Building the next generation

Founding, building and funding a portfolio of global leaders in life science

Syncona Limited
Annual report and accounts 2020

Contents

For more information, visit
our website: ***synconaltd.com***

Building a portfolio of global leaders

Syncona made good progress against its strategic goals in 2020. We deployed £206.4 million of capital into our life science companies as they generated positive clinical data and added a new company to the portfolio. We successfully sold two companies, significantly strengthening our strategic capital pool, and expanded our expert team.

Our companies remain strongly positioned to deliver value over the long term and our vision to deliver transformational treatments for patients remains as important as ever.

Read more: CEO Review
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2020 Highlights

for the year ended 31 March 2020

£1.2bn
Net Asset Value (NAV) (185.6p per share)
(2019: £1.46bn; 216.8p per share)

(13.3)%
NAV Total return[1]
(2019: 37.9%)

NAV decline driven by the (25.0%)[1] return from the life science portfolio. Performance impacted by the fall in Autolus share price, which outweighed positive valuation movements elsewhere in the portfolio. Further details on page 16.

£767.0m
Capital pool
(2019: £399.7m)

£206.4m
Capital deployment[1]
(2019: £138.6m)

Capital pool significantly strengthened in the year with £592.6m of proceeds received from the sale of Nightstar and Blue Earth. Six funding rounds completed across the portfolio.

9
Portfolio companies
(2019: 10)

9
Product candidates in clinical trials
(2019: 8)

One new portfolio company, Azeria, added to the portfolio. Strong clinical progress across the portfolio with nine live clinical trials at year end.

1 Alternative Performance Measure, refer to the glossary

Our vision

is to deliver transformational treatments to patients by building companies around exceptional science in areas of high unmet medical need for patients.

If we are successful in doing this, we will deliver long term value for all stakeholders.

A responsible and sustainable approach to delivering transformational treatments for patients

With net assets of £1.2bn and nine portfolio companies in which we are active owners, we recognise that we have the influence and opportunity to drive a positive impact through the decisions we make.

We believe that our vision of delivering transformational treatments for patients is a positive and sustainable one, and that a responsible approach to growing our business and managing our portfolio will add value over the long term and enhance our contribution to our stakeholders and society as a whole.

This year we plan to formalise and communicate our approach to environment, social and governance considerations and will provide more detail in 2021. Read more about the process we are undertaking in our ESG section.

Our approach to ESG
Page 54

We challenge

the boundaries of innovation in science to radically improve the lives of patients who have poor or no treatment options.

We do this with rigour, by embracing innovation and partnering with the best, brightest and most ambitious minds in science.

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〉 **Portfolio review**
Page 28

We are leaders in the 'Third Wave' of healthcare

Advances in technologies harnessing the power of genetics are on the rise and are demonstrating clear potential to treat previously intractable diseases.

While we build companies across many domain areas, we have deep expertise in the Third Wave, with cell and gene therapy making up a significant proportion of our portfolio today. We continue to make exciting progress building fully integrated platform companies where we are working to demonstrate the safety and efficacy of our potential treatments. Read more in our Market insight and Portfolio review sections.

6/9

Syncona portfolio companies in 'Third Wave' modalities, all of which have been founded by Syncona

9

active programmes in 'Third Wave' modalities in areas of high unmet need for patients

A significant opportunity

"Our business model is clear. Syncona is building a sustainable, diversified portfolio of 15-20 companies over a rolling 10-year period."

Melanie Gee
Chair

£1.2bn
Net Asset Value (NAV)

(13.3)%
NAV total return[1]

It is a great privilege to share my thoughts for the first time as Chair of Syncona. Before I comment on our financial year ended 31 March 2020 and the year ahead, I want to share with you some of the reasons why I was attracted to the role.

In essence, Syncona has a strong sense of social purpose both through the companies it develops to provide transformational treatments to patients and its commitment to The Syncona Foundation. This is made possible by the highly professional and committed team working for our Investment Manager, which has a strong culture built on the value created from diversity, inclusion and collaboration in all that they do. These strengths, taken together with Syncona's successful business model, create an exciting opportunity to benefit all our stakeholders and also support the continuing development of a thriving UK life sciences industry, which to date has been underserved by our early stage capital markets.

We should not forget that founding, building and funding successful life science companies is inherently high risk. The investment team's rigorous approach to risk mitigation at each step along the path of creating our companies and portfolio is crucial to our overall success.

In the current economic environment and given the uncertainties around how countries worldwide will emerge from the impact of COVID-19, the team's relentless focus on the patient and on continuous improvement in what we do and how we do it, should enable us to continue to make a real difference to all our stakeholders.

Progress in building our business

The opportunity for Syncona is significant. The UK is world leading in life science discoveries and the Syncona team works hard to connect with these scientists and research institutions principally in the UK and Europe.

During the year, the team considered a range of opportunities, completing detailed diligence on 23 potential investments, from which one new investment was made, and we invested a total of £206.4 million into our portfolio companies.

Our business model is clear. Syncona is building a sustainable, diversified portfolio of 15-20 companies over a rolling 10-year period, characterised by two to three companies being founded each year and three to five companies being taken all the way to product approval under our ownership.

We have made good progress towards creating our sustainable portfolio, which comprised nine companies at year end. During the year we concluded attractive offers for two of our companies, Blue Earth and Nightstar, and the net proceeds of these sales, totalling £592.6 million, increased our capital pool significantly. This level of liquidity in the current uncertain economic environment, resulting from the COVID-19 pandemic, provides us with the ability to continue to fund our companies from internal resources should alternative sources of funding (including the capital markets) become unattractive or unavailable. It also enables us to be opportunistic should attractive distressed assets become available.

Despite our good progress during the year, we have reported a (13.3) per cent NAV total return[1] with NAV declining to £1,246.5 million at year end (2019: £1,455.1 million). This was driven predominantly by a decline in Autolus' share price which outweighed the write-up of Achilles and the uplift to the value of Blue Earth on sale. We believe Autolus remains well positioned to deliver for patients and continues to have good longer-term potential.

In line with the Board's statement last year, the Company does not intend to declare a dividend in relation to the year ended 31 March 2020.

A world-class multi-disciplined team with deep scientific and commercial expertise

Over the year since I joined the Board, I have met with the Syncona team regularly and I am continually impressed by their hard work, professionalism and specialist knowledge. Their approach to founding, building and funding companies always starts with deep scientific and clinical data considerations, the application of financial discipline, and the utilisation of great technical and commercial expertise. This ensures that the building of the scientific and business cases, from both a financial and risk perspective, are developed together to form a robust investment case for review and challenge by the whole team. Across the team there is a thriving, entrepreneurial culture which is based on intellectual rigour, integrity, fact-based decision making, leadership and initiative. A strong level of constructive challenge is encouraged and there is frequent debate across the whole team on all portfolio company issues. Above all, I have observed a passionate focus on driving positive outcomes for patients, which I believe is essential for our long-term success.

Having the right organisational culture is important to delivering our strategy. I am proud of the culture we are building within the business and, more broadly, our positive role in society.

Developing our approach to environment, social and governance issues

Syncona's vision is to develop innovative products in healthcare and never has it been more important to recognise and measure the impact we can have. This is not just in the financial returns we can deliver for shareholders, but also in how we sustainably contribute to a better future for all our stakeholders, including working in partnership with our portfolio companies as they look to responsibly develop transformational treatments for patients in areas of high unmet need.

We recognise that there is a growing need for companies to be able to define their contribution to wider society and we are at the beginning of formalising our overall approach to our environment, social and governance ('ESG') practices, starting with an assessment of the most important issues for our business. This broad project is being approached in a thoughtful and proportionate way, to ensure that we continue to nurture the entrepreneurial creativity in the team, as we create the required processes to be able to measure and monitor progress.

A strong culture

Syncona has a strong sense of social purpose to deliver transformational treatments for patients.

This is made possible by our committed team which is built on the value created from diversity, inclusion and collaboration in all that it does. These strengths, with Syncona's differentiated business model, create an exciting opportunity to benefit all our stakeholders and support the continuing development of a thriving UK life sciences industry.

28
Team members at our Investment Manager, Syncona Investment Management Ltd (SIML)

800+
Portfolio company employees

Read more:
Our team
page 40

1 Alternative performance measure, refer to the glossary

Read more:
Corporate Governance report
Page 66

We are committed to taking a transparent approach and having an open dialogue with our stakeholders on these issues and are seeking their input to ensure their views are integrated into everything we do.

We will update on the progress we are making through this year and look forward to setting out the results of this project in our 2020/21 annual report and accounts. This will include a clear and comprehensive ESG policy, further information about our current practices, and our ambitions for the future. Our intention is for this policy to articulate how we intend to operate as a sustainable investor, including aspects such as our social impact in healthcare and how we seek to minimise our impact on the environment. I look forward to reporting back next year when this process has been completed.

Strong, long-term commitment to The Syncona Foundation and its underlying charities

Syncona donates a percentage of its NAV to charity each year, with the donation currently split between The Syncona Foundation and The Institute of Cancer Research. Our charitable donations are an important part of what we do and in total we have donated £31.7 million to charity since 2012.

Following a review of our charitable donations earlier this year, the Board has decided to increase Syncona's charitable donation from 0.30 per cent of NAV to 0.35 per cent for the 2019/20 financial year and the two following years. The increase in donation will go to The Syncona Foundation and allows it to increase its capacity to support its network of charities. In line with the increase to the annual charitable donation from 0.30 to 0.35 per cent of NAV, the cap on the fee payable to our investment management company will reduce accordingly (from 1.1 per cent to 1.05 per cent).

The Syncona Foundation has historically supported a range of other charities, the majority of which focus on seeking treatments for or supporting patients with disease and particularly cancer. The Syncona Foundation sees significant needs in many areas including degenerative neurological diseases such as Dementia and Alzheimer's and will be defining its strategy in more detail over the next year as it seeks to maximise the impact that its donations can have for patients with health conditions. After our 2022 donations, all Syncona's charitable donations will be managed through The Syncona Foundation.

In light of the COVID-19 pandemic, Syncona and the Foundation are both aware of the significant impact on charities and have considered how we can best support the Foundation's network of charities at this time. The Board has therefore agreed to bring forward payment of Syncona's donation to the Foundation for this year to June (from September) and the Foundation intends to distribute these donations to the recipient charities as soon as possible after that.

I would like to thank my colleague Tom Henderson, who has been the driving force behind the Foundation, and his fellow trustees, not only for the excellent work they do for the Foundation but also their tireless commitment to supporting the work of the individual charities more broadly.

Board activity

The Board's principal responsibilities include the oversight of strategy, culture and performance.

Early in the year we held our annual Board strategy day with the senior management team. As a result, the team used the interim results and capital market day presentations to describe our strategy in a clearer way, including around our approach to divestments, and we have enhanced the information we make available on our individual companies.

Whilst we have a strong culture, we have considered the benefits of ensuring that we do all we can to support our purpose and how best we should describe this for all our stakeholders. As a result of this work, early in 2020 we commenced a review, with external support, to look at all areas of ESG, as I have highlighted above. Work is also continuing internally on the development of our behaviours to support our purpose. Drawing these two strands together will enable us to provide stakeholders with a clear statement of our purpose, strategy, and behaviours. We look forward to sharing the outcome of this work during the course of 2020/21 and in our next annual report and accounts.

The Board regularly monitors performance of the team and continues to be pleased with progress. I have been particularly pleased to see the business mature as the team continues to expand to support delivery of our sustainable portfolio. Embracing the development of continuous improvement measures is well established in the team's approach to investment analysis and is also being applied to the development of the business.

As a Board, with input from the senior management team, we have continued to focus on the skill sets we will need around the Board table to ensure that we have the appropriate perspectives and expertise to provide valuable insights, knowledge and support to the management team as both science and markets evolve.

I joined the Board as Chair Designate in June 2019 and took over as Chair on 1 January 2020. On behalf of the Board, I would like to thank Jeremy Tigue for chairing the Company through seven transformative years since its formation in 2012. Jeremy played an important part in the merger with BACIT that brought the Syncona life science business onto the London Stock Exchange in 2016 and has been a key part of the successful evolution of Syncona into the business it is today.

COVID-19 pandemic

The developing COVID-19 pandemic, which started at the beginning of 2020, has presented an unprecedented medical, economic and human challenge. The spread and disruption of the virus have had deep implications with social distancing implemented on a global basis. The safety and well-being of our employees and those across our portfolio companies is paramount. The Syncona management team moved quickly to put in place plans and contingencies to establish a productive framework for the new working environment, both for our team and also across our portfolio.

Our team has been working closely with our portfolio companies to minimise the disruption caused by the pandemic, avoid unnecessary burdens on health services, and ensure the safety of their employees and the patients taking part in clinical studies.

We have also continued to work proactively to identify areas where we can found innovative new companies and the team continues to see a strong pipeline of investment opportunities in this environment both by engaging globally leading academic founders and also through extensive diligence of the wider landscape. Syncona is well positioned to navigate the disruption and uncertainty caused by the pandemic with a strategic, liquid capital pool of £767.0 million to fund both existing and new portfolio companies.

As our Government and its advisers evaluate this evolving situation, we have sought to provide our support in the areas where we can add most value.

The year ahead and outlook

During this year and beyond, the Syncona team and the teams in our portfolio companies will need to navigate the challenges of the evolving situation in the UK and the rest of the world as they move out of lockdown. This will require careful management to mitigate these risks as far as possible, not only for our employees but also for the expected progress of our companies.

Syncona is focused on the long-term and our companies are well positioned to navigate the current uncertain economic environment. They are well funded and stewarded by globally leading management teams. Our long-term approach combined with our strong capital pool and expert team gives us confidence as we seek to achieve sustainable NAV growth and strong risk-adjusted returns for our shareholders over the longer term.

On behalf of the Board, I would like to close by expressing my gratitude to the Syncona team for all their efforts in 2019/20, the hard work and flexibility that they have shown during the COVID-19 crisis and their work to support our portfolio companies to successfully navigate the challenges of the current uncertain environment. I would also like to thank our shareholders, and other stakeholders, for their continued support.

Melanie Gee

Melanie Gee
Chair, Syncona Ltd
11 June 2020

About us

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Syncona is a leading FTSE250 healthcare company focused on founding, building and funding companies around exceptional science to create a dynamic portfolio of globally leading healthcare businesses.

Our vision is to deliver transformational treatments to patients in truly innovative areas of healthcare.

We take a long-term view on creating value, underpinned by a strategic capital pool which provides us with control and flexibility over the management of our portfolio and how we create and capture value.

A world class team

We are differentiated by our people, who identify innovative technology and take a commercial approach to building businesses capable of delivering transformational treatments to patients.

We have a multi-disciplined team with deep scientific, commercial and investment expertise and an ability to navigate the life cycle of a company with extensive experience working with global key opinion leaders and appointing leading management teams.

- Scientific
- Commercial
- Investment
- Company creation

14 *Members of life science investment team*

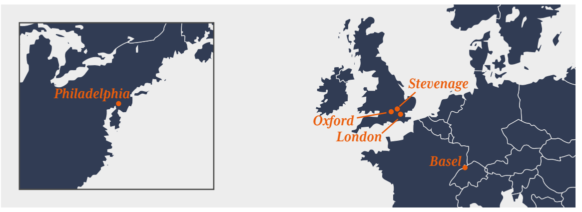
220+ *Years of life science and investing experience*

86% *Investment team with PhDs or Medic background*

800+ *Highly skilled portfolio company employees*

14 *Portfolio company board seats*

Our portfolio footprint



Building a dynamic portfolio

Building a sustainable, diverse portfolio of global leaders in life science to deliver strong risk-adjusted returns for shareholders.

CURRENT PORTFOLIO

Autolus, Achilles, SwanBio, OMass, Freeline, Quell, Gyroscope, Anaveon, Azeria

13 Portfolio companies founded; 9 in current portfolio[1]

2 Companies sold since foundation, aggregate 6.6x multiple[2] on capital invested

1 Company closed efficiently following mixed clinical data

£767m Strategic capital pool

£592m Invested in life science portfolio since foundation in 2012

£206m Capital deployed into portfolio in 2020

1 Product delivered to patients to date

50k+ Patients benefited from the first Syncona marketed product (Blue Earth's Axumin)

9 Potential products in clinical trials

ROLLING 10 YEAR TARGETS

15-20 sustainable portfolio of leading life science companies

3-5 companies to approval; accessing the steepest part of the life science value creation curve

2-3 new companies created each year

1 Includes sales of Blue Earth and Nightstar, closure of 14MG and merger of Orbit and Gyroscope
2 Sales of Nightstar and Blue Earth, original Syncona Partners capital invested

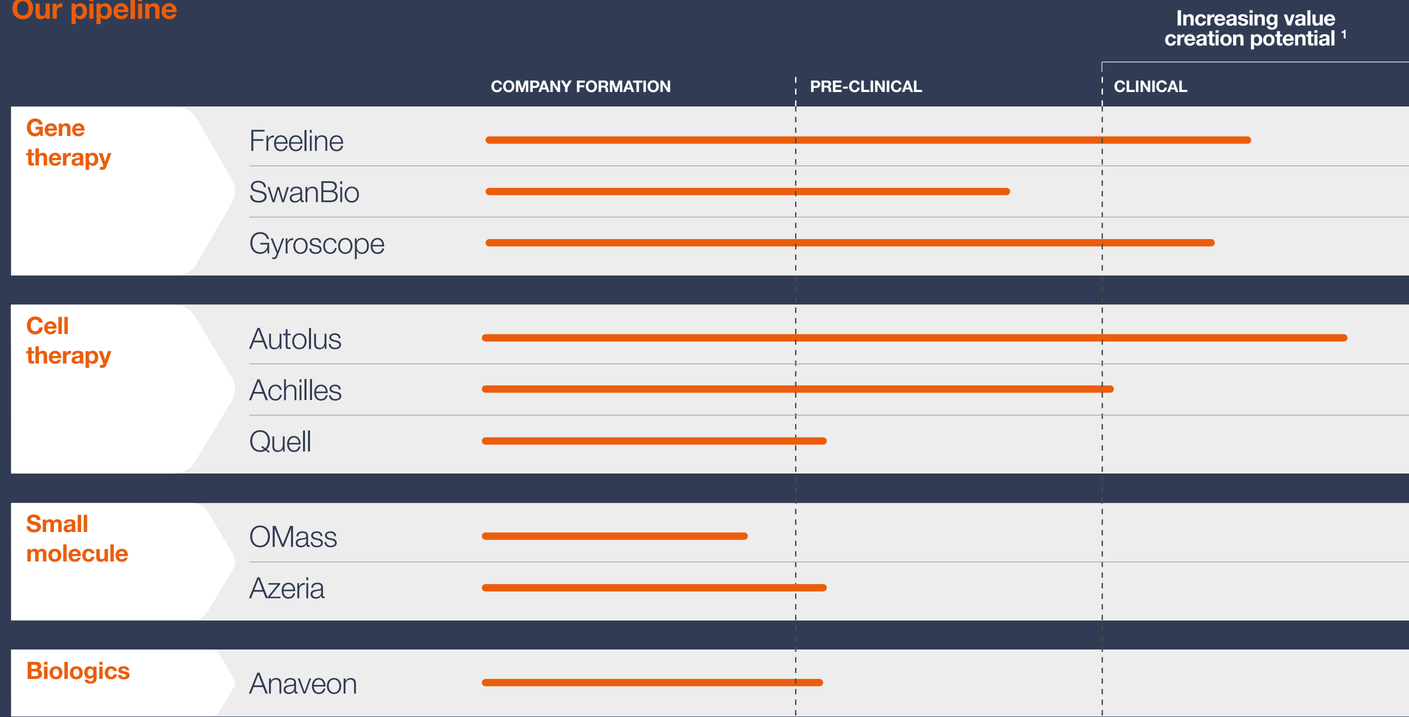
Our domain areas

£479.5m *value of life science portfolio*[1]

Gene therapy	Cell therapy	Small molecule	Biologics
Gene therapy is the introduction of genetic material into cells to replace missing or defective genes. If a gene doesn't function properly, the introduction of a normal copy may be able to treat or prevent disease.	Cell therapy is the introduction of selected, sometimes engineered, cells into a patient to treat disease. For example, in immunotherapy, T cells capable of fighting cancer cells may be injected in order to treat the disease.	A small molecule is a chemically manufactured compound. Small molecule drugs help regulate a biological target such as an enzyme, channel or receptor to modify a disease process.	Biologics are complex, large molecule drugs based on proteins which have a therapeutic effect.
Value £242.2m, *NAV* 19.5%	*Value* £157.7m, *NAV* 12.7%	*Value* £21.1m, *NAV* 1.7%	*Value* £12.3m, *NAV* 1.0%
Freeline, SwanBio, Gyroscope	Autolus, Achilles, Quell	OMass, Azeria	Anaveon

1 Including Syncona investments of £46.2m

Our pipeline



1 Illustrative and assumes successful clinical development and approval, Syncona team view.
Syncona's assets are at various stages of clinical development and in the process of generating clinical data

Our differentiated model

We are focused on maximising value at all points of the investment cycle to deliver transformational treatments to patients, capture superior risk-adjusted returns for shareholders and build long term value for all stakeholders.

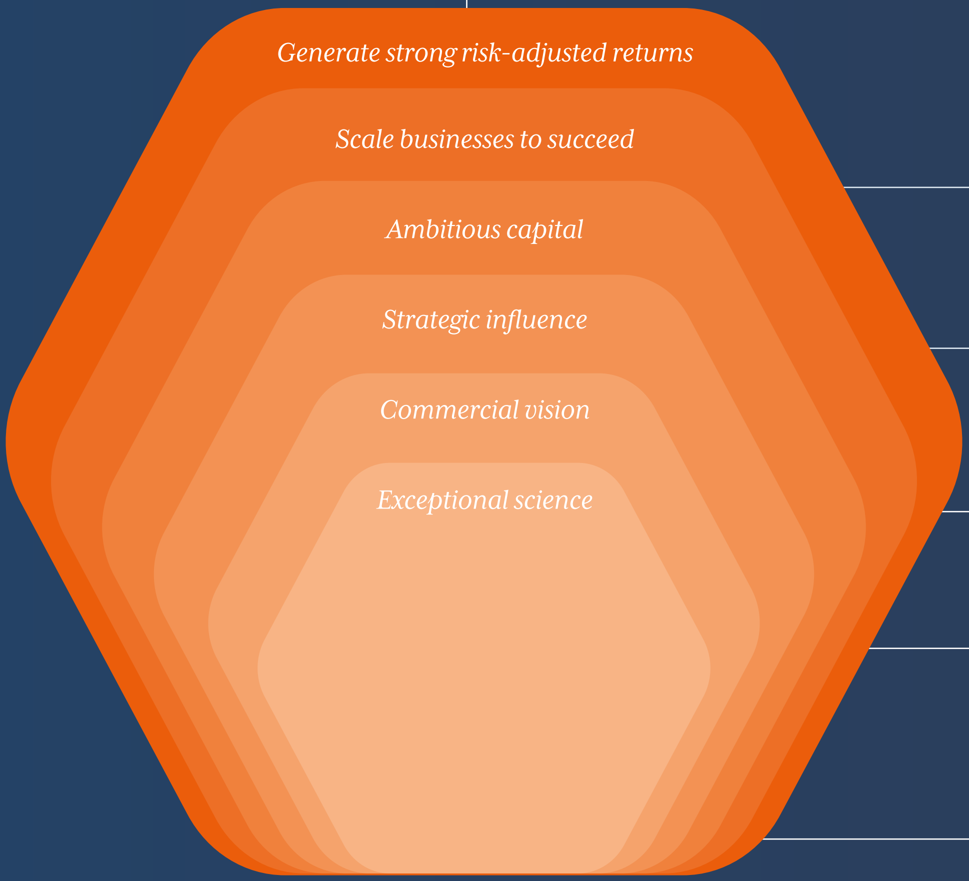
Inputs

Strategic capital pool to support life science investments

Premium network and strong relationships across the industry

Expert, multi-disciplinary team with deep scientific, commercial and investment expertise

Proceeds from divestments recycled to fund new opportunities and existing portfolio



Capturing the out-return in life science
Risk/reward carefully managed to optimise returns, opportunity to build and capture value through the development cycle, including realising companies and reinvesting capital into the portfolio

Maintaining significant ownership
Owning strategic positions with a view to being a significant investor at the point of product approval

Capital is a strategic asset
We can capitalise our businesses ambitiously, attract the best talent and manage our portfolio from a position of strength

Our model gives us strategic influence
We work alongside companies to drive decisions on business and clinical strategy

We bring the commercial vision
Writing the business plan and providing operational input and oversight, with a view to appoint the best talent as the company grows

We found, build and fund companies around exceptional science in areas of high unmet medical need
Where there is the potential to take a product to market

Rolling 10 year targets

Creating long-term value; capturing the out-return from commercialising life science

15-20
sustainable portfolio of leading life science companies

3-5
companies to approval; accessing the steepest part of the life science value creation curve

2-3
new companies created each year

Building global leaders in life science

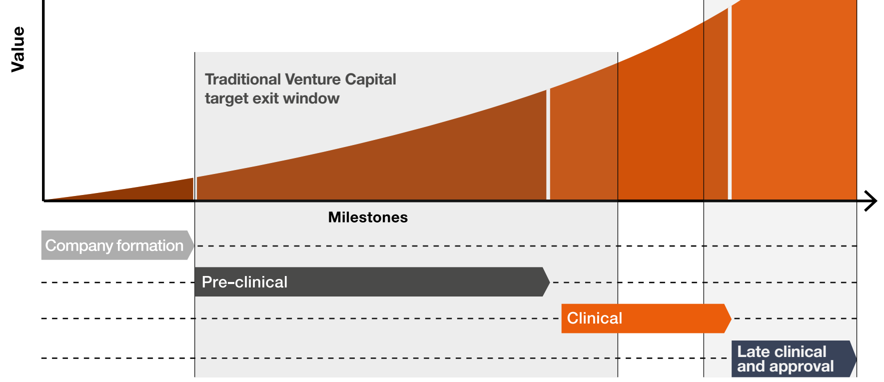
To build our dynamic portfolio of globally leading healthcare businesses, we found, build and fund companies around exceptional science. In doing so we seek to capture the out-return that comes from commercialising life science.

A Long-term approach

We take a long-term approach and focus on maximising value through the cycle. Our fundamental view is that value creation in life science comes by taking products into late development, product approval and in some cases beyond. We focus on building companies which can achieve this, ideally with multiple products

Our capital pool ensures we have control over and flexibility to manage our portfolio as we seek to maximise returns over the long term.

The out-return in life science is weighted towards late development and product approval. Syncona targets the steepest part of the valuation curve.

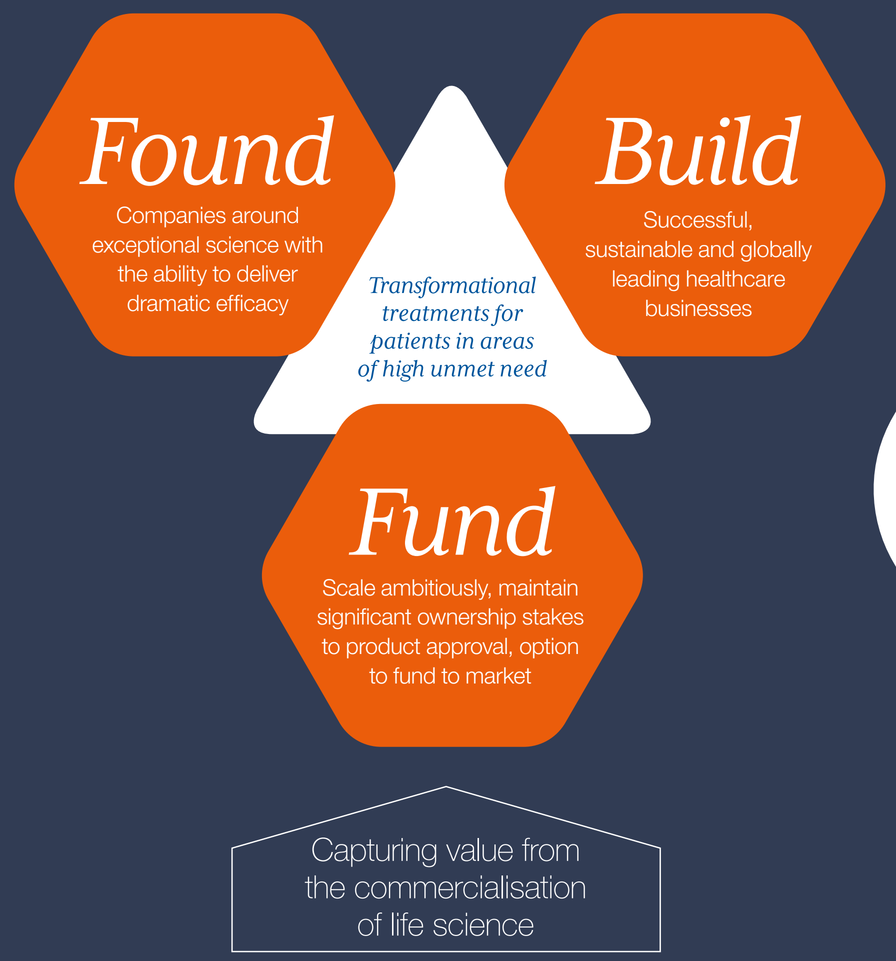


Graph is illustrative and assumes successful clinical development and approval, Syncona team view

Managing risk/reward

We carefully manage risk and reward through the development cycle to optimise risk adjusted returns. We seek to maintain significant ownership stakes but may bring in like-minded third-party investors as the company grows. We may also sell our companies when we judge that is the right risk-adjusted decision for Syncona. When companies don't succeed we take action quickly to minimise the impact.

Building a diversified portfolio of 15-20 companies also enables us to manage risk through the cycle at a portfolio level.



At the heart of our strategy to drive value creation

Found

We are focused and selective

We found leading healthcare businesses by identifying exceptional science which can deliver dramatic efficacy for patients and around which we can build a company with a long-term opportunity to take products to market.

We take a high conviction, selective approach to building our portfolio. We take strategic ownership positions with the intent of being able to be a significant shareholder at the point of product approval.

Enabling us to…

invest in only the best opportunities

Activities in 2020

- Added new portfolio company, Azeria Therapeutics, leading the Series B financing of £29.5 million with an initial investment of £6.5m
- Due diligence completed over 9-12 month period on a new cell therapy portfolio company
- In depth due diligence completed on 23 opportunities during the year.
- Active canvassing of new and existing modalities for emerging technologies, drawing on extensive networks and taking a systematic approach to proactively sourcing new opportunities

Build

We build globally leading healthcare businesses

We partner with our companies to build globally competitive businesses, setting them up to be successful and sustainable over the long term.

From foundation and through the development life cycle of the company we take a hands-on, partnership approach, often taking operational roles in our companies. We bring the commercial vision, setting strategy, writing the business plans and hiring exceptional teams to lead our companies.

Enabling us to…

deliver transformational treatments for patients and create value

Activities in 2020

- Appointed 10 globally leading members of management across our portfolio companies
- Worked with our clinical-stage companies to oversee the implementation and execution of their programmes, particularly during the COVID-19 pandemic
- Assisted with development and scale up of manufacturing and delivery plans across the portfolio
- Assistance to operationalising pre-clinical companies, building out product pipelines and developing strategy and assisting to plan and manage for COVID-19 pandemic

Fund

We allocate capital with discipline

Our strategic capital pool is central to our model. It gives us the flexibility to fund our companies over the long-term through to product approval, maximising their ambition, and ensures we are never a forced seller.

Our expert, multi-disciplinary team has a proven track record of allocating capital. We take a disciplined approach, carefully analysing the opportunity, capital requirements and risk. Our funding is typically tranched and tied to the delivery of key milestones in each company.

Enabling us to…

be flexible, take a long-term view and capitalise on opportunities to capture value for shareholders

Activities in 2020

- Capital deployment of £206.4 million into new and follow-on investments, particularly scale-up capital for clinical stage companies, such as:
  - Investment of $39.0 (£29.7) million in two follow-on financings in Autolus
  - Committed £48.0 million to Gyroscope Therapeutics' Series B financing
  - Largest investor in Achilles' oversubscribed £100.0 million Series B; £35.1 million commitment
  - Committed $80.0 million to Freeline in a Series C financing
- Completed transition of the capital pool. At the year end 90 per cent was held in cash and short-term UK treasury bills, ensuring capital is available to support the life science portfolio

A year of strategic progress

Read more:
KPIs – NAV growth and clinical progress
Page 42

"The strength of our capital pool provides us with a significant strategic advantage meaning we are able to continue to back our companies over many years."

Martin Murphy
Chief Executive Officer, Syncona Investment Management Ltd

£592.6m
Proceeds from sales of Blue Earth and Nightstar, an aggregate multiple of 6.6x capital invested

9
Clinical trials at year end

2020 was a year with significant achievements across the business, further validating our model. We materially strengthened our capital pool through the sales of Blue Earth and Nightstar, which generated an aggregate cash return of 6.6x[1] capital invested, we made strong progress across the portfolio and invested in a new Syncona company, Azeria.

A year of significant progress across the portfolio

Our companies continued to deliver positive clinical, financial and operational milestones this year. We completed six significant financings and deployed £206.4 million[2] of capital, to strengthen leading management teams, build out industrial capabilities and scale these companies through the clinic. We saw encouraging clinical data from Autolus in its AUTO1 and AUTO3 programmes and Freeline in its haemophilia B programme. Achilles made great strides in preparing for entry to the clinic with its globally leading cNeT cell therapy, achieving the major milestone of dosing their first patient in melanoma post year end.

At year end, we have nine active product candidates in clinical trials across the portfolio and our companies are continuing to build out their platform capabilities to deliver more pipeline products.

In line with our strategy to build companies targeting treatments for patients in areas of high unmet need, we also committed £29.5 million in a £32.0 million Series B financing to a new Syncona company, Azeria, which is focused on developing small molecule therapies designed to treat hormone resistant breast cancer. We invested £6.5 million in the first tranche, linking the deployment of further capital to the generation of positive data supporting the core technical premise behind our investment. This is a good example of our rigorous risk management process, which seeks to minimise capital at risk while our companies are generating the data needed to progressively advance their products.

We also completed the sale of two of our portfolio companies, Nightstar and Blue Earth, at the start of the year. Together, these sales generated £592.6 million of proceeds significantly strengthening our capital pool and providing us with increased flexibility to continue to fund and grow our portfolio. These divestments stand testament to the quality of companies built by Syncona.

Despite this strong progress, the life science portfolio generated a negative return of 25.0 per cent[3] and was valued at £479.5 million at the year end (2019: £1,055.4 million; 77.9 per cent return). Performance was predominantly driven by a decline in Autolus' share price which resulted in a valuation decline of our investment in the company of £280.9 million to £77.0 million. This decline outweighed the write-up of Achilles and the uplift to the value of Blue Earth when it was sold to Bracco Imaging.

Our strategy is to back our companies as they develop products to regulatory approval and the market. We believe the Autolus share price decline was driven by concerns relating to manufacturing delays and the company's decision to discontinue both its AUTO2 programme in multiple myeloma and its AUTO3 programme in paediatric ALL.

Whilst the decline in Autolus' share price over the year was disappointing, we are focused on long-term value creation and continue to believe this business has strong fundamentals. During the year, the company has decided to progress its lead programme, AUTO1 for the treatment of adult ALL, into a potentially pivotal registration study and post period end received IND[4] and CTA[5] approval for this study. Moreover, at the recent American Society of Clinical Oncology (ASCO) meeting, Autolus released positive data from their AUTO3 programme for the treatment of DLBCL showing impressive efficacy, safety and durability. Although the patient numbers were relatively small, we are encouraged by this data. AUTO3 is being progressed into an outpatient cohort of patients and the decision to progress to a formal Phase II (pivotal) study will be taken in Q3 CY2020. We believe that these clinical developments are consistent with our strategy of building companies that seek to take their products through regulatory approval and on to market. Autolus' share price has appreciated 131 per cent post year end[6] (Syncona valuation increase of £95.5 million[7]).

Post period end, we also saw significant achievements across our pre-clinical companies. We invested $19.6 million (£15.8 million) in the first tranche of our new $51.0 million commitment to SwanBio. This was our largest Series A financing to date, reflecting the work undertaken to develop manufacturing capabilities, formulate clinical and pipeline strategy and expand operations. Both Quell, our engineered T-regulatory cell company, which is targeting a lead indication in liver transplant and, Anaveon, which is developing a selective IL-2 agonist for oncology applications, nominated their clinical candidates. This is an important step for both companies, who now have strong momentum as they drive towards the initiation of clinical trials in FY2022.

Strong balance sheet central to deliver strategy and value for shareholders

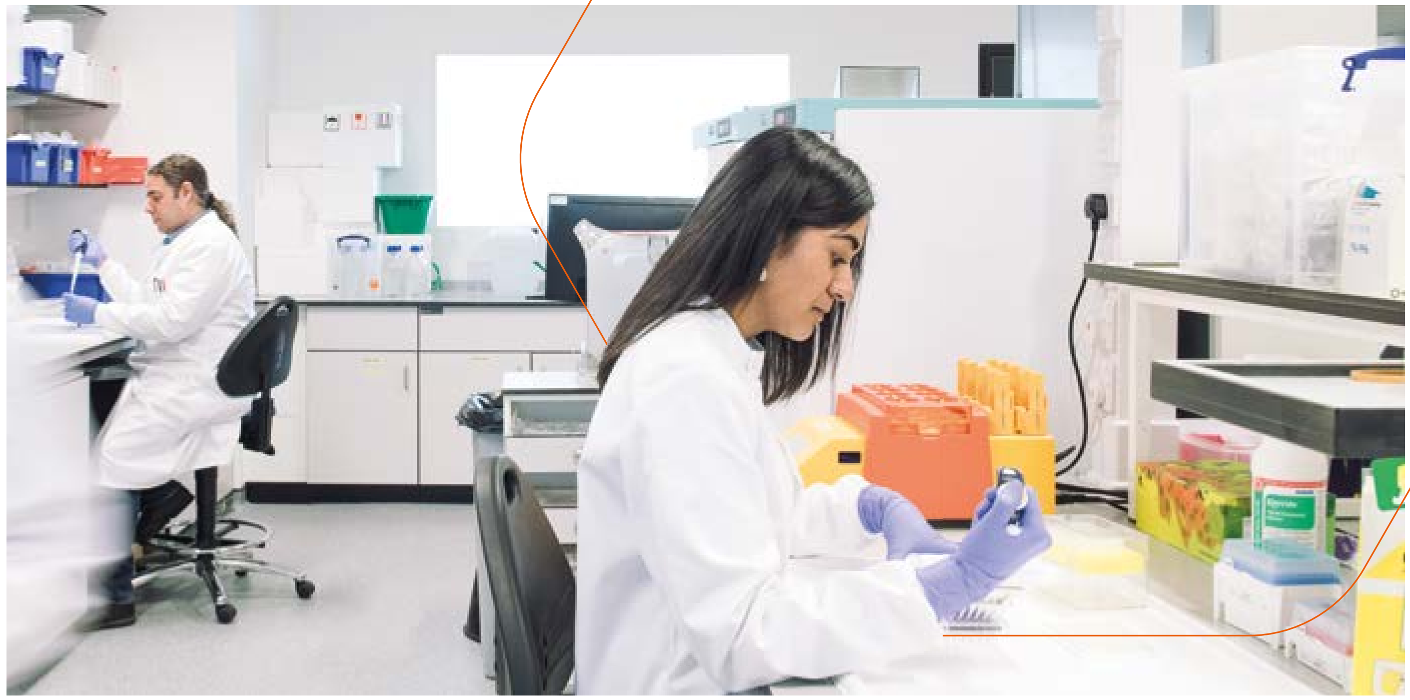
Our capital pool stands at £767.0 million at year end. As we have stated clearly before, maintaining a strong balance sheet is absolutely central to the delivery of our strategy. Never has this been more true than in the current environment and it enables us to continue making long-term commitments to our companies, for example in areas such as manufacturing and delivery, and to attract world class academic founders and management teams.

The significant level of funding we provided to our companies during the year, demonstrates our ability to continue scaling our companies ambitiously whilst maintaining significant ownership positions of strategic influence. We believe our involvement over the long-term provides our companies with the best possible chance of success.

COVID-19 pandemic

The COVID-19 pandemic has had a significant impact on all levels of society and continues to represent an unparalleled challenge to public healthcare systems globally, with resources rightly focused on managing COVID-19 patients. As a result, elective procedures and clinical trials have been de-prioritised whilst the pandemic is managed. We have been fully supportive of these decisions. The Syncona team has leveraged its core expertise to provide support when called upon to both the Wellcome Trust and Government during these exceptional times.

1 Syncona Partners original cost
2 Alternative performance measure, please refer to glossary
3 Alternative performance measure, please refer to glossary
4 Investigational New Drug
5 Clinical Trials Application
6 As of 09 June 2020
7 Including FX impact



3

New team members added to the Syncona partner team

10

Senior leaders appointed to portfolio companies during the year

Whilst the duration and impact of the disruption caused by COVID-19 remains uncertain at this time, the need for medicines in other diseases continues undiminished. Syncona's vision to develop treatments for patients in areas of high unmet medical need will continue to remain of profound importance for patient outcomes and our mission is, therefore, unchanged and as important as ever.

Once the COVID-19 situation has stabilised, specifically the work environment once global economies have exited the acute lockdown phase of containment, clinical development activity across the industry will continue and our companies will progress their clinical trials. To date, we have seen a more limited impact on clinical trials in the oncology setting, where the acute need for treatments for patients in these disease settings is more severe, whilst in indications where there is an existing treatment or a lower mortality risk, we have seen trials halted and expect them to be more gradually re-established. We have largely been able to progress pre-clinical work and the development of manufacturing capabilities and supply and expect this work to continue.

We have been working in close partnership with our companies' management teams to ensure we take a disciplined approach to advancing value, whilst ensuring that they have in place scenario plans for their spending which take into account the potential ongoing impact of the COVID-19 pandemic. In line with this approach, we expect to deploy between £150 million and £250 million for the 2020/21 financial year based on whether our portfolio companies can access third-party capital (when appropriate) in this economic environment and the opportunities we see in our investment pipeline.

