CIRCASSIA GROUP PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Transformational year

Business simplified with reduced complexity resulting from disposal of COPD business

Focus on market leading NIOX® asthma diagnosis & management products

Significant reduction in cost base

Oxford, UK – 24 March 2021: Circassia Group plc ("**Circassia**" or the "**Company**" and, together with its subsidiaries, the "**Group**") (LSE: CIR) today announces its audited results for the year ended 31 December 2020 and a post-period update.

Financial highlights

Audited	2020 £m	2019[1] £m
Revenue	**23.9**	34.6
Gross margin	**68%**	74%
Total expenditure[2]	**(27.4)**	(40.8)
Adjusted EBITDA	**(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)[3] at year end	**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] Includes cash and cash equivalents.

- Revenues of £23.9 million were down 31% (2019: £34.6 million); impacted by COVID-19 pandemic
  - Clinical revenues were down 31% to £21.5 million (2019: £31.0 million)
  - Research revenues were down 33% to £2.4 million (2019: £3.6 million)
- Operating loss reduced to £17.3 million from £63.8 million in 2019
- Cash at year end of £7.4 million (2019: net debt £82.9 million)

Operational highlights

- 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 today 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

Ian Johnson, Circassia's Executive Chairman, said: *"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."

Contacts

Circassia

Ian Johnson, Executive Chairman — via N+1 Singer

Michael Roller, Chief Financial Officer

N+1 Singer (Nominated Adviser and Broker)

Aubrey Powell/ Jen Boorer/ Hannah Woodley — Tel: +44 (0) 20 7496 3000

About Circassia

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.

Forward-looking statements

This press release 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.

Executive Chairman's statement

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 into discussions with AstraZeneca plc 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 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.

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 in the operating review below.

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.

OPERATING REVIEW

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.

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.

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 announcement. 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.

FINANCIAL REVIEW

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 below. 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.

	2020	2019[1]
	£m	£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.
[3] Includes cash and cash equivalents.

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.

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.

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 in the year by business unit was as follows:

	NIOX	COPD (Discontinued)	Head office	Group
	£m	£m	£m	£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)**

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

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		**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	4	**(17.3)**	**-**	**(17.3)**	(18.5)	(45.3)	(63.8)
Other (losses) and gains - net		**(0.9)**	**-**	**(0.9)**	(3.5)	39.8	36.3
Finance costs	5	**(0.3)**	**-**	**(0.3)**	(0.3)	-	(0.3)
Finance income	5	**0.1**	**-**	**0.1**	0.2	-	0.2
Loss before tax		**(18.4)**	**-**	**(18.4)**	(22.1)	(5.5)	(27.6)
Taxation	8	**(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)	6	**(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	13	**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)

Basic and diluted loss per share		**2020 £**	2019 Restated[1] £
Loss per share from continuing operations	9	**(0.07)**	(0.04)
Total loss per share	9	**(0.09)**	(0.13)

[1] Restated to show the results of the COPD business as a discontinued operation. See note 6.

The notes below 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		**0.1**	0.5
Right-of-use assets		**1.3**	1.9
Goodwill	10	**5.3**	4.8
Intangible assets	11	**45.1**	163.0
Deferred tax assets		**21.6**	28.3
		73.4	198.5
Current assets			
Inventories		**4.0**	6.5
Trade and other receivables		**18.3**	14.6
Current tax assets	8	**-**	0.2
Cash and cash equivalents		**7.4**	27.0
		29.7	48.3
Total assets		**103.1**	246.8
Equity			
Share capital		**0.3**	0.3
Share premium		**635.4**	630.4
Other reserves	13	**24.5**	14.7
Accumulated losses		**(594.1)**	(560.6)
Total equity		**66.1**	84.8
Liabilities			
Non-current liabilities			
Borrowings		**-**	109.9
Lease liabilities		**0.8**	1.5
Deferred tax liabilities		**9.5**	9.3
		10.3	120.7
Current liabilities			
Trade and other payables	12	**25.6**	39.6
Lease liabilities		**0.8**	0.6
Contingent consideration		**0.3**	1.1
		26.7	41.3
Total liabilities		**37.0**	162.0
Total equity and liabilities		**103.1**	246.8

The notes below are an integral part of these financial statements.

Ian Johnson
Executive Chairman
Circassia Group plc

Michael Roller
Chief Financial Officer
Circassia Group plc

Registered number: 05822706

Consolidated statement of cash flows
for the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Cash flows from operating activities			
Cash used in operations	14	**(23.9)**	(28.9)
Interest paid	6	**(0.2)**	(0.1)
Tax credit received	8	**0.2**	3.9
Net cash used in operating activities		**(23.9)**	(25.1)
Cash flows from investing activities			
Payments for property, plant and equipment		**(0.1)**	(0.3)
Payments for intangible assets	11	**(0.4)**	(10.0)
Interest received	5	**-**	0.3
Dividends from joint venture		**-**	0.1
Net cash used in investing activities		**(0.5)**	(9.9)
Cash flows from financing activities			
Proceeds from issue of shares		**5.0**	8.0
Share issue transaction costs		**-**	(0.1)
Proceeds from borrowings		**-**	14.9
Principal elements of lease payments		**(0.7)**	(0.9)
Net cash generated from financing activities		**4.3**	21.9
Net decrease in cash and cash equivalents		**(20.1)**	(13.1)
Cash and cash equivalents at 1 January		**27.0**	40.7
Effects of exchange rate changes on cash and cash equivalents		**0.5**	(0.6)
Cash and cash equivalents at 31 December		**7.4**	27.0

