



Registered number 05822706

**Circassia Holdings Limited**  
Annual Report and Financial Statements  
for the year ended 31 December 2012



# **Circassia Holdings Limited**

## **Year ended 31 December 2012**

**Annual report and financial statements  
for the year ended 31 December 2012**

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# **Circassia Holdings Limited**

## **Year ended 31 December 2012**

### **Directors and advisors**

#### **Executive Directors**

**Steven Harris**

Chief Executive Officer

**Charles Swingland**

Deputy Chairman and Company Secretary

**Rod Hafner**

Vice President R&D

**Brett Haumann**

Chief Medical Officer

#### **Non-executive Directors**

Dr Timothy Corn

Russ Cummings

Cathrin Petty

Jean-Jacques Garaud

Paul Edick

#### **Independent auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place

London

WC2N 6RH

#### **Registered office**

The Magdalen Centre

Robert Robinson Avenue

Oxford Science Park

Oxfordshire

England

OX4 4GA

#### **Bankers**

Lloyds TSB Bank plc

PO Box 1000

BX1 1LT

#### **Solicitors**

Morrison & Foerster (UK) LLP

CityPoint

One Ropemaker Street

London

EC2Y 9AW

# **Circassia Holdings Limited**

## **Year ended 31 December 2012**

### **Directors' report for the year ended 31 December 2012**

The directors present their annual report and the audited consolidated financial statements of the group for the year ended 31 December 2012

#### **Principal activities**

Circassia Holdings Limited and its subsidiaries, Circassia Limited and Circassia Pharma Limited are clinical-stage specialty biopharmaceutical companies focused on developing medicines designed to control immune system responses

The group and its subsidiaries' initial focus is on the development and commercialisation of a range of allergy therapeutics, based on its proprietary technology, which have the potential to transform current treatment. With its portfolio of allergy products progressing through development, the group is broadening its pipeline into other areas where immune system control is essential. These include auto-immune diseases.

At 31 December 2012 the group had 19 (2011: 13) employees at its facilities in Oxford.

Circassia Holdings Limited is a limited company incorporated in England and Wales. The company is resident in England and the registered office is Magdalen Centre, The Oxford Science Park, Oxford, OX4 4GA.

#### **Review of business, future developments and key performance indicators**

The statement of comprehensive income for the year is set out on page 8. The key performance indicators the group monitors are research and development expenditure and the level of funding available. The level of research and development expenditure has grown throughout the year as we have commenced a key phase III clinical study for one of our products. The total comprehensive expense for the year was £15,501k (2011: £14,516k). The directors expect that the level of activity will increase for the coming year, with expenditure expected to rise to £26,795k and £19,426k over 2013 and 2014 respectively, reflecting the more advanced stage of product development.

On 18<sup>th</sup> April 2011, the company completed a major fundraising totalling £60 million. The investment was received in two tranches. The initial £25 million was received on completion. The second tranche of £35 million was received on 23 April 2012 following the achievement of a number of milestones. A further £12 million of new funding was received on 23 April 2012. The funds have allowed the group to move one of its products into phase III and will aid in completing phase II programmes on a number of other products.

#### **Principal Risks and Uncertainties**

The group is engaged in innovative and unique research and development programmes, and there are significant risks and uncertainties that could have a dramatic impact on the group in the future. Although trial results to date have been encouraging, there can be no certainty that similar results will be achieved in later clinical trials, and that the group's products will be approved for use. The directors expect to make significant financial returns from the commercialisation of products, but there can be no certainty that the products will deliver the anticipated returns. The group's financial risk management policies are detailed in Note 2 to the financial statements.

# **Circassia Holdings Limited**

## **Year ended 31 December 2012**

### **Research and development activities**

During the year the group incurred expenditure of £16,494k (2011 £11,953k) on research and development, all of which was written off in the statement of comprehensive income

### **Dividend**

The directors do not recommend payment of a dividend (2011 £nil)

### **Directors**

The directors of the company during the year and up to the date of signing the financial statements were as follows

Steven Harris	Executive
Charles Swingland	Executive
Rod Hafner	Executive
Brett Haumann	Executive (Appointed 25 September 2012)
Russ Cummings	Non-executive
Cathrin Petty	Non-executive
Dr Timothy Corn	Non-executive
Sir Richard Sykes	Non-executive (Resigned 3 April 2013)
Dr James Shannon	Non-Executive (Resigned 24 May 2012)
Jean-Jacques Garaud	Non-executive (Appointed 1 November 2012)
Paul Edick	Non-executive (Appointed 4 April 2013)

### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

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

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

### **Statement as to disclosure of information to auditors**

So far as the Directors are aware, there is no relevant audit information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware. Furthermore, they have taken all the steps that

## **Circassia Holdings Limited**

### **Year ended 31 December 2012**

they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information

#### **Directors' indemnities**

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

#### **By order of the Board**



Charles Swingland  
Company Secretary  
Date 19/4/2013

# **Circassia Holdings Limited**

## **Year ended 31 December 2012**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CIRCASSIA HOLDINGS LIMITED**

We have audited the group and parent company financial statements (the "financial statements") of Circassia Holdings Limited for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Group and Parent Company Statement of Cash Flows, the Group and Parent Company Statement of Changes in Equity, the Company Statement of Financial Position and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion

- 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 2012 and of the group's loss and group's and parent company's cash flows for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,

# **Circassia Holdings Limited**

## **Year ended 31 December 2012**

- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Bowker Andrews (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

