Syncona

Syncona Limited
Annual report and accounts 2022

Building a diversified portfolio of global leaders in life science

Our purpose

We invest to extend and enhance human life.

We found, build and fund companies to deliver transformational treatments to patients in areas of high unmet need.

Found
We found our companies around exceptional science with the ability to deliver dramatic efficacy for patients and to take products to market on a stand-alone basis.

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

Fund
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 helps ensure we are not a forced seller.

Read more:
Business model
Page 38

2022 Highlights

£1.3bn*
Net Asset Value (NAV) (194.4p[1] per share)
(2021: £1.3bn; 193.9p per share)

0.3%*
NAV total return
(2021: 4.4%)

£524.9m
Life science portfolio valuation
(2021: £722.1m)

£784.9m
Capital pool
(2021: £578.2m)

£123.2m*
Capital deployment
(2021: £189.2m)

11
Portfolio companies
(2021: 11)

11
Clinical trials
(2021: 11)

* Alternative performance measure, refer to page 143
1 Fully diluted, please refer to note 14 in the financial statements

FY2021/2 marks an important milestone for Syncona, a decade since it was founded. Whilst we have seen macroeconomic headwinds impact sentiment in the biotech sector, our model has continued to deliver notable successes in the year. We have worked closely with our companies to drive progress, investing at scale into the portfolio and generating valuation uplifts across our privately held companies. We also executed our largest transaction to date, the sale of Gyroscope to Novartis for up to $1.5 billion.

Our balance sheet is an important competitive advantage, particularly in challenging market conditions, and will allow us to continue to pursue new investment opportunities, whilst supporting our existing portfolio of 11 companies as they scale.

We build companies to deliver transformational outcomes for patients

Who we are

Syncona is a leading FTSE 250 healthcare company. Our purpose is to invest to extend and enhance human life. We do this by founding and building companies to deliver transformational treatments to patients in areas of high unmet need.

Our strategy is to create a diversified portfolio of 15-20 globally leading healthcare businesses with a goal, over a rolling 10-year basis, of delivering three to five companies in which we retain a significant ownership position to the point of product approval. We focus on developing treatments for patients by working in close partnership with world-class academic founders and management teams.

Our balance sheet underpins our strategy, enabling us to take a long-term view as we look to improve the lives of patients with no or few treatment options, build sustainable life science companies and deliver strong risk-adjusted returns to shareholders.

Our rolling 10-year targets

15-20
Portfolio of leading life science companies

3-5
Companies to the point of product approval

2-3
New companies founded per year

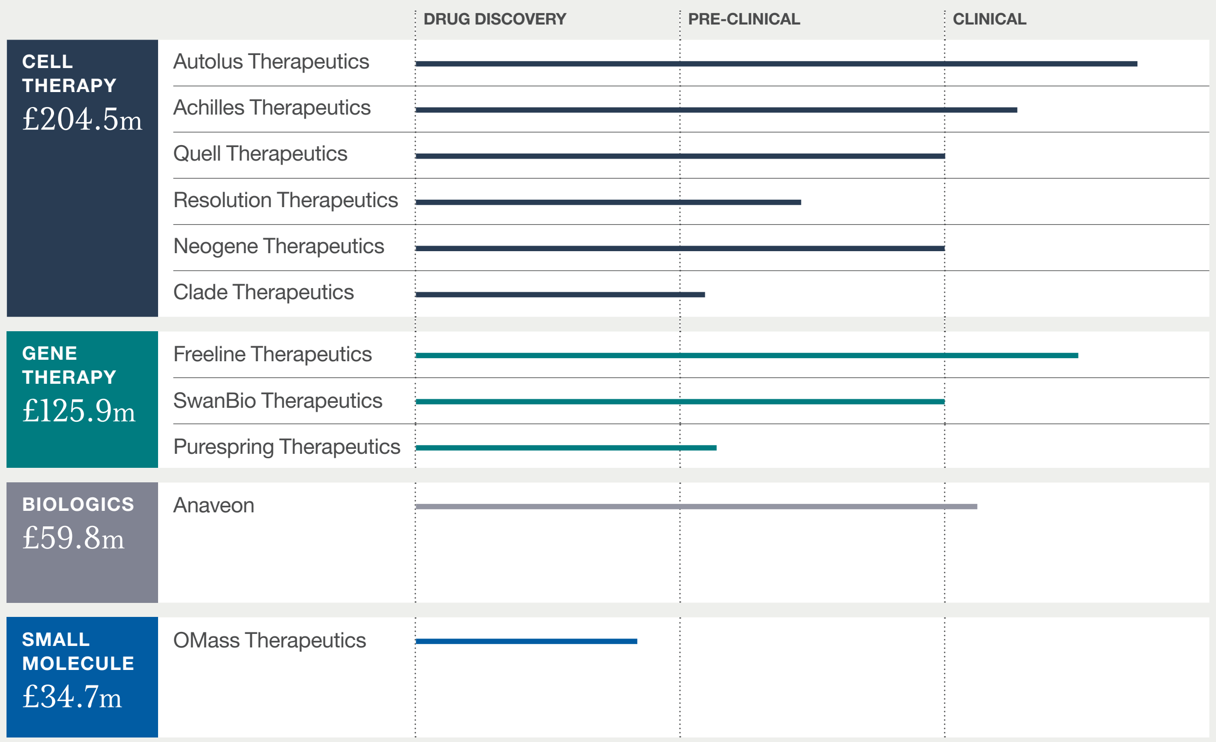
Our team

Syncona is differentiated by its people, who identify innovative technology and take a commercial approach to building businesses capable of delivering transformational treatments to patients.

Our multi-disciplined investment team has deep scientific, operational, commercial and investment expertise and an ability to navigate the lifecycle of a company. They have extensive experience working alongside global key opinion leaders, whilst appointing and supporting leading management teams.

Scientific	Investment	Operational	Commercial
85% Investment team with PhDs or M.D.s	**220+** Years of life science and investing experience	**10** Portfolio companies where we have held operational roles	**16** Board seats at portfolio companies

Building a diversified portfolio to deliver long-term value



4 Companies at clinical stage

3 Pre-clinical companies at clinical candidate stage

11 Clinical trials

Domain focus of our portfolio companies[1]

1 Representative of domain focus of our 11 core portfolio companies

Investment proposition

We have a highly skilled team, strong capital base and a differentiated strategy to commercialise the best scientific innovation.

We are building a diversified portfolio by creating globally leading life science companies, providing our investors with access to the returns that can be delivered from growing our companies over the long term.

01 Access to the best scientific innovation

- UK/Europe has a globally significant scientific research base
- Extensive network and strong relationships across industry
- Proactive approach to sourcing and generating proprietary opportunities

02 Expert team with strong track record

- Technical skill set with deep scientific, investment, operational and commercial expertise
- Significant experience in managing risk and reward in specialised asset class
- Three exits delivering strong cash returns
- Deep domain expertise in cell and gene therapy

03 Differentiated company creation model

- Partnering with globally leading academics maximises ability to set strategy and influence company
- Potential for best cost basis of any investor, supporting opportunity to deliver best returns
- Hands-on operational approach to building companies

04 Opportunity to build high value companies

- Found companies around science in areas of high unmet medical need
- Selecting only those assets that can credibly be developed to approval by a biotechnology company
- Maximises ability to access out-return in life science by being able to hold companies late into development and to approval

05 Strategic balance sheet

- Provides flexibility to fund our companies over the long term, maintaining significant ownership positions and influence
- Ability to fund helps to attract best academics, founders, executives and financing syndicate partners
- Provides strong negotiating position for external financing rounds or M&A

06 Portfolio with the potential to deliver transformational treatments

- Portfolio of high growth companies diversified across therapeutic area, tissue compartment and development stage
- Companies built with the ambition and capability to deliver products to patients

Building the next generation of global leaders in life science

1 Reflects capital invested by Syncona Partners where applicable
2 Includes capital invested in CEGX and write off of 14MG
3 Includes write off of Azeria

* 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, companies shaded grey denote those which have been sold

Delivering value

We have a diverse and maturing portfolio that has the potential to deliver value for our shareholders over the long term.

£905.7m
Invested in life science portfolio since 2012[1]

1.6x
Gross multiple on invested capital[1,2]

3
Portfolio companies sold

4.6x
Gross multiple on invested capital on three companies sold to date[1]

1 Reflects capital invested by Syncona Partners where applicable
2 Includes write offs from Azeria and 14MG

"This was a pivotal year for Syncona. We completed our third successful exit, added a new company to the portfolio, optimised our financing approach, strengthened our team and capital base, and made positive financial, clinical and operational progress in the portfolio"

Melanie Gee
Chair of Syncona Ltd

This was a pivotal year for Syncona. We completed our third successful exit, added a new company to the portfolio, optimised our financing approach, strengthened our team and capital base, and made positive financial, clinical and operational progress in the portfolio. I'm proud that the team achieved this while navigating continued COVID-19 constraints and volatile market conditions for much of the year, overcoming these challenges to deliver significant progress towards our long-term goals.

Financial performance

The second half of CY2021 was marked by significant volatility across equity markets globally. This uncertainty has carried on into 2022, compounded by concerns around inflation, interest rates and Russia's invasion of Ukraine and the ongoing humanitarian crisis. This has impacted investor sentiment towards risk assets. We have seen a macro rotation away from growth stocks, impacting both valuations and financings of biotech companies, especially smaller, earlier stage companies. As market volatility has increased, the Syncona team continues to carefully review the requirements of each of our portfolio companies and our capital pool to ensure that our Company is well positioned to navigate continuing challenging markets. Our balance sheet provides us with a strategic advantage, and the team's expertise and rigorous approach to risk management means we continue to take a disciplined approach to capital allocation across a well-funded portfolio and exciting pipeline.

Syncona ended the year with net assets of £1,309.8 million or 194.4p per share, a 0.3 per cent return in the year (31 March 2021: net assets of £1,300.3 million, NAV per share of 193.9p, 4.4 per cent return), despite the wider market backdrop for life science companies, which saw the NASDAQ Biotechnology Index decline 12 per cent during the period. The significant NAV uplift achieved through the sale of Gyroscope to Novartis and multiple successful private financings offset the decline in share prices of our three listed companies, Autolus, Freeline and Achilles. We recognise that the performance of these listed companies has been disappointing for our shareholders. Our team have worked closely with portfolio company management teams to support them as they continue to execute their development plans. Similarly, the challenging market conditions have also impacted Syncona's share price performance in the financial year, which has been disappointing. Whilst the market environment for early stage biotech companies continues to be challenging, our listed companies are funded to deliver clinical data which represent key milestones for their businesses, and we believe Syncona is well positioned to deliver growth over the long term.

£1.3bn
Net Asset Value

£40.6m
Donated to charity since 2012, the year the Foundation was started

Delivering our long-term strategy underpinned by a disciplined approach to capital allocation

Ensuring we have a strong capital base to support our companies, as they scale and access the significant value that can be created when companies are set up and built to deliver products to patients, is fundamental to the Syncona model. This is a key strategic advantage that has been considerably strengthened with the sale of Gyroscope.

Together with the management team, the Syncona Board has undertaken a review of our financing strategy and, as outlined in our interim results in November 2021, we have optimised our approach to support us in shaping the balance of financial risk and reward across the portfolio as we build towards a diversified portfolio of 15-20 companies. We believe holding a small number of companies privately over a longer time frame than we have historically will provide our shareholders with improved risk-adjusted returns over the long term.

Our role in society and engaging our major stakeholders

Whilst a core focus is looking at how to deliver value for our shareholders, the Board and the investment team have continued to engage with our major stakeholders over the year. Our people are highly motivated by making a difference to the lives of patients by founding and building companies based on exciting science. We believe our work can have a positive social impact across different areas of society. I was particularly pleased that the discussions we had around the decision to sell Gyroscope to Novartis considered the impact of the change in

Our values are at the heart of all that we do as we seek to deliver Syncona's purpose for our stakeholders

Excellence
- We continually strive for the best outcome for all of Syncona's stakeholders
- We have high expectations of ourselves and each other; we act with integrity
- We work with the best people to deliver our goals

Entrepreneurial
- We actively engage with the external world and work to create its future
- We are curious and creative to bring about the change we seek to make
- We take risks in a competitive world and face them with bravery, determination and urgency

Teamwork
- We seek to give and receive constructive feedback
- We are collaborative and transparent, valuing our diverse talents and perspectives
- We admit our mistakes and perpetually seek to improve

Data Driven
- We are relentless in searching out all of the data
- We ensure our hypotheses and decisions are firmly grounded in the data
- We are intellectually honest and provide open and constructive challenge

Leadership
- We see what needs to be done and take responsibility for doing it
- We take personal ownership for delivering Syncona's mission
- We think independently; we are not bound by precedent
- We are trusted and empowered to progress our own development
- We have drive, resilience and persistence

ownership on each of our key stakeholder groups, critically from a patient perspective. Our view was that Novartis has the capability and expertise to drive Gyroscope's exciting therapies through the development and regulatory pathway to reach patients on an accelerated trajectory.

A core part of our social contribution, outside of the day-to-day work that we do, has always been our donation (currently 0.35 per cent of NAV) to charity delivered primarily through our commitment to The Syncona Foundation (the "Foundation"). The Foundation continues to have a significant impact across the UK and throughout the world. The charities the Foundation supports have faced immense challenges throughout the pandemic, and we are proud that our support has helped them to continue their important work during this time.

Sustainable impact

Following the publication of our Sustainability Policy and Responsible Investment Policy last year, the team have worked with passion and dedication to advance our sustainability agenda this year. I have been delighted to see the progress that has been made in engaging our portfolio companies on these important issues. We recognise, as significant shareholders in these businesses, the influence we can have, and have engaged them on a number of important topics such as diversity and animal welfare. The leadership teams at our portfolio companies have positively engaged with us and share our priorities. We expect to report on their progress in these areas as they move forward.

There has also been good progress on our own culture and diversity initiatives. These will be covered in further detail in our Sustainability Report 2022. I am proud of the progress the Company has made in trying to improve diversity in the life science space, whilst recognising it is an area where we have more work to do.

We recognise the importance of having a strong framework in place to minimise our carbon footprint. With this in mind, Syncona has reported this year for the first time in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It has also set an aspiration to be net zero amongst its full value chain by 2050, including portfolio company emissions.

Governance changes

As Syncona entered its 10th year since foundation, there have been a number of Board changes, with Nigel Keen and Nicholas Moss stepping down as Non-Executive Directors on 31 December 2021, whilst Tom Henderson stepped down at the 2021/2 Annual General Meeting. Nigel was the founding Chair of Syncona Partners in 2012 while Nicholas had been a Director of Syncona (then BACIT) when it originally listed in that year; both made invaluable contributions to the business over their nine-year tenures and leave with our immense gratitude for their service and with the Company well positioned for future growth. Tom also made a significant contribution to the business during his time with us and we have been delighted that he has continued his involvement with Syncona through his Chair role at The Syncona Foundation. Following their departures, Virginia Holmes has taken up the role of Senior Independent Director and Gian Piero Reverberi became Chair of the Remuneration Committee, whilst Martin Murphy has taken over the role of Chair of Syncona Investment Management Limited.

We have also appointed two Directors with significant life science experience to enhance the diverse blend of expertise and insights that the Board provides to the management team as they seek to expand and develop a maturing portfolio. Dr Julie Cherrington comes with a strong track record of bringing drugs into the clinic and through to commercialisation, with particular expertise in the oncology setting, and Dr Cristina Csimma joins Syncona with nearly 30 years' experience of drug development, new company formation, value creation and strategic guidance across a broad range of therapeutic areas. Cristina also brings significant expertise in venture capital and the US biotech capital market environment. I am delighted to be working alongside both Julie and Cristina on the next phase of Syncona's growth and development.

