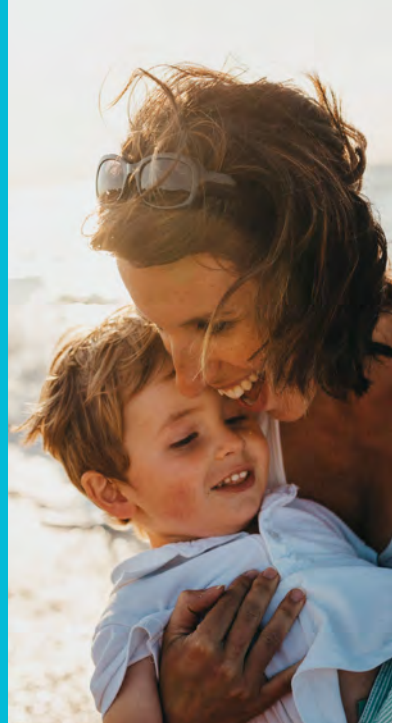

Annual Report and Accounts 2021

Breakthrough Science for Severe Viral Lung Infections

Stock symbol: LSE: SNG
www.synairgen.com

synairgen plc

Breakthrough science for severe viral lung infections

We are a specialist respiratory biotech company whose primary focus is developing our investigative inhaled IFN-β therapeutic (SNG001) for the treatment and prevention of severe viral lung infections, including COVID-19, as potentially the first host-directed, broad-spectrum antiviral treatment delivered directly into the lungs.




Strategic report

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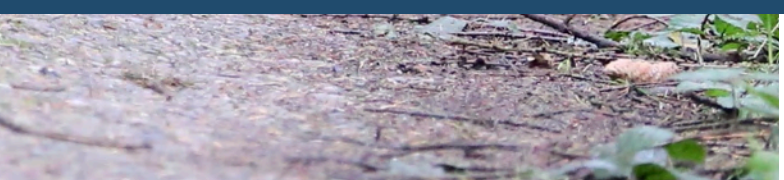
Other information



Highlights (including post period-end)

Operational

- **Recruited 623 patients into the Company's Phase 3 SPRINTER trial, a double-blind, placebo-controlled trial conducted in 17 countries, to investigate the efficacy and safety of SNG001 in people hospitalised with COVID-19.**
  - The trial did not meet the primary endpoints, as previously announced. There was, however, an encouraging signal in reduction in the relative risk (RRR) of progression to severe disease or death within 35 days (26% reduction in the Intention-to-Treat (ITT) population and 36% reduction in the Per Protocol population).
  - Further follow-on analyses indicated stronger treatment effects in high-risk patient sub-groups, with the strongest effect observed in patients with compromised respiratory function despite being on supplemental oxygen (44% reduction in the ITT population and 70% reduction in the Per Protocol population), who comprised approximately one-third of the overall trial population.
  - The data has further validated the favourable safety profile of SNG001.
- **Recruitment started and completed in the US Government's Phase 2 ACTIV-2 trial conducted in the US to investigate SNG001 in people with COVID-19 at home, prior to hospitalisation.**
  - The Data Safety Monitoring Board graduated SNG001 from Phase 2 to Phase 3 in the ACTIV-2 trial, sponsored by the National Institute of Allergy and Infectious Diseases (NIAID), part of the National Institutes of Health, and led by the NIAID-funded AIDS Clinical Trials Group (ACTG). The NIAID subsequently decided to cease the Phase 3 ACTIV-2 study.
- ***In vitro* studies confirmed potency against multiple variants of the SARS-CoV-2 virus including Alpha, Beta and Gamma, followed early in 2022 by Delta and Omicron**.
- **Significant development and scale-up of manufacturing capability.**
- **Strengthened its Board of Directors and senior leadership team.**

Financial

- **Loss from operations for the year ended 31 December 2021 of £57.9 million (2020: £17.7 million), with R&D expenditure increasing from £15.5 million to £52.9 million (2020: £15.5 million) on account of Phase 3 trial and manufacturing activities.**
- **The research and development tax credit increased from £3.8 million to £9.2 million, resulting in a loss after tax of £48.7 million (2020: £13.9 million loss).**
- **Cash balances of £33.8 million at 31 December 2021 (31 December 2020: £75.0 million).**

Chairman's statement

> **"We operate in an environment of political and market volatility against the ever-changing backdrop of COVID-19. Despite these challenges, we started and completed enrolment in SPRINTER, our first-ever Phase 3, double blind, placebo-controlled clinical trial, conducted in 17 countries, with more than 620 participants."**

This year has marked significant progress for Synairgen and the development of our investigational candidate SNG001, inhaled interferon beta, for potential use in treating people with COVID-19. Built on a 15-year scientific foundation and strong rationale for use in COVID-19 and for other viruses that cause severe viral lung infections, the Synairgen team and our consultants, partners and advisers have been unwavering in their efforts to bring SNG001 to those patients who may benefit.

Our business has many challenges. We operate in an environment of political and market volatility against the ever-changing backdrop of COVID-19. Despite these challenges, we started and completed enrolment in SPRINTER, our first-ever Phase 3, double blind, placebo-controlled clinical trial, conducted in 17 countries with more than 620 participants. It was obviously disappointing that the primary endpoints of the SPRINTER trial were not met, however we saw what we believe is an important signal in a key secondary endpoint towards a relative reduction in the risk of disease progression and death (36% in the Per Protocol population) compared with placebo, on top of current standard of care. Subsequent *post hoc* analyses of subgroups recognised to be at higher risk of disease progression (such as the elderly, those with co-morbidities associated with worse COVID-19 outcomes, and those who showed signs of respiratory compromise despite use of oxygen) suggest further investigation is warranted. Full details are contained in the Operating Review. These findings *post hoc* indicate which patients are most likely to benefit from SNG001 and, coupled with its favourable safety profile, have enabled Synairgen to refine the strategy for the SNG001 development programme.

Outside the clinic, our *in vitro* studies of SNG001 have shown it to be potent against all SARS-CoV-2 variants tested to date, including Alpha, Beta, Gamma, Delta and Omicron.[1]

There have been substantial and rapid improvements in the standard of care in the treatment and prevention of severe illness caused by SARS-CoV-2 which means that the majority of patients are discharged from hospital without the need for higher levels of care such as high flow oxygen or ventilation. However, there remains a need to further improve standard of care for COVID-19 patients at high risk of progressing to more severe disease or death. In 2021, despite new therapies and successful vaccination programmes, deaths from COVID-19 still surpassed those of 2020.[2] As such, Synairgen is actively seeking inclusion of SNG001 in a platform trial or other trials for hospitalised patients so that the encouraging signal seen in reducing the relative risk of disease progression and death in SPRINTER can be confirmed.

During the year, the Board played an important role in working with the Company's management team to make strategic and operational decisions. In September, I was delighted to welcome Theodora Harold to the Board as a non-executive director and chair of the Audit Committee. I thank all of our Board Members for their sound judgement, challenge and advice throughout the year.

On behalf of the Board, I would like to thank our shareholders for their continued support, and Synairgen employees and partners for staying committed and focused through a year of challenge and change.

As we look ahead and continue to learn more about this virus which has affected the world so significantly, our priority, using carefully managed resources and in collaboration with experts, is clear: to rapidly confirm the important signal we've found from the SPRINTER trial in COVID-19 and to investigate SNG001 in patients hospitalised with a range of seasonal viruses such as influenza, Respiratory Syncytial Virus (RSV) and para-influenza.

Simon Shaw
Chairman

24 May 2022

1 Synairgen. SNG001 inhibits SARS-CoV-2 variant infection in cell based assays. 2021-2.

2 CBS News, November 23, 2021.

Strategic report

The directors present their Strategic Report for the year ended 31 December 2021.

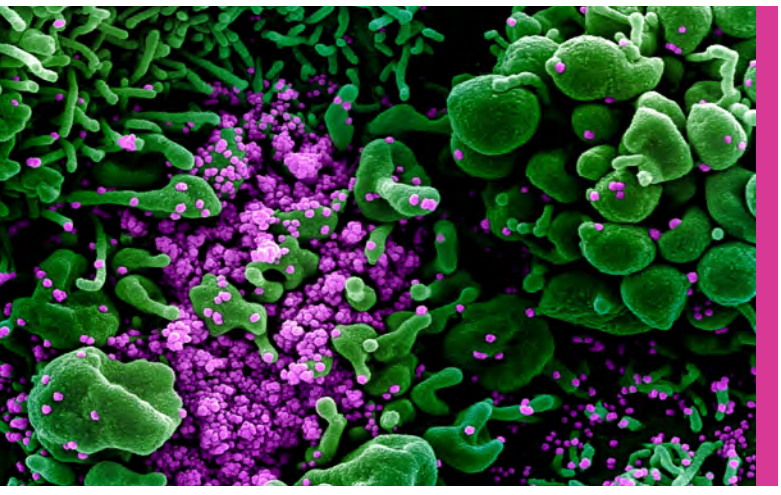
Principal Activities and Strategy

Synairgen plc (the "Company") is the holding company for Synairgen Research Limited, a UK-based respiratory drug discovery and development company, and Synairgen Inc. and Synairgen Research (Ireland) Limited, which were established in preparation for commercial activity in the US and European Union. Synairgen is developing a broad-spectrum inhaled antiviral for the treatment and prevention of severe viral lung infections and has recently completed a Phase 3 clinical trial for COVID-19 hospitalised patients. A glossary on pages 65 to 70 provides additional explanation of some of the more detailed scientific and clinical terminology referenced in this report.

Operating Review

Introduction

There remains an urgent need for additional treatment options, with distinct mechanisms of action, for high-risk patients hospitalised due to COVID-19 and other viruses, particularly to prevent progression to severe disease or death. Vaccines, antibodies and antivirals have done much to reduce the risks associated with COVID-19, however there is growing evidence that protection from the virus afforded by vaccines is not comprehensive and may wane over time. Furthermore, there are limitations to many direct-acting COVID-19 therapeutics, particularly in respect of continuing efficacy against new variants as they emerge. Additional market research conducted by Synairgen also indicates that current therapies do not fully meet the current medical need.[3]



Courtesy: National Institute of Allergy and Infectious Diseases.

2021 Achievements

2021 was a significant year in which Synairgen made important progress investigating SNG001 for the possible treatment of COVID-19 in both the hospital and home settings.

01

Started and completed recruitment into the Company's Phase 3 SPRINTER trial, a double-blind, placebo-controlled trial conducted in 17 countries to investigate the efficacy of SNG001 in 623 patients hospitalised with COVID-19.

02

Recruitment was started and completed in the US Government's ACTIV-2 Phase 2 trial conducted in the US to investigate SNG001 in people with COVID-19 at home, prior to hospitalisation.

03

***In vitro* studies confirmed potency against multiple variants of the SARS-CoV-2 virus including Alpha, Beta and Gamma (followed early in 2022 by Delta and Omicron).**

In addition, the Company focused on the regulatory, commercial and manufacturing activities that would be required to support use of SNG001 in hospitals following potential regulatory approval including expedited routes.

Topline SPRINTER Data

The topline data from the SPRINTER trial, announced in late February 2022, showed that the primary endpoints of earlier hospital discharge and recovery were not met, likely due to improvements in standard of care such as

3 IQVIA market research. December 2021.

vaccination programmes, the use of antivirals and anti-inflamatories and changes in hospital practices since the beginning of the pandemic. The Company did observe an encouraging signal with respect to a reduction in the relative risk of patients progressing to severe disease or death (36% in the Per Protocol population[4]). Further *post hoc* analysis of this endpoint suggested that SNG001 prevented disease progression in patient groups with recognised risk factors, such as older age, the existence of certain co-morbidities, and compromised respiratory function. The strongest effects were observed in patients with compromised respiratory function (high respiratory rate and low oxygen saturations) despite being on supplemental oxygen, who represented approximately one third of the patients in the trial, where SNG001 significantly reduced the risk of progression compared to placebo (44% in the Intention-to-Treat population and 70% in the Per Protocol population) in this *post hoc* analysis.

Summary

Given the evolution of COVID-19, emergence of variants and the changing treatment landscape, and on the advice of our independent clinical and scientific advisers, we are actively seeking to have SNG001 included in further COVID-19 trials which would provide adequate statistical power to evaluate the encouraging effects we observed in SPRINTER, as well as further investigation of SNG001 in patients hospitalised with a range of seasonal viruses such as influenza, RSV and para-influenza.

Despite the challenging environment outlined above, Synairgen continues to explore the potential of SNG001 in three settings:

1) In people hospitalised with COVID-19, including in high-risk sub-populations such as those with compromised respiratory function, despite use of supplemental oxygen;
2) For possible use as a broad-spectrum antiviral for people hospitalised with other severe viral lung infections caused by a range of 'regular' seasonal viruses; and,
3) As a possible future pandemic preparedness option for government agencies.

4 The main reason patients were excluded from the Per Protocol population was failure to receive two full doses in the first three days of treatment.population was failure to receive two full doses in the first three days of treatment.

Rationale for SNG001 in COVID-19

There is a strong scientific rationale underpinning SNG001 for use in treating COVID-19, combined with a good safety profile and a growing body of encouraging clinical data which will help us better understand the role SNG001 can play in helping patients at risk of developing severe illness due to respiratory viruses.

Interferon beta ('IFN-beta') is a naturally-occurring protein orchestrating the body's antiviral responses. Synairgen's SNG001 is a formulation containing the fully glycosylated form of IFN-beta (IFN-beta-1a) for direct delivery to the lungs via specific nebulisers. It is near to pH neutral, and is free of mannitol, arginine and human serum albumin (which may be pharmacologically active in the airways), making SNG001 suitable for inhaled delivery direct to the site of infection.

There is strong evidence that deficiency in IFN-beta production by the lung could explain the enhanced susceptibility in higher-risk patient groups to developing severe lower respiratory tract (lung) disease during respiratory viral infections, including COVID-19.[5]

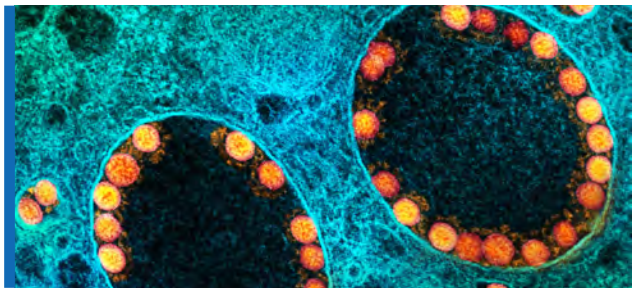
Viruses, including coronaviruses such as SARS-CoV-2, have evolved mechanisms to suppress IFN-beta production, helping the virus to evade the innate immune system. The addition of IFN-beta before or during viral infection of lung cells *in vitro* either prevents or greatly reduces viral replication.[6] The Company has conducted *in vitro* testing against SARS-CoV-2 variants of concern (VOC) including Alpha, Beta, Gamma, Delta and Omicron and shown potent antiviral activity at concentrations that are readily achievable following inhaled delivery of interferon beta.

Delivery via the inhaled route results in a high local concentration in the lungs, the site of the infection. We believe these concentrations could not be accomplished at the lining of the lungs via the injected route, and indeed recent studies have shown systemic use of IFN-beta through injection is ineffective in fighting COVID-19 in the lungs.[7]

5 Zheng Y, Zhuang MW, Han L, et al. Severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) membrane (M) protein inhibits type I and III interferon production by targeting RIG-I/MDA-5 signaling. Signal Transduct Target Ther. 2020;5:299.

6 Synairgen data on file.

7 WHO Solidarity Trial Consortium. Repurposed Antiviral Drugs for Covid-19 — Interim WHO Solidarity Trial Results. N Engl J Med. 2021;384:497–511.



Courtesy: National Institute of Allergy and Infectious Diseases.

2021 clinical progress in COVID-19

Synairgen conducted a Phase 2 trial of SNG001 in people with COVID-19 in 2020, consisting of both a Hospital and a Home Cohort. The Hospital Cohort generated positive results with patients treated with SNG001 being twice as likely to recover over the treatment period compared to those receiving placebo. This was a clear signal that patients on drug recovered faster than those on placebo. There were also trends towards prevention of progression to severe disease or death and faster hospital discharge. This was a robust, double-blind, placebo-controlled trial conducted at nine specialist hospital sites in the UK in the first few months of the pandemic, at a time when hospital practices for COVID-19 were not yet established, and when patients were unvaccinated and were not treated with antiviral and anti-inflammatory treatments available in 2021. The data from the Hospital Cohort were peer reviewed and published in the *Lancet Respiratory Medicine* in November 2020.

Building on the positive results seen in the Hospital Cohort of the Phase 2 trial, the Company worked with regulatory authorities to design a larger Phase 3 trial (SPRINTER) to evaluate SNG001 in people hospitalised due to COVID-19 who required supplemental oxygen.

Synairgen began recruitment into the SPRINTER trial in January 2021 and concluded recruitment in November 2021. The SPRINTER trial was a global Phase 3, randomised, placebo-controlled, double-blind, multi-site clinical trial assessing the efficacy and safety of inhaled SNG001 on top of standard of care for the treatment of adults hospitalised due to COVID-19 requiring treatment with supplemental oxygen by mask or nasal prongs. Patients requiring high-flow nasal oxygen therapy, non-invasive ventilation, or endotracheal intubation (invasive ventilation) and patients that were vaccinated at time of randomisation were excluded (exclusion of vaccinated patients was later removed via protocol amendment). COVID-19 was confirmed using a validated molecular test for the presence of the SARS-CoV-2 virus. The trial enrolled 623 patients, randomised (1:1) to treatment with inhaled SNG001 or placebo at more than 100 sites across the following 17 countries: Argentina, Belgium, Brazil, Colombia, France, Germany, India, Israel, Italy, Mexico, Netherlands, Portugal, Romania, Serbia, Spain, the United Kingdom and the United States.

There was no difference between SNG001 and placebo in the hospital discharge or recovery primary endpoints in the trial, with the majority of patients discharged from hospital within the treatment period. We believe this is due to the improvements in standard of care driven by vaccines, the use of antivirals and anti-inflamatories and changes in hospital practices. For further context, when the Phase 2 trial was conducted in March 2020, systemic corticosteroids and antivirals for COVID-19 were not routinely being used. Accordingly, no patients in the Phase 2 trial received any of these treatments for COVID-19. When the Phase 3 SPRINTER trial was conducted in 2021, there was considerably higher routine use of dexamethasone and remdesivir, meaning that almost 90% of SPRINTER patients were also being treated with systemic corticosteroids, around 20% were taking remdesivir, and around 30% of patients were vaccinated to some degree.