Date 19 April 2013



# Circassia Holdings Limited

## Year ended 31 December 2012

### Consolidated Statement of Comprehensive Income for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Research and development costs		(16,494)	(11,953)
Administrative expenses		(2,646)	(3,399)
Other losses	8	(98)	-
<b>Operating loss</b>	6	<b>(19,238)</b>	<b>(15,352)</b>
Finance costs	5	(35)	(11)
Finance income	5	836	132
<b>Finance income - net</b>		<b>801</b>	<b>121</b>
Share of (loss)/profit of associate	12	(161)	128
<b>Loss before tax</b>		<b>(18,598)</b>	<b>(15,103)</b>
Taxation	9	3,100	590
<b>Loss for the financial year</b>		<b>(15,498)</b>	<b>(14,513)</b>
Other comprehensive income			
Share of other comprehensive expense of associate	12	(3)	(3)
<b>Total comprehensive expense for the year</b>		<b>(15,501)</b>	<b>(14,516)</b>

The results for the financial years above are derived entirely from continuing operations

There is no difference between the loss before tax and the loss for the financial years stated above, and their historical cost equivalents

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 profit for the parent company for the year was £87,006 (2011 £78,962)

The notes on pages 13 to 31 are an integral part of these consolidated financial statements

# Circassia Holdings Limited

## Year ended 31 December 2012

### Consolidated Statement of Financial Position as at 31 December 2012

	Notes	2012 £'000	2011 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	10	2,134	2,134
Investment in associate	12	167	331
		2,301	2,465
<b>Current assets</b>			
Trade and other receivables	13	1,396	439
Current tax assets		3,102	1,024
Cash and cash equivalents	14	48,207	20,221
		52,705	21,684
<b>Total assets</b>		55,006	24,149
<b>Equity and liabilities</b>			
<b>Equity attributable to the owners of the parent company</b>			
Ordinary shares	20	11	11
Preference shares	20	52	33
Share premium account	22	103,403	57,111
Share option reserve	23	1	1
Accumulated losses	23	(53,480)	(37,979)
<b>Total equity</b>		49,987	19,177
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities	17	2,002	1,990
		2,002	1,990
<b>Current liabilities</b>			
Trade and other payables	15	2,919	2,982
Derivative financial instruments	16	98	-
		3,017	2,982
<b>Total liabilities</b>		5,019	4,972
<b>Total equity and liabilities</b>		55,006	24,149

The notes on pages 13 to 31 are an integral part of these consolidated financial statements

The financial statements on pages 8 to 31 were authorised for issue by the board of directors on 19/4/2013 and were signed on its behalf by

  
 Steven Harris  
 Chief Executive Officer  
 Circassia Holdings Limited  
 Registered number 05822706

# Circassia Holdings Limited

## Year ended 31 December 2012

### Group and parent company statement of cash flows for the year ended 31 December 2012

	Note	Group Year ended 31 December		Company Year ended 31 December	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
<b>Cash flows from operating activities</b>					
Cash used in operations	24	(19,490)	(14,120)	(41,162)	(21,557)
Interest received		163	134	36	109
Interest paid		(22)	-	-	-
Tax credit received		1,025	-	-	-
<b>Net cash from operating activities</b>		<b>(18,324)</b>	<b>(13,986)</b>	<b>(41,126)</b>	<b>(21,448)</b>
<b>Cash flows from investing activities</b>					
Purchases of intangible assets		-	(40)	-	-
<b>Net cash used in investing activities</b>		<b>-</b>	<b>(40)</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of preference shares		46,310	24,642	46,310	24,642
<b>Net cash from financing activities</b>		<b>46,310</b>	<b>24,642</b>	<b>46,310</b>	<b>24,642</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>27,986</b>	<b>10,616</b>	<b>5,184</b>	<b>3,194</b>
Cash and cash equivalents 1 January	14	20,221	9,605	11,668	8,474
Cash and cash equivalents at 31 December	14	48,207	20,221	16,852	11,668

The notes on pages 13 to 31 are an integral part of these consolidated financial statements

# Circassia Holdings Limited

## Year ended 31 December 2012

### Group and Parent Company Statement of Changes in Equity for the year ended 31 December 2012

Group	Note	Share Capital £'000	Share Premium account £'000	Share option reserve £'000	Accumulated losses £'000	Total £'000
At 1 January 2011	20, 22, 23	33	32,480	-	(23,463)	9,050
Total comprehensive expense		-	-	1	(14,516)	(14,516)
Transactions with owners						
Issue of preference shares	20	11	24,631	-	-	24,642
At 1 January 2012	20, 22, 23	44	57,111	1	(37,979)	19,177
Total comprehensive expense					(15,501)	(15,501)
Transactions with owners						
Issue of preference shares	20, 22	19	46,292	-	-	46,311
Issue of ordinary shares		-	-	-	-	-
At 31 December 2012	20, 22, 23	63	103,403	1	(53,480)	49,987

Company	Note	Share Capital £'000	Share Premium £'000	Share option reserve £'000	Retained Earnings £'000	Total £'000
At 1 January 2011	20, 22, 23	33	32,480	-	541	33,054
Total comprehensive income		-	-	1	79	80
Transactions with owners						
Issue of preference shares	20	11	24,631	-	-	24,642
At 1 January 2012	20, 22, 23	44	57,111	1	620	57,776
Total comprehensive income		-	-	-	87	87
Transactions with owners						
Issue of preference shares	20, 22	19	46,292	-	-	46,311
At 31 December 2012	20, 22, 23	63	103,403	1	707	104,174

