**	(0.1)
Proceeds from borrowings		**-**	14.9	**-**	-
Principal elements of lease payments	15	**(0.7)**	(0.9)	**-**	-
Net cash generated from financing activities		**4.3**	21.9	**5.0**	7.9
Net decrease in cash and cash equivalents		**(20.1)**	(13.1)	**-**	-
Cash and cash equivalents at 1 January	21	**27.0**	40.7	**0.1**	0.1
Effects of exchange rate changes on cash and cash equivalents		**0.5**	(0.6)	**-**	-
Cash and cash equivalents at 31 December	21	**7.4**	27.0	**0.1**	0.1

The notes on pages 94 to 133 are an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2020

	Notes	Share capital £m	Share premium £m	Other reserves[1] £m	Accumulated losses £m	Total equity £m
At 31 December 2018		0.3	622.5	15.1	(512.0)	125.9
Change in accounting policy		-	-	-	(0.3)	(0.3)
Restated at 1 January 2019		0.3	622.5	15.1	(512.3)	125.6
Loss for the year	29	-	-	-	(48.3)	(48.3)
Exchange differences on translation of foreign operations	30	-	-	(1.6)	-	(1.6)
Total comprehensive expense		-	-	(1.6)	(48.3)	(49.9)
Transactions with owners:						
Issue of new shares	27,28	-	7.9	-	-	7.9
Acquisition of shares by EBT		-	-	(0.2)	-	(0.2)
Employee share scheme issues	26	-	-	1.4	-	1.4
At 31 December 2019		**0.3**	**630.4**	**14.7**	**(560.6)**	**84.8**
At 1 January 2020		**0.3**	**630.4**	**14.7**	**(560.6)**	**84.8**
Loss for the year	29	-	-	-	(33.5)	(33.5)
Exchange differences on translation of foreign operations	30	-	-	7.8	-	7.8
Total comprehensive income/(expense)		-	-	7.8	(33.5)	(25.7)
Transactions with owners:						
Issue of new shares	27,28	-	5.0	-	-	5.0
Employee share scheme issues	26	-	-	2.0	-	2.0
At 31 December 2020		**0.3**	**635.4**	**24.5**	**(594.1)**	**66.1**

[1] Other reserves include share option reserve, translation reserve, treasury shares reserve, and transactions with NCI reserve.

The notes on pages 94 to 133 are an integral part of these financial statements.

Parent Company statement of changes in equity for the year ended 31 December 2020

	Notes	Share capital £m	Share premium £m	Other reserves[1] £m	Accumulated losses £m	Total equity £m
At 1 January 2019		0.3	622.5	11.3	(289.9)	344.2
Loss and total comprehensive expense	29	-	-	-	(268.8)	(268.8)
Transactions with owners:						
Issue of new shares	27,28	-	7.9	-	-	7.9
Acquisition of shares by EBT	30	-	-	(0.9)	-	(0.9)
Employee share scheme issues	26	-	-	1.4	-	1.4
At 31 December 2019		**0.3**	**630.4**	**11.8**	**(558.7)**	**83.8**
At 1 January 2020		0.3	630.4	11.8	(558.7)	83.8
Loss and total comprehensive expense	28	-	-	-	(49.5)	(49.5)
Transactions with owners:						
Issue of new shares	27,28	-	5.0	-	-	5.0
Employee share scheme issues	26	-	-	2.0	-	2.0
At 31 December 2020		**0.3**	**635.4**	**13.8**	**(608.2)**	**41.3**

[1]Other reserves include share option reserve and own shares reserve.

The notes on pages 94 to 133 are an integral part of these financial statements.

1. Accounting policies and significant judgements

General information

The Group is a leading medical device business focused on respiratory diagnostics and monitoring. Circassia Group plc is a public company limited by shares which is listed on the Alternative Investment Market (AIM) and incorporated and domiciled in the United Kingdom. The Company is resident in England and the registered office is Northbrook House, Robert Robinson Avenue, Oxford Science Park, Oxford, England, OX4 4GA.

The principal accounting policies adopted in the preparation of this financial information are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

Basis of preparation

With effect from 1 May 2020, the name of the Company was changed from Circassia Pharmaceuticals plc to Circassia Group plc. The consolidated financial statements of Circassia Group plc have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared using the historical cost convention modified by the revaluation of certain items, as stated in the accounting policies, and on a going concern basis.

Going concern

In assessing the appropriateness of the going concern assumption, the Board has considered the availability of funding alongside the possible cash requirements of the Group and Company, taking into account the unprecedented circumstances caused by the COVID-19 pandemic.

The Board has prepared cash flow forecasts for a period of 18 months from the date of approval of these financial statements. This base case scenario includes the benefits of actions already taken by management to mitigate the trading downsides brought about by COVID-19, for example, restrictions on travel, limiting new hires and reducing discretionary spend as well as agreeing a further equity facility with significant shareholders.

This base case assumes that sales of NIOX® will gradually build back towards pre-COVID-19 levels by the middle of 2022 and then grow at a slower rate than previous periods.

Under this base case scenario, the Group is expected to continue to have sufficient resources beyond 12 months from the approval of the financial statements.

The most extreme downside scenario modelled the impact of sales gradually building to pre-COVID-19 levels by the end of 2022. These reductions in revenue versus the base case forecast of 11% in 2021 and 8% in 2022 would be offset by significant mitigating cost reductions and cash protection actions, within the control of the Board, commencing in April 2021 (for example significant salary cuts for Board members, non-payment of discretionary bonuses and a reduction in discretionary marketing expenditure without further impacting NIOX® growth rates). In this scenario the Group remains cash positive beyond 12 months from the approval of the financial statements. After due consideration, the directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of this report.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong.

The areas involving significant estimates or judgements are:

Rebate accruals (estimate)

When invoicing Tudorza® sales, Circassia must estimate the rebates and chargebacks that are expected to be paid. These rebates typically arise from sales contracts with third-party managed care organisations, hospitals, long-term care facilities, group purchasing organisations and various federal or state programmes (Medicaid contracts, supplemental rebates, etc). Accrual assumptions are calculated on a sales channel basis, taking into account specific contract provisions coupled with expected performance, and are then aggregated into a weighted average rebate accrual rate. Accrual rates are reviewed and adjusted on an as needed basis. There may be further adjustments when actual rebates are invoiced based on utilisation information submitted to us (in the case of contractual rebates) and claims/invoices are received (in the case of regulatory rebates and chargebacks).

The most significant estimate in determining the accrual is considered to be the percentage of volumes which fall inside or outside the coverage gap for Medicare. A deduction to revenue of £33.0 million (2019: £49.6 million) was recognised in the income statement for the year ended 31 December 2020, and as at 31 December 2020, the rebates and chargebacks accrual was £14.1 million (2019: £12.9 million).

In the current financial year, it is estimated that 18% of sales are made inside the Medicare coverage gap and 17% of sales are made outside the Medicare coverage gap. If the percentage of sales inside the Medicare coverage gap were to decrease by 10% from management's estimates to 8%, the rebate and chargebacks accrual and the associated deduction to revenue would be an estimated £1.0 million lower.

Recognition of deferred tax asset for carried-forward tax losses (estimate)

The deferred tax asset includes an amount of £12.0 million (2019: £18.9 million) which relates to carried-forward tax losses of Circassia AB (previously known as Aerocrine AB). These losses were generated before the company was acquired by Circassia Group plc. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiary. The subsidiary has generated taxable income from the year ended 2017 and is expected to continue generating taxable income from 2021 onwards. The losses can be carried forward indefinitely and have no expiry date.

The estimate is how profitable the entity will be in future and therefore how much of the asset can be recognised. If the future profits of Circassia AB were to differ by 10% from management's estimates, the deferred tax asset would be an estimated £1.2 million (2019: £1.9 million) higher or lower.

Goodwill and other intangible assets (estimate)

Goodwill and other intangible assets impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Judgements and estimates are made in respect of the carrying value of the cash generating units (CGUs) containing the goodwill taking into account key assumptions (see note 16) about the NIOX® products.

If the Group's sales are lower than forecast due to a slower recovery post the COVID-19 pandemic, or the pre-tax discount rate applied to the cash flow projections is higher than management's estimates, this could result in an impairment of the related goodwill and intangible assets.

Investments (estimate)

Circassia Group plc holds a number of investment balances in subsidiary companies. Investment impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment.

Judgements and estimates are made in respect of the carrying value of the CGU containing the investment. If there is a significant change to a subsidiary's value in use, this could result in an impairment of the investment.

Recoverable amount of intercompany receivables (estimate)

Circassia Group plc has significant intercompany receivables due from subsidiary companies. In line with IFRS 9, the carrying value of these receivables is assessed using the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

Estimates are made in respect of the recoverable amount of each subsidiary. If the recoverable amount of a subsidiary is below the carrying value of Circassia Group plc's intercompany receivable, this could result in an impairment of the receivable.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

Accounting policies of subsidiaries are consistent with the policies adopted by the Group. Acquisition-related costs are expensed as incurred.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker, who is responsible for allocating resources, assessing performance and making strategic decisions, has been identified as the Executive Chairman.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that will not be progressed in the future. Discontinued operations are presented on the income statement as a separate line and are shown net of tax. Cash flows relating to discontinued operations are disclosed in the notes. The decision to treat the COPD business as discontinued was made on 9 April 2020 when it was announced that the development and commercialisation agreement between Circassia and AstraZeneca was terminating.