Looking ahead

We have further strengthened our platform this year with key hires to our expert team, a strategic capital base, optimised financing approach, and exciting portfolio of life science companies. The business is well positioned to create a diversified portfolio of 15-20 companies with a goal of delivering three to five companies in which we retain a significant ownership interest to the point of product approval on a rolling 10-year basis. We believe if we achieve this goal, we will deliver transformational outcomes for patients and strong risk-adjusted returns for shareholders.

I would like to close by thanking the Syncona team, the portfolio company management teams and my Board colleagues for their hard work and dedication this year, as well as our shareholders and other stakeholders for their continuing support.

Melanie Gee
Chair of Syncona Ltd

Changes at Board level

There were a number of changes to the Board during the financial year:

Dr Julie Cherrington

Joined in February 2022 as an experienced life sciences executive, with a strong track record of drug development, from the clinic through to commercialisation.

Dr Cristina Csimma

Joined in February 2022, bringing significant expertise as a biopharma executive, along with experience in venture capital and the US biotech capital market environment.

Tom Henderson

Stepped down in August 2021, after serving nine years as a Non-Executive Director. He will continue his role as Chair of the Syncona Foundation.

Nigel Keen

Stepped down in December 2021, after making an invaluable contribution since co-founding Syncona Partners in 2012, to being a member of the Syncona Ltd Board and chairing the Syncona Investment Management Ltd Board.

Nicholas Moss

Stepped down in December 2021, after serving nine years as a Non-Executive Director including as Senior Independent Director.

Read more:
Board of Directors
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SECTION 172 STATEMENT

In line with the Corporate Governance Code 2018, this statement 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, against a backdrop of the company's overall strategy and business model.

As a Guernsey company that legislation does not directly apply to Syncona, but the Board recognises the importance of these issues.

As described in the Corporate governance report (pages 76-79), Syncona is an investment company and has appointed its subsidiary Syncona Investment Management Limited (SIML) as Investment Manager, and delegated responsibility for managing the investment portfolio to it. Accordingly the Board is not directly involved in management of the investment portfolio, other than in respect of very large decisions (such as the Gyroscope sale this year) but sets strategy and oversees the activities of the Syncona team. The Board's consideration of the section 172 matters therefore mostly takes place in the context of setting strategy and oversight, with individual decisions being relatively infrequent. During the year the Board was required to consider the proposed sale of the Company's investment in Gyroscope and further details of how the Board approached that decision are set out on the right.

Long-term decision-making

The Board is responsible for setting the Company's purpose, investment policy, strategic objectives and risk appetite. Our purpose is to extend and enhance human life by founding and building companies to deliver transformational treatments to patients in areas of high unmet need.

Inherent in this model is that we are making investments where it could take 10 to 15 years to reach product approval, and where significant investment and risk is involved to get to that point. A long-term outlook is therefore embedded in the Company's approach, and is a core part of the Board's discussions on strategy and its oversight of the Syncona team and when it does make individual decisions.

Further details: see Our strategy (pages 14-15); Investment process (pages 16-17); Risk management and Principal risks (pages 44-53); Corporate governance report (pages 76-79).

Our key stakeholders

Positive relationships with our stakeholders are important to the success of our business and in maintaining our reputation and the Board reviews how it and the Syncona team engage with these stakeholders on an ongoing basis. Our key stakeholders include our patients, shareholders, the Syncona team and portfolio companies. We also regard wider society, including our impact on the community and the environment, as one of our key stakeholders. How the interests of each of these key stakeholders are taken into account in the business and by the Board, is described in more detail on pages 82-83.

Further details: see Sustainability (pages 54-71); Corporate governance report (pages 76-79).

Maintaining a reputation for high standards of business conduct

The Board is responsible for monitoring the culture, values and reputation of the business. Last year the Board worked with the Syncona team to capture the Company's purpose and values and during this year has reviewed the steps taken by the team to ensure that our processes and ways of working are aligned with those values. The Board also monitors the implementation of our sustainability framework, which sets out how we will act as a responsible investor.

Further details: see Sustainability (pages 54-71); Corporate governance report (pages 76-79).

Case study: Sale of Gyroscope

During the year the Company sold its investment in Gyroscope to Novartis. This was a significant transaction for Syncona and required Board approval of the sale.

The Board discussed and agreed that the transaction was consistent with the Company's long-term strategy, particularly given the transaction structure which gives Syncona ongoing exposure to Gyroscope's development and the potential for significant additional returns subject to certain milestones. In addition, the Board considered that there would be a positive impact on the Company as the proceeds of the sale would enable us to fund opportunities elsewhere in the Company portfolio, particularly at a time of increased market volatility affecting sentiment towards early stage biotech businesses. While retaining the investment was also attractive, the Board noted the significant funding required to get the Gyroscope business to the point of product approval, and that there were risks, including market conditions, around whether Gyroscope could obtain this funding.

The Board also considered the impact on various stakeholders and in particular considered that Novartis' strong ophthalmology and gene therapy experience had the potential to provide a strong platform for the Gyroscope business, potentially improving the speed of getting a product to approval and making it widely available to patients. For shareholders the transaction represented a strong return with the opportunity for further upside from milestones. For employees, while the Board acknowledged the potential that some employees may not be retained following the transaction, the Board believed that the transaction would benefit employees through the incentive schemes that were in place prior to the sale, and balanced these considerations against the positive impacts for Syncona and its other stakeholders.

Having considered all of these factors the Board approved the sale of the Company's investment in Gyroscope. The sale transaction was signed in December 2021 and completed in February 2022.

> “We have made significant progress with multiple financings and the sale of Gyroscope to Novartis, our third successful exit and our largest ever transaction”

Martin Murphy
Chief Executive Officer and Chair,
Syncona Investment Management Limited

The Syncona life science business is celebrating 10 years of exceptional progress and I am delighted that FY2021/2 was a year in which we further validated our model and approach. We have made significant progress with multiple financings and the sale of Gyroscope to Novartis, our third successful exit and our largest ever transaction. Our portfolio has positive momentum and we have further strengthened our team and capital base as we continue to scale for long-term success. I am pleased that we have also delivered a solid financial performance in what has been challenging market conditions for biotech.

Strong financial, clinical and operational progress in the portfolio delivered against a challenging market backdrop

We ended the year with a portfolio of 11 companies diversified across the development cycle and therapeutic focus areas, with four at clinical stage and Quell, SwanBio and Neogene expected to enter the clinic in the next 12 months.

£325.8m
Upfront cash proceeds from sale of Gyroscope to Novartis

2.9x
Upfront cash proceeds from sale of Gyroscope to Novartis, as a multiple of Syncona’s investment[2]

Many of our portfolio companies have made good progress, with multiple private financings at uplifted valuations, and significant clinical and operational progress with 12 clinical data read-outs during FY2021/2. We continue to seek to build globally competitive businesses which have the potential to make a difference to the lives of patients and to deliver attractive returns for our shareholders.

Against a challenging macro backdrop, we have delivered value progression through financings in our private companies and the sale of Gyroscope to Novartis. However, this strong performance, which delivered an aggregate uplift of £274.8 million in NAV, has been offset by the decline in the share prices of our listed holdings, Autolus, Achilles and Freeline, with the value of these holdings reducing by £278.5 million. These listed holdings were impacted by volatility in the equity markets and challenging market sentiment towards cell and gene therapies. In the case of Freeline, the COVID-19 pandemic also led to operational challenges in the business, which we have worked closely with the company to address. We ended the year with net assets of £1,309.8 million or 194.4p per share, a 0.3 per cent return in the year (31 March 2021: net assets of £1,300.3 million, NAV per share of 193.9p, 4.4 per cent return), and a strengthened capital base of £784.9 million at 31 March 2022 (31 March 2021: £578.2 million). The life science portfolio delivered a return of 0.8 per cent in the year, compared to a return from the NASDAQ Biotechnology Index of (12) per cent.

For Autolus and Achilles, the focus is on executing well on their clinical plans and the new leadership team at Freeline has driven efficiencies and increased focus on execution across the pipeline. Clinical data is the key driver of value in our sector and all three are well positioned and well funded to deliver on their key upcoming clinical milestones. I believe a core strength of our diverse portfolio, which provides access to innovative private companies, is that we have been able to deliver solid performance even when the biotech sector is experiencing very challenging conditions.

1 FX rates taken at receipt of funds from the transaction
2 All IRR and multiple on cost figures are calculated on a gross basis, reflects original Syncona Partners capital invested where applicable
3 Includes sales of Blue Earth, Nightstar and Gyroscope, reflects original Syncona Partners capital invested where applicable. Includes upfront proceeds from sale of Gyroscope. All IRR and multiple on cost figures are calculated on a gross basis
4 See footnote 2
5 FX rate taken at 31 March 2022

$712.2m
Raised by portfolio against a challenging market backdrop

12
Clinical data read-outs across the portfolio

A growing track record of successfully building globally competitive businesses

In December 2021, we announced our largest exit to date, the sale of retinal gene therapy company, Gyroscope, to Novartis, for up to $1.5 billion (£1.1 billion)[1]. The transaction generated upfront cash proceeds of $442.2 million (£325.8 million) for our holding in Gyroscope, a 2.9 multiple on cost and 50 per cent IRR[2].

We have shown through the sales of Nightstar, Blue Earth and now Gyroscope, that we can deliver strong risk-adjusted returns for our shareholders. These three exits have generated returns of >£930 million, an aggregate 4.6 multiple on our invested capital[3].

We founded Gyroscope in 2016 upon the research of the late Sir Peter Lachmann into complement factor I, and in under six years built it from an idea to a leader in retinal gene therapy; a platform company with world-class delivery and manufacturing capability, and an exciting therapy advancing through Phase II development for the treatment of geographic atrophy (GA) secondary to dry age-related macular degeneration (dAMD).

In addition to the upfront cash proceeds, the sale of Gyroscope will potentially generate a further £255.3 million for Syncona, through future milestone payments, which, if received, would take total proceeds to £581.1 million, a 5.1 multiple on original cost[4]. At 31 March 2022, we are valuing these potential future payments, on a risk-adjusted and discounted valuation basis, at $65.4 million (£49.8 million)[5]. Syncona is also positioned to benefit from any future commercialisation of Gyroscope’s lead programme via a low single-digit royalty on future sales revenue.

We believe this transaction further validates our strategy that a long-term approach to ownership and focus on delivering approved medical products ensures that we are able to build globally competitive businesses and can deliver cash returns to fund exciting opportunities in the portfolio and in our pipeline.

A well-funded portfolio with $712.2 million of capital raised

Our portfolio companies have continued to attract substantial capital commitments from specialist institutional and strategic investors, with financings announced across seven of our portfolio companies in the financial year: Autolus, Quell, Anaveon, Gyroscope, Clade, Freeline and Resolution, totalling $712.2 million (£531.8 million), of which Syncona committed $126.4 million (£97.7 million).

This significant investment into the portfolio continued post period end. In April, OMass announced an oversubscribed Series B financing of £75.5 million, with Syncona committing £15.0 million alongside a leading global syndicate of new and existing investors including GV, Northpond, Sanofi Ventures, Oxford Science Enterprises and Oxford University. In May, we also announced a $53.7 million (£43.6 million) commitment to SwanBio in a $55.9 million (£45.3 million) Series B financing, which will provide further funding to the company as it prepares to dose the first patient in its lead SBT101 programme, as well as develop its broader pipeline.

£784.9m

Capital pool

£150-250m

Capital deployment guidance for FY2022/3

Managing risk and reward, core to the delivery of our long-term strategy

As we build towards our rolling 10-year target of a balanced and diversified portfolio of 15-20 companies across development stage and domain area, we have optimised our approach to funding our portfolio companies.

Our balance sheet and expertise provide us with flexibility but, as outlined in our interim announcement, there will be an earlier decision for each portfolio company to follow one of two main financing paths for our companies:

1. Bring in external investors early (before the point of clinical validation) to provide capital at scale, allowing Syncona to maintain a significant ownership position in the company whilst providing the company with a broader set of supportive investors
2. Companies to be funded privately for longer, to the point of clinical validation

Decisions on which approach to pursue for each portfolio company will be taken on a company-by-company basis. This continued evolution and refinement of the funding approach for our companies will change the financial risk profile of our portfolio.

Over the long term, we believe this approach will create a well-diversified portfolio and help us to effectively manage some of the volatility seen to date through accessing the public markets, as we look to provide our shareholders with access to a financially diversified portfolio of private and listed high growth life science companies.

We will continue to balance our position as a long-term strategic holder of our companies alongside our focus on delivering strong risk-adjusted returns to our shareholders. In some instances, our view of the balance of risk and reward may result in us selling a portfolio company, as we have recently done with Gyroscope. In any exit decision, we look at the opportunity available to the business, the market context, the level of scientific or clinical risk, the level of funding required to take full advantage of the opportunity, and the potential return that could be delivered today and in the future.

Capital deployment to increase over the next financial year

During the financial year, Syncona has deployed £123.2 million of capital into the portfolio, underpinned by our strong capital base, which has increased to £784.9 million following the recent sale of Gyroscope. This provides us with a strategic advantage to fund our companies over the long term and attract world-class leaders to our portfolio, as well as the ability to support our portfolio companies during challenging market conditions, such as we see today.

We have reviewed our approach to capital pool asset allocation in light of the current inflationary environment, including our approach to foreign exchange exposure, resulting in a decision to selectively introduce a number of fund investments to the capital pool, and to hold more US dollars on an ongoing basis to align against future US dollar portfolio investment requirements. We continue to balance liquidity and access to capital to protect the value of the capital pool.

We expect to deploy £150-£250 million of capital in FY2022/3 as we found new companies, our existing portfolio companies continue to scale, and we hold a select number of companies privately for longer.

Innovative cell therapy company added to the portfolio and a strong pipeline of opportunities ahead

We continue to be excited about the opportunities we see in our sector. We welcomed Clade to our portfolio, an innovative, next generation stem-cell based therapeutics company, leading a $87.1 million Series A financing alongside a syndicate of long-term investors. This investment provides us with exposure to the allogeneic cell therapy field, and further builds out our cell therapy portfolio.

We have a strong pipeline of potential new Syncona companies as well, with multiple advanced opportunities that are in late-stage due diligence. We are excited by the diverse opportunities for new investment that we continue to see across therapeutic and domain areas, including in gene therapy, cell therapy, small molecules, biologics, antibodies, and other Third Wave modalities such as nucleic acid therapies, as we continue to leverage the team's expertise in identifying exceptional science that has the potential to deliver dramatic efficacy in areas of high unmet medical need.

We are excited by the opportunities for new investment, as we look to continue to add on average two to three companies per year.

A leading cell and gene therapy portfolio

Within our portfolio, our companies are at the forefront of innovation in cell and gene therapy. We are excited by the transformational potential of these treatments for patients and the significant commercial opportunity for pioneering biotech companies in this field.

3

Companies expected to enter the clinic in the next 12 months

There have been some challenges identified across the cell and gene therapy sector, namely around safety in certain gene therapy approaches and the complexity of cell therapy manufacturing, which have impacted sentiment towards early stage businesses operating in this space. These are not new issues and, as part of our investment thesis, we work to navigate and address these challenges as we found and build our companies. We are comfortable that our companies are continuing to strive to deliver safe and effective treatments for patients.

Scaling the Syncona business for success

We are continuing to scale Syncona, broadening the bench of talent and skills across all areas of the business.

As previously announced, during the year Syncona has appointed Rolf Soderstrom as Chief Financial Officer, Markus John, M.D. as Chief Medical Officer and Head of R&D, and Fiona Langton-Smith as Chief Human Resources Officer. These hires are already making a valuable contribution to Syncona, driving growth and execution across the business.