Nevertheless, a 36% reduction in the risk of disease progression or death (a key secondary endpoint) was observed in the Per Protocol population, which trended towards statistical significance (p=0.119), which we believe is an important signal.

The potential importance of this signal triggered a more comprehensive, *post hoc* analysis of the SPRINTER data to 'stress test' the robustness of this encouraging observation. The analyses focused on the disease progression end point in high-risk groups, and showed a consistent trend in favour of SNG001 with respect to a reduction in the risk of progression to develop severe disease or death. The strongest treatment effect was in patients who, despite being on supplemental oxygen, had compromised respiratory function at baseline (low oxygen saturation or a high breathing rate). This group represented around one third of the overall trial population.

→ Participants in the Per Protocol population with compromised respiratory function (oxygen saturation

≤ 92% or respiratory rate ≥ 21 breaths/min at baseline) treated with SNG001 had a 70% reduction in the risk of progression to severe disease or death compared to placebo (Odds Ratio (95% Confidence Interval) 0.23 (0.06, 0.98); p = 0.046).

SNG001 was well tolerated in the SPRINTER trial with a favourable safety profile consistent with previous studies:

- The proportion of patients with any treatment-emergent adverse events (TEAE) related to study treatment was 22.6% for SNG001 vs. 25.4% for placebo.
- The proportion of patients with any serious TEAE was 12.6% for SNG001 vs.18.2% for placebo.
- The proportion of patients with a serious respiratory TEAE was 4.7% for SNG001 vs. 9.9% for placebo.

These findings are consistent with an effect on disease progression.

This trend seen with respect to prevention of progresssion to severe disease or death, supported by the *post hoc* analysis, provides a strong rationale to investigate SNG001 in a further targeted COVID-19 trial, and more widely in patients hospitalised with a range of seasonal viruses such as influenza, RSV and para-influenza, which can lead to severe viral lung infections requiring hospitalisation. The stronger treatment effect observed in patients with compromised lung function at baseline in the *post hoc* analyses suggests that these patients should be targeted in future trials.

Home use of SNG001 in the US Government's ACTIV-2 trial

SNG001 was also investigated during 2021 as part of the US National Institute of Health's ACTIV programme to accelerate the development of the most promising COVID-19 treatments with the ultimate aim of identifying treatments which reduce reduce hospitalisations. The ACTIV-2 study, sponsored by the National Institute of Allergy and Infectious Diseases (NIAID), part of the National Institutes of Health, and led by the NIAID-funded AIDS Clinical Trials Group (ACTG), tested a number of treatments in adults in an outpatient setting who had documented positive SARS-CoV-2 infection.

The Phase 2 evaluation of SNG001 saw the recruitment of approximately 220 participants across US sites, in a home-based setting, split between SNG001 and placebo. If an investigational agent showed promise by demonstrating safety and efficacy signals through 28 days following administration, it moved from Phase 2 to Phase 3, which was planned to include significantly more patients.

In October 2021, the Data Safety Monitoring Board recommended graduation of SNG001, based on data from the Phase 2 trial, to Phase 3. As the Company and the ACTIV-2 team were preparing to initiate recruitment for Phase 3, the Omicron variant became the dominant variant in the US, causing a significant shift in the nature of the pandemic. In March 2022, due to the need to modify the study design in light of the emergence of the Omicron variant of SARS-CoV-2, the US National Institutes of Health (NIH) ACTIV-2 trial team asked Synairgen to temporarily pause preparation activities for ACTIV-2 Phase 3 until the timeline for the activation of SNG001 in the trial could be clarified. Several weeks later, the National Institutes of Health (NIH) halted all patient recruitment in ACTIV-2 and discontinued all arms of the trial, including the one to evaluate SNG001.

As a result, discussions with NIH, NIAIDS and the ACTIV teams are ongoing to try to identify an appropriate clinical trial to continue the evaluation of SNG001 in the home environment.

Adding to our finding from the Home Cohort of the Company's Phase 2 trial in 2020, the ACTIV-2 trial also demonstrated that patients can successfully initiate treatment "remotely", self-administering SNG001 at home with the support of a YouTube video. Importantly, patients can be initiated on SNG001 without the need for a face-to-face meeting with a healthcare professional, reducing the burden on hospital facilities and minimising the risk of onward infection.

We now anticipate receiving the Phase 2 data from the ACTIV-2 team in the summer of 2022, which will be factored into the SNG001 clinical development plan to further build the case that SNG001 may have an important role in combatting COVID-19 and future emerging virus threats.

Building Readiness for the Future

Over the course of 2021, in readiness for the possibility that our Phase 3 SPRINTER data would have been sufficient for regulatory submissions (which would require a high level of immediate activity to support use of SNG001 under expedited approval pathways), the Company began building its capabilities and capacity in the areas of regulatory, commercial, manufacturing, communications, quality and finance.

This included strengthening its senior leadership team as well as establishing commercial and distribution partnerships and preparing the foundations for a US commercial organisation. With the SPRINTER data now analysed, the Company is carefully managing its team and cost base in order to progress the path for SNG001 as rapidly as possible using the various avenues as described.

Leadership team

The Company senior management team was strengthened with newly created roles including:

- **Richard Hennings:** Richard joined in March 2021 as Chief Commercial Officer, having previously held commercial leadership roles at Verona Pharma, Gilead Sciences, Novartis and AstraZeneca.
- **Richard Francis:** Richard joined in September 2021 as Senior Vice President for CMC, bringing more than 35 years' experience in the development, regulatory approval and commercialisation of many biopharmaceutical products including Cablivi®, Orthoclone OKT3®, Remicade®, and ReoPro®.
- **Brooke Clarke**: Brooke joined in September 2021 as Senior Vice President, Head of Communications, with more than 30 years of strategic communications and corporate affairs experience, including most recently leadership roles at Shire plc and Hikma plc.
- **Gareth Walters:** Gareth joined in October 2021 as Chief Regulatory Officer and brings a wide range of experience from pre-clinical to commercialisation. He previously held senior regulatory and commercial roles at Chugai Pharmaceuticals and Roche.
- **Helen Gearing:** Helen joined in December 2021 as Senior Vice President for Finance. Prior to joining Synairgen, Helen was responsible for leading, building and scaling the finance function of Seqirus, a global leader in influenza vaccines, and prior to that was with GSK.

Regulatory

In preparation for regulatory submissions in the US, Europe and the UK, Synairgen's regulatory team continued engagement with the US Food and Drug Administration (FDA), the EMA and the MHRA on requirements and content for regulatory submissions.

With SNG001 having been granted Fast Track status from the FDA, the US was the priority focus of preparatory activities for a potential regulatory Emergency Use Authorisation submission and launch.

With the SPRINTER data now analysed, we are exploring all avenues in order to expedite the development of SNG001.

Manufacturing & distribution

Manufacturing pharmaceutical products has been very challenging due to COVID-19, with shortages in key ingredients, components, equipment and manufacturing slots. Despite these challenges, Synairgen made good progress in commercial scale manufacturing processes for drug substance and drug product, and continued to build inventory, distribution, pre-commercialisation and commercialisation capabilities:

- Process Performance Qualification commercial scale manufacturing batches of the drug substance (the raw ingredient IFN-beta) with our partner Akron Biotechnology;
- Drug product in pre-filled glass syringes (the finished format, ready-to-use) in partnership with Catalent at commercial supportive scale following completion of Process Performance Qualification;
- Completed a commercial scale manufacturing batch and testing using polyethylene blow-fill-seal container technology to mitigate against the global supply chain shortages of medical grade glass and the reduction of available syringe filling manufacturing slots caused by the number of vaccines and therapeutics in development for COVID-19;
- Long-term stability studies for both drug substance and drug product initiated to support regulatory submissions; and,
- Built inventory of certain specific long-lead time items needed to administer the drug to patients.

The progress made in manufacturing during the year means the Company is in a good position to support further potential clinical trials in COVID-19 and for other viruses that cause hospitalisations.

In readiness for a possible regulatory authorisation in the US, the Company also made good progress in identifying potential COVID-19-experienced partners for in-market support activity such as pharmacovigilance and medical affairs to support healthcare professionals and patient support programmes. Synairgen also identified the required structure and roles for a US commercial organisation and these can be mobilised in the future as required but due to cost conservation, currently there is no requirement to deploy such US personnel.

Summary and Outlook

On the back of the data from the Phase 3 SPRINTER trial and subsequent analyses of different high-risk patient groups within the trial, we are encouraged that SNG001 has the potential to show clinically important benefits in preventing disease progression and death. This data was well received at the recent ATS International Conference in San Francisco in mid-May 2022. We are now, working in haste, fully focussed on discussions with platform trial organisers and investigators, as well as regulatory authorities, the pharmaceutical and biotech industry and goverment bodies to identify and establish the optimal method of conducting further trials to confirm these findings and provide the Company with evidence required for a regulatory submission. In addition, building on our existing body of evidence, we are actively exploring the opportunity to collaborate and trial the product as a broad-spectrum, virus-agnostic treatment in patients hospitalised with a range of seasonal viruses such as influenza, RSV and para-influenza.

Financial Review

The Financial Review should be read in conjunction with the consolidated financial statements of the Company and its subsidiaries (together the 'Group') and the notes thereto on pages 37 to 58. The consolidated financial statements are prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements of the Company, set out on pages 59 to 64, are prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework*.

Statement of Comprehensive Income

The loss from operations for the year ended 31 December 2021 was £57.9 million (2020: £17.7 million) with research and development expenditure amounting to £52.9 million (2020: £15.5 million) and other administrative expenses of £5.0 million (2020: £2.2 million).

Clinical trial expenditure increased significantly during 2021 as the Phase 3 SPRINTER trial commenced patient recruitment in January 2021. Other clinical trial expenditure included the completion of the SG016 Home trial and the ACTIV-2 trial, including some preparatory costs for the Phase 3 element of the trial. Alongside the clinical trial activity, regulatory activities were increased in preparation for potential regulatory submissions in 2022.

The remainder of the research and development expenditure has been focussed on upscaling SNG001 manufacturing development activities and procuring long-lead time components. A number of drug substance commercial scale batches were completed during 2021, including three Process Performance Qualification (PPQ) batches. Two different drug product activities were advanced during the year, with PPQ batches of both pre-filled glass syringes and polyethylene blow-fill-seal containers being manufactured. The Company has also invested in the development of release assays at a US-based supplier. The internal Chemistry Manufacturing and Controls (CMC) team has been strengthened during the year with a number of new senior hires.

Other administrative expenses increased from £2.2 million to £5.0 million. The increase was attributable firstly to the establishment of a commercial team and preparatory activities for a potential launch in 2022, and secondly, to the increase in administrative and financial personnel and professional costs to accommodate the increase in scale of the business.

The research and development tax credit increased from £3.8 million to £9.2 million on account of the increased qualifying project expenditure, primarily on the SPRINTER trial and manufacturing development activities. The credit equates to 17% of our 2021 research and development expenditure (2020: 25%).

The loss after tax for 2021 was £48.7 million (2020: £13.9 million) and the basic loss per share was 24.28p (2020: basic loss per share of 9.46p).

Statement of Financial Position and Cash Flows

At 31 December 2021, net assets amounted to £37.0 million (2020: £85.1 million), including cash balances of £33.8 million (2020: £75.0 million).

The principal elements of the £41.2 million decrease during the year ended 31 December 2021 (2020: £72.5 million increase) in cash balances were:

- **Cash outflows from operations before changes in working capital:** £57.2 million (2020: £17.3 million), with the increase being attributable to the higher operating loss as discussed above;
- **Changes in working capital:** £12.2 million inflow (2020: £7.5 million outflow) on account of the reduction in trade and other receivables and the increase in trade and other payables as detailed below;
- **Research and development tax credits received:** £3.9 million (2020: £0.9 million) on account of the increased 2020 tax credit;
- **Share issue proceeds (net of costs):** £nil (2020: £97.9 million); and,
- **Net settlement of options:** £nil (2020: £1.3 million outflow).

The other significant changes in the statement of financial position were:

- Current tax receivable increased from £3.8 million to £9.1 million on account of the higher research and development tax credit receivable;
- Trade and other receivables decreased from £9.4 million to £1.5 million on account of a reduction in manufacturing and clinical trial prepayments; and,
- Trade and other payables increased from £3.3 million to £7.6 million, reflecting the increased level of activity.

Section 172 statement

As required by section 172 of the Companies Act 2006, a director of a company must act in a way they consider, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing this, the director must have regard, amongst other matters, to the:

a) Likely consequences of any decisions in the long term;
b) Interests of the Company's employees;
c) Need to foster the Company's business relationships with suppliers, customers and others;
d) Impact of the Company's operations on the community and the environment;
e) Desirability of the Company maintaining a reputation for high standards of business conduct; and,
f) Need to act fairly between members of the Company.

As a Board, our aim is always to uphold the highest standards of governance and business conduct, taking decisions in the interests of the long-term sustainable success of the Company, generating value for our shareholders and contributing to wider society. We recognise that our business can only grow and prosper over the long term by understanding the views and needs of our stakeholders. Engaging with stakeholders is key to ensuring the Board has informed discussions and factors stakeholder interests into decision-making.

Key Performance Indicators (KPIs)

The Board considers that the most important KPIs during the year under review are non-financial and relate to the progress of the clinical programmes, the scale up of SNG001 manufacturing and the status of preparation activities for potential launch, which are discussed in the preceding sections of this report.

The most important financial KPIs are the planned expenditure on the COVID-19 Phase 3 SPRINTER clinical trial and manufacturing scale-up, and the cash position of the Group. The actual expenditure on the COVID-19 activities was below budget and the closing cash position was ahead of budget. These are further described in the financial review above.

The following table, in combination with the Corporate Governance Statement set out on pages 18 to 21 and the Company's website (www.synairgen.com), sets out the framework of our engagement with key stakeholder groups.

Our stakeholders	Material topics	How we engage
Investors The Group continues to consume cash resources and remains dependent upon securing funding through share issues. It is therefore critical that we have shareholders who will continue to invest in the Company over the longer term.	→ Business strategy → Operational performance → Financial performance and cash requirements → Enviromental, Social and Corporate Governance (ESG)	→ RNS announcements → Website updates → Meetings after preliminary statement release and interims for institutional investors → AGM → Proactive Investor interviews → Responses to investor questions
Employees Synairgen has 30 employees (including executive directors) who are multi-skilled and many of them have worked for the Group for many years. They all play a key role in the business and it is vital that they all understand and support the key decisions taken in the running of the business.	→ Operational targets and progress → Opportunities to share ideas → Financial resources of the Group → Share price → Working time flexibility and working from home	→ Regular on-line full company meetings and a policy of open disclosure → On-line team meetings → Open door policy to executive directors → Company intranet → Structured appraisal process → Use of share-based incentives for employees → Established a new set of cultural values and behaviours
University of Southampton Synairgen is a spin-out company from the University and still maintains many links with it, which benefit both parties. The University is Synairgen's landlord and certain intellectual property is licensed from it.	→ Operating facilities → Intellectual property → Joint projects → Published papers	→ Meetings with Founders → Interaction on projects with scientists and clinicians
Suppliers We have a number of key long-term suppliers who play an important part in our development programmes and it is important that we understand their product/service development plans and they understand our needs.	→ Supplier product development plans → Our clinical trial and longer-term development needs	→ Regular project meetings
Customers (licensees) Our customers are the large pharmaceutical and biotech companies who have the resources and infrastructure to take our products to market. It is therefore critical that we continue to interact with these companies at an early stage to make sure we are developing a product which they may wish to license.	→ Programme development plans, including clinical trial designs → Clinical trial read-outs → In-house and external competing products	→ Regular meetings at key respiratory conferences (ATS, ERS)
Community We aim to develop therapeutics which pharmaceutical companies can sell to the community and which governments will buy for stockpiling and it is therefore critical that there is an identified market need in the community.	→ New therapeutics development → Involvement in clinical trials	→ Interactions with government agencies → Interactions with clinicians → Patient data from clinical trials

Our stakeholders	Material topics	How we engage
Regulators We work in a highly regulated sector and it is critical that we maintain full compliance with all appropriate regulations.	→ Clinical trial approvals → Scientific advice for authorities on key development topics → Regulatory compliance	→ Use of external consultants to make sure we are complying with regulations → Interactions with Ethics Committees, MHRA, FDA, EMA and other regulatory agencies

Principal decisions in 2021

We have considered the decisions taken by the Board which will have an impact on the longer-term performance and prospects for the Company. The Board believes that three key decisions taken during the year fall into this category and were made with full consideration of both internal and external stakeholders:

- → The decision to prepare for commercial launch, taking on key resources in advance of the results of the SPRINTER phase 3 trial
- → The decision to invest in long lead time materials for fill-finish activities and inhaler devices
- → The decision to establish a new release testing facility and accelerate other regulatory activities in advance of the SPRINTER trial results

Post period-end, the Board has considered the next strategic steps for the development of SNG001 both in COVID-19-related hospitalised patients and for the advancement of the product as a broad-spectrum antiviral in susceptible patients.

Principal risks and uncertainties

In addition to the fact that the Group has one drug (SNG001), albeit with a number of potential indications, and is therefore dependent on there being a successful outcome to its development, the Board considers that the principal risks and uncertainties facing the Group may be summarised as follows:

Ability to secure inclusion of SNG001 in an externally-funded clinical trial or platform study or the platform study does not complete

The SPRINTER Phase 3 trial showed an important signal in the ability of SNG001 to reduce progression to severe disease or death; the *post hoc* analyses suggest this effect is strongest in those with clinical signs of compromised respiratory function (defined as oxygen saturation of ≤ 92% or respiratory rate ≥ 21 breaths/min). A larger trial is needed to confirm this finding and inclusion in a government or agency-funded clinical trial or platform trial represents the best opportunity for recruiting enough patients to further evaluate this endpoint. In the event of SNG001 not being selected for inclusion, or if it is included in a platform study which is terminated early under current circumstances, then there may be insufficient clinical data to secure an approval for the treatment of hospitalised COVID-19 patients.

Ability to design and deliver an appropriate broad-spectrum clinical trial

The Group's strategy includes developing SNG001 as a broad-spectrum antiviral for hospitalised patients. At this stage a clinical trial protocol is still at the development stage. There can be no guarantee at this stage that this trial will be approved by the regulatory agencies and that it will be possible to complete.

Pre-clinical testing and/or clinical trials fail to generate positive data

There is a high failure rate in the development of pharmaceuticals and there is a substantial risk of adverse, undesirable, unintended or inconclusive results from pre-clinical testing or clinical trials, which may substantially delay, halt entirely or make uneconomic any further development of SNG001 (whether in the indication of COVID-19 or in others) and may prevent or limit its commercial use.