Revenue from contracts with customers

Revenue is accounted for under IFRS 15. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

Revenue is shown net of value added tax and trade discounts and after elimination of intra-Group sales. Revenue represents net invoice value including fixed and variable consideration. Variable consideration arises on the sale of goods as a result of discounts and allowances given and accruals for estimated future returns and rebates. Revenue is not recognised until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Income is reported as follows:

Sale of NIOX®

The Group sells medical technology equipment that enables inflammation of the airways to be measured as well as consumable items and spare parts.

Revenue is recognised when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control of the product to the customer, substantially all of which is on confirmation of delivery to the customer.

Sale of Tudorza® and Duaklir®

The Group markets and sells Tudorza® and Duaklir® in the United States, where it is indicated for the maintenance treatment of patients with COPD. Revenue is recognised when the goods are delivered to the wholesaler and represents net invoice value less estimated rebates, returns and chargebacks, which are considered to be key estimates.

Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and

loss have been transferred to the wholesaler and the wholesaler has accepted the products. When invoicing Tudorza® and Duaklir® sales, customers have a right to return a product within a given period and therefore the Group recognises a refund liability for the amount of consideration received for which the entity does not expect to be entitled.

Share based payments

The Group operates a number of equity-settled, share based compensation plans, under which the entity receives services from employees as consideration for options over ordinary shares in Circassia Group plc. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in equity.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- including the effect of any market performance conditions (such as the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

Equity settled share based payments are measured at fair value at the date of grant. The fair value is measured using either the Finnerty model (an at-market put option variant of the Black-Scholes model), the Black-Scholes model or the Monte Carlo Simulation.

This is dependent on the conditions attached to each of the issued options. Where conditions are non-market based the Black Scholes or the Finnerty model is used. Where market-based conditions are attached to options, the fair value is determined using the Monte Carlo Simulation.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Cost of sales

Cost of sales are recognised as the associated revenue is recognised. Cost of sales include purchase costs, royalties payable on revenues recognised, movements in provisions for inventories and inventory write-offs.

During the run-off period, Circassia must pay a run-off fee to AstraZeneca which is equal to 50% of the monthly profit of the COPD business. This is recognised as a cost of fulfilling the contract with AstraZeneca and therefore recognised as a cost of sale. The practical expedient has been exercised and all costs to date have been recognised in the income statement on the basis that the period of the contract is less than one year.

Employee benefits

The Group makes contributions to defined contribution personal pension schemes for certain directors and employees. The pension cost charge recognised in the year represents amounts payable by the Group to the funds. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in British pound sterling, which is Circassia Group plc's functional and presentation currency.

Monetary assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into Sterling at the rates of exchange ruling at the date of the transaction.

Foreign exchange differences are taken to the income statement in the year in which they arise and presented within 'Other gains and (losses) - net'. Foreign exchange differences on translation of foreign operations into the Group presentational currency, are recognised as a separate element of other comprehensive income. Cumulative exchange differences are presented in a separate component of equity entitled 'Translation reserve'.

Taxation including deferred tax

The charge for income tax is based on the results for the year, adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period.

The Group is entitled to claim tax credits in the United Kingdom for certain research and development expenditure. The amount included in the financial statements at the year end represents the credit receivable by the Group for the year and adjustments to prior years.

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences 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 average tax rates that are expected to apply to the period when the asset is realised, or the liability is settled. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Basic and diluted loss per share

Basic and diluted loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year. As net losses are recorded in both presented financial years, the dilutive potential shares are non-dilutive and therefore excluded from the earnings per share calculation.

Financial instruments

The Group's financial instruments comprise cash and cash equivalents, receivables and payables arising directly from operations, and derivatives. The main risks associated with the Group's financial instruments relate to interest rate risk and foreign currency risk (note 2).

Where derivatives exist in the financial year, they are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each reporting date, with any resulting gain or loss recognised through the income statement.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of replaced parts is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of assets over their estimated useful lives, as follows:

Property, plant and equipment	Depreciation rate
Leasehold improvements	Over the life of the unbreakable portion of the lease
Fixtures and fittings	20%
Plant and equipment	10% - 33%

Individually significant tangible assets that are intended to be held by the Group for use in the supply of goods and services or for administrative purposes and that are expected to provide economic benefit for more than one year are capitalised.

All other assets of insignificant value are charged to the income statement in the year of acquisition.

Costs incurred relating to an asset that is not yet complete are capitalised and held as 'Assets under construction' until they are brought into use.

The asset is then transferred to the appropriate asset class and depreciated in line with the policy above.

Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed and variable lease payments, less any lease incentives receivable.

The lease payments are discounted using the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate the Group where possible uses interest rates of recent third-party financing received, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, plus any lease payments made at or before the commencement date less any lease incentives received.

These assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Goodwill and Intangible assets

Intangible fixed assets, relating to goodwill, customer relationships, technology, intellectual property rights and currently marketed products acquired through licensing or assigning patents and knowhow are carried at historical cost, less accumulated amortisation, where the useful economic life of the asset is finite, and the asset will probably generate economic benefits exceeding costs.

Amortisation is calculated using the straight-line method to allocate the cost of intangible assets over their estimated useful lives, as follows:

Intangible asset	Estimated useful lives
Other	5 years
CMP	13 years
IPR&D	5 - 17 years
Customer Relationships	18 years
Technology	15 - 20 years

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination.

Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Expenditure on product development is capitalised as an intangible asset and amortised over the expected useful economic life of the product concerned.

Capitalisation commences from the point at which technical feasibility and commercial viability of the product can be demonstrated and the Group is satisfied that it is probable that future economic benefits will result from the product once completed. Capitalisation ceases when the product receives regulatory approval for launch. Expenditure on research and development activities that do not meet the above criteria, including ongoing costs associated with acquired intellectual property rights and intellectual property rights generated internally by the Group, is charged to the income statement as incurred.

Intellectual property and in-process research and development from acquisitions are recognised as intangible assets at fair value. Any residual excess of consideration over the fair value of net assets in an acquisition is recognised as goodwill in the financial statements.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready for use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Charges or credits for impairment are passed through the income statement.

Investments

Investments in subsidiary companies are recognised and carried at cost less any identified impairment losses at the end of each reporting period. Investments are impaired where there is objective evidence that the estimated future cash flows of the investment have been affected.

Inventories

Inventories are valued at the lower of the acquisition cost and net realisable value. The FIFO (first in, first out) principle is used to calculate the value of inventories. Inventories mainly comprise products for sale and stocks of components for the service activities in Sweden, China and the US.

The acquisition value comprises all expenses for purchases. The net realisable value is the expected sale price less expected costs for preparation and selling.

Management utilise sales forecasts to calculate the level of inventory required and compare this to current levels of inventory held to assess net realisable value.

Write-downs of inventory generally occur in the ordinary course of business and are recognised in cost of sales. Inventory purchased as sample stock is recognised immediately as a sales and marketing cost.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less credit loss allowance.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Trade receivables are written off when there is no reasonable expectation of recovery.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Share capital

Ordinary shares are classified as equity and have a nominal value of £0.0008. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Other reserves

Share option reserve

The share option reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised;
- the grant date fair value of shares issued to employees;
- the grant date fair value of deferred shares granted to employees but not yet vested; and
- the issue of shares held by the Circassia Pharmaceuticals plc Employee Benefit Trust (the "Trust") to employees.

Translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Transactions with non-controlling interests

This reserve is used to record the differences which arise as a result of transactions with non-controlling interests that do not result in a loss of control.

Treasury shares reserve/own shares reserve

This reserve arose when the Parent Company purchased its own shares through the Trust to satisfy the issue of shares to employees under the Deferred Bonus Share Plan (DBSP) and the Performance Share Plan (PSP) in relation to 2014.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are initially recognised at fair value and subsequently held at amortised cost. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2. Financial and capital risk management

Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and ensure that sufficient capital is in place to fund the Group's activities.

The Group's capital is comprised of share capital and share premium, which are disclosed in notes 27 and 28 respectively.

The Group's principal method of adjusting the capital available has been through issuing new shares. During 2020, the Company issued 20,325,202 ordinary shares with a value of £5.0 million to two of its major institutional shareholders, North Atlantic Small Companies Investment Trust plc ("NASCIT") and Richard Griffiths.

The Group monitors the availability of capital through forecasting future expenditure on an ongoing basis.

Financial risk management

Monitoring of financial risk is part of the Board's ongoing risk management, the effectiveness of which is reviewed annually.

Foreign exchange risk

Foreign exchange fluctuations may adversely affect the Group's results and financial condition.

The Group prepares its financial statements in British pound sterling, but a significant proportion of its expenditure and subsidiary results are in various currencies including United States dollar, Swedish krona, euro and Chinese yuan.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Instruments used by the Group

The Group's policy is to hedge 75% of the forecast British pound sterling, Swedish krona and euro cash flows up to six months in advance.

The Group uses foreign currency forward exchange contracts to hedge its exposure to foreign currency risk. These foreign currency contracts are accounted for as financial assets at fair value.

The initial fair value of these assets is £nil as no money has changed hands and therefore no value can be attributed to the contract.

These are subsequently remeasured at each year end at the spot rate, with gains and losses recognised in profit or loss.

	2020	2019
	£m	£m
Notional amount	3.5	-
Maturity date	January 2021 – June 2021	-

The carrying amount of the financial asset, and the net fair value gain as at 31 December 2020 is £nil (2019: £nil).

Sensitivity

The change in foreign exchange rates that is assessed to be reasonably likely for each currency in 2020 is 10% (2019: 10%).

At 31 December 2020, if the euro had weakened/strengthened by 10% against sterling with all other variables held constant, the post tax loss for the year would have been £0.3 million (2019: £0.3 million) lower/higher.