We have also appointed Lisa Bright as Commercial Advisor and Ben Woolven as Business Strategy and Operations partner. Lisa is a senior commercial leader and board member with over 30 years' experience in biopharmaceuticals, serving in executive and general management roles where she has developed expertise in launching innovative specialty medicines. Lisa already serves on the board of portfolio company Resolution and this expanded role will allow her to utilise her experience more broadly across Syncona. Ben joined from GSK, bringing over a decade of strategy development, business operations and project management experience, to help build our portfolio of innovative life science companies.

Milestones across the portfolio provide opportunity for value creation and significant long-term opportunity

Clinical data is key to driving value in our portfolio, and we are excited by the potential for our companies to deliver transformational treatments to patients in areas of high unmet medical need. As we look ahead, we believe our companies are well positioned to deliver on their upcoming milestones. Our clinical stage companies are approaching key data milestones that we believe will drive value for our shareholders.

After a decade of exciting progress across our industry and business, we remain focused on delivering on our strategy and long-term targets. There continues to be a thriving life science industry in the UK and Europe, which provides us with a significant opportunity to apply the Syncona model to found, build and fund globally competitive businesses. With a strengthened balance sheet and optimised funding approach, we believe Syncona is in a strong position to build a portfolio of 15-20 leading life science companies over a 10-year rolling period. I am excited about the next 10 years and the potential to change the lives of patients and deliver strong returns for shareholders.

Martin Murphy
Chief Executive Officer and Chair, Syncona Investment Management Limited

Our strategy

Martin Murphy
Chief Executive Officer and Chair, Syncona Investment Management Limited

Chris Hollowood
Chief Investment Officer, Syncona Investment Management Limited

Delivering value for our stakeholders over the long term

Our strategy is to found, build and fund companies around exceptional science to create a diversified portfolio of 15-20 globally leading healthcare businesses for the benefit of all our stakeholders. We focus on developing transformational treatments for patients by working in close partnership with world-class academic founders and management teams.

We continue to evolve and refine our approach to funding our companies. Our balance sheet underpins our strategy, and gives us the flexibility to fund our companies over the long term, on a sole basis or through syndication with external investors.

To deliver value, we seek to build a well-diversified portfolio across a range of therapeutic areas and development stages. Over a rolling 10-year basis, our goal is to deliver three to five companies in which we retain a significant ownership position to the point of product approval, which maximises our ability to obtain the out-return.

Within our portfolio, we expect to sell some of our companies where we receive attractive offers, whilst some of our companies will not succeed. We operate in a sector where there is significant risk and reward. Disciplined allocation of capital and taking action quickly when data does not support our investment theses are two core principles in life science investment and our skill set.

We ultimately seek to manage risk and reward, whilst executing our strategy to optimise strong risk-adjusted returns for investors.

Please refer to page 144 for references

OUR STRATEGIC DRIVERS

UK/Europe has a globally significant scientific research base

The UK leads the way in biomedical research in Europe. There is an excellent network of universities and world-class research facilities across the country. Five of the top 10 universities worldwide for medical research are in Europe, with four being in the UK[1].

There is also a broad funding base with various governmental, non-governmental and private sector institutions helping to provide research funding across the UK.

Beyond research funding, it has traditionally been venture capital funds in the UK/Europe that have been the primary funders of life science companies seeking to develop therapeutics. However, these types of vehicles typically invest over short (four to five years) time horizons. This differs from Syncona, which is able to utilise its balance sheet to take a long-term approach to funding its companies, aligning its funding strategy with the timeframes necessary to develop innovative medicines.

Links to strategic driver

426
Sourcing meetings

$1.5bn
Sale of Gyroscope to Novartis, highlighting the quality of UK life science

Build Back Better
UK government engagement continued by Martin Murphy

The Syncona team has deep scientific, investment, operational and commercial expertise

Syncona's expertise is critical to the delivery of our strategy. The team leverages deep scientific knowledge to assess the scientific strength of a technology or programme and is able to quickly build an understanding of what it takes to translate the science into a commercial product for patients.

There is also a wealth of experience and capability across the team in operationalising companies and building out leading management teams.

Our team has significant investment experience and deep domain expertise in the fields of cell and gene therapy, particularly in building out manufacturing capabilities, which we are also able to bring to bear across the portfolio.

Links to strategic driver

220+
Years of life science and investing experience

85%
Investment team with PhDs or M.D.s

4
Operational roles at portfolio companies during the year

Balance sheet provides the flexibility to take a long-term approach to building and funding companies

A strong balance sheet and certainty of funding are key to delivering our strategy. Our capital base enables us to fund our companies over the long term on the time frames necessary to deliver innovative medicines.

Life science companies require significant capital as they scale and our balance sheet provides us with the flexibility to maintain a significant ownership position in our companies through to product approval.

It also provides us with the flexibility to support our companies as we drive long-term decision-making and navigate clinical risks. We believe our strong balance sheet is a key differentiator, particularly in the current challenging macro environment, enabling us to fund a diversified portfolio of global leaders over the long term.

Links to strategic driver

£123.2m
Capital deployed into portfolio

£784.9m
Capital base, following sale of Gyroscope to Novartis

Optimised
Financing approach to support our companies as they scale

Setting companies up with the capability to take products to approval can deliver the best risk-adjusted returns

Syncona's thesis is that significant returns in life science come through taking products late into development and to approval.

It is, therefore, central to our strategy that we build our companies with a long-term approach, investing in strategic capabilities and globally leading management teams at foundation. We seek to build our companies to a global standard that can attract external specialist investors to invest alongside us, if that is the right financing decision for the company.

We also believe it means that they are attractive to potential acquirers, for instance in the sale of Gyroscope to Novartis, our third exit, in a transaction worth up to $1.5 billion.

Links to strategic driver

11
Portfolio companies

4
Companies at clinical stage

2.9x
Gross multiple on cash proceeds from sale of Gyroscope*

* Reflects capital invested by Syncona Partners where applicable

New technologies and approaches have enabled biotechnology companies to take products to market on a stand-alone basis

The advent of new technologies, such as the ability to sequence a genome, has spurred a new age of discovery in medicine by enabling scientists to identify the genetic targets which cause disease. Today, we are in an era where individualised analysis can be based on each person's genome, leading to more personalised, precise and even preventative medicines.

At the heart of personalised medicine is what Syncona calls the 'Third Wave' of healthcare. Third Wave medicines are advanced therapies that harness the power of genetics and the patient themselves to treat disease, in particular in areas like cell and gene therapy.

The team's track record and domain expertise mean we continue to be well placed to identify the next waves of innovation in this area.

Links to strategic driver

11
Clinical trials across the portfolio

Clade
Added to the portfolio with $87m Series A financing, with $30m commitment from Syncona

We take a proactive approach to sourcing new opportunities. Our team's background in basic science, clinical development and commercialisation enables a holistic understanding of the opportunity. More specifically, the Syncona team conducts a rigorous returns analysis for existing investments ahead of each portfolio company financing round, and re-evaluates the original investment thesis. Read more below:

Data driven investment process

Proactive search by team for investable therapeutic areas, technology and appropriate assets

Ideal characteristics of a scientific asset

- Transformational efficacy for patients in areas of high unmet need
- Defined patient segments / targeted markets
- Opportunity to develop differentiated platform or no incumbent
- Defined, commercial lead programme with pipeline potential
- Therapeutic areas where Syncona has deep domain expertise
- Accelerated development and regulatory pathways

Other key decision-making factors

- Intellectual property
- Globally leading academics
- Technology

Our disciplined investment approach

- Investment Committee assessment of capital invested across the portfolio to ensure it remains diversified and well balanced
- Assess probability of success for the product's approval, taking into account benchmarks if relevant or appropriate
- Write business plan and develop plan to build out team and operational capability
- Analyse competitive landscape
- Assess the long-term capital requirements, key risks and value inflection points
- Undertake rigorous returns analysis
- Analyse all academic literature and data available

Ongoing evaluation of emerging data and analysis of evolving competitive landscape

Hands on build out: scaling our companies for success

Continued disciplined allocation of capital

FY2021/2

11 Companies

16 Board seats

4 Operational roles

Our investment team

Syncona's multi-disciplined investment team has deep scientific, operational, commercial and investment expertise and an ability to navigate the lifecycle of a company. They have extensive experience working alongside global key opinion leaders, whilst appointing and supporting leading management teams.

Our investment team is led by Martin Murphy, CEO, and Chris Hollowood, CIO, who sit on Syncona's Investment Committee, and supported by Syncona's wider team of highly experienced professionals across finance, legal, investor relations and human resources.

Investment Committee:

Martin Murphy

Co-founder, Chief Executive Officer and Chair, SIML
PhD

– Scientific, commercial, company creation and investment expertise
– 21 years in venture capital and management consultancy
– PhD in Biochemistry

Martin is Chief Executive Officer and Chair of Syncona Investment Management Ltd. He co-founded Syncona in 2012 alongside The Wellcome Trust. 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.

Quell, Neogene, Achilles, Clade Therapeutics, OMass Therapeutics, Autolus, Anaveon, Resolution Therapeutics

Chris Hollowood

Chief Investment Officer, SIML
PhD

– Scientific, commercial, company creation and investment expertise
– 20 years in venture capital
– PhD in Organic Chemistry

Chris is the Chief Investment Officer of Syncona Investment Management Ltd. 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.

Freeline, SwanBio Therapeutics, Purespring

Investment team:

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

Scientific | Investment | Operational | Commercial

Markus John
Chief Medical Officer and Head of R&D

Qualification
M.D.

Experience
21 years

Edward Hodgkin
Senior Partner

Qualification
PhD

Experience
31 years

Company affiliation
OMass Therapeutics, Resolution Therapeutics

Elisa Petris
Lead Partner

Qualification
PhD

Experience
14 years

Company affiliation
Neogene, Quell, Achilles

Magda Jonikas
Lead Partner

Qualification
PhD

Experience
11 years

Company affiliation
OMass Therapeutics

Alex Hamilton
Investment Partner

Qualification
PhD

Experience
8 years

Company affiliation
Anaveon, SwanBio Therapeutics

Michael Kyriakides
Investment Partner

Qualification
PhD

Experience
6 years

Company affiliation
Freeline, Clade Therapeutics, Purespring

Gonzalo Garcia
Investment Partner

Qualification
PhD

Experience
7 years

Company affiliation
Resolution Therapeutics

Alice Renard
Investment Partner

Qualification
PhD

Experience
6 years

Company affiliation
Anaveon, Purespring

Raghd Rostom
Associate Partner*

Qualification
PhD

Experience
3 years

*Joined post period end

Hitesh Thakrar
Partner

Qualification
BChem

Experience
28 years

Lisa Bright
Commercial Advisor

Qualification
BSc

Experience
33 years

Company affiliation
Resolution Therapeutics

Ben Woolven
Business Strategy and Operations partner

Qualification
PhD

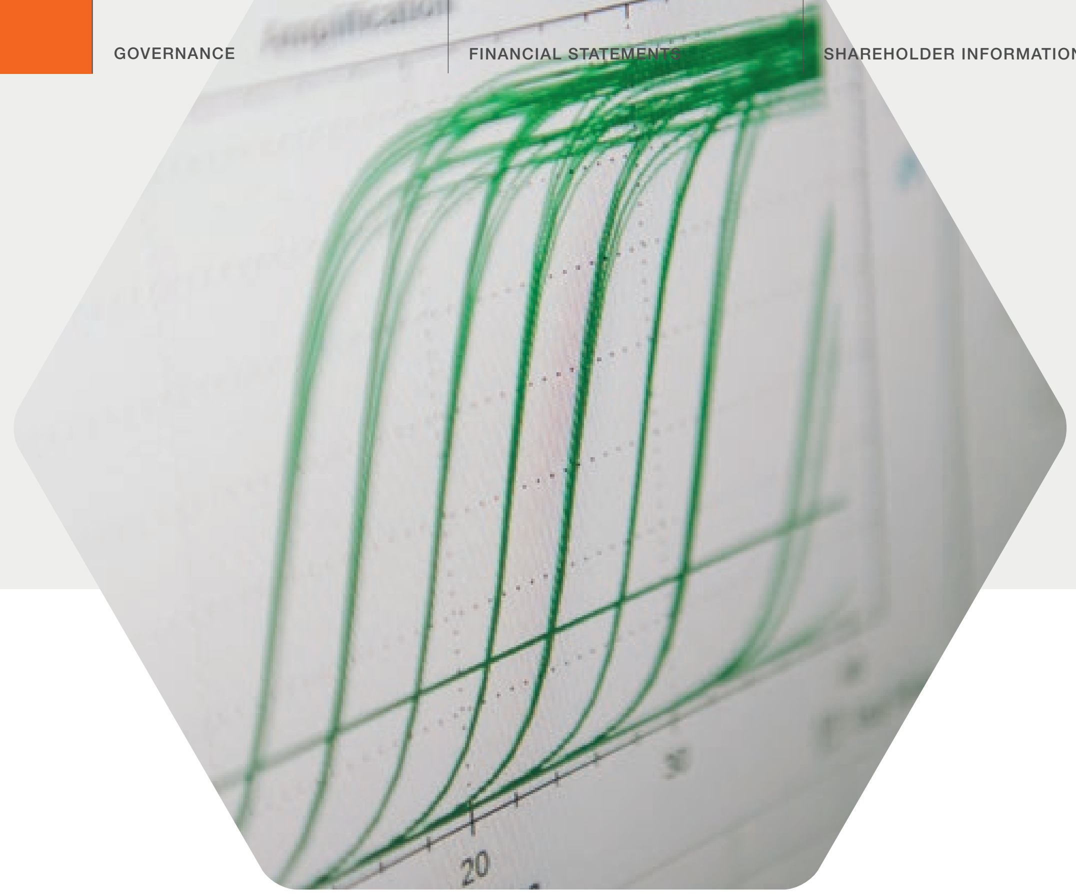
Experience
20 years

Company affiliation
Resolution Therapeutics

Clinical

£178.9m

Total value of clinical stage portfolio



		RESEARCH	PRE-CLINICAL	CLINICAL
Autolus	Obe-cel – adult ALL			
	AUTO4 – TCL			
	AUTO1/22 – paediatric ALL			
	Obe-cel – B-NHL			
	Obe-cel – PCNSL			

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	£124.0m
No of employees	350+
Uncalled commitment	–
Total capital raised	£699.4m
Syncona valuation	£62.0m

Competitor landscape†
Companies with CAR-T programmes for ALL that have been approved or are in clinical development include: Gilead, Novartis and Fate

Valuation basis
Quoted

Opportunity
Syncona believes obe-cel has a differentiated safety profile and improved persistence to address limitations of current T cell therapies

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]

Key risks†
– Highly competitive environment
– Differentiated product required
– Complex manufacturing and supply chain

Please refer to page 144 for references
‡ Shareholdings reported as fully diluted
† Competitors and key risks represent Syncona team view

Published further data in lead programme of obe-cel in adult acute lymphoblastic leukaemia (ALL); meaningful data read-out expected in H2 CY2022

Positive data published at EHA Congress, including from AUTO1/22 in paediatric ALL (pALL) and AUTO4 in T cell lymphoma

Commitment of up to $250.0 million from Blackstone; funded into 2024 with $268.6 million* in cash

4.7%
Of NAV

18.8%
Shareholding‡

* As at 31 March 2022

Autolus is developing next generation programmed T cell therapies for the treatment of cancer with a broad clinical pipeline targeting haematological malignancies and solid tumours.