Clinical trials overrun

There are a number of factors which may lead to delays, including but not limited to: (i) delays to regulatory approvals; (ii) variations in labelling and other regulatory requirements between countries; (iii) dealing with protocol changes; (iv) difficulty in finding suitable sites and patients; and (v) incidence of COVID-19 declining or resolving in a COVID-19 trial.

If any of the above circumstances or events occur, then delays may impact the clinical development programme timetable, which in turn may also have cost and/or ultimately commercial implications.

The regulatory approval processes of the MHRA, EMA, FDA and other comparable regulatory agencies may be lengthy, time-consuming and unpredictable

The Group's future success is dependent upon its ability to develop successfully, obtain regulatory approval for, and then successfully commercialise SNG001 which it may do independently or in partnership with another pharmaceutical company. Even if SNG001 is successful in clinical trials, there can be no assurance it will receive regulatory approval at all or in a timely manner. A drug which has received approval in one territory may not succeed in getting approval in other territories and regulators in different jurisdictions may seek different criteria and endpoints in order for regulatory approval and marketing authorisations to be granted.

The Group takes the advice of specialist regulatory advisers and maintains on on-going dialogue with regulators.

Commercial risk

There can be no guarantee that the Group will succeed in securing and maintaining the necessary contractual relationships with licensing partners for its programmes under development. Even if programmes are successfully out-licensed and pharmaceutical products are brought to the market by a partner, there is no guarantee that such products will succeed in the marketplace.

There are a number of competing COVID-19 therapeutics at different stages of regulatory approval

There are a number of competing therapeutics for COVID-19 and other antiviral applications at varying stages of regulatory approval, which may be brought to market more quickly than SNG001 or prove to be more effective, desirable or cheaper. Many of the Group's competitors have substantially greater financial and other resources. There can therefore be no assurance that competitors will not succeed in developing products which would render SNG001 non-competitive or obsolete.

COVID-19 ceases to be a clinical issue

Standard of care treatments and vaccines have advanced significantly over the last 18 months. While there may be other variants of concern emerging in future months, the elimination of COVID-19, or the decrease in hospitalisation/ICU rates leading to a perception of reduced need for COVID-19 therapeutics, would remove one potential indication for SNG001 and result in the Group's focus being solely on SNG001 as a broad-spectrum antiviral for use against other viruses causing severe respiratory infections and also for stockpiling for pandemic preparedness.

Synairgen is dependent on a small team of key personnel and scientific and clinical collaborators

The Group's success is highly dependent on the expertise and experience of a small team of key personnel and scientific and clinical advisers/contractors. While the Group has entered into employment and other agreements with each of these key personnel, the retention of such personnel cannot be guaranteed. Should key personnel leave or no longer be party to agreements or collaborations with the Group, the Group's business prospects, financial condition and/or results of operations could be adversely affected.

To mitigate this risk, the Group has recruited additional staff and contracted with certain key partners to provide services to the Group, including CRO services, regulatory affairs consultants and clinical management services.

Manufacturing complexity

SNG001 is a biological product with inherent batch to batch variation. SNG001 drug substance is being fill/finished into blow-filled-seal containers for the first time and therefore there is no safety data yet for this presentation. Further product comparability studies from multiple manufacturing sites for both drug substance and drug product must be conducted and there is no guarantee that the results will meet the requirements of regulatory agencies. Manufacturing issues could substantially increase our costs and limit supply of SNG001 for clinical trials and commercial sales.

The Group has sought to mitigate the risk with the new blow-filled-seal drug product by also progressing pre-filled glass syringes.

The Group is dependent on third party supply, manufacturing and clinical service relationships

In common with other drug developers of similar size, the Group engages the expertise and resources of third parties in a number of key areas including: (i) the conduct of clinical trials (Parexel); (ii) the manufacture, scale-up, fill/finish, analytical testing and supply of SNG001 (Akron Biotechnology, Catalent and Woodstock Sterile Solutions); and (iii) the manufacture and supply of the nebuliser (Aerogen). Critical and complex aspects of the Group's business, including ownership of the drug substance cell line, are therefore in the hands of third parties over whom the Group has limited control. The Group cannot guarantee that those third parties or their suppliers (including suppliers of raw materials and components necessary for manufacturing activities) will be able to perform their contractual and regulatory obligations satisfactorily or on time.

Default, delay, non-compliance with law and regulation or other sub-optimal performance by a third party would adversely affect the Group's business plans and prospects.

Regulatory requirements for pharmaceutical products tend to make the substitution of counterparties costly and time-consuming. Alternative suppliers may not be able to manufacture products effectively, on time or obtain the necessary manufacturing licences from applicable regulatory authorities.

The Group seeks to minimise risk by holding regular meetings with key suppliers and the use of internal staff, project managers and other consultants to manage the relationships.

Intellectual property

The commercial success of the Group depends on its ability to obtain patent and other protection for its pharmaceutical discoveries in the US, Europe and elsewhere and to preserve the confidentiality of its know-how. There is no guarantee that patent applications will succeed or be broad enough to provide protection for the Group's intellectual property rights and exclude competitors with similar pharmaceutical products. The success of the Group is also dependent on non-infringement of patents, or other intellectual property rights, held by third parties. Competitors and third parties may hold intellectual property rights which the Group may not be able to license upon favourable terms, potentially inhibiting the Group's ability to develop and exploit its own products. Litigation may be necessary to protect the Group's intellectual property, which may result in substantial costs.

The Group seeks to reduce this risk by seeking patent attorney advice that patent protection will be available prior to investing in a project, by seeking patent protection where appropriate, and by minimising disclosure to third parties.

Funding risk

The Group continues to consume cash resources. Until the Group generates positive net cash inflows from successful out-licensing transactions and commercialisation of its products, it remains dependent upon securing funding through the injection of equity capital or from collaborations with pharmaceutical companies. The Group may not be able to generate positive net cash flows in the future or attract such additional funding required on suitable terms, or at the time it is needed. In such circumstances, the Group's programmes may be delayed or cancelled and the business operations curtailed.

The Group seeks to reduce this risk through tight financial control, prioritising programmes which will generate the best returns, and keeping shareholders informed on progress.

Insurance risk

The Group may not be able to procure adequate insurance cover to enable it to continue its operations.

Cyber-attack or IT systems failure

The Group is at risk of cyber-attack or IT systems failure to it or its key suppliers, which would cause operational harm, including potential theft or loss of data.

The Group seeks to minimise this risk by retaining the services of external IT advisers and pursuing suitable back-up and security policies.

On behalf of the Board

Richard Marsden
Chief Executive Officer

24 May 2022

Synairgen's Founders

Prof. Sir Stephen Holgate CBE is MRC Clinical Professor of Immunopharmacology at the University of Southampton.

Prof. Donna Davies is Professor of Respiratory Cell and Molecular Biology at the University of Southampton.

Prof. Ratko Djukanovic is Professor of Medicine at the University of Southampton.

Board of Directors

Simon Shaw
Non-executive Chairman

Simon Shaw joined Synairgen as executive Chairman on its inception in June 2003 and became non-executive Chairman in October of that year. He is Group Chief Financial Officer of Savills plc. He was Chief Financial Officer of Gyrus Group PLC from 2003 until its sale to Olympus Corporation in 2008, having previously been Chief Operating Officer of Profile Therapeutics plc between 1998 and 2003. Between 1991 and 1997 he was a corporate financier, latterly at Hambros Bank Limited. He is a Chartered Accountant.

Richard Marsden
Chief Executive Officer

Richard Marsden joined Synairgen in a consulting role as General Manager in November 2003, was appointed to the Board as Managing Director in June 2004, and was appointed Chief Executive Officer in September 2009. Between 1998 and 2003 he worked as Projects Manager and Cystic Fibrosis Business Development Manager at Profile Therapeutics plc, where he managed the Cystic Fibrosis business and played a major role in the development of its proprietary pharmaceutical unit, Profile Pharma Limited. Prior to this, he worked for Zimmer Limited, Genentech (UK) Limited and Roche Products Limited.

Dr Phillip Monk
Chief Scientific Officer

Phillip Monk joined Synairgen in October 2006 as Head of Bioscience Development and was appointed to the Board as Chief Scientific Officer in September 2009. Phillip was previously Director of the Respiratory and Inflammation Biology group at Cambridge Antibody Technology ('CAT'). Prior to joining CAT, he worked at Bayer AG within the respiratory disease therapeutic area, focusing on the development of novel therapies for asthma, COPD and cystic fibrosis.

John Ward
Chief Financial Officer

John Ward joined Synairgen in October 2004 as Finance Director and was appointed Chief Financial Officer in March 2021. From December 1999 to July 2004 he was Chief Financial Officer and Company Secretary of Profile Therapeutics plc and was appointed to the Profile Therapeutics board in March 2003. From 1996 to 1999 he was Finance Director of Rapid Deployment Group Limited, the UK holding company for the healthcare operations of Ventiv Health, Inc. Prior to joining Rapid Deployment he was a Director of Corporate Finance at Price Waterhouse. He is a Chartered Accountant.

Iain Buchanan
Non-executive Director

Iain Buchanan was appointed as a non-executive director in June 2010 and brings more than 40 years of management experience in the pharmaceutical and biotech industries. Most recently he was CEO of NOXXON Pharma AG based in Berlin and previously he was CEO of Novexel S.A. based in Paris. He joined Novexel from Vertex Pharmaceuticals where he established the European affiliate. Prior to Vertex, Iain managed the international licensee business of Cilag AG - a subsidiary of Johnson and Johnson - based in Switzerland. Iain serves as a non-executive director for Allecra Therapeutics GmbH and for Celloryx AG.

Dr Bruce Campbell
Non-executive Director

Bruce Campbell joined Synairgen as a non-executive director in April 2006. He has 50 years of drug development experience and has developed many drugs in a wide range of indications which are now on the market. He currently acts as a consultant to various companies including BenevolentAI and Syncona. Formerly he was Senior VP of International Development at Neurocrine Biosciences, Inc. ('Neurocrine'). Prior to joining Neurocrine he worked for 27 years at Servier (United Kingdom), latterly as Scientific Director. In addition, he has also been a director and European Chairman of the Drug Information Association, a member of the European ICH Safety Working Party and a scientific advisor to IP Group plc.

Theodora Harold
Non-executive Director

Theodora Harold joined Synairgen in September 2021 as a non-executive director and Chair of the Audit Committee. Theodora has over 20 years' experience with both private and listed biotech SMEs and has originated and executed multiple business development and licensing transactions. Theo has also been instrumental in raising significant equity for the sector during her career. Theodora is currently CEO of Crescendo Biologics Ltd, having previously held both CFO and CBO roles there. She was also on the founding teams of both MISSION Therapeutics and PsiOxus Therapeutics where she was CFO, as well as having held executive roles with companies such as Cytomyx Holdings Plc and Orthomimetics. Theo qualified as Chartered Accountant with PricewaterhouseCoopers and read Classics at Trinity College, Cambridge.

Prof. Sir Stephen Holgate CBE
Non-executive Director

Stephen Holgate is a co-founder of Synairgen and was appointed a non-executive director in June 2003. After qualifying in Medicine at Charing Cross Hospital Medical School, London he has pursued an academic career leading to his appointment in 1987 to his current position as Medical Research Council Clinical Professor of Immunopharmacology at the University of Southampton. His research interests have been largely focused on the cellular and molecular mechanisms of asthma that has involved use of both epidemiological and genetic approaches. He has published over 1,300 papers in peer-reviewed literature. He is Trustee and Chair of the Grants Panel of the Great Ormond Street Hospital Children's Charity, the Natasha Allergy Research Foundation, Chair of The Kennedy Trust for Rheumatology Research and Member of the Natural Environment Research Council. He serves on a number of Advisory Committees in industry and the Research Councils.

Corporate Governance Statement

The Board of directors of the Company (the 'Board') is accountable to the Company's shareholders for good corporate governance and it is the objective of the Board to attain and maintain a high standard of corporate governance. As Chairman, it is my primary responsibility to lead the Board effectively and to oversee the adoption, delivery and communication of the Company's corporate governance model.

In September 2018, the Board adopted the Quoted Companies Alliance Corporate Governance Code ('QCA Code'). On our website (www.synairgen.com/investors/corporate-governance-statement/) we set out how we seek to comply with the ten principles of the QCA Code. The following sections of the Corporate Governance Statement explain how the QCA Code is applied by the Company.

In 2021, we undertook a formal Board performance review, and intend undertaking such reviews on an annual basis going forward.

Board of directors

On 31 December 2021, the Board consisted of me, as the non-executive Chairman, three executive directors (Richard Marsden, Dr Phillip Monk and John Ward), and four non-executive directors (Iain Buchanan, Dr Bruce Campbell, Theodora Harold and Prof. Sir Stephen Holgate).

The responsibilities of the non-executive Chairman and the Chief Executive Officer are clearly divided. The non-executive directors bring relevant experience from different backgrounds and receive a fixed fee for their services and reimbursement of reasonable expenses incurred in attending meetings.

Brief *curriculum vitae* details about the directors are given on pages 16 and 17. The key experience, skills, qualities and capabilities that each director brings to the Board are summarised below:

Simon Shaw
Simon is an experienced public company director, having fulfilled both the roles of Chief Financial Officer and Chief Operating Officer for listed companies. He has life science company experience and in addition to his skills as a Chairman, contributes strong financial and corporate finance skills. As an executive director of a FTSE 250 company, he keeps his skill set in these areas up to date.

Richard Marsden
Richard has worked in several roles within the life sciences sector and has experience of sales and marketing, clinical trials, project management, business development and general management. He is actively involved in the design and management of clinical trials and leads the Company's business development activities. He maintains and develops his skill sets in these areas by regular interaction with the Company's expert advisers and key opinion leaders (KOLs).

Dr Phillip Monk
Phillip is a leading scientist in respiratory biology, with experience of managing teams of scientists and taking drugs through pre-clinical and early clinical trials. His particular contribution to the Board is championing the identification and management of new opportunities up to the clinical stage, and maximising value from clinical trials, particularly with reference to biomarker and statistical analysis. Phillip regularly interacts with expert advisers/KOLs and attends key relevant medical conferences.

John Ward
John is a Chartered Accountant who has worked for more than 20 years as Finance Director and Company Secretary in the life sciences sector, with experience gained in private and quoted companies. From his time at Price Waterhouse he also has corporate finance experience. He keeps his skill set up to date by attending appropriate courses run by accountancy firms and the ICAEW.

Iain Buchanan
Iain has 40 years' management experience in the pharmaceutical and biotech sector. Iain keeps his skill set up to date through his involvement with several other life sciences boards.

Dr Bruce Campbell
Bruce has 50 years' drug development experience. He has particular expertise in pre-clinical development. Bruce keeps his skill set up to date through his involvement with several other life sciences companies either as a director or consultant.

Theodora Harold
Theodora has over 20 years' experience in the biotech sector and is currently CEO of Crescendo Biologics Ltd. She was previously part of the founding management teams of PsiOxus Therapeutics Ltd and Mission Therapeutics Ltd, and was previously a non-executive director of Chronos Therapeutics Ltd. Theodora qualified as a chartered accountant at PricewaterhouseCoopers.

Prof. Sir Stephen Holgate
Stephen is a leading academic in respiratory medicine, combining an outstanding knowledge of base and clinical science. He has experience of working with many pharmaceutical companies and guides the Board on developments in the respiratory sector. Stephen keeps up to date through his ongoing involvement with many industry and government-related organisations as an advisor.

All eight members of the Board bring relevant sector experience in life sciences. Five members of the Board have capital markets experience from other companies. The Board has expertise in the following key areas: capital markets; discovery and pre-clinical respiratory projects; clinical development; business development/licensing and finance. The Board believes that its blend of relevant experience, skills and personal qualities and capabilities is sufficient to enable it to successfully execute the current phase of its strategy.

Simon Holden is the Company Secretary. Simon is a corporate lawyer by background and fulfils the role of secretary for several other quoted companies, on the Main Market and AIM. The Company Secretary reports directly to the Chairman on governance matters.

Prior to October 2021, non-executive directors were required to attend six scheduled bi-monthly Board meetings ('Scheduled Board meetings') per annum and committee or Scientific Advisory Board meetings. Non-executive directors are required to be available at other times as required for face-to-face and telephone meetings with the executive team. With effect from 1 October 2021, due to the increased operational efforts of the Company, both domestically and internationally, the Board met once a month for Scheduled Board meetings and continues to do so. All members of the executive team work for the Company on a full-time basis and have no non-executive directorships with other companies.

The Board continues to note that nearly all its directors have been in post for more than nine years but nevertheless considers that they remain functionally independent, in that they remain fully committed to promoting the success of the Company for the benefit of shareholders as a whole. Theodora Harold was appointed as an independent non-executive director in September 2021 with a view to bringing a new perspective to the Board together with her expertise in life sciences and biotech. We will continue to develop the Board, by seeking to attract high quality independent directors, once the next phase of the Company's development is clarified.

The Board puts all directors up for re-election on an annual basis to enable shareholders to confirm their support for the directors and that, in the case of the non-executives, they are considered by shareholders as remaining functionally independent.

The Company does not have a Senior Independent Director which we believe is appropriate at this stage of the Company's development.

The Board retains full and effective control of the Group. This includes responsibility for determining the Group's strategy and for approving budgets and business plans to fulfil this strategy. With effect from October 2021, Scheduled Board meetings take place on a monthly basis and the Board also meets on any other occasions it considers necessary. During the year ended 31 December 2021, the Board met seven times for Scheduled Board meetings and eight times for unscheduled Board meetings. At each meeting, there was an opportunity for the non-executive directors to discuss matters without the executive directors present.

It is the duty of the Chairman to ensure that all directors are properly briefed on issues arising at Board meetings. Prior to each Board meeting, directors are sent an agenda and Board papers for each agenda item to be discussed. Additional information is provided when requested by the Board or individual directors.

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that the applicable rules and regulations are complied with. All directors have access to the advice and services of the Company Secretary, and independent professional advice, if required, at the Company's expense. Removal of the Company Secretary would be a matter for the Board.

Board performance

A Board evaluation process led by the Chairman took place in March 2021. It is intended that an evaluation be carried out annually so the Board can regularly address its effectiveness. The process completed in March 2021 identified that the principal areas for the Board to address were succession planning and Board diversity. It has been agreed that composition of the Board should reflect a mix of individuals with relevant knowledge, independence, competence, industry experience and diversity of perspectives to generate effective challenge, discussion and objective decision-making.

