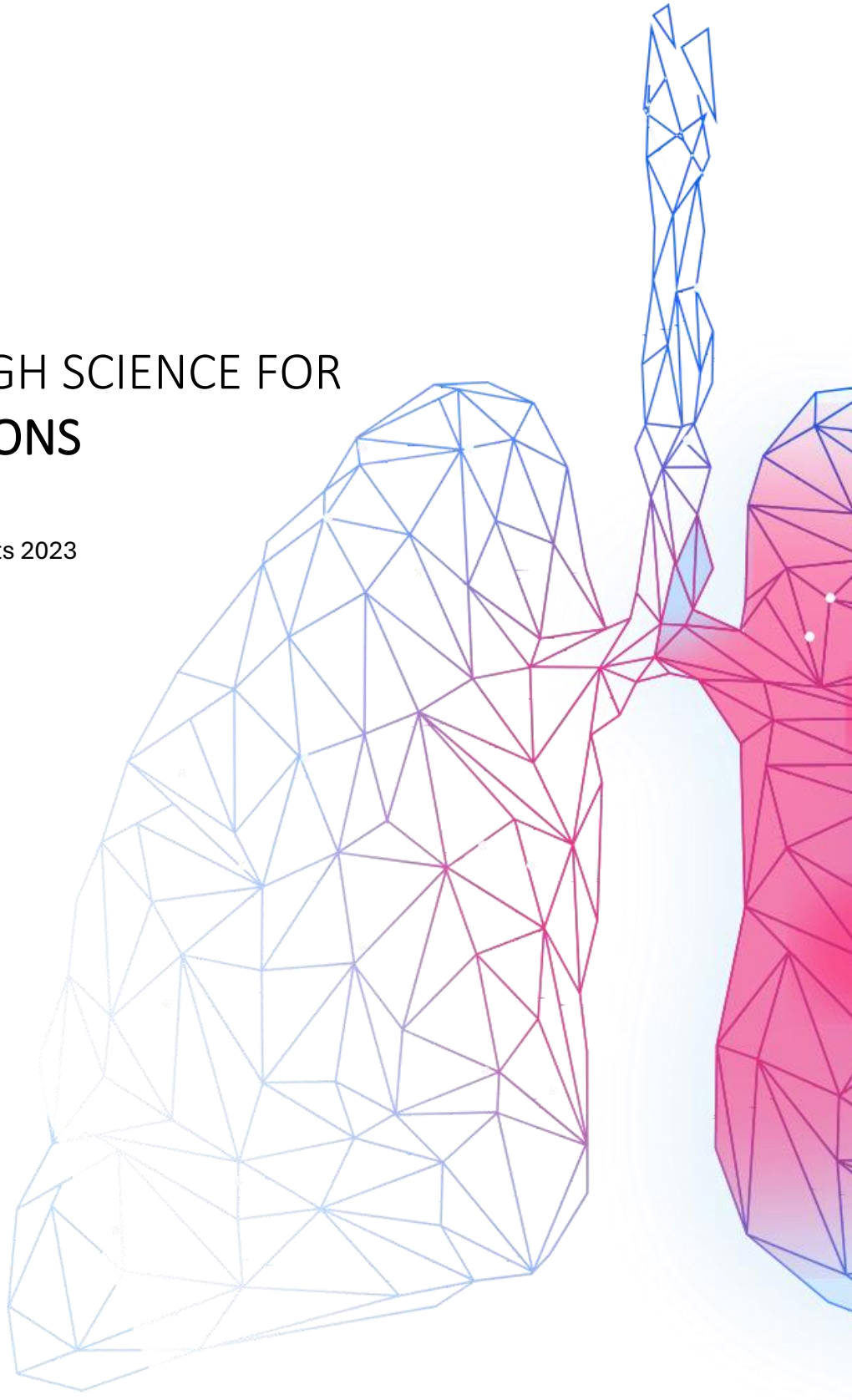
BREAKTHROUGH SCIENCE FOR **LUNG INFECTIONS**

Annual Report and Accounts 2023



synairgen

LSE: SNG
www.synairgen.com
Company Number: 5233429

Contents

Highlights (including post period-end)

Operational

- Completed a full assessment of the underpinning science, clinical trial data, clinical need and commercial opportunity to determine next steps for SNG001

- Commenced preparatory work in 2023 to deliver a trial focusing on mechanically ventilated patients who we believe are the most attractive near-term patient group with respect to the extent of the unmet need, the commercial potential in a clearly identifiable population and the clinical development route for SNG001

- Recognised that opportunities for potential future assessment of SNG001 in platform trials and/or academic trials may materialise in the event of an emerging virus threat

- Continued collaboration with the University of Southampton's UNIVERSAL trial aimed at better characterising patients hospitalised with respiratory viral infections with over 500 patients recruited to date

Financial

- Prudent cost control applied across all operations

- Loss from operations for the year ended 31 December 2023 was £10.3 million (2022: £20.3 million loss)

- Cash and cash equivalents, and bank deposits of £12.0 million at 31 December 2023 (31 December 2022: £19.7 million)

Chairman's Statement

There remains a significant unmet medical need for new treatments for respiratory viral infections which are caused by a wide range of viruses (influenza, RSV, SARS-CoV-2, rhinovirus, metapneumovirus and others). Antiviral therapeutic options are limited for the majority of hospitalised adult patients with severe viral lung infections, which remain a leading cause of death globally. Approximately 2.5 million people in the US are hospitalised each year due these respiratory viruses.

Synairgen's relentless focus in the year has been on applying the insights gained from 2020/21 to determine the best path forward for clinical development of its investigational drug, SNG001, for severe viral lung infections. This was conducted amidst the backdrop of a challenging year for the biotech sector; we have regained momentum and stand on the verge of embarking on a Phase 2 trial in patients who are mechanically ventilated as a result of a respiratory viral infection, subject to finalising the trial financing plan. We have selected this population because it has a high unmet need, represents a significant commercial opportunity, patients are readily identifiable and the clinical path is clear. We look forward to communicating the trial design and associated financing plan.

Since the results of SPRINTER and ACTIV-2 trials were announced, our team has focussed on using the findings from these studies, the literature and clinical experts to determine which patients stand to potentially benefit most from SNG001 and developing the clinical network and trial protocol which carries an appropriate level of risk and reward for Synairgen shareholders. The considerable research work that was required to critically evaluate all potential options has ultimately led us to eliminate a number of potentially promising avenues for further clinical development. We have made a strategic decision to focus on mechanically ventilated patients in the hospital setting enabling clinical development with smaller, easier to deliver clinical trials in an area of high unmet medical and pharmacoeconomic need. We have determined that it is inappropriate at this stage for the Company to conduct clinical trials in the non-hospitalised setting, although we believe that SNG001 continues to be an attractive asset in this setting, and we are open for inclusion of SNG001 in platform trials and/or collaborations as and when viral threats emerge.

I would like to take this opportunity to thank the entire team for their unwavering commitment to finding a path forward for SNG001 and express my appreciation to our shareholders for their continued support. I look forward to updating the market with both greater detail on our development.

Simon Shaw
Chairman
26 June 2024

Strategic Report

Overview

During the past year the Group thoroughly assessed a wide range of options to identify the best route forward for its broad-spectrum host-directed antiviral drug, SNG001 (inhaled interferon beta), for the treatment of severe viral lung infections. Respiratory viral infections are the most common cause of infectious disease and when they affect the lungs, they can cause significant morbidity and mortality. Interferon-beta is a naturally occurring protein, produced in response to viral infections, that drives the body's antiviral responses. People who make less interferon beta, for example due to their genetic profile, age or disease, are at greater risk of developing severe viral lung infections. Respiratory viruses themselves also supress interferon beta production to evade host antiviral responses. Together these factors provide the rationale to deliver SNG001 directly into the lungs as an aerosol to boost/restore the lungs' antiviral responses to clear the virus. During the year, Synairgen completed a review of potential development opportunities for SNG001 through careful assessment of the underpinning science, strength of clinical data, trial feasibility, clinical need and commercial opportunity. This included options in both hospitalised and non-hospitalised patients, and those with critical illness due to any respiratory virus.

As a result of this analysis, it has become clear that the hospitalised patient setting provides the greatest opportunity for SNG001 to provide assessable benefit in a group of patients in whom there is considerable unmet clinical need. Synairgen has focused its efforts on projects designed to enable identification of hospitalised patients at the highest risk of poor outcomes, which would make clinical trials more targeted whilst maximising the chance of success clinically and commercially.

The Company has developed a new trial plan focussed on mechanically ventilated patients that takes into account a range of important factors including learnings from trials of SNG001 in hospitalised patients, the high unmet need, and the clear commercial strategy for this group of very expensive to treat patients. It is intended to commence the trial this winter and will be supported by data from various projects, including the UNIVERSAL trial, a UK-wide observational trial in patients hospitalised with respiratory viral infections, led by Prof. Tom Wilkinson and colleagues from the University of Southampton, in conjunction with pharmaceutical industry partners. Recruitment has continued at pace into UNIVERSAL and the important insights will help the Company develop criteria to select populations most likely to respond to SNG001 for inclusion in future clinical trials.

Our strategy and plans

Mechanically ventilated patients

Respiratory viral infections are a significant burden on the global healthcare system and are associated with high morbidity and mortality. Approximately 2.5 million[1][2] people in the US continue to be hospitalised each year due to respiratory symptoms associated with a respiratory virus. Prior to the pandemic, influenza was often singled out as the main driver of the winter virus season accounting for ~0.5m[1] hospitalisations each year, however it is estimated that the so called 'common cold viruses' such as rhinovirus, coronavirus, RSV, parainfluenza, HMPV and adenovirus collectively account for an additional 2 million hospitalisations[2], and SARS-CoV-2 persists as a problematic pathogen.

Patients on ventilators with viral pneumonia have a 25-45%[3][4] chance of dying. There are few approved antiviral options for these patients and, for most respiratory viruses, no specific antiviral treatments. The literature also indicates that patients who develop severe viral lung disease have higher viral loads and shed virus for longer pointing to a compromised immune/antiviral response.

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[1] https://www.cdc.gov/flu/about/burden/past-seasons.html

[2] Sieling WD, Goldman CR, Oberhardt M, Phillips M, Finelli L, Saiman L. Comparative incidence and burden of respiratory viruses associated with hospitalization in adults in New York City. Influenza Other Respir Viruses. 2021 Sep;15(5):670-677.

