

21 November 2018

## Syncona Limited

### Interim Results for the six months ended 30 September 2018

*We found, build and fund businesses in innovative areas of healthcare, taking a long-term view to build global leaders in life science.*

#### Life science companies continue to drive strong returns and increase in NAV

- Net assets at 30 September 2018 of £1,394.0 million; 208.1p<sup>1</sup> per share, a total return of 32.5 per cent<sup>2</sup>
- Life science portfolio, valued at £945.7 million (68 per cent of net assets), a 62.6<sup>3</sup> per cent return over the six months
- £94.3m net investment into life science during the half year; expect investment for the financial year to be at the top end of guidance of £75 million to £150 million
- Capital pool<sup>4</sup> supporting life science investment of £448.3 million (cash of £41.8<sup>5</sup> million and fund investments of £406.5 million)

#### Excellent financial and operational performance

- **Blue Earth Diagnostics** (Blue Earth), our PET imaging agent company, valuation increased by £44.8 million as the business continues to make strong progress following its move into profitability, with over 28,000 patients dosed since launch in late 2016 and £35.0 million of revenues during the six months, up from £23.5 million in the prior six month period
- **Autolus**, our T cell immunotherapy company, completed a \$172.2 million IPO on NASDAQ in June 2018, with Syncona investing \$24.0 million, retaining a 32.7 per cent stake, which was valued at £319.9 million at 30 September, a gain of £216.7 million over the six months
- £68.7 million increase in our holding in **Nightstar**, our gene therapy company targeting inherited forms of blindness following a 43% appreciation of its share price. The business raised \$82.0 million in a placement of shares in September 2018. Syncona invested \$18.0 million in the share placing, retaining a 38.3 per cent stake in the business, in line with our strategy of supporting our companies over the long-term
- In June 2018 we announced an £85.0 million Series B financing commitment by Syncona to **Freeline**, our gene therapy company focused on liver expression for chronic systemic diseases; and have an 80% stake in the business
- £9.8 million new commitment to **OMass Therapeutics** in a £14.0 million Series A financing. OMass is a biopharmaceutical company using structural mass spectrometry to discover novel medicines which Syncona believes represents a unique platform to transition to therapeutic development.

#### Strong clinical progress across our companies

- Post period end, **Freeline** reported initial positive data from the first two patients in its Phase 1/2 trial in Haemophilia B. Professor Amit Nathwani will present results from this trial at the annual meeting of the American Society of Haematology (ASH) in December 2018
- **Autolus** also announced that it will present one oral and two poster presentations related to its AUTO3 and AUTO5 programs at ASH
- **Nightstar** reported positive proof-of-concept data in its Phase 1/2 trial in XLRP. Its pivotal trial in Choroideremia commenced during the period, with the company also receiving Regenerative Medicine Advanced Therapy (RMAT) Designation from the FDA, an expedited programme for the advancement and approval of products

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<sup>1</sup> Fully diluted, please refer to note 10 in the financial statements

<sup>2</sup> Please refer to the glossary in the financial statements

<sup>3</sup> Time weighted return

<sup>4</sup> Pool of fund investments plus cash net of liabilities

<sup>5</sup> Net of liabilities, please refer to total other net assets in the group portfolio statement

## **Outlook – continued momentum across our companies and rich opportunity for further investments**

We enter the second half with strong momentum across our portfolio. Our companies continue to advance their business plans, strong pipeline of clinical programmes and preclinical product candidates. We believe they are well placed to continue to execute their clinical and regulatory processes, although such processes are not without risk.

We have a high-level of conviction in the fundamentals of our companies and are focused on working with them closely. As we have done over the first half with Nightstar, Autolus and Freeline, we expect to continue to fund our companies through the next stages of their development cycle.

We now have a portfolio of nine companies, eight of which were founded by Syncona. We continue to see exciting new opportunities in cell and gene therapy, an area where we are strategically positioned with a leading platform and deep domain expertise. We believe that the arrival of this new wave of therapies is an important technological shift and will provide the potential to treat previously intractable diseases. We also continue to evaluate opportunities more broadly across a range of therapeutic areas and modalities where we believe we can found, build and fund companies around exceptional science in areas of high unmet medical need and support these companies through their development cycle with the ultimate goal of delivering transformational treatments to patients.

As we look forward, we expect investment to be at the top end of our guidance of £75 million to £150 million in this financial year as we continue to fund our existing companies and add new companies to our portfolio.

Martin Murphy, CEO, Syncona Investment Management Limited, said:

*“Our differentiated model of founding, building and funding businesses has continued to gain momentum across the business in the first half. We have delivered excellent financial and operational performance, which has translated into strong NAV progression.*

*“We have a high-quality portfolio of companies, a leading position in cell and gene therapy, and a strategic pool of capital, which underpins our ability to continue to build global leaders in life science to achieve our ambition of delivering transformational treatments to patients and capture superior returns for shareholders.”*

**Valuation movements in the six months (£m):**

Company	31 Mar 2018 Value (£m)	Net investment (£m)	Valuation change (£m)	30 Sep 2018 value (£m)	% NAV	Valuation basis	Fully diluted ownership stake (%)	Focus area
<b>Life science companies</b>								
<b>Established</b>								
Blue Earth	186.8	-	44.8	231.6	17	rDCF	89	Advanced diagnostics
<b>Maturing</b>								
Autolus	85.1	18.1	216.7	319.9	23	Quoted	33	Cell therapy
Nightstar	124.5	13.8	68.7	207.0	15	Quoted	38	Gene therapy
Freeline	36.0	57.5	-	93.5	7	Cost	80	Gene therapy
<b>Developing</b>								
Gyroscope	11.0	-	-	11.0	1	Cost	78	Gene therapy
Orbit Biomedical	8.6	-	0.7	9.3	1	Cost	80	Surgical devices
Achilles	6.6	1.7	-	8.3	1	Cost	69	Cell therapy
SwanBio	4.9	-	0.4	5.3	0	Cost	72	Gene therapy
OMass Therapeutics	-	3.5	-	3.5	0	Cost	46	Therapeutics
<b>Life science investments</b>								
CRT Pioneer Fund	30.8	2.0	-	32.8	2	Adjusted Third-party	N/A	
CEGX	9.8		(3.3)	6.5	0	Adjusted PRI		
Endocyte	9.0	(13.9)	4.9	-	0	Quoted		
Adaptimmune	-	11.6	4.0	15.6	1	Quoted		
Syncona Collaborations	1.4	-	-	1.4	0	Cost		
<b>SUB-TOTAL</b>	<b>514.5</b>	<b>94.3</b>	<b>336.9</b>	<b>945.7</b>	<b>68</b>			
<b>Fund investments</b>								
<b>Fund investments</b>	<b>465.1</b>	<b>(81.8)</b>	<b>23.2</b>	<b>406.5</b>	<b>29</b>			
<b>Cash</b>	<b>85.2</b>	<b>31.3</b>	<b>(17.7)</b>	<b>98.8</b>	<b>7</b>			
<b>Other net liabilities</b>	<b>(9.0)</b>	<b>(43.8)</b>	<b>(4.2)</b>	<b>(57.0)</b>	<b>(4)</b>			
<b>TOTAL</b>	<b>1,055.8</b>	<b>-</b>	<b>338.2</b>	<b>1,394.0</b>	<b>100</b>			

## **Enquiries**

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*Copies of this press release, a company results presentation, and other corporate information can be found on the company website at: [www.synconaltd.com](http://www.synconaltd.com)*

*Forward-looking statements – this announcement contains certain forward-looking statements with respect to the portfolio of investments of Syncona Limited. 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*

### **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.*

*We seek to partner with the best, brightest and most ambitious minds in science to build globally competitive businesses.*

*We take a long-term view, underpinned by a deep pool of capital, and are established leaders in gene and cell therapy. We focus on delivering dramatic efficacy for patients in areas of high unmet need.*

## Chairman's foreword

I am pleased to report another period of strong performance, with net assets increasing to £1,394.0 million or 208.1p<sup>6</sup> per share, a 32.5 per cent<sup>7</sup> total return in the six months (31 March 2018: net assets of £1,055.8 million). Performance has again been driven by strong returns from our life science companies, which have continued to make significant operational and financial progress.

Syncona now has 68 per cent of its net assets invested in its life science portfolio, up from 25 per cent some 18 months ago. The speed of the transition to life science is testament to the quality of the portfolio and has been driven by significant valuation increases in our established and maturing companies Blue Earth, Autolus and Nightstar, alongside investment in new and existing companies. We have a high conviction portfolio, a strategic pool of capital and an expert multi-disciplined team and are well positioned to continue to deliver strong returns for shareholders.

In October, I wrote to shareholders seeking permission to amend our investment policy to allow us greater flexibility to support our successful life science companies through the development and regulatory process. This amendment, which was approved by shareholders at an EGM held in late October, is an important milestone for the Company and I would like to thank shareholders for their support.

Jeremy Tigue  
21 November 2018

## Report from CEO of Syncona Investment Management Limited

Syncona has made excellent progress in the first half of 2018 as we continue to deliver on our strategy of building global leaders in healthcare.

### *Strong financial and operational progress in our companies*

We have seen significant commercial, operational and development achievements at our companies and have completed four investments in the six months in line with our commitment to provide strong support to our companies over the long term; leading three significant financing rounds in our existing companies, Autolus, Nightstar and Freeline, and leading a Series A financing in a new company, OMass Therapeutics. At the half year, the life science portfolio was valued at £945.7 million, having generated a gain of £336.9 million in the six months, or 62.6 per cent.

### *Differentiated model to build global leaders and deliver shareholder value*

We believe there is a clear opportunity in being a conviction scale investor in the healthcare space. We hold strategic positions with influence, have a partnership approach and deploy meaningful capital into our companies therefore maximising our returns at the point of product approvals.