Corporate Governance Statement
(continued)

The Company made several key appointments to its senior management team during 2021, the details of which can be seen on the Company's website (https://www.synairgen.com/about/team), in addition to the appointment of Theodora Harold as an independent non-executive director. The Board believes that with these appointments, it has the necessary blend of skills, experience, personal qualities and capabilities, but will continue to evaluate its performance and seek to address any concerns which are raised.

A review of the Chairman's performance was also carried out in March 2021 by the completion of a questionnaire by other Board members, which concluded that the Chairman was carrying out his duties diligently. It is intended, going forward, that this internal review will be carried out on an annual basis.

Board committees

As appropriate, the Board has delegated certain responsibilities to Board committees.

Audit Committee

The Audit Committee currently comprises Theodora Harold (Chairperson), Simon Shaw and Iain Buchanan. Theodora became the Chairperson of the committee on her appointment to the Board, Simon Shaw having previously fulfilled the role.

The committee has primary responsibility for ensuring that the financial performance of the Group is properly measured and reported on and it reviews the interim financial information and annual financial statements before they are submitted to the Board. The committee reviews accounting policies and material accounting judgements. The committee also reviews, and reports on, reports from the Group's auditors relating to the Group's accounting controls. It makes recommendations to the Board on the appointment of auditors and the audit fee. The committee monitors the scope, results and cost-effectiveness of the audit. It has unrestricted access to the Group's auditors. In certain circumstances up until 31 December 2021, after which the Company became an Other Entity of Public Interest (as further described on page 27), it was permitted by the Board for the auditors to supply non-audit services (in the provision of tax advice, or on specific projects where they can add value, without affecting their Audit Independence).

During 2021, the committee met twice with all members in attendance. The Audit Committee Report is detailed on page 27.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee currently comprises Iain Buchanan (Chairperson), Dr Bruce Campbell and Simon Shaw. The committee is responsible for making recommendations to the Board on remuneration policy for executive directors and the terms of their service contracts, with the aim of ensuring that their remuneration, including any share options and other awards, is based on their own performance and that of the Group generally. The committee administers the Long-Term Incentive Plans and approves grants under these schemes. It also advises on the remuneration policy for the Group's employees. The committee is responsible for all senior appointments that are made within the Group.

During 2021, the committee met five times with two members attending all meetings and one member attending four times. The Directors' Remuneration Report is detailed on pages 22 to 26.

Scientific Advisory Board

The Company established a Scientific Advisory Board (SAB) in 2016. The purpose of the SAB is to provide strategic advice and input on scientific aspects of Synairgen's research and development projects.

The SAB currently comprises Dr Phillip Monk (Chairman), Iain Buchanan, Dr Bruce Campbell, and Synairgen's three academic founders (Professors Sir Stephen Holgate, Donna Davies and Ratko Djukanovic). Other external experts and Synairgen employees attend meetings as required. Dr Bruce Campbell is responsible for feeding back the outputs from the SAB to the Board.

Business model and strategy

As detailed in the Strategic Report on page 4, Synairgen's strategy is to develop SNG001 as a broad- spectrum inhaled antiviral treatment. The key challenges in execution are set out in the section of the Strategic Report entitled Principal risks and uncertainties.

Corporate culture

In 2022, we reviewed and updated our purpose and company values to continue to foster a supportive and collaborative culture that furthers our purpose of "restoring lives with pandemic-ready respiratory treatments we can all believe in."

We have articulated these new values and supporting behaviours as follows:

1. Together We Pioneer: We pioneer by breaking through barriers, being open and supportive and by accentuating the positive.
2. Together We Care: We care in the way we put patients first, by inspiring passion in others and by always being respectful.
3. Together We Deliver: We deliver by embracing uncertainty, by "making it happen" and by being the difference we want to see.

These values and behaviours were developed in collaboration with all employees, led by an employee committee, and are being incorporated into the annual performance review process. Through the new company intranet and regular company meetings, we are also focused on finding, sharing and celebrating stories of these values and behaviours in action.

Investor relations

The directors seek to build a mutual understanding of objectives between the Company and its shareholders by meetings with major institutional investors and analysts after the Company's preliminary announcement of its year-end results and its interim results. For private investors, we conduct interviews via Proactive Investor and maintain dedicated subcontract resource to answer direct queries, in addition to the activities of the newly recruited SVP Head of Communications. The Company also maintains investor relations pages on its website (www.synairgen.com) to increase the amount of information available to investors.

There is an opportunity at the Annual General Meeting for shareholders to question the Chairman, the Chairpersons of the Audit and Remuneration and Nomination committees, and the executive directors. Notice of the meeting is sent to shareholders at least 21 clear days before the meeting. Shareholders are given the opportunity to vote on each separate issue. The Company counts all proxy votes and indicates the level of proxies lodged on each resolution, after it has been dealt with by a show of hands or otherwise via poll. Details of the proxies lodged are also published on the Company's website. Details of the resolutions and explanations thereto are included with the notice.

Internal control and risk management

The directors are responsible for establishing and maintaining the Group's system of internal control and reviewing its effectiveness. The system of internal control is designed to mitigate, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The main features of the internal control system are as follows:

- A control environment exists through the close management of the business by the executive directors. The Group has a defined organisational structure with delineated approval limits. Controls are implemented and monitored by personnel with the necessary qualifications and experience;
- A list of matters reserved for Board approval;
- Monthly management reporting and analysis of variances;
- Regular financial reforecasts;
- Financial risks for each major transaction are identified and evaluated by the Board; and
- Standard financial controls operate to ensure that the assets of the Group are safeguarded and that proper accounting records are maintained.

The Company maintains a summary risk register which is reviewed by the Board on an annual basis. The principal risks and uncertainties facing the Group, with mitigation strategies, are set out in the Strategic Report on pages 12 to 15. Project risk management is continually evaluated by weekly project meetings and other management tools. IT risk is covered at bi-annual meetings with external IT advisers. A Health and Safety report is reviewed by the Board.

Simon Shaw
Chairman

24 May 2022

Directors' Remuneration Report

In September 2018 the Company adopted the QCA Corporate Governance Code which includes the requirement to prepare a remuneration committee report. This report includes and complies with the disclosure obligations of the AIM Rules.

As outlined in the Strategic Review, 2021 was a significant year for the Group with considerable progress on its drug pipeline including its SNG001 treatment for possible use in COVID-19. However, in light of the developments in 2022 with regards to the SPRINTER trial results, the Company does not consider it appropriate to award any bonuses to executive directors in respect of 2021.

Remuneration Committee

The Company's remuneration policy is the responsibility of the Remuneration and Nomination Committee (the 'Committee'), which was established in October 2004. The terms of reference of the Committee are outlined in the Corporate Governance Statement on page 20. The members of the Committee are Iain Buchanan (Chairman), Dr Bruce Campbell and Simon Shaw.

The Committee, which is required to meet at least twice a year, met five times during the year ended 31 December 2021 and considered the pay of the executive directors and ensured it understood pay arrangements more broadly across the Group. The Chief Executive Officer and certain executives may be invited to attend meetings of the Committee to assist it with its deliberations, but no executive is present when his or her own remuneration is discussed.

During the year, the Committee has been advised on director remuneration by its retained independent remuneration adviser, FIT Remuneration Consultants LLP. No other advice has been provided to the Group by this firm during the year.

Remuneration policy

(i) Executive remuneration

The Committee has a duty to establish a remuneration policy which will enable it to attract and retain individuals of the highest calibre to run the Group. Its policy is to ensure that the executive remuneration packages of executive directors and the fee of the Chairman are appropriate given performance, scale of responsibility, experience, and consideration of the remuneration packages for similar executive positions in companies it considers to be comparable. Packages are structured to motivate executives to achieve the highest level of performance in line with the best interests of shareholders. A significant element of the total remuneration package, in the form of bonus and Long-Term Incentive Plan ('LTIP') awards, is performance driven.

Executive remuneration currently comprises a base salary, an annual performance-related bonus, LTIP participation, a 6% pension contribution either to the executive director's individual money purchase scheme or, as a salary supplement (after deducting an amount to reflect employer's NICs to ensure that the overall cost to the employer is not increased) and other typical benefits including family private health cover, permanent health and life assurance.

During 2021, a benchmarking exercise was undertaken across the workforce. Salaries and benefits have therefore been reviewed with effect from 1 January 2021, taking into account Group and individual performance, external benchmark information and internal relativities. As a consequence of this review, executive director salaries were increased by 12%, which was consistent with the level awarded to staff generally. Given the significant accomplishments made in 2020, this award is considered merit-based and modest when benchmarked against equivalently-sized companies, demonstrating that the Committee is being conscious of the need to both show restraint and ensure that colleagues are appropriately but not excessively paid in a sector currently subject to intense skills shortages.

Given the pace of developments at the Company and the need to hire below Board level executives on higher salaries than those of our long-serving executive directors, the salaries were reviewed again from 1 August 2021 and increased as set out below.

	1 January 2021 to 31 July 2021		From 1 August 2021	
	Salary per annum (£000)	Maximum bonus as a % of salary	Salary per annum (£000)	Maximum bonus as a % of salary
Richard Marsden	217	100%	310	100%
Dr Phillip Monk	157	100%	225	100%
John Ward	169	100%	225	100%

The executive directors' pension contributions were initially frozen as at 1 January 2021 at 9% of 2020 salaries, but subsequently reduced to 6% of salary (with effect from 1 August 2021) to align with colleagues generally. If the recipient takes cash in lieu of a contribution to a registered pension, the amount payable is reduced to ensure that the total cost to the employer (inclusive of employers' NICs) is not increased.

No salary increases took effect on 1 January 2022 and none are anticipated for 2022.

Executive directors are also rewarded for improvements in the performance of the Group sustained over a period of years in the form of LTIP awards granted on a discretionary basis by the Committee.

Directors' remuneration for the year ended 31 December 2021 is set out on page 26 of this document.

(ii) Chairman and non-executive director remuneration

Following an external review of peer group companies and in light of the increased time commitments set out on page 19 with reference to the change to monthly Scheduled Board meetings, with effect from 1 October 2021 the fee payable to the Chairman increased from £45,000 to £85,000 per annum, a fee for the non-executive directors increased from £25,000 to £45,000 (noting that this fee for non-executive directors had not increased since 2014) and a fee of £5,000 will continue to be paid to non-executive directors who chair either the Audit or Remuneration and Nomination committees. Of the on-going £275,000 per annum aggregate remuneration payable to the Chairman and non-executive directors, £200,000 is remuneration for their appointed services and £75,000 is ascribed to special services performed beyond their normal duties on account of the increased frequency of Board meetings.

(iii) Annual bonus plan

The Company operates a discretionary bonus scheme for executive directors for delivery of exceptional performance against pre-set relevant corporate objectives, which are subject to malus and clawback provisions within an overall cap of 100% of salary. No bonuses were awarded in respect of 2021.

(iv) Equity-based incentive schemes

The Committee strongly believes that long-term equity-based incentive schemes increase the focus of employees in improving Group performance, while at the same time providing a strong incentive for retaining and attracting individuals of a high calibre.

Long-Term Incentive Plan (LTIP)

The Synairgen LTIP, comprising conditional (performance-related) share awards (technically structured as nominal cost options, pursuant to which participants must pay 1p per share on the exercise of their awards) is the sole long-term incentive vehicle for executive directors.

Senior executives and other employees may be granted an award, which will normally vest if demanding performance conditions are achieved over a three-year period and if the grantee remains an employee of the Group.

Grants under the LTIP in any financial year are capped at a maximum of 100% of base salary.

As indicated in last year's report, an LTIP award was made in June 2021 during the six week period following the preliminary announcement of the results for the year ended 31 December 2020, with each of Richard Marsden, Phillip Monk and John Ward being granted awards over shares worth 100% of salary with performance conditions as set out below.

The Committee intends to make a similar LTIP award (the 2022 award) during the six-week period following the preliminary announcement of the results for the year ended 31 December 2021, with each of Richard Marsden, Phillip Monk and John Ward being granted awards over shares worth up to 100% of salary with vesting and performance conditions similar to the 2021 LTIP award. Recognising the significant fall in share price in 2022, consistent with good practice, the Committee will bear this in mind when determining the number of shares over which the 2022 award should be granted.

Executive directors are expected to retain no fewer than 50% of shares acquired upon vesting of awards under the LTIP, net of shares sold to pay taxes, until such time as, in combination with any other shares the executives may have acquired, they hold shares with a value equivalent to 100% of base salary.

All awards will lapse at the end of the applicable performance period to the extent that the applicable performance conditions have not been satisfied with no opportunity for retesting. In the event of a "good leaver" event or a change of control of the Company, the LTIP awards may vest early, but only to the extent that, in the opinion of the Committee, the performance conditions have been satisfied at that time. The awards will generally also be subject to a time pro-rated reduction to reflect the reduced period of time between the grant of the awards and the time of vesting although this reduction may not be applied in certain cases.

Directors' Remuneration Report
(continued)

Performance conditions for the 2018-2021 LTIP awards

The performance conditions for all four awards were the same. The awards are subject to two conditions. Firstly, awards will only vest to the extent that the percentage increase in the total shareholder return ('TSR', being the return earned by a shareholder over the performance period in terms of change in the share price and assuming re-investment of any dividends in more shares at the prevailing price on the relevant ex-dividend date) of the Company over the three year performance period is equal or greater than the percentage increase in the techMARK Mediscience™ Index over the same period as follows:

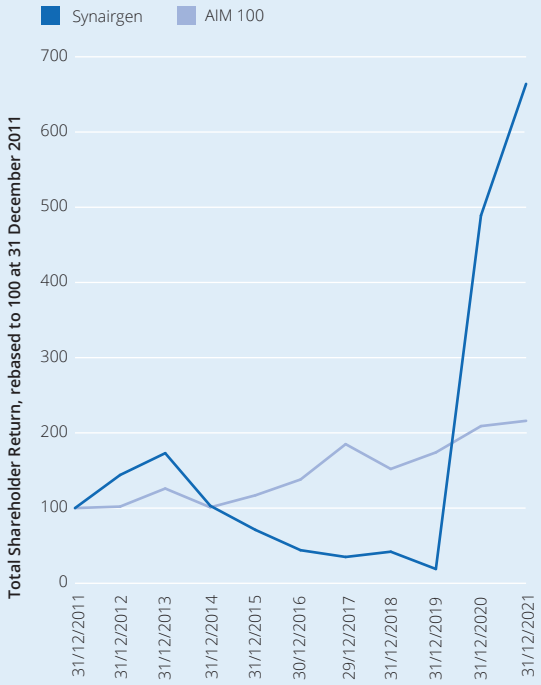
TSR growth over the performance period less percentage increase in the techMARK Mediscience™ Index over the same period	Vesting percentage of total number of shares subject to award
Less than 10%	0%
10%	25%
20%	50%
30%	100%
Performance between the steps	Pro-rata on a straight-line basis

Secondly, no award will vest unless the average annual growth in the TSR of the Company over the performance period is equal to or greater than RPI plus 2% or, for more than 75% of an award to vest, annual average TSR must exceed RPI by at least 5% rather than 2%.

During the year the 2018 LTIP award and, post period-end, the 2019 LTIP award both vested in full, having met all the performance conditions.

TSR Performance

The latest guidelines from the QCA encourage companies to include a chart showing its TSR performance over the preceding 10 years relative to a recognised index. While the Company has principally focused on the techMARK Mediscience™ Index, it does not formally publish a TSR based index, so the AIM100 has been used below. This is a statutory chart, and the Committee recognises that the share price has fallen following the year-end.



Source: Datastream (a Refinitiv Product)

(v) Service contracts and letters of appointment

The executive directors have entered into service agreements which can be terminated on six months' notice by either party. As reported last year, in February 2021, Richard Marsden's notice period was amended from six months to 12 months from either party.

During the year ended 31 December 2021, the executive directors did not hold any non-executive directorships with other companies.

The Chairman and non-executive directors have entered into letters of appointment for an initial fixed period of 12 months, which renew automatically for a further 12-month period on the anniversary of commencement. The appointment can be terminated on three months' notice by either party.

Directors' interests in share options

The interests of directors in share options over ordinary shares during the year were as follows:

Synairgen Long-Term Incentive Plans

Date of grant	At 1 January 2021	Granted during the year	Exercised during the year	At 31 December 2021	Exercise price	Earliest exercise date	Expiry date
Richard Marsden							
21 September 2011	538,063	–	(538,063)	–	1p	21 Sept 2014	20 Sept 2021
5 April 2018	880,903	–	–	880,903	1p	5 April 2021	4 April 2028
4 April 2019	772,167	–	–	772,167	1p	4 April 2022	3 April 2029
18 June 2020	490,817	–	–	490,817	1p	18 June 2023	17 June 2030
4 June 2021	–	135,626	–	135,626	1p	4 June 2024	3 June 2031
Dr Phillip Monk							
21 September 2011	400,212	–	(400,212)	–	1p	21 Sept 2014	20 Sept 2021
5 April 2018	636,208	–	–	636,208	1p	5 April 2021	4 April 2028
4 April 2019	557,679	–	–	557,679	1p	4 April 2022	3 April 2029
18 June 2020	354,483	–	–	354,483	1p	18 June 2023	17 June 2030
4 June 2021	–	97,953	–	97,953	1p	4 June 2024	3 June 2031
John Ward							
21 September 2011	489,148	–	(489,148)	–	1p	21 Sept 2014	20 Sept 2021
5 April 2018	685,147	–	–	685,147	1p	5 April 2021	4 April 2028
4 April 2019	600,575	–	–	600,575	1p	4 April 2022	3 April 2029
18 June 2020	381,749	–	–	381,749	1p	18 June 2023	17 June 2030
4 June 2021	–	105,487	–	105,487	1p	4 June 2024	3 June 2031

There were no other options granted to directors or which were exercised or lapsed during the year.

The mid-market price of the Company's shares at 31 December 2021 was 208.0p. During the year then ended, the mid-market price ranged from 98.0p to 212.6p. On 24 May 2022 the closing price was 34.8p.

Audited information

The following section (Directors' remuneration) contains the disclosures required by Schedule 5 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, forms part of the financial statements for the year ended 31 December 2021 and has been audited by the Company's auditor, BDO LLP.