[3] Piroth L, Cottenet J, Mariet AS, Bonniaud P, Blot M, Tubert-Bitter P, Quantin C. Comparison of the characteristics, morbidity, and mortality of COVID-19 and seasonal influenza: a nationwide, population-based retrospective cohort study. Lancet Respir Med. 2021 Mar;9(3):251-259.

[4] Louie JK, Acosta M, Winter K, Jean C, Gavali S, Schechter R, Vugia D, Harriman K, Matyas B, Glaser CA, Samuel MC, Rosenberg J, Talarico J, Hatch D; California Pandemic (H1N1) Working Group. Factors associated with death or hospitalization due to pandemic 2009 influenza A(H1N1) infection in California. JAMA. 2009 Nov 4;302(17):1896-902.

Analyses of several trials conducted by Synairgen to date reveal that, across different patient populations and care settings, those with more severe disease at the start of treatment responded best to treatment with SNG001. This includes prevention of hospitalisation in patients treated in the community as well as progression to severe disease or death in patients hospitalised due to their viral infection. These observations underpin our strategy of targeting patients at the highest risk of poor outcomes.

As a broad-spectrum antiviral drug, SNG001 has shown *in vitro* effects against multiple respiratory viruses and *in vivo* has uncovered its potential to treat and/or prevent severe viral lung infection. Preparatory work for a trial commenced in 2023 and has continued into 2024. The company is currently finalising potential trial structures and a potential financing plan to enable it to pursue an enhanced trial structure. If this comes about, details will be communicated in due course.

UNIVERSAL trial

During the year the Group has continued its work with Prof. Tom Wilkinson from the University of Southampton to progress UNIVERSAL, a multi-centre observational study in patients recently hospitalised due to respiratory viruses. UNIVERSAL is supported by Synairgen, AstraZeneca, and Janssen. A key objective is to develop methods to identify patients at higher risk of poor outcomes due to respiratory viruses.

UNIVERSAL is progressing well with more than 500 patients recruited to date. Data and samples are being analysed as they are collected and will continue through 2024. Results from UNIVERSAL will provide more insight for the Company to help inform the design of future trials with SNG001, allowing Synairgen to identify patients at the highest risk of disease progression whilst avoiding patients who are more likely to recover rapidly without the need for an antiviral intervention.

Key learnings from other patient populations

Non-hospitalised: During the pandemic the Company generated encouraging data in non-hospitalised patients from both its own 'SG016 home trial' and through collaboration with the US Government's ACTIV-2 trial team, which was ultimately halted due to declining rates of infection. This COVID-19 data sits well alongside earlier data from trials in asthma and COPD.

Neither the SG016 home nor ACTIV-2 studies were powered to demonstrate statistical significance on hospital admission as an endpoint, however pooling the data from all 330 COVID-19 patients from the two studies showed that 1 out of 165 patients on SNG001 (<1%) were hospitalised compared to 10 out of 165 (6%) placebo patients[5][6]. This represents a ~90% relative risk reduction, a comparable reduction to that seen with Paxlovid in Phase 3 trials. The encouraging signals coincided with the less pathogenic Omicron becoming the dominant circulating variant. As a result, hospitalisation rates with COVID-19 significantly dropped, meaning that clinical trial sizes needed to confirm the efficacy of SNG001 in the outpatient setting would exceed thousands of patients and therefore became commercially unfeasible for a Company of Synairgen's size.

Despite this, Synairgen believes that SNG001 continues to be an attractive asset for inclusion in platform trials, a position the Company was not in prior to the pandemic.

Long term viral shedders: Beyond pandemic preparedness, Synairgen has explored various non-hospitalised patient groups who are particularly vulnerable to viral lung infections, with a particular focus on patients who struggle to clear the virus and become long term shedders of virus, many of whom are immunocompromised patients (e.g. through undertaking cancer treatments). After careful

[5] Jagannathan P, Chew KW, Giganti MJ, Hughes MD, Moser C, Main MJ, Monk PD, Javan AC, Li JZ, Fletcher CV, McCarthy C, Wohl DA, Daar ES, Eron JJ, Currier JS, Singh U, Smith DM, Fischer W; ACTIV-2/A5401 Study Team. Safety and efficacy of inhaled interferon-β1a (SNG001) in adults with mild-to-moderate COVID-19: a randomized, controlled, phase II trial. EClinicalMedicine. 2023 Oct 6;65:102250. doi: 10.1016/j.eclinm.2023.102250. PMID: 37855026; PMCID: PMC10579289.

[6] Francis NA, Monk PD, Nuttall J, Oliver T, Simpson C, Brookes JL, Tear VJ, Thompson AG, Batten TN, Mankowski M, Wilkinson TM. Feasibility of home administration of nebulised interferon ß-1a (SNG001) for COVID-19: a remote study. BJGP Open. 2023 Dec 19;7(4):BJGPO.2023.0089. doi: 10.3399/BJGPO.2023.0089. PMID: 37669805; PMCID: PMC11176681.

consideration, the Company elected not to fund its own trials in these very high-risk patients at this point in time. This decision was primarily based on the large size of trial required to demonstrate a reduction in the rate that patients are hospitalised, and the logistical complexity of patient identification. The Company will, however, continue to be open to trial collaborations in this area.

Summary
After conducting a rigorous evaluation of the clinical need, supporting scientific literature, trial feasibility, and commercial viability, Synairgen's strategic decision is to determine an appropriately sized trial in mechanically ventilated patients who it believes are most likely to benefit from SNG001 as a result of infection from a wide range of respiratory viruses causing appreciable morbidity, mortality and a strain on health care infrastructure.

The Company continues to be extremely excited by the potential for SNG001 to be the first inhaled broad-spectrum antiviral targeting the lungs. The Synairgen team is ever grateful for the support of its loyal investors, partners and staff in a crucial year where it has researched the rationale for, and is gearing up to execute on, the most appropriate strategy for the development of SNG001. The Company is currently finalising its assessment of the best combination of trial structure/locations and associated financing requirement and aim to communicate the outcome of this soon with a view to commencing the next Phase 2 trial this winter.

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 40 to 57. The consolidated financial statements are prepared in accordance with UK-adopted international accounting standards.

The financial statements of the Company, set out on pages 58 to 64, are prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework*.

Consolidated Statement of Comprehensive Income
The loss from operations for the year ended 31 December 2023 was £10.3 million (2022: £20.3 million loss) with research and development expenditure amounting to £6.5 million (2022: £14.9 million) and other administrative expenses of £3.8 million (2022: £5.4 million).

Expenditure on research and development activity decreased in 2023, continuing the trend from the prior year, as the Group focussed on refining plans for future clinical trials.

Clinical trial expenditure was limited to the cost of closing out the SPRINTER, SG015 and SG016 trials, in conjunction with preparatory work to design future clinical trial activity, such as participation in the UNIVERSAL trial.

Manufacturing activities also reduced significantly in the year, with spend focussed on the manufacture of a new batch of drug product and placebo (pre-filled syringes), and third-party laboratory testing (incorporating stability, comparison and release testing of drug product, qualification of new reference standards). All manufacturing costs were expensed to the income statement.

Expenditure on science (R&D) and quality departments remain flat on the prior year, with regulatory costs reducing in-line with diminished trial activity.

Other administrative expenses totalled £3.8 million in 2023, which comprise all expenses which are not research and development expenditure, and predominantly reflect staff costs and professional fees. This represents a decrease of £1.6 million on the prior year (2022: £5.4 million), due to cost saving initiatives implemented within commercial, medical affairs, business development, and corporate communications.

Interest receivable increased from £0.2 million to £0.6 million, as deposit interest rates increased during 2023.

The research and development tax credit (including R&D expenditure credit - "RDEC") decreased from £2.4 million to £1.3 million in line with reduced qualifying research and development expenditure. The credit equates to 20% of our 2023 research and development expenditure (2022: 16%).

The loss after tax for 2023 was £8.4 million (2022: £17.6 million) and the basic loss per share was 4.18p (2022: basic loss per share of 8.76p).

Consolidated Statement of Financial Position and Cash Flows
At 31 December 2023, net assets amounted to £12.7 million (2022: £20.3 million), including cash and deposit balances of £12.0 million, comprising cash and cash equivalents of £10.5 million and other financial assets – bank deposits of £1.5 million (2022: £19.7 million cash and bank deposit balances).

The principal elements of the £7.7 million decrease during the year ended 31 December 2023 (2022: £14.1 million decrease) in cash and bank deposit balances were:

- Cash outflows from operations before changes in working capital: £9.4 million (2022: £19.3 million), with the reduction being attributable to the lower research and development administrative expenditure and as explained above;
- Changes in working capital: £1.2 million outflow (2022: £4.1 million outflow), due to a reduction in trade and other payables of £1.7 million, and a £0.5 million decrease in trade and other receivables;
- Interest received £0.6 million (2022: £0.2 million); and
- Research and development tax credits received: £2.4 million (2022: £9.1 million) on account of receipt of the 2022 tax credit.

The other significant changes in the Statement of Financial Position were:

- Current tax receivable decreased from £2.4 million to £1.3 million on account of the lower research and development tax credit (including RDEC) receivable;
- Trade and other receivables decreased by £0.5 million to £0.8 million (2022: £1.3 million), due predominantly to a reduction in prepayments due to the reduction in the level of operating expenditure;
- Trade and other payables decreased by £1.7 million to £1.6 million (2022: £3.3 million), in line with the reduction in the level of operating expenditure.

Parent Company Balance Sheet
Company only impairment review of investment in subsidiary.
The Company performed an impairment review of the carrying value of the Parent Company's investment in Synairgen Research Limited, using a value in use methodology, due to Synairgen's share price being an indicator of possible impairment. As a result of this review, it has concluded that the recoverable amount exceeds the carrying value, and therefore the investment is not impaired.

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 pre-clinical and clinical programmes, and the advancement of manufacturing activities, which are discussed elsewhere in this report.

The most important financial KPIs are the research and development expenditure on clinical trial and on-going manufacturing activities, and the cash position of the Group. Cash and deposit balances reduced from £19.7 million to £12.0 million principally on account of the planned research and development expenditure. The financial results are discussed in the Financial Review above.

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, its 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 its shareholders and contributing to wider society. The Board recognises that the business can only grow and prosper over the long term by understanding the views and needs of its stakeholders. Engaging with stakeholders is key to ensuring the Board has informed discussions and factors stakeholder interests into decision-making.