We are focused on building companies around exceptional science and have established a leadership position in gene and cell therapy. We now have nine Syncona companies, eight of which were founded by us. Blue Earth has already reached the key milestone of profitability, while three, Nightstar, Autolus and Freeline have important clinical trials in progress. A further two companies, Gyroscope and Achilles are expecting to enter the clinic in the next 12 months. The common theme in all of our companies is that they have been established around exceptional science, which can deliver transformational treatments for patients, and have been built for the long-term to take products to market. Syncona is the largest single investor in all of these companies.

Our investments in the period, including both new investments and ongoing support for our existing companies, were illustrative of this model, demonstrating that we have the flexibility to support our companies over the long-term and retain strong influence through significant ownership positions. Cash is a strategic asset and gives us the flexibility and influence to capture value and superior returns for shareholders.

### *Well-positioned to continue to deliver strong progress*

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<sup>6</sup> Fully diluted, please refer to note 10 in the financial statements

<sup>7</sup> Please refer to the glossary in the financial statements

Our companies continue to progress through clinical trials with a range of initial data expected over the next 12 months. Autolus and Freeline have each announced that they will present on their AUTO3 (Paediatric ALL and DLBCL) and AUTO5 (T-cell lymphoma) and their FLT-180a (Haemophilia B) programmes respectively.

We expect to see a continued positive sales trajectory at Blue Earth and believe the company will make further progress towards a label extension for Axumin in glioma, a form of brain cancer.

Our new investment in OMass Therapeutics, a biopharmaceutical company using structural mass spectrometry to discover novel medicines, is an exciting opportunity to work with a world-class founder in Professor Dame Carol Robinson, who has an exceptional track record in the field, and we are building a leading management team to support the development of new therapeutics.

We believe our companies are well placed to continue to execute through their clinical and regulatory processes, but these processes involve risk. In line with our model, we will continue to work closely with their management teams as they progress through clinical and regulatory development.

Outside of our existing portfolio, we continue to see opportunities for investments in cell and gene therapy, an area where we have deep expertise, and also more broadly across a range of therapeutic areas that fit with our model of long term ownership. Our proactive, highly selective approach and deep expertise means that we are able to access the very best opportunities in innovative areas of life science.

We enter the second half of 2019 with strong momentum across the Company. We remain focused on our ambition of building the next generation of healthcare companies and delivering transformational treatments to patients, while generating superior returns for shareholders.

Martin Murphy, CEO, Syncona Investment Management Limited  
21 November 2018

### **Life Science Portfolio review**

The life science portfolio was the key driver of growth for the Company in the first half, generating strong returns and continuing to make strong operational and clinical progress.

#### **Established companies:**

##### Blue Earth Diagnostics (17% NAV)

Blue Earth is a leading molecular imaging diagnostics company focused on the development and commercialisation of novel PET imaging agents. It has demonstrated continued strong momentum in the first half of 2018. More than 28,000 patients have now received an Axumin scan since the product was launched commercially, enabling physicians to treat patients with recurrent prostate cancer more effectively. Revenues during the period were £35.0 million, building on the business' successful roll-out of Axumin, which is priced at \$3950 in the US.

Quarter since launch	Units Sold (US)
1 (Q3 FY2017)	200
2 (Q4 FY2017)	800
3 (Q1 FY2018)	1800
4 (Q2 FY2018)	2500
5 (Q3 FY2018)	3700
6 (Q4 FY2018)	5000
7 (Q1 FY2019)	6000
8 (Q2 FY2019)	6500

In the key market of the United States, Blue Earth has now achieved national coverage with the company active in 31 out of its 31 targeted sites, showing the successful roll-out of the product through the company's relationship with its partner, Siemens PETNET.

In Europe, the company continued to make progress on its roll out plans despite it being a more fragmented market and challenging reimbursement environment than the US. During the six months, the Transparency Committee of the French Haute Autorité de Santé (HAS) recommended that Axumin be included on the list of medicines approved in France for hospital use, a positive milestone for the business.

Blue Earth has also made good progress towards a label extension for Axumin in glioma. Post period end, the business announced results from an investigational Phase 3 blinded image evaluation (BIE) study (BED006) evaluating the diagnostic impact of Axumin, when combined with MRI, in the imaging of adults with glioma. Results were positive with a Positive Predictive Value for Axumin in this setting of more than 90%. Importantly, the combination of Axumin and MRI identified additional malignant regions, which MRI alone was unable to identify.

We expect the business to maintain a positive sales trajectory and to continue to make progress on its PSMA asset development, aiming to file an Investigational New Drug Application and complete Phase 1/2 work in 2019 calendar year.

## **Maturing Companies**

### Nightstar Therapeutics (15% NAV):

Nightstar utilises gene therapy to develop products for inherited forms of blindness and is pursuing a pipeline of retinal gene therapy programmes. The business made strong progress over the six months as it continued to focus on progressing its clinical programmes through to market.

At the EURETINA Conference in September, Nightstar announced positive proof of concept data in its XIRIUS trial in NSR-RPGR in XLRP patients. In the dose escalation phase of the trial, five out of nine patients at higher doses responded, showing improvements in vision as measured by its key endpoint, microperimetry<sup>8</sup>. NSR-RPGR was also well-tolerated with no dose limiting toxicities or serious treatment-related adverse events. The data supported the initiation of a Phase 2/3 expansion study, which will commence by the end of calendar year 2018 with initial data due mid-2019. The trial is designed to be consistent with recommendations in FDA's draft guidance on the development of gene therapy products for retinal disorders. We believe this will allow the business to advance the development of NSR-RPGR.

Following the announcement of Nightstar's data in NSR-RPGR, the company announced a public offering, raising \$82.8 million. Syncona invested \$18.0 million, demonstrating our ongoing belief in the company's potential and exemplifying our strategy of supporting our companies over the long-term.

Significantly, Nature, a world leading research journal in preclinical medicine, published the data in October from Professor Robert Maclaren's trial in Choroideremia at Oxford Eye Hospital conducted in 2011, reporting that patients had sustained improvements in their vision over five years, following treatment with therapy. This is a strong endorsement of the work by Professor Robert Maclaren and the team and validation of the early results that encouraged Syncona to partner with Robert to found and build Nightstar.

Finally, the business announced that it had received Regenerative Medicine Advanced Therapy (RMAT) Designation from the FDA for its programme in Choroideremia. The RMAT designation is an expedited programme for the advancement and approval of products and will allow the company to work more frequently and closely with the FDA. Nightstar is progressing the enrolment of patients to its pivotal Phase 3 trial in Choroideremia and expects to complete this in the first half of 2019 with the one-year follow-up results expected in 2020.

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<sup>8</sup> Microperimetry measures visual function by gauging ability to detect light projected across a grid of 68 points across the macula, with comparisons to baseline treated eye and the untreated eye.

With two products advancing through the clinic and other candidates in the pre-clinical development stage, we continue to believe Nightstar has the potential to become a global leader in gene therapies for inherited blindness conditions.

#### Autolus (23% NAV):

Autolus is a biopharmaceutical company developing next-generation programmed T cell therapies for the treatment of cancer. The business has had a positive six months and continues to make progress towards its goal of offering cancer patients substantial benefits over the existing standard of care, including the potential for cure.

In June, Autolus announced an initial public offering, which was delivered at a significant valuation uplift. We invested \$24.0 million and retained a 32.7 per cent stake in the company.

Post period end, Autolus has announced that it will present one oral and two poster presentations related to its AUTO3 and AUTO5 programs at the global ASH annual meeting in December 2018. In the abstract the company published on 1 November, Autolus reported early data in their AUTO3 programme in paediatric ALL:

- Eight patients have completed at least four weeks of follow-up treatment with three patients receiving a dose of one million cells/kg, one patient receiving two million cells/kg and four patients receiving three million cells/kg
- Safety data was encouraging; five patients in the trial had grade one Cytokine Release Syndrome (CRS), but no grade 2 or higher CRS was observed
- In the highest dose patient cohort, all four patients treated had a Minimal Residue Response (MRD) negative complete response (CR) and ongoing remission with the longest follow-up of four months

We regard it as positive that we are seeing early clinical efficacy and persistence in the highest dose cohort.

In the AUTO3 DLBCL programme, Autolus published data announcing that:

- Six patients had been enrolled and dosed in the trial with all patients receiving 50 million cells/kg at dose level one
- Three patients were treated with AUTO3 alone and two patients with AUTO3 followed by pembrolizumab, another patient is awaiting dosing with pembrolizumab
- Four of the five patients had a response with an objective response rate (ORR) of 80% (95% CI 28.4-99.5%)
- Two patients had a CR (40%; 95% CI 5.3–85.3%) and continue to be in CR at the time of data cut off, with longest follow-up of 3 months and CAR-T cell expansion seen consistently in all patients

This preliminary data shows clinical efficacy and supports the thesis that the dual-targeting approach of AUTO3 may prove to be beneficial for a broader base of DLBCL patients than a single targeting CD19 CAR T cell therapy

The business is progressing a number of its other programmes through clinical trials, including: AUTO1 in paediatric ALL and adult ALL, AUTO2 in multiple myeloma, and the AUTO6 programme in neuroblastoma and we expect early data from these programmes to begin reading-out over the next 12 months.

#### Freeline (7% NAV):

Freeline is a gene therapy company focused on liver expression for a range of chronic systemic diseases. The business is currently progressing its lead programme in Haemophilia B through clinical development. Haemophilia B is a rare, lifelong monogenic disease which causes prolonged or spontaneous bleeding episodes primarily in the brain, muscles and weight-bearing joints.

Syncona believes Freeline has significant potential and committed £85.0 million to the business in a Series B financing of £88.4 million during the period (£57.5 million of which has been invested in the period). The funding will



enable the company to drive its lead programme through the clinic, further broaden its pipeline, build on its core manufacturing capabilities and ultimately deliver its products to patients.