The notes on pages 13 to 31 are an integral part of these financial statements

# Circassia Holdings Limited

## Year ended 31 December 2012

### Company Statement of Financial Position as at 31 December 2012

	Notes	2012 £'000	2011 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	11	1,725	1,725
		1,725	1,725
<b>Current assets</b>			
Trade and other receivables	13	87,697	46,378
Cash and cash equivalents	14	16,852	11,668
		104,549	58,046
<b>Total assets</b>		106,274	59,771
<b>Equity and liabilities</b>			
<b>Equity attributable to the owners of the company</b>			
Ordinary shares	20	11	11
Preference shares	20	52	33
Share premium account	22	103,403	57,111
Share option reserve	23	1	1
Retained earnings	23	707	620
<b>Total equity</b>		104,174	57,776
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities	17	2,002	1,990
		2,002	1,990
<b>Current liabilities</b>			
Trade and other payables	15	-	5
Derivative financial instruments	16	98	-
		98	5
<b>Total liabilities</b>		2,100	1,995
<b>Total equity and liabilities</b>		106,274	59,771

The notes on pages 13 to 31 are an integral part of these financial statements

The financial statements on pages 8 to 31 were approved by the Board of Directors on  
19/04/2013 and were signed on its behalf by



Steven Harris  
Chief Executive Officer

Circassia Holdings Limited  
Registered number 05822706

# **Circassia Holdings Limited**

## **Year ended 31 December 2012**

### **Notes to the financial statements for the year ended 31 December 2012**

#### **1. Accounting policies**

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

The accounting policies are extensive and take account of the planned future growth of the group.

#### **Basis of preparation**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), International Financial Reporting Interpretations Committee ('IFRIC') interpretations endorsed by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements are prepared on the going concern basis and in accordance with the historical cost convention as modified by revaluation of available for sale investments and financial liabilities (including derivative instruments) at fair value through profit or loss.

#### **Going concern**

Though the group continues to make losses, the directors believe it is appropriate to prepare the financial statements on the going concern basis. This is because the group's research into new products continues to progress according to plan and the additional funding secured in 2011 and 2012 will allow the group to meet its liabilities as they fall due for the foreseeable future.

#### **Changes in accounting policy and disclosures**

##### **a) New and amended standards adopted by the group**

There are no IFRSs or IFRIC interpretations that are effective for the first time in 2012 and have a material impact on the group.

##### **b) New standards, amendments and interpretations not effective for the financial year beginning 1 January 2012 but which could have an impact on the group in the future**

- Amendment to IAS 1 "Financial statement presentation" Amendment to requirement for how items of other comprehensive income are grouped
- IFRS 13 "Fair value measurement" Aims to improve consistency over application of fair value
- IFRS 9 "Financial instruments" Addresses the classification and measurement of financial assets and liabilities
- IFRS 10 "Consolidated financial statements" Sets out principles for presentation and preparation of consolidated financial statements
- IFRS 12 "Disclosures of interests in other entities" Includes disclosure requirements for all forms of interests in other entities, including joint ventures

# **Circassia Holdings Limited**

## **Year ended 31 December 2012**

### **Use of estimates and assumptions**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continually made and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances.

#### *Critical accounting estimates and assumptions*

Where the group makes estimates and assumptions concerning the future, the resulting accounting estimates will seldom exactly match actual results. Due to the amounts involved, the estimates and assumptions regarding revenue recognition and the amounts accrued for clinical trial costs have a greater risk of causing a material adjustment to the carrying amounts of assets and liabilities.

### **Consolidation**

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. 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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the group.

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Accounting policies of associates are consistent with the policies adopted by the group.

### **Revenue**

The group generates revenue as a result of product and technology licence transactions. Product licence transactions typically have an initial upfront non-refundable payment on execution of the licence, and the potential for further payments conditional on achieving specific milestones, plus royalties on product sales. Technology licence transactions typically have an initial upfront non-refundable payment on execution of the licence and the potential for further annual maintenance payments for the term specified in the licence. Where the initial fee paid is non-refundable and there are no ongoing commitments from the group and the licence has no fixed end date, the group recognises the element received up front as a payment in consideration of the granting of the licence on execution of the contract. Amounts receivable in respect of milestone payments are recognised as revenue when specific conditions stipulated in the license agreement have been met. Maintenance fees within the contracts are spread over the period to which they relate, usually a year. Otherwise, amounts receivable are recognised in the period in which related costs are incurred, or over the estimated period to completion of the relevant phase of development. Amounts recognised exclude value added tax. Differences between cash received and amounts recognised are included as deferred

# **Circassia Holdings Limited**

## **Year ended 31 December 2012**

revenue, where cash received exceeds revenue recognised, and as accrued revenue, where revenue has yet to be billed to the customer

### **Cost of sales**

The group's products and technologies include technology elements that are licensed from third parties. Cost of sales is the royalty arising on such third party licenses. Where royalty due on revenue has not been paid it is included in accruals. Where revenue is spread over a number of accounting periods, the royalty attributable to the deferred revenue is included in prepayments.

### **Segmental reporting**

The group has one single business segment, based upon its proprietary technology, operated out of a single geographical location. The directors do not consider further segmental analysis to be required.