The following table, in combination with the Corporate Governance Statement set out on pages 16 to 20 and the Company's website (www.synairgen.com), sets out the framework of its 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 • Environmental, Social and Corporate Governance (ESG)	• RNS announcements • Website and social media updates • Meetings after preliminary statement release and interims for investors • AGM • Proactive Investor interviews • Responses to direct investor questions
Employees Synairgen has 36 employees (including executive directors) at the year end, 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 company meetings (virtual and face-to-face) and a policy of open disclosure • Regular virtual and face to face team meetings • Open door policy to executive directors • Company intranet • Use of share-based incentives for employees
University of Southampton Synairgen is a spin-out company from the University and still maintains many links with it, which benefits 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 and the University's Research & Innovation Services team

Our stakeholders	Material topics	How we engage
Suppliers We have a number of key long-term suppliers who play an important part in our development programs, and it is important that we understand their product/service development plans and they understand our needs.	• Supplier product development plans • Our clinical trial, manufacturing 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.	• Program development plans, including clinical trial designs • Clinical trial read-outs • In-house and external competing products	• Regular meetings at key respiratory and anti-infective conferences (ATS, ERS, ECCMID and ID Week) and meetings during business development conferences
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 and Key Opinion Leaders, including Advisory Boards • Patient data from clinical trials • Engagement with patient groups
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 ensure we comply with regulations • Interactions with Ethics Committees, MHRA, FDA, EMA and other regulatory agencies

Principal decisions in 2023
Synairgen has considered the decisions taken by the Board which will have an impact on the longer-term performance and prospects for the Group. The Board believes that four key decisions taken during the year fall into this category and were made with full consideration of both internal and external stakeholders.

- The decision not to pursue clinical a follow-on clinical trial to SPRINTER in hospitalised patients on a general ward, or in non-hospitalised patients.
- The decision not to devote resources to a trial in immunocompromised patients who can become 'persistent viral shedders' unable to clear the virus.
- The decision to devote resources to preparatory work to design future clinical trial activity, such as participation in the UNIVERSAL trial and research into the ventilated patient opportunity.
- The decision to reduce investment in administrative spend related to the future commercialisation of SNG001.

Post period-end, the Board has considered the next strategic steps for the development of SNG001 and is now embarked on the design of a trial in ventilated patients.

Principal risks and uncertainties
In addition to the fact that the Group has only one candidate (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 design and deliver appropriate broad-spectrum clinical trials
The Group's strategy includes developing SNG001 as a broad-spectrum antiviral which will require a series of clinical trials, for which there is little regulatory guidance or precedence. At this stage these clinical trial protocols are still at the development stage; however, initial focussed studies will provide data to inform the design and implementation of regulatory studies.

Whilst there can be no guarantee at this stage that these trials will be approved by the regulatory agencies and that it will be possible to complete them, any risks are minimised by the fact that the studies are built upon the existing data on SNG001, consider the regulatory environment for antivirals, include input from regulatory and clinical development experts, as well as advice from Key Opinion Leaders and potential Investigators. Regulatory agency scientific advice will be sought for those studies that might be novel or form a key part of the regulatory pathway to an eventual marketing authorisation application.

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 and may prevent or limit its commercial use.

The pre-clinical and clinical trial data that has previously been generated, as well as other scientific evidence, supports the rationale for the proposed clinical trials. The programme of clinical studies follows a logical development path with focussed initial studies providing data which can be used to appropriately design key regulatory studies to reduce risks of failure.

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; and (iv) difficulty in finding suitable sites and patients, including competition for patients from competing clinical trials.

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 Group seeks to mitigate these risks through ongoing risk assessment, close project management, thorough selection procedures of all key suppliers (including trial sites), and regular ongoing contact with sites and other key vendors throughout trials.

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 an 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 commercialisation 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 antiviral therapeutics at different stages of development

There are a number of competing therapeutics for antiviral applications at varying stages of development, which may be brought to market more quickly than SNG001 or prove to be more effective, desirable or cheaper. Some 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.

Currently, antivirals in development are largely targeting the virus itself and are mainly specific to a single virus. The host-directed, virus agnostic mode of action of SNG001 means it has broader potential utility and fewer direct competitors. The large market for respiratory viral diseases, and potential for new viruses and variants, means there are likely to be opportunities for a number of products to be commercially available before any significant market saturation. The Group continuously monitors the competitive environment and medical need to appropriately target and refine the development and future commercial strategies.

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 contracted with certain key partners to provide services to the Group, including CRO services, regulatory affairs consultants and clinical management services.

Manufacturing complexity

SNG001 beta Interferon-1a is expressed as a recombinant protein using CHO cells. As a biological product the drug substance manufacturing process is well controlled to ensure product quality consistency. The purified drug substance is formulated and filled under sterile conditions to manufacture drug product.

Failure of a manufacturing batch due to process error or product quality may delay the timing for clinical resupply as well as deplete drug substance stocks.

Project risk is mitigated through the close involvement of experienced CMC and laboratory staff, combined with additional specialist consultants. This extends into careful selection and management of the drug product Contract Manufacturing Organisation.

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; (ii) the manufacture, scale-up, fill/finish, analytical testing and supply of SNG001; and (iii) the manufacture and supply of the nebuliser. 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 may 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 market-related protection for its products 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 working with patent attorneys and other advisors to maximise in-market 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 may 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, pursuing suitable back-up and security policies, and maintaining Cyber Essentials certification.

By order of the Board

Richard Marsden
Chief Executive Officer
26 June 2024

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.

Joseph Colliver
Chief Financial Officer
Joseph Colliver joined Synairgen as a Chief Financial Officer in November 2023. Most recently, he has held executive and non-executive directorships of listed early-stage life sciences companies, where Joseph led financial reporting, M&A, strategy, and regulatory / corporate governance. Prior to this, Joseph spent ten years in senior leadership roles in the Kantar division of WPP PLC, including CFO at Kantar Futures, and Global Commercial Director of TNS, a multi-billion-dollar global market research agency. Joseph qualified as a chartered Accountant in the audit practice of Mazars LLP.

Dr Bruce Campbell
Non-executive Director
Bruce Campbell joined Synairgen as a non-executive director in April 2006. He has more than 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 European companies. Formerly he was CSO at the IP Group, 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, and a member of the European ICH Safety Working.

Dr Felicity (Flic) Gabbay
Non-executive Director
Flic Gabbay joined Synairgen as a non-executive director in September 2022. She has extensive experience within the life sciences sector including holding several senior and CEO positions in big pharma, biotech and CROs in both Europe and North America. She is Founding and Senior Partner at TranScrip Ltd, a contract drug development CRO. Starting her career as a medical doctor, Flic held various medical research posts in Europe and the US before moving into the biotechnology sector. She is the current President of the Faculty of Pharmaceutical Medicine for the three Royal Colleges of Physicians, a Fellow of the Academy of Medical Sciences and an Honorary Fellow of the British Pharmacological Society.

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 of the Natasha Allergy Research Foundation, Chair of The Kennedy Trust for Rheumatology Research and Member of the Natural Environment Research Council. He is Principal Investigator of the UKRI/Met Office Clean Air Strategic Priority Fund Champion grant and is Special Advisor to the RCP on air quality. He also serves on a number of Advisory Committees in industry and the Research Councils.

Amanda Radford
Non-executive Director
Amanda Radford joined Synairgen as a non-executive director in December 2022. She is currently Deputy CFO of BSI Group. She has previously held senior financial positions at companies including Convatec Group plc, Pets at Home Vet Group and TalkTalk Telecom Group. She is a Chartered Accountant.

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 Company adopted the 2018 Quoted Companies Alliance Corporate Governance Code ('QCA Code') in line with the London Stock Exchange' AIM Rules for Companies. The QCA Code was reissued on 13 November 2023 and the Company will be following the principles set out therein for 2024. The three themes for the 2023 QCA Code are: (1) deliver growth; (2) maintain a dynamic management framework; and (3) build trust.

This Statement, in conjunction with the corporate governance statement published on our website (see: www.synairgen.com/investors/corporate-governance-statement/) follows the ten principles of the 2018 QCA Code and explain how the 2018 QCA Code is applied by the Company.

Board of directors
On 31 December 2023, the Board consisted of myself, as the non-executive Chairman, three executive directors (Richard Marsden, Dr Phillip Monk and Joseph Colliver), and four non-executive directors (Dr Bruce Campbell, Dr Flic Gabbay, Prof. Sir Stephen Holgate and Amanda Radford).

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 biographies for the directors are given on pages 14 and 15. 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 Group'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.

Joseph Colliver
Joseph is a Fellow Chartered Accountant with experience as an executive and non-executive director in listed life sciences companies, incorporating statutory reporting, corporate governance, and corporate finance. He maintains his skills by attending courses run by accountancy and legal firms, and professional bodies.

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.

Dr Flic Gabbay
Flic is an independent non-executive director and Chair of the Remuneration and Nomination Committee, joining the Board in September 2022. She has extensive experience in the life sciences sector including holding several senior and CEO positions in big pharma, biotech and contract research organisations ('CRO') in Europe and North America.

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.

Amanda Radford
Amanda is an independent non-executive director and Chair of the Audit Committee. Amanda has held senior finance roles in a number of public companies and has significant experience in external reporting, financial controls, forecasting and business planning, as well as fundraising and M&A.

All eight members of the Board bring relevant sector experience in life sciences. Four 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.

Non-executive directors are required to attend monthly Board meetings ('Scheduled Board meetings') and, where relevant, committee or Scientific Advisory Board meetings. Non-executive directors are required to be available at other times as required for face-to-face, virtual, and telephone meetings with the executive team. All members of the executive team work for the Company on a full-time basis; Joseph Colliver is a non-executive director of Hellenic Dynamics plc.

The Board continues to note that it does not yet comply with QCA best practice in that three of its non-executive directors have been in post for more than nine years. Nevertheless, the Board considers that these directors remain functionally independent, in that they remain fully committed to promoting the success of the Company for the benefit of shareholders as a whole. In line with commitments made towards achieving best practice, Dr Flic Gabbay and Amanda Radford were appointed as independent non-executive directors in September 2022 and December 2022 respectively, with a view to bringing a new perspective to the Board together with their respective expertise in biotech and finance. We will continue to assess the effectiveness of the Board and will continue to identify high quality independent directors as the Company continues to develop.

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 but does have two independent directors (Dr Flic Gabbay and Amanda Radford) 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. Scheduled Board meetings take place monthly, and the Board also meets on any other occasions it considers necessary. During the year ended 31 December 2023, the Board met ten times for Scheduled Board meetings. No unscheduled Board meetings were held. 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 the agenda

items to be discussed. Additional information is provided when requested by the Board or individual directors. In addition, the Board has access to the Company's professional advisers as necessary.