Post period end, the company announced data from the first two patients in its first cohort of patients in its Haemophilia B programme ahead of the ASH annual meeting, where Professor Amit Nathwani will present the results. Two patients with severe haemophilia B received FLT180a at a single dose of  $4.5 \times 10^{11}$  vector genomes/kg body weight, which was well-tolerated with no serious adverse effects. Within four weeks of infusion, FIX activity<sup>9</sup> in both participants rose to 30% and stabilised at 46% and 48%. The normal range of FIX activity in the general population's blood is between 50% and 150%.

Additionally, Freeline has identified its second programme in this pipeline, Fabry, which is expected to enter the clinic in the first half of 2019.

### **Developing companies (3% NAV)**

Gyroscope is the second Syncona-founded retinal gene therapy company and is targeting treatment for Dry Age Related Macular Degeneration (dry AMD), the leading cause of irreversible blindness in the developed world.

The company has made good progress during the first half of the year and continues to expect to dose its first patient in its lead programme in one of the most severe forms of dry AMD in the first half of 2019. The business is also aiming to nominate the candidate for its second programme over the next 12 months.

Achilles, our second cell therapy company which is focused on immunotherapy to treat lung cancer, also continued to make good progress. Syncona committed £25.6 million to the company in the Series A financing with £8.3 million invested in total. The business has appointed Dr. Michael Giordano, a leader in the immunotherapy field, to its Board and is very well positioned as it progresses towards clinical studies in 2019.

SwanBio, a gene therapy company focused on neurological disorders, and Orbit Biomedical, a company developing safe, accurate and consistent ways to deliver therapeutics to the sub-retinal space, are Syncona's recently founded businesses. Both have made good progress with their business plans and are recruiting further members of their teams and establishing and building out their operations.

In June, Syncona led a Series A financing in a new investment, OMass Therapeutics, a biopharmaceutical company using structural mass spectrometry to discover novel medicines. Syncona has worked closely with the OMass team to develop a plan for the company which is seeking to use its suite of proprietary technologies, developed in the lab of globally leading academic Professor Dame Carol Robinson, in order to discover and develop innovative therapeutics.

OMass has leading, differentiated technology and we believe this platform can be applied to drug discovery for a variety of complex targets. Syncona led the £14.0 million Series A financing with a £9.8 million commitment for a 46 per cent stake in the business, alongside OSI. Syncona's Edward Hodgkin and Magdalena Jonikas have joined the board of OMass with Edward Hodgkin becoming Executive Chairman.

### **Life science investments (4% NAV):**

Beyond Syncona's companies, where we typically have a significant ownership stake and are a founder with significant operational influence, we also have a number of life science investments which represent good opportunities to generate returns for shareholders or provide promising options for the future and are aligned in areas where Syncona has deep domain knowledge.

These investments include CEGX, a pioneer of epigenetics, which completed a \$27.5 million financing round during the period in which Syncona did not provide further financing. The CRT Pioneer Fund, in which Syncona has a 64.1

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<sup>9</sup> Level of Factor IX, an essential clotting protein

per cent holding and now has 12 opportunities in its portfolio. Syncona contributed a net £2.0 million during the period, with a further £16.4 million of commitments remaining.

Syncona sold its holding in NASDAQ-listed Endocyte (ECYT) in July, resulting in a total realised gain of £10.2 million on an original investment of £4.0 million, generating value from a therapeutic area in which we had deep domain expertise. We also made a new investment of \$15.0 million in NASDAQ listed company Adaptimmune in a Registered Direct Offering of \$100.0 million. Adaptimmune is a leader in the engineered TCR cell therapy space where we have differentiated insight into the opportunities ahead for the business.

Finally, our collaboration (Syncona Collaborations) with Edinburgh University for a two-year programme into a promising new potential use of cell therapy to treat an area of chronic disease is progressing well. We see this as a promising option to found a new company, should initial pre-clinical work be supportive.

### **Strong opportunities to continue to build companies around exceptional science**

We have a high-conviction, high quality portfolio, which is well positioned to make continued progress.

We continue to see a strong pipeline of opportunities in cell and gene therapy, an area where we are strategically positioned with one of the broadest, high-quality, co-ordinated gene therapy platforms globally. We believe these technologies will continue to disrupt business models and offer the potential to treat previously intractable diseases. We also see opportunities more broadly across a range of therapeutic areas and modalities where we can deliver our strategy to build global leaders that can take products to market.

While not core to what we do, we will continue on a very selective basis to identify listed investments, where we have deep domain expertise and a differentiated insight into the therapeutic area in which the business operates.

Our progress in the portfolio reinforces the benefits of Syncona's highly focused, hands-on and long-term approach and we remain focused on building our companies and funding their ambition to deliver value for both shareholders and patients.

*Chris Hollowood, Chief Investment Officer, Syncona Investment Management Limited  
21 November 2018*

## **Finance Review**

### **Performance driven by significant progress in our life science portfolio**

At 30 September 2018, Syncona had net assets of £1,394.0 million, or 208.1p<sup>10</sup> per share (31 March 2018: £1,055.8 million – 158.9p per share), reporting a total return of 32.5<sup>11</sup> per cent in the six months with performance driven by a 62.6 per cent<sup>12</sup> growth from life science portfolio, underpinned by a 5.8 per cent return from fund investments.

Within our life science portfolio, performance has primarily been driven by the valuation increases of a number of our established and maturing companies, in particular Blue Earth, Nightstar and Autolus. Together these increases added £330.2 million to the value of the portfolio. Blue Earth was valued at £231.6 million at the half year, an increase of £44.8 million in the period, as the business continued to perform strongly. The valuation movements in both Nightstar of £68.7 million and Autolus of £216.7 million were driven by movements in their quoted share prices. Both companies completed successful financing events in the six months, with Autolus completing an IPO on NASDAQ in June and Nightstar successfully completing a follow-on financing in September. In both instances Syncona was the largest investor, as it continues to support the companies through the clinical and regulatory process.

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<sup>10</sup> Fully diluted

<sup>11</sup> Please refer to the glossary in the financial statements

<sup>12</sup> Time-weighted return

## Investment cashflow at the top end of guidance

During the first half, we invested £94.3 million into the life science portfolio. Whilst the absolute level of funding will be dependent on our pipeline, as we look forward to the remainder of the financial year we expect investment to be at the top end of our guidance of £75 million to £150 million in this financial year.

Uncalled commitments stood at £97.2 million at 30 September 2018, of which £75.2 million relate to milestone payments associated with the life science portfolio and £16.4 million to the CRT Pioneer Fund. The milestone payments are typically linked to key strategic and development goals and expected to be achieved over the next 12 to 24 months. The remainder of the uncalled commitments relate to fund investments.

## Investment model supported by strategic pool of capital

Integral to the Syncona investment model is our access to a deep pool of capital, which in turn allows us to support our companies through the clinical and regulatory process and onto product approval. Successful businesses scale quickly and it is important that we retain a strategic pool of capital so that we can continue to fund our businesses to fulfil their ambitions. At 30 September, we had net cash<sup>13</sup> resources of £41.8 million and £406.5 million of further liquidity in fund investments.

Liquidity profile	£m
Net Cash	41.8
< 1 month	161.8
1-3 months	46.3
3-12 months	131.8
> 12 months	66.6
TOTAL	448.3

The portfolio of fund investments was invested with 18 managers at period end and focuses on managers with track records of containing downside volatility through portfolio construction or nimble repositioning and active management of underlying holdings, or both.

We continue to transition the fund investments portfolio away from more directional long-only funds towards strategies more suited to our current investment parameters and over the six months, and at the period end hedged strategies<sup>14</sup> represented 57.7 per cent of fund investments, up from 51.4 per cent in March.

The 5.8 per cent return from the fund investments during the six months was predominantly driven by the long-biased elements of the portfolio, with long only equity funds generating a return of 13.1 per cent and fixed term funds<sup>15</sup> returning 8.1 per cent, both on a constant currency basis. Our equity hedge fund positions generated a constant currency return of 1.1 per cent.

Since the period end, we have seen a significant increase in volatility in public markets with the FTSE All-Share declining by 5.2 per cent in the month of October and other major equity indices down between 7 per cent and 12 per cent for the month. The fund investments portfolio is not immune to a wider market correction, and whilst the majority of our managers outperformed their respective benchmarks, in aggregate, the fund investments were down by approximately 4 per cent in October, reversing some of the gains generated in the six months.

## Expenses

<sup>13</sup> Net of liabilities, please refer to total other net assets in the group portfolio statement

<sup>14</sup> Equity hedge strategies and global macro funds

<sup>15</sup> private equity, infrastructure and private credit funds

Our ongoing charges ratio for the six months was 0.82 per cent (30 September 2017: 1.44 per cent). Allowing for the costs associated with the Company's Long-Term Incentive Plan, ongoing charges were 1.29 per cent (30 September 2017: 1.44 per cent).

### Long-Term Incentive Plan

The strong performance of the life science portfolio has been reflected in increased value in the Company's Long-Term Incentive Plan ("LTIP"). The LTIP scheme vests on a straight-line basis over a four-year period with awards settled in cash and Syncona shares. At the half year the total liability for the cash settled element of the LTIP was revalued at £10.8 million (March 2018: £5.4 million) and the number of shares in the Company that could potentially be issued increased to 8,548,792 shares, taking the fully-diluted number of shares to 669,771,101.

### Dividend

The Company paid a dividend of 2.3p per share (2017: 2.3p per share) in July. The Board will review the dividend policy over the next six months in light of Syncona's transition to be predominantly invested in life science.