Similarly, if the US dollar had weakened/strengthened by 10%, the post tax loss for the year would have been £0.3 million (2019: £11.0 million) lower/higher.

This is as a result of net foreign exchange gains/losses on translation of euro and US dollar denominated payables, receivables and bank balances.

The impact on post tax loss and equity is immaterial for the remaining currencies.

Interest rate risk

The Group's policy in relation to interest rate risk is to monitor short and medium term interest rates and to place cash on deposit for periods that optimise the amount of interest earned while maintaining access to sufficient funds to meet day to day cash requirements.

The Group's main interest expense arises from long-term borrowings with variable rates, which exposes the Group to cash flow interest rate risk.

During 2020 and 2019, the Group's borrowings at variable rates were denominated in United States dollar. Following the forgiveness of the loan from AstraZeneca in May 2020, the Group is debt free and its interest rate risk is minimal.

Profit or loss is sensitive to higher/lower interest expense from cash and cash equivalents as a result of changes in interest rates.

If variable interest rates had been 10 basis points higher/lower the impact on net loss and accumulated losses in 2020 would have been an increase/decrease of £0.3 million (2019: £0.2 million) due to changes in the amount of interest receivable and interest payable.

Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

i) Risk management

The Group's policy generally is to place funds with financial institutions which have a minimum credit rating with Fitch IBCA of A- long-term/F1 short-term.

During 2020 the Group placed funds on deposit with 7 banks (2019: 8 banks).

The Group does not allocate a quota to individual institutions but seeks to diversify its investments, where this is consistent with achieving competitive rates of return.

It is the Group's policy to place not more than £5 million (or the equivalent in other currencies) with any one counterparty.

The value of financial instruments held represents the maximum exposure that the Group has to them. There is no collateral held for this type of credit risk.

No credit limits were exceeded during any of the periods reported, and management does not expect any material losses from non-performance by these counterparties.

ii) Impairment of financial assets

The Group only has one type of financial asset that is subject to the expected credit loss model being trade receivables. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2020 and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2020 and 2019 was determined as follows:

GROUP 31 December 2020	Current £m	More than 30 days past due £m	More than 60 days past due £m	More than 90 days past due £m	Total £m
Expected loss rate	0.2%	53.2%	52.2%	18.2%	1.0%
Gross trade receivables carrying amount	15.8	0.1	0.1	0.2	16.2
Loss allowance	**(0.1)**	**-**	**-**	**-**	**(0.1)**
31 December 2019					
Expected loss rate	0.5%	31.9%	20.5%	7.5%	1.2%
Gross trade receivables carrying amount	11.9	0.1	0.1	0.4	12.5
Loss allowance	**(0.1)**	**-**	**-**	**-**	**(0.1)**

COMPANY 31 December 2020	Current £m	More than 30 days past due £m	More than 60 days past due £m	More than 90 days past due £m	Total £m
Expected loss rate	98%	0%	0%	0%	98%
Gross receivables from subsidiary undertakings carrying amount	270.9	-	-	-	270.9
Loss allowance	**(270.8)**	**-**	**-**	**-**	**(270.8)**
31 December 2019					
Expected loss rate	91%	0%	0%	0%	91%
Gross receivables from subsidiary undertakings carrying amount	382.9	-	-	-	382.9
Loss allowance	**(347.8)**	**-**	**-**	**-**	**(347.8)**

The closing loss allowance for trade receivables reconciles to the opening loss allowance as follows:

	Group		Company	
	2020	2019	**2020**	2019
	£m	£m	**£m**	£m
Opening loss allowance as at 1 January	**(0.1)**	(0.1)	**(347.8)**	(91.4)
Increase in loss allowances recognised in profit or loss during the year	**-**	-	**(18.1)**	(256.4)
Reallocation against investments	**-**	-	**95.1**	-
At 31 December	**(0.1)**	(0.1)	**(270.8)**	(347.8)

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented within operating expenditure.

Subsequent recoveries of amounts previously written off are credited against the same line item.

Cash flow and liquidity risk

Liquidity risk is managed through maintaining sufficient cash and the availability of funding to meet obligations when due.

Management monitors rolling forecasts of the Group's cash on the basis of expected cash flows.

The directors do not consider that there is presently a material cash flow or liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

At 31 December	**Less than 1 year**	**Over 1 year**	Less than 1 year	Over 1 year
	2020	**2020**	2019	2019
	£m	**£m**	£m	£m
Borrowings	**-**	**-**	-	109.9
Lease liabilities	**0.8**	**0.8**	0.6	1.5
Contingent consideration	**0.3**	**-**	1.1	-
Trade and other payables	**25.6**	**-**	39.6	-
Total	**26.7**	**0.8**	41.3	111.4

3. Operating segments

The chief operating decision-maker, the Executive Chairman, examines the Group's performance from a product perspective, and has identified two reportable segments of the business:

- NIOX® relates to the portfolio of products used to improve asthma diagnosis and management by measuring fractional exhaled nitric oxide (FeNO); and
- COPD relates to the Tudorza® and Duaklir® Pressair® products marketed in the United States, where they are indicated for the maintenance treatment of patients with COPD.

The COPD business has been classified as a discontinued operation. Information about the results of this segment is provided in note 10; information regarding its assets is presented below.

The table below presents operating loss information regarding the Group's operating segments for the years ended 31 December 2020 and 2019.

Only the results for the Group's underlying continuing activities are included in order to aid comparison.

Segment operating loss

Year ended 31 December 2020	NIOX® £m	Head office £m	Total £m
Revenue (from external customers by country, based on the destination of the customer)			
US	6.5	-	6.5
UK	1.3	-	1.3
EU	6.9	-	6.9
Asia Pacific	8.9	-	8.9
Rest of world	0.3	-	0.3
Total segment revenue	**23.9**	**-**	**23.9**
Cost of sales	(7.6)	-	(7.6)
Research and development costs	(6.8)	-	(6.8)
Sales and marketing costs	(16.6)	-	(16.6)
Administrative expenses	(5.9)	(4.3)	(10.2)
Operating loss from continuing operations	**(13.0)**	**(4.3)**	**(17.3)**
Depreciation, amortisation and impairment included above	(6.2)	-	(6.2)

Year ended 31 December 2019 Restated[1]	NIOX® £m	Head office £m	Total £m
Revenue (from external customers by country, based on the destination of the customer)			
US	10.4	-	10.4
UK	2.0	-	2.0
EU	7.4	-	7.4
Asia Pacific	14.5	-	14.5
Rest of world	0.3	-	0.3
Total segment revenue	**34.6**	**-**	**34.6**
Cost of sales	(9.1)	-	(9.1)
Research and development costs	(6.9)	-	(6.9)
Sales and marketing costs	(24.6)	-	(24.6)
Administrative expenses	(6.5)	(6.0)	(12.5)
Operating loss from continuing operations	**(12.5)**	**(6.0)**	**(18.5)**
Depreciation, amortisation and impairment included above	(3.7)	-	(3.7)

[1] Restated to show the results of the COPD business as a discontinued operation. See note 10.

Assets by segment

As at 31 December 2020	NIOX® £m	COPD (Discontinued) £m	Total £m
Cash and cash equivalents	7.4	-	7.4
Property, plant and equipment	0.1	-	0.1
Right-of-use assets	1.3	-	1.3
Goodwill	5.3	-	5.3
Intangible assets	45.1	-	45.1
Deferred tax assets	21.6	-	21.6
Inventories	3.0	1.0	4.0
Trade and other receivables	6.4	11.9	18.3
Total assets	**90.2**	**12.9**	**103.1**

As at 31 December 2019 Restated[1]	NIOX® £m	COPD (Discontinued) £m	Total £m
Cash and cash equivalents	11.7	15.3	27.0
Property, plant and equipment	-	0.5	0.5
Right-of-use assets	1.3	0.6	1.9
Goodwill	4.8	-	4.8
Intangible assets	45.3	117.7	163.0
Deferred tax assets	18.9	9.4	28.3
Inventories	3.5	3.0	6.5
Trade and other receivables	6.8	7.8	14.6
Current tax assets	0.2	-	0.2
Total assets	**92.5**	**154.3**	**246.8**

[1] Restated to show the results of the COPD business as a discontinued operation. See note 10.

4. Revenue from contracts with customers

The Group derives the following types of revenue:

	2020 £m	2019 Restated[1] £m
Sale of goods	**23.9**	34.5
Licence and milestone revenue	**-**	0.1
Total revenue from contracts with customers	**23.9**	34.6

[1] Restated to show the results of the COPD business as a discontinued operation. See note 10.

5. Employees and directors

Monthly average number of people (including Executive and Non-Executive Directors) employed:	Group		Company	
	2020 Number	2019 Number	**2020 Number**	2019 Number
Office and management	**38**	46	**6**	6
Sales and marketing	**184**	244	**-**	-
Research and development	**25**	32	**-**	-
Total average headcount	**247**	322	**6**	6

Average headcount includes 44 (2019: 109) sales and marketing and 4 (2019: 5) research and development people employed solely for the discontinued operation. The Group's total headcount at 31 December 2020 was 156 (31 December 2019: 291)

Employee benefit costs	Group		Company	
	2020 £m	2019 Restated[1] £m	**2020 £m**	2019 £m
Wages and salaries	**14.5**	19.4	**1.1**	2.2
Social security costs	**1.5**	2.6	**0.1**	0.3
Other pension costs	**0.8**	0.9	**-**	-
Share options expense	**2.0**	1.4	**-**	-
Total employee benefit costs	**18.8**	24.3	**1.2**	2.5

[1] Restated to show the results of the COPD business as a discontinued operation. See note 10.