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 last took place in March 2021. The process identified that the principal areas for the Board to address were succession planning and Board diversity. It was 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.

In 2022, the Company appointed Dr Flic Gabbay and Amanda Radford as independent non-executive directors. The Board believes that with these appointments, it has the necessary blend of skills, experience, personal qualities and capabilities, and a more diverse range of perspectives. The Board 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.

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

Audit Committee
The Audit Committee currently comprises Amanda Radford (Chair), Bruce Campbell and Simon Shaw.

The committee has primary responsibility for ensuring that the financial performance of the Group is properly measured and reported on and is compliant with relevant accounting standards. 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.

During 2023, the committee met four times. The Audit Committee Report is detailed on pages 26 to 28.

Remuneration and Nomination Committee
The Remuneration and Nomination Committee currently comprises Dr Flic Gabbay (Chair), Dr Bruce Campbell and Simon Shaw. Dr Flic Gabbay became Chair of the committee on her appointment to the Board. 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 Company's Long-Term Incentive Plan and approves grants thereunder. 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 2023, the committee met three times. The Directors' Remuneration Report is detailed on pages 21 to 25.

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 (Chair), Dr Bruce Campbell, Dr Flic Gabbay 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
Our purpose is to restore lives with respiratory treatments which treat those most at risk.

We articulate these values and supporting behaviours as follows:

- Together We Pioneer: We pioneer by breaking through barriers, being open and supportive and by accentuating the positive.
- Together We Care: We care in the way we put patients first, by inspiring passion in others and by always being respectful.
- 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 are incorporated into the annual performance review process. Through the company intranet available to the Group's staff and regular internal 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. 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 Chairs 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 Group 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 4 to 13. 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 annually.

Simon Shaw
Chairman
26 June 2024

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.

Remuneration Committee

The Company's remuneration policy is the responsibility of the Remuneration and Nomination Committee (the 'Committee'). The terms of reference of the Committee are outlined in the Corporate Governance Statement on pages 16 to 20. Dr Flic Gabbay is Chair of the Committee. Dr Bruce Campbell and Simon Shaw are the other members of the Committee.

The Committee, which is required to meet at least twice a year, met three times during the year ended 31 December 2023 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 typical benefits including family private health cover, permanent health and life assurance.

There have been no salary increases for executive directors since the last review in August 2021 (and no increases are anticipated for 2024) and the executive director salaries, bonus and pension arrangements remain as follows:

	Salary per annum (£000)	Maximum bonus as a % of salary	Pension contribution as a % of salary
Richard Marsden	310	100%	6%
Dr Phillip Monk	225	100%	6%
Joseph Colliver*	210	100%	6%
John Ward**	225	100%	6%

* Joseph Colliver was appointed as an executive director and Chief Financial Officer on 6 November 2023.

** John Ward resigned as an executive director and Chief Financial Officer on 3 November 2023.

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 2023 is set out on page 25 of this report.

(ii) Chairman and non-executive director remuneration
The fee payable to the Chairman was £80,000 per annum and the fee payable to non-executive directors was £40,000. The fee for chairing a committee was £5,000. Of the on-going £250,000 per annum aggregate remuneration payable to the Chairman and non-executive directors, £200,000 is remuneration for their appointed services and £50,000 is ascribed to special services performed beyond their normal duties on account of the continued 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 2023.

(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 2023 during the six-week period following the preliminary announcement of the results for the year ended 31 December 2022. As also noted in last year's report, the Committee recognised the significant fall in share price during 2022 and therefore, consistent with good practice, reduced the number of shares over which the award was issued from the previous level of 50% of salary to 12% for Richard Marsden, and 16% for each of Phillip Monk and John Ward. A further LTIP award was made in November 2023 to Joseph Colliver, equivalent to 23% of his annual salary. The performance conditions for the awards remain in line with previous grants and are set out below.

The Committee will consider whether to make an LTIP award (the 2024 award) during the six-week period following the preliminary announcement of the results for the year ended 31 December 2023.

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.

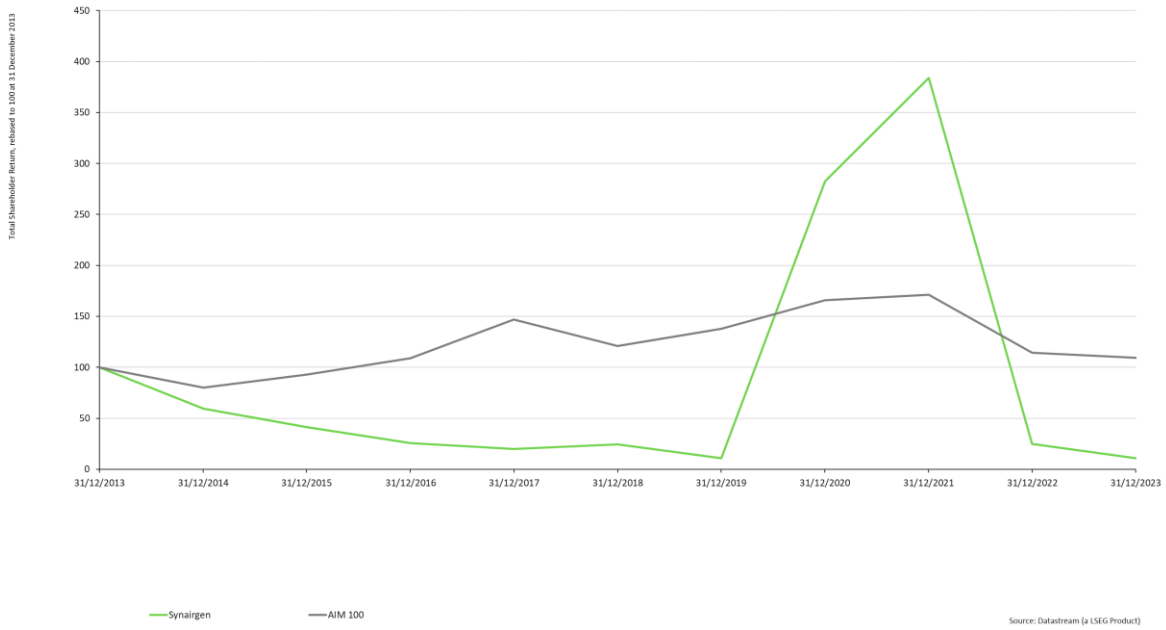
Performance conditions for the 2020-2023 LTIP awards
The performance conditions for all four awards were the same. The awards are subject to two conditions. Firstly, awards will only vest to the extent that the percentage increase in the total shareholder return ('TSR', being the return earned by a shareholder 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%.

The LTIP awards made from 2020 until the end of 2023 are currently below vesting 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 AIM 100 has been used below.



(v) Service contracts and letters of appointment
The executive directors have entered into service agreements which can be terminated on 12 months' notice by either party in the case of Richard Marsden, and six months' notice by either party in the case of Phillip Monk and Joseph Colliver.

During the year ended 31 December 2023, Joseph Colliver held a non-executive directorship of Hellenic Dynamics PLC.

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	Notes	At 1 January 2023	Granted during the year	Lapsed during the year	At 31 December 2023	Exercise price	Earliest exercise date	Expiry date
Richard Marsden								
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
5 July 2022		534,482	-	-	534,482	1p	5 July 2025	4 July 2032
21 June 2023		-	496,000	-	496,000	1p	21 June 2026	20 June 2033
Dr Phillip Monk								
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
5 July 2022		387,931	-	-	387,931	1p	5 July 2025	4 July 2032
21 June 2023		-	480,000	-	480,000	1p	21 June 2026	20 June 2033
John Ward	(i)							
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
5 July 2022		387,931	-	(387,931)	-	1p	5 July 2025	4 July 2032
21 June 2023		-	480,000	(480,000)	-	1p	21 June 2026	20 June 2033
Joseph Colliver	(ii)							
14 November 2023		-	750,000	-	750,000	1p	14 November 2026	13 November 2033

(i) John Ward resigned as Chief Financial Officer on 3 November 2023
(ii) Joseph Colliver was appointed as Chief Financial Officer on 6 November 2023.

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 2023 was 5.98p. During the year then ended, the mid-market price ranged from 5.98p to 16.5p. On 30 April 2024 the closing price was 6.9p.

Directors' remuneration

The remuneration received by directors who served during the years ended 31 December 2023 and 2022 was as follows:

		Year ended 31 December 2023					Year ended 31 December 2022		
£'000	Notes	Salary/fee	Benefits	Total (excl. pension)	Pension	Total fixed (incl. pension)	Total (excl. pension)	Pension	Total fixed (incl. pension)
Executive directors									
Richard Marsden		**310**	**2**	**312**	**16**	**328**	312	16	328
Dr Phillip Monk		**225**	**2**	**227**	**14**	**241**	227	13	240
John Ward	(v)	**203**	**2**	**205**	**10**	**215**	228	12	240
Joseph Colliver	(vi)	**30**	**-**	**30**	**1**	**31**	-	-	-
Non-executive directors									
Simon Shaw		**80**	**-**	**80**	**-**	**80**	84	-	84
Iain Buchanan	(i)	**-**	**-**	**-**	**-**	**-**	45	-	45
Dr Bruce Campbell		**40**	**-**	**40**	**-**	**40**	44	-	44
Dr Felicity Gabbay	(ii)	**45**	**-**	**45**	**-**	**45**	11	-	11
Theodora Harold	(iii)	**-**	**-**	**-**	**-**	**-**	38	-	38
Prof. Sir Stephen Holgate		**40**	**-**	**40**	**-**	**40**	44	-	44
Amanda Radford	(iv)	**45**	**-**	**45**	**-**	**45**	4	-	4
Total		**1,018**	**6**	**1,024**	**41**	**1,065**	1,037	41	1,078

(i) Iain Buchanan resigned as a non-executive director on 1 December 2022.
(ii) Dr Felicity Gabbay was appointed as a non-executive director on 29 September 2022.
(iii) Theodora Harold resigned non-executive director on 29 September 2022.
(iv) Amanda Radford was appointed as a non-executive director on 1 December 2022.
(v) John Ward resigned as Chief Financial Officer on 3 November 2023
(vi) Joseph Colliver was appointed as Chief Financial Officer on 6 November 2023.

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 (four executive directors, of which no more than three were active at one time), for the year ended 31 December 2023, the total share-based payment amounted to £156,000 (2022: £328,000) and total social security costs were a credit of £63,000 (2022: credit £28,000). The 2023 social security costs were a credit on account of the reduction in the LTIP Employer National Insurance accrual because of the fall in share price during 2023.