Directors' Remuneration Report
(continued)

Directors' remuneration

The remuneration received by directors who served during the years ended 31 December 2021 and 2020 was as follows:

		Year ended 31 December 2021						Year ended 31 December 2020		
	Notes	Salary/fee £000	Bonus £000	Benefits (iii) £000	Total (excl. pension) £000	Pension (iv) £000	Total (incl. pension) £000	Total (excl. pension) £000	Pension £000	Total (incl. pension) £000
Executive directors										
Richard Marsden	(i)	**256**	**–**	**2**	**258**	**16**	**274**	398	17	415
Dr Phillip Monk		**185**	**–**	**2**	**187**	**15**	**202**	289	13	302
John Ward		**192**	**–**	**3**	**195**	**12**	**207**	311	13	324
Non-executive directors										
Simon Shaw		**55**	**–**	**–**	**55**	**–**	**55**	45	–	45
Iain Buchanan		**35**	**–**	**–**	**35**	**–**	**35**	30	–	30
Dr Bruce Campbell		**30**	**–**	**–**	**30**	**–**	**30**	25	–	25
Theodora Harold	(ii)	**13**	**–**	**–**	**13**	**–**	**13**	–	–	–
Prof. Sir Stephen Holgate		**30**	**–**	**–**	**30**	**–**	**30**	25	–	25
Total		**796**	**–**	**7**	**803**	**43**	**846**	1,123	43	1,166

(i) Richard Marsden was the highest paid director during the year ended 31 December 2021, earning a total of £274,000 as set out above. In addition, he made a gain (before tax and NICs) on the exercise of 538,063 options amounting to £748,000 and Dr Monk and Mr Ward made gains of £556,000 and £680,000 on the exercise of 400,212 and 489,148 options respectively. Since 2015, none of the executive directors have sold any shares other than to fund the exercise costs and related taxes arising from the exercise of share options.

(ii) Theodora Harold was appointed as a non-executive director on 30 September 2021.

(iii) The Company permits employees, including executive directors, to change their pension provision through an election under a flexible benefits arrangement. The reported numbers are before any personal elections.

In respect of key management personnel (the three executive directors), for the year ended 31 December 2021, the total share-based payment amounted to £250,000 (2020: £152,000) and total social security costs were £212,000 (2020: £200,000).

On behalf of the Board

Iain Buchanan
Chairman of the Remuneration and Nomination Committee

24 May 2022

Report of the Audit Committee
for the year ended 31 December 2021

Constitution and membership

The Audit Committee (the 'Committee') has primary responsibility for ensuring that the financial performance of the Group is properly measured and reported on. It was established in October 2004 and its terms of reference are outlined in the Corporate Governance Statement on page 20.

With effect from her appointment as a director of the Company on 30 September 2021, Theodora Harold became Chair of the Committee in place of Simon Shaw. At the same time Dr Bruce Campbell stood down from the Committee. For the remainder of the year under review and at the date of this report the members of the Committee are Theodora Harold (Chairman), Iain Buchanan and Simon Shaw.

Matters covered by the Committee

The Committee, which is required to meet at least twice a year, met twice during the year ended 31 December 2021, with all members attending all meetings, and covered the following matters:

- Mar 2020: audit completion meeting for the 2020 year-end audit including reviews of: the support for Synairgen plc's investment in Synairgen Research Limited; the financial forecast to support the Group's ability to account on a going concern basis; the auditor's report on the audit; and the annual report.
- September 2021: interim report completion meeting for 2021, including agreement of scope and materiality and reviews of: the financial forecast to support the Group's ability to account on a going concern basis; the report from the Company's auditors; and the interim statement.

Post 31 December 2021, the Committee has met twice:

- January 2022: planning meeting for the 2021 year-end audit, including agreement of audit scope, materiality, areas of audit focus, audit fees and auditor independence.
- May 2022 for the audit completion meeting for the 2021 year-end audit including reviews of: the support for Synairgen plc's investment in Synairgen Research Limited; the financial forecast to support the Group's ability to account on a going concern basis; the accounting for clinical trial costs; the research and development tax audit; the auditor's report on the audit; and the annual report.

BDO, the Company's auditors, were present at all meetings. John Ward, the Group's Chief Financial Officer, was present at all meetings except for when his performance was being discussed by the Committee.

Auditor independence

As set out in the Corporate Governance Statement on page 20, in certain circumstances it was permitted by the Board for the auditors to supply non-audit services (in the provision of tax advice, or on specific projects where they can add value). The Committee has approved and monitored the application of this policy in order to safeguard auditor objectivity and independence. The overall fees paid to the auditors for tax advice during the year (as detailed in note 4 to the Financial Statements) amounted to £252,000. £65,000 of these fees relate to UK and international tax compliance services. The majority of the remaining tax advice was for international tax planning advice in preparation for a potential launch. While the Committee notes that the non-audit fees are in excess of the audit fees, it has confirmed that the amount of the audit fees are not material to BDO or the audit partner concerned. The Committee therefore considers that the amount of non-audit fees does not impair the independence of BDO as auditor.

As of 1 January 2022 the Company became an Other Entity of Public Interest (OEPI) on account of its average market capitalisation at 1 January 2020, 2021 and 2022 exceeding Euro 200 million and one of the consequences of this was that from that date the auditors are no longer permitted to provide non-audit services. As a result, the Group completed an orderly transfer of taxation and company secretarial services to other providers by 31 December 2021.

Internal audit function

The Group does not have an internal audit function, but the Committee considers that this is appropriate, given the size and relative lack of complexity of the Group at this stage in its development. The Committee keeps this matter under review annually.

On behalf of the Board

Theodora Harold
Chair of the Audit Committee

24 May 2022

Directors' Report

The directors present their report and the audited financial statements for Synairgen plc (the 'Company') and its subsidiaries (together the 'Group') for the year ended 31 December 2021.

The review of future developments is covered in the Outlook section of the Strategic Report. Details of directors' remuneration and share options are given in the Directors' Remuneration Report.

Research and development

During the year ended 31 December 2021, the Group has invested £52,857,000 (2020: £15,495,000) in research and development activities and a review of this expenditure is included in the Strategic Report. The outcome of the Phase 3 clinical trial was announced after the year-end and is discussed in both the Strategic Report and note 21 to the financial statements on page 58.

Going concern

The directors have prepared financial forecasts to estimate the likely cash requirements of the Group over the period to 30 June 2023, given its stage of development and lack of recurring revenues. In preparing these financial forecasts, the directors have made certain assumptions with regards to the timing and amount of future expenditure over which they have control and also the timing of receipt of the research and development tax credit from HMRC. The directors have taken a prudent view in preparing these forecasts.

The Group's available resources are sufficient to cover the Group's plans to engage with government bodies and contribute labelled drug product towards a platform study, design a broad-spectrum antiviral clinical trial, engage with pharmaceutical companies regarding collaboration/outlicensing opportunities for that broad indication and engage with existing and potential investors in the Group regarding a public equity raise, if required (full details of these plans can be found in the Strategic Report). Regardless of the outcome of these plans, which are uncertain, the Group's available resources are sufficient to cover existing committed costs and the costs of these planned activities until at least 30 June 2023.

After due consideration of these forecasts and current cash resources, the directors consider that the Group has adequate financial resources to continue in operational existence for the foreseeable future (being a period of at least 12 months from the date of this report) and, for this reason, the financial statements have been prepared on a going concern basis.

Treasury policy and financial risk management

The Group's treasury and financial risk management policies are set out in note 16 to the financial statements on pages 53 and 54.

Dividends

The directors do not propose the payment of a dividend.

Substantial shareholdings

As at 24 May 2022, the Company had been advised of the following shareholder with an interest of 3% or more in its ordinary share capital:

Name of shareholder	Number of ordinary shares	% of share capital
TFG Asset Management UK LLP	52,401,577	26.0%

Directors

The directors of the Company during the year ended 31 December 2021 were:

Executive directors:
Richard Marsden (Chief Executive Officer)
Dr Phillip Monk (Chief Scientific Officer)
John Ward (Chief Financial Officer)

Non-executive directors:
Simon Shaw (Chairman)
Iain Buchanan
Dr Bruce Campbell
Theodora Harold (appointed 30 September 2021)
Prof. Sir Stephen Holgate CBE

Directors' interests in ordinary shares

The directors, who held office at 31 December 2021, had the following interests in the ordinary shares of the Company:

	At 31 December 2021	At 1 January 2021
	Number of shares	Number of shares
Richard Marsden (i)	**995,771**	754,667
Dr Phillip Monk	**423,934**	244,600
John Ward	**734,092**	514,907
Simon Shaw (ii)	**1,531,239**	1,531,239
Iain Buchanan	**112,741**	112,741
Dr Bruce Campbell (iii)	**322,830**	322,830
Theodora Harold (iv)	**–**	n/a
Prof. Sir Stephen Holgate (v)	**886,931**	886,931

(i) Richard Marsden's shareholding includes 184,821 shares held in his pension plan.

(ii) Simon Shaw's shareholding includes 105,516 shares held in his pension plan.

(iii) Dr Bruce Campbell's shareholding includes 40,299 owned by his wife, Susan Campbell.

(iv) Theodora Harold had no shareholding in the Company at her date of appointment (30 September 2021).

(v) Prof. Sir Stephen Holgate's shareholding includes 1,923 shares owned by his wife, Elizabeth Holgate.

Directors' and officers' liability insurance

Qualifying indemnity insurance cover has been arranged in respect of the personal liabilities which may be incurred by directors and officers of the Group during the course of their service with the Group. This insurance has been in place during the year and to the date of this report.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

By order of the Board

Simon Holden
Company Secretary

24 May 2022

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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 the Group financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website Publication

The directors are responsible for ensuring the annual report and financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By order of the Board

Simon Holden
Company Secretary

24 May 2022

Independent auditor's report to the members of Synairgen plc

Opinion on the 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 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Synairgen plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Parent Company Balance Sheet, the Parent Company Statement of Changes in Equity and the notes to the Consolidated and Parent Company financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included evaluating the following:

- The Directors' method for assessing going concern, including the relevance and reliability of underlying data used to make the assessment, and whether assumptions and changes to assumptions from prior years are appropriate and where relevant consistent with each other. The assumptions were assessed against the Group's development plans and committed expenditure.
- The Directors' plans for future actions in relation to the going concern assessment including whether such plans are feasible in the circumstances.
- The Directors' stress-testing of the forecasts to the extent of reasonable worst-case scenarios, solely in relation to their estimates of planned operational costs which are not fixed.
- The adequacy and appropriateness of disclosures in the financial statements regarding the going concern assessment.

We carried out the above procedures through using our understanding of the business model, objectives, strategies and related business risk, the measurement and review of the entity's financial performance, forecasting and budgeting processes and the entity's risk assessment process.

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

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

Independent auditor's report to the members of Synairgen plc
(continued)

Overview

Coverage	100% (2020: 100%) of Group loss before tax 100% (2020: 100%) of Group total assets		
Key audit matters		**2021**	**2020**
	Clinical trial and manufacturing cost accounting	✓	✓
Materiality	Group financial statements as a whole £2,300,000 (2020: £900,000) based on 4% (2020: 5%) of the loss before tax.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group's operations are based solely in Southampton, United Kingdom.

Synairgen plc and Synairgen Research Limited, are considered significant components and were subject to full-scope audits by the group audit team. Other subsidiaries incorporated in 2021 for planned operations in 2022 onwards, were considered to be not significant based on their size and risk.

Key audit matters

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

Key audit matter		How the scope of our audit addressed the key audit matter
Clinical trial and manufacturing cost accounting The accounting policy in respect of the accounting for manufacturing activities is included within the Inventories accounting policy on page 43; the accounting policy in respect of research and development activities is included within the Research and development accounting policy on page 42; significant balance sheet items in relation to clinical trial and manufacturing activities are included in notes 13 & 15.	Due to the nature of clinical trials, drug manufacturing processes and general research, it is often difficult to estimate the length of time a particular research process is going to take. This is reinforced by the fact that such activities are often contracted to third parties. As a result, it can be challenging for the entity to measure what costs have been incurred in relation to outsourced research and manufacturing at a particular point in time and as such, based on billings received, whether project accruals and prepayments recorded are reasonably estimated. Our audit risk was focused on whether the relevant expenditure has been appropriately included in the income statement, whether the expenditure included is complete and whether prepayments and accruals were appropriately calculated and recognised.	We have assessed the key terms of all material ongoing third party research and drug manufacturing agreements to understand the nature of the goods or services provided, the total contracted costs and, where relevant, milestone payments. We tested a sample of invoices received in accordance with the research and drug manufacturing agreements and considered their content to determine the correct accounting treatment and if the expenditure was appropriately recorded within the financial statements. We selected the largest suppliers by turnover and obtained third-party supplier confirmations of the liability at year end. We tested the completeness of management's calculation of the accruals position by selecting a sample of significant purchase orders raised in the final quarter of the year and checking that, based on evidence such as invoices received and third party confirmations, the associated costs had been recognised in the appropriate accounting period. We also considered the completeness of related accruals through testing a sample of invoices recorded post year end checking that, based on the terms of the service, they had been accounted for in the correct period. In addition, we inspected board meeting minutes for evidence of any significant contracts entered that might require cost accruals that had not been recognised. **Key observations:** We consider the Group's related accounting policies to have been appropriately applied, in the recording of research and development expenditure, related prepayments and accruals in the financial statements.

Independent auditor's report to the members of Synairgen plc
(continued)

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Parent company financial statements	
	2021 £000	2020 £000	2021 £000	2020 £000
Materiality	**2,300**	900	**1,420**	550
Basis for determining materiality	4% (2020: 5%) of loss before tax		60% of Group materiality	60% of Group materiality
Rationale for the benchmark applied	Loss before tax is considered to be one of the principal considerations for the users of the financial statements in assessing the financial performance of the Group. Due to the increased activity during the year, we have lowered our percentage threshold applied.		Capped 60% (2020: 60%) of Group materiality given the assessment of the components aggregation risk.	
Performance materiality	**1,725**	675	**1,065**	415
Basis for determining performance materiality	75% of materiality based on a low expected total value of known and likely misstatements.			

Component materiality

Aside from the Parent company, there is only one additional significant component – being the trading subsidiary Synairgen Research Limited. The materiality for this component was set at £2,000,000 (2020: £800,000), based on 90% (2020: 90%) of Group materiality. In the audit of this component, we further applied a performance materiality level of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £46,000 (2020: £18,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: → the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and → the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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

Independent auditor's report to the members of Synairgen plc
(continued)

We focused on laws and regulations that could give rise to a material misstatement in the Group financial statements and the susceptibility of the entity's financial statements to material misstatement, including fraud. Our procedures included, but were not limited to:

- Evaluation of management incentives and opportunities for fraudulent manipulation of the financial statements including management override;
- This evaluation involved a particular focus on the judgements and estimates inherent in clinical trial accounting and exercising professional scepticism in considering the impact of those estimates and judgements on the reported results and key performance measures such as the loss before tax;
- The evaluation also involved gaining an understanding of management remuneration schemes and the extent to which remuneration is influenced by reported results;
- Discussions with Directors and the Audit Committee regarding known or suspected instances of non-compliance with laws and regulations;
- Discussions with Directors and the Audit Committee regarding known or suspected instances of fraud;
- Obtaining and understanding of controls designed to prevent and detect irregularities;
- Review of board meeting minutes for any evidence of fraud or non-compliance with laws and regulations including Companies Act 2006; AIM listing requirements; financial reporting framework; health and safety; taxation regulations; and drug development regulatory authorities; and
- Testing of journal entries to accounts that are considered to carry a greater risk of fraud as part of our planned audit approach.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Oliver (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Reading
United Kingdom

24 May 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Research and development expenditure		**(52,857)**	(15,495)
Other administrative expenses		**(5,009)**	(2,246)
Total administrative expenses and loss from operations		**(57,866)**	(17,741)
Finance income	6	**11**	19
Finance expense	6	**(2)**	(10)
Loss before tax		**(57,857)**	(17,732)
Tax	7	**9,194**	3,816
Loss and total comprehensive loss for the period attributable to equity holders of the parent		**(48,663)**	(13,916)
Loss per ordinary share			
Basic and diluted loss per share (pence)	8	**(24.28)p**	(9.46)p

Consolidated Statement of Changes in Equity
for the year ended 31 December 2021

	Share capital £000 18a	Share premium £000 18b	Merger reserve £000 18c	Retained deficit £000 18d	Total £000
At 1 January 2020	1,094	28,262	483	(27,586)	2,253
Issue of ordinary shares	905	100,170	–	–	101,075
Transaction costs in respect of share issues	–	(3,187)	–	–	(3,187)
Recognition of share–based payments	–	–	–	207	207
Net settlement of share options	–	–	–	(1,291)	(1,291)
Loss and total comprehensive loss for the year	–	–	–	(13,916)	(13,916)
At 31 December 2020	1,999	125,245	483	(42,586)	85,141
Issue of ordinary shares	14	–	–	–	14
Recognition of share–based payments	–	–	–	508	508
Loss and total comprehensive loss for the year	–	–	–	(48,663)	(48,663)
At 31 December 2021	**2,013**	**125,245**	**483**	**(90,741)**	**37,000**

Consolidated Statement of Financial Position
as at 31 December 2021

	Notes	31 December 2021 £000	31 December 2020 £000
Assets			
Non-current assets			
Intangible assets	9	**53**	44
Property, plant and equipment	10	**173**	250
Right-of-use assets	11	**–**	94
		226	388
Current assets			
Inventories	12	**–**	41
Current tax receivable	7	**9,055**	3,771
Trade and other receivables	13	**1,530**	9,372
Cash and cash equivalents	14	**33,827**	74,976
		44,412	88,160
Total assets		**44,638**	88,548
Liabilities			
Current liabilities			
Trade and other payables	15	**(7,638)**	(3,279)
Lease liabilities	11	**–**	(128)
Total liabilities		**(7,638)**	(3,407)
Total net assets		**37,000**	85,141
Equity			
Capital and reserves attributable to equity holders of the parent			
Share capital	17	**2,013**	1,999
Share premium	17	**125,245**	125,245
Merger reserve	18	**483**	483
Retained deficit	18	**(90,741)**	(42,586)
Total equity		**37,000**	85,141

The financial statements on pages 37 to 58 were approved and authorised for issue by the Board of directors on 24 May 2022 and signed on its behalf by:

Richard Marsden
Chief Executive Officer

John Ward
Chief Financial Officer

Consolidated Statement of Cash Flows
for the year ended 31 December 2021

	Notes	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Cash flows from operating activities			
Loss before tax		**(57,857)**	(17,732)
Adjustments for:			
Finance income		**(11)**	(19)
Finance expense		**2**	10
Lease adjustment		**(4)**	–
Depreciation of property, plant and equipment		**92**	90
Depreciation of right-of-use assets		**94**	161
Amortisation of intangible fixed assets		**9**	9
Share-based payment charge		**508**	207
Cash flows from operations before changes in working capital		**(57,167)**	(17,274)
Decrease in inventories		**41**	–
Decrease/(Increase) in trade and other receivables		**7,841**	(9,244)
Increase in trade and other payables		**4,359**	1,789
Cash used in operations		**(44,926)**	(24,729)
Tax credit received		**3,910**	910
Net cash used in operating activities		**(41,016)**	(23,819)
Cash flows from investing activities			
Interest received		**12**	31
Purchase of intangible assets		**(18)**	(37)
Purchase of property, plant and equipment		**(15)**	(39)
Net cash used in investing activities		**(21)**	(45)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**14**	101,075
Transaction costs in respect of share issues		**–**	(3,187)
Net settlement of share options		**–**	(1,291)
Principal paid on lease liabilities		**(124)**	(196)
Interest paid on lease liabilities		**(2)**	(15)
Net cash (used in)/generated from financing activities		**(112)**	96,386
(Decrease)/Increase in cash and cash equivalents		**(41,149)**	72,522
Cash and cash equivalents at beginning of the year		**74,976**	2,454
Cash and cash equivalents at end of the year	14	**33,827**	74,976

Notes to the Consolidated Financial Statements
for the year ended 31 December 2021

1. Accounting policies

Basis of preparation

The Group financial statements have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

The accounting policies adopted are consistent with those of the previous financial year.