The Group contributes to defined contribution pension schemes for its Executive Directors and employees. Contributions of £0.1 million (included in other payables) were payable to the funds at the year end (2019: £0.1 million).

Key management personnel

Key management personnel during the year included directors (Executive and Non-Executive), Regional VP APAC, Regional VP Americas, VP Product Development, VP Supply Chain, Regional VP EMEA, VP Global Accounts, VP Global Marketing and Senior VP Global Human Resources. Key management personnel in the prior year also included the Chief Compliance Officer.

The compensation paid or payable to key management is set out below.

	2020 £m	2019 £m
Short-term employee benefits (including bonus)	**2.9**	3.2
Post-employment benefits	**0.1**	1.2
Share based payment	**0.3**	0.6
Total	**3.3**	5.0

Other remuneration information

The table below sets out the location of information required to be disclosed in the notes to the financial statements which can be found in the Remuneration report and is incorporated by reference:

Subject matter	Page reference
Single total figure of remuneration for each director (including remuneration for the highest-paid director)	62 to 63
Scheme interests awarded to directors during the financial year	66 to 67
Gain on exercise of share options	65
Payments to past directors	65
Payments for loss of office	65
Statement of directors' shareholding and share interests	65

6. Breakdown of expenses by nature

	Notes	2020 £m	2019 Restated[1] £m
Employee benefit expenses	5	**18.8**	24.3
Marketing costs		**3.8**	3.4
Legal and professional fees including patent costs		**2.5**	6.3
Depreciation charge of property, plant and equipment	14	**0.3**	0.3
Depreciation charge of right-of-use assets	15	**0.8**	0.5
Amortisation charge of intangible assets	17	**4.2**	3.7
Impairment of intangible assets	17	**0.8**	44.0
Impairment of property, plant and equipment	14	**0.1**	-
Loss on disposal of property, plant and equipment	14	**0.1**	-

[1] Restated to show the results of the COPD business as a discontinued operation. See note 10.

7. Other (losses) and gains - net

	2020 £m	2019 Restated[1] £m
Net foreign exchange losses	**(1.1)**	(3.5)
Sub-lease rental income	**0.2**	-
Change in fair value of contingent LungFit™ PH royalty consideration	**-**	23.9
Change in fair value of LungFit™ PH contingent consideration	**-**	15.9
Total other (losses) and gains - net	**(0.9)**	36.3

[1] Restated to show the results of the COPD business as a discontinued operation. See note 10.

Following an announcement made by BeyondAir in December 2019 that they are terminating the agreement for the commercial licence of LungFit™ PH, Circassia remeasured the fair value of the royalty consideration and the contingent consideration resulting in a £23.9 million and a £15.9 million credit respectively to other gains.

8. Finance costs and income

	2020 £m	2019 Restated[1] £m
Finance costs:		
Bank charges	**(0.2)**	(0.2)
Interest charges for lease liabilities	**(0.1)**	(0.1)
Total finance costs	**(0.3)**	(0.3)
Finance income:		
Bank interest receivable	**0.1**	0.2
Total finance income	**0.1**	0.2

[1] Restated to show the results of the COPD business as a discontinued operation. See note 10.

9. Auditors' remuneration

During the year, the Group paid £nil (2019: £1,356) to the Group's auditors in respect of non-audit services for an accounting research tool subscription. During the year, the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors and its associates:

	2020 £m	2019 £m
Fees payable to the Group's auditors and its associates for the audit of the Parent Company and consolidated financial statements	**0.2**	0.2
Fees payable to the Group's auditors and its associates for other services:		
- Audit of the financial statements of the Company's subsidiaries	**0.1**	0.2
Total	**0.3**	0.4

10. Discontinued operations

On 27 May 2020, Circassia signed an agreement to hand back the Tudorza® and Duaklir® licences to AstraZeneca and as such, the results of the COPD operating segment are reported as a discontinued operation. There were no assets or liabilities classified as held for sale in relation to the discontinued operation.

Loss for the year	**2020 £m**	2019 Restated[1] £m
Revenue	**22.1**	27.8
Cost of sales	**(6.4)**	(7.1)
Gross profit	**15.7**	20.7
Expenditure	**(20.0)**	(45.2)
Goodwill and intangible asset impairment	**(114.0)**	(46.2)
Operating loss	**(118.3)**	(70.7)
Other gains and (losses) - net	**114.8**	57.7
Finance costs	**(3.2)**	(18.5)
Loss from discontinued operations	**(6.7)**	(31.5)

Cash flow	**2020 £m**	2019 Restated[1] £m
Net cash outflow from operating activities	**(9.8)**	(22.7)
Net cash inflow from financing activities	**-**	14.9
Net cash used in discontinued operations	**(9.8)**	(7.8)

[1] Restated to show the results of the COPD business as a discontinued operation.

Other gains and losses include a £123.1 million gain (2019: £nil) relating to the forgiveness of the AstraZeneca loan and accrued interest, £8.3 million loss (2019: £4.1 million gain) on foreign exchange, and £nil (2019: £53.6 million) gain on the change in fair value of the contingent royalty consideration.

Finance costs include £3.0 million (2019: £3.2 million) of interest charged on the loan from AstraZeneca, and £0.2 million (2019: £15.3 million) relating to the unwinding of discounts on amounts payable to AstraZeneca.

11. Non-underlying items

Management primarily manage the business and measure performance based on the results of "underlying operations." Significant irregularly occurring and exceptional items are excluded from the underlying measures.

The following non-underlying items have been recognised in the income statement for the comparative period:

	Notes	2020 £m	2019 Restated[1] £m
Charged to research and development costs			
Impairment		-	(44.0)
Restructuring costs		-	(0.2)
		-	(44.2)
Charged to administrative expenses			
Restructuring costs		-	(1.1)
		-	(1.1)
Credited to other gains and losses			
Change in fair value of contingent LungFit™ PH royalty consideration	7	-	23.9
Change in fair value of LungFit™ PH contingent consideration	7	-	15.9
		-	39.8
Loss from continuing operations		-	(5.5)
Loss from discontinued operations	10	-	(31.5)
Total loss		-	(37.0)

[1] Restated to show the results of the COPD business as a discontinued operation. See note 10.

Impairment: On 19 December 2019, an announcement was made by BeyondAir that they were terminating the agreement for the commercial licence of LungFit™ PH and as such management concluded that impairment was required to the LungFit™ PH CGU. This resulted in an impairment of £44.0 million to intangible assets.

Restructuring costs: Restructuring costs comprise cost optimisation initiatives including severance payments, compensation for loss of office, property and other contract termination costs. Restructuring in 2019 relates mainly to the restructuring of the Board and other members of senior management.

Change in fair value of contingent LungFit™ PH royalty consideration: Contingent royalty consideration relates to the amount of royalties payable to BeyondAir on the future sales of LungFit™ PH. The liability was remeasured to fair value at the year end with the resulting £nil (2019: £23.9 million) credit recorded in other gains and losses in the income statement.

Change in fair value of LungFit™ PH contingent consideration: In addition to the £8.0 million upfront payments and £19.9 million of contingent royalty payments, Circassia owed BeyondAir further consideration of £16.1 million based on certain triggering events. As such, on this date Circassia recognised a contingent liability, and an offsetting intangible asset. As the liability is denominated in United States dollars, this was revalued to £15.9 million. Following an announcement made by BeyondAir in December 2019 that they were terminating the agreement for the commercial licence of LungFit™ PH, Circassia derecognised the contingent liability resulting in a £nil (2019: £15.9 million) credit to other gains.

Loss from discontinued operations: In the prior year, the costs relating to the discontinued COPD business were deemed to be an exceptional item to be excluded from the underlying operations. In the current year, the residual run-off period is considered to be a trading part of the business, and therefore presented in underlying operations. See note 10 for further details.

12. Taxation

The Group is entitled to claim tax credits in the United Kingdom for certain research and development expenditure. The amount included in the financial statements for the years ended 31 December 2020 and 2019 represents the credit receivable by the Group for the year and adjustments to prior years.

The 2020 amounts have not yet been agreed with the relevant tax authorities.

	2020 £m	2019 £m
Current tax		
United Kingdom corporation tax research and development credit	**-**	(0.1)
Total current tax credit	**-**	(0.1)
Deferred tax		
Decrease/(increase) in deferred tax assets	**8.2**	(9.1)
Increase/(decrease) in deferred tax liabilities	**0.2**	(1.6)
Total deferred tax charge/(credit)	**8.4**	(10.7)
Total tax charge/(credit)	**8.4**	(10.8)
Tax is attributable to:		
Loss on continuing operations	**8.4**	(10.8)
Loss on discontinued operations	**-**	-
	8.4	(10.8)

The tax charge (2019: credit) for the year is higher (2019: lower) than the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). **The differences are explained below:**

	2020 £m	2019 Restated[1] £m
Loss from continuing operations before tax	**(18.4)**	(27.6)
Loss from discontinued operations before tax	**(6.7)**	(31.5)
Loss before tax	**(25.1)**	(59.1)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	**(4.8)**	(11.2)
Expenses not deductible for tax purposes (permanent differences):	**-**	0.6
Research and development relief uplift	**-**	(0.2)
Temporary timing differences on employee share options	**0.4**	-
Tax losses for which no deferred income tax asset was recognised	**12.8**	-
Tax charge/(credit) for the year	**8.4**	(10.8)

[1]Restated to show the results of the COPD business as a discontinued operation. See note 10.