Strongly positioned to deliver and create value in our portfolio

As we look ahead, our portfolio companies are well positioned to be resilient. They are well funded and stewarded by globally leading management teams, driving forward product-focused strategies. Our second generation of companies, Freeline, Gyroscope and Achilles, continue to make significant clinical progress with key clinical and financial milestones ahead, whilst Autolus continues to progress its pipeline with the imminent initiation of its first registration study (AUTO1 in adult ALL). These are key inflection points for our companies. Not all of our companies will succeed, but we believe they are well placed to take these next steps and we are working hard to continue to drive forward their ambitions where it is both prudent and credible to do so.

Continued proactive approach to sourcing opportunities and exciting cell therapy opportunity ahead

Despite the disruptions caused by the COVID-19 pandemic, we are still investing in new opportunities. The team has continued to leverage its entrepreneurial culture to generate opportunities, where we can found companies in line with the Syncona strategy and have undertaken rigorous and extensive diligence on a select number of promising opportunities in areas of deep domain expertise.

In 2018, as a result of our ongoing dialogue with the Wellcome Trust, Syncona entered in a collaboration agreement with the University of Edinburgh ('Syncona Collaborations') based on highly innovative research into therapeutic uses of macrophages, a type of immune cell, by world class founder, Professor Stuart Forbes. Since 2018, Syncona has funded this research with a small seed investment of £1.4 million. Over the last 12 months, we have undertaken a detailed assessment of the technology, pre-clinical data generated, the risks and commercial opportunity. Based on this analysis, we now believe there is a differentiated opportunity to found a company targeting the treatment of liver disease and expect to close our investment in the coming weeks.

Building and deepening our expert team

Since the start of the COVID-19 outbreak, our first priority has been the health and safety of our staff and we moved quickly to implement remote working across the business. Our team and culture are vital to our success and we have worked hard to ensure that we have maintained close working practices, whilst working remotely. The team has adapted well to these new conditions.

We are very pleased to have strengthened the team this year, bringing in Lorenz Mayr as Entrepreneur in Residence and Danny Bar-Zohar and Gonzalo Garcia as Syncona Partners. Lorenz, formerly Chief Technology Officer of GE Healthcare, has 25 years of experience in the biotech and pharmaceutical industry, spanning drug discovery and technology development, whilst Danny has 15 years of experience in the pharmaceutical and biotechnology sector, after practising medicine for over a decade. He joins from Novartis where, most recently, he was Global Head of Clinical Development and Analytics. Gonzalo joined Syncona from Boston Consulting Group, where he supported clients across the biopharmaceutical value chain. He has a PhD in Biophysics from the University of Cambridge and received an EMBO Short Term Fellowship in Cell Biology at Harvard Medical School. These appointments deepen our networks and bring crucial operational and clinical expertise as we look to scale our growing portfolio and found new companies.

As part of our hands-on partnership approach to building our companies, we lead the recruitment of world-class management teams and over the course of this year we have seen some globally significant appointments. These have included Theresa Heggie (former Head of CEMEA at Alnylam) as Chief Executive Officer of Freeline, and Iain McGill as Chief Executive Officer of Quell (former Head of Europe and ROW at Jazz Pharmaceuticals).

A sustainable model to deliver significant long-term value

We are on track to build a sustainable portfolio of 15-20 companies with nine companies as we stand today. We continue to look to found new companies at a rate of two to three a year and are driving towards our goal of delivering three to five companies, in which we retain a significant ownership position, to the point of product approval on a rolling 10-year basis. We believe this will enable us to capture the significant value creation available from commercialising life science.

The COVID-19 pandemic has brought the life science industry to the forefront of global events and we have seen the importance of continuous and rapid innovation in this sector. We believe we will have an important role in continuing to advance and commercialise innovation across the industry for years to come. I would like to thank our shareholders and other stakeholders for their continued support as we seek to deliver sustainable, world-class life science companies, transformational treatments for patients and ultimately generate strong risk adjusted returns over the long-term.

Martin Murphy

CEO Syncona Investment Management Limited

11 June 2020

Our stakeholders

Seeking to execute our strategy for the benefit of all our stakeholders

Our strategy is designed to achieve our vision of delivering transformational treatments for patients. We believe that if we are able to achieve this it will build long-term value for our stakeholders:

Patients

We target the delivery of new treatments for patients in areas of high unmet need. We focus on innovative science which has the potential to radically change patient outcomes.

Shareholders

We believe that the out-return in life science is weighted towards late development and product approval. We set our companies up with the ambition of taking products to market – targeting the steepest part of the value curve with the aim of generating strong risk-adjusted returns for shareholders over rolling 10-year periods.

Team

Our people are critical to our success. We seek to foster a supportive and inclusive culture, actively encouraging and assisting our team to excel in their capabilities. As a team, we share a passion for delivering transformational treatments for patients; a unifying force contributing to a strong culture.

Portfolio companies

We take a partnership approach to building global leaders in life science. We have a long-term view and seek to support our companies through the development cycle as they grow and build scale.

Charities

We provide a significant annual donation to the charities we support, The Institute of Cancer Research and The Syncona Foundation, whose ambitions are aligned to our vision of delivering transformational treatments to patients. Since 2012, we have donated £31.7 million to charities.

Read more: Stakeholders and society
Page 52

Investment proposition

Accessing the out-return in life science

We seek to capture value from commercialising life science over the long term

Access to the best life science technology in UK/Europe with transformational potential

Proactive approach to generating the best opportunities

Attracting globally recognised scientific key opinion leaders

Technology with transformational potential for patients in areas of high unmet need is fundamental to investment

Expert multi-disciplined team

Highly technical skill-set with deep scientific and commercial expertise

A hands-on operational approach, working closely with portfolio company management teams

A proven ability to attract global leaders to grow and develop portfolio companies

Strong track record delivering significant value in life science, generating a 39% IRR on the portfolio since 2012

Global leader in cell and gene therapy

Access to high quality private companies at the forefront of the current wave of innovation

Investing in industrial capability early – manufacturing a key strategic differentiator

Extensive domain expertise with growing competitive advantage in the space given early mover status

Differentiated strategy to building sustainable and valuable companies

Platform companies founded and built with the ambition and long-term vision to take multiple products to market

Significant ownership stakes provide a strategic premium

Syncona team skills are brought to bear across all aspects of the company

Strong, strategic balance sheet

Capitalising life science companies with long-term, sustainable funding

Maintaining significant ownership positions to capture greater value creation through the development cycle

Enabling influence and flexibility to maximise value for shareholders

Protects against 'forced seller' risk; able to fund companies from a position of strength

Dynamic portfolio to generate value over the cycle

Aim to add 2-3 companies to the portfolio per annum, each with a significant opportunity to generate value as they progress through their development cycles

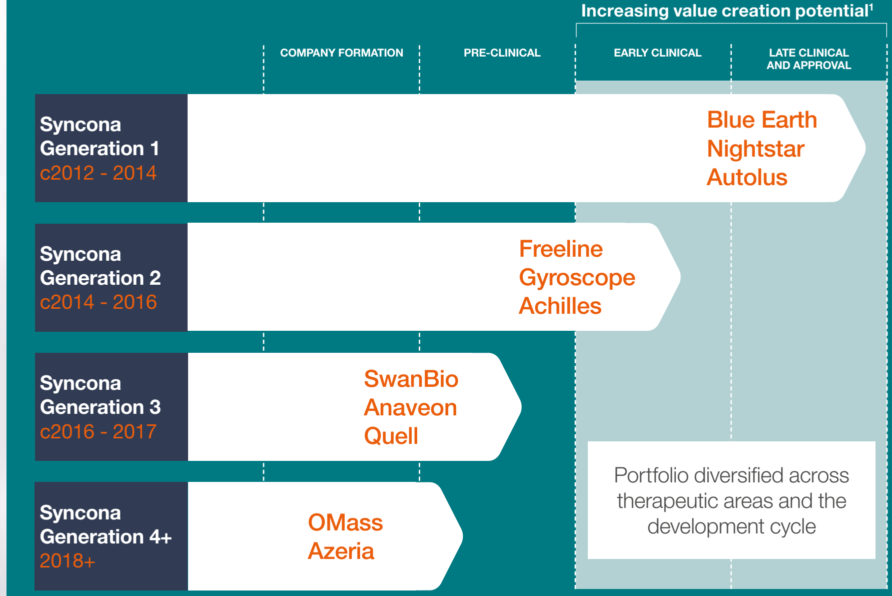
Long-term target of 15-20 companies diversified across a range of therapeutic areas, tissue compartments and development stages

Second generation portfolio companies at a pivotal point for value creation

Syncona has nine portfolio companies today, built on the same found, build, fund model. Two of our previous portfolio companies, Blue Earth and Nightstar, were sold for £592.6 million in proceeds.

Our second generation companies are at a pivotal point, poised to generate extensive clinical data with significant value creation potential, while generations 3 and 4 follow on the same model.

Read more: Portfolio review
Page 28



1 Illustrative and assumes successful clinical development and approval, Syncona team view.
Syncona's assets are at various stages of clinical development and in the process of generating clinical data

The global healthcare market is continuing to grow

“

Ageing and growing populations, greater prevalence of chronic diseases, exponential advances in innovative, but costly, digital technologies—these and other developments continue to increase health care demand and expenditures.

Deloitte – Global health care outlook

22%

Global population over 60 by 2050, up from 12% in 2015

Global healthcare spending forecast to continue to increase

5%

compound annual growth rate 2019-2023

10.2%

forecast global healthcare spend as a share of GDP to 2023

1 billion

expected increase in the world's population by 2025

300 million

of that increase is predicted to come from those aged 65 or more

Deloitte Insights, 2020 global health care outlook, Laying a Foundation for the Future

Despite advances in technologies, there remain many incurable or intractable diseases

In Focus: Cancer in the UK in 2020

Cancer survival is improving and has doubled in the last 40 years in the UK, but still we face many challenges and unknowns. One of Syncona's key areas of focus is to contribute towards effective new treatments for this set of diseases.

Diagnosis	Cases	Deaths	Survival
2	367,167	164,901	50%
Every two minutes someone in the UK is diagnosed with cancer	New cases of cancer, 2015-2017, UK	Deaths from cancer, 2015-2017, UK	Survive cancer for 10 or more years, 2010-11, England and Wales

Source: Cancer Research UK

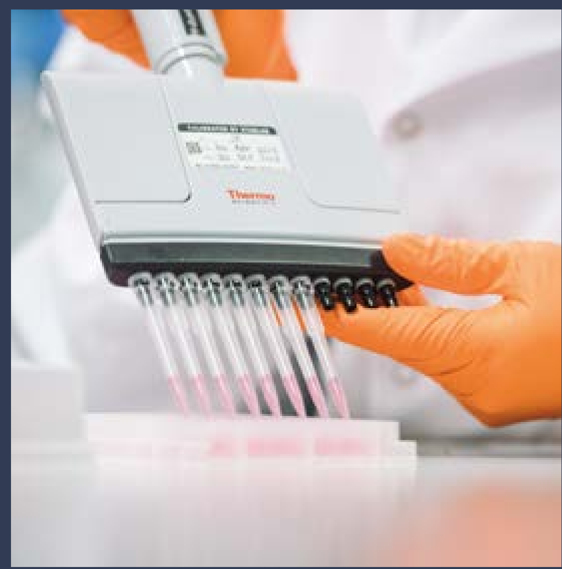
The promise of precision medicine

Enables faster development for patients, smaller, more capital efficient clinical trials and targeted commercial roll-out

Traditional drug development can lead to ineffective drug development; it assumes all patients respond similarly

Precision medicine can enable more effective therapies; genetics revolution has enabled greater insight into choosing potentially lower risk targets and selecting patients that will respond

Many chronic diseases impacting millions of patients have genetic sub-drivers, permitting targeted drug development



30-60%

A traditional drug may only be 30-60% effective[1]

3x

Medicines targeted at defined patient groups 3x more likely to succeed than conventional drugs[2]

+50%

Trials initiated in 2018 using some form of genetic based selection[3]

1 https://www.england.nhs.uk/healthcare-science/personalisedmedicine/
2 Informa Pharma Intelligence's Biomedtracker and Amplion Inc.'s BiomarkerBase.
3 According to Informa's Trialtrove

The Third Wave in healthcare

The arrival of the Third Wave of healthcare

The 'Third Wave' of healthcare has seen the arrival of advanced therapies harnessing the power of genetics and the patient themselves to treat disease. With its potential to address areas of high unmet medical need and transform outcomes for patients, our belief is that we are still in the early stages of the Third Wave and it has the potential to power healthcare innovation for decades to come.

"First Wave"

1950's

Small molecule drugs, market dominated by large pharmaceutical companies.

01

"Second Wave"

1990's

Large molecule (antibody therapies and enzyme replacement therapies).

02

The "Third Wave"

Today

Advanced biologics and genetic medicines such as gene therapy and cell therapy and DNA/RNA medicines.

03

10k

Monogenic diseases, fewer than 50 with treatments

9

Third Wave therapies approved in the US

6/9

Of Syncona's portfolio companies in Third Wave

10

'Third Wave' programmes taken into clinic by Syncona founded companies

> "We understand and appreciate the tremendous impact that gene therapies can have on patients by potentially reversing the debilitating trajectory of diseases. These therapies, once only conceptual, are rapidly becoming a therapeutic reality for an increasing number of patients with a wide range of diseases, including rare genetic disorders and autoimmune diseases."

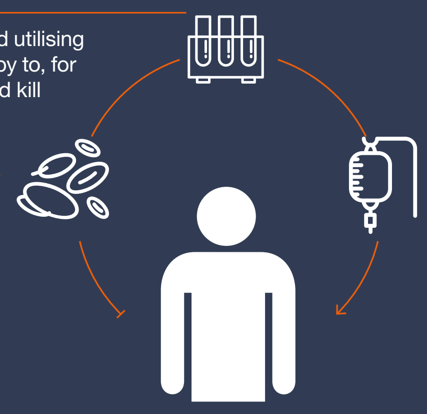
US FDA Commissioner Stephen M. Hahn M.D

Great promise for intractable disease

Gene therapy
The introduction of genetic material into cells to replace missing or defective genes. Introducing a normal copy of a gene may be able to treat or prevent disease on a permanent basis.

Cell therapy
The introduction of selected cells into a patient to treat disease. For example, in immunotherapy, pictured below, T cells capable of fighting cancer cells may be injected in order to treat the disease.

Cell therapy – a personalised approach to treating cancer



Cells re-engineered utilising ex vivo gene therapy to, for example, target and kill cancer cells

T cells extracted from a patient's blood

Genetically altered T cells infused back into patient through an IV

Syncona has established a global leadership position in the Third Wave

Autolus
T-cell therapy targeting a pipeline of cancers, initially focused on blood cancer

SwanBio Therapeutics
Gene therapy targeting diseases of the central nervous system

Achilles Therapeutics
T-cell therapy targeting solid tumours, initially focused on melanoma and lung cancer

FREELINE
Gene therapy focused on systemic disease

Quell TX
T-reg Cell therapy, focused on autoimmune and inflammatory disease

Gyroscope Therapeutics
Gene therapy targeting the retina

Building platforms

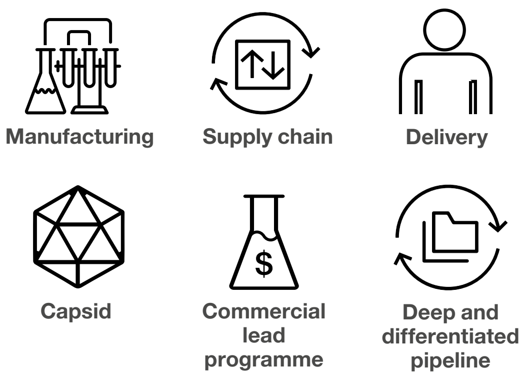
Barriers to entry are high

Engineered cells or viruses are highly technical
They require complex manufacturing, delivery and supply chains, with no existing global capacity at commercial scale.

Highly modular, scalable opportunity
While First and Second Wave products generally required individual product platforms, Third Wave pipelines can be delivered by a single commercial scale platform once established.

Syncona is a leader in building Third Wave platform companies

Having built deep expertise in the Third Wave, we ensure our companies are set up to succeed, investing in building commercially scalable platforms from day one. Our companies focus on:



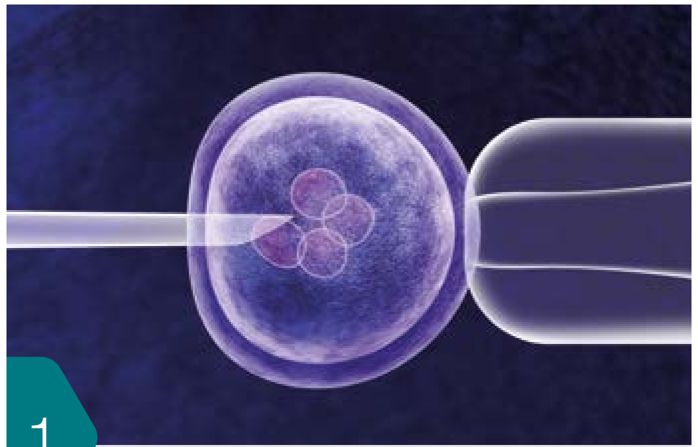
Platform companies in the Third Wave are commercially valuable

AveXis	**$8.7bn**	Acquisition price, an 88% premium
Spark Therapeutics	**$4.3bn**	Acquisition price, a 122% premium
Audentes	**$3.0bn**	Acquisition price, a 110% premium

Recent M&A premiums paid for relatively early stage Third Wave gene therapy companies demonstrate the demand for integrated platforms with commercial scale and compelling pipelines.

The potential to transform lives

The Third Wave offers a new paradigm for the treatment and cure of intractable disease. Examples of potentially life changing treatments under development or recently approved include:



1 B-cell acute lymphoblastic leukemia

Disease symptoms

B-cell acute lymphobastic leukemia (ALL) is a type of blood cancer which occurs when B cells (a white blood cell in the immune system) become cancerous and grow out of control. Untreated, the disease is terminal.

Previous standard of care

Approximately 20 per cent of patients with B-cell ALL don't have success with initial treatments. At this point, the standard of care was chemotherapy, radiation or stem cell transplant, with varying levels of success.

Third Wave impact

In 2017, KYMRIAH, a CAR-T immunotherapy treatment, was approved for patients up to age 25 with relapsed or refractory B-cell ALL whose previous treatments had not kept their cancer in remission. A cutting edge treatment, it uses the power of the immune system, engineering patients' own cells and reinjecting them into the body, to treat the cancer. In clinical trials, more than 8/10 patients went into remission, and of those in remission nearly 100% had no detectable signs of cancer at three months. At month 24, they still had a 62% chance of being in remission.

https://www.hcp.novartis.com/globalassets/eg-plus-assets59/kymriah/hcp/ped-all/kym-1222084-aya-digital-core-patient-brochure.pdf

2 Spinal Muscular Atrophy

Disease symptoms

Spinal Muscular Atrophy (SMA) is a progressive, rare genetic disease, caused by a missing or faulty gene (SMN1) which means that the body can't make enough survival motor neuron (SMN) protein. Motor neuron cells are responsible for telling our muscles to work properly. In the most severe cases, SMA leaves babies with a life expectancy of rarely more than two years.

Previous standard of care

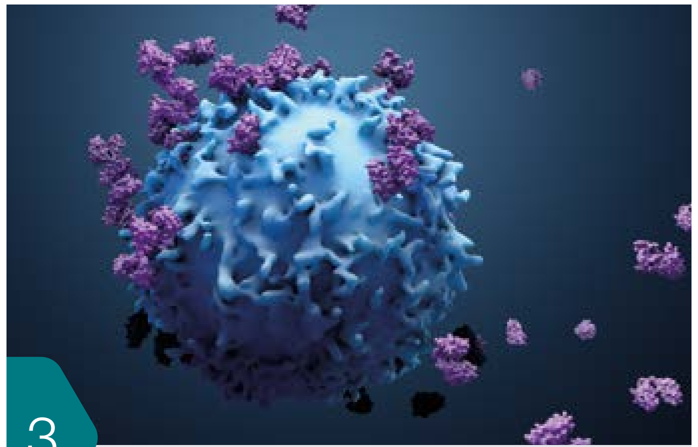
Treatments were historically focused on managing symptoms. In 2016 a new drug, Sprinraza, was approved and improved the production of SMN protein for many SMA patients.

Third Wave impact

In 2019, Zolgensma®, a gene therapy, was approved to treat paediatric SMA patients as a one off treatment designed to target the genetic root cause of SMA by replacing the function of the missing SMN1 gene. In the STR1VE clinical study of children with SMA Type 1, about 91% (20/22) of patients were alive and did not need permanent breathing support as of March 2019. In the natural history of SMA, patients with SMA Type 1 are not able to sit without help and about 25% are alive without permanent breathing support at 14 months of age.

The new gene tells motor neuron cells to produce more SMN protein. Motor neuron cells need SMN protein to survive and support muscle functions.

www.zolgensma.com; www.nhs.uk/conditions/spinal-muscular-atrophy-sma/treatment/



3 Haemophilia A

Disease symptoms

Haemophilia A is a genetic disorder caused by missing or defective factor VIII, a clotting protein. People with haemophilia A often bleed longer than other people, and bleeds can occur internally or externally.

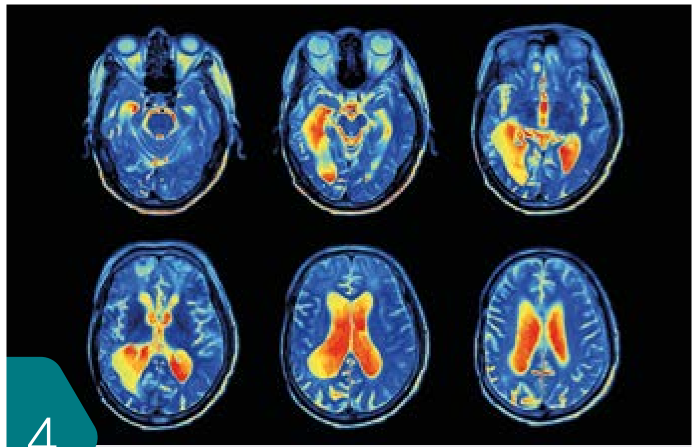
Current standard of care

The main medication to treat haemophilia A is concentrated factor VIII product, called clotting factor or simply, factor. These factor therapies are infused regularly intravenously through a vein in the arm or a port in the chest. This regular treatment involves a significant cost for healthcare systems over the course of a patient's life, and does not result in stable levels of protein for patients.

Third Wave potential

Gene therapies currently in clinical trials have the potential to address the cause of the disease with a single dose to replace the missing gene and allow the body to begin producing factor VIII. This could potentially offer a cure for these patients if they bring factor VIII into the 'normal' expression range, transforming quality of life for patients and reducing costs to the healthcare system.

https://www.hemophilia.org/Bleeding-Disorders/Types-of-Bleeding-Disorders/; https://www.biomarin.com/products/pipeline/bmn-270/ Hemophilia-A



4 Dry Age-Related Macular Degeneration

Disease symptoms

Age-related macular degeneration (AMD) is the largest cause of sight loss in the developed world, affecting more than 1 in 5 people in the UK by the age of 90 and more widely in the developed world. AMD is made up of wet and dry AMD. Dry AMD is a slow deterioration of the cells of the macular, as the retinal cells die off and are not renewed. The disease progresses over many years.

Current standard of care

There is currently no treatment for dry AMD.

Third Wave potential

Investigational gene therapies are seeking to treat dry AMD effectively by restoring balance to a part of the immune system called the complement system, which causes inflammation and damages eyes when it is overactive. The studies are designed to stimulate a person's cells to create Complement Factors, a protein that is key to regulating the alternative pathway of the complement system. The goal is to slow, or possibly stop the progression of dry AMD.

https://www.macularsociety.org/what-age-related-macular-degeneration

Building globally competitive companies

Read more:
KPIs – clinical progress
Page 42

> Our companies are at the forefront of exciting areas of development where there is significant opportunity."

Chris Hollowood
Chief Investment Officer, Syncona Investment Management Ltd

We have made good progress across our portfolio this year. At year end, we had nine high quality companies diversified across different stages of the development cycle: three clinical stage, five pre-clinical and one focused on developing its drug discovery platform. Each of these companies has a vision to deliver a potentially transformative treatment for patients in areas where they have few options or are poorly served.

We aim to add two to three new companies to our portfolio per year based on the quality of the opportunities available at any given time. In recent years, the 'first generation' of Syncona companies, Blue Earth, Nightstar and Autolus, established early in our history, have either delivered significant realised value for shareholders or have made significant clinical progress across multiple programmes.

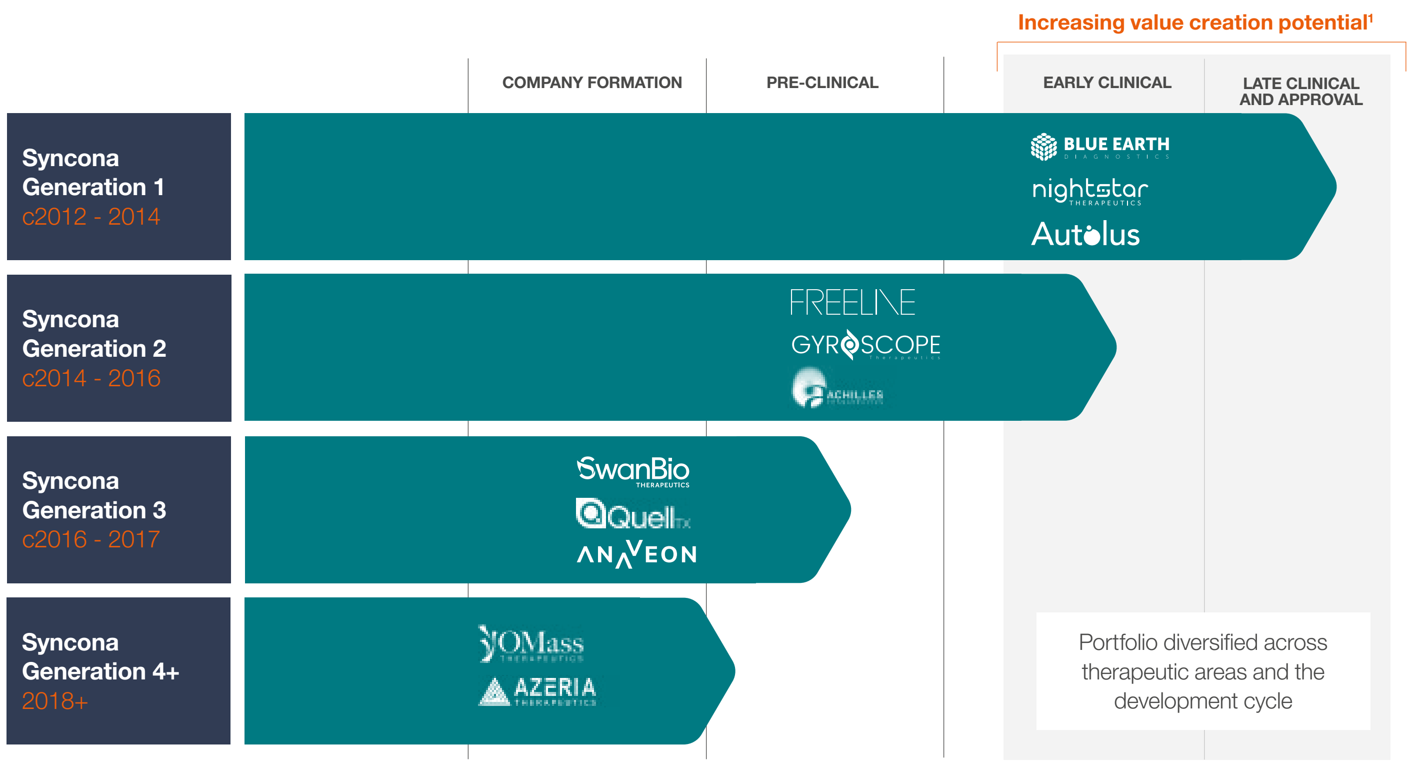
Our 'second generation' of Syncona companies, Freeline, Gyroscope and Achilles, are now in the clinic or poised for clinical entry and have been established on the same Syncona model, but importantly, have also been able to leverage our learnings from the successes and challenges we experienced in building the first generation. Having strengthened our capital pool in recent years, we have been able to deploy greater amounts of capital into the second generation of companies at earlier stages, thereby maintaining significant ownership positions for longer, increasing our ability to shape the company as it matures and allowing our shareholders to meaningfully participate in the returns we believe come from holding companies late into development and to the point of product approval.

In our Third Wave businesses substantial platforms need to be built early in the companies' life to allow the development of a modular pipeline that can rapidly progress new programmes into the clinic. For example, at Freeline and SwanBio, we have made strong progress in the last year building manufacturing capability that can deliver products with high quality characteristics, at sufficient scale to address their respective markets and with a competitive cost of goods.

Our companies are at the forefront of exciting areas of development where there is significant opportunity but also meaningful risk. Given the inherent risks associated with drug development, we anticipate that some of our companies will not succeed, but we believe our strategy and approach can give them the best opportunity to overcome the scientific, clinical and operational challenges that they will face along the way.

As a result of the COVID-19 pandemic, there have been a number of delays to clinical trials across our portfolio. Whilst the duration and impact of the disruption remains uncertain at this time, Syncona does not currently anticipate that these delays will have any impact on the reported valuations of our privately held companies applying our rigorous approach to recognising changes to fair value. We remain focused on delivering long-term value creation for shareholders and transformational impact for patients.

Building the next generations of global leaders in life science

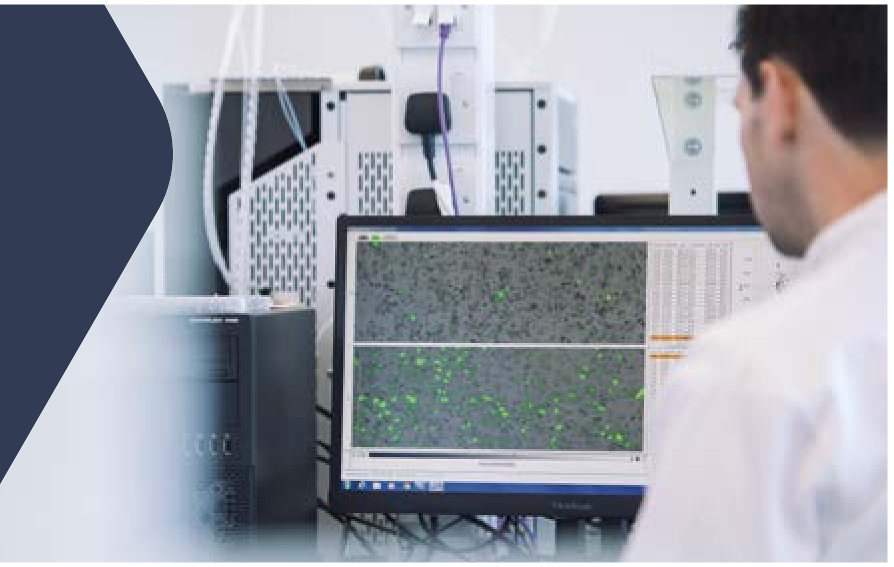


1 Illustrative and assumes successful clinical development and approval, Syncona team view. Syncona's assets are at various stages of clinical development and in the process of generating clinical data

Clinical

Value

£373.1m



Autolus

Applying a broad range of technologies to build a pipeline of precisely targeted T cell therapies designed to better recognise and attack cancer

Board seats	1
Date of founding	2014
Date of Syncona investment	2014
Syncona capital invested	£106.0m
No of employees	300+
Uncalled commitment	–

Competitor Landscape

Active CAR-T programmes in clinical development for ALL include Gilead[1]

Opportunity

Unmet medical need in lead programme: only 30-40% of patients with adult ALL achieve long-term remission with combination chemotherapy, the current standard of care[2]

No CAR-T therapy approved for adult ALL for patients

Key risks[1]

– Differentiated product required

– Complex manufacturing

For references see page 125

Highlights

Encouraging data in AUTO1 adult ALL programme and initiation of pivotal trial and positive data from AUTO3 DLBCL programme presented at ASCO meeting

Funded to deliver pivotal study in AUTO1 adult ALL; completed two follow-on financings, raising gross proceeds of approximately $184 million, where Syncona invested $39 million (£29.7 million) in aggregate

Autolus is developing next generation programmed T cell therapies for the treatment of cancer. The business made strong operational and clinical progress over the year, generating encouraging data in their Phase I/II trial for their AUTO1 programme in adult ALL which showed a favourable safety profile, high level of clinical activity and potentially durable responses. Post period end, Autolus announced it had received the required regulatory approvals (CTA and IND) to open clinical sites for its pivotal study in this programme, and we see the progression of this study as an important milestone for the business.

During the year, Autolus experienced a delay to its AUTO3 programme in DLBCL due to manufacturing issues which, we believe, have now been resolved and post year end, the company reported positive data at the ASCO conference, showing good efficacy, safety and durability. There are two approved CAR-T therapies for the treatment of DLBCL, but there is still a high unmet need for patients, given the durability of responses and toxicity associated with the current medicines. We believe the AUTO3 product may have the potential to be an outpatient therapy, meaning it would be able to reach the total addressable relapsed refractory DLBCL patient population, given the positively differentiated safety profile which has been observed to date.

Autolus initiated an outpatient cohort for this programme in Q2 CY2020 and will take a decision on whether to progress to a formal Phase II study in Q3 CY2020.

Elsewhere in its pipeline, over the year, the business moved to focus on next generation products targeting multiple myeloma and paediatric ALL, discontinuing AUTO2 due to a lack of differentiation against competitor products and closing AUTO3 pALL because early data showed that its AUTO1 product had potentially greater durability in this indication. Autolus demonstrated discipline in taking rigorous decisions based on clinical evidence. Post period end, the company is presenting at the American Association for Cancer Research (AACR) conference on the AUTO4 sister programme in T cell Lymphoma (AUTO5) and pre-clinical data for its solid tumour programmes (AUTO6 NG and AUTO7).

The COVID-19 crisis has had varying degrees of impact on the ability of clinical sites to operate normally, current expectations remain that the impact on the company will be relatively limited. The company has continued to manufacture, without interruption, from its operations at the Cell and Gene Therapy Catapult located in Stevenage, UK, including supply of clinical product for the treatment of US DLBCL patients in its AUTO3 study.

6.2% *of NAV*

27% *shareholding*

FREELINE

Seeking to deliver constant high protein expression levels with curative potential across a broad pipeline of systemic diseases; opportunity to deliver curative gene therapy

Board seats	1 (Chair)
Date of founding	2015
Date of Syncona investment	2015
Syncona capital invested	£149.1m
No of employees	200+
Uncalled commitment	$40.0m

Competitor landscape

Companies targeting liver directed gene therapy include uniQure[3] and Spark[4] (acquired by Roche in December 2019)

Opportunity

To deliver curative gene therapies that will transform patients' lives

Deliver therapies for a broad pipeline of systemic diseases which require the delivery of high protein expression levels

Key risks[1]

– Highly competitive environment

– Differentiated product required

– Complex manufacturing

For references see page 125

Highlights

Reported encouraging data in its lead programme in haemophilia B and initiated first AAV gene therapy trial in Fabry disease; disclosed two further pre-clinical programmes for haemophilia A and Gaucher disease

Syncona commitment of a further $80.0 million in Series C financing; appointment of Theresa Heggie as Chief Executive Officer and Julie Krop as Chief Medical Officer; Julia Gregory and Jeffrey Chodakewitz appointed to the board

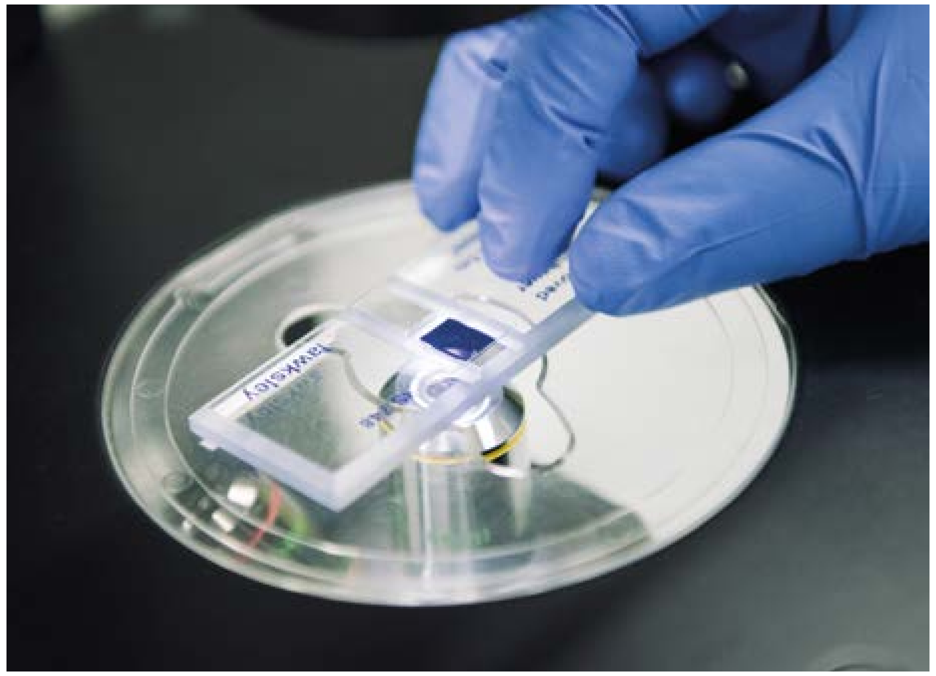
Freeline, our gene therapy company focused on liver expression for a range of chronic systemic diseases, had a busy and productive year. The business has reported highly encouraging data in its lead programme for the treatment of haemophilia B, which is seeking to deliver Factor IX (FIX) activity in patients in the normal range. The normal range of FIX activity in the general population's blood is between 50 per cent and 150 per cent. Freeline presented data at the EAHAD conference in February showing that eight patients had been treated and six patients had completed follow-up for at least six months. Amongst those six, three had FIX activity levels over 50 per cent and the business is currently seeking to identify the optimal dose to move to a pivotal study. Freeline also initiated the first AAV gene therapy clinical trial globally to target Fabry disease, where it has presented promising initial data (one patient) that AAV gene therapy can deliver sustained levels of the α-galactosidase A enzyme (αGLA) from a single infusion. The high protein levels delivered in the haemophilia B programme provide encouragement that higher αGLA levels could be achievable in Fabry disease through dose escalation.

Syncona also made a further $80 million commitment to Freeline during the year. The first tranche of the financing is $40 million, and this was invested to enable the company to continue to develop its robust manufacturing, generate further data in its clinical programmes for haemophilia B and Fabry disease and expand its senior leadership. The company made strong progress in strengthening its executive team appointing Theresa Heggie as Chief Executive Officer, formerly Head of CEMEA at Alnylam and bringing significant commercial expertise in rare diseases, and Julie Krop as Chief Medical Officer, who brings extensive experience in guiding clinical stage therapies for rare and complex disorders to registration. The business also appointed Julia Gregory, an experienced biopharmaceutical executive with 20 years of investment banking expertise and Jeffrey Chodakewitz, a physician-scientist bringing extensive experience in clinical and pipeline development to its board.

The business has experienced delays to its clinical programmes as a result of the COVID-19 pandemic. In its haemophilia B trial, Freeline continues to receive data from the patients it has dosed to date. The business will, therefore, look to report further data from the trial in this financial year and provide a path to its pivotal study. The next patient in the Fabry disease trial will be dosed when the restrictions from COVID-19 have lifted and we expect this to happen in this financial year.

12.1% *of NAV*

79% *shareholding*



1 Syncona investment team analysis of key risks facing the companies; the companies are subject to other known and unknown risks, uncertainties and other factors

GYROSCOPE Therapeutics

A novel company developing gene therapy beyond rare disease by understanding the immune system and the role genetics play in a patient's risk of developing late stage AMD

Board seats	2 (inc Chair)
Date of founding	2016
Date of Syncona investment	2016
Syncona capital invested	£73.0m
No of employees	100+
Uncalled commitment	£9.0m

Competitor landscape

No directly competitive gene therapy approach; companies targeting Dry AMD via complement pathway include Apellis[5], Gemini[6] and Hemera[7]

Opportunity

Dry AMD is one of the leading causes of permanent vision impairment for people aged 65 and older; no approved treatments[8]

Seeking to take application of gene therapy beyond rare diseases

Key Risks[1]

– Highly innovative concept in emerging space

For references see page 125

Highlights

Completed the treatment phase of its dose escalation Phase I/II trial for the treatment of dry AMD; preparing for Phase II clinical proof-of-concept study

Syncona committed £48.0 million in a £50.4 million Series B financing; strengthened senior leadership with appointment of Nadia Waheed as Chief Medical Officer

Gyroscope is developing gene therapy beyond rare disease and using it to treat a leading cause of blindness, dry AMD, where there are no approved treatments.

The business has been dose escalating its Phase I/II trial for the treatment of dry AMD. To date, the company has seen no safety concerns and is preparing to move into its proof of concept Phase II clinical programme. It is also conducting a natural history study, known as the SCOPE study, that is genotyping patients in Europe, Australia, and the United States. The SCOPE study will provide valuable genetic, biomarker and disease progression insights that will inform the company's future clinical development plans.

Syncona made a new £48.0 million commitment to Gyroscope in a £50.4 million Series B financing, to advance the clinical development of the company's lead asset and the second-generation Orbit Subretinal Delivery System. Gyroscope has also recently strengthened its leadership team with the appointment of Nadia K. Waheed, MD, MPH as Chief Medical Officer. Nadia has deep expertise in ophthalmology, joining from Tufts University School of Medicine. She has received two teaching awards, one from the residents at the Massachusetts Eye and Ear Infirmary and the second from the Shifa College of Medicine.