New standards, interpretations and amendments adopted from 1 January 2021

With effect from 1 January 2021, the Group adopted the amendments to existing standards set out below that are effective for an annual period that begins on or after 1 January 2021:

- Amendments to IFRS 4 - Insurance Contracts
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2
- Amendments to IFRS 16 - COVID-19-Related Rent Concessions

The adoption of these amendments has not had a material impact on the disclosures or on the amounts reported in the Group's financial statements.

New standards, interpretations and amendments not yet effective

At the date of approval of these Group financial statements, the Company had not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

Effective 1 January 2022 – adopted by UK Endorsement Board (UKEB):

- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)
- Amendments to IAS 16 – Proceeds before Intended Use
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IFRS 3 – References to Conceptual Framework

Effective 1 January 2023 – adopted by UKEB:

- IFRS 17 – Insurance contracts

Effective 1 January 2023 – not yet adopted by UKEB

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
- Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The Company does not expect the adoption of these IFRS amendments will have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

The Group financial statements are presented in Sterling.

Going concern

The directors have prepared financial forecasts to estimate the likely cash requirements of the Group over the period to 30 June 2023, given its stage of development and lack of recurring revenues. In preparing these financial forecasts, the directors have made certain assumptions with regards to the timing and amount of future expenditure over which they have control and also the timing of receipt of the research and development tax credit from HMRC. The directors have taken a prudent view in preparing these forecasts.

The Group's available resources are sufficient to cover the Group's plans to engage with government bodies and contribute labelled drug product towards a platform study, design a broad-spectrum antiviral clinical trial, engage with pharmaceutical companies regarding collaboration/outlicensing opportunities for that broad indication and engage with existing and potential investors in the Group regarding a public equity raise, if required (full details of these plans can be found in the Strategic Report). Regardless of the outcome of these plans, which are uncertain, the Group's available resources are sufficient to cover existing committed costs and the costs of these planned activities until at least 30 June 2023.

After due consideration of these forecasts and current cash resources, the directors consider that the Group has adequate financial resources to continue in operational existence for the foreseeable future (being a period of at least 12 months from the date of this report) and, for this reason, the financial statements have been prepared on a going concern basis.

1. Accounting policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (as detailed in note 4 to the Parent Company Financial Statements on page 63) made up to the reporting date. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The formation of the Group arose from merger accounting and as the business combination took place prior to 1 July 2006, the date of transition to IFRS, the transaction has not been restated as permitted by IFRS 1 "First-time Adoption of International Financial Reporting".

Revenue

Revenue is stated net of value added tax.

The Group's licensing and collaboration agreement with Pharmaxis in respect of the jointly developed LOXL2 inhibitors was renegotiated in December 2017. No substantive performance obligations on the Group remained at 1 January 2020. Revenue from other amounts which may be received in future under this agreement, will be recognised when a reliable estimate can be made, which is likely to be when the partner's income has been earned and the Group's share is contractually due.

Research and development

All ongoing research expenditure is currently expensed in the period in which it is incurred.

Due to the regulatory and other uncertainties inherent in the development of the Group's products, the criteria for development costs to be recognised as an asset, as set out in IAS 38 "Intangible Assets", are not met until a product has been submitted for regulatory approval and it is probable that future economic benefit will flow to the Group. The Group currently has no such qualifying expenditure.

Employee benefits

All employee benefit costs, notably salaries, holiday pay, bonuses and contributions to personal defined contribution pension schemes are charged to the consolidated statement of comprehensive income on an accruals basis.

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where vested share options are exercised by the participants but settled by the Company net of shares withheld to meet the participant's tax and NIC liabilities ('net settlement'), the payment to meet such tax and NIC liabilities is treated as a deduction to equity to the extent that the payment equates to the settlement date fair value of the shares withheld, and in the consolidated statement of cash flows is included within cash flows from financing activities.

Intangible assets

Intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses. Patent costs are amortised over ten years on a straight-line basis and the amortisation cost is charged to research and development expenditure in the consolidated statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line basis at rates calculated to write off the cost of property, plant and equipment less their estimated residual value over their expected useful lives, which are as follows:

Computer equipment:	3 years
Laboratory and clinical equipment:	5 years

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Inventories

Inventories of products approved for sale are stated at the lower of cost and net realisable value.

Raw materials inventory purchased and associated processing/manufacturing costs, related to therapeutics produced for clinical trial purposes or commercial use ahead of regulatory approval, are expensed as incurred through research and development expenditure.

Where inventory manufacturers invoice in advance of the manufacturing activities, the invoice is recorded as a prepayment within trade and other receivables.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets as financial assets held at amortised cost.

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Group's financial assets measured at amortised cost comprise trade and other receivables, other financial assets and cash and cash equivalents in the consolidated statement of financial position. Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

Financial liabilities

The Group classifies its financial liabilities as financial liabilities held at amortised cost. Trade payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes: amounts expected to be payable under any residual value guarantee; the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option; and any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for: lease payments made at or before commencement of the lease; initial direct costs incurred; and the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

1. Accounting policies (continued)

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Taxation

Income tax is recognised or provided at amounts expected to be recovered or to be paid using the tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Research and development tax credits are included as current tax receivable under current assets.

Deferred tax balances are recognised in respect of all temporary differences that have originated but not reversed by the reporting date except for differences arising on:

- Investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference could not reverse in the foreseeable future; and,
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Recognition of deferred tax assets is restricted to those instances where it is probable that a taxable profit will be available against which the temporary difference can be utilised. Deferred tax balances are not discounted.

2. Critical accounting estimates and judgements

Critical accounting estimates, assumptions and judgements are continually evaluated by management based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates.

The directors consider that the research and development tax credit recognised in respect of 2021, which amounts to £9.2 million (2020: £3.8 million), is a critical accounting estimate on account of its size and the judgements involved in determining which elements of expenditure qualify to be included in the credit.

3. Segmental analysis

The Group operates in one area of activity, namely drug discovery and development. All assets of the Group are located within the United Kingdom, with the exception of some manufacturing work in progress assets. All losses were generated in the United Kingdom.

4. Loss from operations

The loss from operations has been arrived at after charging:

	2021 £000	2020 £000
Depreciation of property, plant and equipment	**92**	90
Depreciation of right-of-use assets	**94**	161
Amortisation of intangible assets	**9**	9
Operating lease rentals payable (out of IFRS16 scope):		
Land and buildings	**31**	–
Other operating lease rentals	**39**	–

The fees for the Group's auditor, BDO LLP, for services provided are analysed below:

	2021 £000	2020 £000
Fees payable to the Company's auditor for the audit of the Group and Company financial statements	**40**	25
Fees payable to the Company's auditor for other services:		
The audit of the Company's UK subsidiary, pursuant to legislation	**26**	16
Audit-related assurance services	**8**	7
Tax compliance services	**65**	9
Tax advisory services	**187**	37
Company secretarial services	**6**	–
Total fees	**332**	94

5. Employee benefit expense

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

	2021	2020
Research	**15**	14
Administration	**9**	4
	24	18

Their aggregate remuneration comprised:

	2021 £000	2020 £000
Wages and salaries	**1,725**	1,530
Social security costs	**413**	291
Pension costs – defined contribution plans	**196**	124
Total cash-settled remuneration	**2,334**	1,945
Accrued holiday pay	**18**	59
Share-based payment	**508**	207
Total remuneration	**2,860**	2,211

For the purpose of presentation in the consolidated statement of comprehensive income, remuneration costs of £1,458,000 (2020: £1,116,000) are included in research and development expenditure and £1,402,000 (2020: £1,095,000) are included in other administrative expenses.

Key management compensation
The directors represent the key management personnel and details of their remuneration are given in the Directors' Remuneration Report.

In respect of directors' remuneration, the disclosures required by Schedule 5 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 are included in the detailed disclosures in the audited section of the Directors' Remuneration Report on page 26, which are ascribed as forming part of these financial statements.

6. Finance income and expense

Finance income represents bank interest receivable.

Finance expense represents interest expense on lease liabilities.

7. Taxation

Current tax

	2021 £000	2020 £000
UK corporation tax credit on loss for the year	**(9,055)**	(3,771)
Adjustment in respect of prior years	**(139)**	(45)
Total income tax credit	**(9,194)**	(3,816)

The tax assessed on the loss on ordinary activities for the year is different to the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are reconciled below:

	2021 £000	2020 £000
Loss on ordinary activities before tax	**(57,857)**	(17,732)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK	**(10,993)**	(3,369)
Effects of:		
Tax relief on share option exercises	**(377)**	(277)
Expenses not deductible for tax purposes	**97**	39
Enhanced research and development relief	**(6,707)**	(2,940)
Variable rates on tax losses surrendered for research and development tax credit	**2,810**	1,170
Temporary differences	**13**	10
Movement in unrecognised losses	**6,102**	1,596
Adjustment in respect of previous years	**(139)**	(45)
Total tax credit for the current year	**(9,194)**	(3,816)

Deferred taxation

Changes in tax rates and factors affecting the future tax charge

The Finance Act 2021, which was substantively enacted on 24 May 2021, increased the main UK corporation tax rate to 25% from 1 April 2023 from its existing rate of 19% and therefore the rate used to calculate any deferred tax balances at 31 December 2021 has increased from 19% to 25%.

7. Taxation (continued)

Recognised deferred taxation

	2021 £000	2020 £000
Accelerated capital allowances	**43**	(3)
Other temporary differences	**(43)**	(18)
Trading losses	**–**	21
Charge for the year	**–**	**–**

Unrecognised deferred taxation

At 31 December 2021 the Group has trading losses carried forward which are available for offset against future profits of the Group amounting to £54,490,000 (2020: £24,254,000) and non-trading losses of £3,456,000 (2020: £2,847,000). At 31 December 2021 the Group has an unrecognised deferred tax asset in respect of these losses of £14,486,000 (2020: £5,149,000). The full utilisation of these losses in the foreseeable future is uncertain and no deferred tax asset has therefore been recognised.

In addition to the deferred tax asset on losses, the Group has a potential future tax deduction on share options of £13,078,000 (2020: £8,921,000) and a deferred tax asset of £3,270,000 (2020: £1,695,000) thereon. The additional tax deduction will crystallise at the point the options are exercised. As the utilisation of this additional deduction against taxable profits in the Group is uncertain, no deferred tax asset has been recognised in respect of the future tax deduction on share options.

The movement on the unrecognised deferred tax asset comprises the following:

	2021 £000	2020 £000
Unrecognised deferred tax asset at the start of the year	**(6,844)**	(3,289)
Change in tax rate	**(2,161)**	(387)
Movement in the year	**(8,751)**	(3,168)
Unrecognised deferred tax asset at the year-end	**(17,756)**	(6,844)

8. Loss per ordinary share

	2021	2020
Loss attributable to ordinary equity holders of the parent company (£000)	**(48,663)**	(13,916)
Weighted average number of ordinary shares in issue (000)	**200,442**	147,120
Basic and diluted loss per share (pence)	**(24.28)**	(9.46)

Basic loss per share is calculated by dividing the loss attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares in issue during the year.

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic loss per share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore antidilutive under the terms of IAS 33.

9. Intangible assets

	Patent costs £000
Cost	
At 1 January 2020	212
Additions	37
At 31 December 2020	249
Additions	18
At 31 December 2021	**267**
Amortisation	
At 1 January 2020	196
Charge for the year	9
At 31 December 2020	205
Charge for the year	9
At 31 December 2021	**214**
Net book amount	
At 31 December 2021	**53**
At 31 December 2020	44
At 1 January 2020	16

At 31 December 2021 £53,000 (31 December 2020: £44,000) of the net book amount relates to interferon beta patent costs.

10. Property, plant and equipment

	Computer equipment £000	Laboratory and clinical equipment £000	Total £000
Cost			
At 1 January 2020	51	523	574
Additions	8	31	39
At 31 December 2020	59	554	613
Additions	15	–	15
At 31 December 2021	**74**	**554**	**628**
Depreciation			
At 1 January 2020	42	231	273
Charge for the year	5	85	90
At 31 December 2020	47	316	363
Charge for the year	9	83	92
At 31 December 2021	**56**	**399**	**455**
Net book value			
At 31 December 2021	**18**	**155**	**173**
At 31 December 2020	12	238	250
At 1 January 2020	9	292	301

11. Leases

During the year ended 31 December 2021, the Group had one lease with its landlord, the University of Southampton, which provides the Group with office space and access to laboratory equipment. A two-year lease was entered into with effect from 1 August 2019. From 1 August 2021 the Group has continued to make payments on the same basis pending renegotiation of the lease. Costs since 1 August 2021 are accounted for as a short-term lease applying paragraph 6 of IFRS 16 (i.e. by not recognising a lease liability and corresponding right-of-use asset).

For the two-year lease discussed above, the lease liability was measured at the present value of the contractual payments due to the lessor over the lease term using a discount rate of 5%, which was an estimate of the discount rate applicable to a property lease.

Right-of-use assets	Land and buildings £000	Plant and machinery £000	Total £000
At 1 January 2020	127	128	255
Depreciation	(80)	(81)	(161)
At 31 December 2020	47	47	94
Depreciation	(47)	(47)	(94)
At 31 December 2021	**–**	**–**	**–**

Lease liabilities	Land and buildings £000	Plant and machinery £000	Total £000
At 1 January 2020	164	164	328
Interest expense related to lease liabilities	5	5	10
Lease payments	(105)	(105)	(210)
At 31 December 2020	64	64	128
Interest expense related to lease liabilities	1	1	2
Lease adjustment	(2)	(2)	(4)
Lease payments	(63)	(63)	(126)
At 31 December 2021	**–**	**–**	**–**

Lease liabilities	Up to 3 months £000	Between 3 and 12 months £000	Between 1 and 2 years £000
At 31 December 2021	**–**	**–**	**–**
At 31 December 2020	42	86	–

Analysis of lease expense	2021 £000	2020 £000
Depreciation of right-of-use assets		
Land and buildings	**47**	80
Plant and machinery	**47**	81
Lease adjustments	**(4)**	–
Short-term lease expense	**70**	–
Charge to operating loss	**160**	161
Interest expense related to lease liabilities	**2**	10
Charge to loss before taxation for leases	**162**	171

12. Inventories

	2021 £000	2020 £000
Raw materials and consumables	**–**	41

Raw materials comprised the Group's BioBank.

13. Trade and other receivables

	2021 £000	2020 £000
Amounts receivable within one year:		
Other tax and social security	**556**	551
Prepayments and accrued income	**974**	8,821
	1,530	9,372

14. Cash and cash equivalents

	2021 £000	2020 £000
Cash available on demand	**33,827**	74,976

At 31 December 2021, £5,004,000 was on 35 days' notice (2020: £5,000,000 on 35 days' notice).

15. Trade and other payables

	2021 £000	2020 £000
Trade payables	**4,157**	1,541
Social security and other taxes	**410**	224
Accrued expenses and deferred income	**3,071**	1,514
	7,638	3,279

16. Financial instruments

	Notes	2021 Book and fair value £000	2020 Book and fair value £000
Financial assets			
Amortised cost			
Trade and other receivables	(i)	–	1
Cash and cash equivalents (less than one year)		**33,827**	74,976
Total		**33,827**	74,977
Financial liabilities			
Other financial liabilities			
Trade and other payables (less than one year)	(ii)	**7,228**	3,055
Lease liabilities (less than one year)		–	128
Total		**7,228**	3,183

(i) Trade and other receivables shown above excludes prepayments and other taxes, which are not a contractual right to receive cash, amounting to £1,530,000 (2020: £9,371,000).
(ii) Trade and other payables shown above excludes amounts due in respect of social security and other taxes, which are not a contractual obligation to pay cash, amounting to £410,000 (2020: £224,000).

The objective of holding financial instruments is to have access to finance for the Group's operations and to manage related risks. The main risks arising from holding these instruments are interest rate risk, liquidity risk, credit risk and currency risk.

Interest rate risk

The Group's deposit balances are subject to the risk of fluctuating base rates. Interest rate risk profile of financial assets, excluding short-term debtors:

	2021 Floating rate financial assets £000	2020 Floating rate financial assets £000
Euro	**816**	2,297
Sterling	**30,020**	67,216
US Dollar	**2,991**	5,463
	33,827	74,976

Sensitivity analysis

It is estimated that an increase of a quarter of one percentage point in interest rates would have decreased the Group's loss before taxation by approximately £126,000 (2020: £46,000).

Liquidity risk

The Group's policy is to maintain adequate cash resources to meet liabilities as they fall due. All Group payable balances as at 31 December 2021 and 31 December 2020 fall due for payment within one year. Cash balances are placed on deposit for varying periods with reputable banking institutions to ensure there is limited risk of capital loss. The Group does not maintain an overdraft facility.

16. Financial instruments (continued)

Credit risk

The Group's credit risk is attributable to its banking deposits. The Group follows a risk-averse policy of treasury management. Sterling deposits are held with one or more approved UK-based financial institutions (HSBC UK Bank plc and National Westminster Bank Plc, which at 31 December 2021 had good short term credit ratings, being at least F1 for Fitch, P-1 for Moody's and A-1 for Standard and Poor's) and in the Institutional Cash Series plc Institutional Sterling Liquidity Fund managed by BlackRock Investment Management (UK) Limited (rated at 31 December 2021 as AAAmmf by Fitch, Aaa-mf by Moody's and AAAm by Standard and Poor's). The Group's primary treasury objective is to minimise exposure to potential capital losses while at the same time securing prevailing market rates. The Group seeks to lessen risk by placing its cash deposits with the three above institutions.

