



Syncona Limited - Publication of 2017 Annual Report & Notice of AGM

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Syncona Limited

Publication of 2017 Annual Report and Notice of Annual General Meeting

21 July 2017

Syncona Limited ("Syncona"), a leading healthcare company focused on investing in and building global leaders in life science, today announces that it has published its Annual Report and Accounts for the year ended 31 March 2017 ("2017 Annual Report"). In addition, Syncona has published its Notice of Annual General Meeting 2017 and a circular relating to the 2017 Dividend.

Copies of these documents, together with the Form of Proxy for use in connection with the 2017 Annual General Meeting, Charitable Allocation Form and Cash Election Form, are available electronically on the Investor Relations section of Syncona's website at www.synconaltd.com/investor-relations. Printed copies of these documents are also being posted to shareholders where requested.

Syncona's Annual General Meeting will be held at 10:30am on 8 September 2017 at the offices of Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL.

In compliance with Listing Rule 9.6.1, the following documents have today been submitted to the National Storage Mechanism and will shortly be available for inspection at www.morningstar.co.uk/uk/nsm:

- 2017 Annual Report
- Notice of Annual General Meeting 2017
- Circular relating to 2017 Dividend

Disclosure & Transparency Rule ("DTR") 6.3.5R requires the Company to disclose to the media certain information from its 2017 Annual Report if that information is of a type that would be required to be disseminated in a half-yearly report. The information contained in the Appendix to this announcement, together with the Company's Full Year results for the year ended March 31 2017, issued on 7:00am on 6 July 2017 (available at <https://www.synconaltd.com/results-centre>), constitute the materials required by DTR 6.3.5R to be communicated to the media in unedited full text through a Regulatory Information Service. This material is not a substitute for reading the full 2017 Annual Report.

The information included in the Appendix is extracted from the 2017 Annual Report which was approved by the Board of Directors on 5 July 2017. Defined terms used in the Appendix refer to terms as defined in the 2017 Annual Report, unless the context otherwise requires.

[ENDS]

Enquiries

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Copies of this press release and other corporate information can be found on the company website at: www.synconaltd.com

Forward-looking statements - this announcement contains certain forward-looking statements with respect to the portfolio of investments of Syncona Ltd. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast.

About Syncona:

Syncona is a leading FTSE250 healthcare company focused on investing in and building global leaders in life science. Our vision is to deliver transformational treatments to patients in truly innovative areas of healthcare while generating superior returns for shareholders. Our current investment portfolio consists of seven high quality companies in life science and a leading range of fund investments.

We seek to partner with the best, brightest and most ambitious minds in science to build globally competitive businesses. We are established leaders in gene therapy, cell therapy and advanced diagnostics, and focus on delivering

dramatic efficacy for patients in areas of high unmet need.

Our market leading funds portfolio seeks to generate superior returns by investing in long only and alternative investment funds. This represents a productively deployed evergreen funding base which enables us to take a long term approach to investing in life sciences as we target the best new opportunities and support our existing portfolio companies to grow and succeed.

Syncona is aligned with two of the premium charitable funders in UK science, the Wellcome Trust, original founder of Syncona, and Cancer Research UK, both of which are significant shareholders in our business. We make a donation of 0.3% of Net Asset Value to a range of charities each year.

Appendix

Responsibility statement

The Directors' responsibility statement below has been prepared in conjunction with, and is extracted from, the 2017 Annual Report, whereas this announcement and the announcement of the Company's Full Year results for the year ended March 31 2017, issued on 7:00am on 6 July 2017, contain extracts from the 2017 Annual Report. The responsibility statement is repeated here solely for the purpose of complying with DTR 6.3.5. These responsibilities are for the full 2017 Annual Report and not the extracted information presented in this announcement or otherwise.

The Directors of the Company are:

Jeremy Tigue, Chairman

Ellen Strahlman, Non-Executive Director

Nicholas Moss, Non-Executive Director

Nigel Keen, Non-Executive Director

Peter Hames, Non-Executive Director

Tom Henderson, Non-Executive Director

The Directors confirm to the best of our knowledge:

1. The Financial Statements have been prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as a whole; and
2. The management report in the 2017 Annual Report including information and details in the Chairman's Statement, the Strategic Report, the Corporate Governance Statements, the Directors' Report and the notes to the Financial Statements, provides a fair review of the Company business and a description of the principal risks and uncertainties facing the Company.

Principal risks and uncertainties

The execution of the Company's investment strategy is subject to risks and uncertainties. During the year, the Company expanded its investment policy to include investment in early-stage life science companies. Accordingly, the principal risks and uncertainties have been updated to reflect new risks associated with the financing of and investment in early-stage companies.

The principal risks that the Board has identified are set out in the table below, along with the consequences and mitigation of each risk. Further information on risk factors is set out in note 22 to the financial statements.