### Foreign exchange

The net impact from foreign exchange across the Company was a gain of £25.4 million. The life science portfolio is unhedged; within the fund investments, all of the euro-denominated share classes with 87.0 per cent of the exposure to US Dollar-denominated share classes are hedged.

*John Bradshaw, Chief Financial Officer, Syncona Investment Management Limited  
21 November 2018*

### Supplementary information

#### Syncona life science portfolio returns (30 September 2018)

Company	Cost <sup>16</sup>	Value	Multiple	IRR
<b>Established</b>				
Blue Earth	£35.3m	£231.6m	6.6x	89%
<b>Maturing</b>				
Nightstar	£56.4m	£207.0m	3.7x	82%
Autolus	£76.2m	£319.9m	4.2x	101%
Freeline	£93.5m	£93.5m	1.0x	-
<b>Sub-total</b>	<b>£261.4m</b>	<b>£852.0m</b>	<b>3.3x</b>	<b>82%</b>
<b>Developing</b>				
Gyroscope	£11.0m	£11.0m	1.0x	-
Orbit	£8.4m	£9.3m	1.1x	19%
Achilles	£8.3m	£8.3m	1.0x	-
SwanBio	£4.9m	£5.3m	1.1x	15%
OMass	£3.5m	£3.5m	1.0x	-
<b>Investments</b>				
Unrealised investments	£43.5m	£56.3m	1.3x	15%

<sup>16</sup> Syncona Partners original cost

Realised investments <sup>17</sup>	£12.4m	£17.6m	1.4x	27%
<b>Total</b>	<b>£353.3m</b>	<b>£963.2m</b>	<b>2.7x</b>	<b>70%</b>

### Funds investments – allocations (30 September 2018)

	£m value	Local currency performance in six months %	% NAV	% of fund portfolio	% change in weighting in six months
Equity funds	75.6	13.1	5.4%	18.6%	-6.7%
Equity hedge funds	220.9	1.1	15.8%	54.3%	8.2%
Fixed income and credit funds	39.3	4.9	2.8%	9.7%	-1.4%
Global macro funds	13.8	3.4	1.0%	3.4%	-1.9%
Fixed-term funds	55.7	8.1	4.0%	13.7%	1.8%
Unrealised FX hedge	0.9	-	0.2%	0.2%	-0.1%
Rebate accruals	0.3	-	0.0%	0.1%	0.1%
<b>Total</b>	<b>406.5</b>	<b>-</b>	<b>29.2%</b>	<b>100.0%</b>	<b>0.0%</b>

### Fund investments – top 10 funds (30 September 2018)

	Fund name	Strategy	Value	% of NAV
1	SFP Value Realization Fund	Equity Long	£47.2m	3.4%
2	Polar UK Absolute Equity	Equity Hedge	£41.3m	3.0%
3	Maga Smaller Companies	Equity Hedge	£34.5m	2.5%
4	AKO Global	Equity Hedge	£33.0m	2.4%
5	Portland Hill	Equity Hedge	£22.5m	1.6%
6	Permira V	Fixed Term	£21.9m	1.6%
7	Polygon Convertible Opportunity Fund	Fixed Income & Credit	£20.3m	1.5%
8	WyeTree	Fixed Income & Credit	£19.0m	1.4%
9	Sagil Latin America Opportunities	Equity Hedge	£18.7m	1.3%
10	Majedie UK Focus	Equity Long	£16.2m	1.2%

<sup>17</sup> 14MG and Endocyte



## Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company for the second half of the financial year are substantially the same as those disclosed in the Report and Accounts for the year ended 31 March 2018. These include:

- Life science portfolio
  - Risk in making new investments
  - General, commercial, technological and clinical risks
  - Dominance of portfolio by a few larger investments and/or sector focus
  - Market risk – realising investment portfolio companies
  - Market risk – political and economic uncertainty
- Fund investments
  - Investment risk
- Operational
  - Failure to attract or retain key personnel
  - Financing risk
  - Systems and controls
  - Legal and regulatory
  - Changes in law and regulations may adversely affect the Company

## Going Concern

The factors likely to affect the Company's ability to continue as a going concern were set out in the Report and Accounts for the year ended 31 March 2018. As at 30 September 2018, there have been no significant changes to these factors. Having reviewed the Company's assets and liabilities and other relevant evidence, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the 12 months following the approval of these half-yearly financial statements. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly financial statements.

## Statement of Directors' Responsibilities

The directors confirm that the interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and that the business review includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months of the financial year and any material changes in the related-party transactions described in the last annual report.

The Directors of Syncona Limited are listed in the Syncona Limited Report & Accounts for the year ended 31 March 2018. A list of current directors is maintained on the Syncona Limited website:

<http://www.synconaltd.com/people/board>.

Jeremy Tigue, Chairman, Syncona Limited  
21 November 2018

## INDEPENDENT REVIEW REPORT TO SYNCONA LIMITED

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 which comprises the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Net

Assets Attributable to Holders of Ordinary Shares, Consolidated Statement of Cash Flows and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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 company, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority. As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### **Deloitte LLP**

Statutory Auditor  
St Peter Port, Guernsey  
20 November 2018



**INTERIM REPORT AND UNAUDITED CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS TO 30 SEPTEMBER 2018**

**GROUP PORTFOLIO STATEMENT  
As at 30 September 2018**

	Fair Value £'000	% of Group NAV 2018
<b>Life science portfolio</b>		
<b>Life science companies</b>		
Autolus Therapeutics plc	319,918	22.9
Blue Earth Diagnostics Limited	231,644	16.6
Nightstar Therapeutics plc	207,019	14.9
Freeline Therapeutics Limited	93,500	6.7
Adaptimmune Therapeutics Inc	15,610	1.1
Companies of less than 1% of NAV	45,138	3.2
Total life science companies <sup>(1)</sup>	912,829	65.4
CRT Pioneer Fund <sup>(2)</sup>	32,839	2.4
<b>Total life science portfolio <sup>(3)</sup></b>	945,668	67.8
<b>Fund investments</b>		
<b>Equity hedge funds</b>		
Polar UK Absolute Equity	41,256	3.0
Maga Smaller Companies UCITS	34,550	2.5
AKO Global UCITS	33,016	2.4
Portland Hill	22,467	1.6
Sagil Latin American Opportunities	18,708	1.2
SW Mitchell Small Cap European	16,138	1.2
Polygon European Equity Opportunity	15,001	1.1
Funds of less than 1% of NAV	39,781	2.9
	220,917	15.9
<b>Equity funds</b>		
The SFP Value Realization	47,222	3.4
Majedie UK Focus	16,178	1.2
Majedie Global Focus	12,235	0.9
	75,635	5.5
<b>Fixed income and credit funds</b>		
Polygon Convertible Opportunity	20,341	1.5
Wyetree RRETRO	18,952	1.4
	39,293	2.9
<b>Global macro funds</b>		
Sinfonietta	13,727	1.0
	13,727	1.0

	Fair Value £'000	% of Group NAV 2018
<b>Fund investments (continued)</b>		
<b>Fixed term funds</b>		
Permira V	21,939	1.6
Chenavari European Deleveraging Opportunities	16,071	1.1
Infracapital Partners II	15,887	1.0
Funds of less than 1% of NAV	1,835	0.1
	55,732	3.8
Open forward currency contracts	933	0.1
Fund related receivables	278	0.0
<b>Total fund investments</b> <sup>(2)</sup>	406,515	29.2
<b>Other net assets</b>		
Cash and cash equivalents <sup>(4)</sup>	98,751	7.1
Charitable donations	(2,376)	(0.2)
Other assets and liabilities	(54,578)	(3.9)
<b>Total other net assets</b>	41,797	3.0
<b>Total net asset value of the group</b>	1,393,980	100.0

<sup>(1)</sup> The fair value of Syncona Holdings Limited amounting to £896,128,166 is comprised of investments in life science companies of £912,829,060, investments in Syncona Investment Management Limited of £2,827,268, other net liabilities of £20,721,453 in Syncona Portfolio Limited and other net assets of £1,193,291 in Syncona Holdings Limited.

<sup>(2)</sup> The fair value of the investment in Syncona Investments LP Incorporated amounting to £509,711,284 is comprised of the investment in the fund investments of £406,515,151, the investment in the CRT Pioneer Fund of £32,839,035, cash of £94,321,702 and other net liabilities of £23,964,604.

<sup>(3)</sup> The life science portfolio of £945,668,095 consists of life science investments totalling £912,829,060 held by Syncona Holdings Limited and the CRT Pioneer Fund of £32,839,035 held by Syncona Investments LP Incorporated.

<sup>(4)</sup> Total cash held by the Group is £98,751,025. Of this amount £2,015,287 is held by Syncona Limited. The remaining £96,735,738 is held by its subsidiaries other than portfolio companies ("Syncona Group Companies"). Cash held by Syncona Group Companies is not shown in Syncona Limited's Consolidated Statement of Financial Position.

See note 1 for a description of Syncona Holdings Limited and Syncona Investments LP Incorporated.

	Notes	Revenue £'000	Capital £'000	Unaudited six months to 30 September 2018 £'000	Unaudited six months to 30 September 2017 £'000	Audited year to 31 March 2018 £'000
<b>Investment income</b>						
Other income		25,305	–	25,305	21,118	28,747
Total investment income		25,305	–	25,305	21,118	28,747
Net gains on financial assets at fair value through profit or loss	6	–	340,268	340,268	137,281	167,694
Total gains		–	340,268	340,268	137,281	167,694
<b>Expenses</b>						
Charitable donations	7	2,376	–	2,376	2,376	4,752
General expenses		12,949	–	12,949	6,707	18,858
Total expenses		15,325	–	15,325	9,083	23,610
<b>Profit for the period</b>		<b>9,980</b>	<b>340,268</b>	<b>350,248</b>	<b>149,316</b>	<b>172,831</b>
Earnings per Ordinary Share	10	1.51p	51.50p	53.01p	22.67p	26.21p

The total columns of this statement represent the Group's Consolidated Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and interpretations adopted by the International Accounting Standards Board. Whilst the Company is not a member of the Association of Investment Companies (the "AIC"), the supplementary revenue and capital columns are both prepared under guidance published by the AIC.