### **Clinical trial expenses**

Where advances are made to clinical trial sites, or stocks of materials for use of clinical trials are purchased and stored, the relevant costs are included in trade and other receivables as prepaid clinical trial expenses. Expenses are charged to the statement of comprehensive income as clinical trial services are carried out, or clinical trial materials are used.

### **Financial instruments**

The group financial instruments comprise cash and cash equivalents, debtors and creditors arising directly from operations, foreign exchange derivatives and financial liabilities. Cash and cash equivalents comprise cash in hand and short term deposits which have an original maturity of twelve months or less and are readily convertible into known amounts of cash. Bank deposits with maturity of more than twelve months at the date of inception are included in the classification 'financial assets available for sale investments', and are carried at their historic purchase price unless there is objective evidence of impairment. Such assets are classified as current, where management intend to dispose of the asset within twelve months of the end of the reporting period. Financial instruments are valued at fair value, subject to review for impairment annually. Charges or credits for impairment are passed through the statement of comprehensive income.

The group's derivatives comprise solely of forward rate foreign exchange contracts and are categorised as financial liabilities through profit or loss. Derivatives 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 profit or loss. The group does not have any committed borrowing facilities, as its cash, cash equivalents are sufficient to finance its current operations. Cash balances are mainly held on short and medium term deposits with quality financial institutions, in line with the group's policy to minimise the risk of loss. The main risks associated with the group's financial instruments relate to interest rate risk and foreign currency 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. In relation to foreign currency risk, the group's policy is to hold the majority of its funds in sterling, and to use short - medium term currency purchase options (including spot purchases and forward contracts) and interest-bearing foreign currency deposits to manage short - medium term fluctuations in exchange rates.



# **Circassia Holdings Limited**

## **Year ended 31 December 2012**

### **Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

### **Property, plant and equipment**

Property, plant and equipment is carried at its historical purchase cost, together with any incidental expenses of acquisition, less depreciation.

Depreciation is calculated so as to write off the cost of property, plant and equipment less their estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are

	%
Short leasehold improvements	20 or the remaining lease term if shorter
Computer equipment	33
Office and laboratory equipment, fixtures and fittings	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

### **Intangible assets**

Intangible fixed assets, relating to goodwill and intellectual property rights acquired through licensing or assigning patents and know-how are carried at historic cost, less accumulated amortisation, where the useful economic life of the asset is finite and the asset will probably generate economic benefits exceeding costs. Where a finite useful life of the acquired intangible asset cannot be determined, the asset is tested annually for impairment by allocating the assets to the cash generating units to which they relate. Amortisation would commence when products underpinned by the intellectual property rights became available for commercial use. Amortisation would be calculated on a straight line basis over the shorter of the remaining useful life of the intellectual property or the estimated sales life of the products. No amortisation has been charged to date, as the products underpinned by the intellectual property rights are not yet available for commercial use.

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. No such costs have been capitalised to date.

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 company, is charged to statement of comprehensive income 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.

# **Circassia Holdings Limited**

## **Year ended 31 December 2012**

### **Impairment of non-financial assets**

The carrying value of non-financial assets is reviewed annually for impairment and provision made where appropriate. Charges or credits for impairment are passed through the statement of comprehensive income.

### **Financial assets, investments**

Financial assets (investments) are carried at cost less any provision made for impairment.

### **Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

### **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. 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.

### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held on call with banks, and other short term highly liquid investments with original maturities of twelve months or less.

### **Provisions**

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to the passage of time is recognised as interest expense.

The group recognises dilapidations provisions when property leases have a legal or constructive obligation to reinstate any alterations or to make good dilapidations at the end of the lease, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Dilapidations provisions are discounted using the UK government zero-coupon bond yield applicable to the remaining term of the relevant leases.

### **Share capital**

Ordinary shares and preference shares are classified as equity. Mandatorily redeemable preference shares would be classified as liabilities. 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.

### **Government and other grants**

Income from government and other grants is recognised over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Grant income is included as revenue within the statement of comprehensive income, and the related costs are included within research and development costs and administrative expenses. Where the purchase of property, plant and equipment is supported by a grant, the relevant asset is included in the statement of financial position at its full purchase price, and grant income is recognised over the useful

# **Circassia Holdings Limited**

## **Year ended 31 December 2012**

life of the asset. The difference between grant income receivable and income recognised is included in accruals and deferred income.

### **Employee benefit costs**

The group makes contributions to defined contribution personal pension schemes for its 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.

### **Share based payment**

The group's employees participate in Circassia Holdings Limited's share option schemes, and options over Circassia Holdings Limited 10p ordinary shares have been granted to the group's employees. Equity settled share-based payments are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period of the award. At the end of each reporting period the group revises its estimate of the number of options that are expected to become exercisable. The financial consequences of revisions to the original estimates, if any, are recognised in the statement of comprehensive income, with a corresponding adjustment to equity.

The fair value of share options is measured using a Black-Scholes option pricing model.

### **Other employee benefits**

The expected cost of compensated short term absence (e.g. holidays) is recognised when employees render services that increased their entitlement. An accrual is made for holidays earned but not taken, and prepayments recognised for holidays taken in excess of days earned.

### **Foreign currency translation**

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 statement of comprehensive income in the year in which they arise.

### **Taxation including deferred tax**

The charge for current 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 substantially enacted at the end of each reporting period.

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 statements 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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

# **Circassia Holdings Limited**

## **Year ended 31 December 2012**

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.