Life science portfolio

Description	Impact	Mitigation
Investment risk		
The Company sources life science businesses for investment. Such early-stage businesses typically have limited products in development and, consequently, any problems encountered in one product may have a particularly damaging effect on the prospects of that portfolio company.	The value of the portfolio company depends on the performance of its future products and the Company may not realise its original cost or any value from its investment. It may take time and significant resources for the Company to realise its investment and the portfolio company may not be successful or may not grow rapidly and the Company may not realise its original cost or any value from its investment.	The Company's Investment Advisor employs highly experienced personnel who have considerable experience of building and developing early-stage life science businesses. Before making any investment, the Investment Advisor performs extensive due diligence covering all the major business risks. Once the investment is made, the Investment Advisor's personnel work closely with portfolio companies, taking non-executive and at times executive roles on portfolio company boards, monitoring progress and ensuring familiarity with issues and risks. Within the Investment Advisor's investment process, there is a robust and disciplined financing and capital allocation framework,
Early-stage life science businesses will spend a considerable proportion of their resources on research and development into unproven technology, which may be unsuccessful or may be commercially		

unproductive and may require the injection of further capital by the Company to fully exploit the results of that research.

focused on the achievement of key strategic and development milestones ahead of any further investment. Initial investments may involve seed funding to identify and mitigate early risks before proceeding with more substantial investments.

The Company ensures that it has sufficient liquidity to fund its early-stage investment programme and the Investment Manager and Investment Advisor maintain detailed financing and capital allocation models on an ongoing basis and forecasts are produced for the Board that contain appropriate stress testing.

General, commercial, technological and clinical risks

The Company's life science investments are exposed to a wide range of general, commercial, technological and clinical risks. In particular:

- Negative results from clinical trials
- Intellectual property may fail to be granted or may be infringed or copied
- Failure of a technology platform in an early-stage company
- Failure to obtain regulatory approval for new products developed
- Failure to sell products profitably or in sufficient volumes
- Changes in pharmaceutical pricing practices
- Launch of competing products
- Reputational damage
- Targeted public campaigns
- Latent product defects resulting in claims

All of these risks could potentially lead to a decline in the value of a portfolio company, or in extreme cases lead to the portfolio company failing.

The Company's Investment Advisor employs highly experienced personnel who have considerable experience of building and developing early-stage life science businesses. The Investment Advisor's personnel work closely with portfolio companies, taking both executive and non-executive roles on portfolio company boards, monitoring progress and ensuring familiarity with issues and risks.

In addition, the Investment Advisor's team can assist the management teams of the portfolio companies with arranging specialist advice, for example, communication advice to support them dealing with issues or any likely issues.

Dominance of portfolio by a few larger investments and/or sector focus

Within its life science portfolio, the Company is seeking to build a focused portfolio of up to 20 leading life science companies. Accordingly, a large proportion of the overall value of the life science portfolio may, at any time, be accounted for by one, or a few, portfolio companies.

If a portfolio company experiences financial or operational difficulties, fails to achieve anticipated results or, where relevant, suffers from poor stock market conditions and if, as a result, its value were to be adversely affected, this could have an adverse impact on the overall value

The Board considers the performance of its largest portfolio companies and the portfolio's concentration on specific sub-sectors on a quarterly basis.

The Company's Investment Advisor employs highly experienced personnel who have considerable experience of building and developing early-stage life science businesses. The Investment Advisor's personnel work closely with portfolio companies, taking non-executive and at times

The Company's life science portfolio may also be focused on a small number of sub-sectors within the life science sector. Accordingly, a material proportion of the overall value of the life science investment portfolio may, at any time, be invested in a specific sub-sector.

of the life science investment portfolio.

Similarly, if the technology or technologies utilised in a specific sub-sector prove to be commercially unproductive or unsuccessful, then the value of the Company's investments in the respective sub-sector(s) could be negatively impacted.

executive roles on portfolio companies' boards, monitoring progress and ensuring familiarity with issues and risks.

At 31 March 2017, the Company's three largest investments in its life science portfolio represented 19.4 per cent of the net asset value of the Company.

Market risk - realising investment portfolio companies

Instability in equity and debt markets and/or the market's appetite for investment in life science companies could result in an inability to access capital markets or realise value in portfolio companies through sales to financial or strategic acquirers.

It may take longer to realise value from investments in portfolio companies.

The Investment Advisor, alongside the portfolio company management team, is focused on ensuring that portfolio company business models appeal to both strategic acquirers as well as public markets.

In addition, the Company seeks to ensure that it has sufficient liquidity to fund its portfolio companies through the cycle and should not therefore be dependent on third-party funding or realisations from its life science portfolio to fund further investments into a portfolio company. The Investment Manager and Investment Advisor maintain detailed financing and capital allocation models on an ongoing basis and forecasts are produced for the Board that contain appropriate stress testing. To further mitigate this risk, the Investment Advisor maintains strong relationships with potential strategic acquirers and other leading investors in the sector.

Market risk - political and economic uncertainty may negatively impact the Company's ability to achieve its strategic objectives

Political and economic uncertainty, including impacts from the EU referendum or similar scenarios, could have several potential impacts, including changes to the labour market available to the Investment Advisor and underlying portfolio companies, or regulatory environment in which the Company and its investment portfolio companies operate.

There could be potential risks to research funding and to attracting and retaining talent.