The business has experienced a delay to its clinical-stage lead programme as a result of the COVID-19 pandemic. The typical patient who would qualify for Gyroscope's clinical trials would be at a higher risk for severe illness if they contracted COVID-19. Consequently, this population may face more stringent restrictions for a longer period of time, and this is something the company monitors closely. Prior to the outbreak of COVID-19, Gyroscope had made strong progress and is well placed to report 12-month data on its Phase I/II trial in this financial year and also expects to initiate a Phase II study in its lead programme.

5.9% *of NAV*

80% *shareholding*

ACHILLES THERAPEUTICS

Differentiated cell therapy approach targeting solid tumours utilising Tumour Infiltrating Lymphocytes and clonal neoantigens to develop personalised treatments

Board seats	1
Date of founding	2016
Date of Syncona investment	2016
Syncona capital invested	£49.0m
No of employees	100+
Uncalled commitment	£11.7m

Competitor landscape

Companies using Tumour Infiltrating Lymphocytes (TILs) to target solid tumours include Iovance[9], Gritstone[10]

Opportunity

TILs have shown convincing efficacy in sold tumours[11]

Leveraging clonal neoantigens to develop patient specific immunotherapies and reduce risk of relapse

Operating in areas of high unmet medical need; lung cancer has limited treatment options and is the leading cause of cancer deaths[12]

Key risks[1]

– Highly innovative concept in emerging space

– Complex manufacturing

– Increasing competition

For references see page 125

Highlights

Enrolled first patients in first programme in NSCLC and melanoma

£100.0 million Series B financing cornerstoned by a £35.1 million commitment from Syncona

Achilles, an oncology company developing personalised cell therapies targeting clonal neoantigens, a novel class of tumour target, has made good financial and operational progress this year.

Achilles has progressed its first two programmes in NSCLC and melanoma, opening clinical sites and enrolling patients. The company has made good progress and has now achieved an important milestone post period end and dosed its first patient in its Phase I/II clinical study in metastatic melanoma, demonstrating the capability to manufacture an entirely personalised T cell therapy. The company expects to report the first patient dosed in the NSCLC clinical study in the near future. It also continues to expect to report initial data from both programmes in H1 CY2021. We believe the business is well positioned to progress its lead programmes through the clinic.

The business completed a £100.0 million Series B financing, which was cornerstoned by a £35.1 million commitment from Syncona, alongside expert, institutional investors, and is therefore well funded. It has strengthened its senior leadership team and board, with Sergio Quezada, one of Achilles' scientific founders and an internationally recognised leader in the field of cancer immunology, appointed to the role of Chief Scientific Officer and Beverley Carr to Chief Business Officer. Beverley was formerly VP, Business Development for the Immuno-Inflammation Therapy Area at GlaxoSmithKline and brings 20 years of business development experience. In addition, Carsten Boess joined the board of directors. Carsten brings 30 years of financial experience with leadership roles at Kiniksa, Alexion, Insulet, Serono and Novo Nordisk and was previously Chief Financial Officer of Synageva through its $8 billion sale to Alexion.

5.8% *of NAV*

44% *shareholding*

1 Syncona investment team analysis of key risks facing the companies; the companies are subject to other known and unknown risks, uncertainties and other factors

Pre-clinical

Value

£45.6m

SwanBio THERAPEUTICS

Developing leading-edge gene therapies to deliver dramatic clinical efficacy for the treatment of neurological diseases

Board seats	1 (Chair)
Date of Founding	2018
Date of Syncona investment	2018
Syncona capital invested	£17.8m
No of employees	25+
Uncalled commitment	£41.6m

Competitor landscape

Companies exploring gene therapies in the CNS field include Voyager[13], uniQure[14], PassageBio[15] and Prevail,[16]

Opportunity

Gene therapy has proof of concept and the potential to be transformative in neurology[17]

Lead programme targeting AMN, where there is a high unmet medical need and no available therapies

One-off delivery mechanism and multiple tractable pipeline disorders

Key risks[1]

– Challenging clinical endpoint

– Complex manufacturing

For references see page 125

SwanBio is a gene therapy company focused on neurological disorders. Its lead programme is targeting the treatment of Adrenomyeloneuropathy (AMN), a genetic neuro-degenerative disease affecting the spine. This disease impacts 10,000-20,000 patients in the US and EU5 and there are currently no approved treatments. The business has made strong progress in the pre-clinical development of its lead programme, and the build out of a commercial manufacturing platform. In partnership with Syncona, the business has also undertaken an extensive exercise to identify unmet clinical needs where SwanBio is well placed to develop pipeline programmes.

Syncona made a new $51.0 million commitment in a $77.0 million (£62.0 million) expanded Series A financing by SwanBio. This new commitment takes Syncona's total commitment to this business to $74.0 million (£59.6 million). This expanded Series A financing will enable SwanBio to continue to develop a scalable manufacturing process for commercial supply, progress its lead programme, build out a pipeline of indications and expand its leadership team.

Post period end, the company announced the appointment of Steven Zelenkofske. D.O, as Chief Medical Officer. Dr Zelenkofske brings more than 20 years of experience to the SwanBio team, most recently serving as the Chief Medical Officer at Achillion Pharmaceuticals, a clinical stage company focused on complement inhibitors, and at UniQure, a clinical stage gene therapy company focused on genetic diseases.

The business has seen limited impact from the COVID-19 pandemic on its manufacturing development programme and expects to complete a clinical manufacturing batch in this financial year.

1.5% *of NAV*

79% *shareholding*

1 Syncona investment team analysis of key risks facing the companies; the companies are subject to other known and unknown risks, uncertainties and other factors

QuellTX

Engineered cell therapy company addressing immune dysregulation

Board seats	2 (inc Chair)
Date of founding	2019
Date of Syncona investment	2019
Syncona capital invested	£8.3m
No of employees	30+
Uncalled commitment	£25.7m

Competitor landscape

Field is nascent, companies developing T-Reg cell therapies include TX Cell/Sangamo[18]

Opportunity

Current standard of care for prevention of solid organ transplant rejection is life-long immunosuppression which results in an array of serious long-term side effects significantly impacting patient quality of life[19]

Potential pipeline to treat serious, chronic conditions mediated by the immune system

Potential to be first-in-class in CAR-T-egs; an early mover in the space

Key risks[1]

– Highly innovative concept in emerging space

For references see page 125

Quell has been established with the aim of developing engineered T-regulatory (Treg) cell therapies to treat a range of conditions such as solid organ transplant rejection, autoimmune and inflammatory diseases. During the year, the business appointed Iain McGill as Chief Executive Officer. Iain is a leading pharmaceutical executive who has spent the majority of his 25 years in the industry in the area of solid organ and cell transplantation. The build out has been driven effectively and we are delighted that Sir Robert Lechler, Senior Vice President/Provost (Health) and Executive Director of King's Health Partners Academic Health Sciences Centre, and Dr Dhaval Patel (Chief Scientific Officer, UCB Pharmaceuticals) have been appointed post year end to the board of the company.

The business is targeting a first indication in liver transplantation and has made strong progress on this strategy, nominating its lead candidate post period end. In parallel the company has also been working hard on building out its manufacturing capabilities and readying them for commercial scale and has made strong progress establishing the required infrastructure. Quell is well placed for clinical entry in its lead programme in FY2022.

0.7% *of NAV*

69% *shareholding*

ANAVEON

Immuno-oncology company developing a selective IL-2 Receptor Agonist

Board seats	2 (inc Chair)
Date of founding	2017
Date of Syncona investment	2018
Syncona Capital invested	£11.1m
No of employees	5+
Uncalled commitment	£10.9m

Competitor landscape

Companies developing IL-2 products include Nektar[20], Roche[21], Alkermes[22], Synthorx (acquired by Sanofi)[23]

Opportunity

Human "IL-2" approved as a medicine for the treatment of metastatic melanoma and renal cancer, but with a frequent administration schedule and significant toxicity[24]

Developing a selective IL-2 agonist with improved administration and tox burden

Wide potential utility across multiple oncology indications in wider markets[25]

Key risks[1]

– Highly competitive environment

For references see page 125

Anaveon is developing a selective Interleukin 2 ("IL-2") Receptor Agonist, a type of protein that could enhance a patient's immune system to respond therapeutically to cancer. The business has progressed well, having seen a limited impact from COVID-19 on its operations, nominating a clinical candidate, ANV419, targeted for entry to clinical trials in FY2022. Anaveon has also strengthened its leadership team with the appointment of Christopher Bucher, who brings extensive immunology R&D expertise having led late-stage clinical trials of advanced therapies at Roche and Novartis, as Chief Medical Officer and expanded its operations. Dr Allison Jeynes-Ellis, who is a trained clinician with more than 25 years of senior leadership experience in the pharmaceutical industry, has also been appointed to the board.

1.0% *of NAV*

51% *shareholding*

AZERIA THERAPEUTICS

Pioneer factor drug discovery company developing treatments for hormone resistant breast cancer

Board seats	2 (inc Chair)
Date of founding	2017
Date of Syncona investment	2019
Syncona capital invested	£6.5m
No of employees	25+
Uncalled commitment	£23.1m

Competitor landscape

Companies developing therapies for oestrogen receptor positive luminal breast cancer include Eisai and AstraZeneca

Opportunity

Significant unmet patient need in oestrogen receptor positive breast cancer where c.30% of patients progress to late stage endocrine resistant disease

Scientific insights by Azeria's academic founder have led to a new approach to target an essential pioneer factor pivotal in tumour growth, progression and maintenance of oestrogen receptor positive luminal breast cancer

Key risks[1]

– Highly innovative concept in emerging space

For references see page 125

Azeria is focused on small molecule approaches for the treatment of hormone resistant breast cancer. Following our £29.5 million commitment to the Series B financing completed during the first half of the year, the business has been continuing the optimisation of its lead asset. We have invested the first tranche of £6.5 million to generate further data to support the technical premise behind our investment in the company.

0.5% *of NAV*

60% *shareholding*

1 Syncona investment team analysis of key risks facing the companies; the companies are subject to other known and unknown risks, uncertainties and other factors

Drug Discovery

Value

£14.6m

OMass THERAPEUTICS

Drug Discovery platform with differentiated technology

Board seats	2 (inc Chair)
Date of founding	2016
Date of Syncona investment	2018
Syncona capital invested	£14.6m
No of employees	20+
Uncalled commitment	£11.8m

Opportunity

Building a drug discovery platform employing a differentiated Modified Mass Spectrometry technology

Potential for platform to yield high quality chemical hits to discover novel small molecule drug therapeutics for a variety of complex targets, including membrane receptors

Key risks[1]

– Attrition of potential drugs

1 Syncona investment team analysis of key risks facing the companies; the companies are subject to other known and unknown risks, uncertainties and other factors

OMass, our biopharmaceutical company using structural mass spectrometry to discover novel medicines, completed an expanded Series A financing of £27.5 million in January 2020, of which Syncona contributed £16.6 million, Oxford Science Innovation contributed £10.4 million and University of Oxford contributed £0.5 million.

Proceeds from this financing will allow the company to progress a pipeline of small molecule therapeutics for patients suffering from immunological and genetic disorders, providing funding for two years and enabling OMass to progress its lead programme into pre-clinical development.

Next key milestones for clinical programmes at 31 March 2020

Autolus – cell therapy / oncology	
AUTO1 / Adult ALL	Start of AUTO1-AL1 pivotal study progressing, dosing of first patient in coming weeks
AUTO1 / Paediatric ALL	Phase I/II trial ongoing, AUTO1NG to start Phase I H2 CY2020
AUTO3 – Adult DLBCL	Phase I/II Alexander trial progressing, initiated outpatient cohort and decision on Phase II trial in Q3 CY2020
AUTO4 – T cell Lymphoma	Initial AUTO4 Phase I data H1 CY2021
Freeline – gene therapy / systemic diseases	
B-AMAZE – haemophilia B	Further data expected this financial year and provide path to pivotal study
Fabry disease	Next patient dosing to occur in this financial year
Gyroscope – gene therapy / retinal diseases	
FOCUS – Dry Age-Related Macular Degeneration	Expect to report 12-month data on Phase I/II study in dry AMD and initiation of Phase II trial in this financial year
Achilles – cell therapy / oncology	
Non-small cell lung cancer	Expect to report initial data from the trial in H1 CY2021
Melanoma	Expect to report initial data from the trial in H1 CY2021

Next key milestones for pre-clinical programmes at 31 March 2020

SwanBio – gene therapy / neurological diseases	
Adrenomyeloneuropathy (AMN)	Progression of manufacturing platform with production of clinical batch
Quell – cell therapy / autoimmune diseases	
Liver transplant	Phase I/II initiation of lead programme targeting liver transplant; well placed for clinical entry in its lead programme in FY2022
Anaveon – biologics	
Selective IL-2 agonist	Phase I/II initiation for development of selective IL-2 agonist; progressing towards initiation of clinical trials in FY2022

Chris Hollowood
Chief Investment Officer,
Syncona Investment Management Limited
11 June 2020

Significant capital deployment as companies scale

> We fund and build our portfolio companies for long-term success."

John Bradshaw
Chief Financial Officer, Syncona Investment Management Limited

£206.4m
Capital deployed in 2020

£767.0m
Strategic capital pool

We operate in a sector where there is both significant risk and reward and this defines our approach across the business. We look to ensure certainty of funding for our companies by maintaining a strong balance sheet, which we believe is both strategic and a key differentiator in our asset class. We ultimately strive to be ambitious stewards of life science companies and capital, taking a disciplined approach to financings and risk management, whilst ensuring effective cost management across the business.

NAV performance in 2020 impacted by the decline in Autolus' share price

We ended the year with net assets of £1,246.5 million, or 185.6p per share (2019; £1,455.1 million; 216.8p per share), with NAV total return[1] declining by 13.3 per cent over the 12 months (2019; increase of 36.4 per cent). Performance was impacted by the fall in the share price of Autolus, which declined in value by £280.9 million in the year, outweighing the aggregate £91.2 million positive impact of the sale of Blue Earth, uplift in the value of Achilles and currency movements. This resulted in a valuation decrease of £189.7 million (a negative 25.0 per cent return)[1] (2019: £430.4 million gain; 77.9 per cent return) on the life science portfolio.

Syncona funds and builds its portfolio companies for long-term success, and while the fall in Autolus' share price and the volatility it brings to our NAV is disappointing, we do expect volatility in our NAV as we look to navigate our companies through clinical and regulatory development. Importantly, we continue to believe that Autolus' fundamentals and competitive positioning remain strong.

Strong commercial and financial progress as companies scale and progress

The investment management team have been focused on progressing the portfolio and providing significant capital to our companies that are delivering on key clinical and operational milestones in their development process. We believe clinical progress and data is the core driver of fundamental value in life science and ultimately how success will be measured. Importantly, however, the clinical process is never without risk and therefore at the point of each investment decision, we undertake a rigorous risk-adjusted returns analysis to inform our approach.

In line with this, during the year, we have made a number of significant commitments and investments across our growing portfolio companies, including, investing £29.7 million in two financings for Autolus, and investing a further $40.0 million to Freeline. In our other second-generation companies, Gyroscope completed a £50.4 million Series B, where we were the sole institutional investor committing £48.0 million. In Achilles, we were the largest investor in a £100.0 million Series B financing, committing £35.1 million, alongside third-party funding from long-term, specialist institutional investors, resulting in a 90 per cent uplift to our prior holding value in the company.

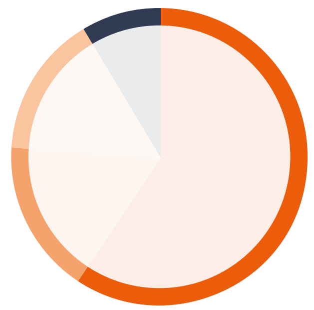
All investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines, but we take a rigorous approach to recognising an increase in value in the absence of circumstances that clearly indicate this is appropriate. For 59.5 per cent of the life science portfolio the primary input when determining fair value is capital invested (cost[2]) and for a further 15.1 per cent of the portfolio the primary input when determining fair value is the price set in a recent third-party financing. Companies which are publicly listed, are valued at their period end share price.

Strong capital pool is a key strategic advantage

The completion of the sales of Blue Earth and Nightstar, during the year, generated proceeds of £592.6 million and significantly strengthened our capital pool. Against this we deployed £206.4 million of capital[3] into our life science portfolio and at the year end our capital pool stood at £767.0 million (2019: £399.7 million).

A deep and liquid capital pool is central to the delivery of this strategy. Life science companies require significant capital as they scale and our ability to maintain significant ownership positions and influence through financing rounds is important. Our balance sheet strength also provides the best negotiating position for external financing rounds and optimises our ability to attract the best partners and management teams. In the current market environment, we anticipate that it may be more challenging to raise third party capital, and the strength of our capital pool is a key strategic advantage enabling us to continue to fund our companies to progress their business plans as required.

Life science portfolio companies
%

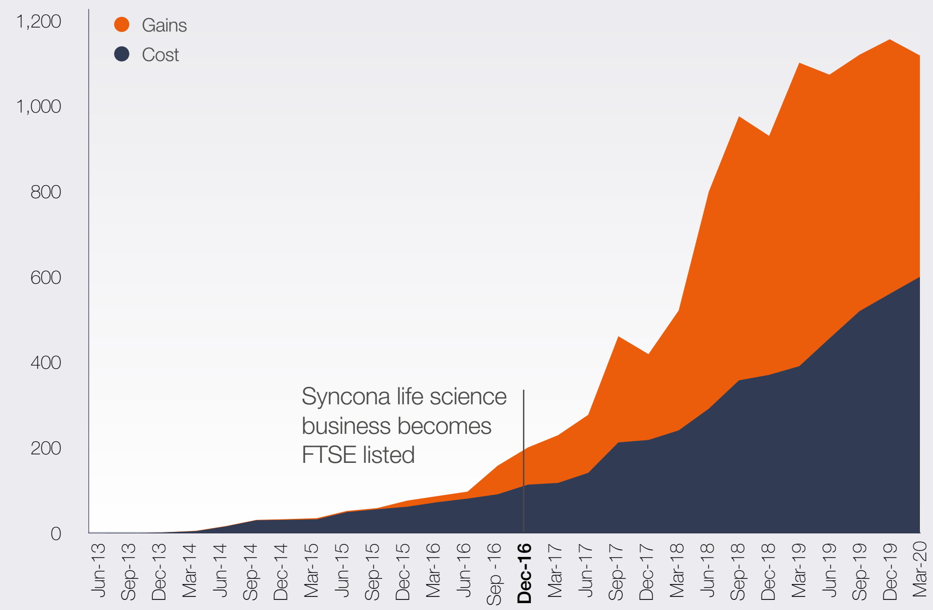


Capital invested (cost)	59.5%
Quoted	16.8%
Price of recent investment	15.1%
Adjusted price of recent investment	8.6%

2 For the purposes of fair value, primary input to fair value is capital invested (cost). Please refer to note 2
3 Alternative Performance Measure, please refer to glossary

Strong track record

Progress to date: Strong risk-adjusted returns



Figures reflect Syncona Partners original investment pre merger with BACIT

39% IRR and 1.9x cost generated on portfolio since 2012

£592.4m capital deployed into life sciences since 2012

13 Syncona companies founded

Two companies sold:

Nightstar sold to Biogen for $877m in 2019; 4.5x return (IRR 72%) – 3rd largest UK biotech transaction in the last 20 years

Blue Earth Diagnostics sold to Bracco Imaging for $476m in 2019; 10x return (IRR 87%)

1 Alternative performance measure, please refer to the glossary

Valuation movements in period (£m):

Company	31 Mar 2019 value £m	Net investment period £m	Valuation change £m	FX movement £m	31 Mar 2020 value £m	% NAV	Valuation[4,5] basis	Fully diluted ownership stake %	Focus area
Life science portfolio companies									
Realised									
Blue Earth Diagnostics	267.5	-336.8	69.3		–	–	Sale price	N/A	**Advanced diagnostics**
Nightstar Therapeutics	255.8	-255.8			–	–	Sale price	N/A	**Gene therapy**
Clinical									
Autolus	328.2	29.7	-284.7	3.8	77.0	6.2	Quoted	27	**Cell therapy**
Freeline	93.5	55.6		1.6	150.7	12.1	Cost	79	**Gene therapy**
Gyroscope Therapeutics	28.9	44.1			73.0	5.9	Cost	80	**Gene therapy**
Achilles Therapeutics	16.2	32.8	23.4		72.4	5.8	PRI	44	**Cell therapy**
Pre-clinical									
SwanBio Therapeutics	5.3	12.9		0.3	18.5	1.5	Cost	79	**Gene therapy**
Anaveon	3.7	8.0		0.6	12.3	1.0	Cost	51	**Immunoncology**
Quell Tx	8.3				8.3	0.7	Cost	69	**Cell therapy**
Azeria Therapeutics		6.5			6.5	0.5	Cost	60	**Small molecule**
Drug discovery									
OMass Therapeutics	3.5	11.1			14.6	1.2	Cost	49	**Therapeutics**
Life science investments[6]									
CRT Pioneer Fund	34.3	5.7			40.0	3.1	Adj Third Party	64	
CEGX	3.9		-2.4		1.5	0.1	Adj. PRI	9	
Adaptimmune	4.9		-1.8	0.2	3.3	0.3	Quoted	0.2	
Syncona Collaborations	1.4				1.4	0.1	Cost	100	
TOTAL	**1,055.4**	**(386.2)**	**(196.2)**	**6.5**	**479.5**	**38.5**			

4 Primary input to fair value
5 For the purposes of fair value, primary input to fair value is capital invested (cost). Please refer to note 2
6 Investments where Syncona has a minority ownership position or in the case of CRT Pioneer Fund is a Life Science LP fund

Capital pool focused on liquidity and capital preservation

Over the last three years, we have evolved the investment parameters of the capital pool to focus on liquidity and capital preservation in order to enable us to deliver our strategy. The redemption of all legacy fund investments, with the exception of certain legacy investments valued at £74.5 million at 31 March 2020 (2019: £69.5 million), was completed during the year with the capital pool moving to be held in cash, cash equivalents and predominantly fixed income products.

Following the outbreak of COVID-19 and the significant increase in volatility in public markets, we moved quickly to preserve liquidity and protect the capital pool from market conditions. As a result, at the end of the year, the capital pool was 90 per cent in cash and short-term UK treasury bills with the remainder in legacy investments.

Maintaining a disciplined approach to capital deployment

The impact of COVID-19 has had implications for our portfolio companies both in terms of protecting their staff and also the timelines on which they can develop their assets. Although, there remains some uncertainty around the disruption and duration of the COVID pandemic and therefore, the impact on our portfolio companies, we do not consider that the COVID-19 crisis will have long-term implications for the business plans of our portfolio companies we have seen, and continue to expect, a disruption to their short-term business activities. We do not anticipate that the delays experienced across our portfolio will have any impact to the reported valuations of our privately held companies applying our rigorous approach to recognising changes to fair value. We have undertaken an exercise with senior leadership teams across the portfolio to model the impact of the disruption across different potential scenarios, looking at the implication for milestone delivery and cash requirements, with each company conducting a bottom-up analysis.

We are well positioned to fund our companies through a period of prolonged disruption and advance value where it is prudent to do so. We have maintained a rigorous and disciplined approach to capital allocation, working in partnership with our companies on restructuring business plans appropriately to ensure they are taking a prudent approach to deploying capital into opportunities across the business. While the absolute level of deployment is based on whether our portfolio companies can access third-party capital (when appropriate) in this economic environment and the opportunities we see in our investment pipeline, our current expectation is that capital deployment will be between £150 million to £250 million in 2020/21 financial year.

£147.3 million of commitments

Uncalled commitments increased to £147.3 million (2019: £121.5 million). Of these commitments £134.0 million, relate to milestone payments to portfolio companies, which are subject to the satisfaction of key commercial and clinical milestones, mitigating financial risk. The remaining £13.3 million of commitments are split £9.1 million to the CRT Pioneer Fund and £4.2 million to two legacy investments.

Charitable donation and management fee

Following a review of our charitable donations earlier this year, the Board has decided to increase Syncona's charitable donation from 0.30 per cent of NAV to 0.35 per cent for the 2019/20 financial year and the two following years. The Investment Manager's team are wholly supportive of this increase and have agreed to reduce the cap on the management fee from 1.1 per cent of NAV to 1.05 per cent to offset the increase and minimise the impact on Net Asset Value. The donation for the 2019/2020 financial year will be £4.6 million (2019: £4.3 million).

Expenses

Management fees paid to the Investment Manager in 2020 totalled £7.5 million (2019: £8.9 million); 0.57 per cent of NAV for the 12 months. This compares to 0.70 per cent in 2019, with the decrease reflecting effective cost management and an increase in average NAV in 2020 compared to 2019. The ongoing charges ratio, which includes the management fee, costs associated with the Company's Incentive Scheme and costs incurred in running the Company, was 1.79 per cent (2019: 1.84 per cent).

Incentive Scheme

The incentive scheme provides the opportunity of long-term awards to the investment team to align them with shareholders and vests on a straight-line basis over a four-year period with awards settled in cash and Syncona shares. The total liability for the cash settled element of the vested incentive plan was £24.9 million at the end of this financial year (2019: £17.2 million), with the £6.1 million payment made to participants in the period offset by an increase in eligible MES, as the vesting schedule matures. In addition, 1,583,138 (2019: 20,836) Syncona Limited shares were issued to employees in connection with MES realisations in the year. At the end of the financial year, the number of Syncona shares that could potentially be issued in connection with the MES stood at 7,937,704, taking the total number of fully diluted shares, for the purposes of calculating NAV per share, to 671,603,241.

John Bradshaw
Chief Financial Officer,
Syncona Investment Management Limited
11 June 2020

Company builders

Our team has a proven track record of creating and delivering value in the life science sector.

Our portfolio is managed by a team with expertise and knowledge across key areas

- Scientific
- Commercial
- Company creation
- Investment

Martin Murphy

Martin is Chief Executive Officer of SIML. He co-founded Syncona in 2012 alongside The Wellcome Trust.

Since then, Martin has been closely involved in the foundation and development of seven Syncona companies, including: Achilles, Autolus, OMass, Quell, Anaveon and Azeria. He was previously Chairman of Blue Earth Diagnostics, which Syncona sold to Bracco Imaging for $476 million in 2019.

Previously, he was a partner at MVM Life Science Partners LLP, a venture capital company focused on life science and healthcare, where he led their European operations. Martin has also held roles with 3i Group plc and McKinsey & Company. He has a PhD in Biochemistry from the University of Cambridge.

Chris Hollowood

Chris is the Chief Investment Officer of SIML. He is currently Chairman at three Syncona companies: Freeline, Gyroscope and SwanBio. He has been instrumental in the foundation and development of Syncona's gene therapy strategy, where it has founded companies focused on the eye, the liver and the central nervous system. Chris was also previously Chairman of Nightstar, a retinal gene therapy company founded by Syncona which was sold to Biogen in 2019 for $877 million.

Previously, Chris was a partner of Apposite Capital LLP, a venture and growth capital healthcare investment company. Before Apposite, Chris had roles with Bioscience Managers Ltd, Neptune Investment Management Ltd and in the pharmaceutical industry. Chris holds a degree in Natural Sciences and a PhD in Organic Chemistry, both from the University of Cambridge.

John Bradshaw

John is the Chief Financial Officer of SIML.

John has worked extensively with companies in the life science sector as a part-time and interim CFO. He was previously CFO of Gyrus Group PLC and qualified as a chartered accountant with Arthur Andersen. John has a degree in Law from the University of Liverpool.

Dominic Schmidt

Dominic is a Partner of SIML.

He is a Director and closely involved with the Syncona companies Anaveon and Gyroscope and also serves as an observer on the Board of Freeline.

Prior to joining Syncona, Dominic worked in the life science practice of strategy consultancy L.E.K. Consulting. He received his PhD from the Department of Oncology at the University of Cambridge where he was a Cancer Research UK scholar. He also holds a German Diplom Degree in Biochemistry and his research has been honoured with national and international prizes and published in Cell, Nature and Science.

Magdalena Jonikas

Magdalena is a Partner of SIML, where she is closely involved with portfolio companies OMass and Azeria.

Previously, she was an Associate Partner at McKinsey & Company where she specialised in pharmaceuticals Research & Development, portfolio management and Business Development and Licensing. Magdalena holds a PhD in Bioengineering from Stanford University and was a postdoctoral fellow in Harvard Medical School's Computational Health Informatics Programme.

Alex Hamilton

Alex is a Partner of SIML.

He is closely involved with portfolio company SwanBio as well as being an observer on the Board of the company.

Previously, he was a member of the Healthcare Investment Banking team at Jefferies, where he worked on a range of financings and mergers and acquisitions across the biotechnology, pharmaceutical and healthcare sectors. Alex has a PhD in Immunology from the University of Cambridge.

Michael Kyriakides

Michael is a Partner of SIML.

He works closely with Syncona portfolio companies Freeline, Gyroscope and Azeria.

Previously, Michael was a member of the Life Sciences team at L.E.K. Consulting, where he worked in projects for pharmaceutical, biotech and private equity clients. Prior to joining L.E.K. Consulting, he was a clinical project and NMR manager in the Faculty of Medicine at Imperial College London. Michael obtained his doctorate degree in toxicology and metabolic profiling at Imperial College London.

Danny Bar Zohar

Danny is a Partner of SIML, having joined in April 2020.

Previously, Danny was Head of Clinical Development and Analytics at Novartis, where he was responsible for the late stage clinical development strategy across the Novartis portfolio after heading Neuroscience Development for Novartis, leading cross functional teams in bringing advanced therapies to complex neurological diseases. Prior to joining Novartis, Danny was a clinical leader in a variety of programmes in Teva Pharmaceuticals. Danny obtained his medical doctor degree at the Sackler Faculty of Medicine, Tel-Aviv University and was trained in general surgery at the Tel-Aviv Medical Center.

Lorenz Mayr

Lorenz is an Entrepreneur in Residence at SIML.

Previously, he was the Chief Technology Officer for GE Healthcare Life Sciences, overseeing R&D investment, research programmes and business growth strategy. Prior to this he held senior leadership positions at Novartis, Astra Zeneca and Bayer. He also holds a position as a Visiting Scientist/Guest Professor at the ETHZ, the Swiss Federal Institute of Technology at Zurich/Switzerland.

Edward Hodgkin

Edward is a Partner of SIML.

He is currently Chairman of Syncona company OMass, and was previously the first CEO and a board member of Autolus (NASDAQ: AUTL). Within the Syncona life science team, he is involved in creation of new businesses and then fills executive roles within those companies to make them operational.

Prior to Syncona, he was CEO of Biotica Ltd (Cambridge, UK), President & Chief Business Officer of BrainCells Inc (San Diego, CA), and VP, Business Development & Marketing at Tripos Inc (St Louis, MO). Ed's early career was spent in research and management positions with Wyeth-Ayerst Inc and British Biotech. He holds a degree and DPhil in Chemistry from the University of Oxford, and is a former Chairman of the BIA, the UK's trade association for innovative life science companies.

Elisa Petris

Elisa is a Partner of SIML.

She is a Director on the Board of Quell, an observer on the Board of Achilles, and was previously on the Board of former portfolio company Blue Earth Diagnostics. She was closely involved in the foundation of these companies, including their operational and strategic set-up.

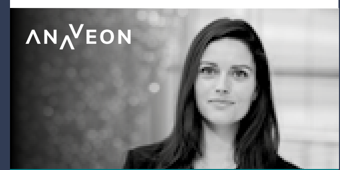
Previously, she was a Senior Associate at Michel Dyens & Co. working on transactions covering the healthcare space, and a member of the Life Science team at L.E.K. Consulting based in London. While at L.E.K. she worked on projects for biotech, pharma and private equity clients. Elisa has a PhD in Molecular Biology from Imperial College and an MBA from London Business School.

Freddie Dear

Freddie is a Partner of SIML.

Previously, he was a member of the Investment Team at the Wellcome Trust, which is responsible for the management of its £23 billion global investment portfolio. At Syncona, Freddie spent a year at portfolio company Quell as Director of Operations. Freddie holds a degree in Biochemistry from the University of Edinburgh.

Alice Renard



Alice is a Partner of SIML.

Alice works closely with Syncona portfolio company Anaveon as well as being an observer on the Board of the company.

Prior to joining Syncona, Alice was an Investment Banking Analyst within Barclays' Healthcare Corporate Finance and M&A team, where she worked on transactions involving pharmaceutical and other healthcare companies. Prior to Barclays, Alice worked briefly at AbbVie and Janssen. Alice holds a Doctorate degree in Pharmacy from the University of Lille 2 (School of Pharmacy, Lille, France). She holds a Masters in International Health Policy & Health Economics from the London School of Economics (London, UK).

Gonzalo Garcia

Gonzalo is a Partner of SIML.

Previously, Gonzalo was a Project Leader at Boston Consulting Group where, amongst other responsibilities, he supported clients in the biopharmaceuticals industry across the entire value chain. Gonzalo has an interdisciplinary background, including a PhD in Protein Biophysics from the University of Cambridge, an EMBO Short Term Fellowship in Cell Biology at Harvard Medical School, and a Master's degree in Theoretical Physics.

Hitesh Thakrar

Hitesh is a Partner of SIML.

He has 24 years' experience of global public equities. He managed Innovation funds for several asset management companies including Aviva and ADIA, where he was a top-rated portfolio manager. He has an interest in the convergence of life science with other innovation led sectors such as data sciences and the application of industrial technology in medical diagnostics. He has a degree in Chemistry from King's College London and is a CFA.

Financial KPIs

01 NAV growth

Rationale

Includes all of the components of the Company's performance

NAV growth is shown net of all costs associated with running the business and includes the impact of any movements in foreign exchange on valuations

Links to strategy

- Capturing the out-return that comes from commercialising life science, by founding, building and funding companies around exceptional science and building a dynamic portfolio of globally leading healthcare businesses
- Achieve superior long-term capital appreciation; targeting an annualised return across net assets of 15 per cent over the long term

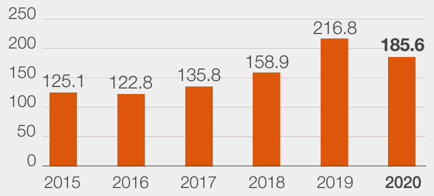
Progress in the year

- (13.3 per cent) NAV total return[1] in the 12 months driven by a (25.0 per cent) return from our life science portfolio
- Performance was impacted by the decline in the share price of Autolus, which outweighed the positive impact of the revaluation of Achilles and the sale of Blue Earth

Key risks/factors we monitor

- Risks of early stage investment
- Clinical trial and regulatory approval risks
- Commercialisation risks
- Access to capital; depth of capital pool, financing risk within portfolio
- People at the Investment Manager and in the portfolio
- Impact of COVID-19

Fully diluted NAV per share (at financial year end)
pence



1 Alternative Performance Measure, refer to the glossary

02 Total Shareholder Return

Rationale

Measures performance in the delivery of shareholder value

Links to strategy

- Capturing the out-return that comes from commercialising life science, by founding, building and funding companies around exceptional science and building a dynamic portfolio of globally leading healthcare businesses
- Achieve superior long-term capital appreciation; targeting an annualised return across net assets of 15 per cent over the long term

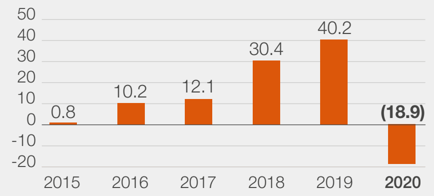
Progress in the year

- Share price declined from 259.0p to 208.0p, which together with the 2.3p dividend paid in July 2019, generated a Total Shareholder Return of (18.9 per cent) in the 12 months to 31 March 2020 (including reinvested dividends)

Key risks/factors we monitor

- Performance of the life science portfolio and NAV growth
- Investor appetite for Syncona's shares, supported by active engagement with investor base
- General market sentiment more broadly and the life science sector specifically
- Robust strategy and governance oversight of execution by the investment manager
- Impact of COVID-19

Total Shareholder Return (at financial year end)
%



03 Liquidity profile

Rationale

Ensuring we are able to fund our investment pipeline and milestone payments via our capital pool

Links to strategy

- Successful life science companies scale rapidly
- We capitalise our businesses ambitiously to attract the best talent
- Owning strategic positions with influence with a view to being a significant investor at the point of product approval

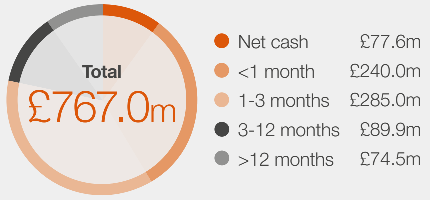
Progress in the year

- Significantly strengthened capital pool with £592.6m of proceeds received from the sale of Blue Earth and Nightstar
- £767.0m net capital resources available in the capital pool, of which £692.5m is accessible to invest within 12 months
- Completed the simplification of the management of the capital pool, with it moving to be held in cash, cash equivalents and predominantly fixed income products
- Following the outbreak of COVID-19, moved quickly to protect the capital pool from market conditions. At the year end, 90 per cent was held in cash and short-term UK treasury bills

Key risks/factors we monitor

- Access to capital – certainty of funding within our capital pool
- Capital pool – focus on capital preservation and liquidity
- Ability to use our strategic positions in our life science companies to ensure high quality use of capital
- Impact of COVID-19

Liquidity profile
£m



Non-financial KPIs

04 Depth and progression in clinical pipeline

Rationale

Depth of pipeline and its progression towards delivering transformational treatments to patients, with the key measurements being total number of clinical programmes and number of clinical data read outs

Links to strategy

- Progress towards delivering transformational treatments to patients in areas of high unmet medical need

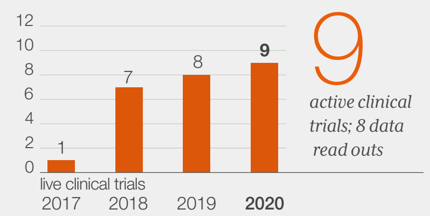
Progress in the year

- Nine clinical trials across the portfolio; eight data read outs
- Three clinical trials commenced in the year: Freeline commenced a clinical trial in Fabry disease and Achilles initiated patient enrolment and opened clinical sites for its first two programmes, non-small cell lung and melanoma
- Autolus discontinued its AUTO2 and AUTO3 pALL programmes; will move focus to its next generation products targeting multiple myeloma and paediatric ALL

Key risks/factors we monitor

- Early stage investments
- Clinical trial and regulatory approval risks – delays, poor design, negative data or adverse events
- Commercialisation – competitive landscape
- People in the portfolio companies – specialist clinical teams progress risks

Progression in clinical pipeline



05 Charitable donations

Rationale

Reliable income stream for cancer research and other charities

Links to strategy

- Supporting academics and early stage medical research
- Supporting patient outcomes

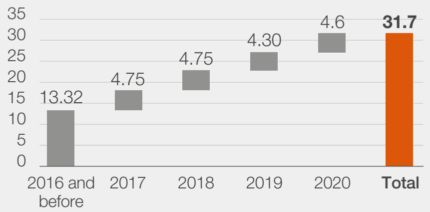
Progress in the year

- Significant donations to The Institute of Cancer Research and The Syncona Foundation (for onward distribution to a range of charities)
- Increased charitable donation from 0.30 per cent to 0.35 per cent of NAV
- In light of COVID-19, Syncona agreed to bring forward payment of Syncona's donation to The Syncona Foundation to June 2020 (from September 2020)

Key risks/factors we monitor

- Strategy and governance – ability to provide reliable income stream
- Performance of the life science portfolio and NAV growth
- Impact from Syncona's donations

Charitable donations
£m



Managing risk is at the core of everything we do

Our strategy of founding, building and funding global leaders in life science involves significant risk and opportunity. We found early-stage life science businesses prior to clinical proof of concept, and build them through scientific and operational development, clinical trials, approval and potentially commercialisation; the later stages are typically capital-intensive and require significant funding from us or third-party investors. There is significant risk at each stage but also the potential for substantial returns. It is therefore key to our business that our risk appetite is clearly defined and that we have robust processes to manage risk.

Our risk framework is overseen by the Audit Committee under delegation from the Board.

Risk management structure

Board of Directors
Risk management leadership; risk appetite

Audit Committee
Review and monitor the risk framework

SIML (Investment Manager)
Risk management is integral to the investment process and financial management
Risk reporting and running the controls assurance programme

Life science company management teams
Risk identification and mitigation

Risk framework

Our risk framework begins with the Board. The Board defines risk appetite, oversees the process to ensure a robust assessment of principal risks, considers the key strategic risks and potential future risks, and receives an update at each Board meeting. A risk register is maintained that sets out our principal risks and risk appetite.

SIML, our Investment Manager, is responsible for day-to-day operation and oversight of the risk framework. A key internal tool is SIML's quarterly review meeting where the entire investment team carries out an in-depth review of all portfolio companies, focusing on key business developments and risks, both existing and potential. The team has a culture of transparency, ensuring that any developments are shared and addressed effectively with the benefit of input from the whole team, and reported to the Board where appropriate. We rely on having highly experienced personnel to support and manage issues as they arise, together with effective financial management processes.

The Audit Committee oversees and monitors the risk framework, including reviewing the risk register to ensure it properly captures the principal risks, overseeing the framework for identifying risks (including potential future risks), reviewing the ongoing operation and effectiveness of our control environment to manage the principal risks we face on an annual basis, and ensuring that any actions identified are taken forward by SIML. This review process provides a focus to drive continuous improvement in our risk processes.

During the year we carried out a full review of our risk framework, with the assistance of an external risk professional. The assessment confirmed that the Company and SIML were operating an effective risk framework, but suggested a number of changes to how we described our principal risks and risk appetite, along with changes to internal reporting. These are reflected in this report.

Identifying principal risks

We evaluate our principal risks on an ongoing basis and using both top-down and bottom-up inputs. We also horizon scan for future risks that could have a potential impact.

The Board considers our strategy and operating environment each year and identifies the key strategic risks we face and key mitigants. This focuses on the principal risks that could affect the success of our business model.

SIML carries out a bottom-up review, considering each of our life science companies and our internal operations, both as a specific exercise and on an ongoing basis through our regular monitoring of our life science companies. In doing this we draw on the underlying assessments by the management teams of each of our life science companies.