### **2. Financial and capital risk management**

#### **Capital risk management**

The group's objectives when managing capital are to safeguard the ability to continue as a going concern and ensure that sufficient capital is in place to fund the group's research activities. The group's principal method of adjusting the capital available is through issuing new shares. The group monitors the availability of capital with regard to its forecast future expenditure on an ongoing basis.

#### **Financial risk factors**

The group's simple structure, operating from a single location in the United Kingdom, and the lack of external debt financing reduces the range of financial risks to which it is exposed. Monitoring of financial risk is part of the Board's ongoing risk management, the effectiveness of which is reviewed annually. The group's agreed policies are implemented by the Chief Executive Officer, who submits periodic reports to the Board. Other than short term currency options, the group uses foreign currency forward contract financial derivatives to hedge certain risk.

##### *a) Foreign exchange risk*

The group currently has no revenue. Certain expenditures are payable in Euros, Swiss Francs, Canadian Dollars and United States Dollars. The majority of operating costs are denominated in Sterling, United States Dollars, Canadian Dollars or Swiss Francs. The group uses short term currency purchase options and interest-bearing deposits of Swiss Francs and Euros to manage short term fluctuations in exchange rates. The group uses foreign currency forward contracts to manage medium term fluctuations in Canadian and United States Dollars exchange rates.

At 31 December 2012, if the Euro had weakened/strengthened by 5% against Sterling with all other variables held constant, the post-tax loss for the year would have been £210 (2011 £15,000) lower/higher, as a result of net foreign exchange gains/losses on translation of Euro-denominated payables. The sensitivity to Euro-Sterling exchange rate changes is lower than in 2011 due to the lower level of net Euro-denominated liabilities in 2012. The impact on post-tax loss at 31 December 2012 of a 5% (2011 5%) weakening/strengthening of the US Dollar against Sterling with all other variables held constant would have been a decrease/increase of £2k (2011 £11k). The impact on post tax loss at 31 December 2012 of a weakening/ strengthening of the Canadian Dollar against Sterling with all other variables held constant would have been a decrease/increase of £nil (2011 £59k). The impact on post tax loss at 31 December 2012 of a weakening/strengthening of the Swiss Franc against Sterling with all other variables held constant would have been a decrease/increase of £1k (2011 £25k).

##### *b) Interest rate risk*

The group does not have any committed external borrowing facilities, as its cash balances are sufficient to finance its current operations. Consequently, there is no material exposure to interest rate risk.

# **Circassia Holdings Limited**

## **Year ended 31 December 2012**

If interest rates had been 10 basis points higher/lower the impact on net loss in 2012 would have been decrease/increase of £46k (2011 £22 2k) due to changes in the amount of interest receivable

### *c) Credit risks*

The group's policy is to place funds with financial institutions which have a minimum credit rating of A-2 short term and A- long term (Standard & Poor's) or the equivalent ratings from Moody's of Aa3/P-1 or from Fitch IBCA of A/F1 Investment in BBB- rated instruments is also possible provided that the average credit rating for the whole treasury portfolio remains at least A-2 short term and A- long term During 2012 the group placed funds on deposit with nine banks (2011 nine 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 The group has no significant credit risk

### *d) Cash flow and liquidity risk*

Funds are generally placed on deposit, and day to day spending commitments are met out of invested funds The maturity profile of investments is structured to ensure that sufficient liquid funds are available to meet operating requirements The Directors do not consider that there is presently a material cash flow or liquidity risk

### *e) Pricing risk*

Currently the group has no revenue and there is no pricing risk

### **Derivative financial instruments and hedging**

There were foreign exchange forward contract derivatives at 31 December 2012 There were no derivatives at 31 December 2011, and hedge accounting was not used

### **Fair value estimates**

The fair value of short term deposits with a maturity of one year or less is assumed to be the book value

## **3. Principal activity analysis**

The group's loss on ordinary activities before taxation is derived entirely from its one business segment, pharmaceutical research and development, which is carried out at a single site All costs of acquisition of property, plant and equipment and intangible assets, as well as depreciation expense borne by the group, relate to this one segment In addition, all other non-cash expenses incurred by the group relate to this one segment The directors do not consider that further segmental reporting is required

# Circassia Holdings Limited

## Year ended 31 December 2012

### 4. Employees and directors

The average monthly number of persons (including executive directors) employed by the group during the year was

<b>By activity</b>	2012 Number	2011 Number
Office and management	5	3
Research and development	11	8
<b>Total</b>	<b>16</b>	<b>11</b>

<b>Employee benefit costs</b>	2012 £'000	2011 £'000
Wages and salaries	1,962	1,270
Social security costs	256	161
Other pension costs	356	289
<b>Total employee benefit costs</b>	<b>2,574</b>	<b>1,720</b>

The emoluments of the directors are set out below

	2012 £'000	2011 £'000
Aggregate emoluments	973	713
Pension contributions to money purchase schemes	317	267
	<b>1,290</b>	<b>980</b>

No directors exercised share options during the year (2011 nil) 500 restricted ordinary shares were received by directors under long-term incentive schemes (2011 nil) Retirement benefits are paid into directors personal pension schemes and are accruing to 4 directors (2011 3 directors)

The emoluments of the highest paid director are set out below

	2012 £'000	2011 £'000
Emoluments	293	221
Pension contributions to money purchase schemes	181	155
	<b>474</b>	<b>376</b>