The Company's Investment Manager and Investment Advisor monitor these developments, with the help of professional advisers, as appropriate, to ensure it is prepared for any potential impacts.

The UK government recognises these challenges and we believe will seek to address them as part of its industrial strategy.

Funds portfolio

Description

Impact

Mitigation

Investment risk

The funds portfolio is exposed to the risk that its portfolio fails to perform in line with its objectives if it is inappropriately invested or markets move adversely.

Any underperformance of the funds portfolio will have an impact on net asset value of the Company and the longer-term liquidity for life science investments.

The Company's Investment Manager employs highly experienced personnel who have considerable experience in investing in capital markets. The Investment Manager performs due diligence on potential new investments, including an assessment of investment risk and, after the investment is made, post investment

The funds portfolio has significant indirect exposure to risks through the underlying portfolios of the investment entities. Due to the lack of transparency in many of the underlying assets, it is not possible to quantify or hedge the impact of these risks on the portfolio as each investment entity may have complex and changing risk dynamics that are not observable or predictable. These risks will include extensive interest, foreign exchange and other market risks which are magnified by significant gearing in many cases, resulting in increased liquidity and return risk.

monitoring of their performance. The Board reviews reports from the Investment Manager at each quarterly Board meeting, paying particular attention to the constitution of the portfolio, the performance and volatility of underlying investments and the liquidity forecast prepared by the Investment Manager and Investment Advisor.

Operational

Description	Impact	Mitigation
<p>Failure to attract or retain key personnel</p> <p>The expertise, due diligence, risk management skills and integrity of the staff at the Company's Investment Manager and Investment Advisor are key to the success of the Company.</p> <p>The industries in which the Investment Manager and Investment Advisor operate are specialised and require highly qualified and experienced management and personnel.</p> <p>Given the relatively small size of the team, the execution of the Company's investment strategy is dependent on a small number of key individuals. There is a risk that employees could be approached by other organisations or could otherwise choose to leave the Investment Manager or Investment Advisor.</p>	<p>If the Investment Manager and/or Investment Advisor do not succeed in retaining skilled personnel or are unable to continue to attract all personnel necessary for the development and operation of their business, they may not be able to execute the Company's investment strategy successfully.</p>	<p>The Investment Advisor carries out regular market comparisons for staff and executive remuneration. Senior executives are shareholders in the Company and executives of the Investment Advisor participate in the Syncona Long Term Incentive Plan. In addition the Investment Advisor encourages staff development and inclusion through coaching and mentoring and carries out regular objective setting and appraisals.</p> <p>The Investment Manager's personnel are shareholders in the Company and they are incentivised by the BACIT UK Agreement, details of which are on page 65.</p>
<p>Financing risk</p> <p>The financial risks, including market, credit and liquidity risk, faced by the Company, where relevant, are set out in note 22 of the financial statements. These risks and the controls in place to mitigate them are reviewed at each quarterly Board meeting.</p> <p>Financing risk and the inability to match funding to the timing of investments by the Investment Advisor, including delayed distributions from the funds portfolio, or holdings in the funds portfolio not being sold, or being sold for less than expected.</p>	<p>Lack of funding may restrict the ability of a portfolio company in the Company's life science portfolio to fund ongoing research and development and commercialisation programmes and the ability of the Company to invest in new, attractive investment</p>	<p>The Company has a strong liquidity position and ensures that it has sufficient liquidity to fund its early-stage investment programme. The Investment Manager and Investment Advisor maintain detailed financing and capital allocation models on an ongoing basis and forecasts are produced for each Board meeting that contain appropriate stress testing.</p>

opportunities.

This could, in some cases, result in the Investment Advisor having to seek funding from third-party investors, thereby diluting the Company's ownership of the portfolio company. In extreme cases, it may result in the portfolio company being forced to sell off its assets or cease its development, thereby impacting the value of the investment.

Systems and controls

The potential loss of operation of core systems or sensitive data leading to damage and disruption to the Investment Manager and/or Investment Advisor or Administrator's business.

Disruption of the business of the Investment Manager and/or Investment Advisor or Administrator.

Systems and control procedures are developed and reviewed regularly and the Board receives reports annually from the Investment Manager, Investment Advisor and Administrator on their internal controls.

Legal and regulatory

Description

Impact

Mitigation

Changes in law and regulations may adversely affect the Company

The Company is subject to laws and regulations of national and local governments. In particular, the Company is subject to, and is required to comply with, regulation of the UKLA and certain regulatory requirements that are applicable to registered closed-ended collective investment schemes which are domiciled in Guernsey.

Any material changes to laws or regulations could adversely affect the Company, its Investment Manager and Investment Advisor, in the ability to operate in accordance with any such changed requirements. This could in turn adversely affect the returns that shareholders may receive from the Company.

The Company, its Investment Manager and Investment Advisor utilise professional advisers, as appropriate, to support its monitoring of, and response to, changes in law and regulation, including any changes in tax or other legislation.

In addition, changes in legislation and government policy may occur that could adversely impact the ability of the Investment Manager and Investment Advisor to execute the investment strategy of the Company. Changes to tax laws may impact the Company's returns or the returns that shareholders may receive from the Company.