These inputs are brought together in our risk register which is reviewed by the Audit Committee in detail each year.

The principal risks identified by the Board are set out on pages 47 to 51. Although the core underlying risks have not changed significantly in the last year, the way they are presented has evolved during the year as part of the review of the risk framework described above.

In addition, a new risk has been added to reflect the potential impact of the COVID-19 pandemic on our portfolio. To date the actual impact on our operations and portfolio appears modest, but we continue to closely monitor the situation including any potential impact to the valuations of our privately held portfolio companies. Our capital pool gives us the ability to fund portfolio companies through any delay.

The Board also monitors future risks that may arise, including the longer-term risks of changes to US pharmaceutical pricing and the potential long-term impact of Brexit on the UK bioscience research environment.

Risk appetite

The Board is willing to accept a level of risk in managing our business to achieve our strategic goals. As part of the risk framework, the Board sets the risk appetite in relation to each of the principal risks, and monitors the actual risk against that. Where a risk is approaching or outside the target risk, the Board considers the actions being taken to manage the risks.

As part of the review of the risk framework this year, the Board carried out a full review of its risk appetite to ensure it was clearly articulated and there was a shared understanding of its implications.

Our risk appetite is set out below:

	Risk appetite	Rationale
Enterprise risks		
People at SIML	Low	We want to minimise this risk but recognise the constraints of our small, focused team and model.
Access to capital	Low	We want to minimise this risk but recognise we are constrained by our investor universe and market sentiment.
Strategy and governance	Low	We want to minimise this risk but recognise the challenges of a portfolio with significant value and risk in each investment.
Portfolio risks		
Early stage investments	Medium	These risks are core to our business; at this early stage the funding required is typically less.
Clinical trial and regulatory approval	High	These risks are core to our business; this stage of development is typically capital-intensive and requires significant funding.
Commercialisation	Medium	These risks are core to our business but can be managed through our investment process.
People in portfolio companies	Low	We want to minimise this risk but recognise the challenges of recruiting global quality staff with highly specialised skills.
Capital pool	Low	We manage the capital pool to limit the likelihood of loss.
Operational risks		
Systems and controls	Risk averse	Our aim is to eliminate risks of control failures.

Managing risk and uncertainty around the disclosure of clinical trial data

Currently, our portfolio companies are progressing nine clinical trials. These trials represent both a significant opportunity and risk for each company and for the Company.

Unlike typical randomised controlled pharmaceutical clinical trials, currently all nine clinical trials are open-label trials. Open-label trials are clinical studies in which both the researchers and the patients are aware of the drug being given. In some cases the number of patients in a trial may be relatively small. Data is generated as each patient is dosed with the drug in a trial and is collected over time as results of the treatment are analysed and, in the early stages of these studies, dose-ranging studies are completed.

Because of the trial design, clinical data in open-label trials is received by our portfolio companies on a frequent basis. However, individual data points need to be treated with caution, and it is typically only when all or substantially all of the data from a trial is available and can be analysed that meaningful conclusions can be drawn from that data about the prospect of success or otherwise of the trial. In particular it is highly possible that early developments (positive or negative) in a trial can be overtaken by later analysis with further data as the trial progresses.

Our portfolio companies may decide or be required to announce publicly interim clinical trial data, for example where the company or researchers connected with it are presenting at a scientific conference, and we will generally also issue a simultaneous announcement about that clinical trial data. We would also expect to announce our assessment of the results of a trial at the point we conclude on the data available to us that it has succeeded or failed. We would not generally expect to otherwise announce our assessment of interim clinical data in an ongoing trial, although we review all such data to enable us to comply with our legal obligations under the EU Market Abuse Regulation or otherwise.

Viability statement

The Directors have assessed the prospects of the Company, considering its ability to continue in operation and meet its liabilities as they fall due over the period to 31 March 2023. The period selected was considered appropriate as: it covers a period over which a majority of current uncalled commitments are expected to be called; the Directors believe this to be a reasonable period of time for the life science investments to make meaningful progress on the journey towards fulfilling their long-term potential; and the Directors have a reasonable confidence over this time horizon.

The Company's strategy is well documented (see pages 12 to 15) and includes longer-term targets of creating 2-3 new companies per year, developing a portfolio of 15-20 life science companies and taking 3-5 companies to product approval over a rolling 10-year period.

Key factors affecting the Company's prospects over the assessment period are reflected in the principal risks set out on pages 47 to 51. These include ability to access capital; failure of material investment assets; and people risks. The table of principal risks sets out the key controls for these risks. At the present time it also includes risks arising from the COVID-19 pandemic.

These factors also apply over the longer term identified in the strategy, although factors such as access to capital become more challenging to mitigate. In addition, over the longer term, other risks may arise such as longer-term risks around US pharmaceutical pricing. These potential risks are monitored by the Directors.

The assessment process and key assumptions

The assessment is overseen by SIML and challenged and reviewed by the Audit Committee and approved by the Board.

The Company's viability testing considers base and severe combined stress scenarios. The principal risk is that the Company has insufficient access to cash to fund the life science companies and its liabilities. The severe combined stress scenario assumes that no income is received from the capital pool, that the legacy funds in the capital pool have no value, and that additional funding of the life science companies (beyond our assumptions in the base case) is required from the Company as a result of the life science companies being unable to access alternative sources of funding. It does not assume any impact on the value of, or our ability to realise, short-term UK treasury bills. We project the amount of capital we need in the business to cover our risks, including financial and operational risks, under the stress scenario. We also consider the impact of material life science investment failures; these are not taken into account in considering the Company's access to cash and so do not directly impact the Company's viability testing, but could have other negative impacts on the Company.

The Company seeks to maintain a liquid capital pool sufficient to provide at least 2-3 years funding for the life science portfolio plus its expenses. As at 31 March 2020 Syncona had a net capital pool of £767.0 million, of which £692.5 million is accessible within 12 months, and expects that annual investment into the life science portfolio will be £150 million-£250 million. This year it was £206 million. Our analysis shows that, while there may be a significant impact on the Group's reported performance in the short term under the tested scenarios, the resilience and quality of our balance sheet is such that solvency is maintained and our business remains viable.

Viability statement

Based on the results of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its obligations as they fall due over the three-year period of assessment.

Principal risks and uncertainties

The principal risks that the Board has identified are set out in the following table, along with the impacts and key controls for each risk. Further information on risk factors is set out in note 18 to the Consolidated Financial Statements.

Unchanged | Increased | Decreased

Description	Key controls	Changes in the year
Enterprise risks		
(Unchanged) **People at SIML** The execution of the Company's investment strategy is dependent on a small number of key individuals with specialised expertise. This is at risk if SIML does not succeed in retaining skilled personnel or is unable to recruit new personnel with relevant skills. Impacts include: – Poorer oversight of portfolio companies, risk of loss of value from poor strategic/operational decisions. – Insufficient resource to take advantage of investment opportunities.	– Market benchmarking of remuneration for staff. – Provision of long-term incentive scheme to incentivise and retain staff. – Ongoing recruitment to strengthen team and deepen resilience. – Focus on team development to provide internal succession from next tier of leaders. – Building high quality teams within portfolio companies that can operate at a high strategic level.	During the year SIML recruited two senior team members from the global pharmaceutical industry. Brexit has been a concern, but at present we believe this can be managed.
(Decreased) **Access to capital** Early stage life science businesses are very capital intensive, and delivering our strategy of taking companies to approval and beyond will require access to substantial capital. This is at risk if we do not have sufficient capital. Impacts include: – Dilution of stake in portfolio companies with loss of potential upside. – Loss of control of portfolio companies resulting in poorer strategic execution. – Portfolio companies unable to deliver their business plans due to financing constraints.	– Maintain capital pool of two to three years' (or more) financing requirements. – Clear communication to shareholders of the opportunities and risks of the strategy. – Active engagement process with shareholders and potential shareholders. – Ongoing consideration of alternative options for long-term financing. – Liquidity management process – SIML reviews projected liquidity over three years.	During the year we realised two investments and as a result increased the Capital Pool to a level above the minimum of two to three years' financing requirements. Achilles, one of our portfolio companies, brought in a syndicate of third-party investors as part of a £100m funding round.

Unchanged | Increased | Decreased

Description	Key controls	Changes in the year
Enterprise risks continued		
Unchanged **Strategy and governance** The Company's investment strategy is to invest in a small portfolio of early stage life science businesses, each of which may represent a significant portion of the total portfolio value, where it is necessary to accept very significant and often binary risks. It is expected that some businesses will succeed (and potentially result in substantial returns) but others will fail (potentially resulting in substantial loss of value). It is particularly important that our governance supports robust oversight of strategy execution by SIML's team. Impacts if this is not the case include: – Failure/delay to take key decisions such as major transactions or capital strategies.	– Strong Board with range of relevant experience, supported by a robust Board evaluation and succession process. – Clear and shared understanding of strategy and risk. – Transparent communication from SIML to the Board about portfolio opportunities and risks including upside and downside valuation cases.	During the year Melanie Gee was appointed Chair. A further Director with life science experience is currently being recruited.
Increased (New risk) **COVID-19** The COVID-19 pandemic has the potential to very significantly affect the Company's operations in a number of areas. Impacts could include: – Risk to SIML team members and portfolio company employees. – SIML team working remotely with collaboration / management more challenging. – Challenges in sourcing and implementing new life science opportunities. – Significant challenges for portfolio company operations where remote working is impractical. – Delays in carrying out clinical trials if healthcare resources are diverted to deal with pandemic, or risks to trial participants increase. – Additional capital requirements for portfolio companies to fund them through delay. – Reduced value of portfolio companies. – Risk that public markets become inaccessible for our portfolio companies or accessible only at punitive valuations.	– Effective remote working arrangements in place for SIML. – Bottom-up scenario analysis undertaken with senior leadership teams across the portfolio to model the impact of the disruption. – Strong capital pool offering significant buffer; robust capital deployment process.	The SIML team has responded proactively to the COVID-19 pandemic, and business operations continue on a remote basis. To date the principal impact has been delays to clinical trials carried on by our portfolio companies, to different degrees depending on indication. Has been considered in the valuation of our investments at year end; we do not consider any additional revaluation is required. We continue to closely monitor the situation including any impact to the valuation of our portfolio companies.

Description	Key controls	Changes in the year
Portfolio risks		
Unchanged **Early stage investments** There may be no or little substantial evidence of clinical effectiveness or ability to deliver a new technology in a commercially viable way. Material capital may need to be invested to resolve these uncertainties. New businesses may not be operationally robust to carry out these activities. Impacts include: – Financial loss and reputational impact from failure of investment.	– Extensive due diligence process, resulting in identification of key risks and clear operational plan to mitigate these. – Tranching of investment to minimise capital exposed until key de-risking steps are completed (particularly to resolve fundamental biological uncertainty). – SIML team works closely with new companies to ensure focus on key risks and high quality operational build-out. Team members may take operating roles where appropriate. – Robust oversight by SIML. – Our wider portfolio aims to have multiple companies at different stages of the development cycle and in different technologies, to enable us to absorb failures.	None
Unchanged **Clinical trial and regulatory approval risks** Clinical trials are inherently uncertain and there is a significant failure rate. Any trial could see adverse safety events or fail to show efficacy in line with regulatory requirements. Even if efficacy is shown, if the target product profile is not achieved then the commercial viability of the product may be substantially impaired or further cost incurred to carry out further studies. Impacts include: – Material impact on valuation, given capital required to carry out trials. – Material harm to one or more individuals, and potential reputational issues for the Company.	– Recruit dedicated specialist clinical teams in each portfolio company to manage trials effectively and with a clear understanding of the requirements of regulators. – Strong oversight from SIML to keep portfolio companies focused on these issues. – SIML team can bring in specialist expertise where helpful. – Trial design seeks to maximise likelihood of success where possible. – Portfolio company business plans seek to have multiple trials in different indications so that failure in one does not damage all the value of company. – Our wider portfolio aims to have multiple companies at different stages of the development cycle, to enable us to absorb failures. – Reporting of significant trial issues to SIML and to Board in serious cases.	Progress with a number of trials, including one trial seeking to move to pivotal stage, two trials ceasing and three new clinical trials launching. This takes total number of clinical trials across our portfolio to nine. Key data is currently awaited on Freeline's lead programme in haemophilia B and Autolus's AUTO3 DLBCL trial.

Unchanged Increased Decreased

Description	Key controls	Changes in the year
Portfolio risks continued		
Unchanged **Commercialisation** Our strategy is to build companies we can take to product approval and potentially beyond. The value will depend on whether the products developed can be effectively commercialised. Even at earlier stages, the value will be based on assumptions about the commercial outcome, such as size of market, competition, pricing and cost-effectiveness of manufacture. Impacts include: – Loss of value in portfolio company.	– Build products in areas with significant unmet need and that show substantial and differentiated efficacy. – Investment process considers strength of intellectual property or other protection and this is then operationalised by each company. – Investment process considers manufacturing as a key issue from inception of each company, rather than leaving to a later stage, and this is then operationalised. – At appropriate stage ensure portfolio companies recruit highly skilled personnel with significant experience in commercial delivery. – Strong oversight from SIML to keep portfolio companies focused on these issues. – SIML team can bring in specialist expertise where helpful. – Our wider portfolio aims to have multiple companies at different stages of the development cycle and different indications, to enable us to absorb failures.	Sold Blue Earth Diagnostics, our commercial-stage portfolio company. Our clinical stage businesses are moving through the clinical process and seeking to build products that can be effectively commercialised.
Unchanged **People in portfolio companies** Portfolio companies are reliant on recruiting highly specialised, high quality staff to deliver their strategies. This can be challenging given a limited pool of people with the necessary skills in the UK/Europe. Impacts of failing to have appropriate people: – Loss of value from failure to deliver key elements of operational plans (clinical trials, manufacturing, IP, team build etc).	– Seek to build high-quality teams in portfolio companies with internal resilience if one/small number of roles is absent. This can begin before an investment is made. – Build strong portfolio company boards (including representatives from the SIML team and experienced non-executives) to provide effective oversight and support. – Direct support from SIML, including team members taking operational roles where necessary. – SIML team can also facilitate access to external support where appropriate.	A number of key roles have been filled during the year, including CEO roles at Freeline and Quell. Brexit has been a concern, but at present we believe this can be managed.

Description	Key controls	Changes in the year
Portfolio risks continued		
Decreased **Capital pool** The capital pool is exposed to the risk of loss or illiquidity. Impacts include: – Loss of capital. – Inability to finance life science investments.	– Instruments are chosen to protect against risk and provide appropriate liquidity, with return a secondary consideration. – Investments largely in GBP to match functional currency. – Risk parameters monitored by SIML, with support from an external adviser to annually review the capital pool against chosen parameters.	During the year we disposed of the majority of the previously held fund investments to ensure it focuses on the key criteria of high liquidity and low risk. We now hold 90 per cent of the capital pool in cash and short-term UK treasury bills. As a result, we have reduced the overall risk of our capital pool.
Operational risks		
Unchanged **Systems and controls** We rely on a series of systems and controls to ensure proper control of assets, record-keeping and reporting, and operation of SIML's business. Impacts if these are not effective include: – Risk of loss of assets. – Inability to properly oversee SIML. – Inaccurate reporting to shareholders. – SIML unable to carry out its functions properly. – Breach of legal or regulatory requirements.	– Systems and control procedures are reviewed regularly by SIML, with external input where appropriate. – Certain systems have been outsourced to the Administrator who provides independence assurance of its own systems. – Annual review of systems and controls carried out by the Audit Committee.	With the disposal of the majority of the previously held fund investments, we have updated our capital pool processes.

Stakeholders and Society

In line with the Corporate Governance Code 2018, this report covers how the Board has considered the matters set out in section 172 of the UK Companies Act 2006.

Section 172 requires directors to have regard to the long-term consequences of their decisions, the interests of key company stakeholders, the impact of the company's activities on the community and the environment, the desirability of maintaining a reputation for high standards of business conduct, and fair treatment between the members of the company. As a Guernsey company that legislation does not directly apply to Syncona, but the Board recognises the importance of these issues.

Long-term decision-making

The Company's strategy is to found, build and fund companies around exceptional science to create a dynamic portfolio of globally leading healthcare businesses, through which we seek to capture the out-return that comes from commercialising life science.

We take a long-term approach and focus on delivering value through the cycle, ensuring that our portfolio companies are focused on delivering transformational treatments for patients. Our fundamental view is that the best opportunities for value creation in life science comes by taking carefully selected products into late development, product approval and in some cases beyond.

This approach means that the long-term consequences of decisions are at the heart of the Board's activities. We consider the opportunities and risks of investments where it could take 10 to 15 years to reach product approval, and where significant investment could be required to get to that point.

Further details: see Strategy (pages 12-15), Risk management and Principal risks (pages 44-51), Viability statement (page 46), Corporate Governance report (pages 66-69)

Our key stakeholders

Our key stakeholders are set out below. Positive relationships with our stakeholders are key to the success of our business and the Board reviews how it engages with these stakeholders on an ongoing basis.

As an investment company our suppliers are limited: other than SIML, our Investment Manager, they are principally our Administrator and Custodian, and professional service providers.

Patients

Patients with high unmet needs are at the heart of our activities as we seek to found and build portfolio companies that will develop transformational treatments. This is a key part of the role of the SIML team. The Board has regular reporting on the progress of new companies, and receives regular updates on the progress of clinical trials including reporting any serious clinical issues that arise during the development of new products. During the year, we saw significant encouraging early clinical data from Autolus in its AUTO1 and AUTO3 programmes and Freeline in its Haemophilia B programme.

Further details: see Life science portfolio review / Portfolio companies (pages 28-35), Strategy (pages 12-15), Risk management and Principal risks (pages 44-51)

Shareholders

A strong relationship with shareholders, who provide our permanent capital, is essential for the long-term success of the business. We aim to provide high quality information to all shareholders so they can understand and support the strategy of the business, including the potential returns, risks and capital requirements, and to understand their expectations for the long-term sustainability of our business.

The SIML team organise a comprehensive investor relations programme to help existing and potential shareholders to understand the Company's activities, strategy and financial performance. They met with key shareholders after the annual and interim results, reaching shareholders holding more than 80 per cent of shares, along with other ongoing engagement. The Company also held a Capital Markets Day in February 2020 which was attended by shareholders, prospective investors and analysts.

As part of this engagement we clarified our strategy around divestments and made enhanced information available about our portfolio companies. In addition, the Chair seeks to engage with key shareholders and investor groups at relevant times, principally around strategy and governance issues. These interactions are reported to the Board and inform their decisions on setting and implementing the Company's strategy.

Further details: see Risk management and Principal risks (pages 44-51), ESG (pages 54-65), Corporate Governance report (pages 66-69)

Investment Manager's team

Our business is driven by SIML's small investment team. Ensuring this group is retained, fully engaged, brings the right skills, capabilities and expertise, and can attract additional team members when required, is key to our success and a key risk for us.

The nature and small size of the team means that there is already close contact between the Board and team. Members of the Board join the team for the quarterly review meetings and for informal lunches. In addition, this year we have designated Gian Piero Reverberi as the Director for engagement with the team of SIML. In this role he will provide a specific contact point between the Board and the wider team and feedback on any interactions and host dinners with the team and a number of Directors. Although the first of these formal dinners (scheduled for March 2020) was postponed due to the COVID-19 pandemic, we aim to reschedule them as soon as circumstances permit.

Further details: see Corporate Governance report (pages 66-69), Report of the Remuneration Committee (pages 78-83), Our people (pages 40-41)

Our portfolio companies

Our portfolio companies are the vehicle through which we execute our strategy and the route through which we create value in our business, so it is key they reflect our values. One or more members of the SIML team works closely with each portfolio company's management team to support their business and clinical strategies to create long-term value, as well as sitting on the company's board.

Alongside detailed reporting from SIML, the Board seeks to hear directly and regularly from portfolio companies, to enhance its understanding of the portfolio and the team's approach.

Further details: see Life science portfolio review / Portfolio companies (pages 28-35)

Charities

We provide a significant level of philanthropic funding to two charities, The Syncona Foundation and The Institute of Cancer Research, and through the Foundation to a range of other charities. Many of those charities focus on seeking treatments for or supporting patients with disease. Two Board members are trustees of the Foundation (alongside independent trustees) and we aim to build a supportive relationship between members of the SIML team and individual charities. The Foundation presents annually to the Board, and the Board also periodically meets with some of the underlying charities to get a closer understanding of their activities.

Further details: see The Syncona Foundation (pages 60-65)

Wider society

Maintaining our licence to operate is vital. Our vision is to deliver transformational treatments to patients and we believe this brings a significant positive benefit to society. We aim to adhere to proper standards to ensure programmes are delivered in a safe and fully compliant way and to meet expectations for the sustainability of our business model, our impact on the community and the environment, high standards of business conduct and other impacts on society. The Board considers our purpose, culture and sustainability each year, and ensures that SIML manages the portfolio in line with these expectations. In addition, we initiated a project focused on formalising and communicating our approach to ESG issues. This is expected to complete during 2020/21 and next year we will provide more detail and identify any areas where we can improve our practices, including a clear ESG policy.

Further details: see ESG (pages 54-65), Corporate Governance report (pages 66-69)

Examples of decisions

Incentive scheme: A key consideration for the Board is to ensure that the SIML team are properly incentivised and aligned with the long-term strategy of the business. During the year the Remuneration Committee reviewed the incentive scheme that provides long-term rewards to the staff of SIML to ensure it continues to achieve these goals (see Report of the Remuneration Committee (pages 78-83) for further details).

Blue Earth: In June 2019 we agreed to sell our investment in Blue Earth Diagnostics Limited. This business had been founded by Syncona and had been built to the point of successfully delivering our long-term vision by providing a high impact product for patients with recurrent prostate cancer that had been used in over 50,000 patients. The Board concluded it was right to sell the investment at this stage in its life, to generate £337 million of net proceeds that would be available as part of the Company's capital pool to support the long-term strategy of the Company in funding the next generation of portfolio companies.

SwanBio: During the year we worked in partnership with SwanBio, our pre-clinical-stage gene therapy company focused on neurological disorders, to undertake an extensive exercise to identify unmet clinical needs where SwanBio is well placed to develop pipeline programmes. We also supported the company's growth with an additional $51.0 million commitment. This exemplifies our engagement and support for our portfolio companies to seek to deliver transformational treatments for patients.

Seeking to deliver a positive impact

We believe Syncona's vision of delivering transformational treatments for patients is a positive and sustainable one, and that a responsible approach to growing and managing this portfolio will add value to our businesses.

Developing transformational treatments for patients in areas of high unmet need is at the core of our strategy. We seek to succeed by building businesses that will make a real impact on health and wellbeing, and we believe this vision is a positive and sustainable one.

Across our portfolio we are seeking to stop different types of cancer, prevent blindness, cure life-long diseases like haemophilia and find treatments for other illnesses that prevent people living their lives to the full. We hope to be able to address these diseases with new technologies which directly contribute to patient health and help benefit the healthcare system as a whole.

We aim to run our business in a sustainable way, recognising that we are active stewards of our portfolio with the opportunity to drive positive impact, and detail our current approach on the following pages.

Governance

The Board of Syncona is responsible for promoting the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.

As set out on page 52-53 the Board takes account of a range of stakeholders in seeking to carry out this role.

Day-to-day implementation of the strategy, and operation of SIML, including the areas outlined above, is the responsibility of SIML led by its board. SIML is also responsible for engaging with the portfolio companies, in line with its published engagement policy, to ensure they are building businesses in line with our strategy.

Our people

Our people are critical to our success. Recruiting, retaining and developing our talent, and fostering a supportive and inclusive culture, are key priorities for our business.

The Investment Manager, SIML, has fewer than 30 employees and benefits from a nimble, innovative and open culture. We pride ourselves on merit and integrity, and we recruit, promote and reward on a meritocratic basis.

Below we set out some of the key areas through which we seek to nurture our culture and people.

Diversity

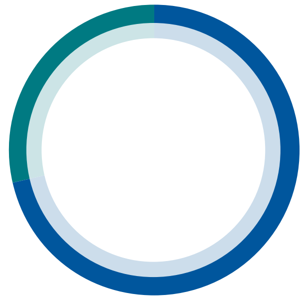
A key component of the Company's investment strategy is to build successful, sustainable and globally leading healthcare businesses. To achieve this, we rely on identifying high quality people at all levels.

The Syncona Board strongly believes in an inclusive approach that recognises and values the advantages of a diverse range of people, working collaboratively.

A breakdown of our Board and team by gender at 31 March 2020 is as follows:

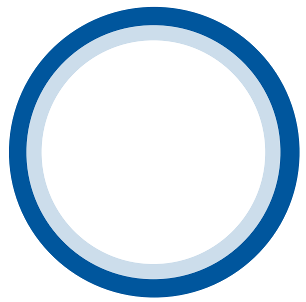
Gender diversity of Syncona Ltd Board at 31 March 2020

Male	5
Female	2



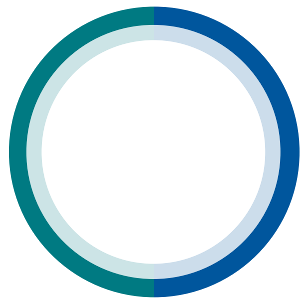
Gender diversity of Syncona Investment Management Ltd Executive Committee at 31 March 2020

Male	3



Gender diversity of Syncona Investment Management Ltd at 31 March 2020

Male	14
Female	14



At Board level we are pleased to have achieved our previous target of at least 25% female representation. As set out in the report of the Nomination Committee on page 72, we recognise that more needs to be done, and have set new targets both for female representation and for representation from people of colour.

At team level, we are also pleased that we have already achieved the Hampton-Alexander target of a minimum of 33 per cent female representation across the core team (Executive Committee plus direct reports). Many of the key business issues for Syncona – in particular, all investment proposals – are determined with the entire core team and we believe that the team's investment performance has benefitted, and continues to benefit, from this diversity.

At present our Executive Committee is entirely male. This is a small group of three individuals (CEO, CIO and CFO) who have regulatory responsibility for SIML. The Executive Committee is reviewing the skill sets it needs as the business expands, and whether there is an opportunity to bring further perspectives into the Executive Committee.

Our portfolio of nine life science companies, which we are actively involved in building, has brought together high quality, diverse leaders from all backgrounds, drawing on a global pool of talent.

Bullying and harassment

We have a zero tolerance approach to bullying and harassment. We are committed to creating a work environment where everyone is treated with dignity and respect, and work hard to ensure that no team member will ever feel threatened, intimidated, humiliated, vulnerable or otherwise upset, nor that any team member will be subject to uninvited conduct that has an intended or unintended consequence and/or violates their dignity.

Our future plans

ESG issues are important to us and we are seeking to do more in this area. We are currently focused on reviewing, formalising and communicating our approach. In 2021 intend to provide more detail and identify any areas where we can improve our practices in future.

To do this, we are currently working with a leading advisory firm in the sustainability space to undertake an exercise to complete a materiality assessment of the most important sustainability issues to our business.

We will be seeking input from external stakeholders into this process as well as benchmarking it against a range of relevant global frameworks which guide best practice.

With net assets of £1.2 billion and nine portfolio companies in which we are active stewards, we recognise the influence and opportunity we have to oversee the impact of our portfolio companies. Our project will consider how best we can deliver this.

We intend to set out the results of this project in 2021, including a clear and comprehensive ESG policy, additional reporting, and our ambitions for the future.

Training and development

SIML carries out regular performance and development reviews, and team members are encouraged to undertake training and development appropriate to their role, either internally or externally, in order to improve the skills necessary for carrying out their present duties and develop in their roles. Support and sponsorship is provided by SIML.

Flexible working

All team members have a right to request flexible working arrangements and have these reviewed if they have been an employee for 26 weeks or more.

Employee benefits

In line with our desire to attract and retain our talented team, the team are provided with a number of employee benefits, including life assurance, income protection, private healthcare and pension contributions.

Health and safety

SIML is committed to ensuring a safe environment for the team, and seek to ensure that high standards of health, safety and welfare provisions are achieved and maintained in our business.

The team are fundamentally engaged in low risk activities in an office based environment. A full monitoring and training plan is in place to deal with any issues that arise, supported by specialist advisers. There were no reportable health or safety incidents in the year to 31 March 2020.

Standards of conduct and behaviour

High standards of conduct and behaviour are required from the team. Our required standards of conduct and behaviour are promoted and enforced through a comprehensive suite of policies and procedures covering areas such as anti-fraud, bribery, corruption, financial crime and whistleblowing. In addition, as an entity regulated by the Financial Conduct Authority, most of the SIML team are required to comply with the FCA's Conduct Rules.

All team members are required to be familiar with, and understand, the obligations that apply to them. Regular learning modules are completed to ensure understanding of these policies and each individual must regularly confirm in writing that they are in compliance. The process is overseen by the board of SIML

Modern slavery

We regard modern slavery practices such as exploitation, coercion and trafficking as fundamentally unacceptable and we fully recognise and support the role of business in addressing this.

Syncona does not meet the criteria to report under the Modern Slavery Act 2015 and, given the nature of our activities, our risk based assessment is that the likelihood of modern slavery occurring within our business is already low. Our own business is relatively small, with a small team (typically educated to graduate level or beyond) based in central London, and a supply chain that principally constitutes professional service providers such as our custodian and administrator, brokers and auditor. As a result we have not focused on reporting on our activities in this area.

However, recognising the increasing importance to all our stakeholders of a clear understanding of how we earn our 'licence to operate', as part of our ESG project this year we are reviewing our current practices and disclosure in relation to modern slavery.

We will consider how to formalise existing procedures to mitigate modern slavery risks in order that we can voluntarily make a formal statement in line with the Act.

Collective bargaining

Due to the small size of the team, as well as the nature of our business, SIML's employees are not, in practice, unionised and do not engage in collective bargaining.

Bioethics and animal testing

Syncona recognises that developing new medical technologies comes with significant responsibilities.

With any new technology there can be risks to human safety when it is first tested or throughout the clinical process. We place high priority on the safety of the products developed by our life science companies and expect that any decision to proceed with a product or therapy should involve careful consideration of the risks and potential benefits of the technology in light of the information available. Our portfolio companies are expected to meet all required safety and regulatory requirements which are designed to see new therapies developed according to acceptable ethical standards.

At this time, scientific research involving animals in the early stages of testing remains an essential tool to increase our understanding of potential new technologies and provide us with data to enable an assessment of safety and potential benefits before beginning human testing. With this in mind, we seek to ensure that our portfolio companies use animals in research in line with all legal and regulatory requirements and applying the widely used '3 Rs' standard:

1. Replacement: promoting the use of other methods wherever possible.
2. Reduction: reducing the number of animals used.
3. Refinement: minimising pain, suffering, distress or lasting harm, as well as improving the welfare of the animals used.

Measuring our environmental impact

Greenhouse Gas Emissions

The section below includes our first Streamlined Energy and Carbon Reporting. Although the Company is not subject to the laws of England and Wales, this report has been prepared in line with the relevant English legislation as set out below. The reporting period is Syncona's financial year, the 12 months to 31 March 2020.

Background

We seek to operate our business in an environmentally responsible and sustainable manner. Given the relatively small nature of our operations, with fewer than 30 employees, our environmental impacts are relatively small. Our clearest direct impact (Scope 1 and 2) comes from the energy we use in our building, which is 100 per cent powered by green energy, generated from wind and hydro asset sources. Our office space also has a Zero to Landfill waste policy (Scope 3), with the building recycling approximately 60 per cent of waste, with the remainder undergoing heat recovery to produce energy which heats homes and water.

Within our extended Scope 3 environmental impacts, our largest impact is our business travel, in particular business flights. These form an important part of the work we do given the location of some of our portfolio companies in which we have extensive involvement and given the global nature of the life science industry. However, we are committed to looking at ways to reduce this on an ongoing basis, for example by utilising video conferencing and other forms of communication.

Our ambition is to continue to reduce our environmental impact over time, and this will form one of the areas we review as part of our sustainability project this year. We look forward to reporting back in more detail.

Organisation boundary and scope of emissions

We have reported on all of the emission sources as set out in the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

An operational control approach has been used in order to define our organisational boundary, which includes SIML but excludes our portfolio companies. This is the basis for determining the Scope 1, 2 and 3 emissions for which the Company is responsible.

The emissions sources that constitute our boundary for the year to 31 March 2020 are:

– Scope 1: natural gas combustion within boilers;
– Scope 2: purchased electricity and heat consumption for our own use; and
– Scope 3: business travel, waste generation, the supply and treatment of water, employee commuting, electricity transmission and distribution and WTT emissions associated with extracting, refining and transportation of raw fuel to vehicle/asset/process.

Methodology

We have employed the services of a specialist adviser, Verco, to quantify and verify the greenhouse gas (GHG) emissions associated with the Company's operations.

The following methodology was applied by Verco in the preparation and presentation of this data:

– the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development and the World Resources Institute (the "WBCSD/WRI GHG Protocol");
– application of appropriate emission factors to the Company's activities to calculate GHG emissions;
– Scope 2 reporting methods – application of location-based and market-based emission factors for electricity supplies;
– inclusion of all the applicable Kyoto gases, expressed in carbon dioxide equivalents, or CO_2e;
– presentation of gross emissions as the Company does not purchase carbon credits (or equivalents);
– presentation of global annual energy use
– where data was missing, values were estimated using an extrapolation of available data.

Absolute emissions

The total Scope 1, 2 and 3 GHG emissions from the Company's operations in the year ending 31st March 2020 were:

– 223.1 tonnes of CO_2 equivalent (tCO_2e) using a 'location-based' emission factor methodology for relevant emissions;
– 205.3 tonnes of CO_2 equivalent (tCO_2e) using a 'market-based' emission factor methodology for relevant emissions.

Total energy Use

The total energy use for the Company for FY2020 was 67,494 kWh.

Intensity ratio

As well as reporting the absolute emissions, the Company's GHG emissions are reported below on the metrics of tonnes of CO_2 equivalent per employee and tonnes of CO_2 equivalent per square foot of the occupied areas. These are the most appropriate metrics given that the majority of emissions result from the operation of SIML and the day-to-day activities of its employees.

The intensity ratio for occupied space has been calculated using Scope 1 and Scope 2 data only as these are the emissions associated with the office space. The employee intensity metric has been calculated from the emissions for Scopes 1, 2 and 3 to give a ratio per employee covering all of the Company activities.

For FY2020, the intensity metrics were as follows:

Location-based method:

– 8.58 tonnes of CO_2e per employee
– 0.002 tonnes of CO_2e per square foot of occupied space

Market-based method:

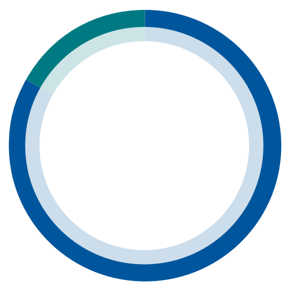
– 7.90 tonnes of CO_2e per employee
– 0.0003 tonnes of CO_2e per square foot of occupied space

Target and baselines

Given the comparatively low GHG impact of SIML's operations, our objective is to maintain or reduce our GHG emissions per employee and per square foot of office space each year and we will report on whether we have been successful in this regard.

2020 Energy use (kWh)

Electricity	56,148
Gas	11,346
Total	67,494



Efficiency actions undertaken

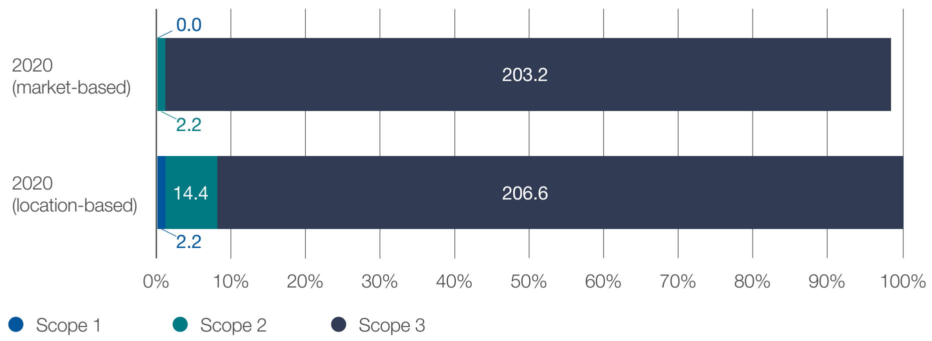
This is our first greenhouse gas emissions report, and our intention is to provide details of efficiency actions undertaken on an annual basis moving forward.

As detailed, our building is environmentally efficient, holding a certificate from BREEAM as an environmentally friendly building. In March, towards the end of the financial year, the building also moved to 4D smart monitoring for temperature and air quality in the building. As data is generated the intention is to make changes to operational assets in the central plant to improve energy efficiency in the building. During the year we also began recycling printer cartridges and retained a new waste company for confidential waste which has carbon neutral certification and a Zero to landfill policy.

As flagged, we intend to look at ways to continue to reduce our environmental impact, including our emissions through business travel, and will provide more information following a review this year.

Key figures

Syncona's Breakdown of emissions by scope



	2020		
GHG emissions	Tonnes CO_2e	tCO_2e / emp. [6]	tCO_2e /sq. ft. [7]
Scope 1[1]	2.2	0.08	0.0003
Scope 2[2] (location-based)	14.4	0.55	0.002
Scope 2[3] (market-based)	0.0	0.00	0.00
Subtotal (location-based)	16.5	0.64	0.002
Subtotal (market-based)	2.2	0.08	0.0003
Scope 3[4] (location-based where relevant)	206.6	7.94	–
Scope 3[5] (market-based where relevant)	203.2	7.81	–
Total GHG emissions (location-based)	223.1	8.58	–
Total GHG emissions (market-based)	205.3	7.90	–

Notes:

1 Scope 1 being emissions from the Company's combustion of fuel and operation of facilities.
2 Scope 2 being electricity (from location-based calculations), heat, steam and cooling purchased for the Company's own use.
3 Scope 2 being electricity (from market-based calculations), heat, steam and cooling purchased for the Company's own use.
4 Scope 3 being all material indirect emissions (not in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions (location-based)
5 Scope 3 being all material indirect emissions (not in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions (market-based)
6 Employee numbers: 28
7 Occupied office space: 6,646 sq ft.

The Syncona Foundation

Each year, Syncona provides a significant level of philanthropic funding to the two charities it supports, The Syncona Foundation and The Institute of Cancer Research (ICR), charities which have ambitions aligned to our vision to deliver transformational treatments for patients and through which we are pleased to contribute to the wider healthcare ecosystem.

The largest part of our donations goes to the Foundation, which supports a range of other charities, the majority of which focus on seeking treatments for or supporting patients with disease. The Foundation's support extends beyond funding these charities and includes networking and helping to form links and support wider fundraising efforts. The remainder goes to the ICR, one of the world's most influential cancer research organisations, dedicated to finding cures for cancer.

This year we carried out a review of our donations. As a result we have decided to increase the funding provided from 0.3 per cent of NAV to 0.35 per cent of NAV for three years.

We will donate £4.6 million this year, bringing our total donations to date since 2012 to more than £31.7 million. The increased donation will go to the Foundation and allow them to increase their capacity to support their network of charities.

We also intend, after our 2022 donations, to move to only directly funding the Foundation. The Foundation already has a long-standing relationship with the ICR and so that relationship will continue. Focusing our donation on the Foundation will let it take a holistic view of the opportunities available to maximise the impact of our funding.

In past years we have asked shareholders to vote on how the donation to the Foundation should be allocated between those charities, but in practice shareholders representing less than 5% of the total shares exercised that right. We have accordingly decided to end the shareholder process and give the Foundation discretion on how it spends the donation, within a defined strategy.

We are proud of our efforts in this important area and look forward to continuing to increase the impact our funding can have on seeking treatments for or supporting patients with disease. The following section provides a further update on our philanthropic activities this year.

The Syncona Foundation: supporting 26 charities

Update from the Chair of the Trustees of The Syncona Foundation

I am delighted to provide an update on The Syncona Foundation's activities in 2020.

The Syncona Foundation was set up in 2012 with charitable objectives focusing on the prevention, treatment, cure and ultimately eradication of cancer and other diseases as well as other charitable activities. Since that time, we have donated over £31 million to charities which are having a significant impact across the UK and throughout the world. Today, we are proud to provide funding to 26 core charities. The Foundation is independent from Syncona but closely aligned with its aim of transforming the lives of patients.

The Foundation typically aims to provide grants over a number of consecutive years and without any restrictions on what our funding can be used for. This is important for our charities as it allows them to plan their medium-term strategies with the security of having recurring income, and allows them to deploy the funding into the places they know really need it. This has proven all the more important in 2020 as many of our charities and their stakeholders have been impacted by the fallout from the COVID-19 outbreak. In particular those charities that are active in the community through outreach programmes face increasing pressures on resources, both human and financial. One of these, the Alzheimer's Society, who you will hear from in coming pages, has faced the particular challenge of ensuring the health and wellbeing of its elderly beneficiaries who have been subject to an extended period of isolation. This is incredibly important work and we are proud to support them as they in turn seek to support people suffering from this devastating disease.

In 2019 we were delighted to add a new charity, The David Nott Foundation, to our list. The charity provides surgeons and medical professionals with the skills they need to provide relief and assistance in conflict and natural disaster zones around the world. As well as providing the best medical care, the charity trains local healthcare professionals to leave a legacy of improved health outcomes. In just five years since being established, the David Nott foundation has trained 772 doctors in 37 countries, benefiting 1.7 million patients.

I am also delighted that Syncona has agreed to increase the charitable donation it makes to 0.35 per cent of Syncona's net asset value for three years, and over the next few years to move the full amount of the donation to the Foundation. I would like to sincerely thank the Board of Syncona Ltd and the team at SIML for these gestures, and I know the charities we support would join me in doing the same.

This is an exciting opportunity for the Foundation to do more and we are particularly focused on increasing the impact our funding can have for patients with health conditions. We see significant needs in many areas including neurodegeneration and look forward to working with our current and new charity partners to deliver greater support.

Finally, we would like to thank our charities for their incredible efforts over the last year in contributing to our shared goals. They are the frontline in delivering impact to patients and more important than ever in the current environment.