At 31 December 2020, the Group has tax losses to be carried forward of approximately £513.7 million (2019: £526.3 million). These can be utilised against future taxable profits. At 31 December 2020, Circassia Group plc and Circassia Limited had tax losses to be carried forward of approximately £162.6 million (2019: £158.9 million). The utilisation of these losses will be restricted to 50% of profits generated in the United Kingdom.

At 31 December 2020, the Group has tax assets arising from tax credits in the United Kingdom for certain research and development expenditure of £nil (2019: £0.2 million).

13. Loss per share

Basic and diluted loss per share	2020 £	2019 Restated[1] £
From continuing operations	**(0.07)**	(0.04)
From discontinued operations	**(0.02)**	(0.09)
Total basic and diluted loss per share attributable to the ordinary equity holders of the Company	**(0.09)**	(0.13)

	2020	2019
Weighted average number of shares	**381,859,840**	373,703,488

[1] Restated to show the results of the COPD business as a discontinued operation. See note 10.

14. Property, plant and equipment

	Leasehold improvements £m	Fixtures and fittings £m	Plant and equipment £m	Total property, plant and equipment £m
At 1 January 2019				
Cost	0.8	0.6	1.7	3.1
Accumulated depreciation and impairment	(0.6)	(0.3)	(1.7)	(2.6)
Net book amount	**0.2**	**0.3**	**-**	**0.5**
Year ended 31 December 2019				
Opening net book amount	0.2	0.3	-	0.5
Additions	0.1	0.2	-	0.3
Depreciation charge	(0.1)	(0.2)	-	(0.3)
Closing net book amount	**0.2**	**0.3**	**-**	**0.5**
At 31 December 2019				
Cost	0.9	0.8	1.7	3.4
Accumulated depreciation and impairment	(0.7)	(0.5)	(1.7)	(2.9)
Net book amount	**0.2**	**0.3**	**-**	**0.5**
Year ended 31 December 2020				
Opening net book amount	0.2	0.3	-	0.5
Additions	-	-	0.1	0.1
Depreciation charge	(0.2)	(0.1)	-	(0.3)
Disposals	-	(0.1)	-	(0.1)
Impairment	-	-	(0.1)	(0.1)
Closing net book amount	**-**	**0.3**	**-**	**0.1**
At 31 December 2020				
Cost	0.9	0.7	1.8	3.4
Accumulated depreciation and impairment	(0.9)	(0.6)	(1.8)	(3.3)
Net book amount	**-**	**0.1**	**-**	**0.1**

15. Leases

The balance sheet shows the following amounts relating to leases:

	2020 £m	2019 £m
Right-of-use assets		
Leasehold improvements	**1.2**	1.8
Plant and equipment	**0.1**	0.1
	1.3	1.9
Lease liabilities		
Current	**(0.8)**	(0.6)
Non-current	**(0.8)**	(1.5)
	(1.6)	(2.1)

Additions to the right-of-use assets during the financial year were £0.2 million (2019: £2.4 million).

The income statement shows the following amounts relating to leases:

	Notes	2020 £m	2019 £m
Depreciation charge of right-of-use assets	6	**(0.8)**	(0.5)
Interest expense (included in finance cost)	8	**(0.1)**	(0.1)
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)		**-**	(0.2)
		(0.9)	(0.8)

The total cash outflow for leases was £0.7 million (2019: £0.9 million).
For information regarding the Group's low-value leases and leases for which it is a lessee, see note 33.

16. Goodwill

	2020 £m	2019 £m
At 1 January		
Cost	87.8	88.2
Accumulated impairment	(83.0)	(78.9)
Net book amount	**4.8**	**9.3**
Year ended 31 December		
Opening net book amount	4.8	9.3
Impairment	-	(4.1)
Exchange differences	0.5	(0.4)
Closing net book amount	**5.3**	**4.8**
At 31 December		
Cost	88.3	87.8
Accumulated impairment	(83.0)	(83.0)
Net book amount	**5.3**	4.8

In 2019, a £4.1 million impairment charge to goodwill was recognised due to the sales performance of Tudorza® and Duaklir® being well below internal forecasts. The carrying value of goodwill is allocated to the NIOX® CGU. The recoverable amount of a CGU is assessed using a value in use model.

The value in use for the NIOX® CGU was calculated over a five-year period using a discount factor of 11.5% (being a weighted average cost of capital rate for the CGU). The calculations use post-tax cash flow projections.

Cash flows over five years have been considered appropriate based on the product lifecycle.

Cash flows beyond the five-year period were extrapolated using the estimated terminal growth rate stated below.

The growth rate does not exceed the long-term average growth rate for the business.

The discount rate used is post-tax and reflects specific risks relating to the Group and uncertainties surrounding the cash flow projections. The value in use calculations include expected revenue growth from historic levels.

The key assumptions used for the valuation of the NIOX® CGU are as follows:

Assumption	Approach used to determine values
Valuation basis	Value in use
Sales	Based on past performance and management's expectations of market development. Sales in 2022 are expected to return to pre-pandemic levels. The growth rate for 2023-2025 reflects a more cautious growth level than historic CAGR
Operating costs	Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost-saving measures
Profit margins	Based on past performance and management's expectations for the future
Period of specified projected cash flows	2020 - 5 years 2019 - 10 years
Long-term growth rate	Terminal growth rates based on management's estimate of future long-term average growth rate 2020 - 1% 2019 - 1%
Discount rate	Reflects specific risks relating to the relevant segments and the countries in which they operate 2020 - 11.5% 2019 - 11.5%

Impact of possible changes in key assumptions - NIOX® CGU

If the budgeted NIOX® sales in the value in use calculation had been 13% lower than management's estimates at 31 December 2020, the Group would have had to recognise an impairment against the carrying amount of goodwill and intangible assets of £3.3 million. The reasonably possible reduction in budgeted sales represents a slower recovery post the COVID-19 pandemic.

If the pre-tax discount rate applied to the cash flow projections of this CGU had been 3% higher than management's estimates (14.5% instead of 11.5%), the Group would have had to recognise an impairment against the carrying amount of goodwill and intangible assets of £1.2 million.

17. Intangible assets

Group	IPR&D £m	CMP £m	Customer relationships £m	Technology £m	Intellectual property £m	Other £m	Total intangible assets £m
At 1 January 2019							
Cost	161.9	97.4	34.6	50.3	-	1.9	346.1
Accumulated amortisation and impairment	(88.8)	-	(7.4)	(26.9)	-	(1.6)	(124.7)
Net book amount	**73.1**	**97.4**	**27.2**	**23.4**	**-**	**0.3**	**221.4**
Year ended 31 December 2019:							
Opening net book amount	73.1	97.4	27.2	23.4	-	0.3	221.4
Acquisition of business	-	-	-	-	44.0	2.0	46.0
Amortisation charge	(2.1)	(8.6)	(1.8)	(1.9)	-	-	(14.4)
Transfers	(71.0)	71.0	-	-	-	-	-
Impairment charge	-	(42.1)	-	-	(44.0)	-	(86.1)
Exchange differences	-	-	(2.1)	(1.8)	-	-	(3.9)
Closing net book amount	**-**	**117.7**	**23.3**	**19.7**	**-**	**2.3**	**163.0**
At 31 December 2019							
Cost	-	259.3	34.6	50.3	44.0	3.9	392.1
Accumulated amortisation and impairment	-	(141.6)	(11.3)	(30.6)	(44.0)	(1.6)	(229.1)
Net book amount	**-**	**117.7**	**23.3**	**19.7**	**-**	**2.3**	**163.0**
Year ended 31 December 2020:							
Opening net book amount	-	117.7	23.3	19.7	-	2.3	163.0
Additions	-	-	-	-	-	0.4	0.4
Amortisation charge	-	(3.7)	(1.8)	(2.0)	-	(0.4)	(7.9)
Impairment	-	-	-	-	-	(0.8)	(0.8)
Disposal	-	(114.0)	-	-	-	-	(114.0)
Exchange differences	-	-	2.5	2.0	-	(0.1)	4.4
Closing net book amount	**-**	**-**	**24.0**	**19.7**	**-**	**1.4**	**45.1**
At 31 December 2020							
Cost	-	259.3	34.4	31.2	44.0	4.3	373.2
Accumulated amortisation and impairment	-	(259.3)	(10.4)	(11.5)	(44.0)	(2.9)	(328.1)
Net book amount	**-**	**-**	**24.0**	**19.7**	**-**	**1.4**	**45.1**

The Group tests annually whether goodwill and intangible assets have suffered any impairment and tests more frequently when events or circumstances indicate that the current carrying value may not be recoverable. An impairment test is based on the value in use of the intangible assets.

Key assumptions and sensitivities used in the impairment review at a CGU level are disclosed in note 16.

In-Process Research & Development (IPR&D): IPR&D comprised the Duaklir® licence asset until October 2019, when the product launched, and the related assets were transferred from IPR&D and into CMP.

Currently Marketed Product (CMP): CMP comprises the Tudorza® product, and since its launch in October 2019, the Duaklir® product. The CMP asset was partially impaired in 2019 following an underperformance in sales of Tudorza® and Duaklir.® Subsequently, the asset was fully disposed of in the 2020 financial year as the licences were handed back to AstraZeneca on 27 May 2020. AstraZeneca granted Circassia an extension of the licences during the run-off period, however the licences obtained were solely limited to distribute the products on behalf of AstraZeneca and Circassia could not use the underlying intellectual property to manufacture the products on its own. As such, the extension of the licences was not considered to be distinct and no intangible asset was recognised.