During the period Autolus released further encouraging data in its lead programme obe-cel in relapsed/refractory (r/r) adult ALL. As presented at the American Society of Hematology (ASH) conference in December 2021, patients in the Phase Ib portion of the potentially pivotal FELIX study showed comparable results in efficacy and safety to the Phase I ALLCAR19 study, with further data released from ALLCAR19 demonstrating continued durability of response in patients up to 42 months post-dosing. Autolus continues to enrol patients in the Phase II portion of the FELIX study and expects to report initial data from this trial in the second half of CY2022, in advance of a full read-out in H1 CY2023. This data is expected to form the basis of a planned Biologics License Application (BLA) submission by the company. During the period, obe-cel received Orphan Medical Product Designation and PRIority MEdicines (PRIME) designation from the European Medicines Agency (EMA), and Regenerative Medicine Advanced Therapy (RMAT) designation from the US Food and Drug Administration (FDA) post period end. These designations further underline the opportunity for obe-cel as a potentially transformational treatment for patients with r/r adult ALL.

The company has also shown strong progress in its broader pipeline, releasing encouraging data from four programmes at the European Hematology Association (EHA) Congress post period end. The early clinical data showed a promising safety and efficacy profile across the AUTO4 programme in T cell lymphoma, AUTO1/22 in pALL, obe-cel in r/r primary central nervous system lymphoma (PCNSL), and obe-cel in r/r B cell non-Hodgkin's lymphoma (B-NHL) and chronic lymphocytic leukaemia (CLL). This data reinforces the strength of the pipeline at Autolus, which is diversified across therapies targeting both B cell malignancies and T cell lymphomas.

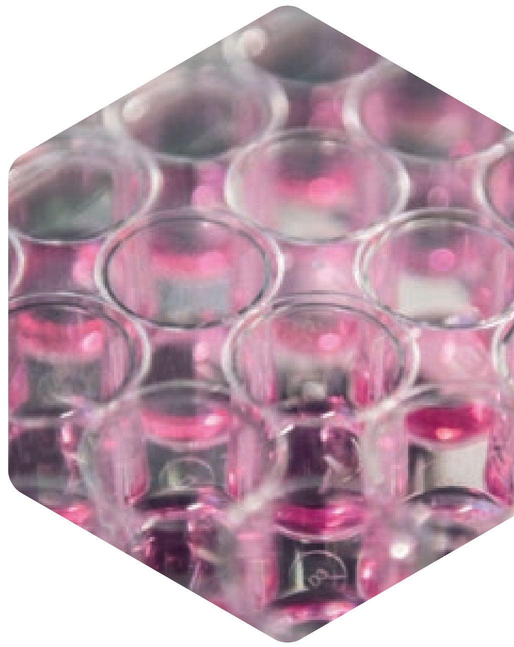
Autolus has continued to attract external validation for its technology in the period, signing an Option and License Agreement with Moderna granting Moderna an exclusive licence to develop and commercialise messenger RNA (mRNA) therapies incorporating Autolus' proprietary binders in up to four immuno-oncology targets. It also attracted a commitment of up to $250.0 million from Blackstone, consisting of an investment of $100.0 million in equity and up to $150.0 million in product financing. With this funding Autolus is able to operate with a strengthened balance sheet and is funded into CY2024, past the delivery of the pivotal data in its lead obe-cel programme.

The business continued to attract strong leadership to the company at Board and executive level throughout the period. Experienced biopharma executive John H. Johnson joined as Chair in September, following a period where Syncona's CEO Martin Murphy held the position, bringing to the company more than 30 years' life science experience in a non-executive and executive capacity, where most recently he served as CEO of Strongbridge Biopharma. Edgar Braendle joined the company as Chief Development Officer (CDO) from Sumitomo Dainippon where he was Chief Medical Officer (CMO) and Global Head of Development, and moving forward will have an important role in leading the company's development functions. Dr Lucinda Crabtree was appointed Chief Financial Officer (CFO). Lucinda was previously Senior Vice President of Finance and played a key role in the Blackstone transaction in November 2021.

Whilst Autolus' share price has fallen this year, and has been impacted by broader biotech sector market dynamics, we remain confident in its potential as it approaches a meaningful data read-out in its lead obe-cel programme in the second half of CY2022. In addition, the company has demonstrated positive momentum across its broader pipeline and continues to show the potential opportunity that autologous CAR-T therapies represent for patients suffering from a range of cancers.

Next key milestones

Obe-cel – adult ALL	Meaningful data read-out from pivotal FELIX study in obe-cel in r/r adult ALL expected in H2 CY2022; full data expected in H1 CY2023
AUTO1/22 – paediatric ALL	Longer-term follow-up data expected in H2 CY2022



Clinical
continued

4.6%
Of NAV

37.9%
Shareholding‡

ANAVEON

		RESEARCH	PRE-CLINICAL	CLINICAL
Anaveon	ANV419 – multiple tumour types			

Exploiting the power of cytokines to orchestrate immune responses by using protein engineering with the potential to create safe and effective treatments for various diseases

Board seats	2 (incl. Chair)
Date of founding	2017
Date of Syncona investment	2019
Syncona capital invested	£39.9m
No of employees	20
Uncalled commitment	£11.6m
Total capital raised	£118.6m
Syncona valuation	£59.8m

Competitor landscape†

Companies developing products in the IL-2 field include Roche, Sanofi, Alkermes and Neoleukin

Valuation basis
PRI

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

Wide potential utility across multiple oncology indications and wider markets

Key risks†
– Multiple players and highly competitive
– Strategy for differentiation and clinical / commercial positioning
– Clinical risk

See page 33 footnote (3) for the definition of "PRI"
‡ Shareholdings reported as fully diluted
† Competitors and key risks represent Syncona team view

Published initial Phase I clinical data from its lead programme ANV419 post period end; further data from this study is expected in H2 CY2022

Successful Series B financing of CHF 110.0 million (£89.8 million) from international syndicate of specialist investors, cornerstoned by Syncona at an uplift of 88 per cent (£19.7 million, 3p per share) to previous holding value; CHF 35.0 million (£28.6 million) commitment from Syncona

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 company released its first clinical data from its lead programme ANV419 in April 2022, post period end. This data underlined the compelling selectivity and safety profile for the drug, which is highly encouraging given the severe, dose-limiting side effects which have been seen elsewhere in the use of human IL-2 in solid cancers. Further data from the Phase I study is expected later in CY2022. Based on this initial data, a Phase I/II programme of ANV419 has been initiated in multiple tumour types to evaluate clinical efficacy in both monotherapy and combination settings and post period end, the company received FDA clearance of its Investigational New Drug (IND) application for the Phase I/II study of ANV419 in advanced cutaneous melanoma.

Anaveon also successfully completed an oversubscribed CHF 110.0 million (£89.8 million) financing in the period, attracting a leading international investor syndicate, resulting in Syncona's holding being written up by £19.7 million (3p per share), an 88 per cent uplift. Syncona committed CHF 35.0 million (£28.6 million) to the financing, and remains Anaveon's largest investor with a 38 per cent holding in the company. Anaveon is now well financed and is delivering well on its clinical plan, as it progresses towards its goal of becoming the best-in-class therapy in the IL-2 space.

Next key milestones

ANV419 – multiple tumour types	Further data in Phase I study of selective IL-2 agonist expected in H2 CY2022

FREELINE

		RESEARCH	PRE-CLINICAL	CLINICAL
Freeline	FLT180a – haemophilia B*			
	FLT190 – Fabry disease			
	FLT201 – Gaucher disease Type 1			

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	£183.1m
No of employees	c.200
Uncalled commitment	–
Total capital raised	£372.8m
Syncona valuation	£32.3m

Competitor landscape†

Companies developing competing gene therapy programmes include uniQure, Spark (acquired by Roche in December 2019), Avrobio, 4DMT, Pfizer and Sangamo

Valuation basis
Quoted

Opportunity
To deliver therapies for a broad pipeline of systemic diseases which require the delivery of high protein expression levels, with the aim of curing and transforming patients' lives

Current standard of care in clinical programmes is Enzyme Replacement Therapy (ERT); requires regular administration with protein activity remaining unstable[3]

Key risks†
– Highly competitive environment
– Differentiated product required
– Complex manufacturing

Please refer to page 144 for references
‡ Shareholdings reported as fully diluted
† Competitors and key risks represent Syncona team view

Data read-outs from FLT190 programme in Fabry disease, with accelerated progression to second dose cohort; further encouraging data in FLT180a programme in haemophilia B

New executive leadership with Michael Parini becoming CEO, Pamela Foulds joining as CMO and Henning Stennicke becoming Chief Scientific Officer; Paul Schneider joined as CFO post period end

Extended cash runway to H2 CY2023 following $26.1 million registered direct offering, including $20.0 million commitment from Syncona

2.5%
Of NAV

53.4%
Shareholding‡

* Includes two active clinical trials, B-AMAZE and B-LIEVE

Freeline, our gene therapy company focused on liver expression for a range of chronic systemic diseases, continued to progress its programmes through the clinic during the period.

In its most advanced programme, FLT180a in haemophilia B, Freeline has completed dosing its first cohort in the B-LIEVE dose confirmation study and has initiated dosing the second cohort post period end. Efficacy and safety data from the first cohort will be presented at the Congress of the International Society on Thrombosis and Haemostasis (ISTH) being held between 9-13 July 2022. This follows positive long-term follow-up data presented in December 2021 by the company from the B-AMAZE dose-finding trial for FLT180a, which found sustained expression of factor IX (FIX), the key enzyme for patients with haemophilia B, up to 3.5 years post dosing.

Freeline has continued to progress the Phase I/II MARVEL-1 study for its FLT190 programme in Fabry disease. The company presented encouraging data from the first two patients at the lower dose cohort at the 18th Annual WORLDSymposium™ in February 2022, demonstrating that the treatment continued to be well tolerated with a potentially dose-dependent increase in levels of the key enzyme (α-Gal A), which is absent or markedly deficient in Fabry patients. In March, Freeline announced it would progress immediately to the second dose cohort in the MARVEL-1 study. This followed a comprehensive review of the pre-clinical data, and the clinical efficacy and safety data from the first and second patients in the MARVEL-1 study.

Clinical
continued

FREELINE

This data was presented to the study's independent Data Monitoring Committee, which supported accelerated progression to the second cohort. This resulted in a revision to the previous clinical development plan which included dosing a third patient in the lower dose cohort and publishing updated data from the first two patients dosed, and initial data from the third, in the first half of 2022. The company now expects to provide a programme update in H2 CY2022.

Freeline continued to progress its FLT201 programme in the year. FLT201 is a therapy seeking to provide a functional cure in patients with Gaucher disease Type 1, an indication where there is currently no approved gene therapy. The company announced in May 2022 that it expects to complete dosing of the first cohort of its Phase I/II trial by mid-CY2022, and progress to the second cohort in H2 CY2022. An initial data read-out is expected in H2 CY2022.

The company has made a number of key changes to its executive team; Michael Parini, formerly President and Chief Operating Officer, became CEO in August 2021 with Pamela Foulds, who was formerly at Aegerion Pharmaceuticals and Biogen, joining as CMO in November 2021. In addition, Henning Stennicke joined as CSO in March 2022 from Novo Nordisk, while Paul Schneider joined as CFO post period end from Exo Therapeutics. These four experienced executives have substantial life science experience, bringing significant development, clinical, regulatory, operational and financial expertise in rare diseases to the executive team.

Under the leadership of Michael Parini, the company led a thorough review of its operational plans, discontinuing further development of its pre-clinical programme of FLT210 in haemophilia A. This, along with a $26.1 million direct offering by the company in March 2022 which was led by Syncona, has provided an extension of Freeline's cash runway to H2 CY2023. Freeline also stands to benefit from the flexibility of an American Depositary Share (ADS) purchase agreement with Lincoln Park Capital (LPC), which was entered into during the period. This will provide Freeline with the right to sell LPC up to $35 million in ADSs, subject to certain conditions being satisfied.

Whilst Freeline has experienced operational issues, partly driven by the impact of delays in its clinical trials due to the COVID-19 pandemic, it is now delivering effectively on its updated operational plan with programme updates expected in all three of its programmes in H2 CY2022. Whilst the share price has continued to be impacted by market conditions which have particularly affected the valuations of smaller cap listed biotech companies, we remain confident in the fundamentals of the business as it moves forward with its clinical pipeline.

Next key milestones

FLT180a – haemophilia B	Initial data from first cohort in Phase I/II dose confirmation study in haemophilia B to be presented at the Congress of the International Society on Thrombosis and Haemostasis (ISTH), July 2022
FLT190 – Fabry disease	Initiate second cohort in mid-CY2022; programme update expected in H2 CY2022
FLT201 – Gaucher disease Type 1	Initial data from Phase I/II Gaucher disease Type 1 programme expected in H2 CY2022

1.9%
Of NAV

25.3%
Shareholding‡

ACHILLES THERAPEUTICS

		RESEARCH	PRE-CLINICAL	CLINICAL
Achilles	cNeT* – melanoma			
	cNeT – non-small cell lung cancer			

Differentiated cell therapy approach targeting solid tumours utilising AI-enabled bioinformatics and precision tumour-infiltrating lymphocytes (TILs) to target clonal neoantigens for personalised treatments

Board seats	–
Date of founding	2016
Date of Syncona investment	2016
Syncona capital invested	£60.7m
No of employees	250+
Uncalled commitment	–
Total capital raised	£308.7m
Syncona valuation	£24.8m

Competitor landscape†
Companies using TILs or other methods to target solid tumours include Iovance, Instil, Gritstone and Turnstone

Valuation basis
Quoted

Opportunity
TILs have shown convincing efficacy in solid tumours[4]

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

Key risks†
– Highly innovative concept in emerging space
– Complex manufacturing
– Increasing competition

Please refer to page 144 for references
‡ Shareholdings reported as fully diluted
† Competitors and key risks represent Syncona team view

Encouraging progress in Phase I/IIa studies in non-small cell lung cancer (NSCLC) and melanoma, with positive data from the initial lower dose process reported as the trials move to a higher dose

Strong cash position of $236.9 million with runway into H2 CY2024**

Achilles, a clinical-stage biopharmaceutical company developing precision T cell therapies to treat solid tumours, continued to make good operational progress in the year.

The company continued to progress its ongoing Phase I/IIa studies in advanced NSCLC and melanoma. In November 2021, the company presented data at the Society for Immunotherapy of Cancer (SITC) annual meeting, showing the ability of Achilles' technology to detect, quantify, and track patient-specific clonal neoantigen-reactive T cells (cNeT). At the ESMO I-O annual meeting in December 2021, the company presented data from pre-clinical GMP manufacturing runs showing increased cNeT doses from its VELOS™ Process 2 manufacturing, the company's manufacturing process to generate higher doses. The company also released further data at SITC from its VELOS™ Process 1 process, underlining that the tolerability profile of the therapy was in-line with standard tumour-infiltrating lymphocyte (TIL) products that have not been enriched for cNeT reactivity.

The company continues to make progress in moving towards the higher dose VELOS™ Process 2 manufacturing, dosing its first patient in the higher dose in the CHIRON trial in NSCLC post period end, and expects to announce data from the higher dose processes in both CHIRON and the THETIS trial in melanoma in H2 CY2022. The move to the higher dose will be supported from Achilles' manufacturing facilities at the UK Cell and Gene Therapy Catapult (CGT Catapult), which received a manufacturing licence from the Medicines and Healthcare products Regulatory Agency (MHRA) post period end, and a new facility in the US in partnership with the Center for Breakthrough Medicines (CBM).

The company also continued to strengthen its Board, with Julie O'Neill joining as a non-executive in May 2021, bringing more than two decades of executive experience in senior leadership roles, most recently as Executive Vice President of Global Operations at Alexion Pharmaceuticals. Post period end, Bernhard Ehmer also joined the Achilles Board, bringing more than three decades of experience across senior leadership roles in biotechnology and pharmaceuticals, most recently as CEO of Biogest AG.