Tom Henderson
Chair of the Board of Trustees of The Syncona Foundation

Rupert Adams
Board of Trustees

Nigel Keen
Board of Trustees

Cathy Scivier
Board of Trustees

Liz Bennett
Foundation Secretary

Fenella Dernie
Finance Manager

£4.6m
Donations in 2020

£31.7m
Donations since foundation in 2012

Syncona Foundation charity case study:

Uniting against dementia with Alzheimer's Society

"There are currently around 850,000 people with Alzheimer's in the UK. This is projected to rise to 1.6 million by 2040."

Alzheimer's Society

Every three minutes in the UK, someone develops dementia. The condition strips people of their memories, their abilities, and their connections to the world. There is no cure yet, and treatments are limited.

If you or a loved one needs support with dementia, please contact the Dementia Connect Support Line on 0333 150 3456.

Learn more at: www.alzheimers.org.uk

Alzheimer's Society is the UK's leading dementia charity. We provide critical support services, fight for people's rights and fund leading research to develop new treatments for this relentless condition. Until we find a cure, we are determined that no one will have to face dementia alone.

Dementia is a complex condition — one that requires a complex solution. And we're tackling dementia from all angles:

- The cost of dementia care in the UK is £34.7 billion. Over the next 20 years, this is set to rise to a staggering £94.1 billion – unless we take action.
- Research will beat dementia. That's why we fund the most promising studies that will lead us to new treatments, and one day a cure. We're also a founding partner of the revolutionary UK Dementia Research Institute – a ground-breaking collaboration designed to accelerate our progress towards new treatments.
- We know it's critical to improve care for the nearly 1 million people living with dementia today. That's why care research plays a fundamental role in our research portfolio, ensuring people with dementia can live as well as possible.
- Alongside our research work, our lifeline support services are helping people affected by dementia each and every day. Last year, 218,000 people benefitted from these services, which provide personalised, group, and peer support.

How Syncona is helping lead the fight against dementia

For the past seven years The Syncona Foundation has funded our research, supporting the world's best and brightest dementia researchers as they determinedly take us step by step towards a world without dementia. This type of investment underwrites the crucial studies that lead to real world developments.

Last year for example, US pharmaceutical company Biogen announced that it was seeking approval for a drug that had been shown to slow cognitive decline in Alzheimer's disease. This work wouldn't have been possible without discoveries made years before by Alzheimer's Society-funded researchers, who established the theory on which the drug is based.

The work our researchers are doing right now will pave the way to new treatments in the future – whether that's focusing on early intervention to slow or even stop dementia, or designing antibodies that tackle the build-up of amyloid clumps, a hallmark of Alzheimer's disease.

Research is the cornerstone of the fight against dementia. The more we learn about the diseases that cause dementia, the better we are able to find new targets for treatments. In the next five to ten years, we will see the results of today's investments in research. And we won't stop until we overcome dementia once and for all.

Alzheimer's Society in action:

At 49, I was diagnosed with Alzheimer's disease. I was so shocked – I knew people who had dementia, but they were much older than me.

'When I asked for more information, I was told to "stop panicking". I was taken out to the waiting room where I was handed some pills and told to come back when they had run out. And that was it. There was no follow up for four months, and I soon became depressed.

'One of my friends introduced me to Alzheimer's Society. They have been absolutely wonderful. They really helped me to see that dementia isn't the end.

'I've also had the opportunity to use my voice to raise awareness with the Society. As a result, my local GP now offers follow up with mental health nurses after a diagnosis has been given. Now no one in my area has to feel as lost as I did.'

Amanda

Living with dementia.

Syncona Foundation team member interview:

Partnering with our charities

Abbey Webb, an Executive Assistant at Syncona, discusses working with Syncona charity, Child Bereavement UK, and the impact it has had on her.

Q: Tell us about your Syncona Foundation charity and why it is important to you?
A: Child Bereavement UK is important to me as it is very significant to my own personal journey of bereavement. About four years ago my mother passed away unexpectedly. This was one of the worst and most traumatic things to happen to me in my life and you can only really understand the importance of this point when it happens to you.

After my mother's death and much deliberation with myself on how I was going to make the most of the life she had given me, I found myself working at Syncona and soon realised that they had a strong commitment to supporting our charities, one of which was Child Bereavement UK. They were coming in to present to the team and provide an update on how the donations had helped them to grow and support more people. I knew that I had to be involved with this charity in some way and that I wanted to know more about them. That was the beginning of my relationship with Child Bereavement.

Child Bereavement UK supports children, parents and families when a child grieves or when a child dies. They support children and young people up to the age of 25 who are facing or have experienced bereavement. I felt an immediate connection to the Charity as I had been just 25 when I lost my mother.

Q: How have you worked with Child Bereavement UK?
A: My work with Child Bereavement UK has been focused around understanding what it is they do and how they do it. In order to achieve this, I have been involved in visiting their operational sites, meeting with key individuals of the organisation, seeing active operations within communities like Grenfell and having regular catch ups with Anna Driver, who is the Trust and Grants Manager. Out of this I then try to provide regular updates to the Syncona team and Foundation.

I was kindly asked to present certificates for the achievements of the Groups for Young People, an outreach programme for a group of young people who have been supported by Child Bereavement UK. When speaking to the group it was really clear to me how important the support of the Charity had been to them.

I have also had the pleasure of attending events such as a fund raiser held in Holland Park featuring a performance of Cosi fan Tutti, the launch of their 25th Anniversary at the Bank of England and the 25th Anniversary Gala at Kensington Palace.

I had the opportunity to meet with everyone involved with the charity and for me to provide my own continued support.

"Since my own bereavement, I had wanted to make sure that other young people in a similar position get the support they need."

Q: What is the most compelling thing you've witnessed in, or impactful aspect of the work that Child Bereavement UK does?
A: This is quite a difficult question as I genuinely believe that anything they do to help families with the bereavement journey is phenomenally amazing. One thing that stands out the most would be their ability to adapt to any given situation, an example of which would be with Grenfell. The team at Child Bereavement UK were not only able to support parents and young people who were bereaved but were able to effectively support most of the community as a result of using various creative means.

I can't really answer this question fully without mentioning the 'One More Minute' television campaign which truly touched the hearts of the nation. Making people really think, "what would you say if you had one more minute with a loved one who had passed away?". It not only makes people appreciate each other more, but effectively got the name of the charity out there, as one main struggle for the charity had been reaching parents and young people who had suffered bereavement.

The ability to adapt to any given situation is why they are so good at what they do. It isn't their aim to be a better bereavement charity than another, but to find those areas in the UK that perhaps don't have support and work in tandem with other charities.

Q: What does being able to work with a charity like Child Bereavement UK through Syncona mean to you?
A: Since my own bereavement, I had wanted to make sure that other young people in a similar position get the support they need. To by chance be involved with Child Bereavement UK means that I get to see this happen first-hand. My hope is that they continue to grow as a charity and that they are able to meet the ever-increasing demand for bereavement support.

Abbey Webb

Executive Assistant, Syncona Investment Management Ltd

Syncona Foundation Charity Founder Interview:

Transforming access to clinical trials

Syncona interviews Professor Charlie Craddock, CBE, about his role co-founding Syncona charity Cure Leukaemia and his work accelerating patient access to clinical trials in blood cancer.

"We're really grateful to Syncona, who have been visionary partners and have made a big difference in so many ways."

cureleukaemia
the blood cancer charity

22
Trials opened in last 7 years

1,200
Patients recruited to prospective clinic trials

Q: Could you tell us about yourself and what led you into the field of oncology?
A: I trained at Oxford University, I then did my post-graduate training in London at Imperial College, and in Seattle at the Hutchinson Cancer Centre. I was fascinated by the ability in Haematology to apply new and emerging treatments to adults with blood cancers whose outcome otherwise would be very poor. I found it intellectually stimulating how you translate our understanding of the science of what goes wrong to make a cell cancerous, to a whole long process of designing a therapy that can get rid of the disease. It was highly rewarding to see the difference these treatments make to patients and their families.

At the same time, I was only too keenly aware that so many patients don't have effective treatment options and I could see the devastating impact on patients and families. Every day you're reminded of the bravery of patients and their passion to live. You see the whole richness and tapestry of life.

Q: Could you tell us how you came to co-found the charity Cure Leukaemia?
A: About 20 years ago, it became apparent that we were at last able to apply the fundamental insights into basic biology of what make cells cancerous and design new and increasingly effective treatments. The moment that it became clear that there was a wave of breaking new drugs and transplant therapies, what was vitally important was to ensure patients had access to these new treatments as quickly as possible.

One of the main advances was the ability to uncode the DNA of patients with cancer so we could look at their particular cancers and their molecular abnormalities. That allows you to predict patients who are going to do particularly well on specific clinical trials, but at the same time it means that quite common cancers actually get split up into smaller sub groups defined by their molecular abnormalities which makes recruitment for clinical trials harder with smaller populations. When genomic stratification makes every disease a rare disease, you have to have a radical rethink about what your trial's infrastructure looks like if patients are going to have accelerated access to these therapies.

In 2005, what was painfully apparent in busy centres across the country, including ours, was that although new drugs were coming through, there were blockages, and we didn't have the resource in the form of research nurses to allow trials to be opened. Simultaneously there were some incredibly gifted clinical investigators across the UK, who had great ideas on how to use these treatments but they didn't have the bandwidth to write the trial, get all the regulatory medical approval.

So when Cure Leukaemia started off, we focused on radically accelerating recruitment to clinical trials, funding research nurses and people running trials around the biggest catchment region in Europe, the West Midlands. In effect, we needed to set up new funding streams to keep pace with the scientific discoveries.

This was an enormous benefit to patients as they saw the drugs that they otherwise wouldn't have seen and it was a big benefit to the academic community as we were able to get new insights into how we should use these drugs.

"Syncona was able to help us redesign and adapt what the clinical trial environment should be like in 2020."

Fast forward a few years and, learning from these early successes, Cure Leukaemia is now funding The National Trials Acceleration Programme (TAP), which is a network of blood cancer centres that work together across the country. We are also funding a hub, a group of skilled trialists who work in our centre in Birmingham and this team works with these very gifted investigators across the UK to rapidly develop new trials.

In 7 years we've opened 22 clinical trials that would almost certainly not otherwise have been opened, recruited more than 1200 patients to prospective clinic trials that are generating new information published on internationally significant channels that changes our understanding of how we treat Leukaemia globally, and patients have seen drugs that they otherwise wouldn't have seen simply because there isn't enough evidence at that stage for its routine funding. Almost all the drugs we conduct trials on have proven to be effective or have proven to be valuable and have subsequently been adopted by the healthcare system. It's, therefore, really accelerated access to these treatments for such a large number of patients. Now we're seeing TAP viewed by the global pharma sector as a really effective way of generating pivotal registration standard data from clinical trials that is so important to them

Ordinarily the time to set up a cancer clinic trial is about 30 months due to the bandwidth of our gifted clinical investigators, we bought that down to six months and, during the COVID-19 pandemic, we've seen this can come down to even less than a month.

Q: What has the impact of Syncona's support been?
A: Syncona, via the Foundation and in particular (Chair of Trustees) Tom Henderson has been a key partner for Cure Leukaemia. They were able to understand our proposition at a time when so many new treatments were becoming available.

Syncona was able to help us redesign and adapt what the clinical trial environment should be like in 2020, rather than just using a model that was tried and tested in the 1990s. That productive interaction allowed us to have our creative thinking stimulated, tested, and ultimately turn out to be a transformational model, that is not only applicable to blood cancer but other cancers and diseases where these waves of new treatments are coming through.

Their funding investment has been of transformative importance – what we see is that for every pound you invest in Cure Leukaemia and the infrastructure it funds you get £10 of 'free drugs' for patients.

We're really grateful to Syncona, who have been visionary partners and have made a big difference in so many ways.

Q: What is your vision for the future? What is your ambition? What would make you look back and say that was successful?
A: The thing that gets me out of bed in the morning is that we still have patients whose outcome with blood cancer is very poor. Our urgent mission is to connect all patients who need new therapies with those new therapies going through accelerated trials. So, there is still an urgent need to expand our number of centres and our capacity to deliver trials.

Secondly, we think there is an opportunity to create a sustainable philanthropic clinical trial ecosystem in the UK through networks such as ours, facilitated by charities. That's a very attractive, quite radical notion but I think it starts the conversation about how philanthropy can adapt to the post COVID-19 era, which is going to be very challenging. If we are able to deliver valuable propositions, in this instance clinical trials, that otherwise have a monetisable value to the pharma sector, you generate a surplus which all goes back to look after patients. That's a radical but realisable proposition and it makes philanthropy much more sustainable.

Professor Charlie Craddock, CBE
Professor of Haemato-oncology

"The moment that it became clear that there was a wave of breaking new drugs and transplant therapies, what you wanted to do was to make sure patients saw these new treatments as quickly as possible."

The Company's Strategic Report is set out on pages 1 to 65 and was approved by the Board on 11 June 2020.

Melanie Gee

Melanie Gee
Chair, Syncona Ltd

Dear fellow shareholder

Melanie Gee
Chair

I am delighted to introduce the Corporate Governance report for the year ended 31 March 2020, which reflects my and my Board colleagues' work in my first year as Chair.

As Chair, I am responsible for ensuring that the Board upholds a high standard of corporate governance and operates effectively and efficiently, promoting a culture of openness and debate, and exercising effective stewardship over the Company's activities in the interests of shareholders and other stakeholders.

Role of the Board

The Company is a closed-ended investment company, and has appointed its subsidiary SIML as Investment Manager. The Board's role includes determining and monitoring the Company's investment policy and strategic objectives, and overseeing the Investment Manager's execution of the strategy to ensure that it continues to promote the long-term sustainable success of the Company.

Composition and meetings

All of the Board are Non-Executive Directors and profiles of each, including length of service, are on pages 70 and 71.

Of the Directors, all but Tom Henderson and Nigel Keen are considered to be independent. Tom is not considered to be independent because of his shareholding and his former role within BACIT (UK) Limited, the Company's former Investment Manager (until December 2017). Nigel is Chairman of SIML, and therefore is also not considered independent under the UK Code. Despite not being considered to be independent, the Board believes that both Tom and Nigel bring valuable skills and knowledge to the Board, in particular Tom's involvement with the Company since its establishment in 2012, deep network of relationships and strong track record in the fund management industry, and his connection with The Syncona Foundation, and Nigel's broad experience of early stage life science businesses in the UK.

The Board holds quarterly Board meetings. These follow an annual work plan that seeks to ensure a strong focus on strategy, including a Strategy Review Day each year, alongside monitoring the Company's operations in a structured way. I work closely with the Investment Manager and the Company Secretary to ensure the information provided to the Board meets its requirements. The Board may also hold ad hoc meetings or discussions between its routine quarterly meetings, where required for the business of the Company. Although members of the Investment Manager's team attend each Board meeting, the Board also schedules part of each meeting to be held without the Investment Manager.

The Audit Committee also meets quarterly whilst the Nomination Committee and Remuneration Committee typically meet three times each year but (as with this year) will meet more often if they consider it appropriate to do so to carry out their roles.

The Board is satisfied that each of the Directors commits sufficient time to the affairs of the Company to fulfil their duties and meet their responsibilities. Where a Director does not attend a Board meeting, I contact him or her prior to and following the meeting to seek his or her views on the topics set out in the Board papers in advance of the meeting and to keep him or her apprised on the matters discussed and conclusions reached. Attendance at the Board and Committee meetings during the year was as shown in the table opposite.

The Board

- Sets strategy and recommends the investment policy to shareholders.
- Review portfolio performance in light of the investment policy and strategic objectives.
- Approves transactions with significant value or involving borrowing.
- Robustly assesses the principal risks facing the Company and defines the risk management process.
- Ensures appropriate engagement with shareholders.

Committees of the Board

Nomination Committee

Responsibilities
- Recommend Board appointments and appointments to the sub-committees of the Board.
- Advise the Board on the re-election and election of Directors at the Company's AGM.
- Review Board composition and oversees succession planning.
- Support the Chair in carrying out the Board evaluation each year.
- Review compliance with the UK Corporate Governance Code.

Members
- Melanie Gee (Chair)
- Ellen Strahlman
- Nicholas Moss

〉Read more on page 72

Audit Committee

Responsibilities
- Oversee financial reporting and advise the Board on whether the Annual Report is fair, balanced and understandable.
- Evaluate the appointment and independence of the auditors.
- Oversee portfolio valuation.
- Monitor risk management and internal controls.

Members
- Rob Hutchinson (Chair)
- Nicholas Moss
- Ellen Strahlman

〉Read more on page 74

Remuneration Committee

Responsibilities
- Review remuneration paid to the Chair of the Board.
- Recommend the remuneration of the Non-Executive Directors.
- Review the overall employee cost of the Investment Manager.
- Oversee the incentive scheme that provides long-term rewards to the Investment Manager's team.

Members
- Nicholas Moss (Chair)
- Melanie Gee
- Rob Hutchinson
- Gian Piero Reverberi

〉Read more on page 78

Further details of the work of each of the Committees are set out in the separate reports for each of them.

As the Board is entirely made up of Non-Executive Directors, we have not considered it necessary to appoint a management committee. The independent members of the Board are responsible for reviewing the performance of the Investment Manager in relation to the investment portfolio.

	Scheduled Board meetings	Audit Committee meetings	Nomination Committee meetings	Remuneration Committee meetings
Jeremy Tigue (Chair until 31 December 2019)[1]	3/3	–	3/3	3/3
Melanie Gee (Chair from 1 January 2020)[2]	4/4	–	3/3	4/5
Thomas Henderson	4/4	–	–	–
Rob Hutchinson	4/4	4/4	–	1/1
Nigel Keen	4/4	–	–	–
Nicholas Moss	4/4	4/4	4/4	5/5
Gian Piero Reverberi	4/4	–	–	1/1
Ellen Strahlman	3/4[3]	3/4	3/4	3/3

1 Jeremy Tigue resigned from the Board on 31 December 2019.
2 Melanie Gee was appointed to the Board on 4 June 2019 and appointed as Chair from 1 January 2020.
3 Ellen Strahlman was unable to attend the March 2020 Board meeting as a result of COVID-19 related restrictions.

Board evaluation and effectiveness

In taking over as Chair, it has been a privilege to inherit a Board that has forged strong relationships and promotes a supportive and open culture, providing a solid foundation for the Board to lead the Company through the next phases of its development and growth. I look forward to working with my Board colleagues to ensure these strong relationships are maintained and that all Directors continue to contribute effectively to the work of the Board.

During the year the Board carried out an internally managed Board evaluation to help it to review its own performance and identify areas for improvement. This included a questionnaire completed by each Director and senior members of the Investment Manager's team, together with one-to-one discussions between myself and each of them. This was an invaluable opportunity for me to get a close understanding of the views of my Board colleagues as I prepared to take over as Chair from 1 January 2020.

This evaluation built on the outputs of the externally facilitated Board evaluation carried out by Advanced Boardroom Excellence (who have no other connection with the Company) in 2018/19.

Out of these evaluations we have taken a number of steps to continue to improve the way the Board works together. This included:

- We held a Board Strategy Day in September, as described below.
- As already discussed, the evaluation process has fed into developing a clear understanding of the skills needed by the Board and future priorities for Board recruitment.
- We have also carried out a review of risk processes and begun the process of reviewing the Company's approach to sustainability issues.
- We identified some areas where information flow could be improved and these have been acted on.

We expect to carry out a further internally-managed Board evaluation in the coming year. In addition, Nicholas Moss as Senior Independent Director will lead the appraisal of my performance as Chair.

Strategy and risk

A key obligation of the Board is to establish the Company's strategy.

We held a successful Board Strategy Day in September, which was highly effective at ensuring a clear and consistent understanding of the Company's strategy, discussed the importance of access to capital to deliver the long-term strategy, and considered how the strategy might best be shared with shareholders and other stakeholders.

Our strategy requires us to accept very significant and often binary risks within our investments (with the potential for substantial returns). The Board recognises the importance of ensuring that our governance supports robust oversight of strategy execution by the Investment Manager's team so we can properly manage these risks.

From our strategy we set appropriate KPIs and other objectives for the Investment Manager, ensure the Investment Manager has the appropriate resources to deliver the strategy, and set our risk framework. During the year we reviewed our risk framework to ensure it was fit for purpose and fully aligned with our strategy, as set out on pages 44 to 45 in the Risk management section of the Strategic Report.

The Board also considers the effectiveness of the Company's risk management and internal control systems, supported by the work carried out by the Audit Committee (see its report on pages 74 to 77). The Board is satisfied that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed, although recognises that the system of internal control is designed to manage rather than to eliminate the risk of failure to achieve these objectives.

Culture and stakeholders

We also recognise the importance of ensuring that the Company's culture (and the culture of the Investment Manager) is aligned with its strategy.

We believe the Company and Investment Manager have a strong entrepreneurial culture built on diversity, inclusion and collaboration and which fully aligns with our strategy. Work is continuing internally to articulate our behaviours to further support this culture.

The team of the Investment Manager is key to our success and with that in mind the Board has appointed my Board colleague, Gian Piero Reverberi, as the designated Director for engagement with the team. In that role Gian Piero will spend time with the team to gain a fuller understanding of their key issues and concerns, which he will report back for the Board's consideration. The COVID-19 outbreak has unfortunately prevented that process from proceeding as quickly as we would have liked, but we hope this will move forward over the next year. Alongside these arrangements, there is good ongoing contact between the Board and members of the Investment Manager's team, and a whistleblowing policy in place for any issues to be notified (where appropriate) to the Chair of the Audit Committee.

The Board also holds responsibility for overseeing the effective engagement with stakeholders to ensure that their interests are considered. During the year, the Board discussed its stakeholders, their interests, the ways in which the Company and Investment Manager engage with them, and how the Company should approach key issues relating to our wider social impact. Although much of this reflected previous discussions, it was helpful to the Board to bring this together in a more holistic way. These discussions will continue, and in particular we have begun a project, working with a leading advisory firm in the sustainability space, to complete a materiality assessment of the most important ESG issues to our business.

Further details of the outcomes of these discussions are set out in the Stakeholder report on pages 52 to 53 and in the ESG report on pages 54 to 65.

Ongoing communication with shareholders

The Board views communication with shareholders as a high priority. The Company has a comprehensive investor relations programme, meeting with existing and potential investors following the publication of the annual and interim results, and as required during the year. As part of this programme, 64 presentations were made to shareholders and potential shareholders by senior members of the Investment Manager's team during the year.

The Company also held a Capital Markets Day in February 2020 which was attended by shareholders, prospective investors and analysts. Alongside Company presentations, there were a number of panel discussions with scientific founders and leaders from our portfolio companies. This provided attendees with a deeper insight into the strategy and long-term vision of the business and how this is delivered, including the wider networks the Company operates in. A recording of the Capital Markets Day and the presentation materials used are available on the Company's website. Senior members of the Investment Manager's team also participated in a number of investor conferences organised by investment banks for institutional investors.

Feedback on shareholder meetings is provided to the Board at its regular meetings. The Board also receives briefings from its corporate brokers on the shareholder register.

The Senior Independent Director and I are both also available to meet shareholders. As a new Chair, I look forward to having the opportunity to speak to shareholders, to gain their perspectives and input, and I hope to begin these valuable discussions during 2020.

Training and advice

The Company provides an extensive induction process for new Directors, including briefings from a significant portion of the Investment Manager's team. As a new Director in the year I found these very helpful, alongside the input provided by the former Chair, in getting quickly up to speed with the Company's business.

We consider whether any additional training would be helpful to the Board, taking account of feedback from Directors as part of the Board evaluation. As a result of that we have made arrangements for Directors to have access to additional updates on key corporate governance developments and training on an ongoing basis.

The Directors also have access to the advice and services of an Administrator and Company Secretary, Citco Fund Services (Guernsey) Limited, who are responsible to the Board, inter alia, for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

Impact of the COVID-19 pandemic

The COVID-19 pandemic has meant that, like many organisations, we have had to change the way we work and take steps to manage its potential impacts.

We have been fortunate that the team of the Investment Manager has been able to move quickly and smoothly to remote working. This has helped to minimise the direct impact on our business and enabled reporting and oversight by the Board to continue. The team have moved promptly to carry out a bottom-up scenario analysis with senior leadership teams across all our portfolio companies to model the impact of the disruption.

We continue to monitor the situation, to support the team of the Investment Manager through these difficult times and to seek to ensure we can exercise strong governance.

Compliance statement

A summary of the system of governance adopted by the Company is set out in this report and in the following reports on pages 72 to 83. The Company has complied with the relevant provisions of the revised UK Corporate Governance Code (July 2018), which is publicly available at frc.org.uk, except that given the Company's structure, and that it has no Executive Directors and is managed by the Investment Manager, the Board considers that the following provisions are not relevant to the Company:

- the role of the Chief Executive Officer; and
- Executive Directors' remuneration.

Melanie Gee

Melanie Gee
Chair
11 June 2020

An experienced and dedicated Board

Melanie Gee
Chair

Biography
Melanie Gee has been Chair of the Board since 1 January 2020 and joined the Board as a Non-Executive Director in June 2019. She is a Senior Adviser at Lazard & Co Ltd, having joined as a managing director in 2008. Prior to that, Melanie spent 25 years with SG Warburg & Co Ltd and then UBS. Melanie is a Non-Executive Director at Standard Life Aberdeen where she sits on the Nomination & Governance and Audit Committees and is the Non-executive Director with responsibility for bringing the employee voice into the Boardroom. She was previously a Non-Executive Director at Standard Life plc, prior to its merger with Aberdeen Asset Management plc. Melanie was also a Non-Executive Director of The Weir Group PLC from April 2011 to September 2017 and of Drax Group PLC from January 2013 to April 2016. Melanie sits on an advisory group for a European family office and is Chairman of Ridgeway Partners Holdings Limited, a search firm. She was an alternate member of The Takeover Panel – LIBA (CFC) between 2006 and 2013.

Importance of contribution
Melanie brings extensive non-executive experience in FTSE 100 and 250 companies, giving her an in-depth understanding of governance requirements and an understanding of how to build and maintain a highly effective Board as Chair of the Board and Nomination Committee. Her financial advisory experience is highly relevant to effective oversight of the Company's investment and stakeholder strategies.

Date of appointment
– 4 June 2019
(1 January 2020 as Chair)

Committee memberships
– Nomination Committee
– Remuneration Committee

Thomas Henderson
Non-Executive Director

Biography
Thomas Henderson founded BACIT Ltd (now Syncona Limited) in 2012. Previously, Thomas founded New Generation Haldane Fund Management (formerly Eden Capital Ltd) in 1998 where he was CEO and senior portfolio manager for the Eden Capital Fund, a fund which had a mandate to invest in listed equity and private equity investments, primarily in Europe. Prior to this, in 1994 Thomas joined Moore Capital Management as a portfolio manager where he invested in European and emerging market equities. In 1991 Thomas worked for Cazenove Inc in New York and headed the European Equity sales team, where he was responsible for selling European equities to US institutions. He started his career in 1990 at Cazenove and Co in London. Thomas also sits on the investment committee at The Institute of Cancer Research.

Importance of contribution
Thomas brings to the Board an extensive range of skills from his experience of managing capital in listed equities and in building private equity investments which have gone on to list in the US capital markets. His broad and deep network of relationships and strong track record in the fund management industry brings key expertise in understanding the expectations of our shareholders.

Date of appointment
– 14 January 2012

Rob Hutchinson
Non-Executive Director

Biography
Rob Hutchinson has around 30 years' experience in the financial sector as a Chartered Accountant. He spent 28 years with KPMG, where he was appointed a partner in 1999, including a number of years in roles specialising in the audit of banking and fund clients where he led the audits for a number of UK and European private equity and venture capital houses as well as listed funds covering a variety of asset classes. He led the firm's fund and private equity practices for seven years and served as Head of Audit for KPMG in the Channel Islands for five years until 2013. Rob retired from practice in 2014 and is a Fellow of the Institute of Chartered Accountants in England and Wales. He served as President of the Guernsey Society of Chartered and Certified Accountants between 2007 and 2009.

Importance of contribution
Rob brings a wide range of financial and accounting experience including extensive experience in issues arising from the valuation of private assets. These are key issues for the Board and in his role as Chair of the Audit Committee.

Date of appointment
– 1 November 2017

Committee memberships
– Audit Committee (Chair)
– Remuneration Committee

Nigel Keen
Non-Executive Director

Biography
Nigel Keen is the Chair of Syncona Investment Management Limited and was a co-founder of Syncona Partners.

His career has encompassed venture capital, industry and banking, and he has been involved in the formation and development of high technology businesses for more than 30 years. He is Chair of Oxford University Innovation, the technology transfer group for Oxford University, Chair of the Oxford Academic Health Science Network, an entity established by the National Health Service in England to align the interests of patients in its region with academia, industry and the healthcare system, and Chair of MedAccess Guarantee, a government owned social finance company. He is also the Chairman of the AIM listed medical device company, Deltex Medical Group. Previously he was Chairman of Laird plc for 14 years and Oxford Instruments plc for 16 years. He has a degree in engineering from Cambridge University, is a Fellow of the Institute of Chartered Accountants and a Fellow of the Institute of Engineering and Technology.

Importance of contribution
Nigel brings extensive experience in healthcare and commerce to the Board, which provides a strong contribution to the Board's oversight of the delivery of the Company's investment strategy. His role as Chair of the Investment Manager also provides him with additional operational insight into the portfolio.

Date of appointment
– 19 December 2016

Nicholas Moss
Senior Independent Director

Biography
Nicholas Moss is an English qualified chartered accountant (FCA) and has nearly 30 years' experience in the financial services sector, focused primarily on structuring, advising and administering the overall wealth of ultra high net worth private clients. Nicholas was a founder of the Virtus Trust, an international fiduciary business which he sold to Equiom group in 2017. Prior to Virtus, Nicholas was a Managing Director within NM Rothschild's private wealth group. He is a highly experienced fiduciary and investment practitioner, advising family offices and private clients in many jurisdictions, and has been an independent director and audit committee member of listed closed-ended investment companies including Brevan Howard and Blackstone managed entities.

Importance of contribution
Nicholas brings wide-ranging experience of investment and fiduciary businesses which contribute to the Board's consideration of key risk and strategy issues. His wider experience with investment companies, and of successfully building his own business, are highly relevant to his role as Senior Independent Director and as Chair of the Remuneration Committee.

Date of appointment
– 17 August 2012

Committee memberships
– Audit Committee
– Nomination Committee
– Remuneration Committee (Chair)

Gian Piero Reverberi
Non-Executive Director

Biography
Gian Piero Reverberi is a senior healthcare executive. Since 1 April 2020, Gian Piero is Senior Vice President Europe at Ferring Pharmaceuticals, a leader in the areas of reproductive medicine and maternal health, gastroenterology and urology.

Prior to this Gian Piero was Senior Vice President and Chief Commercial Officer at Vanda Pharmaceuticals, a specialty pharmaceutical company focused on novel therapies to address high-unmet medical needs. Gian Piero also spent 10 years at Shire, where he served as Senior Vice President International Specialty Pharma, with responsibility for EMEA, Canada, Asia Pacific and Latin America. He started his pharmaceutical career at Eli Lilly in the US and Italy. Gian Piero has over 20 years of experience in commercialising novel therapies spanning commercial strategy, business development, business unit leadership and management, launching specialty and orphan drugs across international markets. He has a degree in Economics and Business Administration from Sapienza University of Rome and a Master in Business Administration from SDA Bocconi in Italy.

Importance of contribution
Gian Piero brings diverse experience in commercialising novel therapies, which are highly relevant to the Board in defining the Company's strategy and overseeing its delivery. His experiences as a business unit leader provide insight for his engagement role with the Investment Manager's team.

Date of appointment
– 1 April 2018

Committee memberships
– Remuneration Committee

Other roles
Designated Director for engagement with Investment Manager's team

Ellen Strahlman
Non-Executive Director

Biography
Ellen Strahlman is a physician-scientist senior healthcare executive. She retired in 2018 as the Executive Vice President, Research & Development and Chief Medical Officer for BD (Becton, Dickinson, and Company), a leading global medical technology company known for its innovative, broad-based products in medical discovery, diagnostics and delivery of care. Prior to this, she served as the Senior Vice President and Chief Medical Officer at GlaxoSmithKline, with oversight responsibilities for its pharmaceutical, vaccines and consumer products businesses. Ellen also served in senior executive leadership roles for leading pharmaceutical and medical technology companies including Pfizer, Novartis, Bausch & Lomb and Merck. Ellen brings more than 25 years of experience in global product development and commercialisation, focused on delivering value to business by medical and technology leadership. Ellen is a graduate of Harvard University (Biochemical Sciences); obtained her medical degree from the Johns Hopkins School of Medicine; and earned a Master's Degree in Health Sciences from the Johns Hopkins Bloomberg School of Public Health as a Carnegie-Mellon Physician Public Health Fellow.

Importance of contribution
Ellen brings extensive experience in medical leadership and global product development and commercialisation, which are highly relevant to the Board in defining the Company's strategy and overseeing its delivery.

Date of appointment
– 19 December 2016

Committee memberships
– Audit Committee
– Nomination Committee

Melanie Gee
Chair, Nomination Committee

Nomination Committee members and structure

The Committee's members in the year were:

	Meetings attended
Jeremy Tigue (Chair until 31 December 2019)	3/3
Melanie Gee (Chair from 1 January 2020)	3/3
Nicholas Moss	4/4
Ellen Strahlman	3/4*

* Ellen Strahlman was unable to attend a meeting in March 2020 as a result of COVID-19 related restrictions.

The Committee comprises at least three members, who are appointed by the Board. All members of the Committee in the year were independent Directors.

The Committee meets as required, and at least twice each year. The table to the left sets out the number of meetings held during the year and the number of meetings attended by each of the members. Other Directors who are not members of the Committee may also be invited to the meetings. In addition, the Committee members communicated by email or phone on a number of occasions to deal with ongoing matters between meetings.

I am pleased to present my first report, which covers the work of the Committee in the year ended 31 March 2020.

Role of the Committee

The Committee's role is to review the Board's structure, size and composition (including the skills, knowledge, diversity and experience) and make recommendations to the Board accordingly. It is responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies and for putting in place succession plans for Directors.

The Committee has an advisory role to the Board regarding the re-election and election of Directors at the Company's AGM and, where appropriate, considering any issues relating to any Director's continuation in office. It also supports the Chair in carrying out the Board evaluation each year. In addition it makes recommendations for the membership of Board sub-committees and other relevant boards and reviews the Company's compliance with the UK Corporate Governance Code.

The Committee's Terms of Reference have recently been revised, including changes to reflect its wider responsibilities under the 2018 UK Corporate Governance Code. The updated version is available on the Company's website **synconaltd.com**.

Board skills and recruitment

My appointment to the Board on 4 June 2019, and as Chair of the Company on 1 January 2020, was the key change in the year. Alongside this, the Committee has continued to give active consideration to the evolution of the Board.

As noted in last year's Annual Report, we envisage recruiting around one Director each year over the next few years. The Committee has spent considerable time considering the skillsets and attributes required for the Board and that we should seek as we recruit new Directors. As part of the Board evaluation process this year (see below) I have had the opportunity to engage with individual Board members and the Investment Manager's team to gain their valuable insight on these requirements. It is clear that the culture and relationships on the Board are strong and positive, and that we should build on these while also bringing in new insights, expertise and diversity to ensure the future prosperity of the Company as it continues to successfully grow.

We have also taken account of expected changes to the Board. Both Tom Henderson and Nicholas Moss were appointed in 2012 and we are expecting that both will step down at the Company's AGM in 2021 at which point each will have served for around nine years. They are valuable members of the Board and we need to consider how their experience can be replaced.

From this process the Committee has developed two things. The first outcome is a specification for a further Director with experience in taking a successful life science business through key clinical, regulatory, commercial or financial development stages. The recruitment process is being supported by our retained executive search consultant Odgers Berndtson (who only act for the Company in that role) and we hope to complete recruitment during the next few months.

The second outcome is a clear understanding of the skills needed by the Board to ensure it can fully oversee and contribute to the business and how we see this changing over time. This is a live and fluid process, not a fixed document, and we expect it to continue to develop. This understanding will help us to map out further Board recruitment over the next few years, and we anticipate adding further global life science expertise to the Board over time alongside a range of other skillsets.

Finally, the Committee has also reviewed the membership of each Committee during the year. Following that review a number of changes were recommended and approved by the Board.

Our approach to diversity

As already described, a key aim of the Committee is to build a diverse and inclusive Board, which we regard as essential to bringing a broad strategic perspective.

During the year, the Committee reviewed our Diversity Policy. We were pleased to report in the last Annual Report that we had achieved our target of at least 25% female representation on the Board. However, we also recognised that more needed to be done, both to reflect our own views and the expectations of society. Accordingly, we have set new targets, including an additional target in relation to Directors of colour that reflects the guidance and recommendations of the Parker review. A copy of the updated Diversity Policy is set out to the right.

Our Diversity Policy forms a key part of any recruitment to the Board, including our current recruitment process. We require our search consultants to include a diverse range of candidates bringing the desired skill-sets in preparing their long list, without any compromise in the quality of candidates. We expect to continue to build the diversity of the Board over our upcoming recruitments.

Committee evaluation and effectiveness

During the year the Committee completed its follow up on actions recommended in the 2018/19 Board evaluation (which was externally facilitated). It has also reviewed relevant regulatory changes in the period, including changes to the Committee's role arising from the new Corporate Governance Code 2018, and reviewed its own performance.

Key changes made by the Committee include:

- Reviewed and proposed changes to the Committee's Terms of Reference, which were subsequently approved by the Board.
- Formalised a rolling annual agenda which will include an annual review of effectiveness.

Board Diversity Policy

A key component of the Company's investment strategy is to build successful, sustainable and globally leading healthcare businesses. To do this we rely on identifying high quality people at all levels. We believe this can best be done with an inclusive culture that recognises and values the advantages of a diverse range of people. The same applies at Board level as much as within our management team or our portfolio companies.

A diverse and inclusive Board helps to ensure that the Board brings a broad strategic perspective. We make Board appointments on merit, with candidates assessed against measurable objective criteria, but strive to maintain a Board in which a diverse range of skills, knowledge and experiences are combined in an environment which values the input of every Director. Due regard is given to this when identifying and selecting candidates for Board appointments, to achieve a Board that reflects diversity in the broadest sense by embracing different perspectives and dynamics, including different skills, industry experience, background, race, sexual orientation and gender.

Our Board composition is currently evolving and the Nomination Committee regularly reviews and assesses Board composition on behalf of the Board and will consider the balance of skills, experience, independence and knowledge of the Board. When new appointments are being made, we will continue to instruct search agents that a diverse range of candidates bringing the desired skill-sets must be included in preparing their long list. The Board intends:

- to achieve greater female representation on the Board, with a minimum target of 33% and an expectation of a gender balanced Board in due course; and
- to direct search agents to include qualified people of colour* to be considered for each Board appointment with an expectation we will appoint at least one Director of colour by 2024.

* We follow the definition of 'person of colour' from the Parker Review, which encompasses those who identify as or have evident heritage from African, Asian, Middle Eastern, Central and South American regions.

Contribution and time commitment

During the year, the Committee has formally considered the contribution of each Board member and whether they each devote a sufficient amount of time to fulfil their respective duties and responsibilities effectively. The Committee is satisfied with the level of commitment and contribution offered to the performance of the Board and recommended to the Board that each of the Board members be recommended for re-election to the Board at the Company's AGM on 28 July 2020.

Melanie Gee

Melanie Gee
Chair, Nomination Committee
11 June 2020

Rob Hutchinson
Chair, Audit Committee

Audit Committee members and structure

The Committee's members in the year were:

	Meetings attended
Rob Hutchinson (Chair)	4/4
Nicholas Moss	4/4
Ellen Strahlman	3/4*

* Ellen Strahlman was unable to attend a meeting in January 2020 as a result of a long-standing personal commitment.

The Committee normally comprises at least three members, who are appointed by the Board. All members of the Committee in the year were independent Directors.

The members of the Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. Further details on the experience and qualifications of members of the Committee can be found on pages 70 and 71. The Board is satisfied that the Committee has recent and relevant financial experience, and competence relevant to the Company's portfolio.

The Committee meets formally at least quarterly. The table to the left sets out the number of meetings held during the year and the number of meetings attended by each of the members. Other Directors who are not members of the Committee may also be invited to the meetings. The Independent Auditor is invited to attend those meetings at which the annual and interim reports as well as the planning report are considered. In addition the Chair of the Committee meets with the Independent Auditor outside of the formal meetings, to be briefed on any relevant issues. Other relevant advisers, including the independent valuation expert, incentive scheme valuer and external risk professional, are invited to attend meetings to present to the Committee and enable the Committee to ask questions.

I am pleased to present the Audit Committee's report for the past financial year, setting out the Committee's structure, duties and evaluations during the year.

Duties of the Committee

The role of the Committee includes:

- reviewing the valuations of the life science portfolio and the valuation methods for all investments;
- monitoring the integrity of the Consolidated Financial Statements and interim reports;
- reviewing any significant issues and judgements made in the preparation of the Consolidated Financial Statements and other financial information, including the viability statement;
- reviewing the content of the Annual Report and Consolidated Financial Statements and advising the Board on whether, taken as a whole, it is fair, balanced and understandable;
- monitoring changes in accounting practices;
- oversight of the Company's risk management framework and monitoring, reviewing the relevant internal control and risk management systems including the arrangements of the Company's Investment Manager for oversight of risks within the life science portfolio, and reviewing and approving the statements to be made in the Annual Report concerning internal controls and risk management systems;
- reviewing and making recommendations on the Company's arrangements for compliance with legal requirements including controls for preventing and detecting fraud and bribery; and
- the appointment and remuneration of the Company's Independent Auditor, including monitoring and reviewing the quality, effectiveness and independence of the Independent Auditor.

The Committee's Terms of Reference have recently been revised, including changes to reflect its wider responsibilities under the new 2018 UK Corporate Governance Code. The updated version is available on the Company's website **synconaltd.com**.

Independent Auditor

The Committee conducts an annual assessment of the independence, objectivity and effectiveness of the Independent Auditor and reviews the terms under which the Independent Auditor is appointed to perform non-audit services.