The profit for the period is equivalent to the "total comprehensive income" as defined by IAS 1 Presentation of Financial Statements ("IAS 1"). There is no other comprehensive income as defined by IFRS.

All the items in the above statement derive from continuing operations.

	Notes	Unaudited 30 September 2018 £'000	Unaudited 30 September 2017 £'000	Audited 31 March 2018 £'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Financial assets at fair value through profit or loss	8	1,405,839	1,033,923	1,064,521
<b>Current assets</b>				
Bank and cash deposits		2,015	316	981
Trade and other receivables		4,489	3,025	5,445
Total assets		<u>1,412,343</u>	<u>1,037,264</u>	<u>1,070,947</u>
<b>LIABILITIES AND EQUITY</b>				
<b>Non-current liabilities</b>				
Share based payment	9	9,475	1,083	4,450
<b>Current liabilities</b>				
Share based payment	9	1,343	710	943
Payables		7,545	3,298	9,791
Total liabilities		<u>18,363</u>	<u>5,091</u>	<u>15,184</u>
<b>EQUITY</b>				
Share capital	10	766,037	763,016	763,016
Capital reserves		627,943	269,157	292,747
Total equity		<u>1,393,980</u>	<u>1,032,173</u>	<u>1,055,763</u>
Total liabilities and equity		<u>1,412,343</u>	<u>1,037,264</u>	<u>1,070,947</u>
<b>Total net assets attributable to holders of Ordinary Shares</b>		<u>1,393,980</u>	<u>1,032,173</u>	<u>1,055,763</u>
Number of Ordinary Shares in Issue	10	<u>661,222,309</u>	<u>659,652,090</u>	<u>659,952,090</u>
Net assets attributable to holders of Ordinary Shares (per share)	10	<u>£2.11</u>	<u>£1.56</u>	<u>£1.60</u>
Diluted Shares (per share)	10	<u>£2.08</u>	<u>£1.55</u>	<u>£1.59</u>

The unaudited Consolidated Financial Statements were approved on 21 November 2018.

	Notes	Share capital account £'000	Capital reserves £'000	Revenue reserves £'000	Total £'000
<b>As at 31 March 2017 (audited)</b>		760,327	134,911	–	895,238
Total comprehensive income for the period		–	137,281	12,035	149,316
<b>Transactions with shareholders:</b>					
Distributions	11	–	(3,035)	(12,108)	(15,143)
Scrip dividend shares issued during the period	10	2,689	–	–	2,689
Share based payment		–	–	73	73
<b>As at 30 September 2017 (unaudited)</b>		<u>763,016</u>	<u>269,157</u>	<u>–</u>	<u>1,032,173</u>
Total comprehensive income for the period		–	30,413	(6,898)	23,515
<b>Transactions with shareholders:</b>					
Distributions	11	–	(6,823)	6,823	–
Share based payments		–	–	75	75
<b>As at 31 March 2018 (audited)</b>		<u>763,016</u>	<u>292,747</u>	<u>–</u>	<u>1,055,763</u>
Total comprehensive income for the period		–	340,268	9,980	350,248
<b>Transactions with shareholders:</b>					
Distributions	11	–	(5,072)	(10,106)	(15,178)
Scrip dividend shares issued during the period	10	3,021	–	–	3,021
Share based payment		–	–	126	126
<b>As at 30 September 2018 (unaudited)</b>		<u>766,037</u>	<u>627,943</u>	<u>–</u>	<u>1,393,980</u>

		Unaudited six months to 30 September 2018 £'000	Unaudited six months to 30 September 2017 £'000	Audited year to 31 March 2018 £'000
<b>Cash flows from operating activities</b>				
		350,248	149,316	172,831
		Adjusted for:		
		Gains on financial assets at fair value through profit or loss		
	6	(340,268)	(137,281)	(167,694)
		Operating cash flows before movements in working capital		
		9,980	12,035	5,137
		956	1,747	(673)
		(2,246)	(1,017)	3,729
		8,690	12,765	8,193
<b>Cash flows from investing activities</b>				
		(129,092)	(90,385)	(114,133)
		133,593	90,285	119,270
		4,501	(100)	5,137
<b>Cash flows from financing activities</b>				
	11	(12,157)	(12,454)	(12,454)
		(12,157)	(12,454)	(12,454)
<b>Net increase in cash and cash equivalents</b>				
		1,034	211	876
		981	105	105
		2,015	316	981
<b>Supplemental disclosure of non-cash investing and financing activities</b>				
	10	3,021	2,689	2,689
	10	(3,021)	(2,689)	(2,689)
		–	–	–

Cash held by the Company and Syncona Group Companies is disclosed in the portfolio statement.

## 1. GENERAL INFORMATION

Syncona Limited (the “Company”) is incorporated in Guernsey. The Company’s Ordinary Shares were listed on the premium segment of the London Stock Exchange (“LSE”) on 26 October 2012 when it commenced its business.

The Company makes its life science investments through Syncona Holdings Limited (the “Holding Company”). The Company makes its fund investments through Syncona Investments LP Incorporated (the “Partnership”). The general partner of the Partnership is Syncona GP Limited (the “General Partner”), a wholly-owned subsidiary of the Company. Syncona Limited and Syncona GP Limited are collectively referred to as the “Group”.

Syncona Limited’s Investment Manager is Syncona Investment Manager Limited (“SIML” or the “Investment Manager”), a subsidiary of the Holding Company. The previous Investment Manager until 12 December 2017 was BACIT (UK) Limited (“BACIT”).

## 2. ACCOUNTING POLICIES

The accounting policies applied in these interim results are the same as those applied by the Group in its Annual Report and Accounts for the year ended March 2018 and shall form the basis of the 2019 Annual Report and Accounts.

The accounting policies applied in these interim results are the same as those applied by the Group in its Annual Report and Accounts for the year ended March 2018 and will form the basis of the 2019 Annual Report and Accounts. The Group has adopted IFRS 9 Financial Instruments (“IFRS 9”), which replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement, from 1 January 2018. Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost or fair value through other comprehensive income (“FVTOCI”), or fair value through profit or loss (“FVTPL”). The impact of adopting IFRS 9 on the consolidated financial statements was not material for the Group and there was no adjustment to retained earnings on application at 1 April 2018. In line with the transition guidance in IFRS 9 the Group has not restated the prior year results on adoption.

The Group has adopted IFRS 15 ‘Revenue from Contracts with Customers’ from 1 January 2018 replacing IAS 18 ‘Revenue’. The standard provides a single, principles based five-step model to be applied to all contracts with customers. Material revenue streams have been reviewed and there are no changes to the recognition of income by the Group as a result of the new Standard.

### Statement of compliance

The condensed consolidated financial statements have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ and should be read in conjunction with the Annual Report and Accounts for the year ended March 2018, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. The financial information in these interim accounts was approved by the Board and authorised for issue on 21 November 2018. The financial information is unaudited but has been subject to a review by the Group’s independent auditor.

### Basis of preparation

The condensed consolidated financial statements have been prepared under the historical cost basis, except for investments and derivatives held at fair value through profit or loss, which have been measured at fair value.

### Going concern

The financial statements are prepared on a going concern basis. The Company’s gross assets predominantly consist of securities and cash, amounting to £1,412.3 million (September 2017: £1,037.3 million, March 2018: £1,070.9 million) of which 21.7% (September 2017: 33.0%, March 2018: 31.4%) are readily realisable within three months in normal market conditions. The Company has liabilities including uncalled commitments to underlying investments and funds amounting to £97.2 million (September 2017: £91.3 million, March 2018: £72.0 million). Accordingly, the Company has adequate financial resources to continue in operational existence for 12 months following the approval of the condensed consolidated financial statements. Hence, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

### **Basis of consolidation**

All intra-group transactions, balances and expenses are eliminated on consolidation. Entities that meet the definition of an Investment Entity under IFRS 10 'Consolidated Financial Statements' are held at fair value through profit or loss in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'. The Partnership and the Holding Company both meet the definition of Investment Entities. The General Partner is consolidated in full.

### **3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the interim results requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events, and are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

In preparing these interim results, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Annual Report and Accounts for the year ended March 2018.

### **4. OPERATING SEGMENTS**

The Group is made up of two main components, the "life science portfolio" and the "fund investments". The Board has considered the requirements of IFRS 8 'Operating Segments', and is of the view that the Group's activities form two segments under the standard, the life science portfolio and the fund investments. The life science portfolio and the fund investments are managed on a global basis and, accordingly, no geographical disclosures are provided.

The Board, as a whole, has been determined as constituting the chief decision maker of the Group. The key measure of performance used by the Board to assess the Group's performance and to allocate resources is the total return based on the NAV per share, as calculated under IFRS.

#### **Life science portfolio**

The underlying investments in this segment are those whose activities focus on developing products to deliver transformational treatments to patients.

Details of the underlying assets are shown in the Group Portfolio Statement on page 1.

#### **Fund investments**

The underlying assets in this segment are investments in a diversified portfolio of hedge, equity and long-term alternative investment funds across multiple asset classes.

Details of the underlying assets are shown in the Group Portfolio Statement on pages 1 and 2.