Customer relationships: Customer relationships represent the existing customers as at the date of acquisition that are expected to continue to support the NIOX® business. A remaining useful life of 18 years was determined at acquisition. Amortisation has been calculated on a straight-line basis over this period from the date of acquisition.

Technology: Aerocrine developed its technology to measure fractional exhaled nitric oxide ("FeNO") in the mid-1990s. The company was the first to develop an instrument for the measurement of FeNO as a valuable tool in the management of airway inflammation. This technology is used by the Group in its NIOX® devices. The valuation of the Technology was based on a pre-determined hypothetical royalty rate attributable to the use of the Technology. The estimated remaining useful life of the Technology was determined as 15 years at acquisition. Amortisation has been calculated on a straight line basis over this period from the date of acquisition.

Intellectual property: Intellectual property comprises the LungFit™ PH licence which was acquired from BeyondAir in 2019. The asset was initially valued at £44.0 million, being the fair value of consideration. This includes £8.0 million paid upfront in the form of shares and contingent milestone and royalty payments valued at £36.0 million. The intellectual property was fully impaired following an announcement made by BeyondAir in December 2019 purporting to terminate the agreement for the commercial licence of LungFit™ PH. The Company is challenging this termination.

Other: Other intangible assets relate to software and internally generated capitalised device development costs. Current year additions mainly relate to the development costs of the new ERP software. Amortisation on the ERP software has been calculated on a straight-line basis over the period from which the software was fully developed and operational. An impairment loss of £0.8 million has been recognised against the capitalised device development costs following a change in the strategic roadmap for product development.

18. Investments in subsidiaries

Company	2020 £m	2019 £m
Investments in subsidiaries at 1 January	**56.5**	67.6
Equity settled instruments granted to employees of subsidiaries	**2.0**	1.4
Additional investment in Circassia Pharmaceuticals Inc	**121.4**	-
Provision against investments	**(125.1)**	(12.5)
Investments in subsidiaries at 31 December	**54.8**	56.5

Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid. The Group tests annually whether investments in subsidiaries have suffered any impairment and tests more frequently when events or circumstances indicate that the current carrying value may not be recoverable. An impairment test is based on the value in use of the subsidiaries. Key assumptions and sensitivities used in the impairment review are disclosed in note 16.

A credit loss provision of £95.1 million (2019: £12.5 million) has been recognised due to the reclassification of the intercompany loan provided to Circassia Pharmaceuticals Inc as a net investment in the foreign operation. Management concluded that a further provision was required to the investment in Circassia Limited, Circassia Pharmaceuticals Inc and Circassia (Beijing) Medical Device Co. Limited. This resulted in an additional provision of £30.0 million being recognised.

Changes in the value in use of the subsidiaries might result in a significantly higher or lower fair value of investments. 10% higher or lower value in use would result in no change (2019: £22.3 million) to the fair value of investments.

The capital contribution relating to share based payments relates to options granted by the Company to employees of subsidiary undertakings in the Group. Further details on the Group's share option schemes can be found in note 26.

The Group's subsidiaries at 31 December 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Address of the registered office	Country of incorporation	Principal activities	Ownership interest held by Circassia Group plc	Ownership interest held by the Group
Circassia Limited	Northbrook House, Robert Robinson Avenue, Oxford Science Park, Oxford, OX4 4GA, UK	UK	Sale of devices for management of asthma	100%	100%
Circassia Pharmaceuticals Inc	5151 McCrimmon Parkway, Suite 260, Morrisville, North Carolina 27560, USA	United States	Sale of asthma management devices and respiratory products	100%	100%
Circassia AB	Hansellisgatan 13, 754 50, Uppsala, Sweden	Sweden	Development and sale of devices for management of asthma	100%	100%
Circassia AG	Louisenstraβe 21, 61348, Bad Homburg, Germany	Germany	Sale of devices for management of asthma	-	100%
Circassia (Beijing) Medical Device Co. Limited	Room 1109 Jing Guang Center Office Building, No 1 Chao Yang Men Wai Avenue, Hu Jia Lou, Chao Yang District, Beijing, 100020, P.R. China	China	Sale of devices for management of asthma	100%	100%
Circassia srl (in liquidation)	Viale Andrea Doria 7, 20124 Milano, Italia	Italy	Sale of devices for management of asthma	-	100%

On 5 October 2020, the dormant entities Circassia Pharma Limited and Prosonix Limited were struck-off the register of companies, with both entities being dissolved on 13 October 2020.

All subsidiary undertakings are included in the consolidation.

19. Inventories

	2020 £m	2019 £m
Finished goods	**4.0**	6.5

Inventories recognised as an expense during the year ended 31 December 2020 amounted to £6.3 million (2019: £13.9 million). These were included in cost of sales.

Write-downs of inventories to net realisable value amounted to £1.0 million (2019: £2.3 million), of which £0.5 million (2019: £2.3 million) were included in discontinued operations. These were recognised as an expense during the year and included in cost of sales. There has been no reversal of any write down in the year ended 31 December 2020.

20. Trade and other receivables

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade receivables	**16.1**	12.4	**-**	-
Prepayments and accrued income	**2.0**	1.9	**0.1**	-
Other receivables	**0.2**	0.3	**-**	-
Receivables from subsidiary undertakings	**-**	-	**0.1**	35.1
Total trade and other receivables	**18.3**	14.6	**0.2**	35.1

Due to the short-term nature of trade and other receivables, their carrying amount is considered to be the same as their fair value. Included within trade receivables is £0.4 million (2019: £0.6 million) of invoices that were more than 30 days past due at the end of the reporting year, but which have not been impaired.

Receivables from subsidiary undertakings are amounts provided by the Company to its subsidiaries in order to undertake commercial operations. The receivables are unsecured and have no fixed date of repayment. Recoverability of the amounts is dependent on the future profitability of subsidiary undertakings.

As at 31 December 2020, an expected credit loss of £270.8 million (2019: £347.8 million) was recognised against receivables from subsidiary undertakings.

The carrying amounts of the Group and Company receivables, excluding prepayments and recoverable taxes, are denominated in the following currencies:

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
British pound sterling	**0.2**	0.3	**0.1**	-
United States dollar	**13.1**	9.7	**-**	35.1
Swedish krona	**-**	0.1	**-**	-
Euro	**1.4**	1.6	**-**	-
Chinese yuan	**2.1**	1.4	**-**	-
	16.8	13.1	**0.1**	35.1

21. Cash and cash equivalents

The Group and Company cash and cash equivalents are held with institutions with the following Fitch IBCA long-term rating:

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
AA	**-**	0.6	**-**	-
AA-	**2.5**	14.4	**0.1**	0.1
A+	**4.2**	11.7	**-**	-
A	**-**	-	**-**	-
BBB	**0.7**	0.3	**-**	-
	7.4	27.0	**0.1**	0.1

The Group and Company cash and cash equivalents are held in the following currencies at 31 December:

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
British pound sterling	**0.7**	1.8	**0.1**	0.1
United States dollar	**4.0**	22.9	**-**	-
Euro	**1.8**	1.8	**-**	-
Swedish krona	**0.2**	0.2	**-**	-
Chinese yuan	**0.7**	0.3	**-**	-
	7.4	27.0	**0.1**	0.1

22. Trade and other payables

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Trade payables	**5.2**	9.1	**-**	0.1
Social security and other taxes	**0.5**	0.3	**-**	-
Accruals	**18.9**	29.3	**0.3**	0.2
Other payables	**1.0**	0.9	**-**	-
Payables to subsidiary undertakings	**-**	-	**13.5**	7.6
Total trade and other payables	**25.6**	39.6	**13.8**	7.9

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

23. Financial assets and financial liabilities

The Group holds the following financial instruments at 31 December each year:

Financial assets	2020 £m	2019 £m
Financial assets at amortised cost		
Trade and other receivables (excluding prepayments and recoverable taxes)	**16.8**	14.6
Cash and cash equivalents	**7.4**	27.0
	24.2	41.6

Financial liabilities	2020 £m	2019 £m
Financial liabilities at amortised cost		
Trade and other payables	**25.6**	39.6
Borrowings	**-**	109.9
Financial liabilities at fair value through profit or loss		
Contingent consideration	**0.3**	1.1
Lease liabilities	**1.6**	2.1
	27.5	152.7

The Company had the following financial instruments at 31 December each year:

Financial assets	2020 £m	2019 £m
Financial assets at amortised cost		
Cash and cash equivalents	**0.1**	0.1
Receivables from subsidiary undertakings	**0.1**	35.1
	0.2	35.2

Liabilities	2020 £m	2019 £m
Financial liabilities at amortised cost		
Trade and other payables	**-**	0.1
Payables to subsidiary undertakings	**13.5**	7.6
	13.5	7.7

The Group's exposure to various risks associated with the financial instruments is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Financial liabilities at fair value through profit or loss

The Group designates contingent consideration payable as fair value through profit or loss

The movement in the year is as follows:

Contingent consideration	2020 £m	2019 £m
At 1 January	**1.1**	61.6
Additional consideration payable on acquisition of LungFit™ PH	**-**	36.8
Unwinding of discount	**0.2**	11.6
Change in fair value	**(0.9)**	(93.4)
Settlement of consideration	**-**	(15.8)
Foreign exchange movement	**(0.1)**	0.3
At 31 December	**0.3**	1.1

The contingent consideration held at both 31 December 2020 and 2019 relates to royalties payable to AstraZeneca on sales of Tudorza.®

Fair value

The directors consider that the fair values of the Group's financial instruments do not differ significantly from their book values except as described below.