Total social security costs in respect of the non-executive directors for the year ended 31 December 2023 were £31,000 (2022: £34,000).

On behalf of the Board

Felicity Gabbay
Chair of the Remuneration and Nomination Committee
26 June 2024

Report of the Audit Committee

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 and is compliant with relevant accounting standards. It was established in October 2004 and its terms of reference are outlined in the Corporate Governance Statement on page 16.

Committee membership, meetings and attendance
The table below shows the number of meetings attended out of the number of meetings members were eligible to attend.

Director	Attended/eligible to attend
Amanda Radford (Chair)	4/4
Simon Shaw	3/4
Bruce Campbell	4/4

The Committee members collectively have a wide range of financial, audit and relevant sector and business experience that enables the Committee to provide constructive challenge and support to management. Amanda Radford and Simon Shaw are considered to have recent and relevant financial experience.

Matters covered by the Committee
The Committee, which is required to meet at least twice a year, met four times during the year ended 31 December 2023, and covered the following matters:

- 6 April 2023: preliminary review of the auditor's findings in relation to the 2022 year-end audit, review of the adoption of the going concern basis in the preparation of the financial statements for the 2022 year-end; update on the valuation of Synairgen plc's investment in Synairgen Research Limited; the accounting for clinical trial costs and the research and development tax credit; and review of internal controls and assessment of requirement for internal audit.

- 25 April 2023: audit completion meeting for the 2022 year-end audit including reviews of: the forecasts and assumptions used to derive the impairment loss in relation to Synairgen plc's investment in Synairgen Research Limited; the auditor's final report on the audit; and the annual report.

- 15 September 2023: review of interim results including adoption of going concern basis of preparation. The Committee reviewed and challenged the assumptions within the forecast including committed spend and cost savings and R&D tax credits; review of BDO report to the Committee covering scope of interim work, materiality and key judgements including going concern assessment and; review of Audit engagement letter and discussion and agreement of fees in relation to the interim and full year audit.

- 1 December 2023: review of BDO audit planning report including resourcing, materiality, risk assessment and key accounting judgements of going concern, Synairgen plc's investment in the Synairgen Research Limited and; TCFD reporting preparedness.

Post 31 December 2023, the Committee has met twice:

- 10 April 2024: preliminary review of the auditor's findings in relation to the 2023 year-end audit including an update on the adoption of going concern in the preparation of the financial statements; update on the impairment review of Synairgen PLC's investment in Synairgen Research Limited; review of the Group's internal control procedures; consideration of the requirement of an internal audit function, which due to the size and simplicity of the Group's operations combined with the internal control review undertaken by management was deemed unnecessary and; review of the Group's fraud risk assessment.

- 20 June 2024: audit completion meeting for the 2023 year-end audit including reviews of: the adoption of the going concern basis in the preparation of the financial statements for the 2023

year-end; the forecasts and assumptions used in the valuation of Synairgen plc's investment in Synairgen Research Limited; the auditor's final report on the audit; and the annual report.

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

Significant accounting judgements

Impairment review of Synairgen plc's investment in Synairgen Research Limited

The Committee considered management's assessment of the valuation of Synairgen Research Limited (SRL) as at 31 December 2023 for impairment purposes.

The valuation of SRL includes certain significant judgments, including the likelihood of successful product approval, the costs of reaching approval, revenue forecasts, the estimated useful life of a therapeutic product following commercialisation and the subsequent commercial profitability of the product once approved, together with the post-tax discount rates applied to the risk-adjusted future cash flows.

The Committee challenged management on the inputs into the valuation model and discussed the appropriateness of management's assumptions and outcome of the impairment review with the Company's auditor.

Following discussion, the Committee agreed with management's conclusion that the Parent Company's investment in SRL is not impaired.

Going concern statement

The Committee considered management's assessment of the Group's available funding and forecast cash requirements for the going concern period to 31 December 2025, being at least 12 months from the date of signing the financial statements. Given the stage of development of the Group and lack of recurring revenues, the Committee challenged management on the appropriateness of the assumptions in the cash flow projections in relation to the Group's plans to conduct a Phase 2 trial in mechanically ventilated patients and applicable fund raise; and the alternative forecast to conduct further pre-clinical preparatory work that would produce data to undertake a fund raise in 2025, whilst significantly reducing research and development, and administrative spend. Noting that the outcome of future plans and associated fund raises in relation to trials is uncertain, the Committee reviewed management's forecasts of committed and future costs, and the alternative forecast and associated cost saving measures, and whether there was sufficient cash available to cover such expenditure for the duration of the going concern period.

The Committee discussed the assumptions and conclusions of the going concern review with the Group's auditor.

The Committee agreed with management's adoption of the going concern basis in the preparation of the annual accounts and approved and recommended the draft Going Concern statement to the Board.

Auditor independence

All non-audit engagements performed by the external auditor are approved by the Committee in accordance with the Company's policy as disclosed in Corporate Governance Principle number 9 on the Group's website.

The Company was compliant with the policy throughout 2023. Non-audit fees incurred during 2023 totalled £17,600 which relates to the review of the interim results for the six months to 30 June 2023.

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's operations at this stage in its development and the continuous review and improvement of the control environment by Management. The Committee keeps this matter under review annually.

On behalf of the Board

Amanda Radford
Chair of the Audit Committee
26 June 2024

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 2023.

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 2023, the Group has invested £6,531,000 (2022: £14,936,000) in research and development activities and a review of this expenditure is included in the Strategic Report.

Going concern

The directors have prepared financial forecasts to estimate the likely cash requirements of the Group over the period to 31 December 2025, 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. The directors consider that they have taken a prudent view in preparing these forecasts.

The directors have identified that the Group will need to raise further funds during 2024 in order to conduct the planned Phase 2 clinical trial in mechanically ventilated patients. The ability of the Group to secure a fund raise in 2024 cannot be guaranteed, therefore the directors have prepared an alternative forecast which maintains a budget for further pre-clinical preparatory work that would produce data to undertake a fund raise in 2025, whilst significantly reducing research and development, and administrative spend. Should this alternative forecast be required, the directors are confident of achieving savings in expenditure within their control, resulting in the Group having sufficient resources until Q1 2026 without the need for a further fund raise, whilst maintaining the principal activity of the Group.

In addition, the directors have considered the sensitivity of the financial forecasts to changes in key assumptions, including, among others, potential cost overruns within anticipated spend.

After due consideration of these forecasts and current cash resources, including the sensitivity of key inputs, 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 52 to 54.

Dividends

The directors do not propose the payment of a dividend.

Substantial shareholdings

As at 11 June 2023, 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	58,000,000	28.8%

Directors

The directors of the Company during the year ended 31 December 2023 were:

Executive directors:
Richard Marsden (Chief Executive Officer)
Dr Phillip Monk (Chief Scientific Officer)
John Ward (Chief Financial Officer) (resigned 3 November 2023)
Joseph Colliver (Chief Financial Officer) (appointed 6 November 2023)

Non-executive directors:
Simon Shaw (Chairman)
Dr Bruce Campbell
Dr Felicity Gabbay
Prof. Sir Stephen Holgate CBE
Amanda Radford

Directors' interests in ordinary shares
The directors, who held office at 31 December 2023, had the following interests in the ordinary shares of the Company:

	At 31 December 2023 Number of shares	At 1 January 2023 Number of shares
Richard Marsden (i)	**995,771**	995,771
Dr Phillip Monk	**423,934**	423,934
John Ward	**734,092**	734,092
Simon Shaw (ii)	**1,531,239**	1,531,239
Dr Bruce Campbell (iii), (vii)	**331,554**	331,554
Dr Felicity Gabbay (iv)	**-**	-
Prof. Sir Stephen Holgate (v), (vii)	**911,876**	911,876
Amanda Radford (vi)	**-**	-

(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 41,388 shares owned by his wife, Susan Campbell.
(iv) Dr Felicity Gabbay had no shareholding in the Company at her date of appointment (29 September 2022).
(v) Prof. Sir Stephen Holgate's shareholding includes 2,950 shares owned by his wife, Elizabeth Holgate.
(vi) Amanda Radford had no shareholding in the Company at her date of appointment (1 December 2022).
(vii) Dr Bruce Campbell's and Prof. Sir Stephen Holgate's shareholdings at 1 January 2022 were re-stated to include their respective subscriptions to the 2020 Open Offer of 8,724 shares (inclusive of 1,089 shares by Mrs Campbell) and 24,945 shares (inclusive of 1,027 shares by Mrs Holgate) which were omitted in error from previous disclosures of shares held.

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
26 June 2024

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 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 UK-adopted international accounting standards 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
26 June 2024

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 2023 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 2023 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 notes to the financial statements, including a summary of material accounting information.

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:

- We considered 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 and parent company's development plans and committed expenditure.

- We obtained an understanding of the Directors' plans for future actions in relation to the going concern assessment and considered whether such plans are feasible in the circumstances.

- We reviewed the Directors' sensitivity analysis 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.

- We assessed 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 Group and parent company's financial performance, forecasting and budgeting processes and the Group'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 Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Overview

Coverage	*100% (2022: 100%) of Group loss before tax* *100% (2022: 100%) of Group total assets*
Key audit matters	2023 2022 Assessment of carrying value of investments in subsidiaries (parent company) ✓ ✓
Materiality	*Group financial statements as a whole* £390,000 (2022: £800,000) based on 4% (2022: 4%) of *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.

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
Valuation of investments in subsidiaries Refer to the accounting policies (pages 44 to 46) and Note 4 of the Company Financial Statements (page 47) Cost of investment £115.1m (2022: £106.4m) Impairment provision £Nil (2022: £66.2m) Net carrying value £48.9m (2022: £40.2m)	The Parent Company is a holding company. Its main investment is into a biopharmaceutical company focused on the development and commercialisation of a broad-spectrum inhaled antiviral for the treatment and prevention of severe viral lung infections in high-risk patient groups. The impairment assessment of the carrying value of investments in subsidiaries requires significant judgement to determine an appropriate recoverable amount for each investment. Judgement is required, as the recoverable amount is determined by taking into consideration future cash flows in relation to the development and commercialisation activities of Synairgen Research Limited. For these reasons we considered the carrying value and the related disclosures of the investment in subsidiaries to be a key audit matter.	Our audit procedures included: • Assessed management's conclusion that an impairment indicator existed at the balance sheet date. • We obtained management's analysis of the recoverable amount for the subsidiary and tested whether the calculation of the recoverable amount was in line with accounting standards. • We assessed the independence, objectivity and qualification of management's expert as a valuer. • We have involved our internal valuations expert to assess the appropriateness of the methodology applied as well as to support our assessment of certain inputs such as the discount rate. • We tested the arithmetic accuracy and integrity of the models used in the valuation by sample-checking the formula, assessed the reasonableness of the discount rates and reviewed the methodology applied versus our expectations. • For the valuation model's key commercial assumptions, such as probability of successful development, market for therapeutic treatment, expected sales price and operating margin, we assessed the reasonability by agreeing management's key assumptions to their supporting evidence such as market research studies, pricing and benchmarking analysis; we challenged whether the supporting analysis is appropriate against other available market data and industry benchmarks.