Proposals for all non-audit services in excess of £15,000 require prior approval from the Committee before being carried out by the Independent Auditor. The Committee must be satisfied that there are no conflicts between the FRC's Ethical Standard and the Company policy for the delivery of non-audit services to the business.

The Company does not utilise the Independent Auditor for internal audit purposes, secondments or valuation advice. The audit and non-audit fees proposed by the Independent Auditor each year are reviewed by the Committee taking into account the Company's structure, operations and other requirements during the year.

Deloitte LLP ('Deloitte') has acted as the Independent Auditor from the date of the initial listing on the London Stock Exchange and was re-appointed at the Company's Annual General Meeting on 30 July 2019 for the current financial year. John Clacy is the lead audit partner and opinion signatory and has held this position for two financial years having been appointed early last year.

Although the Company, as a Guernsey company, is not subject to the Statutory Audit Services Order 2014, the Committee considers it appropriate to report in the manner set out in the Order. The Committee has concluded that it is in the best interests of the Company's shareholders to carry out a competitive tender process for the audit during the next financial year, as this will be the ninth year in which Deloitte will have acted as Independent Auditor. The specific timing of the tender will depend on the Committee being satisfied it can carry out an effective process given the restrictions arising from the COVID-19 pandemic, and it is possible that the tender will be delayed to the 2021/22 financial year. The Committee's intention is that in any case Deloitte will complete the audit for the year ending 31 March 2021. The Company has complied with the provisions of the Order in the financial year.

Key evaluations during the year

1. Significant Financial Statement matters

a. Valuation of life science portfolio. In the year the Group continued to make significant investments into its portfolio of life science investments and there were also two key investment sale transactions. In total, the Group holds a life science portfolio with a fair value of £439.5 million (2019: £1,023.7million) through Syncona Holdings Limited, and £40.0 million (2019: £34.3 million) in respect of the CRT Pioneer Fund through Syncona Discovery Limited (a subsidiary of Syncona Investments LP Incorporated).

The valuation of the life science portfolio is a critical element in the Company's reporting, given the concentration of that portfolio and the range of potential values of these companies. As the value of the incentive scheme provided to employees of the Investment Manager is based upon the valuation of life science investments held through Syncona Holdings Limited, the Committee is aware of the potential risk that elevated life science valuations might inappropriately increase the payout under the scheme. Accordingly, this is an area that the Committee gives particular focus.

The Group fair values its interests in Syncona Holdings Limited and Syncona Discovery Limited which are based on the fair value of underlying investments and other assets and liabilities. Life science investments are valued at fair value through profit and loss in accordance with IFRS 13 'Fair Value Measurement' ('IFRS 13') and International Private Equity and Venture Capital ('IPEV') guidelines. In accordance with the accounting policy in note 2, unquoted investments are generally fair valued based on either cost or price of recent investment (PRI) and then appropriately calibrated to take into consideration any changes that might have taken place since the transaction date, or through discounted cash flow ('DCF') models, price-earnings multiple methodology or by using market comparators.

During the year, the Committee approved changes made to the Valuation Policy by the Investment Manager, reflecting changes to IPEV guidelines that came into effect as of 1 April 2019. The primary change was the restriction on using purely the Price of Recent Investment (PRI) or cost as the valuation methodology, and requiring that where they are used as an input, a calibration exercise must be undertaken to consider the performance of the business since the relevant investment point. The changes to the Valuation Policy were reviewed by the Independent Auditor.

Details of the life science portfolio balance are disclosed in the Unaudited Group Portfolio Statement on page 94 and the accounting policy and further information relating to them are disclosed in note 2.

The risk exists that the pricing and calibration methodology applied to the underlying investments in the life science portfolio does not reflect an exit price in accordance with IFRS 13 and IPEV guidelines.

The Committee discusses the appropriateness of the valuation methodology chosen by the Investment Manager in determining the fair value of unquoted investments and challenges the Investment Manager on the process and assumptions it has used and in particular the parameters around the calibration exercise. The Committee also met with and discussed the views of the independent valuation expert on relevant investments. The Committee has given particular consideration to any impact on valuation arising from the ongoing COVID-19 pandemic. Based on its review, the Committee considers the valuation of these investments to be reasonable.

b. Valuation of capital pool investments. Syncona Investments LP Incorporated (the 'LP') acts as the investment vehicle through which the Group holds its capital pool investments. As described in note 2 to the financial statements, the LP meets the definition of an investment entity under IFRS 10, and as such is held at fair value through profit or loss rather than being consolidated.

The fair value of the capital pool investments of the LP at year end is £689.4 million (2019: £201.9 million) and cash held totals £77.6 million (2019: £198.7 million).

Details of the capital pool investments' balances are disclosed in the Unaudited Group Portfolio Statement on page 94 and the accounting policy relating to them is disclosed in note 2.

The risk exists that the pricing methodology applied by the LP does not reflect the actual exit price of those investments at the year end in accordance with IFRS 13 and IPEV valuation guidelines. The Committee considers the valuation of these investments to be reasonable from discussions with the Investment Manager, Administrator and Custodian. The valuation of the capital pool investments is undertaken in accordance with the accounting policy disclosed in note 2 and is reviewed by the Investment Manager, the Committee and the Board.

c. Incentive scheme. Employees of the Investment Manager may be offered the opportunity to participate in an incentive scheme under which Syncona Holdings Limited may award Management Equity Shares ('MES') to them. Awards entitle participants to share in growth of the valuation of the life science investments held through Syncona Holdings Limited, subject to a hurdle rate on invested capital being met. MES vest on a straight-line basis over four years and participants are able to realise 25 per cent of their vested MES each year following the publication of the Company's annual financial statements, partly in the Company's shares and partly in cash.

PricewaterhouseCoopers value the incentive scheme in accordance with IFRS 2 Share-based Payments ('IFRS 2'). The fair value of awards of MES made in the year ended 31 March 2020 was £0.3 million (31 March 2019: £1.5 million) and the liability related to the cash settled element at 31 March 2020 was £24.9 million (31 March 2019: £17.2 million).

Details of the incentive scheme are disclosed in the Report of the Remuneration Committee and in note 12, and the accounting policies and key judgements related to them are disclosed at notes 2 and 3.

During the year the Committee met with PricewaterhouseCoopers to discuss the valuation process that they carry out. Based on those discussions, and discussions with the Investment Manager, the Committee considers the accounting for the incentive scheme to be reasonable. The accounting for the incentive scheme is undertaken in accordance with the accounting policies disclosed in note 2 and is regularly reviewed by the Investment Manager and the Committee.

2. Effectiveness of the external audit

The Committee held formal and informal meetings with Deloitte during the course of the year: 1) before the start of the annual audit to discuss formal planning, discuss any potential issues and to agree the scope that would be covered; 2) after the annual audit work was concluded to discuss any significant issues; and 3) to consider and discuss the interim condensed Consolidated Financial Statements. The Committee performed the following in relation to its review of the effectiveness and independence of the Independent Auditor.

- Reviewed and discussed the audit plan presented to the Committee before the start of the audit including any changes that might have an impact on the audit approach;
- Reviewed and discussed the audit findings report;
- Monitored changes to audit personnel in light of the rotation requirements;
- Discussed with the Investment Manager and the Administrator any feedback on the audit process including factors that could affect audit quality and how any risks identified were addressed;
- Reviewed and approved the terms of engagement during the year, including review of the scope and related fees;
- Reviewed and discussed Deloitte's report on its own internal procedures, safeguarding measures and conclusion on its independence and objectivity, together with the results of the FRC's Audit Quality Review of Deloitte for the 2018/19 cycle of reviews; and
- Discussed if any relationships existed between the auditor and the Company (other than in the ordinary course of business) that would compromise independence.

Further to the above, the Committee performs a specific evaluation of the performance of the Independent Auditor on an annual basis. There were no significant adverse findings, or any issues faced with relation to the financial statements, from the evaluation this year and the Committee is satisfied that the audit process is effective.

3. Audit fees and safeguards of non-audit services

The table below summarises the remuneration paid by the Group to Deloitte for audit and non-audit services provided:

	31 March 2020 £'000	31 March 2019 £'000
Audit services		
Audit services	43	32
Audit fee for Syncona Group Companies	130	141
Non-audit services		
Interim review	23	21

The annual budget for both the audit and non-audit related services was presented to the Committee for consideration and recommendation to the Board.

The Committee does not consider that the provision of these non-audit services is a threat to the objectivity and independence of the audit and Deloitte may only provide such services if their advice does not conflict with their statutory responsibilities and ethical guidance. Where non-audit services were performed, the fees were insignificant to the Group as a whole and when required a separate team was utilised. Further, the Committee has obtained Deloitte's confirmation that the other services provided do not prejudice its independence.

4. Internal control

In accordance with its terms of reference, the Committee is responsible for assisting the Board in reviewing the effectiveness of the Group's risk management and internal control systems. The review covers financial, operational, compliance and risk management matters, and aims to ensure that suitable controls are in place for key risks of the Company, assets of the Company are safeguarded, proper accounting records are maintained and the financial information for publication is reliable.

During the year, the Committee carried out a detailed review of the control framework including changes made to the key controls in place as a result of the updates made to the risk register (see below).

The controls are maintained and implemented on an ongoing basis by the Investment Manager, working with the Administrator, and reviewed by the Committee on a regular basis. Key internal controls include the separate role of the Administrator in maintaining the financial records of the Group; the existence of an Investment Committee, Valuation Committee and Liquidity Management Committee within the Investment Manager to approve investment decisions and capital allocation; processes to determine and review valuations of investments; and the other processes to manage significant risks faced by the Company (see below).

The Company's system of internal control is designed to manage rather than to eliminate the risk of failure to achieve the objectives set out above, and by its nature can only provide reasonable and not absolute assurance against misstatement and loss. The Committee believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed.

The Committee has examined the need for an internal audit function. The Committee considered that the systems and procedures employed by the Investment Manager and the Administrator provided sufficient assurance that a sound system of internal control, which safeguards the Company's assets, has been maintained. An internal audit function specific to the Company is therefore considered unnecessary.

5. Risk management

The Committee is responsible for overseeing the effectiveness of the Company's systems of risk management and internal control.

During the year, the Committee conducted an assessment of the risk framework to ensure it operated effectively to identify, evaluate and manage the emerging and principal risks facing the Company. This process was conducted with the assistance of an external risk professional who reviewed the framework in place and met with each of the Directors and senior team members of the Investment Manager to obtain a detailed understanding of the Company's risk framework.

The assessment confirmed that the Company and Investment Manager were operating an effective risk framework. A number of changes were considered, which would build upon the existing framework, and after discussion with the Committee it was agreed that the Investment Manager would implement a number of these. Key changes included:

- A clearer separation and identification of risks as enterprise risks, portfolio risks and operational risks.
- A clearer statement of the Company's risk appetite and the steps being taken where the experienced risk exceeded the specified risk appetite.
- Improved reporting to the Board and within the Investment Manager.
- Specific identification of horizon-scanning.

The Committee (through a sub-committee) reviewed the proposals and discussed them with the external risk professional. Following the review the Committee concluded that it was satisfied with the risk framework including the changes proposed, and would review it annually to ensure it remains effective and fit for purpose. The revised risk framework was subsequently approved by the Board and is summarised on pages 44 to 45.

Committee evaluation and effectiveness

During the year the Committee completed its follow up on actions recommended in the 2018/19 Board evaluation (which was externally facilitated). It has also reviewed relevant regulatory changes in the period, including changes to the Committee's role arising from the new Corporate Governance Code 2018, and reviewed its own performance.

Key changes made by the Committee include:

- Reviewed and proposed changes to the Committee's Terms of Reference, which were subsequently approved by the Board.
- Formalised a rolling annual agenda which will include an annual review of effectiveness.
- Agreed a number of changes in reporting to the Committee and the Board in relation to key judgements.
- Agreed a process for Committee review of announcements including valuation information.

Conclusion and recommendation

After discussing with the Investment Manager and Independent Auditor, and assessing the Significant Financial Statement matters listed on page 75 and 76, the Committee is satisfied that the Consolidated Financial Statements appropriately address the critical judgements and key estimates in respect to the amounts reported and the disclosures. The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust. The Committee has considered the impact of the COVID-19 pandemic and does not consider any material uncertainties arise in relation to the Company's ability to continue as a going concern.

The Committee further concludes that the Consolidated Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Independent Auditor reported to the Committee that no material misstatements were found in the course of its work. Furthermore, the Investment Manager and the Administrator confirmed to the Committee that they were not aware of any material misstatements including matters relating to the presentation of the Consolidated Financial Statements.

The Committee confirms that it is satisfied that the Independent Auditor has fulfilled its responsibilities with diligence and has acted independently on the work undertaken on behalf of the Group. The Committee has further recommended that Deloitte be reappointed for the next financial year.

A member of the Committee attends each Annual General Meeting to respond to any questions on matters not addressed in the foregoing.

Rob Hutchinson
Chair, Audit Committee
11 June 2020

Report of the Remuneration Committee

Nicholas Moss
Chair, Remuneration Committee

Remuneration Committee members and structure

The Committee's members in the period were:

	Meetings attended
Nicholas Moss (Chair)	5/5
Melanie Gee (appointed 4 June 2019)	4/5*
Rob Hutchinson (appointed 11 March 2020)	1/1
Gian Piero Reverberi (appointed 11 March 2020)	1/1
Ellen Strahlman (resigned 31 January 2020)	3/3
Jeremy Tigue (resigned 31 December 2019)	3/3

* Melanie Gee was unable to attend a meeting in July 2019 as a result of a pre-existing commitment dating from before her appointment to the Committee.

The Committee comprises at least three members, who are appointed by the Board. All members of the Committee in the year were independent Directors.

The Committee meets as required and expects to meet at least twice each year. The table to the left sets out the number of meetings held during the year and the number of meetings attended by each of the members. Other Directors who are not members of the Committee may also be invited to the meetings.

I am pleased to introduce the remuneration report for the year ended 31 March 2020 which sets out the work performed by the Committee.

Role of the Committee

The Committee's principal role is to review the remuneration paid to the Chair of the Board; make recommendations to the Board on the remuneration of the other Directors; review the overall employee cost of the Investment Manager; and oversee and operate the incentive scheme that provides long-term rewards to the staff of the Investment Manager.

The Committee's Terms of Reference have recently been revised, including changes to reflect its wider responsibilities under the new 2018 UK Corporate Governance Code. The updated version is available on the Company's website synconaltd.com.

During the year, Jeremy Tigue and Ellen Strahlman retired as members of the Committee, and I would like to thank them both for their valued contribution to the Committee. I am pleased that Melanie Gee, Rob Hutchinson and Gian Piero Reverberi have joined the Committee during the year. All three Directors bring valuable experience to the Committee and in particular Melanie Gee has significant experience having previously been Chair of the remuneration committee of another FTSE 250 company.

The Committee has had an active year and met five times to discuss various matters.

Incentive scheme

During the year the Committee carried out a review of the incentive scheme that provides long-term rewards to the staff of the Investment Manager, and which most of the staff of the Investment Manager participate in. The scheme was originally put in place in December 2016, at the time of the transaction to acquire the Syncona life science business. Further details of the scheme can be found in the summary of the Investment Manager's approach to remuneration on page 83.

The Committee considered the structure and potential value of the incentive scheme and how those align with the strategy of the business. It challenged the rationale for the differences between the scheme and other types of incentive scheme (including the carry schemes typically operated by venture capital businesses and typical executive incentives for listed companies), whether it was appropriate to incentivise by reference to gains in the Company's life science portfolio, its effectiveness as a tool for incentivising and retaining the team and any weaknesses in the scheme.

The Committee concluded that the incentive scheme remains fit for purpose, aligning the team of the Investment Manager with the Company's strategy and enabling it to attract and retain high quality talent by providing an appropriate level of reward for long-term performance. In particular it concluded that:

- The scheme aligns the team of the Investment Manager with the Company's strategy by ensuring that a material part of individual compensation arises as a result of gains in the Company's life science portfolio, which is the key driver of shareholder returns.
- The structure of the scheme provides sufficient flexibility to recruit new talent and reward the existing team as they develop.
- The Company's strategy is to invest and deliver value over the long term, founding, building and funding businesses over a long period of time to product approval. This implies a potential holding period for a Syncona founded company of 10-15 years or more, and so it remains appropriate to base the incentivisation on valuations, rather than cash realisations which might incentivise the team to sell portfolio companies earlier.
- The scheme also requires realisation over time (at least five years in total, and longer if realisation begins before full vesting). This ensures that rewards are based on long-term performance, aligning the scheme with the long-term nature of the Company's strategy and mitigating against inaccurate valuations.
- The share of the gains that is available to the team of the Investment Manager (approximately 13 per cent of the total) is appropriate to enable it to recruit and retain high quality talent given the competitive environment.

Subject to any changes to the Company's strategy which might require an earlier review, the Committee intends to carry out a further review of the scheme in 2022/23.

In line with its normal practice, the Committee approved the making of awards under the incentive scheme in June and July 2019, and oversaw realisations of earlier awards in accordance with the rules of the scheme.

Review of the Investment Manager

The remuneration policy for, and remuneration of, the staff of the Investment Manager is determined by the Investment Manager (other than in respect of the incentive scheme, which is determined by the Committee as set out above). The Committee reviews the overall employee cost of the Investment Manager. A summary of the Investment Manager's approach to remuneration is set out on page 83. The Committee is satisfied that the remuneration policy, overall cost and incentive scheme are appropriate to align the team of the Investment Manager with the Company's strategy.

Committee evaluation and effectiveness

During the year the Committee completed its follow up on actions recommended in the 2018/19 Board evaluation (which was externally facilitated). It has also reviewed relevant regulatory changes in the period, including changes to the Committee's role arising from the new Corporate Governance Code 2018, and reviewed its own performance.

Key changes made by the Committee include:

- Reviewed and proposed changes to the Committee's Terms of Reference, which were subsequently approved by the Board.
- Formalised a rolling annual agenda which will include an annual review of effectiveness.
- Engaged PricewaterhouseCoopers to advise the Committee on remuneration issues where the Committee considers this is helpful. Although the Committee does not anticipate that the Company will face material remuneration issues, it considers it appropriate to have access to suitable professional advice. PricewaterhouseCoopers also advise the Company and the Investment Manager on tax issues and the Company on the valuation, accounting treatment and process relating to the issue of awards under the incentive scheme.

Remuneration Policy for Non-Executive Directors

The Company's previous Remuneration Policy for Non-Executive Directors was approved by shareholders at the Annual General Meeting (AGM) of the Company held on 8 September 2017.

During the year, the Committee reviewed the previous Remuneration Policy and concluded it remained substantially appropriate for the Company, subject to a minor change to specify that the Board may pay part or all of the fees due to any Director in Ordinary Shares of the Company. Given the scope of the Remuneration Policy no shareholder views were sought in this review, although any comments received from shareholders will be considered on an ongoing basis. Details of the Remuneration Policy can be found on page 82.

Although the Company is not subject to the laws of England and Wales, it will submit the Remuneration Policy for approval by shareholders at its AGM on 28 July 2020.

As part of its review of the Remuneration Policy, the Committee has also considered the limit contained in the Company's Articles of Association, which restricts the aggregate fees paid to the Directors in any years to a maximum of £500,000. Although the aggregate fees currently paid to the Directors are less than this, the Committee notes the Board's plan (as set out in the report of the Nomination Committee) to recruit additional Directors, and in particular to recruit further global life science expertise to the Board. The Committee is concerned that the limit could prevent the Board from recruiting the Directors it needs and impact its ability to fully oversee and contribute to the business. The Committee has therefore concluded that it would like to seek shareholder approval to increase the limit to £1 million, which would provide suitable headroom for the Board over the coming years. The Committee intends to discuss this proposal with shareholders over the next 12 months and, subject to the outcome of those discussions, intends to propose a resolution at its AGM in 2021 to increase the limit.

Report on implementation of the Remuneration Policy for Non-Executive Directors

Although the Company is not subject to the laws of England and Wales, this report is prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The Directors have chosen not to include a chart of Total Shareholder Return, which is required by paragraph 18 of Schedule 8, as they are voluntarily adopting the Regulations.

The Remuneration Committee does not anticipate any significant change to the way in which the Remuneration Policy is implemented in the next financial year. The fees paid to the Non-Executive Directors were last revised with effect from 1 October 2017, and so the Committee anticipates reviewing those fees to ensure they remain appropriate, but does not anticipate any changes will be made in the next financial year.

Directors' fees

The fees payable to the Non-Executive Directors are set out below.

	Fee per annum
Chair	£100,000
Director	£45,000
Senior Independent Director	£5,000 additional fee
Chair of Audit Committee	£15,000 additional fee
Member of Audit Committee (other than Chair)	£5,000 additional fee

The fee paid to each director is set out in the single total figure table, below.

Thomas Henderson continues to waive his right to receive such fees.

Nigel Keen is Chairman of the Investment Manager and receives a fee of £130,981 per annum, payable by the Investment Manager, in respect of his services to the Investment Manager, which is in addition to the fee as a Director of the Company.

None of the Directors has any entitlement to taxable benefits, pensions or pension-related benefits, medical or life insurance schemes, share options, long-term incentive plan, or performance related payments. No Director is entitled to any other monetary payment or assets of the Company except in their capacity (where applicable) as shareholders of the Company. Accordingly, the table below does not include columns for these items or their monetary equivalents.

Directors' and Officers' insurance is maintained and paid for by the Company on behalf of the Directors.

In line with market practice, the Company has undertaken, subject to the Companies Law and certain limitations, to indemnify each Director out of the assets and profits of the Company against certain charges, losses, damages, expenses and liabilities arising out of any claims made against him or her in connection with the performance of his or her duties as a Director of the Company. The indemnities would also provide financial support from the Company should the level of cover provided by the Directors' and Officers' insurance maintained by the Company be exhausted.

No Director was interested in any contracts with the Company during the period or subsequently.

None of the Directors has a service contract with the Company. Non-Executive Directors are engaged under Letters of Appointment, copies of which are available for inspection at the Company's Registered Office.

Single total figure table (audited information)

For the year to 31 March 2020, the fees for Directors were as follows:

	31 March 2020 £'000	31 March 2019 £'000
Jeremy Tigue (Chair until 31 December 2019)[1]	75	100
Melanie Gee (Chair from 1 January 2020)[2]	48	–
Thomas Henderson	–	–
Rob Hutchinson	60	60
Nigel Keen[3]	45	45
Nicholas Moss[4]	55	55
Gian Piero Reverberi	45	45
Ellen Strahlman[5]	51	50
Total	**379**	**355**

1 Jeremy Tigue resigned from the Board on 31 December 2019.
2 Melanie Gee was appointed to the Board on 4 June 2019 and appointed as Chair from 1 January 2020.
3 Fees paid to Imperialise Limited, a company controlled by Nigel Keen.
4 Fees paid to Equiom Management Services Limited.
5 The Company has agreed to pay Ellen Strahlman in US$ and the total figure paid reflects foreign exchange differences.

No payments to Directors for loss of office have been made in the year. No payments to past Directors have been made in the year.

Relative importance of spend on pay

The following table shows the proportion of the Company's Directors' fees relative to returns to shareholders. This table includes Directors only as the Company did not have any other staff. In line with previous announcements, the Company does not intend to declare a dividend in relation to the year ended 31 March 2020 or future years.

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000	Difference
Total Directors' pay	379	355	26
Dividends	0	15,208	(15,208)
Directors' pay as a % of distributions to shareholders	N/A	2.3	N/A

Results of the voting at the 2019 AGM

At the 2019 AGM, shareholders approved the remuneration report that was published in the 2019 Annual Report and Accounts. The results for this vote are shown below:

Resolution	Votes for	% for	Votes against	% against	Withheld	Discretion
Approval of the Directors' remuneration report	435,688,593	100.0	49,828	0.0	1,844	25,774

An ordinary resolution for the approval of the annual remuneration report will be put to the shareholders at the Annual General Meeting to be held on 28 July 2020.

Statement of Directors' shareholding and share interests (audited information)

Neither the Company's Articles of Association nor the Directors' Letters of Appointment require a Director to own shares in the Company. The interests of the Directors and their connected persons in the equity securities of the Company at 31 March 2020 are shown in the table below.

	Ordinary Shares	
	31 March 2020	31 March 2019
Melanie Gee (Chair)[1]	26,500	N/A
Thomas Henderson[2]	8,042,400	9,042,400
Rob Hutchinson	68,827	42,915
Nigel Keen	–	–
Nicholas Moss	28,096	28,096
Gian Piero Reverberi	16,000	16,000
Ellen Strahlman	158,711	157,127

1 Melanie Gee was appointed to the Board on 4 June 2019.
2 Shares held by Farla Limited, a company controlled by Thomas Henderson.

There have been no changes in the interests of the Directors and their connected persons in the equity securities of the Company since 31 March 2020.

Nicholas Moss
Chair, Remuneration Committee
11 June 2020

Remuneration Policy

This is the Remuneration Policy for the Non-Executive Directors of the Company which will be submitted for approval by shareholders at the Company's Annual General Meeting to be held on 28 July 2020.

The Remuneration Policy set out below will apply from the date of approval until it is next put to shareholders for approval, which will be at the Company's Annual General Meeting in 2023 or sooner if it is proposed to vary the Remuneration Policy. If it is not approved then the previous Remuneration Policy will continue to apply.

General

The Board has the power at any time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. There is no maximum number of Directors unless otherwise determined by the Company by Ordinary Resolution. Any Director so appointed holds office only until the next following Annual General Meeting and is then eligible for re-election.

The Directors are non-executive and their fees are set within the limits of the Company's Articles of Association. The Board currently has no intention to appoint any executive directors who will be paid by the Company.

Non-Executive Directors

All Directors are appointed under the terms of Letters of Appointment, and none has a service contract. The Company has no employees.

The Non-Executive Directors of the Company are entitled to such rates of annual fees as the Board at its discretion shall from time to time determine (subject to any limit set in the Company's Articles of Association) and reimbursement of reasonable fees and expenses incurred by them in the performance of their duties. Non-Executive Directors have no entitlement to pensions or pension-related benefits, medical or life insurance schemes, share options, Long-Term Incentive Plans or performance-related payments. Where expenses are recognised as a taxable benefit, a Non-Executive Director may receive the grossed-up costs of that expense as a benefit.

The Company has no employees. Accordingly, pay and employment conditions of employees generally were not taken into account when setting the Remuneration Policy and there was no consultation with employees. The Remuneration Committee considers the approach set out in this Remuneration Policy is consistent with the remuneration approach taken by the Investment Manager.

Element	Purpose and link to strategy	Operation	Maximum
Board Chair fee	To attract and retain a high-calibre Chair by offering a market competitive fee level.	The Chair is paid a single fee for all their responsibilities. The level of the fee is reviewed periodically by the Remuneration Committee, with reference to workload, time commitment and fees paid in other relevant listed companies. At the discretion of the Remuneration Committee part or all of the annual fee paid to the Chair may be paid in the Company's Ordinary Shares. There is no requirement for the Chair to retain any such shares.	The fees paid to the Chair are subject to change periodically by the Remuneration Committee under this policy. There is no maximum fee level.
Non-Executive Director fees	To attract and retain high-calibre Non-Executive Directors by offering a market competitive fee level.	The Non-Executives are paid a basic fee. Additional fees may be paid to Non-Executives carrying out further Board responsibilities as considered appropriate from time to time, for example acting as Senior Independent Director or Audit Committee Chair. The fee levels are reviewed periodically by the Chair and the Remuneration Committee, with reference to workload, time commitment and market levels in other relevant listed companies, and a recommendation is then made to the Board. At the discretion of the Board part or all of the annual fee paid to any Non-Executive Director may be paid in the Company's Ordinary Shares. There is no requirement for Non-Executive Directors to retain any such shares.	These fee levels are subject to change periodically under this policy. There is no maximum fee level.

Notes to the Table of Directors' remuneration components

No Director is entitled to receive any remuneration from the Company which is performance-related. As a result there are no performance conditions in relation to any elements of the Directors' remuneration in existence to set out in this Remuneration Policy.

The Company has no employees. Accordingly, there are no differences in policy on the remuneration of Directors and the remuneration of employees.

There are no provisions in Directors' Letters of Appointment for recovery or withholding of fees or expenses. Annual fees are pro-rated where a change takes place during a financial year.

Relative to the previous policy, each element above has changed to note that part or all of the annual fee may be paid in the Company's Ordinary Shares. This change has been made to allow flexibility where the Board considers it would be appropriate to do this.

Remuneration approach of the Investment Manager

This section of the remuneration report gives brief details of the remuneration approach applied by the Investment Manager for its entire team.

The policy and components of current remuneration are set out below, and are intended to ensure that there is alignment with our business strategy of founding, building and funding global leaders in life science with a view to building a sustainable, diversified portfolio of 15-20 companies over a rolling 10-year period and delivering superior long-term shareholder returns. Stretching targets are set for the Investment Manager's team after careful consideration of the anticipated challenges and opportunities faced by the business.

For the senior leadership team within the Investment Manager remuneration is structured to align them with shareholders' interests with a significant percentage of total remuneration linked to long-term performance through participation in the incentive scheme.

Base salary

Base salaries are reviewed annually on 1 April. When conducting the annual salary review for all employees, account is taken of the external market, including market data provided by the Investment Manager's independent advisers, and individual performance.

Pension

The Investment Manager makes contributions for eligible employees into a personal pension plan up to a maximum of 10 per cent of base salary.

Annual bonus

A discretionary annual bonus may be awarded. An award will take into account two factors: the performance of the Investment Manager against its corporate objectives (which are agreed with the Company each year) and the individual's performance. Bonus payments are not pensionable.

Other benefits

These include private medical insurance, income protection and life cover.

Incentive scheme

The Company operates an incentive scheme that provides long-term rewards to the employees of the Investment Manager. The incentive scheme was approved by shareholders in December 2016 and is designed to reward long-term performance and align the investment team with shareholders. A fuller description can be found in the circular to shareholders dated 28 November 2016.

Under the incentive scheme, employees of the Investment Manager are awarded Management Equity Shares ('MES') in Syncona Holdings Limited ('SHL') at no cost. The majority of the employees of the Investment Manager participate in the incentive scheme.

- MES entitle holders to share in the growth of the Net Asset Value of the life science portfolio (excluding the interest in the CRT Pioneer Fund but including the value of prior realisations from the life science portfolio) subject to certain adjustments.
- The growth is measured from the Net Asset Value at the most recent valuation point, which will generally be the value determined at the most recent financial year end, or if greater the total capital invested in the life science portfolio.
- For a MES to have value there must have been growth in the adjusted Net Asset Value of the life science portfolio of at least 15 or 30 per cent (depending on when the MES were issued) from the starting value.
- A limit applies to the maximum number of MES that can be issued at any time, defined by reference to the total capital invested in the life science portfolio.
- MES vest on a straight-line basis over a four-year period. Holders are able to realise 25 per cent of their vested MES annually after the publication of the Company's Annual Results.
- On realisation 50 per cent of the after-tax value is paid in the Company's Ordinary Shares (which must normally be held for at least 12 months) and the balance is realisable in a cash payment. In practice a tax rate of 28 per cent is assumed to apply and so 36 per cent of the realisation value is paid in the Company's Ordinary Shares and the remaining 64 per cent of the realisation value is paid in cash.

The incentive scheme accordingly reflects the value generated in the life science portfolio over a number of years.

Since December 2016 (when the incentive scheme was established), the adjusted Net Asset Value of the life science portfolio has grown by a total of £511 million, of which £520 million is a realised gain.

In the 12 months to 31 March 2020 the following payments were made as a result of realisations of MES:

- In July 2019, a cash payment of £6.1 million was made to MES holders (total since December 2016: £6.2 million).
- In July 2019, 1,583,138 Ordinary Shares were issued to MES holders (valued at £3.4 million at the time of issue); these shares are subject to a 12 month lock-up (total since December 2016: 1,603,974 shares valued at £3.5 million at the time of issue).

At 31 March 2020:

- The total liability for the cash settled element of the incentive scheme for MES that have vested but not yet been realised determined in accordance with IFRS 2 was £24.9 million (see note 12). Of that amount, a maximum of £6.4 million can be realised at the next realisation date.
- The total number of Ordinary Shares in the Company that could potentially be issued under the incentive scheme was 7,937,704 (taking account of all MES, whether vested or not vested, and based on the share price at 31 March 2020 of £2.08/share), equal to 1.2 per cent of the number of Ordinary Shares in issue at that date. Of those shares, a maximum of 1,725,090 Ordinary Shares could be issued at the next realisation date (the actual number of shares that can be issued will depend on the share price at the time of realisation). The aggregate number of new Ordinary Shares which may be issued on the realisation of MES under the incentive scheme in any 10-year period may not exceed 10 per cent of the number of Ordinary Shares in issue from time to time.

Share interests

Members of the Investment Manager's team are encouraged to build up an interest in the Company's shares, but are not subject to a formal shareholding guideline.

Directors' report

The Directors present their Annual Report and Audited Consolidated Financial Statements for the year ended 31 March 2020, which have been prepared in accordance with The Companies (Guernsey) Law, 2008.

Principal activity

The Company is a Guernsey authorised closed-ended investment company listed on the Premium Segment of the London Stock Exchange.

The Company is governed by an independent Board of Directors and has no employees. Management of its investments is contracted to its subsidiary Syncona Investment Management Limited. Its company secretarial and administrative functions are outsourced to Citco Fund Services (Guernsey) Limited. Further details on the Company's Investment Manager are given below.

The Company's investment objective is to achieve superior long-term capital appreciation from its investments. A copy of the investment policy can be found on page 86.

Investment Manager

The investment portfolio is managed by Syncona Investment Management Limited, the Investment Manager, which is a subsidiary of the Company and was appointed to that role on 12 December 2017. The Investment Manager is regulated by the Financial Conduct Authority as an Alternative Investment Fund Manager.

The Company pays the Investment Manager an annual fee equal to expenses incurred in managing the investment portfolio, up to a maximum of 1.05 per cent per annum of the Company's NAV (the maximum fee was previously 1.1 per cent per annum of the Company's NAV but was reduced by agreement with effect from 1 April 2019). In addition, the Company makes an incentive scheme that provides long-term rewards available to employees of the Investment Manager.

The appointment of the Investment Manager is indefinite and can be terminated by the Company on 180 days' notice. No compensation is payable to the Investment Manager on termination of its appointment.

The Directors review the performance of the Investment Manager each year, and consider that the Investment Manager is performing well. Accordingly, the Directors consider that the continuing appointment of the Investment Manager on the terms agreed is in the interests of the Company and its shareholders as a whole.

Directors

Biographical details of the current Directors of the Company are shown on pages 70 and 71. Details of the Directors' shareholdings are included in the Directors' remuneration report on page 81.

At each Annual General Meeting of the Company, all the Directors at the date of the notice convening the Annual General Meeting retire from office and each Director may offer himself or herself for election or re-election by the shareholders. There is no age limit on Directors.

The Directors are required to disclose all actual and potential conflicts of interest to the Board as they arise for consideration and approval. These are considered carefully, taking into account the circumstances around them, and if considered appropriate are approved. The Board may impose restrictions or refuse to authorise such conflicts if deemed appropriate.

During the year, the Company maintained cover for its Directors and Officers under a Directors' and Officers' liability insurance policy.

Share capital

As at 31 March 2020, the Company had 663,665,537 nil paid Ordinary Shares in issue. No shares were held in treasury. The total number of voting rights at 31 March 2019 was 663,665,537. The Ordinary Shares each have standard rights as to voting, dividends and payment on winding up and no special rights and obligations attaching to them. There are no material restrictions on transfers of shares. In addition, the Company has one Deferred Share in issue. This share has the right to payment of £1 on the liquidation of the Company, and a right to vote only if there are no other classes of voting shares of the Company in issue, but no other rights.

As at 31 March 2020, the Company has been notified of the following significant (5 per cent or more) direct or indirect holdings of securities in the Company:

Shareholder	Number of Ordinary Shares held	% of issued share capital held
The Wellcome Trust	186,000,000	28.0%
Schroders plc	33,488,292	5.0%

Other than as disclosed above, the Company is not aware of any person who has a significant direct or indirect holding of securities in the Company. There are no restrictions on voting rights. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

The Company has the authority, subject to various terms as set out in its Articles and in accordance with The Companies (Guernsey) Law, 2008, to acquire up to 14.99 per cent of the shares in issue. The Company intends to renew this authority annually. The Directors have no current intention to utilise this authority.

Results and dividends

The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 95.

During the year ended 31 March 2020, the Company declared a dividend of £15.2 million (31 March 2019: £15.2 million) relating to the year ended 31 March 2019. The dividend was comprised of £13.2 million (31 March 2019: £12.2 million) cash and a scrip dividend of £2.0 million (31 March 2019: £3.0 million). Further details can be found in note 15 of the Consolidated Financial Statements.

In line with previous announcements, the Company does not intend to declare a dividend in relation to the year ended 31 March 2020 or in future years.

Going concern

The Company has an indefinite life. The Company's net assets currently consist of securities and cash amounting to £1,246.5 million (31 March 2019: £1,455.1 million) of which 50.84 per cent (31 March 2019: 34.64 per cent) are readily realisable in three months in normal market conditions, and liabilities including uncalled commitments to underlying investments and funds amounting to £146.7 million (31 March 2019: £121.6 million).

Furthermore, the Company has considered the implications of the COVID-19 pandemic on the Company and each of its portfolio companies through a bottom-up review determining the impact on the companies' businesses, cash requirements and the valuation of the related investments. From this analysis the Company has concluded that the impact will vary from investment to investment, with delays in certain programmes of work (expected to be up to six months in the majority of cases) and associated additional capital requirements. The Company has taken account of the COVID-19 pandemic in the valuation of its investments at year end and does not consider any additional revaluation is required. Given the Company's capital pool of £767 million the Directors consider that the Company has adequate financial resources to continue its operations, including existing commitments to its investments and additional capital requirements identified in the review, for 12 months following the approval of the financial statements.

Hence, the Directors believe, having considered the impact of COVID-19, that it is appropriate to continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

Annual General Meeting

The AGM will be held at Arnold House, St Julian's Avenue, St. Peter Port, Guernsey GY1 3RD on 28 July 2020 at 10:30am. Details of the resolutions to be proposed at the AGM, together with explanations, appear in the Notice of Annual General Meeting sent to shareholders separately.

At the time of writing, there continue to be limits in Guernsey arising from the ongoing COVID-19 global pandemic. In particular, any person arriving on Guernsey from anywhere in the world is required to self-isolate for 14 days on arrival. There are also limits on the number of persons who can meet together. Accordingly, we anticipate that few shareholders will be able to attend the AGM in person. Shareholders are strongly encouraged to ensure that their votes are counted at the AGM by appointing the chair of the AGM as their proxy in line with the procedures set out in the Notice of Annual General Meeting.

The Board remains committed to allowing shareholders the opportunity to engage with the Board, and if shareholders have any questions for the Board in advance of the AGM, these can be sent by email to contact@synconaltd.com. The Board will endeavour to answer key themes of these questions on the Company's website as soon as practical.

Charitable donations

The Company has agreed with The Syncona Foundation that one-twelfth of 0.35 per cent of the total NAV of the Company at each month-end during the year will be donated annually by the Company to charity (the amount of the donation was previously one-twelfth of 0.3 per cent of the Company's NAV at each month-end during the year but was increased by agreement with effect from 1 April 2019). Of this donation, 0.15 per cent of NAV is donated to The Institute of Cancer Research and the remainder is donated to The Syncona Foundation, for it to make grants to selected charities.

Thomas Henderson and Nigel Keen are trustees of The Syncona Foundation.

Further details of the Company's charitable donations are set out in the ESG report on pages 54 to 65.

Auditor

The Company is required to appoint auditors for each financial year of the Company, to hold office until the conclusion of the next general meeting at which accounts are presented. Our Independent Auditor, Deloitte LLP, has indicated their willingness to remain in office and resolutions to reappoint them for the year to 31 March 2021 and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting. The Audit Committee propose to carry out a tender for the role of Independent Auditor during the coming year, to the extent practical given the restrictions imposed by the COVID-19 pandemic, but in any case intend that Deloitte LLP will continue as auditor throughout the year to 31 March 2021.

As far as the Directors are aware, there is no relevant audit information of which the Auditor is unaware and they have taken all steps they should have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Auditors are aware of that information.

Signed on behalf of the Board.

Melanie Gee

Melanie Gee
Chair
11 June 2020

Investment Objective and Policy

The Company's investment objective is to achieve superior long-term capital appreciation from its investments. The Company invests in life science businesses (including private and quoted companies) and single or multi-asset projects ('Life Science Investments').

The Company will target an annualised return across its net assets of 15 per cent per annum over the long term.

The Company also holds a portion of its assets as a capital pool ('Capital Pool') to ensure it has capital available to make future Life Science Investments. There is no limit on the size of the Capital Pool although it is intended that the Company should invest the significant majority of its assets in Life Science Investments.

Life Science Investments

Life Science Investments will principally be privately owned businesses or single or multi-asset opportunities, together with the Company's investment in the CRT Pioneer Fund.

The Company anticipates that its Life Science Investment businesses will primarily be headquartered in the United Kingdom and, to a lesser extent, continental Europe, although some may have operations elsewhere in the world and may market and commercialise their products on a global basis.

The Company anticipates that, over time, its Life Science Investments portfolio will consist of around 15 to 20 life science opportunities, of which three to five are likely to become significant core holdings. The Company will invest further in its existing portfolio of Life Science Investments and will seek to create further opportunities by founding new businesses to commercialise academic science.

The Company will seek to create and invest in new or existing Life Science Investment businesses or opportunities with a view to long-term ownership, to support the building of companies that are capable of taking their products to market on an independent basis and therefore to build sustainable, revenue-generating businesses.

However, the Company may selectively divest companies in part or in full where it is in the Company's interest to do so.

The Company will commit at least 25 per cent of the assets that it commits to Life Science Investments to oncology projects or Life Science Investment businesses with a sole or dominant focus on oncology.