The notes below 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		-	-	-	(48.3)	(48.3)
Exchange differences on translation of foreign operations	13	-	-	(1.6)	-	(1.6)
Total comprehensive expense		-	-	(1.6)	(48.3)	(49.9)
Transactions with owners:						
Issue of new shares		-	7.9	-	-	7.9
Acquisition of shares by EBT		-	-	(0.2)	-	(0.2)
Employee share scheme issues		-	-	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		-	-	-	(33.5)	(33.5)
Exchange differences on translation of foreign operations	13	-	-	7.8	-	7.8
Total comprehensive income/(expense)		-	-	7.8	(33.5)	(25.7)
Transactions with owners:						
Issue of new shares		-	5.0	-	-	5.0
Employee share scheme issues		-	-	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 below are an integral part of these financial statements.

Notes to the financial statements

1. General information

Basis of preparation

The consolidated financial statements of Circassia Group plc have been prepared on the going concern basis and in accordance with EU adopted International Financial Reporting Standards (IFRS), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention.

The financial information set out in this preliminary announcement does not constitute the Company's statutory financial statements for the years ended 31 December 2020 or 2019 but is derived from those financial statements. Statutory financial statements for 2019 have been delivered to the registrar of companies and those for 2020 will be delivered in due course. The auditors have reported on those financial statements; their reports were (i) unqualified (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The preliminary announcement will be published on the Company's website. The maintenance and integrity of the website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 the 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.

2. 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 6; 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 6.

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 6.

3. Employees and directors

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

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	2020 £m	2019 Restated[1] £m
Wages and salaries	**14.5**	19.4
Social security costs	**1.5**	2.6
Other pension costs	**0.8**	0.9
Share options expense	**2.0**	1.4
Total employee benefit costs	**18.8**	24.3

[1] Restated to show the results of the COPD business as a discontinued operation. See note 6.

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

4. Breakdown of expenses by nature

	Notes	2020 £m	2019 Restated[1] £m
Employee benefit expenses	3	**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		**0.3**	0.3
Depreciation charge of right-of-use assets		**0.8**	0.5
Amortisation charge of intangible assets	11	**4.2**	3.7
Impairment of intangible assets	11	**0.8**	44.0
Impairment of property, plant and equipment		**0.1**	-
Loss on disposal of property, plant and equipment		**0.1**	-

[1] Restated to show the results of the COPD business as a discontinued operation. See note 6.

5. 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 6.

6. 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**	2019 Restated[1]
	£m	£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.

7. 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**	2019 Restated[1]
		£m	£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		**-**	23.9
Change in fair value of LungFit™ PH contingent consideration		**-**	15.9
		-	39.8
Loss from continuing operations		**-**	(5.5)
Loss from discontinued operations	6	**-**	(31.5)
Total loss		**-**	(37.0)

[1] Restated to show the results of the COPD business as a discontinued operation. See note 6.

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 6 for further details.

8. 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 6.

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).

9. 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)

[1] Restated to show the results of the COPD business as a discontinued operation. See note 6.

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

10. 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.

11. 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 10.

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.

12. Trade and other payables

	2020 £m	2019 £m
Trade payables	**5.2**	9.1
Social security and other taxes	**0.5**	0.3
Accruals	**18.9**	29.3
Other payables	**1.0**	0.9
Total trade and other payables	**25.6**	39.6

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.

13. 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**

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 £	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.

14. Cash used in operations

Reconciliation of loss before tax to net cash used in operations:

	Notes	2020 £m	2019 Restated[1] £m
Loss from continuing operations before tax		**(18.4)**	(27.6)
Loss from discontinued operations before tax	6	**(6.7)**	(31.5)
Loss before tax		**(25.1)**	(59.1)
Adjustments for:			
Finance income	5	**(0.1)**	(0.2)
Finance costs	5	**3.5**	18.8
Depreciation charge of property, plant and equipment		**0.3**	0.3
Depreciation charge of right-of-use assets		**0.8**	0.5
Amortisation charge of intangible assets	11	**7.9**	14.4
Impairment of goodwill	10	**-**	4.1
Impairment of intangible assets	11	**0.8**	86.1
Impairment of property, plant and equipment		**0.1**	-
Loss on disposal of intangible assets		**114.0**	-
Gain on loan write off		**(123.0)**	-
Fair value gain on contingent royalty consideration		**-**	(77.5)
Fair value gain on LungFit™PH contingent liability		**-**	(15.9)
Share based payment charge	3	**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)
Decrease/(increase) in inventories		**2.9**	(2.7)
(Decrease)/increase in trade and other payables		**(12.8)**	8.5
Cash used in operations		**(23.9)**	(28.9)

15. Related party transactions

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:

	Ownership interest	
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%

On 2 June 2020, the Company executed an equity financing facility for up to £5 million of additional equity finance at a price of 24.6p per share with two of its major institutional shareholders, being North Atlantic Small Companies Investment Trust plc (to which Harwood Capital LLP acts as investment adviser/manager) and Richard Griffiths, to provide the Company with access to additional liquidity should it be required. On 17 September 2020 the Board decided to draw down this equity financing. The foregoing equity financing facility constitutes a related party transaction under the AIM Rules for Companies.

There were no transactions with related parties during the year ended 31 December 2019.

16. 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.