## Information about Reporting Segments

The following provides detailed information for the Group's two reportable segments for the six months to 30 September 2018, the six months to 30 September 2017 and the year to 31 March 2018:

<b>As at 30 September 2018 (unaudited)</b>	<b>Life science portfolio £'000</b>	<b>Fund investment £'000</b>	<b>Unallocated<sup>1</sup> £'000</b>	<b>Total £'000</b>
Revenue	–	–	25,305	25,305
Capital growth	339,775	493	–	340,268
Expenses	–	–	(15,325)	(15,325)
Net assets	945,668	406,515	41,797	1,393,980

  

<b>As at 30 September 2017 (unaudited)</b>	<b>Life science portfolio £'000</b>	<b>Fund investment £'000</b>	<b>Unallocated<sup>1</sup> £'000</b>	<b>Total £'000</b>
Revenue	–	–	21,118	21,118
Capital growth	137,220	61	–	137,281
Expenses	–	–	(9,083)	(9,083)
Net assets	455,177	552,007	24,989	1,032,173

  

<b>As at 31 March 2018 (audited)</b>	<b>Life science portfolio £'000</b>	<b>Fund investment £'000</b>	<b>Unallocated<sup>1</sup> £'000</b>	<b>Total £'000</b>
Revenue	–	–	28,747	28,747
Capital growth	162,933	4,761	–	167,694
Expenses	–	–	(23,610)	(23,610)
Net assets	514,543	465,102	76,118	1,055,763

<sup>1</sup> Revenue is unrelated to either segment's performance. Expenses include the dividends, donations and expenses for the period which cannot be allocated by segment. Unallocated net assets are primarily made up of cash and are unrelated to either segment's performance.

The net assets of each segment can be agreed to the Group Portfolio Statement. The capital growth can be agreed to the Statement of Comprehensive Income.

## 5. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

The Company meets the definition of an Investment Entity in accordance with IFRS10. Therefore, with the exception of the General Partner, the Company does not consolidate its subsidiaries and indirect associates, but rather recognises them as financial assets at fair value through profit or loss.

### Directly owned subsidiaries

<b>Subsidiary</b>	<b>Principal place of business</b>	<b>Principal activity</b>	<b>% interest<sup>1</sup></b>
Syncona GP Limited	Guernsey	General Partner	100%
Syncona Holdings Limited	Guernsey	Portfolio management	100%
Syncona Investments LP Incorporated	Guernsey	Portfolio management	100%

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Company.

## Indirect interests in subsidiaries

Indirect subsidiaries	Principal place of business	Immediate parent	Principal activity	% interest <sup>1</sup>
Syncona Discovery Limited	UK	Syncona Investments LP Inc	Portfolio management	100%
Syncona Portfolio Limited	Guernsey	Syncona Holdings Limited	Portfolio management	100%
Syncona IP Holdco Limited	UK	Syncona Portfolio Limited	Portfolio management	100%
Syncona Investment Management Limited	UK	Syncona Holdings Limited	Portfolio management	100%
Syncona Collaboration (E) Limited	UK	Syncona Portfolio Limited	Research	100%
Orbit Biomedical Limited	UK	Syncona Portfolio Limited	Surgical devices	100%
Blue Earth Diagnostics Limited	UK	Syncona Portfolio Limited	Advanced diagnostics	89%
Freeline Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	84%
Gyroscope Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	76%
SwanBio Limited	UK	Syncona Portfolio Limited	Gene therapy	66%
Achilles Therapeutics Limited	UK	Syncona Portfolio Limited	Cell therapy	56%

Indirect associates	Principal place of business	Immediate parent	Principal activity	% interest <sup>1</sup>
Nightstar Therapeutics plc	UK	Syncona Portfolio Limited	Gene therapy	38%
Autolus Therapeutics plc	UK	Syncona Portfolio Limited	Cell therapies	33%
OMASS Technologies Limited	UK	Syncona Portfolio Limited	Therapeutics	33%

<sup>1</sup>Based on undiluted issued share capital and excluding the MES issued by Syncona Holdings Limited (see note 9).

## 6. NET GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The net gains on financial assets at fair value through profit or loss arise from the Group's holdings in the Partnership and Holding Company.

		Unaudited six months to 30 September 2018 £'000	Unaudited six months to 30 September 2017 £'000	Audited year to 31 March 2018 £'000
Net gains from:				
The Holding Company	6.a	336,267	137,220	162,933
The Partnership	6.b	4,001	61	4,761
		<u>340,268</u>	<u>137,281</u>	<u>167,694</u>

## 6.a

## Movements in the Holding Company:

	Unaudited six months to 30 September 2018 £'000	Unaudited six months to 30 September 2017 £'000	Audited year to 31 March 2018 £'000
Residual income from liquidated subsidiaries	–	726	726
Expenses	(52)	(17)	(44)
Net expense of Syncona Portfolio Limited	(117)	–	(52)
Foreign currency losses on life science investments	(404)	(333)	(435)
Movement in unrealised gains on life science investments at fair value through profit or loss	336,840	136,844	162,738
Net gains on financial assets at fair value through profit or loss	336,267	137,220	162,933

## 6.b

## Movements in the Partnership:

	Unaudited six months to 30 September 2018 £'000	Unaudited six months to 30 September 2017 £'000	Audited year to 31 March 2018 £'000
Investment income	528	877	1,821
Rebates and donations	1,548	901	2,355
Expenses	(101)	(118)	(236)
Realised gains on financial assets at fair value through profit or loss	15,938	18,734	43,670
Movement in unrealised gains/(losses) on financial assets at fair value through profit or loss	23,331	(7,361)	(26,744)
(Losses)/gains on forward currency contracts	(15,741)	9,103	20,370
Gains/(losses) on foreign currency	3,803	(957)	(7,728)
Gains on financial assets at fair value through profit or loss	29,306	21,179	33,508
Distributions	(25,305)	(21,118)	(28,747)
Net gains on financial assets at fair value through profit or loss	4,001	61	4,761

## 7. CHARITABLE DONATIONS

The Group has an obligation to make a donation to charity of 0.3% of the total NAV of the Company calculated on a monthly basis. For the years ending 31 March 2017, 31 March 2018 and 31 March 2019 the Group has agreed that the charitable donations will not be less than £4,751,608. Any amount paid in excess of 0.3% of the total NAV of the Group in those years will be recovered by reducing the charitable donations in subsequent years if the NAV of the Group rises above £1,583,869,333. Half of the donation is made to The Institute of Cancer Research and the other half to The Syncona Foundation. The Syncona Foundation grants those funds to charities in proportions determined each year by shareholders of the Company.

During the period, accrued charitable donations amounted to £2,375,804 (September 2017: £2,375,804, March 2018: £4,751,608). As at 30 September 2018, £2,375,804 (September 2017: £2,375,804, March 2018: £4,751,608) remained payable.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		<b>Unaudited six months to 30 September 2018 £'000</b>	<b>Unaudited six months to 30 September 2017 £'000</b>	<b>Audited year to 31 March 2018 £'000</b>
The Holding Company	8.a	896,128	433,463	488,347
The Partnership	8.b	509,711	600,460	576,174
		<u>1,405,839</u>	<u>1,033,923</u>	<u>1,064,521</u>

### 8.a The net assets of the Holding Company

		<b>Unaudited six months to 30 September 2018 £'000</b>	<b>Unaudited six months to 30 September 2017 £'000</b>	<b>Audited year to 31 March 2018 £'000</b>
Cost of the Holding Company's investment at the start of the period		325,510	180,479	180,479
Purchases during the period		71,514	90,940	120,091
Realised gain on transfer of assets		–	–	24,940
Cost of the Holding Company's investments at the end of the period		<u>397,024</u>	<u>271,419</u>	<u>325,510</u>
Net unrealised gains on investments at the end of the period		497,911	161,348	162,148
Fair value of the Holding Company's investments at the end of the period		<u>894,935</u>	<u>432,767</u>	<u>487,658</u>
Other current assets		1,193	696	689
Financial assets at fair value through profit or loss at the end of the period		<u>896,128</u>	<u>433,463</u>	<u>488,347</u>

## 8.b The net assets of the Partnership

	<b>Unaudited six months to 30 September 2018 £'000</b>	<b>Unaudited six months to 30 September 2017 £'000</b>	<b>Audited year to 31 March 2018 £'000</b>
Cost of the Partnership's investments at the start of the period	376,993	460,046	460,046
Purchases during the period	20,524	67,049	95,524
Sales during the period	(103,894)	(101,462)	(209,070)
Return of capital	(6,268)	(9,076)	(13,177)
Net realised gains on disposals during the period	14,839	18,734	43,670
Cost of the Partnership's investments at the end of the period	302,194	435,291	376,993
Net unrealised gains on investments at the end of the period	134,151	136,788	117,405
Fair value of the Partnership's investments at the end of the period	436,345	572,079	494,398
Open forward currency contracts	933	3,979	1,511
Cash and cash equivalents	88,892	24,470	78,712
Cash collateral	5,430	–	–
Other current (liabilities)/assets	(21,889)	(68)	1,553
Financial assets at fair value through profit or loss at the end of the period	509,711	600,460	576,174

## 9. SHARE BASED PAYMENTS

Share based payments are associated with awards of Management Equity Shares ("MES") in the Holding Company, relevant details of which are set out in note 2 of the Annual Report and Accounts for the year ended 31 March 2018.

The total cost recognised in the Consolidated Statement of Comprehensive Income is shown below:

	<b>Unaudited six months to 30 September 2018 £'000</b>	<b>Unaudited six months to 30 September 2017 £'000</b>	<b>Audited year to 31 March 2018 £'000</b>
Charge relating to issue of new MES	273	2	4
Charge relating to previously issued MES	79	146	292
Charge related to revaluation of the liability for cash settled share awards	5,164	–	5,199
Total	5,516	148	5,495

Amounts recognised in the Consolidated Statement of Financial Position, representing the carrying amount of liabilities arising from share based payments transactions, are shown below:

	<b>Unaudited six months to 30 September 2018 £'000</b>	<b>Unaudited six months to 30 September 2017 £'000</b>	<b>Audited year to 31 March 2018 £'000</b>
Share based payments - current	1,343	710	943
Share based payments - non-current	9,475	1,083	4,450
<b>Total</b>	<b><u>10,818</u></b>	<b><u>1,793</u></b>	<b><u>5,393</u></b>

When a participant elects to realise vested MES by sale of the MES to the Company, half of the proceeds (net of anticipated taxes) are settled in shares of the Company, with the balance settled in cash.