Key audit matter		How the scope of our audit addressed the key audit matter
		• For the valuation model's cashflows up to commercialisation, we assessed and challenged management's cash flow assumptions regarding future development costs necessary to be incurred for the drug candidate to reach a point of commercialisation against available third-party benchmark as well as costs previously incurred. • We assessed whether there should have been any reversal of the previously recognised impairment. • We assessed whether the disclosure in the Parent Company financial statements met with the requirements of the financial reporting framework and was consistent with management's assessment. *Key observations* *Based on the procedures performed, we consider that the assumptions made by management in their impairment assessment and the related disclosures are not unreasonable.*

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**	
	2023 £000	2022 £000	2023 £000	2022 £000
Materiality	**390**	800	**195**	720
Basis for determining materiality	4% (2022: 4%) of loss before tax.		4% of loss before tax.	90% 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.		The component materiality used is lower than the materiality we would otherwise have determined using a benchmark of 4% of loss before tax.	Capped at 90% of Group materiality given the assessment of the component's aggregation risk.
Performance materiality	**293**	600	**146**	540
Basis and rationale for determining performance materiality	75% of Group materiality considering a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.			

C*omponent materiality*
For the purposes of our Group audit opinion, we set materiality for each significant component of the Group being the trading subsidiary Synairgen Research Limited, apart from the Parent Company whose materiality is set out above. The materiality for this component was set at £390,000 (2022: £790,000), based on a percentage of 4% of loss before tax (2022: 4% of loss before tax). In the audit of this component, we further applied performance materiality levels of 75% (2022: 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 £12,000 (2022: £24,000). 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 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 Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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:

Based on:
- Our understanding of the Group and the industry in which it operates;

- Discussion with management and those charged with governance and the Audit Committee; and

- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the Companies Act 2006, the applicable accounting standards, Income tax and VAT legislation, Employment Taxes, Health Safety regulations, the Bribery Act 2010, Aim Listing rules and the Data Protection Act 2018.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be applicable accounting framework and UK tax legislation.

Our procedures in respect of the above included:
- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Discussions with Directors and the Audit Committee regarding known or suspected instances of non-compliance with laws and regulations.

Fraud
We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:
- Enquiry with management and those charged with governance and Audit Committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
    - Detecting and responding to the risks of fraud; and
    - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be significant accounting estimates and inappropriate journal entries (management override of controls).

Our procedures in respect of the above included:
- Testing a sample of journal entries throughout the year, which met a defined risk criteria including journal entries to cash outside the normal procurement cycle, by agreeing to supporting documentation;
- Involvement of forensic specialists in the audit as part of the planning risk assessment procedures; and
- Assessing significant estimates made by management for bias including investment valuations (as set out in the key audit matters section of the report), R&D tax credits, valuation of share-based payments and estimates in the cashflow forecast relevant to the going concern assessment.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities 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.

Alex Stansbury (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton, UK

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 2023

	Notes	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Research and development expenditure		**(6,531)**	(14,936)
Other administrative expenses		**(3,761)**	(5,364)
Total administrative expenses and loss from operations		**(10,292)**	(20,300)
Finance income	6	**635**	207
Loss before tax		**(9,657)**	(20,093)
Tax	7	**1,249**	2,448
Loss and total comprehensive loss for the period attributable to equity holders of the parent		**(8,408)**	(17,645)
Loss per ordinary share			
Basic and diluted loss per share (pence)	8	**(4.18)p**	(8.76)p

Consolidated Statement of Changes in Equity
for the year ended 31 December 2023

	Share capital £000 18a	Share premium £000 18b	Merger reserve £000 18c	Retained deficit £000 18d	Total £000
At 1 January 2022	2,013	125,245	483	(90,741)	37,000
Loss and total comprehensive loss for the year	-	-	-	(17,645)	(17,645)
Transactions with equity holders of the Group					
Issue of ordinary shares	1	-	-	-	1
Recognition of share-based payments	-	-	-	919	919
At 31 December 2022	2,014	125,245	483	(107,467)	20,275
Loss and total comprehensive loss for the year				(8,408)	(8,408)
Transactions with equity holders of the Group					
Recognition of share-based payments	-	-	-	790	790
At 31 December 2023	**2,014**	**125,245**	**483**	**(115,085)**	**12,657**

Consolidated Statement of Financial Position
as at 31 December 2023

	Notes	31 December 2023 £000	31 December 2022 £000
Assets			
Non-current assets			
Intangible assets	9	**102**	44
Property, plant and equipment	10	**26**	86
		128	130
Current assets			
Current tax receivable	7	**1,249**	2,415
Trade and other receivables	12	**828**	1,308
Other financial assets – bank deposits	13	**1,500**	3,750
Cash and cash equivalents	14	**10,516**	15,926
		14,093	23,399
Total assets		**14,221**	23,529
Liabilities			
Current liabilities			
Trade and other payables	15	**(1,564)**	(3,254)
Total liabilities		**(1,564)**	(3,254)
Total net assets		**12,657**	20,275
Equity			
Capital and reserves attributable to equity holders of the parent			
Share capital	17	**2,014**	2,014
Share premium	17	**125,245**	125,245
Merger reserve	18	**483**	483
Retained deficit	18	**(115,085)**	(107,467)
Total equity		**12,657**	20,275

The financial statements on pages 40 to 57 were approved and authorised for issue by the Board of directors on 26 June 2024 and signed on its behalf by:

Richard Marsden
Chief Executive Officer

Joseph Colliver
Chief Financial Officer

Consolidated Statement of Cash Flows
for the year ended 31 December 2023

	Notes	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Cash flows from operating activities			
Loss before tax		**(9,657)**	(20,093)
Adjustments for:			
Finance income		**(635)**	(207)
Depreciation of property, plant and equipment		**73**	93
Amortisation of intangible fixed assets		**11**	9
Share-based payment charge		**790**	919
Cash flows from operations before changes in working capital		**(9,418)**	(19,279)
Decrease in trade and other receivables		**473**	289
(Decrease) in trade and other payables		**(1,690)**	(4,384)
Cash used in operations		**(10,635)**	(23,374)
Tax credit received		**2,415**	9,088
Net cash used in operating activities		**(8,220)**	(14,286)
Cash flows from investing activities			
Interest received		**642**	140
Purchase of intangible assets		**(69)**	-
Purchase of property, plant and equipment		**(13)**	(6)
Receipt of bank deposits		**3,750**	-
Cash paid for deposits		**(1,500)**	(3,750)
Net cash generated from/(used in) investing activities		**2,810**	(3,616)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**-**	1
Net cash generated from/(used in) financing activities		**-**	1
Decrease in cash and cash equivalents		**(5,410)**	(17,901)
Cash and cash equivalents at beginning of the year		**15,926**	33,827
Cash and cash equivalents at end of the year	14	**10,516**	15,926

Notes to the Consolidated Financial Statements
for the year ended 31 December 2023

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 consolidated financial statements have been prepared on a historical basis.

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

New standards, interpretations and amendments adopted from 1 January 2023

With effect from 1 January 2023, 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 2023:

- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 – Definition of Accounting Estimates

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 Group had not yet applied the following new and revised accounting standards, amendments and interpretations that have been issued by the IASB and have been adopted by the UK Endorsement Board (UKEB):

Effective 1 January 2024:

- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The Group does not expect the adoption of these IFRS amendments will have a material impact on the Group in the current period or will have material impact on 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 31 December 2025, 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. The directors consider that they have taken a prudent view in preparing these forecasts.

The directors have identified that the Group will need to raise further funds during 2024 in order to conduct the planned Phase 2 clinical trial in mechanically ventilated patients. The ability of the Group to secure a fund raise in 2024 cannot be guaranteed, therefore the directors have prepared an alternative forecast which maintains a budget for further pre-clinical preparatory work that would produce data to undertake a fund raise in 2025, whilst significantly reducing research and development, and administrative spend. Should this alternative forecast be required, the directors are confident of achieving savings in expenditure within their control, resulting in the Group having sufficient resources until Q1 2026 without the need for a further fund raise, whilst maintaining the principal activity of the Group.

In addition, the directors have considered the sensitivity of the financial forecasts to changes in key assumptions, including, among others, potential cost overruns within anticipated spend.

1. Accounting policies (continued)

After due consideration of these forecasts and current cash resources, including the sensitivity of key inputs, 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.

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 47) 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”.

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

1. Accounting policies (continued)

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
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, and 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.

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 and RDEC are included under current assets as current tax receivable and other debtors, respectively.

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 (including RDEC) recognised, which amounts to £1.3 million (2022: £2.4 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.

4. Loss from operations

The loss from operations has been arrived at after (crediting)/charging:

	2023 £000	2022 £000
Other operating income - RDEC	**(59)**	-
Depreciation of property, plant and equipment	**73**	93
Amortisation of intangible assets	**11**	9
Short term lease rentals payable:		
Office and laboratory space	**75**	75
Other short term lease rentals	**93**	93

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

	2023 £000	2022 £000
Fees payable to the Company's auditor for the audit of the Group and Company financial statements	**51**	56
Fees payable to the Company's auditor for other services:		
The audit of the Company's UK subsidiary, pursuant to legislation	**34**	38
Audit-related assurance services	**18**	16
Total fees	**103**	**110**

5. Employee benefit expense

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

	2023	2022
Research	**23**	19
Administration	**10**	11
	33	30

Their aggregate remuneration comprised:

	Note	2023 £000	2022 £000
Wages and salaries		**2,929**	2,649
Social security costs	(i)	**329**	151
Pension costs – defined contribution plans	(ii)	**332**	309
Total cash-settled remuneration		**3,590**	3,109
Accrued holiday pay		**(3)**	-
Share-based payment		**790**	919
Total remuneration	(iii)	**4,377**	4,028

Note

(i) Social security costs for 2023 comprise (a) a credit in respect of the Employer National Insurance accrual for LTIPs of £48,000 (2022: credit £206,000) and (b) a charge in respect of wages, salaries and other benefits of £377,000 (2022: charge £357,000).