### 5. Finance income and costs

	2012 £'000	2011 £'000
<b>Finance costs:</b>		
Bank interest payable	(23)	-
Interest payable on loan notes	(12)	(11)
<b>Total finance costs</b>	<b>(35)</b>	<b>(11)</b>
<b>Finance income:</b>		
Bank interest receivable	836	132
<b>Total finance income</b>	<b>836</b>	<b>132</b>
<b>Net finance income</b>	<b>801</b>	<b>121</b>

# Circassia Holdings Limited

## Year ended 31 December 2012

### 6. Operating loss

	2012 £'000	2011 £'000
Employee benefit costs (note 4)	2,574	1,720
Consultants and subcontracted research	444	376
Externally contracted clinical and preclinical development	11,563	8,288
Externally contracted manufacturing	1,645	2,270
Externally contracted formulation and analytical	1,296	1,859
Legal and professional fees including patent costs	531	456
Net loss/(gain) on foreign exchange	116	28
Foreign exchange forward contract derivative loss (note 8)	98	-
Other expenses	971	355
<b>Total research and development and administrative expenses</b>	<b>19,238</b>	<b>15,352</b>

### 7. Auditor remuneration

#### Services provided by the company's auditor

During the year the group obtained services from the auditor as detailed below

	2012 £'000	2011 £'000
Audit services		
Statutory audit	14	14
Non-audit services		
Taxation	12	7
Other services	77	-
<b>Total</b>	<b>103</b>	<b>21</b>

### 8. Other losses

	2012 £'000	2011 £'000
Foreign exchange forward contract derivative loss	98	-
<b>Total</b>	<b>98</b>	<b>-</b>

### 9. 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 year ended 31 December 2012 represents the credit receivable by the group for the year and adjustments to prior years. These amounts have not yet been agreed with the relevant tax authorities.

# Circassia Holdings Limited

## Year ended 31 December 2012

	2012 £'000	2011 £'000
<b>Continuing operations</b>		
United Kingdom corporation tax research and development credit	(3,101)	(595)
Adjustments in respect of prior year	1	5
<b>Total current tax credit</b>	<b>(3,100)</b>	<b>(590)</b>

The tax credit for the year is lower (2011 lower) than the standard rate of corporation tax in the UK of 24.5% (2011 26.5%). The differences are explained below

	2012 £'000	2011 £'000
Loss on ordinary activities before tax	<b>(18,598)</b>	<b>(15,103)</b>
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 24.5% (2011 26.5%)	(4,557)	(4,001)
Expenses not deductible for tax purposes (permanent differences)	40	(34)
Short term timing differences	(53)	25
Research & development relief 100%/125% mark-up on expenses	(3,664)	(2,158)
Surrender of losses for research & development tax credit refund	3,578	630
Adjustments in respect of prior year	1	5
Tax losses carried forward to future periods	1,555	4,943
<b>Current tax credit for the year</b>	<b>(3,100)</b>	<b>(590)</b>

At 31 December 2012, the Group had tax losses to be carried forward of approximately £47,978,794 (2011 £40,866,390)

There is no deferred tax recognised. See note 19 for more details.

### 10. Intangible assets

	Goodwill £'000	Intellectual Property Rights £'000	Total £'000
<b>Cost</b>			
At 1 January 2012	1,835	437	2,272
At 31 December 2012	1,835	437	2,272
Accumulated amortisation and impairment at 1 January and 31 December	-	(138)	(138)
<b>Net book amount 31 December 2012</b>	<b>1,835</b>	<b>299</b>	<b>2,134</b>
<b>Net book amount 31 December 2011</b>	<b>1,835</b>	<b>299</b>	<b>2,134</b>

Impairment charges are included within research and development costs in the statement of comprehensive income. An impairment test is performed annually based on the value in use of the intangible assets.



# Circassia Holdings Limited

## Year ended 31 December 2012

### 11. Investments in subsidiaries

	2012 £'000	2011 £'000
Investments in subsidiaries at 1 January and 31 December	1,725	1,725

Details of the company's subsidiaries are provided below. All subsidiaries are included in the consolidation and the directors believe that the value in use of all subsidiaries exceeds their carrying values.

Name	Country of Incorporation	Nature of business	Percentage held
Circassia Limited	UK	Pharmaceutical research	100%
Circassia Pharma Limited	UK	Pharmaceutical research	100%

### 12. Investment in associates

	2012 £'000	2011 £'000
At 1 January	331	206
Share of (loss)/profit	(161)	128
Foreign exchange difference in consolidation	(3)	(3)
At 31 December	167	331

The group's share of the results of its unlisted associate and its aggregated assets and liabilities are as follows:

Name	Country of Incorporation	Assets £'000	Liabilities £'000	Revenues £'000	Loss £'000	% Held
Adiga Life Sciences	Canada	244	168	2,028	161	50

### 13. Trade and other receivables - current

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Other receivables	700	404	1	-
Prepayments and accrued interest	696	35	222	-
Receivables from subsidiary undertakings	-	-	87,474	46,378
Total trade and other receivables - current	1,396	439	87,697	46,378

The fair value of other receivables are the current book values. Receivables from subsidiary undertakings are amounts provided by the company to its subsidiaries in order

# Circassia Holdings Limited

## Year ended 31 December 2012

to undertake trials Recoverability of the amount is dependent on the success of those trials

### 14. Cash and cash equivalents

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Cash at bank and in hand	48,207	20,221	16,852	11,668

### 15. Trade and other payables – current

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Trade payables	1,738	1,943	-	-
Other payables	76	14	-	-
Accruals	1,105	1,025	-	5
Total trade and other payables – current	2,919	2,982	-	5

### 16. Derivative financial instruments

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Forward foreign exchange contract	98	-	98	-
Derivative financial instruments	98	-	98	-

### 17. Financial liabilities – non-current

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Convertible loan notes	2,002	1,990	2,002	1,990
Financial liabilities	2,002	1,990	2,002	1,990

The group has in issue a number of convertible loan notes which accrue interest at the daily Libor rate. The loan notes are convertible into 50 fully paid ordinary shares at any time. The loan notes will be redeemed, if they have not previously been converted, on 31 March 2016 for £15,000 plus interest each.