Achilles continues to be well funded with a cash runway through to H2 CY2024, and although it has seen share price volatility through the year, we remain confident that it is well positioned to deliver on its upcoming operational and clinical plans as it moves towards clinical read-outs from its higher dose programmes.

Next key milestones

cNeT – non-small cell lung cancer	Data from higher dose cNeT therapy expected in H2 CY2022
cNeT – melanoma	Data from higher dose cNeT therapy expected in H2 CY2022

* Clonal neoantigen-reactive T cell

** As at 31 March 2022

Pre-clinical

£211.3m

Total value of pre-clinical stage portfolio

Quell TX

Engineered cell therapy company addressing immune dysregulation

Board seats	2 (incl. Chair)
Date of founding	2019
Date of Syncona investment	2019
Syncona capital invested	£61.4m
No of employees	110+
Uncalled commitment	£2.6m
Total capital raised	£163.8m
Syncona valuation	£81.4m

Competitor landscape†

Field is nascent, companies developing Treg cell therapies include Sonoma, Kyverna, GentiBio, Mozart, Abata and Sangamo

Valuation basis
PRI

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[5]

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

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

Key risks†
– Highly innovative concept in emerging space
– Complex manufacturing

See page 33 footnote (3) for the definition of "PRI"
Please refer to page 144 for references
‡ Shareholdings reported as fully diluted
† Competitors and key risks represent Syncona team view

Initiated clinical trial sites in lead QEL-001 programme

Successful $156.3 million (£116.6 million) Series B financing with leading international syndicate at a 41 per cent uplift (£18.5 million, 3p per share) to the previous holding value; co-led by Syncona with a $25.0 million (£18.7 million) commitment

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.

The company has made good progress as it prepares to dose its first patient with its lead candidate QEL-001, which is designed to prevent organ rejection in liver transplant patients. It announced a collaboration with CGT Catapult which allows the company access to one of the CGT Catapult's specialist large-scale manufacturing facilities. Quell's Clinical Trial Application (CTA) for QEL-001 was also approved by the UK MHRA during the period, with the company now initiating trial sites for the programme, and is expected to dose its first patient in H2 CY2022.

The company successfully completed a $156.3 million (£116.6 million) Series B financing during the period, with Syncona committing $25.0 million (£18.7 million) alongside a syndicate of international specialist investors. Following the financing, Syncona's holding in Quell was written up by £18.5 million (3p per share), a 41 per cent uplift to the previous holding value. This funding will enable Quell to fund the development of its lead QEL-001 programme in liver transplantation, as well as allowing Quell to progress its broader clinical pipeline, its plans to develop an allogeneic CAR-Treg platform, and the expansion of its manufacturing footprint.

The company also expanded its leadership team during the period with Dominik Hartl joining as CMO from the Novartis Institutes for BioMedical Research (NIBR), and Tracey Lodie joining as CSO from Gamida Cell. They bring a wealth of experience across cell therapies and autoimmune disorders and will play a key role as Quell progresses QEL-001 and its broader pipeline.

Next key milestones

QEL-001 – liver transplant	Expects to dose the first patient in Phase I/II lead programme targeting liver transplant in H2 CY2022

6.2%
Of NAV

37.4%
Shareholding‡

SwanBio Therapeutics

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

Board seats	2 (incl. Chair)
Date of founding	2018
Date of Syncona investment	2018
Syncona capital invested	£75.1m
No of employees	50+
Uncalled commitment	–
Total capital raised	£78.8m
Syncona valuation	£75.1m

Competitor landscape†

Companies exploring gene therapies in the CNS field include Voyager, Taysha, Novartis, PassageBio, Lilly, Neurogene and Alcyone

Valuation basis
Cost

Opportunity
Gene therapy has the potential to be transformational in neurology[6]

One-off delivery mechanism and multiple tractable pipeline programmes

Lead programme targeting AMN, an inherited neurodegenerative disease in which the causative gene is definitively known and well characterised

Key risks†
– Slowly progressing disease
– Clinical risk
– Complex manufacturing

See page 33 footnote (2) for the definition of "cost"
Please refer to page 144 for references
‡ Shareholdings reported as fully diluted
† Competitors and key risks represent Syncona team view

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.

The company continues to make progress as it approaches the clinical entry of its lead programme SBT101 in AMN. The company received clearance for its IND application for the programme from the FDA in January 2022, with Fast Track and Orphan Drug designations following in February and March 2022 respectively. The company will enter the clinic with a Phase I/II study to assess the safety and efficacy of SBT101 in H2 CY2022, assisted by the insights gathered from its ongoing natural history study, CYGNET, which enrolled its first patient earlier in the period. Post period end, the company announced further pre-clinical data from SBT101, which supports the safety profile of the therapy and supports the dosing strategy for the upcoming Phase I/II trial.

Post period end SwanBio also completed a $55.9 million (£45.3 million) Series B financing, with Syncona committing $53.7 million (£43.6 million). The proceeds will primarily be used to fund the ongoing clinical development of SBT101, as well as supporting the company's broader pipeline for other neurological conditions. Following the financing, Syncona's holding is now valued at £96.3 million following the first tranche investment of $19.2 million (£15.6 million), with Syncona holding 80 per cent of the company on a fully diluted basis.

Next key milestones

SBT101 – adrenomyeloneuropathy (AMN)	Expects to enter the clinic with lead programme targeting AMN in H2 CY2022

5.7%
Of NAV

75.4%
Shareholding‡

Pre-clinical
continued

purespring

1.4% Of NAV

84.0% Shareholding‡

Advancing gene therapies for the treatment of chronic renal diseases that are currently poorly addressed with existing treatments

Board seats	2 (incl. Chair)
Date of founding	2020
Date of Syncona investment	2020
Syncona capital invested	£18.5m
No of employees	20+
Uncalled commitment	£26.5m
Total capital raised	£45.0m
Syncona valuation	£18.5m

Competitor landscape†

Competitors include Novartis, Calliditas, Reata, Sanofi, Omeros, Travere and Apellis

Valuation basis
Cost

Opportunity
A number of chronic kidney diseases are poorly addressed by existing therapies, which are primarily based around the lowering of blood pressure, and often progress to dialysis and kidney transplantation[7]

Purespring is developing disease modifying therapies for a number of monogenic and non-monogenic kidney diseases

Key risks†
- Highly innovative concept in emerging space
- Clinical risk by addressing non-monogenic disorders

See page 33 footnote (2) for the definition of "cost"
Please refer to page 144 for references
‡ Shareholdings reported as fully diluted
† Competitors and key risks represent Syncona team view

Purespring was founded by Syncona in November 2020, with the company seeking to advance gene therapies for the treatment of chronic renal diseases which are currently poorly served by existing treatments.

The company continues to deliver on its ambitious operational growth plans as it progresses towards the clinic with its three pre-clinical programmes, with the goal of becoming the first AAV gene therapy company targeting the kidney in clinical trials.

Purespring built out its executive team in the period, in particular through Julian Hanak joining as CDO. He brings 25 years' experience spanning gene therapy, manufacturing, regulatory affairs and CMC, previously serving as head of manufacturing at Nightstar. He will support Purespring's CEO Richard Francis as he looks to progress the company to the clinic and become a global leader in renal gene therapy.

neogene THERAPEUTICS

Pioneering the development of next-generation, fully personalised engineered T cell therapies for a broad spectrum of cancers

Board seats	1
Date of founding	2018
Date of Syncona investment	2020
Syncona capital invested	£14.3m
No of employees	100+
Uncalled commitment	–
Total capital raised	£82.5m
Syncona valuation	£14.5m

Competitor landscape†

PACT, TCR Cure and Adaptive/Genentech are all active in this space

Valuation basis
Cost

Opportunity
Limited treatment options for relapsed/refractory patients with advanced solid tumours that have progressed through front line therapies

Cell therapies offer the potential for deep and durable responses in the populations as evidenced by Iovance's tumour-infiltrating lymphocyte therapy. We believe Neogene's approach should result in a more efficacious product that can address a larger number of patients

Key risks†
- Complex early stage technology
- Complex manufacturing
- Highly competitive field

See page 33 footnote (2) for the definition of "cost"
‡ Shareholdings reported as fully diluted
† Competitors and key risks represent Syncona team view

Neogene is developing an engineered cell therapy product for solid tumours based on a patient's own neoantigens. The company was founded in 2018 around the work of world-class founders, Dr Ton Schumacher and Dr Carsten Linnemann.

The company signed an exclusive licence during the period with the US National Cancer Institute for a portfolio of T cell receptors (TCRs) targeting KRAS and TP53 mutations for the treatment of cancer. These two mutations are among the most commonly mutated genes in cancers and combined with Neogene's proprietary TCR isolation platform, this licence will expand Neogene's capability in targeting multiple neoantigens in individual patients.

The company continued to attract world-class executive leaders throughout the period. Brent Pfeiffenberger joined as COO from Bristol Myers Squibb, where he was senior vice president of U.S. Oncology. The company also welcomed Han Lee (previously CFO at Arcellx, Inc) as CFO, and Raphael Rousseau, M.D, PhD, as CMO from Gritstone Bio, where he was Executive Vice President, Head of Product Development and CMO. Dr Rousseau brings extensive experience in oncology drug development, including in engineered T cell therapies. These three key hires are already playing a key role in the development of Neogene as it moves towards clinical stage, having had its CTA approved for its lead programme in the Netherlands post period end. The company expects to enter the clinic in H1 CY2023.

Next key milestones

NT-125 – advanced solid tumours	Expects to enter clinic with TCR therapy in H1 CY2023

1.1% Of NAV

7.9% Shareholding‡

Pre-clinical
continued

CLADE THERAPEUTICS

Harnessing iPSC immune cloaking and differentiation platform technology to deliver 'off-the-shelf' cell therapies

Board seats	1
Date of founding	2021
Date of Syncona investment	2021
Syncona capital invested	£10.8m
No of employees	20+
Uncalled commitment	£11.4m
Total capital raised	£64.6m
Syncona valuation	£11.4m

Competitor landscape†

The iPSC space is nascent with CRISPR Therapeutics, Bristol Myers Squibb and Century active in the field

Valuation basis
Cost

Opportunity
Harnessing the power of cloaking technology in iPSCs to deliver stem cell based therapies to patients

Syncona believes Clade's technology has the potential to deliver greater efficacy than the first generation of allogeneic cell therapies

"Off the shelf" stem cell based therapies have potential to deliver practical and commercial benefits in cell therapeutics[8]

Key risks†
– Highly innovative concept in emerging space

See page 33 footnote (2) for the definition of "cost"
Please refer to page 144 for references
‡ Shareholdings reported as fully diluted
† Competitors and key risks represent Syncona team view

Clade was established with the aim of discovering and delivering scalable next-generation induced pluripotent stem cell (iPSC) derived medicines. Syncona led the $87.1 million Series A financing in November 2021, with a commitment of $30.0 million (£21.7 million). This investment further expanded our leading cell therapy portfolio into next generation stem cell-based therapeutics.

The company is led by a world class team, with Dr Chad Cowan, a scientific co-founder of CRISPR Therapeutics and former Associate Professor at Harvard University in the Department of Stem Cell and Regenerative Biology as CEO and Dr Jim Glasheen, co-founder of Atlanta Therapeutics and former general partner at Technology Partners Venture Capital as President and Chief Business Officer.

Clade continues to build out its operations and leadership team, and in the period appointed Dr Derek Hei as its Chief Technology Officer. Dr Hei joined Clade from Vertex Pharmaceuticals, where he was Senior Vice President of Preclinical and Clinical Manufacturing, Cell and Gene Therapies, and brings significant expertise in cell therapy and over 20 years' experience of leading manufacturing teams at biotech companies.

0.9%
Of NAV

22.6%
Shareholding‡

0.8%
Of NAV

81.1%
Shareholding‡

Resolution Therapeutics

Developing macrophage cell therapies to repair inflammatory organ damage, including treatment of end-stage chronic liver disease

Board seats	2 (incl. Chair)
Date of founding	2020
Date of Syncona investment	2018
Syncona capital invested	£10.4m
No of employees	c.20
Uncalled commitment	£27.5m
Total capital raised	£37.9m
Syncona valuation	£10.4m

Competitor landscape†

Carisma and Shoreline are developing macrophage cell therapies in cancer

Valuation basis
Cost

Opportunity
An opportunity to create the leading inflammation-focused macrophage cell therapy business, focusing initially on treatment of liver cirrhosis. The goal is to repair the livers of patients sufficiently to reduce the risk of decompensation. Future opportunity lies in lung and kidney repair in chronic fibrotic disease

Chronic inflammatory organ damage represents a major burden to patients. If left untreated, liver cirrhosis will often progress to decompensation through significant loss of liver function. Today there are no efficacious treatments to prevent deterioration in the latter stages of the disease

Key risks†
– Highly innovative concept in an emerging space
– Future competition

See page 33 footnote (2) for the definition of "cost"
‡ Shareholdings reported as fully diluted
† Competitors and key risks represent Syncona team view

Resolution is a cell therapy company investigating the use of the restorative effect of macrophages in the treatment of end-stage liver disease.

The company continued its strong operational momentum during the period. It continued to progress its ongoing MATCH II academic study of non-engineered autologous macrophages in liver cirrhosis. During the period Syncona committed £10.0 million to the company in an extension to its Series A financing, which will fund the continued development of its existing autologous programme as well as its developing allogeneic platform*. Following this financing, Syncona's holding in Resolution is £10.4 million, with Syncona holding 81 per cent of the company on a fully diluted basis.

Post-period end, the company announced a research collaboration with panCELLA Inc, which will allow Resolution access to the company's hypo-immunogenic engineered iPSC technology, potentially providing Resolution with the technology to develop "off the shelf" macrophage cell therapies.

The company also continued to attract senior leaders at Board level, with Lisa Bright joining as a non-executive in the period, bringing 30 years' experience across pharma and early stage biotech.

* Investment announced by company post period end

Drug discovery

£34.7m

Total value of drug discovery portfolio

OMass THERAPEUTICS

Using novel biochemistry techniques, native mass spectrometry and custom chemistry to deliver novel medicines against highly validated but inadequately drugged targets, with a focus on immunological and rare diseases

Board seats	2 (incl. Chair)
Date of founding	2016
Date of Syncona investment	2018
Syncona capital invested	£26.4m
No of employees	40+
Uncalled commitment	–
Total capital raised	£43.0m
Syncona valuation	£34.7m

Competitor landscape†
Crinetics also have a pipeline in rare endocrine diseases

Valuation basis
PRI

Opportunity
Opportunity to develop differentiated small molecule drugs leveraging a world-leading Native Mass Spectrometry platform

Key risks†
– Attrition of potential drugs

See page 33 footnote (3) for the definition of "PRI"
‡ Shareholdings reported as fully diluted
† Competitors and key risks represent Syncona team view

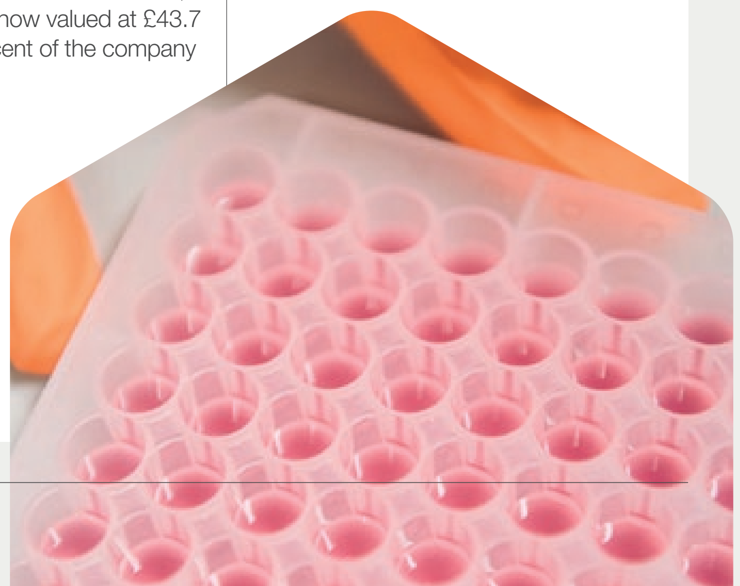
OMass is developing small molecule drugs to treat rare diseases and immunological conditions. It uses its proprietary drug platform, OdyssION™, to accurately interrogate potential targets within their natural ecosystem, providing critical information which heightens the chances of finding effective small molecule medicines which will be successful in clinical trials.