Currency risk

During the year under review, the Group was exposed to Euro and US Dollar currency movement as some of the manufacturing costs and clinical trial costs are denominated in these currencies. To naturally hedge against currency movement, the Group purchases these currencies in advance of payment due dates.

Capital structure and funding

The Group is funded by equity capital, reflecting the early-stage nature of its discovery and development programmes.

The Group considers its capital to be its total equity, which at 31 December 2021 amounted to £37.0 million (2020: £85.1 million). The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to equity holders of the Company and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages this objective through tight control of its cash resources and, upon reaching significant drug development programme milestones (to decrease investment risk), by raising additional equity from shareholders to meet its forecast future cash requirements.

Cash and cash equivalents held by the Group at 31 December 2021 amounted to £33.8 million and comprised short-term deposits (with original maturities of greater than three months and less than one year) and cash and cash equivalents as shown below:

					31 Dec
	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Short-term deposits	**–**	–	–	–	2.0
Cash and cash equivalents	**33.8**	75.0	2.5	5.3	4.9
Net funds	**33.8**	75.0	2.5	5.3	6.9

The Group did not have any bank borrowings as at 31 December 2021 (2020: £nil).

There have been ten significant issues of shares raising a total (net of costs) of £127.6 million, with the most recent two raising £97.9 million in March and October 2020. The other major sources of funding received by the Group from the formation of the business until 31 December 2021 have been: revenues from licensing transactions of £9.3 million, research and development tax credits of £9.4 million, bank interest of £1.8 million, and revenues from collaborative work of £0.8 million.

17. Share capital, share premium and share-based payment

	Notes	Number of shares	Ordinary shares of 1p each £000	Share Premium £000	Total £000
At 1 January 2020		109,433,442	1,094	28,262	29,356
Issue of ordinary shares	(i) – (v)	90,480,960	905	100,170	101,075
Costs of issue of shares		–	–	(3,187)	(3,187)
At 31 December 2020		199,914,402	1,999	125,245	127,244
Issue of ordinary shares	(vi)	1,427,423	14	–	14
At 31 December 2021		**201,341,825**	**2,013**	**125,245**	**127,258**

(i) A total of 40,000,000 ordinary shares of 1p were issued on 30 March 2020 (10,943,295 ordinary shares) and 15 April 2020 (29,056,705 ordinary shares) at a premium of 34p to fund COVID-19 clinical trial activity and drug manufacturing and other supply chain considerations, and also to strengthen the Company's balance sheet.
(ii) A total of 49,753,026 ordinary shares of 1p were issued on 19 October 2020 (14,943,300 ordinary shares) and 4 November 2020 (34,809,726 ordinary shares) at a premium of 174p to fund: a Phase III clinical trial in COVID-19 patients; the scale up of SNG001 manufacturing and devices; the generation of additional data to support SNG001 clinical development, manufacturing processes and regulatory activities; the strengthening of the Company's balance sheet; and the net settlement of options.
(iii) 534,172 ordinary shares of 1p were issued on 19 October 2020 at par following the exercise and net settlement of share options under the Company's LTIP.
(iv) 177,300 ordinary shares of 1p were issued on 21 October 2020 at par following the exercise of share options under the Company's LTIP.
(v) 16,462 ordinary shares of 1p were issued on 22 October 2020 at par following the exercise of share options under the Company's LTIP.
(vi) 1,427,423 ordinary shares of 1p were issued on 19 August 2021 at par following the exercise of share options under the Company's LTIP.

At the Company's 2015 Annual General Meeting held on 22 June 2015 shareholders passed a special resolution removing the restriction on the Company's share capital and amending the articles of association of the Company so that the number of shares the Company can allot and issue became unlimited.

All issued shares are fully paid.

17. Share capital, share premium and share-based payment (continued)

Options

At 31 December 2021 there were options outstanding over 8,517,282 un-issued ordinary shares, equivalent to 4.2% of the issued share capital, as follows:

Date of grant	Number of shares	Exercise price	Earliest exercise date	Latest exercise date
5 April 2018 (LTIP) (i)	2,822,316	1p	5 Apr 2021	4 Apr 2028
4 April 2019 (LTIP) (ii)	2,632,146	1p	4 Apr 2022	3 Apr 2029
18 June 2020 (LTIP) (iii)	1,756,722	1p	18 Jun 2023	17 Jun 2030
4 June 2021 (LTIP) (iii)	705,890	1p	4 Jun 2024	3 Jun 2031
4 June 2021 (LTIP) (iv)	117,647	1p	4 Jun 2022	3 Jun 2031
20 October 2021 (LTIP) (iii)	428,502	1p	20 Oct 2024	19 Oct 2031
13 December 2021 (LTIP) (iii)	54,059	1p	13 Dec 2024	12 Dec 2031
	8,517,282			

Notes

(i) These options vested in full during the year.

(ii) These options vested in full post period-end.

(iii) The vesting performance conditions for these options are detailed in the Directors' Remuneration Report on page 24.

(iv) The performance conditions for these options are outlined in the note (ii) to the table on page 57.

The Group has no legal or constructive obligation to repurchase or settle the options in cash. The movement in the number of share options is set out below:

	2021 Number	2021 Weighted average exercise price	2020 Number	2020 Weighted average exercise price
Outstanding at start of year	**8,671,279**	**1.0p**	8,487,515	1.6p
Granted during the year	**1,314,286**	**1.0p**	1,767,985	1.0p
Exercised during the year	**(1,427,423)**	**1.0p**	(1,371,456)	1.0p
Lapsed during the year	**(40,860)**	**1.0p**	(212,765)	23.5p
Number of outstanding options at year-end	**8,517,282**	**1.0p**	8,671,279	1.0p

At 31 December 2021, 2,822,316 share options were capable of being exercised, with an exercise price of 1p (2020: 1,431,282, with an exercise price of 1p). The options outstanding at 31 December 2021 had a weighted average remaining contractual life of 7.5 years (2020: 6.9 years). Vesting conditions are disclosed in the Directors' Remuneration Report and in note (ii) to the following table.

The Group uses a number of share-based incentive schemes as detailed above and in the Directors' Remuneration Report on pages 23 and 24. The fair value per award granted and the assumptions are as follows:

Date of grant	Type of award	Number of shares	Exercise price (p)	Share price at date of grant (p)	Fair value per option (p)	Award life (years)	Risk free rate	Expected volatility rate	Performance conditions
5 Apr 2018	LTIP (i)	2,822,316	1p	13.0p	7.5p	3	0.90%	56%	Market
4 Apr 2019	LTIP (i)	2,632,146	1p	12.5p	6.2p	3	0.70%	59%	Market
18 Jun 2020	LTIP (i)	1,756,722	1p	39.5p	25.8p	3	0.00%	80%	Market
4 Jun 2021	LTIP (i)	705,890	1p	160.1p	138.4p	3	0.14%	133%	Market
4 Jun 2021	LTIP (ii)	117,647	1p	160.1p	159.2p	3	0.14%	133%	Non-market
20 Oct 21	LTIP (i)	428,502	1p	167.0p	149.2p	3	0.64%	142%	Market
13 Dec 21	LTIP (i)	54,059	1p	190.0p	168.5p	3	0.32%	146%	Market
		8,517,282							

The Company has applied IFRS 2 to all the above share-based payments and the following comments apply to these options:

(i) Stochastic valuation methodology was used for these awards.

(ii) Black-Scholes valuation methodology was used for this award, which vests upon the achievement of future commercial revenue targets. At 31 December 2021 £55,000 has been accrued for this non-market option, in line with our latest assumption that this grant will vest.

(iii) Expected dividend yield is nil, consistent with the directors' view that the Group's model is to generate value through capital growth rather than payment of dividends.

(iv) The risk-free rate is equal to the prevailing UK Gilts rate at grant date that most closely matches the expected term of the grant.

(v) Volatility for the grants made in 2018 and 2019 was calculated by reviewing share price movement over the period of three years prior to grant, excluding any large share price movements (as these were not considered to be representative of future expectations of volatility). Volatility for the grants made in 2020 and 2021 were calculated by reviewing share price movement over the period of three years prior to grant with no adjustments.

(vi) The charge for the year ended 31 December 2021 for share-based payment amounted to £508,000 (2020: £207,000). In 2020, an amount of £1,291,000 was debited directly to reserves following the net settlement of share options in order to satisfy scheme participants' tax and NI liabilities on options exercised.

18. Capital and reserves

18a Share capital
Share capital represents the nominal value of shares issued.

18b Share premium
Share premium represents amounts subscribed for share capital in excess of nominal value less the related costs of share issues.

18c Merger reserve
The merger reserve represents the reserve arising on the acquisition of Synairgen Research Limited on 11 October 2004 via a share for share exchange accounted for as a Group reconstruction using merger accounting under UK GAAP.

18d Retained deficit
The retained deficit represents cumulative net gains and losses recognised in the consolidated statement of comprehensive income, adjusted for cumulative recognised share-based payments.

19. Related party transactions and balances

Details of key management personnel and their compensation are given in note 5 and on page 26 of the Directors' Remuneration Report. A list of the Company's subsidiaries is shown in note 4 to the Parent Company Financial Statements.

20. Other commitments

At 31 December 2021 the Group had entered into non-cancellable purchase commitments amounting to £3.3 million (2020: £9.7 million) in respect of manufacturing-related activities.

21. Events after the reporting date

On 21 February 2022 the Company announced that the Phase 3 SPRINTER clinical trial in hospitalised COVID-19 patients had not met its primary or key secondary endpoints. The trial results were determined to be a non-adjusting subsequent event because both the trial database lock and the ensuing results generation took place in February 2022; therefore, no impairment indicator existed at 31 December 2021. As a consequence of the trial result the Group has carefully reviewed its cost commitments and curtailed those which are no longer necessary for immediate commercialisation. There are no balance sheet item carrying values at 31 December 2021 which could be adversely impacted by this event in future periods.

Parent Company Balance Sheet
as at 31 December 2021

Company number: 5233429

	Notes	31 December 2021 £000	31 December 2020 £000
Fixed assets			
Investments	4	**92,262**	51,059
Current assets			
Debtors	5	**135**	143
Cash at bank and in hand		**33,447**	74,694
		33,582	74,837
Creditors: amounts falling due within one year	6	**(127)**	(93)
Net current assets		**33,455**	74,744
Total assets less current liabilities		**125,717**	125,803
Capital and reserves			
Called up share capital		**2,013**	1,999
Share premium account		**125,245**	125,245
Retained deficit		**(1,541)**	(1,441)
Shareholders' funds		**125,717**	125,803

As permitted by Section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The Company's loss for the year ended 31 December 2021 was £608,000 (2020: loss of £404,000).

The financial statements on pages 59 to 64 were approved and authorised for issue by the Board of directors on 24 May 2022 and signed on its behalf by:

Richard Marsden
Chief Executive Officer

John Ward
Chief Financial Officer

Parent Company Statement of Changes in Equity
for the year ended 31 December 2021

	Share capital £000	Share premium £000	Retained earnings/ (deficit) £000	Shareholders' funds £000
At 1 January 2020	1,094	28,262	47	29,403
Loss for the year and total comprehensive loss	–	–	(404)	(404)
Issue of ordinary shares	905	100,170	–	101,075
Transaction costs in respect of share issue	–	(3,187)	–	(3,187)
Share-based payment credit	–	–	207	207
Net settlement of share options	–	–	(1,291)	(1,291)
At 31 December 2020	1,999	125,245	(1,441)	125,803
Loss for the year and total comprehensive loss	–	–	(608)	(608)
Issue of ordinary shares	14	–	–	14
Share-based payment credit	–	–	508	508
At 31 December 2021	**2,013**	**125,245**	**(1,541)**	**125,717**

Notes to the Parent Company Financial Statements
for the year ended 31 December 2021

1. Accounting policies

Basis of preparation
The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

Disclosure exemptions adopted
In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- Certain comparative information as otherwise required by international accounting standards in conformity with the Companies Act 2006;
- Certain disclosures regarding the Company's capital;
- A statement of cash flows;
- The effect of future accounting standards not yet adopted;
- The disclosure of the remuneration of key management personnel; and,
- Disclosures of related party transactions with other wholly-owned members of the Synairgen plc group of companies.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the Company's consolidated financial statements. These financial statements do not include certain disclosures in respect of:

- share-based payments; or
- financial instruments.

Going Concern
The directors have prepared financial forecasts to estimate the likely cash requirements over the period to 30 June 2023 of the Company and its subsidiaries, to which the Company has confirmed its intention to provide financial support for a period of not less than 12 months from the date that its financial statements for the year ended 31 December 2021 are signed, given their stage of development and lack of recurring revenues.

In preparing these financial forecasts, the directors have made certain assumptions with regards to the timing and amount of future expenditure over which they have control and also the timing of receipt of the research and development tax credit from HMRC to Synairgen Research Limited. The directors have taken a prudent view in preparing these forecasts.

The Company's available resources are sufficient to cover the Group's plans to engage with government bodies and contribute labelled drug product towards a platform study, design a broad-spectrum antiviral clinical trial, engage with pharmaceutical companies regarding collaboration/outlicensing opportunities for that broad indication and engage with existing and potential investors in the Group regarding a public equity raise, if required (full details of these plans can be found in the Strategic Report). Regardless of the outcome of these plans, which are uncertain, the Group's available resources are sufficient to cover existing committed costs and the costs of these planned activities until at least 30 June 2023.

After due consideration of these forecasts and current cash resources, the directors consider that the Company has adequate financial resources to continue in operational existence for the foreseeable future (being a period of at least 12 months from the date of this report) and, for this reason, the financial statements have been prepared on a going concern basis.

Principal accounting policies
The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented.

Investments in subsidiary undertakings
Investments in subsidiary undertakings where the Company has control are stated at cost less any provision for impairment.

Financial instruments
Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets
The Company classifies its financial assets as financial assets held at amortised cost.

These assets incorporate types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

1. Accounting policies (continued)

The Company's financial assets measured at amortised cost comprise debtors and cash and cash equivalents in the balance sheet. Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Financial liabilities
The Company classifies its financial liabilities as financial liabilities held at amortised cost. Trade creditors are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Share-based payments

When the Company grants options over equity instruments directly to the employees of a subsidiary undertaking, the effect of the share-based payment is capitalised as part of the investment in the subsidiary as a capital contribution, with a corresponding increase in equity.

Taxation

The charge for taxation is based on the loss for the period and takes into account taxation deferred.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

Share capital

The Company's ordinary shares are classified as equity instruments. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

2. Critical accounting estimates and judgements

Critical accounting estimates, assumptions and judgements are continually evaluated by management based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates.

The Company holds a significant investment in its subsidiary, Synairgen Research Limited, of £92.3 million (2020: £51.1 million).

At 31 December 2021, the directors considered indicators of impairment by reference to Synairgen Research Limited's fair value less costs to sell, inter alia, by reference to the AIM market capitalisation of the Group (since all Group intellectual property is owned by Synairgen Research Limited) at that date of £419 million and no impairment indicator was identified. The Group's market capitalisation reduced significantly following the February 2022 announcement of the SPRINTER clinical trial results. This is a critical judgement as it represents a significant post balance sheet event. The directors have concluded this to be a non-adjusting post balance sheet event because both the trial data base lock and the ensuing results generation took place in February 2022. It is recognised that market capitalisation at any point in time is not a reliable proxy for fundamental valuation, however, if the Group were to reassess impairment of the investment in subsidiaries as at 24 May 2022, solely based on the market capitalisation at that date of £70.1 million, a potential impairment of £22.2 million would be indicated. The direction of the SNG001 programme, including assessments of the addressable market for the product will become clearer through 2022, such that the Group will be in a position to utilise the fundamental discounted cash flow valuation methodology as part of the assessment of the recoverable value of this asset for impairment assessment at 31 December 2022.

3. Profit and loss account

The only employees of the Company during 2021 and 2020 were the three executive directors. Their aggregate remuneration, which is borne by the Company's subsidiary undertaking Synairgen Research Limited, comprised:

	2021 £000	2020 £000
Wages and salaries	**621**	956
Social security costs	**210**	196
Pension costs – defined contribution plans	**53**	59
Total cash-settled remuneration	**884**	1,211
Accrued holiday pay	**(4)**	43
Share-based payment	**250**	152
Total remuneration	**1,130**	1,406

In respect of directors' remuneration, the disclosures required by Schedule 5 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 are included in the detailed disclosures in the audited section of the Directors' Remuneration Report on page 26, which are ascribed as forming part of these financial statements.

Auditor's remuneration is disclosed in note 4 to the Group accounts on page 45.

4. Investments

	Investment in subsidiary undertakings £000	Capital contribution £000	Total £000
At 1 January 2021	140	50,919	51,059
Capital contribution for the year	–	40,695	40,695
Subsidiary share-based payment	–	508	508
At 31 December 2021	**140**	**92,122**	**92,262**

At 31 December 2021, the Company has an investment in the following subsidiary undertakings:

Name of company	Registered address	Proportion of voting rights and ordinary share capital held	Nature of business
Synairgen Research Limited	Mailpoint 810, Southampton General Hospital, Tremona Road, Southampton SO16 6YD	100%	Drug discovery and development
Synairgen Research (Ireland) Limited	12 Fitzwilliam Place, Dublin 2, Ireland	100%	Pharmaceutical commercialisation
Synairgen Inc.	155 Federal Street, Suite 700, Boston, MA 02210, USA	100%	Pharmaceutical commercialisation

5. Debtors

	2021 £000	2020 £000
Other tax and social security	**7**	29
Prepayments and accrued income	**128**	97
Amounts due from subsidiary undertaking	**–**	17
	135	143

All amounts fall due for payment within one year.

6. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	**26**	33
Accruals and deferred income	**101**	60
	127	93

7. Share capital and share premium

Details of the Company's share capital, share premium, share option schemes and LTIP can be found in note 17 to the Group accounts on pages 55 to 57.

8. Events after the reporting date

On 21 February 2022 the Company announced that the Phase 3 SPRINTER clinical trial in hospitalised COVID-19 patients being conducted by its subsidiary Synairgen Research Limited had not met its primary or key secondary endpoints. The trial results were determined to be a non-adjusting subsequent event because both the trial database lock and the ensuing results generation took place in February 2022; therefore, no impairment indicator existed at 31 December 2021. The potential impact on the value of the Company's investment in Synairgen Research Limited, in future periods, is illustrated in Note 2 on page 62. There are no other balance sheet item carrying values at 31 December 2021 which could be adversely impacted by this event in future periods.