Vesting is subject only to the condition that employees must remain in employment at the vesting date. Each MES is entitled to share equally in value attributable to the Holding Company above the applicable base line value, provided that the applicable hurdle value of 15% growth in the value of the Holding Company above the base line value at the date of award has been achieved.

The fair value of awards made in the period ended 30 September 2018 was £1,260,000 (September 2017: £11,776, March 2018: £11,776).

The following MES outstanding are shown below:

	<b>Unaudited six months to 30 September 2018</b>	<b>Unaudited six months to 30 September 2017</b>	<b>Audited year to 31 March 2018</b>
Outstanding at start of the period	27,664,909	27,785,324	27,785,324
Awarded in the period	9,075,343	557,639	557,639
Lapsed	(54,727)	(38,296)	(678,054)
Realised	(163,991)	–	–
<b>Outstanding at end of the period</b>	<b><u>36,521,534</u></b>	<b><u>28,304,667</u></b>	<b><u>27,664,909</u></b>
Weighted average remaining contractual life of outstanding MES	2.62 years	3.25 years	2.75 years
Vested MES at the end of the period	7,230,521	–	6,781,629
Realisable MES at the end of the period	1,807,630	–	1,695,407

At 30 September 2018, if all MES were realised the number of shares issued in the Company would be 8,548,792 (September 2017: 4,620,436, March 2018: 4,620,436).

## 10. SHARE CAPITAL

### A. Authorised Share Capital

The Company is authorised to issue an unlimited number of shares, which may have a par value. The Company is a company with an unlimited life.

As the Company's Shares have no par value, the share price consists solely of share premium and the amounts received for issued shares are recorded in the Share Capital Account in accordance with The Companies (Guernsey) Law, 2008.

	Unaudited Ordinary Shares at 30 September 2018 £'000	Unaudited Ordinary Shares at 30 September 2017 £'000	Audited Ordinary Shares at 31 March 2018 £'000
<b>Ordinary Share Capital</b>			
Balance at the start of the period	763,016	760,327	760,327
Scrip dividend shares issued during the period	3,021	2,689	2,689
Balance at the end of the period	<u>766,037</u>	<u>763,016</u>	<u>763,016</u>

	Unaudited Ordinary Shares at 30 September 2018 Shares	Unaudited Ordinary Shares at 30 September 2017 Shares	Unaudited Ordinary Shares at 31 March 2018 Shares
<b>Ordinary Share Capital</b>			
Balance at the start of period	659,952,090	658,387,407	658,387,407
Scrip dividend shares issued during the period	1,249,383	1,564,683	1,564,683
Share based payment shares issued during the period	20,836	–	–
Balance at the end of the period	<u>661,222,309</u>	<u>659,952,090</u>	<u>659,952,090</u>

During the period £3,021,008 (1,249,383 Ordinary Shares) in new Ordinary Shares were issued at a price of 241.8p as a result of the 2018 scrip dividend.

### B. Capital reserves

Gains and losses recorded on the realisation of investments, realised exchange differences, unrealised gains and losses recorded on the revaluation of investments held at the period end and unrealised exchange differences of a capital nature are transferred to capital reserves.

### C. Earnings per share

The calculations for the earnings per share attributable to the Ordinary Shares of the Company are based on the following data:

	<b>Unaudited six months to 30 September 2018</b>	<b>Unaudited six months to 30 September 2017</b>	<b>Audited year to 31 March 2018</b>
Earnings for the purposes of earnings per share	£350,247,751	£149,315,501	£172,831,499
Basic weighted average number of shares	660,759,419	658,763,615	659,356,224
Basic revenue earnings per share	1.51p	1.83p	0.78p
Basic capital earnings per share	51.50p	20.84p	25.43p
Basic earnings per share	53.01p	22.67p	26.21p
Diluted weighted average number of shares	669,308,211	664,471,801	663,980,947
Diluted revenue earnings per shares	1.49p	1.81p	0.77p
Diluted capital earnings per share	50.84p	20.66p	25.26p
Diluted earnings per share	52.33p	22.47p	26.03p

Earnings are diluted for the six months to September 2018 due to the MES described in note 9.

### D. NAV per share

	<b>Unaudited 30 September 2018</b>	<b>Unaudited 30 September 2017</b>	<b>Audited 31 March 2018</b>
Net assets for the purposes of NAV per share	£1,393,979,882	£1,032,172,609	£1,055,763,499
Ordinary Shares in issue	661,222,309	659,952,090	659,952,090
NAV per share	210.80p	156.40p	159.98p
Diluted number of shares	669,771,101	665,047,678	664,572,526
Diluted NAV per share	208.13p	155.20p	158.86p

## 11. DISTRIBUTION TO SHAREHOLDERS

The Company may pay a dividend at the discretion of the Board.

During the period ended 30 September 2018, the Company declared and paid a dividend of 2.3p per share amounting to £15,178,477 (September 2017: £15,142,910) relating to the year ended March 2018 (March 2017). The dividend was comprised of £12,157,469 cash (September 2017: £12,454,159) and a scrip dividend of £3,021,008 (September 2017: £2,688,751).

## 12. RELATED PARTY TRANSACTIONS

The Group has various related parties: life sciences investments held by the Holding Company, the Investment Manager, the Company's Directors and The Syncona Foundation.



### Life science investments

The Group makes equity investments in some life science investments where it retains control. The Group has taken advantage of the investment entity exception as permitted by IFRS 10 and has not consolidated these investments, but does consider them to be related parties. The total amounts included for investments where the Group has control are set out below:

	<b>Unaudited six months to 30 September 2018 £'000</b>	<b>Unaudited six months to 30 September 2017 £'000</b>	<b>Audited year to 31 March 2018 £'000</b>
Investments with control	<u>360,257</u>	<u>162,302</u>	<u>248,728</u>

The Group makes other equity investments where it does not have control but may have significant influence through its ability to participate in the financial and operating policies of these companies, therefore the Group considers them to be related parties. The total amounts included for investments where the Group has significant influence are set out below:

	<b>Unaudited six months to 30 September 2018 £'000</b>	<b>Unaudited six months to 30 September 2017 £'000</b>	<b>Audited year to 31 March 2018 £'000</b>
Investments with significant influence	<u>536,924</u>	<u>268,823</u>	<u>226,025</u>

### Investment Manager

For the period ended 30 September 2018 SIML was entitled to receive an annual fee of up to 1.10% (September 2017: 1.00%, March 2018: 1.00%) of NAV per annum.

	<b>Unaudited six months to 30 September 2018 £'000</b>	<b>Unaudited six months to 30 September 2017 £'000</b>	<b>Audited year to 31 March 2018 £'000</b>
Amounts paid to BACIT	–	864	5,627
Amounts paid to SIML	3,808	2,904	5,778

### Company Directors

At the period end the Company had seven Directors, all of whom served in a Non-Executive capacity. The Directors Jeremy Tigue, Nick Moss and Rob Hutchinson also serve as Directors of the General Partner. Thomas Henderson was a Director of BACIT until May 2018.

Nigel Keen is Chairman of the Investment Manager and receives a fee of £128,388 per annum, payable by the Investment Manager, in respect of his services to the Investment Manager.

Gian Piero Reverberi was appointed as Non-Executive Director with effect from 1 April 2018. Nick Moss was appointed as Senior Independent Director and Rob Hutchinson succeeded him as Chair of the Audit Committee with effect from 1 April 2018.

Directors' fees for period ended 30 September 2018, including outstanding Directors' fees at the end of the period, are set out below:

	<b>Unaudited six months to 30 September 2018 £'000</b>	<b>Unaudited six months to 30 September 2017 £'000</b>	<b>Audited year to 31 March 2018 £'000</b>
Directors' fees for the period	178	70	219
Payable at end of period	–	–	–

### **The Syncona Foundation**

50% of the charitable donations made by the Company are made to The Syncona Foundation. The Syncona Foundation was incorporated in England and Wales on 17 May 2012 as a private company limited by guarantee, with exclusively charitable purposes and holds the Deferred Share in the Company. The amount donated to The Syncona Foundation during the period ended 30 September 2018 was £2,375,804 (September 2017: £2,375,804, March 2018: £2,375,804).

During the period the Company extended its obligation to donate at least £2,375,804 to The Syncona Foundation in the financial year ending 31 March 2019.

### **13. FAIR VALUE MEASUREMENT**

IFRS 13 requires the Group to establish a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are set as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices) or other market corroborated inputs; and
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Group. The Group considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, and provided by independent sources that are actively involved in the relevant market.