During the period the company made significant progress in developing its pipeline of programmes, announcing five candidates with a focus on immunological and orphan diseases. Its lead programme, focused on the MC2 receptor, has entered lead optimisation stage and is targeting orphan endocrine disorders.

Post period end, the company successfully completed a £75.5 million Series B financing, of which Syncona committed £15.0 million. This financing included a syndicate of top-tier international life science investors, including new investors GV, Northpond and Sanofi Ventures, with the proceeds to be used to fund OMass' pipeline of programmes as the company moves towards clinical trials. The financing resulted in a 32 per cent uplift (£8.3 million, 1p per share) to Syncona's previous holding value in the company. Including the first tranche of Syncona's Series B investment, its holding of OMass is now valued at £43.7 million, holding 31 per cent of the company on a fully diluted basis.

2.6%
Of NAV

49.3%
Shareholding‡



Life Science Investments

Beyond our core portfolio of 11 life science portfolio companies, we have a smaller number of life science investments. During the period, Cambridge Epigenetix (CEGX) raised $88.0 million in a Series D financing which was led by Temasek. We chose not to participate in this funding round, however we were pleased to see the company attract significant funding, seeing this as validation of the company's potential. The financing round resulted in a £15.4 million uplift to Syncona's previous holding value in the company, with Syncona's holding now valued at £17.3 million following an initial investment of £2.4 million.

Post period end, another of Syncona's life science investments, Forcefield Therapeutics (Forcefield), announced its official company launch. The company is a pioneer of best-in-class therapeutics, with its approach seeking to retain heart function following myocardial infarctions (heart attacks), specifically by preventing the loss of cardiomyocytes. Syncona first announced its £5.5 million Series A investment in Forcefield in 2020, and since this time the company has been working to identify its pre-clinical pipeline, which is centred on three identified proteins which have the potential to retain heart function. These targets have been identified through the 'FunSel' discovery platform, which is also used by Syncona portfolio company Purespring. The company was founded by Purespring co-founder Professor Mauro Giacca, a leader in cardiovascular disease and genetic biology at the School of Cardiovascular Medicine and Sciences, King's College London, and Richard Francis, CEO of Purespring, also acts as CEO of Forcefield.

Life science portfolio valuation table

Company	31 March 2021 (£m)	Net investment in the period (£m)	Valuation change (£m)	FX movement (£m)	31 March 2022 (£m)	% of Group NAV	Valuation basis[1,2,3]	Fully diluted ownership stake	Focus area
Portfolio Companies									
Clinical									
Autolus	81.2	–	(22.1)	2.9	62.0	4.7%	Quoted	18.8%	Cell therapy
Anaveon	18.5	20.4	17.9	3.0	59.8	4.6%	PRI	37.9%	Biologics
Freeline	167.9	15.4	(151.6)	0.6	32.3	2.5%	Quoted	53.4%	Gene therapy
Achilles	133.1	–	(109.5)	1.2	24.8	1.9%	Quoted	25.3%	Cell therapy
Gyroscope	150.1	(325.8)	168.3	7.4	–	0.0%	Sold	0.0%	Gene therapy
Pre-Clinical									
Quell	35.1	26.3	18.5	1.5	81.4	6.2%	PRI	37.4%	Cell therapy
SwanBio	53.7	17.7	0.5	3.2	75.1	5.7%	Cost	75.4%[4]	Gene therapy
Purespring	3.9	14.6	–	–	18.5	1.4%	Cost	84.0%	Gene therapy
Neogene	11.0	2.9	–	0.6	14.5	1.1%	Cost	7.9%	Cell therapy
Clade	–	10.8	–	0.6	11.4	0.9%	Cost	22.6%	Cell therapy
Resolution	7.4	3.0	–	–	10.4	0.8%	Cost	81.1%	Cell therapy
Drug discovery									
OMass	16.4	10.0	8.3	–	34.7	2.6%	PRI	49.3%[5]	Small molecule
Life Science Investment									
Gyroscope milestone payments[6]	–	–	49.8	–	49.8	3.8%	DCF	0.0%	Gene therapy
CRT Pioneer Fund	36.6	(0.4)	(8.0)	–	28.2	2.2%	Adj Third Party	64.1%	Oncology
CEGX	1.5	–	15.4	0.4	17.3	1.3%	PRI	5.5%	Epigenetics
Forcefield	0.4	2.1	–	–	2.5	0.2%	Cost	82.0%	Biologics
Adaptimmune	5.3	–	(3.2)	0.1	2.2	0.2%	Quoted	0.8%	Cell therapy
Total Life Science Portfolio	**722.1**	**(203.0)**	**(15.7)**	**21.5**	**524.9**	**40.1%**			

1 Primary input to fair value
2 The basis of valuation is stated to be "Cost", this means the primary input to fair value is capital invested (cost) which is then calibrated in accordance with our Valuation Policy
3 The basis of valuation is stated to be "PRI", this means the primary input to fair value is price of recent investment which is then calibrated in accordance with our Valuation Policy
4 Fully diluted ownership increases to 80 per cent post the Series B financing in May 2022
5 Fully diluted ownership reduces to 31 per cent post the Series B financing in April 2022
6 Syncona's risk-adjusted and discounted valuation of the milestone payments from the sale of Gyroscope

Emerging trends in life sciences

The life science sector has remained in the spotlight as the COVID-19 pandemic has continued to evolve. The first approved vaccines have significantly diminished the impact of the pandemic, while the development of additional vaccines and therapeutics will be critical for avoiding further disruption caused by existing and novel variants. The disruption caused by the pandemic has forced the life science industry to optimise existing processes and move towards more efficient and virtual operations such as decentralised clinical trials.

The success of the first two mRNA vaccines has spurred investment in mRNA technologies and mRNA vaccines in other infectious diseases, while other RNA-based therapeutics have also received increased interest. Other Third Wave technologies such as cell and gene therapies continue to remain in the forefront, as more programmes are generating clinical data, some of which are providing unequivocal evidence regarding the transformational efficacy these modalities can deliver.

Other key drivers of the field include the advances in technologies such as artificial intelligence and genomics. The potential of artificial intelligence and machine learning has been widely accepted, and established companies are forming partnerships to test these technologies in both pre-clinical and clinical applications. The continuous improvement in access to genomics is also enabling companies to develop more precise hypotheses and develop better targeted therapeutics, moving us a step closer to personalised medicines.

2
Approved COVID-19 RNA vaccines[9]

19.4%
Expected CAGR in global genomics market 2021-28[10]

3,400+
Cell, gene and RNA therapies in development globally[11]

3x
Medicines targeted at defined patient groups 3x more likely to succeed than conventional drugs[12]

Beyond these general industry trends, the Syncona team expects the following three areas to be of particular interest to Syncona and its portfolio.

Read more: *opposite*

Market focus:

Increased focus on manufacturing in cell and gene therapies

Manufacturing is a key challenge and a critical component of successful cell and gene therapy platforms. Significant capital, time and expertise are required to establish commercial-grade manufacturing and analytics, and therefore it can be tempting to seek short-term solutions and rely on small-scale manufacturing, without having a reliable path to commercialisation. This may become problematic as regulators are implementing more stringent quality controls, whilst also demanding more thorough characterisations of the quality and potency of products.

Syncona has recognised these challenges since establishing its first cell and gene therapy companies and therefore establishing commercial grade, scalable, manufacturing and analytics has been a key aspect of Syncona's investment approach.

26
Good Manufacturing Practice (GMP) cell and gene therapy facilities in the UK[13]

Market focus:

An evolving regulatory environment in gene therapy

As more gene therapy programmes approach commercialisation and more clinical data is becoming available, regulatory requirements are evolving and government agencies are placing a greater focus on product quality and manufacturing. The characterisation of gene therapy product impurities and potency is critical for ensuring patient safety and optimal therapeutic effect and could help mitigate unexpected adverse events in the clinic. A more robust manufacturing platform can minimise the presence of impurities and can confer other advantages such as lower costs of goods, which improves the commercial viability of these programmes.

Syncona's portfolio companies are at the forefront of quality control and product analytics from foundation, as we believe it is critical to have the appropriate infrastructure in place to best position a company for regulatory and commercial success.

25
Viral vector therapeutics in late stage development[14]

Market focus:

Cell and gene therapies coming of age

The significant investment in cell and gene therapy in the past decade has culminated in the progression of several programmes to the late clinical development or registrational stage, with several market Biologics Licence Applications and market authorisations expected in 2022 and into 2023. Several companies will therefore have the opportunity to validate the early promising clinical effect demonstrated by their programmes, which first provided a glimpse of the transformative potential of these therapies for patients.

As we would expect in drug development, some programmes may have equivocal efficacy or unclear safety profiles, and may therefore face regulatory setbacks, as was seen with some late-stage programmes in 2021. Beyond traditional cell and gene therapy, gene editing programmes are also expected to generate further data, which will shed more light on the therapeutic potential and competitive positioning of these programmes, for example the first Biologics Licence Application for a CRISPR-Cas9 based gene editing programme is expected by the end of 2022. Syncona believes cell and gene therapies have the potential to disrupt the market, and we are well positioned to capture this opportunity.

60
FDA approved cell and gene therapies expected in the US by 2030[15]

UK
The largest cell and gene therapy cluster outside the US[16]

9
FDA approved cell and gene therapies[17]

Please refer to page 144 for references

We measure our performance against a number of financial and non-financial key performance indicators (KPIs) that are aligned to our strategic priorities. These KPIs are not specific targets; they are metrics that are reported on each year to show progression of the business and reflect the nature of the asset class.

Strategic drivers:

- UK/Europe has a globally significant scientific research base
- The Syncona team has deep scientific, investment, operational and commercial expertise
- Balance sheet provides the flexibility to take a long-term approach to building and funding companies
- Setting companies up with the capability to take products to approval can deliver the best risk-adjusted returns
- New technologies and approaches have enabled biotechnology companies to take products to market on a stand-alone basis

Read more:
Our strategy
Page 14

Key risks:

Business model risks
1 Scientific theses fail
2 Clinical development doesn't deliver a commercially viable product
3 Portfolio concentration to platform technology
4 Concentration risk and binary outcomes

Financing risks
5 Not having capital to invest
6 Private/public markets don't value or fund portfolio companies
7 Capital pool losses or illiquidity

Operational execution risks
8 Reliance on small Syncona team
9 Systems and controls failures

Portfolio company operational risks
10 Unable to build high quality teams in portfolio companies
11 Unable to execute business plans

Read more:
Risk management
Page 44

1 Targeting a portfolio of 15-20 companies, founding 2-3 new companies a year, with a goal of delivering 3-5 products to the point of approval over a rolling 10-year basis

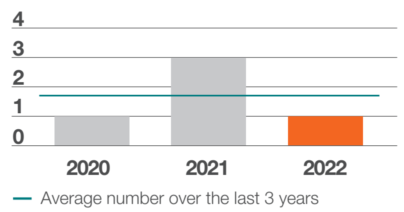
Rationale
A measurement of our progress towards our rolling 10-year goals, with a focus on total number of portfolio companies and the average number of companies added to the portfolio over the previous three years. Critical to our strategy is the creation of a diversified portfolio across the development cycle over time.

Progress in the year
- Total of 11 portfolio companies at year end
- Led the Series A for one new company, Clade Therapeutics
- 1.7 is the average number of portfolio companies founded or invested in over the last three years
- 19 high interest investment opportunities subject to diligence during the year

Links to strategic drivers

Key risks/factors
1 2 3 4 5 6 7 8 9 10 11

Key metrics
Number of new portfolio companies



2 Access to capital, seeking to maintain a capital pool of a minimum of 2-3 years of expected capital deployment

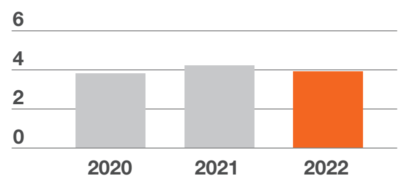
Rationale
A strong balance sheet and deep pool of capital underpin our strategy, enabling us to take a long-term view and support our portfolio companies as they scale, remaining a significant shareholder through to product approval.

Progress in the year
- £123.2m deployed in the year
- £784.9m capital pool at 31 March 2022
- Capital pool was significantly strengthened during the year with the sale of Gyroscope to Novartis, which completed in February 2022, generating cash proceeds of £325.8m for Syncona
- 3.9 years of available capital to fund new and existing portfolio companies

Links to strategic drivers

Key risks/factors
5 6 7 9

Key metrics
Years of available capital



3 NAV growth

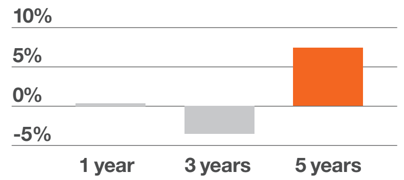
Rationale
We seek to deliver strong risk-adjusted returns for shareholders over the long term, recognising that our NAV can be volatile year on year. We have a long-term target of 15% IRR on NAV and a key metric of five-year compound annual NAV growth at year end.

Progress in the year
- 0.3% growth in NAV per share in the year
- 0.8% growth in the life science portfolio
- Sale of Gyroscope to Novartis at £225.5m uplift to NAV from 31 March 2021 valuation
- Quell and Anaveon Series B financings delivered 41% and 88% uplifts to previous holding valuations
- Positive valuation progression from Gyroscope, Anaveon and Quell, offset by decline in share prices of Autolus, Freeline and Achilles

Links to strategic drivers

Key risks/factors
1 2 3 4 5 6 7 8 9 10 11

Key metrics
NAV per share growth (p.a.)



4 Progress in de-risking pre-clinical and early stage clinical companies

Rationale
A measurement of progress of our portfolio companies through the pre-clinical and clinical pathway, with the key measurements of number of clinical candidate nominations and clinical programmes across the portfolio.

Progress in the year
- Anaveon entered the clinic in the year
- 2 new clinical trials commenced during the year
- Pre-clinical companies, SwanBio, Quell and Neogene, at clinical candidate stage

Links to strategic drivers

Key risks/factors
1 2 8 10 11

Key metrics
- **3** Pre-clinical companies at clinical candidate stage
- **1** Company entered the clinic in the year
- **11** Clinical trials

5 Portfolio progress to patient impact

Rationale
A measurement of our progress in delivering transformational treatments to patients, with a focus on total number of programmes in pivotal trial, and then approval for any product. We measure pivotal studies and approved products on a cumulative basis to reflect our 10-year rolling targets and the timeframe it takes to develop products.

Progress in the year
- Autolus' AUTO1 (obe-cel) progressing its pivotal trial with meaningful data expected H2 CY2022

Links to strategic drivers

Key risks/factors
1 2 8 10 11

Key metrics
- **3** Programmes taken to pivotal trial: Axumin (Blue Earth), Choroideremia (Nightstar) and AUTO1 (obe-cel) (Autolus)
- **1** Approved product Axumin (Blue Earth)

6 People in the Syncona team

Rationale
The Syncona team is differentiated by its people and the quality and depth of the team's expertise is critical to the success of the Company. We measure the depth of the team at year end to show its development over time.