(ii) This includes cash payments in lieu of pension plan contributions.

(iii) For the purpose of presentation in the consolidated statement of comprehensive income, remuneration costs of £2,750,000 (2022: £2,156,000) are included in research and development expenditure and £1,627,000 (2022: £1,872,000) 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. The following costs were included in respect of key management personnel (i.e. the executive directors):

	Note	2023 £000	2022 £000
Salaries		**754**	749
Benefits		**7**	7
Pension costs – defined contribution plans	(i)	**56**	53
Share-based payment		**156**	328

(i) This includes payments in lieu of pension plan contributions.

(ii) The total gain on exercise of share options was £nil (2022: £nil).

Emoluments of highest paid director

Emoluments for the highest paid director were £328,000 (2022: £328,000).

Further information about the remuneration of individual directors is provided in the Directors' Remuneration Report on page 25.

6. Finance income and expense

Finance income represents bank interest receivable.

7. Taxation

Current tax

	2023 £000	2022 £000
UK corporation tax credit on loss for the year	**(1,249)**	(2,415)
Adjustment in respect of prior years	-	(33)
Total income tax credit	**(1,249)**	(2,448)

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 23.52% (2022: 19%). The differences are reconciled below:

	2023 £000	2022 £000
Loss on ordinary activities before tax	**(9,657)**	(20,093)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK	**(2,271)**	(3,818)
Effects of:		
Expenses not deductible for tax purposes	**195**	176
Enhanced research and development relief	**(985)**	(1,758)
Variable rates on tax losses surrendered for research and development tax credit	**754**	737
R&D expenditure credits	**13**	10
RDEC	**(14)**	(41)
Movement in unrecognised deferred tax	**1,126**	2,279
Remeasurement of deferred tax for changes in tax rates	**(67)**	-
Adjustment in respect of previous years	**-**	(33)
Total tax credit for the current year	**(1,249)**	(2,448)

Deferred taxation

Changes in tax rates and factors affecting the future tax charge

The Finance Act 2021 was substantively enacted in May 2021 and has increased corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

Recognised deferred taxation

	2023 £000	2022 £000
Accelerated capital allowances	**6**	21
Other temporary differences	**(6)**	(6)
Trading losses	-	(15)
Charge for the year	-	-

Unrecognised deferred taxation

At 31 December 2023 the Group has trading losses carried forward which are available for offset against future profits of the Group amounting to £70,391,673 (2022: £66,005,000) and non-trading losses of £3,851,103 (2022: £3,908,000). At 31 December 2023 the Group has an unrecognised deferred tax asset in respect of these losses of £18,566,463 (2022: £17,478,000). 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. 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.

7. Taxation (continued)

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

	2023 £000	2022 £000
Unrecognised deferred tax asset at the start of the year	**(17,744)**	(17,756)
Movement in the year	**(822)**	12
Unrecognised deferred tax asset at the year-end	**(18,566)**	(17,744)

8. Loss per ordinary share

	2023	2022
Loss attributable to ordinary equity holders of the parent company (£000)	**(8,408)**	(17,645)
Weighted average number of ordinary shares in issue (000)	**201,375**	201,360
Basic and diluted loss per share (pence)	**(4.18)**	(8.76)

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 2022 and 31 December 2022	267
Additions	69
At 31 December 2023	**336**
Amortisation	
At 1 January 2022	214
Charge for the year	9
At 31 December 2022	223
Charge for the year	11
At 31 December 2023	**234**
Net book amount	
At 31 December 2023	**102**
At 31 December 2022	44

At 31 December 2023 £102,000 (31 December 2022: £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 2022	74	554	628
Additions	4	2	6
At 31 December 2022	78	556	634
Additions	13	-	13
At 31 December 2023	**91**	**556**	**647**
Depreciation			
At 1 January 2022	56	399	455
Charge for the year	10	83	93
At 31 December 2022	66	482	548
Charge for the year	9	64	73
At 31 December 2023	**75**	**546**	**621**
Net book value			
At 31 December 2023	**16**	**10**	**26**
At 31 December 2022	12	74	86

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).

Analysis of lease expense	2023 £000	2022 £000
Short term lease expense	**168**	168
Charge to operating loss	**168**	168
Charge to loss before taxation	**168**	168

12. Trade and other receivables

	2023 £000	2022 £000
Amounts receivable within one year:		
Other tax and social security	**154**	231
Prepayments and accrued income	**594**	1,073
Other debtors	**80**	4
	828	1,308

13. Other financial assets – bank deposits

Amounts receivable within one year	2023 £000	2022 £000
Sterling fixed rate deposits of greater than three months maturity at inception	**1,500**	3,750

14. Cash and cash equivalents

	2023 £000	2022 £000
Cash at bank and in hand	**10,516**	11,176
Sterling fixed rate deposits of three months'- or less maturity at inception	-	4,750
	10,516	15,926

15. Trade and other payables

	2023 £000	2022 £000
Trade payables	**592**	548
Social security and other taxes	**180**	206
Accrued expenses and deferred income	**792**	2,500
	1,564	3,254

16. Financial instruments

	Notes	2023 Book and fair value £000	2022 Book and fair value £000
Financial assets			
Amortised cost			
Trade and other receivables	(i)	**138**	71
Other financial assets – bank deposits (less than one year)		**1,500**	3,750
Cash and cash equivalents (less than one year)		**10,516**	15,926
Total		**12,154**	19,747
Financial liabilities			
Other financial liabilities			
Trade and other payables (less than one year)	(ii)	**1,385**	3,048
Total		**1,385**	3,048

(i) Trade and other receivables shown above excludes prepayments and other taxes, which are not a contractual right to receive cash, amounting to £690,000 (2022: £1,237,000).

(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 £180,000 (2022: £206,000).

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.

16. Financial instruments (continued)

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:

	Floating rate	Fixed rate	2023 Total	Floating rate	Fixed rate	2022 Total
	£000	£000	£000	£000	£000	£000
Euro	**38**	**-**	**38**	11	-	11
Sterling	**10,460**	**1,500**	**11,960**	11,147	8,500	19,647
US Dollar	**18**	**-**	**18**	18	-	18
	10,516	**1,500**	**12,016**	11,176	8,500	19,676

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 £39,000 (2022: £56,000).

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 2023 and 31 December 2022 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.

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 2023 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 2023 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 2023 amounted to £12.7 million (2022: £20.3 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.

Net funds held by the Group at 31 December 2023 amounted to £12.0 million (2022: £19.7 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:

16. Financial instruments (continued)

	31 Dec				
	2023	2022	2021	2020	2019
	£m	£m	£m	£m	£m
Short-term deposits	**1.5**	3.8	-	-	-
Cash and cash equivalents	**10.5**	15.9	33.8	75.0	2.5
Net funds	**12.0**	19.7	33.8	75.0	2.5

The Group did not have any bank borrowings as at 31 December 2023 (2022: £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 2023 have been revenues from licensing transactions of £9.3 million, research and development tax credits of £20.9 million, bank interest of £2.6million, and revenues from collaborative work of £0.8 million.

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

	Note	Number of shares	Ordinary shares of 1p each £000	Share Premium £000	Total £000
At 1 January 2022		201,341,825	2,013	125,245	127,258
Issue of ordinary shares	(i)	33,150	1	-	1
At 31 December 2022 and 31 December 2023		**201,374,975**	**2,014**	**125,245**	**127,259**

(i) 33,150 ordinary shares of 1p were issued on 16 June 2022 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 2023 there were options outstanding over 18,940,446 un-issued ordinary shares, equivalent to 9.4% of the issued share capital, as follows:

Date of grant	Number of shares (i)	Exercise price	Earliest exercise date	Latest exercise date
5 April 2018 (LTIP)	2,822,316	1p	5 Apr 2021	4 Apr 2028
4 April 2019 (LTIP)	2,598,996	1p	4 Apr 2022	3 Apr 2029
4 June 2021 (LTIP) (i)	600,403	1p	4 Jun 2024	3 June 2031
4 June 2021 (LTIP) (ii)	117,647	1p	4 Jun 2022	3 Jun 2031
20 October 2021 (LTIP) (i)	250,497	1p	20 Oct 2024	19 Oct 2031
13 December 2021 (LTIP) (i)	54,059	1p	13 Dec 2024	12 Dec 2031
5 July 2022 (LTIP) (i)	4,991,741	1p	5 July 2025	4 July 2032
21 June 2023 (LTIP) (i)	5,604,787	1p	21 June 2026	20 June 2033
14 November 2023 (LTIP) (i)	1,900,000	1p	14 Nov 2026	13 Nov 2033
	18,940,446			

Notes:

(i) Net of lapsed options

(ii) The vesting performance conditions for these options are detailed in the Directors' Remuneration Report on pages 22 to 23.

(iii) The performance conditions for these options are outlined in the note (ii) to the table below.

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

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:

	Number	2023 Weighted average exercise price	Number	2022 Weighted average exercise price
Outstanding at start of year	**14,450,882**	**1p**	8,517,282	1p
Granted during the year	**8,032,718**	**1p**	6,407,130	1p
Exercised during the year	**-**	**1p**	(33,150)	1p
Lapsed during the year	**(3,543,154)**	**1p**	(440,380)	1p
Number of outstanding options at year-end	**18,940,446**	**1p**	14,450,882	1p

At 31 December 2023, 5,421,312 share options were capable of being exercised, with an exercise price of 1p (2022: 5,421,312, with an exercise price of 1p). The options outstanding at 31 December 2023 had a weighted average remaining contractual life of 7.6 years (2022: 7.8 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)	2,598,996	1p	12.5p	6.2p	3	0.70%	59%	Market
4 Jun 2021	LTIP (i)	600,403	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 2021	LTIP (i)	250,497	1p	167.0p	149.2p	3	0.64%	142%	Market
13 Dec 2021	LTIP (i)	54,059	1p	190.0p	168.5p	3	0.32%	146%	Market
5 Jul 2022	LTIP (i)	4,991,741	1p	29.0p	26.1p	3	1.64%	177%	Market
21 Jun 2023	LTIP (i)	5,604,787	1p	7.5p	6.2p	3	4.93%	171%	Market
14 Nov 2023	LTIP (i)	1,900,000	1p	6.5p	5.5p	3	4.20%	145%	Market
		18,940,446							

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

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 2023, £nil has been accrued for this non-market option, in line with our latest assumption that this grant will not 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 2023 for share-based payment amounted to £790,000 (2022: £919,000).