The Life Science Investment portfolio is subject to the following diversification requirements, each of which is measured only at the time of an investment and with respect to the impact of that investment:

- no more than 35 per cent of the Company's gross assets may be invested in any single Life Science Investment;
- no more than 60 per cent of the Company's gross assets may be invested in the largest two Life Science Investments;
- no more than 75 per cent of the Company's gross assets may be invested in the largest three Life Science Investments; and
- no more than 15 per cent of the Company's gross assets may be invested in quoted companies, disregarding for these purposes any investments which have become quoted companies during their ownership by the Company.

Capital Pool

The objective of the Capital Pool is to provide the Company with access to liquidity in all market conditions, with limited annualised volatility across the Capital Pool as a whole.

In implementing this objective the Capital Pool may be held in a combination of cash, short-term deposits, other liquid and low volatility assets, and funds including credit, fixed income and multi-strategy funds.

In addition, parts of the Capital Pool may be held in funds that were invested in accordance with any prior investment policy of the Company, until those funds are realised.

The composition of the Capital Pool will vary over time, depending on the aggregate amount of the Company's gross assets that are allocated to it.

The Capital Pool is subject to the requirement, measured at the time of investment, that no more than 20 per cent of the Company's gross assets may be held in any single fund or managed account.

Investment restrictions

The Company will not make any direct investment in any tobacco company and has agreed with (a) The Institute of Cancer Research (the 'ICR') not knowingly to make any investment which contravenes the tobacco restriction contained in the investment policy of the ICR and (b) Cancer Research UK not knowingly to make or continue to hold any investments in the Fund Investment portfolio which would result in exposure to tobacco companies exceeding 1 per cent of the aggregate value of the Capital Pool from time to time.

The Company will not invest more than 15 per cent of its gross assets in other closed-ended investment funds that are listed on the FCA's Official List.

The Group may incur indebtedness for the purpose of financing share repurchases or redemptions, satisfying working capital requirements or to assist in payment of the annual charitable donation, up to a maximum of 20 per cent of the Company's net asset value at the time of incurrence.

Any decision to incur indebtedness for the purpose of servicing any awards under the Group's Long-Term Incentive Plan must be approved by the Board. Any other decision to incur indebtedness may be taken by the Investment Manager within such parameters as are approved by the Board from time to time. There are no limitations on indebtedness being incurred at the level of the Company's underlying investments.

The Company does not propose to enter into any securities or derivative hedging or other derivative arrangements other than those that may from time to time be considered appropriate for the purposes of efficient portfolio management and will not enter into such arrangements for investment purposes, although there are no limitations on such arrangements being entered into at the level of the Company's underlying investments.

Statement of Directors' responsibilities
In respect of the Annual Report and audited Consolidated Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy; and
- these financial statements include information and details in the Chairman's Statement, the Strategic Report, the Corporate Governance Report, the Directors' Report and the notes to the Financial Statements, which provide a fair review of the information required by:
  - (a) DTR 4.1.8 of the Disclosure and Transparency Rules, being a fair review of the Company business and a description of the principal risks and uncertainties facing the Company; and
  - (b) DTR 4.1.11 of the Disclosure and Transparency Rules, being an indication of important events that have occurred since the end of the financial year and the likely future development of the Company.

This responsibility statement was approved by the Board of Directors on 11 June 2020 and is signed on its behalf by:

Melanie Gee

Melanie Gee
Chair

Rob Hutchinson
Non-Executive Director

Independent Auditor's report to the members of Syncona Limited

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Syncona Limited (the 'parent company') and its subsidiary (together the 'Group'):

- **give a true and fair view of the state of the Group's affairs as at 31 March 2020 and of its loss for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.**

We have audited the financial statements which comprise:

- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Financial Position;
- the Consolidated Statement of Changes in Net Assets Attributable to Holders of Ordinary Shares;
- the Consolidated Statement of Cash Flows; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

While the parent company is not a listed public interest entity subject to European Regulation 537/2014, the Directors have decided that the parent company should follow the same requirements as if that Regulation applied to the parent company.

3. Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Key Judgements within the Valuation of Unquoted Life Science Investments; and
- Valuation of the Long-Term Incentive Plan ("LTIP") Liability.

Materiality

The materiality that we used in the current year was £25.1m, which was determined on the basis of 2% of total net assets attributable to holders of Ordinary Shares ("NAV").

Scoping

The Group engagement team carried out audit work on the parent company, its subsidiary and the underlying entities in the investment structure, executed at levels of materiality applicable to each entity, which in all instances was lower than Group materiality.

Significant changes in our approach

In the prior year, due to the lower levels of judgement present in the valuation of quoted investments, we revised our risk assessment to be more specific and pinpoint the risk to the key judgements in the valuation of the unquoted Life Science investments. In the current year, we have changed our approach to include an assessment of the Covid-19 impact on the Life Science Investments and its effect on the valuations as at 31 March 2020.

4. Conclusions relating to going concern, principal risks and viability statement

4.1. Going concern

We have reviewed the directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of the Covid-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2. Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures page 44-51 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 68 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation page 46 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the company required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the Group to continue over the time horizon considered appropriate by the directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Key judgments in the valuation of unquoted life science investments

Key audit matter description

The Group holds unquoted life science investments with a fair value of £359.3m through Syncona Portfolio Limited held by Syncona Holdings Limited, and £40.0m through Syncona Discovery Limited held by Syncona Investments LP Incorporated ("Life Science Investments"). The unquoted life science investments constitute 38.5% of the Group NAV.

The Group fair values its interests in Syncona Holdings Limited and Syncona Investments LP Incorporated which are themselves based on the fair value of underlying unquoted life science investments and other assets and liabilities. These are recorded in accordance with IFRS 9 Financial Instruments ("IFRS 9"). The underlying unquoted life science investments are recorded at fair value through profit and loss in accordance with IFRS 13 Fair Value Measurement ("IFRS 13") and International Private Equity and Venture Capital ("IPEV") guidelines.

The risk exists that the pricing methodology applied to the underlying life science investments does not reflect an exit price in accordance with IFRS 13 and IPEV guidelines.

Investments are valued at fair value either at a calibration of cost, price of recent investment ("PRI"), or through other valuation techniques:

- The CRT Pioneer Fund valuation is based on the valuation provided by Sixth Element Capital LLP, the underlying Investment Manager, using either cost for early stage investments, or the DCF for those investments where a deal has been agreed. These investments are adjusted by Management to use discount rates and probability of success rates that are consistent with the rest of the Group.
- Calibrated Cost/PRI are used for investments recently made, or recent transactions with third parties where available. Judgement exists as to whether there is objective evidence of change in fair value, based on more recent financial, technical and other data. Increased levels of judgement are present within this process for the current year as a result of the Covid-19 pandemic causing higher than usual levels of uncertainty and volatility in the capital markets in March 2020.

As the valuation was prepared by the Investment Manager, Syncona Investment Management Limited ("SIML") the Board also commissioned an independent advisor to assist SIML in their determination of fair value of certain investments.

In addition to the judgement inherent in the valuation of these investments, we also note that any reward under the LTIP is dependent on the valuation of the Life Science Investments. As such there is an incentive to overstate the investment valuation and we identified this key audit matter as a potential area for fraud.

Details of the life science investments balance are disclosed in notes 7, 16, 19 and 20 and the accounting policies relating to them are disclosed in note 2 and Audit Committee Report on page 74.

Independent Auditor's report to the members of Syncona Limited
continued

How the scope of our audit responded to the key audit matter
In order to test the key judgements in the valuation of the underlying unquoted life science investments as at 31 March 2020 we performed the following procedures:

- Obtained an understanding of controls relating to the valuation process applied by SIML, and the monitoring and review by the Board;
- Evaluated the Directors' methodology, against the requirements of IFRS 13 and IPEV guidelines;
- Evaluated management's assessment of the impact of the Covid-19 pandemic on the underlying life science investments and subsequently the impact on the valuation of the investments;
- Assessed the market volatility in determining whether there has been a change in fair value of the underlying life science investments;
- Concluded on the experience and independence of the Group's independent advisor; and
- Reviewed the valuations performed by the independent advisor, and challenged the Director's rationale when they adopted a valuation approach different to that used by the independent advisor.

For investments where the calibration of cost or PRI are determined to be the best approximation of fair value in accordance with IFRS 13 we performed the following procedures:

- Obtained supporting documentation for amounts invested, to assess whether the cost recorded is accurate and to understand whether the use of calibrated cost/PRI is a reasonable valuation basis;
- Inspected the latest financial information, board meeting minutes, investor reports, and other external information sources to assess whether there have been any indication of a change in fair value since the latest funding round on an investment by investment basis;
- Inspected post year end transactions to test that conditions did not exist at the balance sheet date that would suggest that the year-end fair value was materially misstated; and
- Challenged management's assumptions over the appropriateness of the valuation methodology used, and whether other valuation methods may have been more appropriate.

Key observations
Overall, we conclude that the valuations and methodologies applied are appropriate in all material respects.

5.2. Valuation of the Long-Term Incentive Plan ("LTIP") Liability

Key audit matter description
Members of the management team of Syncona Investment Management Limited ("SIML") are entitled to participate in an Incentive Scheme (the "LTIP"). Syncona Holdings Limited may award Management Equity Shares ("MES") to employees of SIML. Awards entitle participants to share in the growth of the valuation of the life science investments, subject to a hurdle rate on invested capital being met. The fair value of awards of MES made in the year ended 31 March 2020 was £260k (31 March 2019: £1,520k) and the carrying amount of the cash element of the liability arising for the year ended 31 March 2020 was £24.9m (31 March 2019: £17.2m).

The Board commissioned an independent expert to value the LTIP in accordance with IFRS 2 Share-based Payment ("IFRS 2"). As the LTIP value is based upon the valuation of life science investments, this provides incentive to overstate the valuation of life science investments in order to increase the pay-out under the scheme.

The risk therefore exists that the valuation of the LTIP liability and equity portions are not calculated accurately or that not all information relating to the valuation of the underlying life science investments relevant to its calculation is included, such that the amounts recognised by the Group are materially misstated.

Details of the LTIP balances are disclosed in note 12 and the accounting policies relating to them are disclosed in note 2 and in the Audit Committee Report on page 74.

How the scope of our audit responded to the key audit matter
In order to test the valuation of the LTIP as at 31 March 2020 we performed the following procedures:

- Obtained an understanding of key controls relating to the valuation of the LTIP;
- We assessed the experience and independence of the Group's independent advisor;
- We have reviewed the accounting considerations around the grant date fair value and intrinsic value of the awards in the LTIP, to assess whether this has been accounted for appropriately;
- We have performed a recalculation of the value of any LTIP liability and equity portions, based on the terms of the LTIP rules and the Articles of Association of Syncona Holdings Limited. We have compared this to the value calculated by SIML, to determine whether this is reasonable;
- We have challenged the assumptions and the model used in the calculation of the MES fair value including the evolution of the life science portfolio and the associated probabilities of success;
- We have performed procedures as noted in the key audit matter relating to key judgements in the valuation of the life science investments, a key input into the MES fair value model.
- We have reviewed the disclosures in the notes to the financial statements for the LTIP to assess whether they meet the requirements of the IFRS 2 and adequately disclose all material terms of the plan; and
- We have held discussions with management's independent expert and challenged the key assumptions in particular the evolution of life science investments over the life of the LTIP.

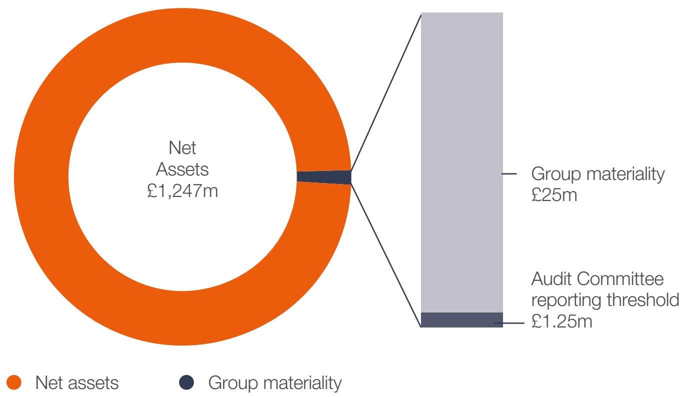
Key observations
We conclude that the valuation of the LTIP at 31 March 2020 and the related disclosures are appropriate.

6. Our application of materiality

6.1. Materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

Materiality	£25.1m (2019: £29.2m)
Basis for determining materiality	2% of NAV as at 31 March 2020 (2019: 2% of NAV)
Rationale for the benchmark applied	The Group's investment objective is to achieve superior long-term capital appreciation from its investments. We therefore considered the value of the Group's NAV to be a key performance indicator for shareholders. The reason for the decrease in materiality is due to the NAV of the Group decreasing to £1,247m as at 31 March 2020 (2019: £1,455m).



6.2. Performance materiality
We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

a. our risk assessment, including our assessment of the quality of the group's overall control environment, including that of the administrator; and

b. our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.25m (2019: £1.5m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component level.

The Group audit engagement team carried out audit work directly on the parent company and its consolidated subsidiary Syncona GP Limited executed at levels of materiality applicable to each entity (£24.9m and £230k respectively).

8. Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the Group's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Independent Auditor's report to the members of Syncona Limited
continued

9. Responsibilities of directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels, performance targets and LTIP valuation;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- Valuation of Unquoted Life Science Investments; and
- Valuation of the LTIP liability.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies (Guernsey) Law, 2008, and the Listing Rules.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

11.2 Audit response to risks identified

As a result of performing the above, we identified key judgments in the valuation of unquoted life science investments and Valuation of the LTIP Liability as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, and reviewing correspondence with the Guernsey Financial Services Commission; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Report on other legal and regulatory requirements

12. Opinion on other matter prescribed by our engagement letter

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the UK Companies Act as if that Act had been applied to the company.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent company; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

14. Other matters

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 22 September 2012 to audit the financial statements for the year ending 14 August 2012 (date of incorporation) to 25 October 2012 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is eight years, covering the years ending 25 October 2012 to 31 March 2020.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and those matters we have expressly agreed to report to them on in our engagement letter 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Clacy (FCA)
For and on behalf of Deloitte LLP
Statutory Auditor
St Peter Port, Guernsey
11 June 2020

Unaudited Group Portfolio Statement
As at 31 March 2020

	2020 Fair Value £'000	2020 % of Group NAV	2019 Fair Value £'000	2019 % of Group NAV
Life science portfolio				
Life science companies				
Autolus Therapeutics plc	76,993	6.2	328,200	22.6
Blue Earth Diagnostics Limited	–	–	267,470	18.4
Nightstar Therapeutics plc	–	–	258,344	17.7
Freeline Therapeutics Limited	150,723	12.1	93,500	6.4
Achilles Therapeutics Limited	72,413	5.8	16,166	1.1
Gyroscope Therapeutics Limited	72,975	5.9	28,875	2.0
SwanBio Therapeutics Limited	18,529	1.5	5,294	0.3
Companies of less than 1% of NAV	47,911	3.8	25,801	1.8
Total life science companies[1]	439,544	35.3	1,023,650	70.3
CRT Pioneer Fund[2]	40,023	3.2	34,311	2.4
Open forward currency contracts	–	–	(2,488)	(0.2)
Total life science portfolio[3]	479,567	38.5	1,055,473	72.5
Capital pool investments				
UK treasury bills	614,820	49.3	–	–
Legacy funds	73,979	6.0	201,862	13.9
Open forward currency contracts	–	–	1,908	0.1
Total capital pool investments[2]	688,799	55.3	203,770	14.0
Other net assets				
Cash and cash equivalents[4]	108,873	8.7	211,748	14.6
Charitable donations	(4,607)	(0.4)	(4,300)	(0.3)
Other assets and liabilities	(26,091)	(2.1)	(11,578)	(0.8)
Total other net assets	78,175	6.2	195,870	13.5
Total NAV of the Group	1,246,541	100.0	1,455,113	100.0

1 The fair value of Syncona Holdings Limited amounting to £894,090,198 (31 March 2019: £1,048,249,690) is comprised of investments in life science companies of £439,543,507 (31 March 2019: £1,021,161,530) (including the open forward currency contracts of £Nil (31 March 2019: £(2,488,458)), investments in Syncona Investment Management Limited of £4,210,657 (31 March 2019: £4,050,743), other net assets of £453,168,505 (31 March 2019: £25,867,467) in Syncona Portfolio Limited and other net liabilities of £2,832,471 (31 March 2019: £2,830,050) in Syncona Holdings Limited.

2 The fair value of the investment in Syncona Investments LP Incorporated amounting to £373,613,116 (31 March 2019: £421,828,431) is comprised of the investment in the capital pool investments of £688,798,541 (31 March 2019: £203,769,671) (including the open forward currency contracts of £Nil (31 March 2019: £1,908,145)), the investment in the CRT Pioneer Fund of £40,023,299 (31 March 2019: £34,311,339), cash of £103,100,848 (31 March 2019: £198,704,854) and other net liabilities of £458,309,572 (31 March 2019: £14,957,433).

3 The life science portfolio of £479,566,806 (31 March 2019: £1,055,472,869) consists of life science investments totalling £439,543,507 (31 March 2019: £1,021,161,530) (including the open forward currency contracts of £Nil (31 March 2019: £(2,488,458)) held by Syncona Holdings Limited and the CRT Pioneer Fund of £40,023,299 (31 March 2019: £34,311,339) held by Syncona Investments LP Incorporated.

4 Total cash held by Syncona Limited and its subsidiaries other than portfolio companies is £108,873,051 (31 March 2019: £211,747,675). Of this amount £17,456 (31 March 2019: £90,748) is held by Syncona Limited. The remaining £108,855,595 (31 March 2019: £211,656,927) is held by its subsidiaries other than portfolio companies ("Syncona Group Companies"). Cash held by Syncona Group Companies other than Syncona GP Limited 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.

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2020

	Notes	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Investment income							
Other income	6	35,708	–	35,708	34,631	–	34,631
Total investment income		35,708	–	35,708	34,631	–	34,631
Net (losses)/gains on financial assets at fair value through profit or loss	7	–	(203,013)	(203,013)	–	404,487	404,487
Total (losses)/gains		–	(203,013)	(203,013)	–	404,487	404,487
Expenses							
Charitable donations	8	4,607	–	4,607	4,300	–	4,300
General expenses	9	23,644	–	23,644	23,556	–	23,556
Total expenses		28,251	–	28,251	27,856	–	27,856
(Loss)/profit for the year		7,457	(203,013)	(195,556)	6,775	404,487	411,262
(Loss)/earnings per Ordinary Share	14	1.13p	(30.67)p	(29.54)p	1.03p	61.21p	62.24p

The total columns of this statement represent the Group's Consolidated Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ("IFRS") 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 year is equivalent to the "total comprehensive income" as defined by International Accounting Standards ("IAS") 1 "Presentation of Financial Statements". There is no other comprehensive income as defined by IFRS.

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

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	2020 £'000	2019 £'000
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	10	**1,267,703**	1,470,078
Current assets			
Bank and cash deposits		**17**	91
Trade and other receivables	11	**9,131**	8,833
Total assets		**1,276,851**	1,479,002
LIABILITIES AND EQUITY			
Non-current liabilities			
Share based payments	12	**18,540**	10,834
Current liabilities			
Share based payments	12	**6,379**	6,351
Payables	13	**5,391**	6,704
Total liabilities		**30,310**	23,889
EQUITY			
Share capital	14	**767,999**	766,037
Distributable capital reserves		**478,542**	689,076
Total equity		**1,246,541**	1,455,113
Total liabilities and equity		**1,276,851**	1,479,002
Total net assets attributable to holders of Ordinary Shares		**1,246,541**	1,455,113
Number of Ordinary Shares in issue	14	**663,665,537**	661,222,309
Net assets attributable to holders of Ordinary Shares (per share)	14	**£1.88**	£2.20
Diluted NAV (per share)	14	**£1.86**	£2.17

The audited Consolidated Financial Statements on pages 95 to 120 were approved on 11 June 2020 and signed on behalf of the Board of Directors by:

Melanie Gee

Melanie Gee
Chair

Rob Hutchinson
Non-Executive Director

Consolidated Statement of Changes in Net Assets Attributable to Holders of Ordinary Shares

As at 31 March 2020

	Notes	Share capital £'000	Capital reserves £'000	Revenue reserves £'000	Total £'000
As at 31 March 2018		**763,016**	**292,747**	**–**	**1,055,763**
Total comprehensive income for the year		–	404,487	6,775	411,262
Transactions with shareholders:					
Distributions	15	–	(8,158)	(7,020)	(15,178)
Scrip dividend shares issued during the year	14	3,021	–	–	3,021
Share based payments		–	–	245	245
As at 31 March 2019		**766,037**	**689,076**	**–**	**1,455,113**
Total comprehensive loss for the year		–	(203,013)	7,457	(195,556)
Transactions with shareholders:					
Distributions	15	–	(7,521)	(7,687)	(15,208)
Scrip dividend shares issued during the year	14	1,962	–	–	1,962
Share based payments		–	–	230	230
As at 31 March 2020		**767,999**	**478,542**	**–**	**1,246,541**

Consolidated Statement of Cash Flows
For the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
(Loss)/profit for the year		(195,556)	411,262
Adjusted for:			
Losses/(gains) on financial assets at fair value through profit or loss	7	203,013	(404,487)
Share based payment equity charge		(408)	(825)
Operating cash flows before movements in working capital		7,049	5,950
Increase in other receivables		(298)	(3,388)
Increase/(decrease) in other payables		6,421	8,705
Net cash generated from operating activities		13,172	11,267
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss		(36,786)	(119,109)
Return of capital contribution		36,786	119,109
Net cash (used in)/generated from investing activities		-	–
Cash flows from financing activities			
Distributions	15	(13,246)	(12,157)
Net cash used in financing activities		(13,246)	(12,157)
Net decrease in cash and cash equivalents		(74)	(890)
Cash and cash equivalents at beginning of the year		91	981
Cash and cash equivalents at end of the year		17	91
Supplemental disclosure of non-cash investing and financing activities			
Issuance of shares	14	1,962	3,021
Scrip dividend shares issued during the year	14	(1,962)	(3,021)
Net non-cash investing and financing activities		–	–

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

Notes to the Consolidated Financial Statements
For the year ended 31 March 2020

1. General information

Syncona Limited (the "Company") is incorporated in Guernsey as a registered closed-ended investment company. The Company's Ordinary Shares were listed on the premium segment of the London Stock Exchange on 26 October 2012 when it commenced its business.

The Company makes its life science investments through Syncona Holdings Limited (the "Holding Company"), a subsidiary of the Company. The Company maintains its capital pool through Syncona Investments LP Incorporated (the "Partnership"), in which the Company is the sole limited partner. 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".

On 12 December 2017, Syncona Investment Management Limited ("SIML"), a subsidiary, was appointed as the Company's Alternative Investment Fund Manager ("Investment Manager").

The investment objective and policy is set out in the Directors' Report on pages 84 to 86.

2. Accounting policies

Statement of compliance
The Consolidated Financial Statements give a true and fair view, are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and are in compliance with The Companies (Guernsey) Law, 2008. As at 31 March 2020, the Board considers that the Group operates a single segment.

Basis of preparation
The 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.

Functional currency
The Group's functional currency is Sterling ("£" or "GBP"). £ is the currency in which the Group measures its performance and reports its results. Ordinary Shares are denominated in £ and dividends are paid in £. The Directors believe that £ best represents the functional currency, although the Group has significant exposure to other currencies as described in note 18.

Going concern
The financial statements are prepared on a going concern basis. The Company's net assets currently consist of securities and cash amounting to £1,246.5 million (31 March 2019: £1,455.1 million) of which 49.83% (31 March 2019: 34.64%) are readily realisable within three months in normal market conditions, and liabilities including uncalled commitments to underlying investments and funds amounting to £147.3 million (31 March 2019: £121.6 million).

Furthermore, the Company has considered the implications of the COVID-19 pandemic on the Company and each of its portfolio companies through a bottom up review determining the impact on the companies' businesses, cash requirements and the valuation of the related investments. From this analysis the Company has concluded that the impact will vary from investment to investment, with delays in certain programs of work (expected to be 3 to 6 months in the majority of cases) and associated additional capital requirements. The Company has taken account of the COVID-19 pandemic in the valuation of its investments at year end. Given the Company's capital pool of £767 million the Directors consider that the Company has adequate financial resources to continue its operations, including existing commitments to its investments and additional capital requirements identified in the review, for 12 months following the approval of the financial statements. Hence, the Directors believe, having considered the impact of COVID-19, that it is appropriate to continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

Basis of consolidation
The Group's Consolidated Financial Statements consist of the financial statements of the Company and the General Partner.

The results of the General Partner during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of incorporation and are consolidated in full. The financial statements of the General Partner are prepared in accordance with United Kingdom ("UK") Accounting Standards under Financial Reporting Standard 101 "Reduced Disclosure Framework". Where necessary, adjustments are made to the financial statements of the General Partner to bring the accounting policies used in line with those used by the Group. During the year ended 31 March 2020 and 31 March 2019, no such adjustments have been made. 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 IFRS 9 "Financial Instruments". The Partnership and the Holding Company both meet the definition of investment entities.

New standards adopted by the Group
The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the Group's financial statements:

International Financial Reporting Interpretations Committee ("IFRIC") 23 "Uncertainty over Income Tax Treatments" was published in June 2017. It addresses whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in fact and circumstances.

Notes to the Consolidated Financial Statements
continued

2. Accounting policies (continued)

New standards adopted by the Group (continued)

Guidance contained in IFRIC 23 includes (i) if an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings; (ii) if an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. An entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either of the following methods, depending on which method the entity expects to better predict the resolution of the uncertainty; (a) the most likely amount – the single most likely amount in a range of possible outcomes. The most likely amount may better predict the resolution of the uncertainty if the possible outcomes are binary or are concentrated on one value; (b) the expected value – the sum of the probability-weighted amounts in a range of possible outcomes. The expected value may better predict the resolution of the uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value. IFRIC 23 is effective for annual periods beginning on or after 1 April 2019. The adoption of IFRIC 23 had no material impact on the financial statements.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 April 2019 that have a material effect on the Group's Consolidated Financial Statements.

Standards, amendments and interpretations not yet effective

There are a number of other standards, amendments and interpretation that are not yet effective and are not relevant to the Group. They are not discussed in detail as no material impact to the Group's Consolidated Financial Statements is expected.

Financial instruments

Financial assets and derivatives are recognised in the Group's Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

Financial assets at fair value through profit or loss

The Group classifies its financial assets as investments at fair value through profit or loss based on the Group's business model and the contractual cash flow characteristics of the financial assets. The Group assessed which business models apply to the financial assets and determined that the financial assets held by the Group would continue to be classified at fair value through profit or loss.

Financial assets measured at amortised cost

Financial assets are measured at amortised cost if held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group includes in this category short-term non-financing receivables including trade and other receivables.

As at 31 March 2020 and 31 March 2019, there are no financial assets measured at fair value through other comprehensive income.

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Group includes in this category short-term payables.

Fair value – life science portfolio

The Group's investments in life science companies are, in the case of quoted companies, valued based on bid prices in an active market as at the reporting date.

In the case of the Group's investments in unlisted companies, the fair value is determined in accordance with the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines. These may include the use of recent arm's length transactions, Discounted Cash Flow ("DCF") analysis and earnings multiples as valuation techniques. Wherever possible, the Group uses valuation techniques which make maximum use of market-based inputs.

The following considerations are used when calculating the fair value of unlisted life science companies:

- Cost at the transaction date is the primary input when determining fair value. Similarly where there has been a recent investment in the unlisted company by third parties, the Price of Recent Investment ("PRI") is the primary input when determining fair value, although further judgement may be required to the extent that the instrument in which the recent investment was made is different from the instrument held by the Group.
- The length of period for which it remains appropriate to consider cost or the PRI as the primary input when determining fair value depends on the achievement of target milestones of the investment at the time of acquisition. An analysis of such milestones, which can be value maintaining or value enhancing, is undertaken at each valuation point and considers changes to the external environment and the current facts and circumstances. Where this calibration process shows there is objective evidence that an investment has been impaired or increased in value since the investment was made, such as observable data suggesting a change of the financial, technical, or commercial performance of the underlying investment, the Group carries out an enhanced assessment which may use one or more of the alternative methodologies set out in the IPEV Valuation Guidelines.
- DCF involves estimating the fair value of an investment by calculating the present value of expected future cash flows, based on the most recent forecasts in respect of the underlying business. Given the difficulty involved with producing reliable cash flow forecasts for seed, start-up and early-stage companies, the DCF methodology will more commonly be used in the event that a life science company is in the final stages of clinical testing prior to regulatory approval or has filed for regulatory approval and no investments were valued on a DCF basis as at 31 March 2020.
- Independent Adviser – The Group's determination of the fair values of certain investments took into consideration multiple sources including management and publicly available information and publications and certain input from independent advisers, in particular L.E.K. Consulting LLP ("L.E.K."), who have undertaken an independent review of certain investments and has assisted the Group with its valuation of such investments. The review was limited to certain limited procedures that the Group identified and requested L.E.K to perform within an agreed limited scope. As with any review of investments, these can only be considered in the context of the limited procedures and agreed scope defining such review and are subject to assumptions which may be forward looking in nature and subjective judgements. Upon completion of such limited agreed procedures, L.E.K. estimated an independent range of fair values of those investments subjected to the limited procedures. In making such a determination the Group considered the review as one of multiple inputs in the determination of fair value. The limited procedures within the agreed scope are limited by the information reviewed and did not involve an audit, review, compilation or any other form of verification, examination or attestation under generally accepted auditing standards and was based on the review of multiple defined sources. The Group is responsible for determining the fair value of the investments, and the agreed limited procedures in the review performed to assist the Group in its determination are supplementary to the inquiries and procedures that the Group is required to undertake to determine the fair value of the said investments for which the Directors are ultimately responsible.

Fair value – capital pool investments in underlying funds

The Group's capital pool investments in underlying funds are ordinarily valued using the values (whether final or estimated) as advised to the Investment Manager by the managers, general partners or administrators of the relevant underlying fund. The valuation date of such investments may not always be coterminous with the valuation dates of the Company and in such cases the valuation of the investments as at the last valuation date is used. The net asset value ("NAV") reported by the administrator may be unaudited and, in some cases, the notified asset values are based upon estimates. The Group or the Investment Manager may depart from this policy where it is considered such valuation is inappropriate and may, at its discretion, permit any other valuation method to be used if it considers that such valuation method better reflects value generally or in particular markets or market conditions and is in accordance with good accounting practice.

Forward currency contracts

Forward foreign currency contracts are derivative contracts and as such are recognised at fair value on the date on which they are entered into and subsequently remeasured at their fair value. Fair value is determined by rates in active currency markets. Whilst the Group currently holds no forward currency contracts, forward currency contracts are held by the Partnership and Syncona Portfolio Limited from time to time for hedging purposes only.

Other financial liabilities

Other financial liabilities include all other financial liabilities other than financial liabilities at fair value through profit or loss. The Group's other financial liabilities include payables. The carrying amounts shown in the Consolidated Statement of Financial Position approximate the fair values due to the short-term nature of these other financial liabilities.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise assets and settle the liabilities simultaneously.

Derecognition of financial instruments

A financial asset is derecognised when: (a) the rights to receive cash flows from the financial asset have expired, (b) the Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through arrangement"; or (c) the Group has transferred substantially all the risks and rewards of the financial asset, or has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

A financial liability is derecognised when the contractual obligation under the liability is discharged, cancelled or expired.

Notes to the Consolidated Financial Statements
continued

2. Accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets
IFRS 9 requires the Group to record expected credit losses ("ECLs") on all financial assets held at amortised cost, all loans and trade receivables, either on a 12-month or lifetime basis. The Group only holds receivables with no financing component and which have maturities of less than 12 months at amortised cost and therefore has applied the simplified approach to recognise lifetime ECLs permitted by IFRS 9.

Commitments
Through its investment in the Holding Company and the Partnership, the Group has outstanding commitments to investments that are not recognised in the Consolidated Financial Statements. Refer to note 20 for further details.

Share based payments
Certain employees of SIML participate in equity incentive arrangements under which they receive awards of Management Equity Shares ("MES") in the Holding Company above a base line value set out at the date of award. The MES are not entitled to dividends but any dividends or capital value realised by the Group in relation to the Holding Company are taken into account in determining the value of the MES. If an individual remains in employment for the applicable vesting period, they then have the right to sell 25% of their vested MES to the Company each year. The price is determined using a formula stipulated in the Articles of Association ("Articles") of the Holding Company.

The Group's policy is to settle half of the proceeds (net of expected taxes) in Company shares which must be held for at least 12 months, with the balance paid in cash. Consequently, the arrangements are deemed to be partly an equity-settled share based payment scheme and partly a cash-settled share based payment scheme under IFRS 2 "Share Based Payments" in the Consolidated Financial Statements of the Group.

The fair value of the MES at the time of the initial subscription is determined by an independent third party valuer in accordance with IFRS 2 and taking into account the particular rights attached to the MES as described in the Articles. The third party external valuer is supplied with detailed financial information relating to the relevant businesses. Using this information, the fair value is measured using a probability-weighted expected returns methodology, which is an appropriate future-oriented approach when considering the fair value of shares that have no intrinsic value at the time of issue. The approach replicates that of a binomial option pricing model. In this case, the expected future payout to the MES was made by reference to the expected evolution of the Holding Company's value, as provided by SIML management, including expected dividends and other realisations which is then compared to the base line value. This is then discounted into present value terms adopting an appropriate discount rate. The "capital asset pricing methodology" was used when considering an appropriate discount rate to apply to the payout expected to accrue to the MES on realisation.

When MES are awarded, a share based payment charge is recognised in the Consolidated Statement of Comprehensive Income of the employing company, SIML, equal to the fair value at that date, spread over the vesting period. In its own financial statements, the Company records a capital contribution to the Holding Company with an amount credited to the share based payments reserve in respect of the equity-settled proportion and to liabilities in respect of the cash-settled proportion (see below).

When the Company issues new shares to acquire the MES, the fair value of the MES is credited to share capital.

To the extent that the Company expects to pay cash to acquire the MES, the fair value of the MES is recognised as a liability in the Company's Consolidated Statement of Financial Position. The fair value is established at each balance sheet date and recognised in the Consolidated Statement of Comprehensive Income throughout the vesting period, based on the proportion vested at each Statement of Financial Position date and adjusted to reflect subsequent movements in fair value up to the date of acquisition of the MES by the Company.

The fair value paid to acquire MES (whether in shares in the Company or cash) will result in an increase in the carrying value of the Holding Company by the Company.

Income
All income is accounted for in accordance with IFRS 15 "Revenue from Contracts with Customers" and is recognised in the Consolidated Statement of Comprehensive Income. Income is further discussed in note 6.

Expenses
Expenses are accounted for on accruals basis. Expenses incurred on the acquisition of investments at fair value through profit or loss are presented within the Capital column of the Consolidated Statement of Comprehensive Income. All other expenses are presented within the Revenue column of the Consolidated Statement of Comprehensive Income. Charitable donations are accounted for on an accruals basis and are recognised in the Consolidated Statement of Comprehensive Income. Expenses directly attributable to the issuance of shares are charged against capital and recognised in the Consolidated Statement of Changes in Net Assets Attributable to Holders of Ordinary Shares.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

Translation of foreign currency
Items included in the Group's Consolidated Financial Statements are measured in £, which is the currency of the primary economic environment where the group operates.

Transactions in currencies other than £ are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the Consolidated Statement of Financial Position are retranslated into £ at the rate of exchange ruling at that date.

Foreign exchange differences arising on retranslation are recognised in the Consolidated Statement of Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the rate of exchange at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated into £ at foreign exchange rates ruling at the date the fair value was determined.

Presentation of the Consolidated Statement of Comprehensive Income
In order to better reflect the activities of an investment company and in accordance with guidance issued by the AIC, supplementary information which analyses the Consolidated Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Consolidated Statement of Comprehensive Income.

3. Critical accounting judgements and sources of estimation uncertainty

The preparation of the Group's Consolidated Financial Statements requires judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses at the reporting date. However, uncertainties about these assumptions and estimates, in particular relating to underlying investments of private equity investments and the life science investments could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Critical accounting judgements
In the process of applying the Group's accounting policies, the following judgements have been made, which have the most significant effect on the amounts recognised in the Consolidated Financial Statements:

Fair value – life science portfolio
In the case of the Group's investments in unlisted companies, the fair value is determined in accordance with the IPEV Valuation Guidelines. These include the use of recent arm's length transactions, DCF analysis and earnings multiples. Wherever possible, the Group uses valuation techniques which make maximum use of market-based inputs.

The key judgement relates to whether there is objective evidence that suggests the investment has been impaired or increased in value due to observable data, technical, or commercial performance.

Where the Group is the sole institutional investor and until such time as substantial clinical data has been generated investment will be recorded at fair value, the primary valuation input being Cost or PRI, subject to adequate consideration being given to current facts and circumstances. Once substantial clinical data has been generated the Group will use input from an independent valuation adviser to assist in the determination of fair value.

Sources of estimation uncertainty
The Group's investments consist of its investments in the Holding Company and the Partnership, both of which are classified at fair value through profit or loss and are valued accordingly, as disclosed in note 2. The key source of estimation uncertainty is related to the valuation of the Holding Company's life science investments, the investment in the CRT Pioneer Fund and the Partnership's private equity investments.

The life science portfolio is very illiquid. Many of the companies are early stage investments and privately owned. The Company has analysed the impact of the COVID-19 pandemic on the portfolio companies through a bottom-up review and does not consider that any COVID-19 revaluations are required, however the final impact of the pandemic is not yet certain and may have effects on the portfolio companies that have not been anticipated. Accordingly, a market value can be difficult to determine. The accounting policy for all investments is described in note 2 and the fair value of all investments is described in note 19. In the case where the Company is the sole institutional investor and substantive clinical data has been generated, the Company will use input from an independent valuation adviser in its determination of the fair value of investments. Sensitivity to a 20% movement in the valuation of private company investments is included in note 19.

Notes to the Consolidated Financial Statements
continued

3. Critical accounting judgements and sources of estimation uncertainty (continued)

Sources of estimation uncertainty (continued)

As at the year end, none of the Partnership's underlying investments have imposed restrictions on redemptions (31 March 2019: none). However, underlying managers often have the right to impose such restrictions. The Directors believe it remains appropriate to estimate their fair values based on NAV as reported by the administrators of the relevant investments.

The Directors believe that such NAV represents fair value because subscriptions and redemptions in the underlying investments occur at these prices at the Consolidated Statement of Financial Position date, where permitted.

The share based payment charge is determined by an independent third party valuer in accordance with IFRS 2 using a probability-weighted expected returns methodology. This methodology includes estimates related to the underlying investments including probabilities of success and scenario weightings. If probabilities of success were 10% lower or higher than estimated the provision for cash settled share based payments would decrease or increase by £2.2 million.

4. Investment in subsidiaries and associates

The Company meets the definition of an investment entity in accordance with IFRS 10. 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

Subsidiary	Principal place of business	Principal activity	2020 % interest[1]	2019 % interest[1]
Syncona GP Limited	Guernsey	General Partner	**100%**	100%
Syncona Holdings Limited	Guernsey	Portfolio management	**100%**	100%
Syncona Investments LP Incorporated	Guernsey	Portfolio management	**100%**	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	2020 % interest[1]
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%**
Freeline Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	**84%**
Gyroscope Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	**84%**
SwanBio Therapeutics Limited	United States	Syncona Portfolio Limited	Gene therapy	**74%**
Quell Therapeutics Limited	UK	Syncona Portfolio Limited	Cell therapy	**58%**
Achilles Therapeutics Limited	UK	Syncona Portfolio Limited	Cell therapy	**52%**
Omass Therapeutics Limited	UK	Syncona Portfolio Limited	Small molecule	**51%**

Indirect associates	Principal place of business	Immediate parent	Principal activity	2020 % interest[1]
Anaveon AG	Switzerland	Syncona Portfolio Limited	Biologics	**41%**
Azeria Therapeutics Limited	UK	Syncona Portfolio Limited	Small molecule	**34%**
Autolus Therapeutics plc	UK	Syncona Portfolio Limited	Cell therapy	**27%**

1 Based on undiluted issued share capital and excluding the MES issued by Syncona Holdings Limited (see note 12).

Indirect Subsidiaries	Principal place of business	Immediate parent	Principal activity	2019 % interest[1]
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%
Blue Earth Diagnostics Limited	UK	Syncona Portfolio Limited	Advanced diagnostics	89%
Freeline Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	87%
Gyroscope Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	86%
Achilles Therapeutics Limited	UK	Syncona Portfolio Limited	Cell therapy	69%
Quell Therapeutics Limited	UK	Syncona Portfolio Limited	Cell therapy	58%
SwanBio Therapeutics Limited	United States	Syncona Portfolio Limited	Gene therapy	58%

Indirect associates	Principal place of business	Immediate parent	Principal activity	2019 % interest[1]
Nightstar Therapeutics plc	UK	Syncona Portfolio Limited	Gene therapy	38%
Omass Therapeutics Limited	UK	Syncona Portfolio Limited	Small molecule	37%
Autolus Therapeutics plc	UK	Syncona Portfolio Limited	Cell therapy	31%
Anaveon AG	Switzerland	Syncona Portfolio Limited	Biologics	20%

1 Based on undiluted issued share capital and excluding the MES issued by Syncona Holdings Limited (see note 12).

5. Taxation

The Company and the General Partner are exempt from taxation in Guernsey under the provisions of The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and have both paid an annual exemption fee of £1,200 (31 March 2019: £1,200).

The General Partner is incorporated and a tax resident in Guernsey, its corporate affairs being managed solely in Guernsey. Having regard to the non-UK tax residence of the General Partner and the Company, and on the basis that the Partnership is treated as transparent for UK and Guernsey tax purposes and that the Partnership's business is an investment business and not a trade, no UK tax will be payable on either the General Partner's or the Company's shares of Partnership profit (save to the extent of any UK withholding tax on certain types of UK income such as interest).

Some of the Group's underlying investments may be liable to tax, although the tax impact is not expected to be material to the Group, and is included in the fair value of the Group's investments.