Contingent consideration is remeasured to fair value, calculated using a discounted cash flow approach. The valuation methodology uses significant inputs which are not based on observable market data (unobservable inputs), therefore this valuation technique is classified as level 3 in the fair value hierarchy.

24. Borrowings

In June 2019, the Group entered into a loan facility with AstraZeneca to finance consideration payable under the collaboration agreement. On 27 May 2020, the Tudorza® and Duaklir® licences were handed back to AstraZeneca and the loan was forgiven.

The table below analyses the Group's borrowings into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

As at 31 December, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

	2020			2019		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Loans	-	-	**-**	-	109.9	109.9

25. Deferred taxation

	Intangibles	Tax losses	Net deferred tax (asset)/ liability
	£m	£m	£m
As at 1 January 2019	10.9	(19.1)	(8.2)
Credit to the income statement	(1.6)	(9.2)	(10.8)
As at 31 December 2019	**9.3**	**(28.3)**	**(19.0)**
At 1 January 2020	9.3	(28.3)	(19.0)
Charge to the income statement	0.2	8.2	8.4
Credit to other comprehensive income	-	(1.5)	(1.5)
As at 31 December 2020	**9.5**	**(21.6)**	**(12.1)**

	2020	2019
	£m	£m
Deferred tax liabilities	**9.5**	9.3
Deferred tax assets	**(21.6)**	(28.3)
Total deferred tax position	**(12.1)**	(19.0)

The Group has the following unrecognised potential deferred tax assets as at 31 December:

	2020	2019
	£m	£m
Losses	**76.0**	61.0
Total unrecognised deferred tax asset	**76.0**	61.0

Swedish deferred tax assets and liabilities are recognised at a rate of 20.6% (2019: 20.6%).

UK deferred tax assets and liabilities are recognised at a rate of 19% (2019: 17%).

In the Spring Budget 2021, the Government announced that from 1 April 2023 the UK corporation tax rate will increase to 25%. This new law will be substantively enacted later in 2021. As the increase of the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the unrecognised potential deferred tax asset by £9.8 million.

26. Share based payments

Share options have been awarded under the Circassia Save As You Earn Scheme (the "SAYE Scheme"), the Circassia PSP Share Option Scheme (the "PSP Scheme") and the Circassia Unapproved Share Option Scheme (the "Unapproved Scheme").

The SAYE Scheme was introduced in 2020. Under the SAYE Scheme eligible employees can save up to £500 per month over a three year period and use the savings to purchase shares in Circassia Group plc at 22.01p.

The share options outstanding can be summarised as follows:

	2020	2019
	Number of ordinary shares ('000)	Number of ordinary shares ('000)
SAYE Scheme[1]	**1,269**	-
PSP Scheme [2]	**26,760**	19,849
Unapproved Scheme [3]	**149**	187
	28,178	20,036

The contractual life of the options granted under the PSP Scheme and the Unapproved Scheme is 10 years. The contractual life of the options granted under the SAYE Scheme is 3.5 years. Options cannot normally be exercised before the third anniversary of the date of grant. All schemes are equity settled.

[1] Options granted under the SAYE Scheme have a fixed exercise price based on a discounted market price at the date of grant and are not subject to additional vesting performance conditions.

[2] Options granted under the PSP Scheme have a fixed exercise price and are subject to additional vesting performance conditions. The exercise price of options granted under the 2014 PSP scheme is £nil and all subsequent PSP scheme awards have an exercise price of £0.0008. Exercise of options under this scheme are subject to continued employment and achievement of both market and non-market performance targets. Options typically vest over a period of 3 years.

[3] Options granted under the Unapproved Scheme also have a fixed exercise price based on the market price at the date of grant.

The movement in share options outstanding is summarised in the following table:

	2020	**2020**	2019	2019
	Number of options	**Weighted average exercise price per share option**	Number of options	Weighted average exercise price per share option
	'000	**£**	'000	£
Outstanding at 1 January	**20,036**	**0.02**	10,858	0.04
Granted	**15,829**	**0.0193**	13,721	0.0005
Forfeited/lapsed	**(3,387)**	**0.0334**	(4,374)	0.0008
Cancelled	**(3,629)**	**0.0008**	-	n/a
Exercised	**(671)**	**0.0007**	(169)	0.0008
Outstanding at 31 December	**28,178**	**0.02**	20,036	0.02
Vested and exercisable at 31 December	**1,212**	**0.02**	553	0.02

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Scheme	Grant year	Expiry year	Exercise price	Share options	Share options
				2020	2019
			£	'000	'000
PSP 2014	2014	2024	0	**89**	150
PSP 2015	2015	2025	0.0008	**77**	119
PSP 2016	2016	2026	0.0008	**204**	284
PSP 2017	2017	2027	0.0008	**693**	2,614
PSP 2018	2018	2028	0.0008	**3,231**	3,894
PSP 2019	2019	2029	0.0008	**15,291**	12,788
PSP 2020	2020	2030	0.0008	**7,175**	-
SAYE 2020	2020	2023	0.2201	**1,269**	-
Unapproved	2013 - 2014	2023 - 2024	2.4160	**149**	187
Total				**28,178**	20,036

The weighted average remaining contractual life of share options outstanding at the end of the year was 8.9 years (2019: 9.0 years). Options exercised in 2020 resulted in 670,959 (2019: 169,418) shares being issued at a weighted average price of £0.0007 (2019: £0.0008) each.

Valuation models

The fair value of PSP and SAYE share options granted during the year was determined using the Monte Carlo Simulation model, the Black Scholes Model and the Finnerty Model dependent on the vesting period.

Monte Carlo Simulation:

The Monte Carlo Simulation model has been used to value the portion of the awards which have a market performance vesting condition. The model incorporates a discount factor reflecting this performance condition into the fair value of this portion of the award.

The model inputs for options granted during the year ended 31 December 2020 and 2019 included:

	2020	2019
Exercise price	**£0.0008**	£0.0008
Share price	**£0.31**	£0.32
Expected volatility	**64%**	36%
Expected life	**3 years**	3 years
Expected dividends	**0%**	0%
Risk free interest rate	**0.00%**	0.74%

The expected price volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The weighted average fair value of options granted during the year determined using the Monte Carlo Simulation model at the grant date was £0.19 per option (2019: £0.24).

The Finnerty Model:

For LTIP awards that are subject to an additional two-year post-vesting holding period, the Finnerty model (an at-market put option variant of the Black-Scholes model) has been used to determine a discount for the lack of marketability.

The model inputs for options granted during the year ended 31 December 2020 and 2019 included:

	2020	2019
Exercise price	**£0.3090**	£0.0008
Share price	**£0.31**	£0.19
Expected volatility	**74%**	45%
Expected life	**5 years**	5 years
Expected dividends	**0%**	0%
Risk free interest rate	**0.00%**	0.38%

This discount has only been applied to the shares that are subject to the sales restriction (i.e. post any permitted sales for tax/legal purposes and any lapses from failing to meet performance conditions).

The weighted average fair value of options granted during the year determined using the Finnerty Model at the grant date was £0.15 per option (2019: £0.18).

The Black Scholes Model:

The Black Scholes model has been used to value the SAYE scheme options as they are not subject to market-based performance conditions and have a fixed term.

The model inputs for options granted during the year ended 31 December 2020 included:

	2020	2019
Exercise price	**£0.2201**	n/a
Share price	**£0.31**	n/a
Expected volatility	**60%**	n/a
Expected life	**3.36 years**	n/a
Expected dividends	**0%**	n/a
Risk free interest rate	**0.00%**	n/a

The expected price volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The weighted average fair value of options granted during the year determined using the Black Scholes model at the grant date was £0.16 per option.

Deferred shares

The Group did not award any deferred shares to Executive Directors as part of a deferred bonus for the previous financial year (2019: 412,706). Deferred shares are held by the Circassia Pharmaceuticals plc Employee Benefit Trust (the "Trust") until the third anniversary of the grant date when they will transfer to the Executive Directors so long as they are still an officer or employee of the Group. The Group awarded 809,307 deferred shares to employees of the Group as part of a deferred bonus for the previous financial year (2019: nil). The shares will be issued to the employees a year following the date of grant.

Income statement

See note 5 for the total expense recognised in the income statement in respect of the above equity settled instruments granted to directors and employees.

27. Share capital

Authorised, called up and fully paid	2020 £m	2019 £m
397,563,228 (2019: 375,199,334) ordinary shares of 0.08p each	**0.3**	0.3

Movements in ordinary shares

	Number of shares	Par value £m
As at 1 January 2020	375,199,334	0.3
Share issue to NASCIT	14,939,024	-
Share issue to Richard Griffiths	6,402,438	-
Share issue to EBT	412,706	-
Employee share scheme issues	609,726	-
As at 31 December 2020	**397,563,228**	**0.3**

28. Share premium

Group and Company	2020 £m	2019 £m
At 1 January	**630.4**	622.5
Issue of new shares	**5.0**	8.0
Transaction costs arising on share issues	**-**	(0.1)
At 31 December	**635.4**	630.4

29. Accumulated losses

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
At 1 January	**(560.6)**	(512.0)	**(558.7)**	(289.9)
Change in accounting policy	**-**	(0.3)	**-**	-
Restated at 1 January	**(560.6)**	(512.3)	**(558.7)**	(289.9)
Loss for the year	**(33.5)**	(48.3)	**(49.5)**	(268.8)
At 31 December	**(594.1)**	(560.6)	**(608.2)**	(558.7)

30. Other reserves

Group	Share option reserve £m	Translation reserve £m	Treasury shares reserve £m	Transactions with non-controlling interests £m	Total other reserves £m
At 1 January 2019	11.6	10.3	(0.7)	(6.1)	15.1
Employee share option scheme	1.4	-	-	-	1.4
Reclassification of treasury shares	-	-	(0.2)	-	(0.2)
Exchange differences on translation of foreign operations	-	(1.6)	-	-	(1.6)
At 31 December 2019	**13.0**	**8.7**	**(0.9)**	**(6.1)**	**14.7**
Employee share option scheme	2.0	-	-	-	2.0
Exchange differences on translation of foreign operations	-	7.8	-	-	7.8
At 31 December 2020	**15.0**	**16.5**	**(0.9)**	**(6.1)**	**24.5**

Company	Share option reserve £m	Treasury shares reserve £m	Total other reserves £m
At 1 January 2019	11.3	-	11.3
Employee share option scheme	1.4	-	1.4
Reclassification of treasury shares	-	(0.9)	(0.9)
At 31 December 2019	**12.7**	**(0.9)**	**11.8**
Employee share option scheme	2.0	-	2.0
At 31 December	**14.7**	**(0.9)**	**13.8**

Treasury shares

Treasury shares are shares in Circassia Group plc that are held by the Circassia Pharmaceuticals plc Employee Benefit Trust for the purpose of issuing shares under the various employee share schemes. Shares issued to employees are recognised on a first in, first out basis.