# Circassia Holdings Limited

## Year ended 31 December 2012

### 18. Financial instruments

The group's financial instruments comprise cash and cash equivalents, available for sale investments, trade and other receivables, trade and other payables, foreign exchange forward contract derivatives and financial liabilities. Additional disclosures are set out in the accounting policies relating to risk management.

The group had the following financial instruments at 31 December each year

	Assets		Liabilities	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Cash and cash equivalents	48,207	20,221	-	-
Trade and other receivables	1,396	1,439	-	-
Trade and other payables - current	-	-	2,919	2,982
Derivative financial instruments	-	-	98	-
Financial liabilities	-	-	2,002	1,990
	49,603	21,703	5,019	4,972

Cash balances comprise a mixture of floating rate instant access deposits earning interest at prevailing bank rates and money market deposits bearing interest at fixed rates.

In accordance with IAS 39 'Financial instruments Recognition and Measurement' the group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. There were no such derivatives identified at 31 December 2012 or 31 December 2011.

#### Fair value

The directors consider that the fair values of the group's financial instruments do not differ significantly from their book values.

### 19. Deferred taxation

The Company has no recognised or deferred tax assets or liabilities at 31 December 2012 (2011: £nil). The Group has an unrecognised deferred tax asset of £10,884,148 (2011: £10,272,561) in respect of losses, accelerated capital allowances and other short term timing differences. In light of the continuing losses, recovery of the deferred tax asset is not sufficiently certain, and therefore no asset has been recognised.

# Circassia Holdings Limited

## Year ended 31 December 2012

### 20. Called-up share capital

	2012 £'000	2011 £'000
<b>Issued and fully paid</b>		
110,202 Ordinary shares of 10p (2011 109,702)	11	11
<b>Total ordinary share capital</b>	<b>11</b>	<b>11</b>
147,932 A Preference shares of 10p each (2011 147,932)	15	15
366,967 B Preference shares of 10p each (2011 187,112)	37	18
<b>Total preference share capital</b>	<b>52</b>	<b>33</b>
<b>Total share capital</b>	<b>63</b>	<b>44</b>

The 'A' Preferred Shares have the same voting rights as the Ordinary Shares but carry a liquidation preference of 1 times their subscription price. They accordingly receive repayment of their subscription price upon a 'Sale' (as defined in the Articles), or upon any return of assets to shareholders, in priority to the rights of the Ordinary Shares, and then participate alongside the Ordinary Shares in any balance of consideration on Sale.

The 'B' Preferred Shares have the same rights and rank *pari passu* with the existing 'A' Preferred Shares save that they have a right to a liquidation preference on Sale of 1.25 times their subscription price in priority to the rights of the existing Preferred Shares and the Ordinary Shares. No interest accrues on either class of preference share.

25,840 (2011 21,250) Ordinary Shares are reserved for issuance or have been issued under the group's share option schemes.

During the year, 179,855 (2011 115,590) B Preferred Shares were issued for consideration of £261.50 (2011 £216.78) per share, giving rise to a share premium of £46,292,308 (2011 £24,631,000) after deduction of issue expenses of £721,789 (2011 £415,000). 500 (2011 nil) Ordinary Shares were issued at par.

# Circassia Holdings Limited

## Year ended 31 December 2012

### 21. Share based payments

All employees of the group are eligible for options over 10p ordinary shares in the company. Options have been awarded under the Circassia EMI Share Option Scheme ("the EMI Scheme") and the Circassia Unapproved Share Option Scheme ("the Unapproved Scheme"). It is the group's policy to make annual grants of options to employees. During the year, the group's assets exceeded the approved EMI Share Option Scheme limits and therefore employees of the group will no longer be eligible for additional options under this scheme and the scheme will be closed to new joiners.

Options granted under the EMI Scheme have a fixed exercise price based on the market price at the date of grant. The contractual life of the options is 10 years. Options cannot normally be exercised before the third anniversary of the date of grant.

Options granted under the Unapproved Scheme also have a fixed exercise price based on the market price at the time of grant. The contractual life of the options is ten years. Options cannot normally be exercised before the third anniversary of the date of grant.

Options were valued using the Black-Scholes option pricing model. For each relevant option grant, individual valuation assumptions were assessed based upon conditions at the date of grant. The range of assumptions in the calculation of share based payments is as follows:

	Share options 12 <sup>th</sup> November 2012	Share options 15 <sup>th</sup> August 2011	Share options 22 <sup>nd</sup> January 2010	Share Options 16 <sup>th</sup> March 2009
Grant dates	12 <sup>th</sup> November 2012	15 <sup>th</sup> August 2011	22 <sup>nd</sup> January 2010	16 <sup>th</sup> March 2009
Share price at grant date	10p	10p	10p	10p
Exercise price	10p	10p	10p	10p
Vesting period	3 years	3 years	3 years	3 years
Total number of shares	620	8,357	4,100	1,700
Expected volatility (average)	26	26	26	26
Expected life (years, average)	5	5	5	5
Risk free rate (average)	4.5%	4.5%	4.5%	4.5%
Expected dividend	Nil	Nil	Nil	Nil
Expected rate of forfeit before vesting (average)	Nil	Nil	Nil	Nil
Expectation of meeting performance criteria	100%	100%	100%	100%
Fair value per option	14.8p	14.8p	14.8p	14.8p

Expected volatility is based on historical volatility for a period the same length as the expected option life ending on the date of grant. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the expected option life.