6. Income

The Group's income relates to cash transfers from the Partnership which are used for paying costs and dividends of the Group.

During the year, income received from the Partnership amounted to £35,708,000 (31 March 2019: £34,631,000) of which £4,607,416 (31 March 2019: £4,300,000) remained receivable as at 31 March 2020. The receivable reflects the charitable donations of the Group.

Notes to the Consolidated Financial Statements
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7. Net (losses)/gains on financial assets at fair value through profit or loss

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

	Note	2020 £'000	2019 £'000
Net (losses)/gains from:			
The Holding Company	7.a	(191,176)	431,893
The Partnership	7.b	(11,837)	(27,406)
		(203,013)	404,487

7.a Movements in the Holding Company:

	2020 £'000	2019 £'000
Expenses	(3)	(100)
Movement in unrealised (losses)/gains on life science investments at fair value through profit or loss	(191,173)	431,993
Net (losses)/gains on financial assets at fair value through profit or loss	(191,176)	431,893

7.b Movements in the Partnership:

	2020 £'000	2019 £'000
Investment income	469	610
Rebates and donations	384	2,527
Expenses	(95)	(63)
Realised gains on financial assets at fair value through profit or loss	33,889	76,965
Movement in unrealised losses on financial assets at fair value through profit or loss	(6,300)	(60,459)
(Losses)/gains on forward currency contracts	(6,389)	997
Gains/(losses) on foreign currency	1,913	(13,352)
Gains on financial assets at fair value through profit or loss	23,871	7,225
Distributions	(35,708)	(34,631)
Net losses on financial assets at fair value through profit or loss	(11,837)	(27,406)

8. Charitable donations

For the year ended 31 March 2020, the Group has agreed to make a donation to charity of 0.35% of the total NAV of the Group calculated on a monthly basis, 0.15% donated to The Institute of Cancer Research ("ICR") and 0.20% donated to The Syncona Foundation, and these donations are made by the General Partner.

During the year, accrued charitable donations amounted to £4,607,416 (31 March 2019: £4,300,155). As at 31 March 2020, £4,607,416 (31 March 2019: £4,300,155) remained payable.

9. General expenses

	2020 £'000	2019 £'000
Directors' remuneration	379	355
Auditor's remuneration	173	232
Share based payments	13,434	11,792
Investment management fees	7,517	8,923
Other expenses	2,141	2,254
	23,644	23,556

Auditor's remuneration includes audit fees in relation to the Group of £43,035 (31 March 2019: £31,830). Total audit fees paid by the Group and the Syncona Group Companies for the year ended 31 March 2020 totalled £173,470 (31 March 2019: £172,515). Additional fees paid to the auditor were £29,500 (31 March 2019: £28,100) which relates to work performed at the interim review of £23,000 (31 March 2019: £21,600) and other non-audit fees of £6,500 (31 March 2019: £6,500).

Further details of the share based payments can be found in note 12.

10. Financial assets at fair value through profit or loss

	Note	2020 £'000	2019 £'000
The Holding Company	10.a	894,090	1,048,250
The Partnership	10.b	373,613	421,828
		1,267,703	1,470,078

10.a The net assets of the Holding Company

	2020 £'000	2019 £'000
Cost of the Holding Company's investment at the start of the year	456,932	325,510
Purchases during the year	36,378	131,422
Cost of the Holding Company's investments at the end of the year	493,310	456,932
Net unrealised gains on investments at the end of the year	403,613	594,148
Fair value of the Holding Company's investments at the end of the year	896,923	1,051,080
Other current liabilities	(2,833)	(2,830)
Financial assets at fair value through profit or loss at the end of the year	894,090	1,048,250

10.b The net assets of the Partnership

	2020 £'000	2019 £'000
Cost of the Partnership's investments at the start of the year	183,257	381,381
Purchases during the year	2,349,530	170,275
Sales during the year	(1,869,399)	(433,051)
Return of capital	(14,527)	(12,313)
Net realised gains on disposals during the year	33,889	76,965
Cost of the Partnership's investments at the end of the year	682,750	183,257
Net unrealised gains on investments at the end of the year	46,072	52,916
Fair value of the Partnership's investments at the end of the year	728,822	236,173
Open forward currency contracts	–	1,908
Cash and cash equivalents	103,101	198,705
Other net current liabilities	(458,310)	(14,958)
Financial assets at fair value through profit or loss at the end of the year	373,613	421,828

11. Trade and other receivables

	2020 £'000	2019 £'000
Due from related parties (see note 16)	4,524	4,495
Investment income receivable	4,607	4,300
Prepayments	–	38
	9,131	8,833

Notes to the Consolidated Financial Statements
continued

12. Share based payments

Share based payments are associated with awards of MES in the Holding Company, relevant details of which are set out in note 2.

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

	2020 £'000	2019 £'000
Charge related to revaluation of the liability for cash settled share awards	13,434	11,792
Total	13,434	11,792

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

	2020 £'000	2019 £'000
Share based payments - current	6,379	6,351
Share based payments - non-current	18,540	10,834
Total	24,919	17,185

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

The fair value of the MES is established via external valuation as set out in note 2. 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% or 30% 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 year ended 31 March 2020 was £260,000 (31 March 2019: £1,520,000). This represents 9,559,389 new MES issued (31 March 2019: 12,607,898).

The number of MES outstanding are shown below:

	2020	2019
Outstanding at the start of the year	36,784,147	27,664,909
Issued	9,559,389	12,607,898
Cancelled	(4,405,823)	(3,488,660)
Outstanding at the end of the year	41,937,713	36,784,147
Weighted average remaining contractual life of outstanding MES, years	1.72	2.24
Vested MES as at the year end	20,758,829	14,798,030
Realisable MES as at the year end	6,171,469	3,900,433

As at 31 March 2020, if all MES were realised, the number of shares issued in the Company as a result would be 7,937,704 (31 March 2019: 10,046,397). The per share value of net assets attributable to holders of Ordinary Shares would fall from £1.88 to £1.86 (31 March 2019: £2.20 to £2.17) if these shares were issued.

13. Payables

	2020 £'000	2019 £'000
Charitable donations payable	4,607	4,300
Management fees payable	196	1,242
Due to related party (see note 16)	–	500
Other payables	588	662
	5,391	6,704

14. Share capital

A. Authorised Share Capital

The Company is authorised to issue an unlimited number of shares, which may have a par value or no par value. The Company is a closed-ended investment 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 share capital in accordance with The Companies (Guernsey) Law, 2008.

	2020 £'000	2019 £'000
Ordinary Share Capital		
Balance at the start of the year	766,037	763,016
Scrip dividend shares issued during the year	1,962	3,021
Balance at the end of the year	767,999	766,037

	2020 Shares	2019 Shares
Ordinary Share Capital		
Balance at the start of the year	661,222,309	659,952,090
Scrip dividend shares issued during the year	860,090	1,249,383
Share based payment shares issued during the period	1,583,138	20,836
Balance at the end of the year	663,665,537	661,222,309

In July 2019, £1,961,865 (860,090 Ordinary Shares) in new Ordinary Shares were issued at a price of 228.1p as a result of the 2019 scrip dividend.

In August 2018, £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.

The Company has issued one Deferred Share to The Syncona Foundation for £1.

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 as at the year end and unrealised exchange differences of a capital nature are transferred to capital reserves.

C. (Loss)/earnings per share

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

	2020	2019
(Loss)/earnings for the purposes of earnings per share	£(195,556,000)	£411,262,000
Basic weighted average number of shares	661,919,658	660,759,419
Basic revenue earnings per share	1.1p	1.0p
Basic capital (loss)/earnings per share	(30.7)p	61.2p
Basic (loss)/earnings per share	(29.6)p	62.2p
Diluted weighted average number of shares	669,857,362	670,805,816
Diluted revenue earnings per shares	1.1p	1.0p
Diluted capital (loss)/earnings per share	(30.3)p	60.3p
Diluted (loss)/earnings per share	(29.2)p	61.3p

	2020	2019
Issued share capital at start of year	661,222,309	659,952,090
Weighted effect of share issues		
Scrip dividend	256,147	791,959
Share based payments	441,202	15,370
Potential share based payment share issues	7,937,704	10,046,397
Diluted weighted average number of shares	669,857,362	670,805,816

Notes to the Consolidated Financial Statements
continued

14. Share capital (continued)

D. NAV per share

	2020	2019
Net assets for the purposes of NAV per share	£1,246,540,660	£1,455,112,953
Ordinary Shares in issue	663,665,537	661,222,309
NAV per share	187.8p	220.1p
Diluted number of shares	671,603,241	671,268,706
Diluted NAV per share	185.6p	216.8p

15. Distribution to shareholders

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

During the year ended 31 March 2020, the Company declared and paid a dividend of 2.3p (31 March 2019: 2.3p) per share amounting to £15,208,113 (31 March 2019: £15,178,477). The dividend was comprised of £13,246,248 cash (31 March 2019: £12,157,469) and a scrip dividend of £1,961,865 (31 March 2019: £3,021,008).

The Company is not declaring a 2020 dividend.

16. 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.

During the year, the total amount invested in life science investments with control was £156,531,372 (31 March 2019: £84,332,761).

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.

During the year, the total amount invested in life science investments with significant influence was £44,209,342 (31 March 2019: £39,101,314).

Commitments of milestone payments to the life science investments are disclosed in note 20.

During the year, SIML, an indirectly held subsidiary of the Company, charged the life science investments a total of £294,963 (31 March 2019: £478,521) in relation to Directors' fees.

Investment Manager

SIML, an indirectly held subsidiary of the Company, is the Investment Manager of the Group.

For the year ended 31 March 2020 SIML was entitled to receive an annual fee of up to 1.05% of NAV (31 March 2019: 1.10%) per annum.

	2020 £'000	2019 £'000
Amounts paid to SIML	7,517	8,923

During the year, SIML received fees from the Group's portfolio companies of £294,963 (31 March 2019: £478,522).

Company Directors

As at the year end, the Company had seven Directors, all of whom served in a non-executive capacity. The Directors Nicholas Moss and Rob Hutchinson also serve as Directors of the General Partner.

Nigel Keen is Chairman of the Investment Manager and receives a fee of £130,981 (31 March 2019: £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. Nicholas Moss was appointed as Senior Independent Director and Rob Hutchinson succeeded him as Chair of the Audit Committee with effect from 1 April 2018. Melanie Gee was appointed as Non-Executive Director with effect from 4 June 2019 and was appointed Chair on 1 January 2020.

Directors' remuneration for the year ended 31 March 2020 and 31 March 2019, including outstanding Directors' remuneration as at the end of the year, are set out below.

	2020 £'000	2019 £'000
Directors' remuneration for the year	379	355
Payable at end of the year	–	125

For further details, please refer to the remuneration report on pages 78 to 83.

The Syncona Foundation

Charitable donations are made by the Company 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 year ended 31 March 2020 was £2,375,804 (31 March 2019: £2,375,804).

Other related parties

As at 31 March 2020, the Company has a payable to the Holding Company amounting to £Nil (2019: £500,000), and receivable from the Partnership, Holding Company and Syncona Portfolio Limited amounting to £Nil (2019: £500,000), £3,955,602 (2019: £3,953,202) and £568,039 (2019: £Nil), respectively.

17. Financial instruments

In accordance with its investment objectives and policies, the Group holds financial instruments which at any one time may comprise the following:

- securities and investments held in accordance with the investment objectives and policies;
- cash and short-term receivables and payables arising directly from operations; and
- derivative instruments including forward currency contracts.

The financial instruments held by the Group are comprised principally of the investments in the Holding Company and the Partnership.

Details of the Group's significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of its financial assets and liabilities are disclosed in note 2.

	2020 £'000	2019 £'000
Financial assets at fair value through profit or loss		
The Holding Company	894,090	1,048,250
The Partnership	373,613	421,828
Total financial assets at fair value through profit or loss	1,267,703	1,470,078
Financial assets measured at amortised cost		
Bank and cash deposits	17	91
Other financial assets	9,131	8,795
Total financial assets measured at amortised cost	9,148	8,886
Financial liabilities at fair value through profit or loss		
Provision for share based payments	(24,919)	(17,185)
Total financial liabilities at fair value through profit or loss	(24,919)	(17,185)
Financial liabilities measured at amortised cost		
Other financial liabilities	(5,391)	(6,704)
Total financial liabilities measured at amortised cost	(5,391)	(6,704)
Net financial assets	1,246,541	1,455,075

The financial instruments held by the Group's underlying investments are comprised principally of life science investments, hedge, equity, long-term alternative investment funds, short-term UK treasury bills and cash.

Notes to the Consolidated Financial Statements
continued

17. Financial instruments (continued)

The table below analyses the carrying amounts of the financial assets and liabilities held by the Holding Company by category as defined in IFRS 9 (see note 2).

	2020 £'000	2019 £'000
Financial assets at fair value through profit or loss		
Investment in Subsidiaries	896,923	1,051,080
Total financial assets at fair value through profit or loss	896,923	1,051,080
Financial assets measured at amortised cost		
Other financial assets	1,123	1,123
Financial liabilities measured at amortised cost		
Other financial liabilities	(3,956)	(3,953)
Net financial assets of the Holding Company	894,090	1,048,250

The table below analyses the carrying amounts of the financial assets and liabilities held by the Partnership by category as defined in IFRS 9.

	2020 £'000	2019 £'000
Financial assets at fair value through profit or loss		
Listed investments	614,820	–
Unlisted investments	114,002	236,173
Unrealised gains on open forward currency contracts	–	1,908
Total financial assets designated at fair value through profit or loss	728,822	238,081
Financial assets measured at amortised cost		
Current assets	103,928	199,964
Financial liabilities measured at amortised cost		
Current liabilities	(459,137)	(16,217)
Net financial assets of the Partnership	373,613	421,828

Capital risk management

The Group's objectives when managing capital include the safeguarding of the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group does not have externally-imposed capital requirements.

The Group may incur indebtedness for the purpose of financing share repurchases or redemptions, making investments (including as bridge finance for investment obligations), satisfying working capital requirements or to assist in payment of the charitable donation, up to a maximum of 20% of the NAV at the point of obtaining debt. The Group may utilise gearing for investment purposes if, at the time of incurrence, it considers it prudent and desirable to do so in light of prevailing market conditions. There is no limitation on indebtedness being incurred at the level of the underlying investments.

18. Financial risk management and associated risks

Financial risk management

The Group is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including market price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. These risks have existed throughout the year and the Group's policies for managing them are summarised below.

The risks below do not reflect the risks of the underlying investment portfolios of the financial assets at fair value through profit or loss. The Group has very significant indirect exposure to a number of risks through the underlying portfolios of the investment entities. This is in line with the strategy of the Group in order to achieve capital gains. There is no mechanism to control these risks without considerably prejudicing return objectives.

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

During the year, the Group materially decreased the risk associated with the assets held by the Partnership by redeeming fund investments and investing in short-term UK treasury bills.

Syncona Limited

Syncona Limited is exposed to financial risks through its investments in the Holding Company and the Partnership. The risks and policies for managing them are set out in the sections below.

The Holding Company

Market price risk

The Holding Company invests in early stage life science companies that typically have limited products in development, any problems encountered in development may have a damaging effect on that company's business and the value of the investment.

This is mitigated by the employment of highly experienced personnel and the performance of extensive due diligence prior to investment.

Foreign currency risk

Foreign currency risk represents the potential losses or gains on the life science investments future income streams and the potential losses or gains on investments made in United States Dollars ("USD") and Swiss Francs ("CHF") by the Holding Company's underlying investments.

	2020 USD £'000	2020 CHF £'000	2019 USD £'000	2019 CHF £'000
10% increase	16,315	1,122	103,308	336
10% decrease	(13,348)	(1,234)	(126,383)	(370)

As at 31 March 2020, the Holding Company had no open forward currency contracts (31 March 2019: one).

	Sell '000	Buy £'000	Mark to market equivalent £'000	2019 Unrealised losses £'000
GBP/USD forward currency contract				
Settlement date 12 June 2019	$336,700	254,948	257,436	(2,488)
Total unrealised losses as at year end				(2,488)

The following tables present the Holding Company's assets and liabilities in their respective currencies, converted into the Group's functional currency.

	CHF £'000	USD £'000	GBP £'000	2020 Total £'000
Financial assets at fair value through profit or loss	12,338	131,031	753,554	896,923
Receivables	–	–	1,123	1,123
Payables	–	–	(3,956)	(3,956)
Total	12,338	131,031	750,721	894,090

	CHF £'000	USD £'000	GBP £'000	2019 Total £'000
Financial assets at fair value through profit or loss	3,700	591,493	455,887	1,051,080
Receivables	–	–	1,123	1,123
Payables	–	–	(3,953)	(3,953)
Total	3,700	591,493	453,057	1,048,250

Interest rate risk

Interest rate risk is negligible in the Holding Company as minimal cash and no debt is held.

Credit risk

The equity investments in life science companies are highly illiquid and cannot be recovered from the investee. The investments are held for the long term and will typically be realised through the sale of the companies concerned, whether in a private transaction or through the public markets.

Notes to the Consolidated Financial Statements
continued

18. Financial risk management and associated risks (continued)

The Holding Company (continued)

Liquidity risk
Liquidity risk is the risk that the financial commitments made by the Holding Company are not able to be met as they fall due. The Holding Company holds minimal cash and has no access to debt and instead relies on liquidity from the Partnership. The liquidity risk associated with the Partnership is set out in the Partnership section below.

The table below details the Holding Company's liquidity analysis for its financial assets and liabilities.

	Within 1 month £'000	>1 to 3 months £'000	>3 to 12 months £'000	>12 months £'000	2020 Total £'000
Financial assets at fair value through profit or loss	–	–	–	896,923	**896,923**
Receivables	–	–	–	1,123	**1,123**
Payables	–	–	(35)	(3,921)	**(3,956)**
Total	–	–	(35)	894,125	**894,090**
Percentage	0.0%	0.0%	0.0%	100.0%	**100.0%**

	Within 1 month £'000	>1 to 3 months £'000	>3 to 12 months £'000	>12 months £'000	2019 Total £'000
Financial assets at fair value through profit or loss	–	258,344	–	792,736	1,051,080
Receivables	–	–	–	1,123	1,123
Payables	–	–	(32)	(3,921)	(3,953)
Total	–	258,344	(32)	789,938	1,048,250
Percentage	0.0%	24.6%	0.0%	75.4%	100.0%

The Partnership

Market price risk
The overall market price risk management of each of the fund holdings of the Partnership is primarily driven by their respective investment objectives. The Investment Manager assesses the risk in the Partnership's fund portfolio by monitoring exposures, liquidity, and concentrations of the underlying funds' investments, in the context of the historic and current volatility of their asset classes, and the Investment Manager's risk appetite. The maximum risk resulting from financial instruments is generally determined by the fair value of underlying funds. The overall market exposure as at 31 March 2020 is shown in the Consolidated Statement of Financial Position.

The financial instruments are sensitive to market price risk; any increase or decrease in market price will have an equivalent effect on the market value of the financial instruments.

Foreign currency risk
Foreign currency risk represents the potential losses or gains the Partnership may suffer through holding foreign currency assets in the face of foreign exchange movements. The Partnership's treatment of currency transactions is set out in note 2 to the Consolidated Financial Statements under "Translation of foreign currency" and "Forward currency contracts". Currency risk exists in the underlying investments, the analysis of which is not feasible.

The investments of the Partnership are denominated in USD, Euro ("EUR"), and GBP. The Partnership's functional and presentation currency is £; hence, the Consolidated Statement of Financial Position may be significantly affected by movements in the exchange rates between the foreign currencies previously mentioned. The Investment Manager may manage exposure to EUR and USD movements by using forward currency contracts to hedge exposure to investments in EUR and USD-denominated share classes.

As at 31 March 2020, the Partnership had no open forward currency contracts (31 March 2019: two).

	Sell '000	Buy £'000	Mark to market equivalent £'000	2019 Unrealised gains £'000
GBP/EUR forward currency contract				
Settlement date 7 May 2019	€47,200	41,618	40,675	943
GBP/USD forward currency contract				
Settlement date 7 May 2019	$177,800	137,149	136,184	965
Total unrealised gains as at year end				1,908

The following tables present the Partnership's assets and liabilities in their respective currencies, converted into the Group's functional currency.

	USD £'000	EUR £'000	GBP £'000	2020 Total £'000
Financial assets at fair value through profit or loss	8,001	52,930	667,891	**728,822**
Cash and cash equivalents	35,262	37	67,802	**103,101**
Trade and other receivables	17	–	810	**827**
Payables	–	–	(454,530)	**(454,530)**
Distributions payable	–	–	(4,607)	**(4,607)**
	43,280	52,967	277,366	**373,613**

	USD £'000	EUR £'000	GBP £'000	2019 Total £'000
Financial assets at fair value through profit or loss	123,321	41,387	71,465	236,173
Cash and cash equivalents	34,128	416	164,161	198,705
Trade and other receivables	7	–	1,252	1,259
Unrealised (losses)/gains on forward currency contracts	(136,184)	(40,675)	178,767	1,908
Payables	–	–	(16,217)	(16,217)
	21,272	1,128	399,428	421,828

Foreign currency sensitivity analysis
The table below details the sensitivity of the Partnership's NAV to a 10% change in the £ exchange rate against the USD and EUR with all other variables held constant. The sensitivity analysis percentage represents the Investment Manager's assessment, based on the foreign exchange rate movements over the relevant period and of a reasonably possible change in foreign exchange rates.

	2020 USD £'000	2020 EUR £'000	2019 USD £'000	2019 EUR £'000
10% increase	**4,328**	**5,297**	13,675	4,608
10% decrease	**(4,328)**	**(5,297)**	(11,188)	(3,770)

The above includes the effect of the Group's hedging strategy.

Interest rate risk
Interest receivable on bank deposits or payable on bank overdrafts are affected by fluctuations in interest rates, however the effect is not expected to be material. All cash balances receive interest at variable rates. Interest rate risk may exist in the Partnership's underlying investments, the analysis of which is impractical.

Credit risk
Credit risk in relation to listed securities transactions awaiting settlement is managed through the rules and procedures of the relevant stock exchanges. In particular, settlements for transactions in listed securities are effected by the Citco Custody (UK) Limited (the "Custodian") which acts as the custodian of the partnership's assets, on a delivery against payment or receipt against payment basis. Transactions in unlisted securities are affected against binding subscription agreements. Credit risk may exist in the Partnership's underlying fund investments, the analysis of which is impractical.

The Partnership invests in short-term UK treasury bills and considers the associated credit risk to be negligible.

The principal credit risks for the Partnership are in relation to deposits with banks. The securities held by the Custodian are held in trust and are registered in the name of the Partnership. Citco is "non-rated", however, the Investment Manager takes comfort over the credit risk of Citco as they have proven to rank amongst the "Best in Class" and "Top rated" in the recognised industry survey carrying a global presence and over 40 years of experience in the provision of custodian and other services to their clients and the hedge fund industry. The credit risk associated with debtors is limited to any unrealised gains on open forward currency contracts, as detailed above, and other receivables.

Notes to the Consolidated Financial Statements
continued

18. Financial risk management and associated risks (continued)

The Partnership (continued)

Liquidity risk

The Partnership is exposed to the possibility that it may be unable to liquidate certain of its assets as it otherwise deems advisable as the Partnership's underlying funds or their managers may require minimum holding periods and restrictions on redemptions. Further, there may be suspension or delays in payment of redemption proceeds by underlying funds or holdbacks of redemption proceeds otherwise payable to the Partnership until after the applicable underlying fund's financial records have been audited. Therefore, the Partnership may hold receivables that may not be received by the Partnership for a significant period of time, may not accrue any interest and ultimately may not be paid to the Partnership. As at 31 March 2020, no suspension from redemptions existed in any of the Partnership's underlying investments (31 March 2019: Nil).

The Partnership invests in short-term UK treasury bills and considers the associated liquidity risk to be negligible.

The table below details the Partnership's liquidity analysis for its financial assets and liabilities. The table has been drawn up based on the undiscounted net cash flows on the financial assets and liabilities that settle on a net basis and the undiscounted gross cash flows on those financial assets and liabilities that require gross settlement.

	Within 1 month £'000	>1 to 3 months £'000	>3 to 12 months £'000	>12 months £'000	2020* Total £'000
Financial assets at fair value through profit or loss	239,983	284,934	89,904	114,001	**728,822**
Cash and cash equivalents	103,101	–	–	–	**103,101**
Trade and other receivables	827	–	–	–	**827**
Payables	(454,530)	–	–	–	**(454,530)**
Distributions payable	–	(4,607)	–	–	**(4,607)**
Total	(110,619)	280,327	89,904	114,001	**373,613**
Percentage	(29.6)%	75.0%	24.1%	30.5%	**100.0%**

	Within 1 month £'000	>1 to 3 months £'000	>3 to 12 months £'000	>12 months £'000	2019* Total £'000
Financial assets at fair value through profit or loss	21,494	23,089	87,686	103,904	236,173
Cash and cash equivalents	198,705	–	–	–	198,705
Trade and other receivables	1,259	–	–	–	1,259
Unrealised gains on forward currency contracts	–	1,908	–	–	1,908
Payables	(11,915)	–	–	–	(11,915)
Distributions payable	–	–	(4,302)	–	(4,302)
Total	209,543	24,997	83,384	103,904	421,828
Percentage	49.7%	5.9%	19.8%	24.6%	100.0%

* The liquidity tables above reflect the anticipated cash flows assuming notice was given to all underlying investments as at 31 March 2020 and 31 March 2019 and that all UK treasury bills are held to maturity. They include a provision for "audit hold back" which most hedge funds can apply to full redemptions and any other known restrictions the managers of the underlying funds may have placed on redemptions. Where there is currently no firm indication from the underlying manager on the expected timing of the receipt of redemption proceeds, the relevant amount is included in the ">12 months" category. The liquidity tables are therefore conservative estimates.

19. Fair value measurement

IFRS 13 "Fair Value Measurement" 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 31 March 2020 and 31 March 2019:

Assets	Level 1 £'000	Level 2 £'000	Level 3 £'000	2020 Total £'000
Financial assets at fair value through profit or loss:				
The Holding Company	–	–	894,090	**894,090**
The Partnership	–	–	373,613	**373,613**
Total assets	–	–	1,267,703	**1,267,703**

Assets	Level 1 £'000	Level 2 £'000	Level 3 £'000	2019 Total £'000
Financial assets at fair value through profit or loss:				
The Holding Company	–	–	1,048,250	1,048,250
The Partnership	–	–	421,828	421,828
Total assets	–	–	1,470,078	1,470,078

These amounts represent the unadjusted NAV of the Partnership and the Holding Company.

Notes to the Consolidated Financial Statements
continued

19. Fair value measurement (continued)

The underlying assets of the Partnership and the Holding Company are shown below.

The following table presents the Holding Company's financial assets and liabilities by level within the valuation hierarchy as at 31 March 2020 and 31 March 2019:

Asset type	Level	31 March 2020 £'000	31 March 2019 £'000	Valuation technique	Significant unobservable inputs	Impact on valuation £'000
Listed investments	1	80,279	591,493	Publicly available share price at balance sheet date	n/a	n/a
Price of latest funding round (investment made less than 12 months ago)	2	–	15,457	Price of latest funding round	n/a	n/a
SIML	3	4,211	4,051	Net assets of SIML	n/a	n/a
Forward contracts	2	–	(2,488)	Publicly available exchange rates at balance sheet date	n/a	n/a
Calibrated PRI[1]	3	357,710	145,262	Calibrated PRI	The main unobservable input is the variance in the price of the last funding round due to a lack of an active market for the investment. A reasonable shift in the Fair Value of the investment would be +/-20%.	+/- £71,542
Investments valued on discounted cash flow forecasts	3	–	267,470	Future earnings potential, discount for lack of marketability and time value of money	n/a	n/a
Adjusted price of latest funding round[2]	3	1,555	3,968	Price of latest funding round adjusted by management	The main unobservable input is the variance in the price of the last funding round due to a lack of an active market for the investment. A reasonable shift in the Fair Value of the investment would be +/-20%.	+/- £311

1 Valuation made by reference to price of recent funding round unadjusted following adequate consideration of current facts and circumstances.
2 Valuation made by reference to price of recent funding round adjusted following adequate consideration of current facts and circumstances.

The following table presents the movements in Level 3 investments of the Holding Company for the year ended 31 March 2020 and 31 March 2019:

	Life science investments £'000	SIML £'000	2020 Total £'000	2019 Total £'000
Opening balance	416,700	4,051	420,751	254,884
Transfer to Level 3	15,457	–	15,457	4,177
Purchases	170,953	–	170,953	71,777
Sales	(336,932)	–	(336,932)	–
Gains on financial assets at fair value through profit or loss	93,087	160	93,247	89,913
Closing balance	359,265	4,211	363,476	420,751

The net gains for the year included in the Consolidated Statement of Comprehensive Income in respect of Level 3 investments in the Holding Company held as at the year end amounted to £93,247,000 (2019: £89,913,000).

During the year ended 31 March 2020 and 31 March 2019, the valuation of a life science investment was adjusted by management and has therefore moved from Level 2 to Level 3. This resulted in £15,457,000 (31 March 2019: £4,177,000) 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 31 March 2020 and 31 March 2019:

	Level	31 March 2020 £'000	31 March 2019 £'000	Valuation technique	Significant unobservable inputs	Impact on valuation £'000
UK treasury bills	1	614,820	–	Publicly available price at balance sheet date	n/a	n/a
Forward contracts	2	–	1,908	Publicly available share price at balance sheet date	n/a	n/a
Unlisted fund investments	2	21,022	152,805	Valuation produced by fund administrator. Inputs into fund components are from observable inputs	n/a	n/a
Long-term unlisted investments	3	52,957	49,057	Valuation produced by fund administrator	The main unobservable input include the assessment of the performance of the underlying fund by the fund administrator. A reasonable possible shift in the Fair Value of the instruments would be +/-10%.	+/- £5,516
CRT Pioneer Fund	3	40,023	34,311	Valuation produced by fund administrator	Unobservable inputs include the fund manager's assessment of the performance and potential of the underlying assets, changes in market value and any calculations of impairment. A reasonable possible shift in the Fair Value of the instruments would be +/-10%.	+/- £4,002

During the year ended 31 March 2020, no funds (31 March 2019: one) were moved from Level 1 to Level 2. This resulted in £Nil (31 March 2019: £3,968,218) transferring from Level 1 to Level 2.

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. The Group's liquidity analysis is detailed in note 18.

Assets classified as Level 3 investments are underlying funds which are not traded or available for redemption. The fair value of these assets is derived from quarterly statements provided by each fund'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 year ended 31 March 2020:

	CRT Pioneer Fund £'000	Capital pool investment £'000	2020 Total £'000	2019 Total £'000
Opening balance	34,311	49,057	83,368	86,325
Purchases	5,859	684	6,543	4,632
Return of capital	(147)	(14,380)	(14,527)	(12,313)
Gains on financial assets at fair value through profit or loss	–	17,596	17,596	4,724
Closing balance	40,023	52,957	92,980	83,368

The net gains for the year included in the Statement of Comprehensive Income in respect of Level 3 investments of the Partnership held as at the year end amounted to £17,595,453 (31 March 2019: £4,473,997 gains).

Notes to the Consolidated Financial Statements
continued

20. Commitments and contingencies

The Group had the following commitments as at 31 March 2020:

	2020 Uncalled commitment £'000	2019 Uncalled commitment £'000
Life science portfolio		
Milestone payments to life science companies	133,991	101,738
CRT Pioneer Fund	9,056	14,915
Capital pool investments	4,247	4,924
Total	147,294	121,577

The commitments are expected to fall due in the next 24 months.

21. Subsequent events

These Consolidated Financial Statements were approved for issuance by the Directors on 11 June 2020. Subsequent events have been evaluated until 10 June 2020.

On 1 April 2020, the Company invested £15.8 million into SwanBio Therapeutics Limited. On 29 May 2020, the Company invested £11.7 million into Quell Therapeutics Limited. Between 31 March 2020 and 9 June 2020 the fair value of the Group's holdings in companies whose shares are listed on NASDAQ experienced a combined net fair value increase of £105.3m.

AIFMD Disclosures (unaudited)

Report on remuneration and quantitative remuneration disclosure

Under the Alternative Investment Fund Managers Directive ('AIFMD'), we are required to make disclosures relating to remuneration of staff working for the Investment Manager for the year to 31 March 2020.

Amount of remuneration paid

The Investment Manager paid the following remuneration to staff in respect of the financial year ending on 31 March 2020 in relation to work on the Company.

	£m
Total staff	
Fixed remuneration	4.0
Variable remuneration	11.1
	15.1
Of which senior management and risk takers	7.8
Number of beneficiaries	34

Leverage

The Group may employ leverage and borrow cash, up to a maximum of 20 per cent of the NAV at the time of incurrence, in accordance with its stated investment policy. The use of borrowings and leverage has attendant risks and can, in certain circumstances, substantially increase the adverse impact to which the Group's investment portfolio may be subject. For the purposes of this disclosure, leverage is any method by which the Group's exposure is increased, whether through borrowing of cash or securities, or leverage embedded in foreign exchange forward contracts or by any other means. The AIFMD requires that each leverage ratio be expressed as the ratio between a Group's exposure and its net asset value, and prescribes two required methodologies, the gross methodology and the commitment methodology (as set out in AIFMD Level 2 Implementation Guidance), for calculating such exposure. Using the methodologies prescribed under the AIFMD, the leverage of the Group is detailed in the table below:

	Commitment leverage as at 31 March 2020	Gross leverage as at 31 March 2020
Leverage ratio	100%	100%

Other risk disclosures

The risk disclosures relating to risk framework and risk profile of the Group are set out in note 18 to the Financial Statements on pages 112 to 116 and the principal risks and uncertainties on pages 47 to 51.

Pre-investment disclosures

The AIFMD requires certain information to be made available to investors in an Alternative Investment Fund ('AIF') before they invest and requires that material changes to this information be disclosed in the Annual Report of the AIF. A notice giving AIFMD Article 23 Disclosures, setting out information on the Group's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information, is available on the Group's website at **www.synconaltd.com** (in the 'Document Library' section under 'Regulatory').

The notice predominantly gives information by reference to the AIF's most recent Annual Report and accordingly will be updated to refer to this document shortly following its publication.

Report of the Depositary to the shareholders

Depositary Report

Report of the Depositary to the Shareholders

Citco Custody (UK) Limited has been appointed as Depositary to Syncona Limited (the "Company") in accordance with the requirements of Article 36 and Articles 21(7), (8) and (9) of the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (the "AIFM Directive").

We have enquired into the conduct of the AIFM and Syncona Ltd (the "AIF") for the year ended 31 March 2020, in our capacity as Depositary to the AIF. This report including the opinion has been prepared for and solely for the shareholders in the AIF, in accordance with the stated Depositary requirements in the FCA Investment Fund Sourcebook. We do not, in giving our opinion, accept or assume responsibility for any other purposes or to any other person to whom this report is shown.

Responsibilities of the Depositary

Our duties and responsibilities are outlined in the FCA Investment Fund Sourcebook. One of those duties is to enquire into the conduct of the AIFM and the AIF in each annual accounting period and report thereon to the shareholders. Our report shall state whether, in our opinion, the AIF has been managed in that period, in accordance with the provisions of the AIFs Memorandum and Articles of Association and the FCA Investment Fund Sourcebook. It is the overall responsibility of the AIFM and the AIF to comply with these provisions. If either the AIFM or the AIF has not so complied, we as Depositary must state why this is the case and outline the steps which we have taken to rectify the situation.

Basis of Depositary Opinion

The Depositary conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties as outlined in the FCA Investment Fund Sourcebook and to ensure that, in all material respects, the AIF has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the AIF's constitutional documentation and the appropriate regulations.

Opinion

In our opinion, the AIF has been managed during the year, in all material respects:

i) in accordance with the limitations imposed on the investment and borrowing powers of the AIF by the constitutional document; and by the AIFMD legislation as prescribed in the FCA Investment Fund Sourcebook; and

ii) otherwise in accordance with the provisions of the constitutional document and the AIFMD legislation.

Company summary and e-communication for shareholders

The Company

Syncona Limited is a leading FTSE 250 company focused on investing in and building global leaders in life science.

The Company is a Guernsey authorised closed-ended investment company listed on the Premium Segment of the London Stock Exchange.

Information for shareholders

The Stock Exchange code for the shares is SYNC.

The Company publishes updates with a full investment portfolio review as at 30 September and 31 March each year. The Company also publishes an interim management statement as at 30 June and 31 December each year.

Registrar services and e-communications for shareholders

Communications with shareholders are mailed to the address held on the share register. Any notifications and enquiries relating to registered share holdings, including a change of address or other amendment, should be directed to Link Asset Services.

By phone:
UK: 0371 664 0300.

From overseas: +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

By email:
shareholder.services@linkgroup.co.uk

By post:
Link Asset Services,
The Registry,
34 Beckenham Road,
Beckenham, BR3 4TU.

Syncona Limited would like to encourage shareholders to receive shareholder documents electronically, via our website or by email notification instead of hard copy format. This is a faster and more environmentally friendly way of receiving shareholder documents. The online Signal Shares service from our registrar, Link, provides all the information required regarding your shares.

Its features include:

– The option to receive shareholder communications electronically instead of by post.
– Direct access to data held for you on the share register including recent share movements.
– The ability to change your address online.

To receive shareholder communications electronically in future, including all reports and notices of meetings, you just need the "shareholder reference" printed on your proxy form and knowledge of your registered address. Please register your details free on: **www.signalshares.com**

Should you require further information, please visit: **www.synconaltd.com**

Email: contact@synconaltd.com

Glossary

ALL
Acute lymphocytic leukaemia – a cancer of the bone marrow and blood in which the body makes abnormal white blood cells.

AAV
Adeno-associated virus – a non-enveloped virus that can be engineered to deliver DNA to target cells.

Capital Deployed/deployment*
Follow-on investment in our portfolio companies and investment in new companies during the year

Capital pool
Capital pool investments plus cash less other net liabilities.

Capital pool investments
The underlying investments consist of cash and cash equivalents, including short-term (1, 3 and 6 month) UK treasury bills and legacy fixed term funds.

Capsid
The protein shell of a virus.

Company
Syncona Limited.

CRT Pioneer Fund
The Cancer Research Technologies Pioneer Fund LP. The CRT Pioneer Fund is managed by Sixth Element Capital and invests in oncology focused assets.

CSO
Chief Scientific Officer.

DLBCL
Diffuse large B-cell lymphoma – an aggressive type of blood cancer that can arise in lymph nodes (glands) or outside of the lymphatic system.

Dry AMD
Dry age-related macular degeneration – a progressive and debilitating loss of vision in the centre of the visual field (macula) and a very common cause of blindness in the elderly.

Fabry disease
A rare genetic disease resulting from a deficiency of the enzyme alpha-galactosidase A leading to dysfunctional lipid metabolism and abnormal glycolipid deposits.

General Partner
Syncona GP Limited.

Group
Syncona Limited and Syncona GP Limited are collectively referred to as the "Group".

Haemophilia B
A genetic disorder caused by missing or defective Factor IX that can result in dangerously low levels of the essential clotting protein.

Holding Company
Syncona Holdings Limited

ICR
The Institute of Cancer Research.

Immunotherapy
A type of therapy that uses substances to stimulate or suppress the immune system to help the body fight cancer, infection, and other diseases.

Investment Manager
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.

Life science portfolio return*
Life science portfolio return for 2020 (25) per cent; 2019: 77.9 per cent

The Time Weighted Rate of Return ("TWRR") method is a measure of the performance of an investment or pool over a period. This method divides the gain or loss in value plus any income, less any capital cash flows, by the average capital invested over the period of measurement.

Gross Life Science portfolio return for 2020 (18) per cent; 2019: 84.1%

This is calculated as the valuation change including FX movement as a % of the opening Life Science portfolio value as shown in the Valuation movements in the period on page 38.

Lymphocytes
Specialised white blood cells that help to fight infection.

Lymphoma
A type of cancer that affects lymphocytes and lymphocyte-producing cells in the body.

MES
Management Equity Shares.

Multiple myeloma
Blood cancer arising from plasma cells found in the bone marrow.

Net asset value, net assets or NAV
Net asset value ('NAV') NAV is a measure of the value of the company, being its assets – principally investments made in other companies and cash and cash equivalents held – minus any liabilities expressed as pence per share.

NAV per share
NAV per share is calculated by dividing net assets by the number of shares in issue adjusted for dilution by the potential share-based payment share issues. NAV takes account of dividends payable on the ex-dividend date.

NAV total return*
NAV total return ('NAVTR') NAVTR is a measure of how the net asset value per share has performed over a period, considering both capital returns and dividends paid to shareholders. NAVTR is calculated as the increase in NAV between the beginning and end of the period, plus any dividends paid to shareholders in the year.

NAVTR calculation

Opening NAV per fully diluted share (Note 14)	216.8p
Closing NAV per fully diluted share (Note 14):	185.6p
Movement	(31.2p)
Dividend paid in the year (Note 15)	2.3p
Total movement	(28.9p)
Total movement/opening NAV per fully diluted share	(13.3%)

Neuroblastoma
A cancer that develops from immature nerve cells found in several areas of the body, and most commonly arises in and around the adrenal glands.

pALL / aLL
Paediatric/adult acute lymphocytic leukaemia – a cancer of the bone marrow and blood occurring during childhood in which the body makes abnormal white blood cells (lymphocytes).

Partnership
Syncona Investments LP Incorporated.

SIML
Syncona Investment Management Limited.

Syncona Group Companies
The Company and its subsidiaries other than its portfolio companies.

T cell
A type of lymphocyte white blood cell, which forms part of the immune system and develops from stem cells in the bone marrow.

The Syncona Foundation
The Foundation distributes funds to a range of charities, principally those involved in the areas of life science and health care.

Total Shareholder Return
Movement in share price plus dividends.

Advisers

Secretary, Administrator and registered office
Citco Fund Services (Guernsey) Limited
Arnold House
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St. Peter Port
Guernsey GY1 3RD

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United Kingdom

Numis Securities
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10 Paternoster Square
London EC4M 7LT
United Kingdom

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Notes

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Syncona

Syncona Limited

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