The number of shares acquired by the Trust is as follows:

Scheme	Number of shares	Nominal value of shares £m	Amount of consideration paid £m
DSBP 2014	110,845	0.0008	0.3
DSBP 2015	156,036	0.0008	0.4
DSBP 2017	251,377	0.0008	0.2
DSBP 2018	412,706	0.0008	-
Total as at 31 December 2019 and 31 December 2020	**930,964**	**0.0008**	**0.9**

The shares to satisfy the DSBP 2018 scheme were allotted as new ordinary shares in Circassia Group plc, rather than being purchased by the Trust.

31. Cash used in operations

Reconciliation of loss before tax to net cash used in operations:

	Notes	Group		Company	
		2020 £m	2019 Restated[1] £m	**2020 £m**	2019 £m
Loss from continuing operations before tax		**(18.4)**	(27.6)	**(49.5)**	(268.8)
Loss from discontinued operations before tax	10	**(6.7)**	(31.5)	**-**	-
Loss before tax		**(25.1)**	(59.1)	**(49.5)**	(268.8)
Adjustments for:					
Finance income	8	**(0.1)**	(0.2)	**(2.0)**	(6.5)
Finance costs	8	**3.5**	18.8	**0.2**	-
Depreciation charge of property, plant and equipment	14	**0.3**	0.3	**-**	-
Depreciation charge of right-of-use assets	6	**0.8**	0.5	**-**	-
Amortisation charge of intangible assets	17	**7.9**	14.4	**-**	-
Impairment of goodwill	16	**-**	4.1	**-**	-
Impairment of intangible assets	17	**0.8**	86.1	**-**	-
Impairment of property, plant and equipment	14	**0.1**	-	**-**	-
Loss on disposal of intangible assets	17	**114.0**	-	**-**	-
Gain on loan write off		**(123.0)**	-	**-**	-
Impairment of investments	18	**-**	-	**30.0**	12.5
Fair value gain on contingent royalty consideration	7	**-**	(77.5)	**-**	-
Fair value gain on LungFit™PH contingent liability	7	**-**	(15.9)	**-**	-
Share based payment charge	5	**2.0**	1.4	**-**	-
Foreign exchange on non-operating cash flows		**8.7**	(0.5)	**-**	-
Changes in working capital:					
Increase in trade and other receivables		**(3.9)**	(7.1)	**(0.1)**	-
Increase in credit loss provision		**-**	-	**18.1**	256.4
Decrease/(increase) in inventories		**2.9**	(2.7)	-	-
(Decrease)/increase in trade and other payables		**(12.8)**	8.5	**-**	(0.3)
Cash used in operations		**(23.9)**	(28.9)	**(3.3)**	(6.7)

[1] Restated to show the results of the COPD business as a discontinued operation. See note 10.

32. Contingent liabilities and assets

At the end of 2019, BeyondAir issued a notice stating that it had terminated its Licensing Agreement for LungFit™PH with Circassia for material breach.

Circassia strongly refutes BeyondAir's allegations and believes there are no grounds for termination.

Circassia intends to assert claims in accord with the dispute resolution provisions of the License Agreement to recover its economic losses as a result of BeyondAir's actions, including amounts paid to BeyondAir under the Agreement and loss of future economic benefits that would have accrued to Circassia but for BeyondAir's actions.

There were no contingent liabilities at 31 December 2020 or at 31 December 2019.

33. Operating lease commitments

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases which are classified as operating leases. See note 15.

The lease commitments for short-term and low-value leases that are recognised as an expense on a straight-line basis are immaterial for both financial years ended 31 December 2020 and 31 December 2019.

The total of future minimum sublease payments expected to be received for the Chicago property no longer utilised by the Group is £0.8 million (2019: £1.0 million).

34. Commitments

There were no capital commitments as at 31 December 2020 or at 31 December 2019.

35. Related party transactions

Group

There is no ultimate controlling party of the Group as ownership is split between the Company's shareholders.

The most significant shareholders as at 31 December 2020 and 2019 are as follows:

Name	2020	2019
Griffiths R I	**28.15%**	27.30%
Harwood Capital LLP	**17.62%**	8.00%
AstraZeneca PLC	**17.88%**	18.94%
Schroders Plc	**6.12%**	0.00%

There were no transactions with related parties during the years ended 31 December 2020 and 2019.

Company

The following transactions with subsidiaries occurred in the year:

	2020 £m	2019 £m
Sale of management services to Circassia Limited[1]	**1.0**	1.2
Net transfer of funds (to)/from subsidiaries	**(119.9)**	6.1
	(118.9)	7.3

[1] Remuneration costs (excluding share option charges) relating to the Executive Directors of Circassia Group plc in respect of services rendered to Circassia Limited.

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Balances due from subsidiary companies	2020 £m	2019 £m
As at 1 January	**35.1**	281.7
Loans (repaid)/advanced	**(114.2)**	3.3
Interest received	**0.2**	6.5
Loss allowance	**79.0**	(256.4)
As at 31 December	**0.1**	35.1

Balances due to subsidiary companies	2020 £m	2019 £m
As at 1 January	**(7.6)**	(5.5)
Loans advanced	**(5.5)**	(2.1)
Interest charged	**(0.4)**	-
As at 31 December	**(13.5)**	(7.6)

The amounts due are unsecured and have no fixed date of repayment.

Interest is charged at a rate of LIBOR + 4%.

Employee benefit trust

In 2014 the Company set up an employee benefit trust for the purposes of buying and selling shares on the employees' behalf. Nothing was paid into the Trust by the Company during the year ended 31 December 2020 (2019: £198,293).

No shares were purchased by the Trust (2019: 251,377) and 412,706 shares were allotted to the Trust (2019: nil) during the year ended 31 December 2020.

36. Events occurring after the reporting date

On 24 March 2021, Circassia Group plc allotted and issued 20,000,000 new ordinary shares in the Company at 25 pence per share. This comprised 10,000,000, 6,000,000 and 4,000,000 shares issued to Lombard Odier Asset Management (Europe) Limited, Richard Griffiths and North Atlantic Smaller Companies Investment Trust plc respectively.

Reconciliation of alternative performance measures

Adjusted EBITDA

Adjusted EBITDA excludes items of income and expenditure which might have an impact on the quality of earnings, such as impairment charges.

Adjusted EBITDA is an alternative performance measure, and reconciles to operating loss as below:

	2020	2019 Restated[1]
	£m	£m
Adjusted EBITDA	**(11.1)**	(15.3)
Depreciation	**(1.1)**	(0.8)
Amortisation	**(4.2)**	(3.7)
Impairment	**(0.9)**	(44.0)
Operating loss	**(17.3)**	(63.8)

[1] Restated to show the results of the COPD business as a discontinued operation. See note 10.

Advisers and contact details

Financial calendar

- Annual General Meeting: 21 May 2021
- Interim results for the six months ending 30 June 2021: Q3 2021

Registrars

All administrative enquiries relating to shareholdings and requests to receive corporate documents by email should, in the first instance, be directed to Equiniti.

Shareview is Equiniti's shareholder portal offering access to services and information to help manage your shareholdings and inform your important investment decisions.

Shareview Portfolio

Shareview Portfolio is an online portfolio management tool which enables you to view and manage all the shareholdings you have, where Equiniti is the Registrar, in one place.

It is free to use and provides access to a wide range of market information and investment services.

Please visit www.shareview.co.uk

This is not a recommendation to buy or sell shares. The price of shares can go down as well as up, and you are not guaranteed to get back the amount that you originally invested.

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Forward-looking statements

This Annual Report contains certain projections and other forward-looking statements with respect to the financial condition, results of operations, businesses and prospects of Circassia. The use of terms such as "may", "will", "should", "expect", "anticipate", "project", "estimate", "intend", "continue", "target" or "believe" and similar expressions (or the negatives thereof) are generally intended to identify forward-looking statements.

These statements are based on current expectations and involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Any of the assumptions underlying these forward-looking statements could prove inaccurate or incorrect and therefore any results contemplated in the forward-looking statements may not actually be achieved.

Nothing contained in this press release should be construed as a profit forecast or profit estimate. Investors or other recipients are cautioned not to place undue reliance on any forward-looking statements contained herein. Circassia undertakes no obligation to update or revise (publicly or otherwise) any forward-looking statement, whether as a result of new information, future events or other circumstances.

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