The weighted average exercise price for options outstanding at year end was 10p. The total movement for the year relating to employee share based payment plans was a reduction of £69 due to options which had lapsed (2011: £620 charge) all of which related to equity-settled share based payment transactions. A reconciliation of movements in all options held by employees of Circassia Holdings Limited over the year to 31 December 2012, and an analysis of outstanding options are shown below. There were 23,590 options outstanding as at 31 December 2012.

# Circassia Holdings Limited

## Year ended 31 December 2012

		2012 Weighted average exercise price
	Number	
Outstanding at 1 January	23,865	10p
Granted	620	10p
Expired	-	n/a
Forfeited	(895)	n/a
Exercised	-	n/a
Outstanding at 31 December	23,590	10p
Exercisable at 31 December	12,858	10p
Exercisable and where market price exceeds exercise price at 31 December	Nil	n/a

### 22. Share premium account

Group and company	2012 £'000	2011 £'000
At 1 January	57,111	32,480
Issue of preference shares	47,014	25,046
Expenses relating to share issue	(722)	(415)
<b>At 31 December</b>	<b>103,403</b>	<b>57,111</b>

### 23. Deficit on reserves

Group	Share option reserve		Accumulated losses	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
At 1 January (deficit)	1	-	(37,979)	(23,463)
Total comprehensive expense	-	1	(15,501)	(14,516)
<b>At 31 December (deficit)</b>	<b>1</b>	<b>1</b>	<b>(53,480)</b>	<b>(37,979)</b>

Company	Share option reserve		Retained earnings	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
At 1 January	1	-	620	541
Total comprehensive income	-	1	87	79
<b>At 31 December</b>	<b>1</b>	<b>1</b>	<b>707</b>	<b>620</b>

# Circassia Holdings Limited

## Year ended 31 December 2012

### 24. Cash flow from operating activities

#### Reconciliation of loss before tax to net cash from operations

	2012 £'000	2011 £'000
<b>Continuing operations</b>		
Loss before tax	(18,598)	(15,103)
Adjustment for		
Interest income	(836)	(132)
Interest expense	35	11
Share of associates operating loss/(profit)	161	(128)
Fair value loss on derivative	98	-
Changes in working capital		
Decrease in trade and other receivables	(286)	(322)
Increase/(decrease) in trade and other payables	(64)	1,554
<b>Net cash used in operations</b>	<b>(19,490)</b>	<b>(14,120)</b>

### 25. Pension commitments

The group contributes to defined contribution pension schemes for its directors and employees. The pension cost charge of £355,630 (2011: £289,366) represents amounts payable by the group to funds. Contributions of £95,864 (included in other payables) were payable to the funds at the year end (2011: £214,903).

### 26. Contingent liabilities

There were no contingent liabilities at 31 December 2012 or at 31 December 2011.

### 27. Operating lease commitments

The total of future minimum lease payments payable under the entity's non-cancellable operating lease for each of the following periods is as follows:

	2012 £'000	2011 £'000
Due within one year	39	90
Due between one and five years	-	-
Due after five years	-	-

The lease relates to the lease of the Oxford premises.

### 28. 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 are as follows: Charles Swingland (8% of total voting rights), Steven Harris (8% of total voting rights), Imperial Innovations Businesses LLP (19% of total voting rights), Lansdowne UK Equity Fund Limited (13% of total voting rights), Invesco Perpetual Income Fund (33% of total voting rights).

# Circassia Holdings Limited

## Year ended 31 December 2012

Transactions with related parties during the year and balances with related parties at 31 December are as follows

Related party	2012 Sales £'000	2012 Purchases £'000	2012 Interest £'000	2012 Receivables £'000	2012 Payables £'000
Adiga Life Sciences (Associate)	-	3,591	-	-	-
Key management personnel	-	12	-	-	1
Imperial Innovations Businesses LLP	-	754	-	-	-

Related party	2011 Sales £'000	2011 Purchases £'000	2011 Interest £'000	2011 Receivables £'000	2011 Payables £'000
Adiga Life Sciences (Associate)	-	4,129	-	67	-
Key management personnel	-	12	-	-	-
Imperial Innovations Businesses LLP	-	-	8	-	-

The group has no key management other than the directors (executive and non-executive) Disclosure of compensation provided to directors is given in note 4 Included within purchases from Imperial Innovations Businesses LLP is £722k relating to legal and arrangement fees incurred as a result of the preference shares issued during the year

The company makes no sales or purchases with its subsidiaries, but provides funding to Circassia Pharma Limited and Circassia Limited which carries out the group strategy, employs all the UK staff including the directors, and owns and manages all of the group's intellectual property The proceeds of the shares issued by Circassia Holdings Limited are passed from Circassia Holdings Limited to Circassia Limited as a payable as funds are required

Balances with subsidiary companies	2012 £'000	2011 £'000
<b>Payable:</b>		
Circassia Limited	87,474	46,378

The payable is unsecured, interest free and has no fixed date of repayment