The following table presents the Group's financial assets and liabilities by level within the valuation hierarchy as at 30 September 2018, 30 September 2017 and 31 March 2018:

<b>30 September 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets (unaudited)</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Financial assets at fair value through profit or loss:				
The Holding Company	–	–	896,128	896,128
The Partnership	–	–	509,711	509,711
<b>Total assets</b>	<b>–</b>	<b>–</b>	<b>1,405,839</b>	<b>1,405,839</b>
<b>30 September 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets (unaudited)</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Financial assets at fair value through profit or loss:				
The Holding Company	–	–	433,463	433,463
The Partnership	–	600,460	–	600,460
<b>Total assets</b>	<b>–</b>	<b>600,460</b>	<b>433,463</b>	<b>1,033,923</b>
<b>31 March 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets (audited)</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Financial assets at fair value through profit or loss:				
The Holding Company	–	–	488,347	488,347
The Partnership	–	–	576,174	576,174
<b>Total assets</b>	<b>–</b>	<b>–</b>	<b>1,064,521</b>	<b>1,064,521</b>

The following table presents the Holding Company's financial assets and liabilities by level within the valuation hierarchy as at 30 September 2018, 30 September 2017 and 31 March 2018:

Asset type	Level	30 September 2018 £'000	30 September 2017 £'000	31 March 2018 £'000	Valuation technique	Unobserved inputs	Key inputs	Reasonable possible shift +/-	Change in valuation	Relationship of inputs to value
Listed investment	1	542,547	174,647	133,475	Publicly available share price at balance sheet date	-	-	-	-	-
Price of latest funding round (investment made less than 12 months ago)	2	18,044	83,818	97,849	Price of latest funding round	-	-	-	-	-
Price of latest funding round (investment made more than 12 months ago)	3	114,108	50,582	54,977	Price of latest funding round	n/a	n/a	-	-	The greater the assessment of impairment, the lower the fair value
Syncona Group companies	3	2,827	1,642	2,472	Net assets of Syncona Group companies	n/a	n/a	-	-	The greater the assessment of impairment, the lower the fair value
Investments valued on discounted cash flow forecasts	3	231,644	116,899	186,828	Future earnings potential, discount for lack of marketability and time value of money	Assessment of the future performance of the investee	Discount rate USD exchange rate	2% 10%	18,025 33,367	The greater the assessment of performance, the higher the fair value
Adjusted price of latest funding round	3	6,486	5,179	10,607	Price of latest funding round adjusted by management	n/a	n/a	-	-	The greater the assessment of impairment, the lower the fair value
		<b>915,656</b>	<b>432,767</b>	<b>486,208</b>						

During the period ended 30 September 2018, a life science investment became a listed investment and has therefore moved from Level 2 to Level 1. This resulted in £319,918,380 transferring from Level 2 to Level 1.

The following table presents the movements in Level 3 investments of the Holding Company for the period ended 30 September 2018:

	Life science investments £'000	Wholly owned Group companies £'000	Unaudited six months to 30 September 2018 £'000	Unaudited six months to 30 September 2017 £'000	Audited year to 31 March 2018 £'000
<b>Opening balance</b>	241,805	2,472	244,277	205,316	205,316
Transfer to Level 3	9,853	–	9,853	(65,368)	(70,545)
Purchases	59,130	741	59,871	25,782	37,353
Gain/(loss) on financial assets at fair value through profit or loss	41,450	(386)	41,064	2,154	72,153
<b>Closing balance</b>	<u>352,238</u>	<u>2,827</u>	<u>355,065</u>	<u>167,884</u>	<u>244,277</u>

The net gain for the period included in the Statement of Comprehensive Income in respect of Level 3 investments of the Holding Company held at the period end amounted to £41,064,418 (September 2017: £2,153,505 gain, March 2018: £72,152,873 gain).

During the period ended 30 September 2018, the valuation of a life science investment was adjusted by management and has therefore moved from Level 2 to Level 3. This resulted in £9,853,250 transferring from Level 2 to Level 3.

The following table presents the Partnership's financial assets and liabilities by level within the valuation hierarchy as at 30 September 2018, 30 September 2017 and 31 March 2018:

	Level	Unaudited 30 September 2018 £'000	Unaudited 30 September 2017 £'000	Audited 31 March 2018 £'000	Valuation technique	Unobserved inputs	Key input	Reasonable possible shift +/-	Change in valuation	Relationship of inputs to value
Listed investments	1	102,685	191,276	162,084	Publicly available share price at balance sheet date	-	-	-	-	-
Listed investments	2	4,381	4,832	4,593	Publicly available share price at balance sheet date	Inputs include share price at balance sheet date. This fund is not daily traded and therefore does not meet the definition of an active market.				
						n/a	n/a	-	-	The greater the assessment of the impairment, the lower the fair value.
Forward contracts	2	933	3,979	1,511	Publicly available exchange rates at balance sheet date	Inputs include different exchange rates used at different banking institutions. IFRS 13 specifically defines forward contracts as Level 2. Valuation is taken using publicly available exchange rates and calculating the asset value.				
						Different exchange rates at period end	n/a	-	-	The greater the GBP exchange rate, the greater the fair value
Unlisted fund investments	2	242,506	311,192	241,396	Valuation produced by fund administrator. Inputs into fund components are from observable inputs	Inputs include assets administrator's assessment of the performance of the underlying funds. Valuation is taken from the fund administrator who has based the fund's fair value on observable inputs of underlying assets.				
						Valuation model produced by asset administrator	n/a	10%	-	The greater the asset administrator's valuation, the greater the fair value
Long-term unlisted investments	3	55,732	40,727	55,518	Valuation produced by fund administrator	Inputs include asset administrator's assessment of the performance of the underlying funds. Valuation is provided by quarterly statements from each administrator. The administrator's valuation technique will use unobservable inputs, the main unobservable input relates to asset administrator's inputs into the valuation:				
						Valuation model produced by asset administrator	n/a	10%	-	The greater the expectation for future profits, the greater the fair value
CRT pioneer fund	3	32,839	24,052	30,807	Valuation produced by fund administrator	Inputs include asset manager's assessment of the performance of the underlying investee companies. Valuation is provided by quarterly statements from the manager. The valuation is based on cost of investments, price of latest round of investments and discounted future cash flows. The valuation by the manager is updated to comply with Syncona accounting methodology as seen in note 2 of the Annual Report and Accounts for the year ended 31 March 2018. The main unobservable input relates to the asset manager's assessment of performance:				
						Valuation model produced by asset administrator	n/a	10%	-	The greater the expectation for future profits, the greater the fair value.
		439,076	576,058	495,909						

### 13. FAIR VALUE MEASUREMENT

During the period ending 30 September 2018, one fund was moved from Level 1 to Level 2. This resulted in £4,380,623 transferring from Level 1 to Level 2 (September 2017: no transfers, March 2018: no transfers).

Assets classified as Level 2 investments are underlying funds fair-valued using the latest available NAV of each fund as reported by each fund's administrator, which are redeemable by the Group subject to necessary notice being given. Included within the Level 2 investments above are investments where the redemption notice period is greater than 90 days. Such investments have been classified as Level 2 because their value is based on observable inputs.

Assets classified as Level 3 investments are underlying Limited Partnerships which are not traded or available for redemption. The fair value of these assets is derived from quarterly statements provided by each Limited Partnership's administrator. The Group does not have transparency over the inputs of this valuation.

The following table presents the movements in Level 3 investments of the Partnership for the six months to 30 September 2018, the six months to 30 September 2017 and the year to 31 March 2018:

	CRT Pioneer		Unaudited six months to 30 September 2018	Unaudited six months to 30 September 2017	Audited year to 31 March 2018
	Fund	Fund	Total	Total	Total
	£'000	investment £'000	£'000	£'000	£'000
<b>Opening balance</b>	30,807	55,518	86,325	60,860	60,860
Purchases	2,950	–	2,950	9,191	31,927
Return of capital	(918)	(5,350)	(6,268)	(9,076)	(13,177)
Gain on financial assets at fair value through profit or loss	–	5,564	5,564	3,804	6,715
<b>Closing balance</b>	<u>32,839</u>	<u>55,732</u>	<u>88,571</u>	<u>64,779</u>	<u>86,325</u>

The net gain for the period included in the Statement of Comprehensive Income in respect of Level 3 investments of the Partnership held at the period end amounted to £5,564,287 (September 2017: £3,803,501 gain, March 2018: £6,714,678 gain).

### 14. COMMITMENTS AND CONTINGENCIES

The Group had the following commitments as at 30 September 2018, 30 September 2017 and 31 March 2018:

	Unaudited six months to 30 September 2018	Unaudited six months to 30 September 2017	Audited year to 31 March 2018
	£'000	£'000	£'000
<b>Life science portfolio</b>			
Milestone payments to life science companies	75,161	38,782	47,105
CRT Pioneer Fund	16,387	26,093	19,338
<b>Fund investment</b>	<u>5,618</u>	<u>21,343</u>	<u>5,575</u>
<b>Total</b>	<u>97,166</u>	<u>86,218</u>	<u>72,018</u>

There were no contingent liabilities as at 30 September 2018 (September 2017: nil, March 2018: nil).

## **15. SUBSEQUENT EVENTS**

These Condensed Consolidated Financial Statements were approved for issuance by the Board on 21 November 2018. No material subsequent events have been noted.



## GLOSSARY

Company	Syncona Limited
BACIT	BACIT (UK) Limited
CRT Pioneer Fund	The Cancer Research Technologies Pioneer Fund LP
Fund Investment	The underlying investments in this segment are investments in a diversified portfolio of hedge, equity and long-term alternative investments funds across multiple asset classes.
General Partner	Syncona GP Limited
Group	Syncona Limited and Syncona GP Limited are collectively referred to as the “Group”
Holding Company	Syncona Holdings Limited
Investment Manager	Alternative Fund Investment Manager, role performed by Syncona Investment Management Limited
IRR	Internal Rate of Return
Life Science Portfolio	The underlying investments in this segment are those whose activities focus on actively developing products to deliver transformational treatments to patients.
MES	Management Equity Shares
NAV	Net Asset Value
Ongoing charges ratio	All general expenses plus the charitable donations of the Company, divided by the average weighted NAV of the Company.
Partnership	Syncona Investments LP Incorporated
Return	Time Weighted Rate of Return is the method used for return calculations
SIML	Syncona Investment Management Limited
Syncona Group Companies	The Company and its subsidiaries other than its portfolio companies.
Total return	Movement in diluted NAV per share plus dividend per share