Glossary

Accelerating COVID-19 Therapeutic Interventions and Vaccines (ACTIV) programme
NIH's ACTIV programme is a public-private partnership to develop a coordinated research strategy to speed up the development of the most promising treatments and vaccine candidates for COVID-19

ACTIV-2
A master protocol designed for evaluating multiple investigational agents compared to placebo in adults with mild to moderate COVID-19, not requiring hospitalisation

Acute
An acute disease is a disease with a rapid onset and/or a short course

Adverse Event
An adverse event (AE) can be any unfavourable and unintended sign (including an abnormal laboratory finding), symptom, or disease temporally associated with the use of a medicinal (investigational) product, whether or not related to the medicinal (investigational) product

Aerogen-Ultra
A portable mesh nebuliser manufactured by Aerogen that allows for continuous delivery of inhaled drugs to the airways

Airways (or bronchial tubes)
The tubes that carry air in and out of the lungs

Allergen
A usually harmless substance capable of triggering a response that starts in the immune system and results in an allergic reaction

Antibiotic
A drug that inhibits bacterial growth or kills bacteria

Antiviral
Any substance that can either destroy viruses or suppress their growth

Apoptosis
A naturally-occurring form of programmed cell death

Assay
A laboratory test to determine parameters such as the strength of a solution, the proportion of a compound in a mixture, the potency of a drug or the purity of a preparation

Asthma
A disorder in which the airways become episodically narrowed, leading to wheeze, shortness of breath, cough and chest tightness

AZD-9412
Inhaled Interferon Beta-1a formulation (aka SNG001) used for the AstraZeneca INEXAS study. See INEXAS

Bacteria
Single-cell organisms that are found everywhere and are the cause of many diseases

BioBank
A collection of samples from clinically-characterised volunteers comprising blood, induced sputum, bronchial biopsies and epithelial cells. These samples are used to develop the complex *in vitro* human disease models

Biomarker
A biochemical feature or facet that can be used to measure the progress of disease or the effects of treatment

Biologics License Application (BLA)
A request for permission to introduce, or deliver for introduction, a biologic product into interstate commerce. Regulated by the FDA

Breathlessness, Cough and Sputum Scale (BCSS)
A three-item questionnaire rating breathlessness, cough and sputum on a 5-point Likert scale from 0 (no symptoms) to 4 (severe symptoms)

Brief Pain Inventory – Short Form
A nine item self-administered questionnaire used to evaluate the severity of a patient's pain and the impact of this pain on the patient's daily functioning

British Thoracic Society (BTS) Step classification system
A stepwise treatment regime (from steps 1 to 5, with 5 being the most severe) for treating asthma in Britain aiming to achieve optimum control without excessive medication

Broad-spectrum antiviral
An agent that acts against a wide range of disease-causing viruses

Bronchodilators
Medicines which relax the muscles around the airways, helping the airways to open up, so making it easier to breathe. There are several types of bronchodilators, of which short-acting beta-agonist drugs are the most commonly used

Bronchospasm
A sudden contraction of airway smooth muscle resulting in a narrowing of the airways

Candidate
A candidate drug is a compound (e.g. small molecule, antibody, etc.) with strong therapeutic potential and whose activity and specificity have been optimised

CAT
The COPD Assessment Test (CAT) is a patient-completed questionnaire, which assists patients and their physicians in quantifying the impact of COPD on the patient's health and quality of life

Chronic bronchitis
An inflammation of the airways accompanied by coughing and production of phlegm. The symptoms are present for at least three months in each of two consecutive years. See COPD

Chronic disease
A persistent or long-lasting condition

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Clinical Trial Authorisation or CTA
An authorisation from the MHRA (see below) to conduct a clinical trial

Collagen
The main structural protein found in skin and other connective tissues

Community Acquired Pneumonia (CAP)
Pneumonia that is acquired outside of the hospital setting

Contract Research Organisation (CRO)
A company that provides support to the pharmaceutical industry in the form of research services outsourced on a contract basis

COPD
Chronic Obstructive Pulmonary Disease covers two conditions: chronic bronchitis and emphysema. COPD usually results from long-term exposure of irritants to the lungs, of which the most prevalent is tobacco smoke. Unlike asthma, where airflow obstruction varies, in COPD airflow obstruction is usually irreversible

Coronavirus
A virus that can cause respiratory disease such as the common cold or SARS (depending on the type of coronavirus) and gastroenteritis

Corticosteroids
Commonly referred to as steroids, corticosteroids are a type of anti-inflammatory drug. Corticosteroids closely resemble cortisol, a hormone produced naturally by the adrenal glands

COVID-19
Coronavirus disease 2019 is a respiratory illness caused by SARS-CoV-2

COVID-19 symptom assessment
A self-reported assessment of the presence of COVID-19 symptoms

DNA
Nucleic acid that carries genetic information in the cell

Double-blind
A double-blind study is one in which neither the patients nor the clinical staff know who is receiving a particular treatment

Drug Product
The formulated drug substance with excipients. These excipients do not have a therapeutic effect but can influence the delivery of the drug substance. The drug product is typically the final marketed dosage form of the drug substance for example a tablet or capsule

Drug Substance
The unformulated active pharmaceutical ingredient

DSMC
A Data Safety Monitoring Committee (DSMC) reviews and assesses safety information from a clinical trial

Emphysema
A destructive process involving the air spaces (alveoli) of the lungs, which leads to over-inflation of the lung and, when sufficiently advanced, causes breathlessness and lack of oxygenation of blood. See COPD

Endpoints (primary and secondary)
The primary endpoint of a clinical trial is the outcome or outcomes (based on the drug's expected effects) that establish the effectiveness, and/or safety features, of the drug. It is the endpoint for which the trial is powered. Secondary endpoints are additional endpoints, preferably also pre-specified, for which the trial may not be powered. These may be selected to demonstrate additional effects after success on the primary endpoint

Eosinophil
A type of white blood cell that has a role in allergy and asthma

Epithelium
In the lung, the epithelium is a thin layer of cells which lines airway tubes in order to protect and regulate the tissue underneath

Emergency Use Authorisation (EUA)
Authorization by the FDA of unapproved medical products or unapproved uses of approved medical products to be used in an emergency to diagnose, treat, or prevent serious or life-threatening diseases

European Medicines Agency (EMA)
The EMA evaluate and supervise medicines for the benefit of public and animal health in the European Union (EU)

EuroQuol 5 Dimension 5 Level (Eq-5D-5L)
A self-assessed, health related, quality of life questionnaire. The scale measures quality of life on a five-component scale including mobility, self-care, usual activities, pain/discomfort, and anxiety/depression. The responses record five levels of severity

Exacerbation
A rapid deterioration of a chronic disease that makes the symptoms worse

Ex vivo
Ex vivo refers to experimentation or measurements done in, or on, tissue from an organism in an external environment with minimal alteration of natural conditions. A primary advantage of using *ex vivo* tissues is the ability to perform tests or measurements that would otherwise not be possible or ethical in living subjects

Fast Track Designation
A designation by the United States Food and Drug Administration (FDA) of an investigational drug for expedited review to facilitate development of drugs to treat a serious or life-threatening condition to fill an unmet medical need

FDA
USA Food and Drug Administration. An American body that is responsible for protecting public health by ensuring the safety, efficacy, and security of human and veterinary drugs, biological products, and medical devices; and by ensuring the safety of America's food supply, cosmetics, and products that emit radiation

FEV_1
Forced Expiratory Volume in the first second. The volume of air that can be forced out in one second after taking a deep breath, an important measure of pulmonary function

Fibroblast
A fibroblast is a type of cell that synthesizes the extracellular matrix and collagen, the structural framework for animal tissues, and plays a critical role in wound healing

Fibrosis
The thickening and scarring of connective tissue, usually as a result of injury

BIOFIRE®FILMARRAY®
A system which enables rapid simultaneous testing for a panel of viruses and bacteria in patient samples and was used by Synairgen in SG015

Functional Assessment of Chronic Illness Therapy – Fatigue (FACIT-F)
A 13-item tool that measures an individual's level of fatigue during their usual daily activities over the past week. The level of fatigue is measured on a four-point Likert scale (4 = not at all fatigued to 0 = very much fatigued)

Generalised Anxiety Disorder Assessment (GAD-7)
A seven-item instrument that is used to measure or assess the severity of generalised anxiety disorder (GAD)

Gene
A hereditary unit consisting of a sequence of DNA that determines a particular characteristic of a living organism

Idiopathic Pulmonary Fibrosis (IPF)
A disease in which tissue deep in the lungs becomes thick and stiff, or scarred, over time by unknown cause. The formation of scar tissue is called fibrosis. It usually affects middle-aged and older people

I-neb
A nebuliser manufactured by Philips that delivers inhaled drugs to the airway

INEXAS
AstraZeneca's Phase IIa study entitled 'A Study in Asthma Patients to Evaluate Efficacy, Safety and Tolerability of 14 Days Once Daily Inhaled Interferon Beta-1a After the Onset of Symptoms of an Upper Respiratory Tract Infection'

Interferon beta (IFN-β)
Interferon beta is a natural protein found in the body which helps to regulate the immune system and fight off viruses. IFN-β is currently marketed by a number of companies as an injectable therapy for the treatment of multiple sclerosis

Influenza
A contagious viral infection of the respiratory tract, leading to fever, headaches, sore throat, congestion of the nose and body aches

Intention to Treat (ITT)
All patients that were enrolled and randomly assigned to a treatment arm

Investigational New Drug (IND)
A drug developed by the sponsor that is ready for clinical trials in humans

In vitro
Carried out in the laboratory, e.g. in a test tube or culture plate

***In vitro* model (complex)**
A research model which contains more than one cell type and allows the study of interactions between different cell types and 'test' agents relevant to the disease or a therapy

Long acting beta agonist
An asthma drug that acts to relax (open) the airways for 12 or more hours

Long COVID
Long COVID (Post-COVID-19 syndrome) is defined as "signs and symptoms that develop during or following an infection consistent with COVID-19, that continue for more than 12 weeks and are not explained by an alternative diagnosis"

Lower airway
The airway tubes in the lung running from the throat down, ending in the air spaces (alveoli) where gas exchange occurs

Macrophages
Phagocytic (i.e. cells that can engulf other cells and cell components) white blood cells involved in cellular clearance and inflammation

Managed Access Programme
A programme through which physicians can prescribe, within their professional responsibility, a yet unapproved treatment for patients with serious or life-threatening diseases or conditions

MHRA
The Medicines and Healthcare Products Regulatory Agency; a UK government body tasked with ensuring that medicines and medical devices work and are safe

Morbidity
Incidence or prevalence of a disease

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Mucus
A gelatinous substance normally produced by the airway cells to protect and hydrate the airway surface from harmful agents

Multiple sclerosis (MS)
A disease affecting nerves in the brain and spinal cord, causing problems with muscle movement, balance and vision

NIAIDS
The NIAIDS, the National Institute of Allergy and Infectious Diseases, is one of the 27 institutes and centres that make up the National Institutes of Health, an agency of the United States Department of Health and Human Services

National Early Warning Score (NEWS2)
A system for scoring the physiological measurements that are routinely recorded at the patient's bedside; respiration rate, oxygen saturation, systolic blood pressure, pulse rate, level of consciousness or new confusion and temperature

National Institute of Health and Research (NIHR)
UK funding body for health and care research

Pandemic influenza
An influenza pandemic occurs when a new influenza virus appears against which the human population has no immunity, resulting in epidemics worldwide with enormous number of deaths and illness

Parainfluenza
A virus that can cause the common cold. Parainfluenza is also responsible for 75% of croup cases in children

Patent Cooperation Treaty or PCT
A system by which a patent application can be filed in many different countries at once. A single international application is filed initially at a receiving office. After a search and publication, the application may be converted to a series of national applications in different countries

Pathway
A signalling pathway is a group of molecules that work together in a cell to control one or more cell functions

Patient Health Questionnaire (PHQ-9)
PHQ-9 is a self-assessed nine question form used to screen depression and monitor changes in signs/ symptoms of depression

Peak expiratory flow
A lung function test that measures a person's ability to breathe out air

Per Protocol Analysis
The Per Protocol population is usually defined as all patients completing the study without major protocol deviations – that is, those who followed the rules of the study. Analysis of the data from this population is known as Per Protocol analysis

Phase 1 Clinical Trial
A study conducted in volunteers to determine the biological effects of a drug, especially safety and tolerability

Phase 2 Clinical Trial
A study in patients with the aim of making a preliminary determination of the efficacy of a drug to provide proof of concept and/or to study drug dose ranges

Phase 2a Clinical Trial
Used to describe a Phase II clinical trial evaluating efficacy, adverse effects and safety risks

Phase 2b Clinical Trial
Used to describe a subsequent Phase II clinical trial that also evaluates dosage tolerance and optimal dosage frequency in a larger number of patients than enrolled in a Phase IIa trial

Phase 3 Clinical Trial
A full scale clinical trial to determine drug efficacy and safety prior to seeking marketing approval

Phlegm
See Sputum

Placebo
An inactive substance or preparation used as a control/ comparator (in a clinical trial for example) to determine the effectiveness of a medicinal drug

Placebo-controlled
Placebo-controlled is a trial in which there are two (or more) groups. One group receives the active treatment, the other is given the placebo. Everything else is identical between the two groups, so that any difference in their outcome can be attributed to the treatment

Platform Trial
A type of prospective, disease-focused, adaptive, randomized clinical trial that compares multiple, simultaneous and possibly differently timed interventions against a single, constant control group

Pre-clinical
A stage of drug development preceding human clinical trials

Primary endpoint
The most important measure (endpoint) assessed in a clinical trial

Prognostic biomarker
A biomarker that can predict the future course of a disease or response to a therapy

Prophylaxis
A measure taken for the prevention of a disease or condition

Protein
Large molecules made of smaller biological units known as 'amino acids'. Proteins are responsible for the majority of the function and much of the structure of living things, including humans

Process Performance Qualification (PPQ)
The process qualification combining the facility, utilities, equipment (each qualified), and the trained personnel with the commercial manufacturing process, control procedures, and components to produce commercial batches of drug

Pulmonary
Relating to, functioning like, or associated with the lungs

Randomisation
The random assignment of patients in a clinical trial to different treatment groups (e.g. active drug or placebo)

Rhinovirus
Rhinoviruses are the most common viral infective agents in humans. The most well-known disease caused by rhinoviruses is the common cold

RNA
Nucleic acid that is involved in protein synthesis and transmission of genetic information

Safety study
See Phase I Clinical Trial

SARS-CoV-2
Severe Acute Respiratory Syndrome-Coronavirus 2 is the virus strain that causes COVID-19

Seasonal Influenza
Seasonal influenza is a yearly outbreak of influenza infection, caused by influenza virus. The seasonal influenza is somewhat different every year, as influenza viruses are always changing

Secondary/exploratory endpoint
The second most important (or additional) measure (or endpoint) assessed in a clinical trial

Severe asthma
Asthma which requires treatment with high dose inhaled corticosteroids plus a second controller (and/or oral corticosteroids) to prevent it from becoming 'uncontrolled' or which remains 'uncontrolled' despite this therapy

SG005
A randomised, double-blinded, placebo-controlled Phase II study, comparing the efficacy and safety of inhaled IFN-β to placebo administered to asthmatic subjects after the onset of a respiratory viral infection for the prevention or attenuation of asthma symptoms caused by respiratory viruses

SG015
A randomised, double-blinded, placebo-controlled study, in COPD patients with and without a confirmed respiratory virus infection assessing anti-viral biomarker responses of inhaled SNG001 compared to placebo

SG016 Home Study
Synairgen's Phase 2 randomised, double-blind, placebo-controlled trial to determine the safety and efficacy of inhaled SNG001 (IFN-β1a for nebulisation) for the treatment of patients with confirmed SARS-CoV-2 infection in the home environment

SG016 Hospital Study
Synairgen's Phase 2 randomised, double-blind, placebo-controlled trial to determine the safety and efficacy of inhaled SNG001 (IFN-β1a for nebulisation) for the treatment of patients with confirmed SARS-CoV-2 infection in the hospital setting

SG018 SPRINTER Study
Synairgen's Phase 3 Trial (SG018) evaluating inhaled interferon beta in hospitalised COVID-19 patients. A randomised double blind placebo-controlled study being conducted in approximately 20 countries enrolling a total of 610 COVID-19 patients

SNG001
A formulation of Interferon Beta-1a delivered to the lung using a nebuliser

Sputum
The thick mucus which is coughed up by a person. Sputum contains cells and soluble substances secreted into the airways (bronchi), some of which can mediate disease if present in amounts different to normal. Sputum is also commonly called phlegm

Standard of Care
A diagnostic and treatment process that a clinician should follow for a certain type of patient, illness, or clinical circumstance; how similarly qualified practitioners would have managed the patient's care under the same or similar circumstances

Statistical Power
Statistical Power is the probability that a statistical test will detect differences when they truly exist

Steroids
A group of chemicals that is produced naturally in the body by the adrenal gland. In asthma, steroids are given by inhalation or by mouth to reduce the inflammation of the airways

Systemic absorption
The fraction of drug that reaches the systemic circulation

Toxicology
The study of the nature and mechanisms of deleterious effects of chemicals on humans, animals and other biological systems

Translational medicine
The process of converting a scientific discovery into something that aims to improve the health of individuals and the community

Type I IFNs
A classification of interferon that includes IFN-β

United States National Institute of Health (US NIH)
The medical research agency of the USA

Upper airway
The tubes in the nose and neck which conduct air into the lung

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Variant
It is normal for viruses to change and evolve as they spread between people over time. When these changes become significantly different from the original virus, they are known as "variants"

Variant of Concern (VOC)
A variant is considered a variant of interest if it has mutations that are suspected or known to cause significant changes, and is circulating widely (e.g., known to cause many clusters of infected people, or found in many countries). There are many variants of interest that WHO is continuing to monitor in case they become variants of concern

A variant of interest becomes a variant of concern if it is known to spread more easily, cause more severe disease, escape the body's immune response, change clinical presentation, or decrease effectiveness of known tools – such as public health measures, diagnostics, treatments and vaccines

Virus or Variant Agnostic
Not targeted or effective against any one or several viruses or variants, but targeted or effective against all viruses or variants

Virus
A virus is a non-living small particle that infects cells in biological organisms. Viruses can reproduce only by invading and controlling other cells as they lack the cellular machinery for self-reproduction

World Health Organisation (WHO)
A United Nations body responsible for international public health

World Health Organisation (WHO) Ordinal Scale for Clinical Improvement (OSCI)
A scale used to measure clinical improvement in patients from a score of 0; uninfected to 8; death

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