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 25 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 2023 the Group had entered into non-cancellable purchase commitments amounting to £0.1 million (2022: £0.7 million) in respect of manufacturing-related activities.

21. Events after the reporting date

As at the time of signing there are no adjusting post balance sheet events.

Parent Company Balance Sheet
as at 31 December 2023

Company number: 5233429

	Notes	31 December 2023 £000	31 December 2022 £000
Fixed assets			
Investments	4	**48,902**	40,200
Current assets			
Debtors	5	**252**	326
Other financial assets – bank deposits		**1,500**	3,750
Cash at bank and in hand	6	**10,283**	15,862
		12,035	19,938
Creditors: amounts falling due within one year	7	**(114)**	(123)
Net current assets		**11,921**	19,815
Total assets less current liabilities		**60,823**	60,015
Capital and reserves			
Called up share capital		**2,014**	2,014
Share premium account		**125,245**	125,245
Retained deficit		**(66,436)**	(67,244)
Shareholders' funds		**60,823**	60,015

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 profit for the year ended 31 December 2023 was £18,000 (2022: loss of £66,622,000).

The financial statements on pages 58 to 64 were approved and authorised for issue by the Board of directors on 26 June 2024 and signed on its behalf by:

Richard Marsden
Chief Executive Officer

Joseph Colliver
Chief Financial Officer

Parent Company Statement of Changes in Equity
for the year ended 31 December 2023

	Share capital	Share premium account	Retained deficit	Shareholders' funds
	£000	£000	£000	£000
At 1 January 2022	2,013	125,245	(1,541)	125,717
Loss for the year and total comprehensive loss	-	-	(66,622)	(66,622)
Transactions with equity holders of the Company				
Issue of ordinary shares	1	-	-	1
Share-based payment credit	-	-	919	919
At 31 December 2022	2,014	125,245	(67,244)	60,015
Profit for the year and total comprehensive profit	-	-	18	18
Transactions with equity holders of the Company				
Share-based payment credit	-	-	790	790
At 31 December 2023	**2,014**	**125,245**	**(66,436)**	**60,823**

Notes to the Parent Company Financial Statements
for the year ended 31 December 2023

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 31 December 2025 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 2023 are signed, given their stage of development and lack of recurring revenues.

The directors have identified that the Company will need to raise further funds during 2024 in order to conduct the planned Phase 2 clinical trial in mechanically ventilated patients. The ability of the Company to secure a fund raise in 2024 cannot be guaranteed, therefore the directors have prepared an alternative forecast which maintains a budget for further pre-clinical preparatory work that would produce data to undertake a fund raise in 2025, whilst significantly reducing research and development, and administrative spend. Should this alternative forecast be required, the directors are confident of achieving savings in expenditure within their control, resulting in the Company having sufficient resources until Q1 2026 without the need for a further fund raise, whilst maintaining the principal activity of the Company.

In addition, the directors have considered the sensitivity of the financial forecasts to changes in key assumptions, including, among others, potential cost overruns within anticipated spend.

After due consideration of these forecasts and current cash resources, including the sensitivity of key inputs, 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.

1. Accounting policies (continued)

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.

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.

A key area of estimation uncertainty that has the most significant effect on the amounts recognised in the financial statements are the assumptions when determining the impairment of investment carrying values. Refer to Note 4 – investments, for details.

2. Critical accounting estimates and judgements (continued)

The Company holds a significant investment in its subsidiary, Synairgen Research Limited, of £48.9 million (2022: £40.2 million).

An assessment was made in respect of indicators of impairment in the carrying value of the Company's investments in subsidiaries as at 31 December 2023. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. The assessment of the recoverable amount of investments in subsidiaries involves a number of significant judgements regarding the likelihood of successful product approval, the costs of reaching approval, the estimated useful life of a therapeutic product following commercialisation and the subsequent commercial profitability of the product once approved.

The Company performed an assessment of the recoverable amount of the investment in Synairgen Research Limited at 31 December 2023. Synairgen's share price is an indicator of possible impairment in the carrying value of the Parent Company's investment in Synairgen Research Limited. The recoverable amount was determined with reference to IAS 36 methodology by assessing the value in use of the investments based on discounted cash flows.

The Company concluded that the value in use was greater than the carrying value at 31 December 2023, and therefore the investment was not impaired (2022: impairment of £66,169,000). Due to the inherent estimation uncertainty within the valuation and uncertainty surrounding the commercialisation of the product, the directors have taken the judgement not to make any reversal of the previously recognised impairment. The directors will consider reversing the previous impairment should there be greater certainty of commercialisation arising from events such as a successful outcome in a clinical trial. It should be noted that this impairment review exercise is for accounting purposes, therefore it does not seek to derive a market valuation for the Company or its programmes.

3. Profit and loss account

The only employees of the Company during 2023 and 2022 were the executive directors. Their aggregate remuneration, which is borne by the Company's subsidiary undertaking Synairgen Research Limited, comprised:

	Notes	2023 £000	2022 £000
Wages and salaries		**754**	749
Social security costs	(i)	**63**	(28)
Pension costs – defined contribution plans	(ii)	**57**	53
Total cash-settled remuneration		**874**	774
Accrued holiday pay		**(18)**	(3)
Share-based payment		**156**	328
Total remuneration		**1,012**	1,099

(i) The social security charge for 2023 comprises (a) a credit in respect of the Employer National Insurance accrual for LTIPs of £36,000 (2022: credit £136,000); and (b) a charge in respect of wages, salaries and other benefits of £99,000 (2022: charge £108,000).

(ii) This includes cash payments in lieu of pension plan contributions.

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 note 5 to the Group accounts on page 48.

Auditor's remuneration is disclosed in note 4 to the Group accounts on page 47.

4. Investments

	Investment in subsidiary undertakings £000	Capital contribution £000	Total £000
At 1 January 2023	140	40,060	40,200
Capital contribution for the year	-	7,912	7,912
Subsidiary share-based payment	-	790	790
At 31 December 2023	**140**	**48,762**	**48,902**

The Company performed an assessment of the recoverable amount of the investment in Synairgen Research Limited at 31 December 2023.

The recoverable amount was determined with reference to IAS 36 methodology by assessing the value in use of the investments based on discounted cash flows. The Company concluded that the value in use was greater than the carrying value at 31 December 2023, and therefore the investment was not impaired (2022: impairment of £66,169,000).

In undertaking the impairment review, the Company has considered both external and internal sources of information, and any observable indications that may suggest that the carrying value of Synairgen Research Limited may be impaired. Future cash flows are determined using Board-approved projections, based on the current strategy being pursued by the Group and Company, over the estimated development and revenue – generating period, which is in excess of five years.

These projections and strategic plans are based on key assumptions using management estimates and, where applicable, external sources of data and benchmarking. Given the stage of development and inherent uncertainty surrounding the outcome of clinical trials, the forecasts are highly judgemental and therefore there is significant risk surrounding the assumptions applied to the future cash flows. The key assumptions included development cost required to achieve regulatory approval, probability of success of clinical trials, likely licensing terms regarding milestones and royalties, and revenue and operating margins for the projected period. The recoverable amount has been established through taking the average of two scenarios; one in which the asset is out-licensed to a large pharmaceutical company, and another in which the Group undertakes the development and commercialisation itself.

The discount rate is estimated on a post-tax basis reflecting the estimated cost of capital of the Company. The post-tax cost of capital is 15.1%. Management’s valuation model applies a post-tax cost of capital to discount risk-adjusted post-tax cash flows.

Determining the estimated recoverable amount is judgemental in nature and requires the use of certain estimated inputs that represent key sources of estimation uncertainty. It is reasonably possible that the estimations and assumptions used in determining the impairment as at 31 December 2023, including discount rate assumptions, may result within the next financial year, in a material impairment to the carrying amount of the investment value. The most sensitive assumptions are considered to be the post-tax cost of capital, and the risk weightings that have been applied to reduce forecast future cashflows by 33% in the out-licencing scenario, or 50% in the self-development scenario. If the post-tax cost of capital was increased by 1% the recoverable amount would reduce to £48.3 million; if the post-tax cost of capital was decreased by 1% the recoverable amount would increase to £71.7 million. If these risk weightings were 10% higher the recoverable amount would decrease to £40.2 million; if the risk weightings were 10% lower the recoverable amount would increase to £78.2 million.

At 31 December 2023, 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

	2023 £000	2022 £000
Other tax and social security	**8**	12
Prepayments and accrued income	**244**	266
Amounts due from subsidiary undertaking	**-**	48
	252	326

All amounts fall due for payment within one year.

6. Cash and cash equivalents

	2023 £000	2022 £000
Cash at bank and in hand	**10,283**	11,112
Sterling fixed rate deposits of three months' or less maturity at inception	**-**	4,750
	10,283	15,862

7. Creditors: amounts falling due within one year

	2023 £000	2022 £000
Trade creditors	**22**	19
Accruals and deferred income	**92**	104
	114	123

8. 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 54 to 57.

Corporate Directory

Company number
5233429

Directors
Executive: Richard Marsden, Dr Phillip Monk, Joseph Colliver

Non-executive: Simon Shaw (Chairman), Dr Bruce Campbell, Dr Felicity Gabbay, Prof. Sir Stephen Holgate CBE, Amanda Radford

Secretary
Simon Holden

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Bankers
HSBC UK Bank plc
165 High Street, Southampton SO14 2NZ

Financial public relations
ICR Consilium
85 Gresham Street, London EC2V 7NQ

Nominated adviser and joint broker
Cavendish Capital Markets Limited
One Bartholomew Close, London EC1A 7BL

Joint broker
Deutsche Numis
45 Gresham Street, London EC2V 7BF

Registrars
Link Group
10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL

Solicitors
Fieldfisher LLP
Riverbank House, 2 Swan Lane, London EC4R 3TT

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

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

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

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

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

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

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

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

Contract Manufacturing Organisation (CMO)
A company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services from drug development through drug manufacturing.

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

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

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

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

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

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

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

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

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 vivo
Tests, experiments, and procedures that researchers perform in, or on, a whole living organism, such as a person, laboratory animal, or plant.

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

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

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

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

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 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

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

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

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

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

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 Trial
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

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

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

Viral Pneumonia
Viral pneumonia is a pneumonia caused by a virus. Pneumonia is an infection that causes inflammation in one or both of the lungs

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"

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

Head Office

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Company details

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Place of registration: England

Synairgen Research Ltd
Registered number: 4793696
Place of registration: England

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synairgen