Progress in the year
- Chief Medical Officer appointed
- New Chief Financial Officer appointed
- Chief Human Resources Officer appointed

Links to strategic drivers

Key risks/factors
1 2 3 4 8

Key metrics
- **13** Members of the life science investment team*
- **220+** Years of life science and investing experience
- **85%** Investment team with PhDs and M.D.s
- **17** Average years of life science and investment experience on investment team

*Increased to 14 members post period end

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 our stakeholders.

- Expert team
- Strong track record
- Capital pool
- Extensive network
- Exceptional science
- Effective risk management
- Disciplined capital allocation

Found

We found our companies around exceptional science with the ability to deliver dramatic efficacy for patients and to take products to market on a stand-alone basis.

Build

We take a hands-on, partnership approach, bringing the commercial vision, setting strategy, writing the business plans and hiring exceptional teams to lead our companies.

Transformational treatments for patients in areas of high unmet medical need

Fund

Our strategic capital pool gives us the flexibility to fund our companies over the long term through to product approval, maximising their ambition.

Rolling 10-year targets

15-20
Portfolio of leading life science companies

3-5
Companies to the point of product approval

2-3
New companies founded per year

Driving the out-return in life science

We take a long-term approach to investing and we believe that returns in life science are weighted towards late in the development cycle and at product approval.

Taking products late into development and to approval

We set our companies up with the capability of taking products to market and our balance sheet gives us the flexibility to maintain a significant ownership position to the point of product approval.

Divestments

Our strategic capital pool ensures we have control and flexibility over the management of our companies – we seek to not be a forced seller and can thereby maximise returns. However, we will sell companies when it makes sense, driven by the balance of risk and reward.

Who benefits

Shareholders
0.3%
NAV growth

Portfolio companies
1
New portfolio company formed
1,200+
Total no. of portfolio company employees

Patients
11
Clinical trials

Charities
£4.2m
Amount donated

Purpose and values
We are driven by our purpose to extend and enhance human life.

Our responsible investment process
We are committed to integrating sustainability issues into our investment and management processes.

Effective risk management
Understanding risk and managing it throughout the investment process is core to optimising our returns.

Effective governance
We seek to uphold a high standard of corporate governance, operating in an effective and efficient manner.

Our deep scientific expertise, understanding of the competitive market, and rigorous due diligence process allow us to identify areas of science which can be built into independent companies, addressing areas of real unmet need. The output of this is evidenced by our three exits to date, including Gyroscope, which was sold to Novartis in February 2022.

GYROSCOPE
A Novartis Company

Building a global leader in retinal gene therapy

The science

Syncona was introduced to Professor Sir Peter Lachmann at the University of Cambridge in September 2015. Sir Peter, who sadly passed away in December 2020, was one of the world's leading researchers in a part of the immune system called the complement system. The complement system is a series of proteins that circulate in the blood and have a 'first responder' role in the body's immune defence. The main focus of his work was a particular protein in the system called complement factor I (CFI), a natural regulator of this immune response. Sir Peter had for many years considered CFI as a therapeutic anti-inflammatory, but had not been able to test this thesis because of the technical difficulty of manufacturing this protein at scale.

Connecting the science with the commercial opportunity

One of the largest unaddressed healthcare markets is for a disease called dry age-related macular degeneration (dAMD), which is the world's leading cause of blindness. The disease is characterised by a growing area of dead retina which impairs vision and eventually progresses to blindness. In 2006, an antibody therapy called Lucentis was approved for a sub-set of the disease called wet-AMD, with overall sales reaching $4.3 billion by 2014[18]. The dAMD market had the potential to be larger, accounting for 85-90 per cent of AMD cases. Subsequent to Lucentis' approval, various genome-wide association studies (GWAS) showed that genetics play a major role in determining the risk of dAMD. These studies linked proteins in the complement system to dAMD, which suggested that the body's 'first responder' system in some incidences could erroneously identify the retina for destruction, killing these cells and leading to progressive debilitating blindness.

Further research into these genetic studies led Syncona to Newcastle University and Professor David Kavanagh, who had extensively studied the genetics of CFI in dAMD. His insight demonstrated that whilst mutations that caused patients to have low natural levels of CFI were rare, they were incredibly impactful to driving dAMD and, coupled with Sir Peter's biological insight, confirmed CFI to be the favoured protein target in the complement system to address the disease. However, the protein could not be made and if it could be made, it would require regular injections directly in the eye, which, whilst justified by the severity of the disease, would not be welcomed by patients.

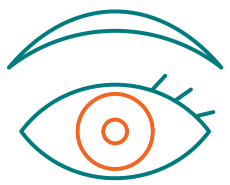
Syncona's deep expertise in gene therapy provided the solution. If CFI could be formatted as a gene therapy, the genetic code could be delivered into the body, so it could be made naturally, thereby removing the need for regular injections. This format also allowed for direct injection to the site of the disease, the retina, maximising its impact whilst also preventing the complement system from being weakened elsewhere in the body.

$1.5bn
Total value of transaction, including $700m of milestone payments

£325.8m
Upfront cash proceeds to Syncona

2.9x
Upfront cash proceeds as a gross multiple of cost*

Fourth
Largest UK biotech exit of all time



*Reflects capital invested by Syncona Partners where applicable

Building Gyroscope

Gyroscope was founded around this conceptual insight in 2016. In advance of Gyroscope's official launch in May 2016, Syncona initiated preparatory work in the lab of Robert MacLaren (Professor of Ophthalmology at the University of Oxford and founder of Nightstar). Syncona also quickly initiated work on manufacturing, with Syncona's CIO Chris Hollowood closely involved with the early operational development of the company as its Chair. The early momentum that was driven in advance and through the launch of Gyroscope enabled it to establish a first mover advantage with high barriers to entry for competitors, positioning the company well to capture greater value in the event of clinical validation.

Syncona recognised the importance of finding a safe injection mechanism for Gyroscope to scale delivery to a large population with a disease such as dAMD. Syncona saw an opportunity in the Orbit subretinal delivery system device developed by Janssen Biotech, which was originally designed to precisely and safely deliver a cell therapy to the subretinal space. Syncona acquired the device from Janssen in 2018 so that it could be repurposed for gene therapy by Gyroscope, and following it being sold to the company in 2019, this provided Gyroscope with a world class delivery system which could safely deliver its gene therapy to the subretinal space and provide further competitive advantage.

With the lead programme, GT005, now moving towards the clinic, attention turned to building Gyroscope's management team. This led Syncona to Khurem Farooq, who at the time was SVP of Opthalmology at Genentech, one of the world's leading biotech companies. Khurem joined as CEO in 2019 and quickly made an impact, further strengthening the executive team and scaling the business for clinical development. Key senior hires were also made by the company, including Nadia Waheed as CMO in early 2020, who we worked with to develop Gyroscope's clinical strategy and interpret the emerging clinical data.

Proof of concept

In Q1 CY2021 the first pharmacodynamic data from GT005 was reported, providing, in Syncona's view, strong evidence that it was successful in down-regulating the complement system. This conviction was further validated in September 2021, when one of Gyroscope's competitors in the space, Apellis, reported its results for two Phase III studies in pegcetacoplan, a small molecule complement C3 inhibitor being trialled in dAMD. Syncona believed that the results represented the strongest clinical evidence produced to date linking modulation of the complement system with arresting the progression of GA, which is an advanced form of dAMD. In Syncona's view, this significantly de-risked Gyroscope's lead programme. In addition, Syncona believed that GT005 had a key advantage over the Apellis programme, given its status as a one-time gene therapy and its employment of a natural regulatory protein to dial down the inflammatory response endogeneously.

Funding the company to deliver on its potential

Syncona led Gyroscope through its Series A and B financings, and in March 2021 invested alongside external investors raising $148 million in a Series C financing. In April 2021, Gyroscope launched an IPO, but against a highly volatile market backdrop decided not to proceed and in November 2021 attracted further external validation via an investment of up to $60 million from Sanofi. This investment underlined the ongoing interest in Gyroscope from pharmaceutical companies, including Novartis, who initiated discussions with Gyroscope concerning a possible acquisition of the company. The sale was announced in December 2021 and completed in February 2022.

The sale completed a six-year journey for Gyroscope, with the company developing from an idea in 2015, through to its sale in 2022, in a transaction which was at the time the fourth largest UK biotech exit of all time.

Timeline

Sept 2015
Syncona first introduced to Sir Peter Lachmann

Oct 2015
Syncona first introduced to Professor David Kavanagh

May 2016
Gyroscope founded with an initial £34 million Series A investment from Syncona

Feb 2019
Khurem Farooq joins as CEO of Gyroscope, from Genentech

Apr 2019
Orbit SDS acquired by Gyroscope following merger with Orbit Biomedical

Feb 2020
Nadia Waheed joins as CMO of Gyroscope, from Tufts University School of Medicine

Feb 2021
Gyroscope releases first pharmacodynamic data from GT005 programme, providing strong evidence of down regulation of complement system

Mar 2021
Gyroscope Series C financing raises $148 million

Sept 2021
Apellis pegcetacoplan data read-out reinforces link between modulation of complement system and slowing of progression of geographic atrophy

Nov 2021
Sanofi makes investment of up to $60 million in Gyroscope

Dec 2021
Sale of Gyroscope to Novartis for up to $1.5 billion is announced

Please refer to page 144 for references

Corporate Team

Syncona Investment Management Limited's Corporate Team is led by the CEO and CIO, and is made up of highly experienced professionals working across investment, finance, legal, investor relations and human resources. They act as the operational leadership team for Syncona, ensuring that the Company is operating effectively as it seeks to deliver on its strategy.

Martin Murphy

Co-founder, Chief Executive Officer and Chair, SIML
PhD

- Scientific, commercial, company creation and investment expertise
- 21 years in venture capital and management consultancy
- PhD in Biochemistry

Chris Hollowood

Chief Investment Officer, SIML
PhD

- Scientific, commercial, company creation and investment expertise
- 20 years in venture capital
- PhD in Organic Chemistry

Rolf Soderstrom

Chief Financial Officer

- PLC financial and corporate leadership experience
- Over 30 years' experience in finance, 14 years in life sciences as an executive and non-executive
- Chartered accountant

Rolf joined Syncona Investment Management Ltd in July 2021 as Chief Financial Officer (CFO). Rolf has over 30 years' experience in finance and has worked in the life science sector for the past 14 years. He has broad expertise across business building, M&A, corporate finance, and commercial operations, and was previously CFO of BTG plc where he helped drive the successful transformation into a fully integrated global specialist healthcare business. Prior to this he was CFO of Protherics plc, and worked in senior finance roles in Cobham plc and Cable and Wireless plc after qualifying as a chartered accountant with PwC. Rolf has a degree in history from University College London.

Fiona Langton-Smith

Chief Human Resources Officer

- HR specialist with expertise in organisation structure
- Over 20 years' experience in HR leadership across biotech
- Honours degree in Fine Art from the University of Newcastle

Fiona is Chief Human Resources Officer of Syncona Investment Management Ltd. Fiona has over 20 years' experience in human resources leadership across the biotechnology and process engineering industries with a focus on organisation design for mergers, acquisitions and key business inflection points. Previously Fiona was head of Organisation Consulting at Susurrate and prior to that she spent seven years with Biogen culminating as head of people, processes and analytics. She has an honours degree in Fine Art from the University of Newcastle upon Tyne.

Markus John

Chief Medical Officer and Head of R&D

- Experienced physician-scientist with background in clinical development
- Previously held leadership positions at Roche and Novartis
- M.D. from the University of Heidelberg

Markus joined Syncona Investment Management Ltd in July 2021 as Chief Medical Officer and Head of R&D. He has more than 20 years' experience as a clinician, principally spent within various leadership roles across large pharmaceutical companies, most recently as Global Medical Affairs Franchise Head of Immunology and Ophthalmology at Roche. He has an M.D. which he earned in the field of inflammatory and cancer gastrointestinal diagnostics, from the University of Heidelberg.

Annabel Clark

Head of Investor Relations and Communications

- Cross-sector experience across financial communications
- Expertise in communications and reputation management for the investment industry
- Honours degree in History from the University of Bristol

Annabel is Head of Investor Relations and Communications at Syncona Investment Management Ltd. Previously, she was a Consultant at Greenbrook Communications, advising clients on a wide range of projects and transactions. Prior to that, Annabel spent several years at a leading financial communications firm, where she worked with companies across a number of sectors. She has an Honours Degree in History from the University of Bristol.

Andrew Cossar

General Counsel

- Corporate and in-house legal expertise, including at the Wellcome Trust
- Broad transaction and company secretarial experience
- LLB from the University of Glasgow

Andrew is General Counsel of Syncona Investment Management Ltd. Previously, he was Chief Investment Counsel at the Wellcome Trust, responsible for legal issues arising from its then-£23 billion global multi-asset investment portfolio, and where he was involved in the initial formation of Syncona Partners LLP. Prior to that he worked as a corporate lawyer in London and Edinburgh. Andrew has an LLB from the University of Glasgow.

Managing and understanding risk is at the core of everything we do

Our strategy of founding, building and funding a portfolio of companies turning exceptional science into transformational treatments 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; this is capital-intensive and requires significant funding from us or third-party investors. 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. Everyone, including the Board, the Syncona team, and the management teams at our portfolio companies, plays a part in managing the risks.

Governance framework for risk

Our governance framework for risk is set out below. The Board oversees the process, ensures a robust assessment of principal risks and defines risk appetite.

The Syncona team is responsible for day-to-day operation and oversight of the risk framework and implementation of any actions. Within the team different groups, including the Investment Committee, Corporate Team, quarterly portfolio review meeting, Liquidity Management Committee and Sustainability Committee, will lead or input into different risks, and these are then collated into the risk register and reporting to the Board and Audit Committee. The Sustainability Committee has been established over the last year to oversee implementation of Syncona's sustainability policies.

The Audit Committee oversees and monitors the risk framework, including overseeing the framework for identifying risks (including potential future risks) and reviewing the ongoing operation and effectiveness of our control environment to manage the principal risks we face on an annual basis. This review process provides a focus to drive continuous improvement in our risk processes.

Identifying principal risks

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

During the year the Board again carried out an exercise to consider the current and potential risks of the business, and whether the way we categorise and report on risks was the most helpful to support high quality oversight by the Board. The Syncona team also considered different ways to consider risk, with a particular focus on technical, financial and operational risks, and taking account of experiences in the business and portfolio.

Separately, the Syncona team considered how best to address sustainability risks within the business. This took into account the outputs of the climate-related risk identification process (see TCFD box, right) and other analysis of our sustainability risks. While clearly sustainability issues are important to our business, the conclusion and recommendation was that none of them represented new principal risks for the business, and that where relevant they were already taken into account in our existing risks.

These inputs were then discussed with the Audit Committee in detail and formed the basis to update the principal risks faced by Syncona which were then approved by the Board. The updated principal risks are set out on pages 48 to 53. While few of the matters identified in the updated principal risks are completely new, the updated principal risks have given greater prominence to certain risks, including portfolio concentration to platform technologies, concentration risk and binary outcomes, and a broader lens on our portfolio companies accessing third party funding. The Board believes the updated principal risks give a clearer articulation of the key risks facing the business.

Our Board, Audit Committee and Syncona team discussions also generated insight into a range of potential emerging risks and have helped to focus attention on additional areas for horizon scanning. Areas to be kept under review include changes to the business environment from:

- the long-term impact of COVID-19;
- future path of interest rates and inflation, and the impact on cost of capital and market appetite for biotech stocks;
- sustainability and other stakeholder pressures;
- legal and regulatory changes;
- changes to the competitive environment for people and life science businesses;
- new competing platform technologies;
- the longer-term risks of changes to US pharmaceutical pricing;
- the potential long-term impact of Brexit on the UK bioscience research environment or wider business environment;
- the potential for tax changes in the UK that impact its attractiveness in recruiting from a global talent pool; and
- future "black swan" events such as climate change, pandemics, terrorism and cyber-threats.

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.

Our risk appetite is set out below with a brief description of the rationale in each case.

TCFD and risk management

This year we have published our first report in line with the recommendations of the Task Force on Climate-related Financial Disclosures (pages 72 to 75).

As set out in that report, our process for managing risk around climate-related issues is integrated in, and forms part of, our wider risk management framework as set out to the left. The report also gives further details of the risk identification process, supported by external consultants and considering a range of potential scenarios, through which we identified four potential risks for evaluation by the business.

Our governance framework for risk

Syncona Limited Board

- Oversees the process to ensure a robust assessment of principal risks
- Considers key strategic risks and potential future risks
- Defines risk appetite
- Receives quarterly risk reports

Syncona Limited Audit Committee

- Oversees and monitors the risk framework
- Reviews risk register to ensure it properly captures the principal risks identified by the Board
- Overseeing the framework for identifying risks (including potential future risks)
- Reviews the ongoing operation and effectiveness of our control environment to manage the principal risks faced
- Oversees the implementation of agreed actions by the Syncona team

Syncona team

Corporate Team

- Responsible for day-to-day operation of the risk management framework
- Reviews risk register each quarter
- Implements and updates risk controls

Investment Committee

- Approves investment transactions taking account of key risks identified
- Assesses plans to manage risks in the portfolio

Quarterly portfolio review meeting

- Reviews progress of each life science portfolio company each quarter
- Assesses progress in managing key risks to investment case

Liquidity Management Committee

- Approves investment of the capital pool in line with agreed risk parameters

Sustainability Committee

- Oversees implementation of Sustainability Policy
- Horizon-scanning for changes to sustainability risks

	RISK APPETITE	RATIONALE
Business model risks		
Scientific theses fail	Medium	These risks are core to our business model, but we seek to de-risk them as far as possible at an early stage when the value at risk is typically less.
Clinical development doesn't deliver a commercially viable product	High	These risks are core to our business model; while we manage these intensely, this stage of development is typically capital-intensive and requires significant funding.
Portfolio concentration to platform technology	Medium	Strong domain expertise is core to our business model. While systemic issues could potentially have a major impact, we believe our deep understanding significantly mitigates the risk that these arise.
Concentration risk and binary outcomes	Medium	We want to minimise this risk but recognise the challenges of a portfolio with significant value and risk in each investment.
Financing risks		
Not having capital to invest	Low	We want to minimise this risk, although balance that with the cost of holding capital to achieve this.
Private/public markets don't value or fund our companies when we need to access them	Medium	We are exposed to this risk when we choose to bring in third party capital, but manage it particularly through our wider access to capital.
Capital pool losses or illiquidity	Low	We manage the capital pool to limit the likelihood of loss (absolute or real value).
Operational execution risks		
Reliance on small Syncona team	Low	We want to minimise this risk but recognise the constraints of our small, focused team and model.
Systems and controls failures	Risk averse	Our aim is to eliminate risks of control failures as far as possible and to actively manage any residual risks.
Portfolio company operational risks		
Unable to build high quality teams in portfolio companies	Low	We want to minimise this risk but recognise the challenges of recruiting and integrating global quality staff with highly specialised skills.
Unable to execute business plans	Medium	We want to minimise this risk but recognise many external factors may impact execution of business plans.

CASE STUDY

Impact of changes in sentiment towards early stage biotech businesses

A key risk for Syncona is that private or public markets don't value or fund our companies, when we wish to access them. From mid-2021 we saw significant volatility across equity markets globally and particularly a move away from growth stocks, affecting both valuations and financings of biotech (especially early stage) businesses.

This volatility increased our companies' future funding risk and it was a matter of focus for the Board during 2021/22 to ensure Syncona and the portfolio companies were well-positioned for this more challenging market environment. The Board had a series of discussions about capital allocation and funding options during the year, taking input from the Syncona team and external advisors to ensure it understood the options available for both Syncona and its portfolio companies.

Our strong capital base is a key mitigant for this risk; the fact that the sale of Gyroscope would significantly strengthen the capital pool and enhance our ability to fund our companies through periods of volatility was a factor in the Board's decision-making on the sale. However, being able to fund does not mean that it will always be right to fund; the Board and Syncona team have a rigorous approach to risk management and maintain careful discipline in capital allocation.

While public markets continue to be volatile, the Board has also been pleased to see that many of our portfolio companies have continued to successfully raise capital from third party investors, with $585.8 million committed by global institutional investors and companies, and the Syncona team remains strongly engaged with portfolio companies to support them to identify sources of capital through volatile markets.

Managing risk and uncertainty around the disclosure of clinical trial data

Currently, our portfolio companies are progressing 11 clinical trials. These trials represent both a significant opportunity and risk for each company and for Syncona.

Unlike typical randomised controlled pharmaceutical clinical trials, currently all 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 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 2025. 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 horizon.

The Company's strategy is well documented (see pages 14 to 15) and includes longer-term targets of creating 2-3 new companies per year, developing a portfolio of 15-20 globally leading healthcare businesses and taking 3-5 companies to the point of product approval over a rolling 10-year basis.

The Company does not generate income on a regular basis and relies on its capital pool to fund its investments. The Company has stated its desire to hold between 2-3 years of capital. However the level of the capital pool will vary over time dependent on asset realisations, anticipated investments and access to other forms of capital. The Company has the ability to manage its capital consumption by varying the number of investments it makes, the level of capital commitment allocated to each investment, the level of syndication and the ability to realise assets. The portfolio is actively managed on this basis.

Key factors affecting the Company's prospects over the assessment period are reflected in the principal risks set out on pages 48 to 53. These include the 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.

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 or changes to the business environment. These potential risks are monitored by the Directors.

The assessment process and key assumptions

The assessment is carried out by the Syncona team 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 Company has used the following scenarios to assess the impact on viability, none of which assume asset realisations.

1. A base case which reflects current and future investments assuming preferred investment levels.
2. A downside case which adds additional discretionary investment to the base case.
3. A mitigated downside case which adds in incremental running costs, reduced capital pool access, increased funding commitments for a number of assets where syndication is not available. Offsetting mitigations include reducing the number of new investments and syndicating assets which are held in the preferred case.
4. A non mitigated downside case – where no mitigating actions are taken.

A non mitigated case is highly unlikely given the active management of the portfolio and the various levers available to the Company.

Our viability testing also considers the impact of material life science investment failures; these do not change the Company's access to cash and so do not directly negatively impact the outcome of the viability testing but could have other negative impacts on the Company. In addition we assess how additional capital can be generated should it be needed, whether through the sale of existing investments, receipt of milestone payments, raising equity financing in the public markets or other private options.

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 2022, Syncona had a net capital pool of £784.9 million, of which £764.7 million is accessible within 12 months, and expects that investment into the life science portfolio will be £150 million-£250 million in the current financial year. This year it was £123.2 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

The principal risks that the Board has identified are set out in the following table, along with the consequences and mitigation of each risk. Further information on how these risks have evolved over the last year is set out in the risk management section on pages 44-45. Further information on risk factors is set out in note 18 to the Consolidated Financial Statements.

Unchanged | Increased | Decreased | N New risk

Business model risks

DESCRIPTION	KEY CONTROLS	CHANGES IN THE YEAR
(Unchanged) **Scientific theses fail** **We invest in scientific ideas that we believe have the potential to be treatments for a range of diseases, but where there may be no or little substantial evidence of clinical effectiveness or ability to deliver the technology in a commercially viable way. Material capital may need to be invested to resolve these uncertainties.** **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 fundamental biological uncertainty). Consideration of syndicating investments. – Syncona team work 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 Syncona team, including formal review at our quarterly business review and ongoing monitoring through board roles.	Continued to seek to de-risk scientific theses in our early stage companies. Significant capital raised by portfolio companies to support de-risking scientific theses.
(Unchanged) **Clinical development doesn't deliver a commercially viable product** **Success for our companies depends on delivering a commercially viable target product profile through clinical development. This can be affected by trial data not showing required efficacy or adverse safety events. It can also be affected by progress of competitors, IP rights, the company's ability to gain regulatory approval for and credibly market the product, potential pricing and ability to manufacture cost-effectively.** **Impacts include:** – Material impact on valuation, given capital required to take products through clinical development. – Material harm to one or more individuals, and potential reputational issues for Syncona.	– Build products in areas with significant unmet need and that show substantial and differentiated efficacy and therefore will potentially have less competition and more pricing power. – Focus, oversight and support from the Syncona team on recruiting dedicated specialist clinical teams in each portfolio company to manage trials effectively, maximise likelihood of success, and with a clear understanding of the requirements of regulators. – Investment process considers strength of IP or regulatory exclusivity 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 later stage, and this is then operationalised. – Company business plans seek to have multiple products in different indications so that failure in one does not damage all value of company. – At portfolio level, building a portfolio with multiple companies at clinical/later stages, to enable us to absorb failures. Consideration of syndicating investments. – Clinical trials policy requires reporting of significant trial issues to Syncona team and to Board in serious cases.	12 clinical data read-outs during the financial year with our most clinically advanced company, Autolus, approaching a meaningful read-out from its pivotal trial in obe-cel in H2 CY2022. One company, Anaveon, moved into the clinic with its lead programme, ANV419. Competitive environment has intensified for some of our companies.

DESCRIPTION	KEY CONTROLS	CHANGES IN THE YEAR
N **Portfolio concentration to platform technology** **The Syncona team bring strong domain experience in cell and gene therapy, and a substantial part of the portfolio is in these areas. Systemic issues (whether scientific, clinical, regulatory or commercial) may emerge that affect these technologies.** **Impacts include:** – Material impact on valuation. – Impact on reputation of Syncona resulting from failure of technology we are strongly identified with.	– Team pays close attention to scientific, clinical, regulatory or commercial developments in the field. – Where there are genuine risks, identified and managed through diligence and investment process.	Continued to monitor developments in cell and gene therapy, particularly the outcomes of the FDA advisory committee on gene therapy in September and safety developments on certain programmes under development; market sentiment to cell and gene therapy has been less positive in the year.
N **Concentration risk and binary outcomes** **The Company's investment strategy is to invest in a concentrated portfolio of early stage life science businesses where it is necessary to accept very significant and often binary risks. It is expected that some things will succeed (and potentially result in substantial returns) but others will fail (potentially resulting in substantial loss of value). This is likely to result in a volatile return profile.** **Impacts include:** – Loss of shareholder support, potentially reducing ability to raise new equity when required. – Reputation risk from perceived failure of business model.	– Board provides strong oversight drawing on a range of relevant experience, including life science, FTSE and investment company expertise. Board has clear understanding of strategy and risk. – Transparent communication from Syncona team to Board about portfolio opportunities and risks including upside and downside valuation cases. – Clear communication to shareholders of the opportunities and risks of the strategy. Provide information to shareholders about portfolio companies to assist them in understanding portfolio value and risks. – Building diversified portfolio with multiple companies and products at clinical/later stages. Consideration of syndicating investments. – Willing to sell investments at/above fair value, prior to approval, which removes binary risks.	Sale of Gyroscope allowed us to capture significant returns and retain exposure to future successful development through milestone payments and royalties, while removing risk of a negative outcome. Significant reduction in value during year of listed portfolio companies, as market sentiment changed.

Unchanged Increased Decreased N New risk

Financing risks

DESCRIPTION	KEY CONTROLS	CHANGES IN THE YEAR
(Decreased) **Not having capital to invest** **Early stage life science businesses are very capital intensive, and delivering our strategy will require us to have access to substantial 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. –Inability for portfolio companies to deliver their business plans due to financing constraint.	– Syncona team monitoring capital allocation on an ongoing basis with a 3-year forward outlook, with transparent reporting to the Board. – Seek to maintain capital pool of 2-3 years' (or more) financing requirements, although noting this risks being a significant drag on overall returns. – Maximise potential to raise new equity through developing institutional shareholder base. – Ongoing consideration of alternative or additional capital raising structures (e.g. side funds; operating company vs investment company; use of debt). – Ongoing consideration of syndication strategy at portfolio company level, to maximise value and minimise dilution when external capital is brought in. Clarity of funding options: solo hold and partner approaches. – Ongoing consideration of exit opportunities for portfolio companies.	Sale of Gyroscope strengthened capital base to £784.9 million at 31 March 2022. Portfolio raised $712.2 million of capital across seven financings during the period; $585.8 million committed by global institutional investors and companies, with $126.4 million from Syncona.

DESCRIPTION	KEY CONTROLS	CHANGES IN THE YEAR
N **Private/public markets don't value or fund our companies when we wish to access them** **Our capital allocation strategy includes considering bringing third party capital into our portfolio companies, at the right stage of development. In addition we may consider exit opportunities either on the public markets or through private sales.** **Impacts include:** –Syncona is required to invest further capital, leading to greater exposure to individual companies than desired and less ability to support other companies. –Inability for portfolio companies to deliver their business plans due to financing constraint. –Exit opportunities may be less attractive, with impact on availability of capital. –Reputation risk from failed transactions.	– Maintain access to significant capital, to reduce risk of being forced to syndicate / forced seller. – Focus, oversight and support from the Syncona team on financing plan for each company, with support to the company to develop its financing story at an early stage.	Macroeconomic headwinds have impacted sentiment in the biotech sector, with particular impact on public markets for biotech companies. Sale of Gyroscope to Novartis for up to $1.5 billion, with $800 million in up-front cash proceeds to the selling shareholders and up to $700 million in further milestone payments. Portfolio raised $712.2 million of capital across seven financings during the period; $585.8 million committed by global institutional investors and companies, with $126.4 million from Syncona, to fund to key milestones.
(Increased) **Capital pool losses or illiquidity** **The capital pool is exposed to the risk of loss or illiquidity.** **Impacts include:** –Loss of capital (or reduction in the value of capital due to inflation). –Inability to finance life science investments. –Reputation risk from losses in non-core area.	– Protection against risk and liquidity are key characteristics; return a focus to avoid loss of real value, but secondary consideration. – Risk parameters monitored monthly by Syncona team, with enhanced review on a quarterly basis. – External adviser (Barnett Waddingham) engaged to carry out annual review of capital pool against chosen parameters.	Reviewed approach to capital pool asset allocation in light of inflationary environment, resulting in decision to introduce a number of fund investments to the capital pool and to hold more US dollars on an ongoing basis.

Unchanged Increased Decreased New risk

Operational execution risks

DESCRIPTION	KEY CONTROLS	CHANGES IN THE YEAR
Increased **Reliance on small Syncona team** **The execution of the Company's strategy is dependent on a small number of key individuals with specialised expertise. This is at risk if the team 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. –Loss of licence to operate if insufficient resource or processes mean we fail to meet stakeholder expectations.	– 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 investment team development to provide internal succession from next tier of leaders, with process supported by CHRO. – Process development within corporate functions to reduce single point risks. – Building high quality teams within portfolio companies that can operate at a high strategic level.	Changes to life science investment landscape in the UK and Europe, potentially creating greater competition in recruitment, as a result this risk was increased in the period. Seeking to broaden bench of talent and skills within the business. Appointed Rolf Soderstrom as Chief Financial Officer, Markus John, M.D. as Chief Medical Officer and Head of R&D, and Fiona Langton-Smith as Chief Human Resources Officer, and established a Corporate Team to oversee management of the business. During the year Dominic Schmidt and Ken Galbraith left the business, and we appointed Lisa Bright as Commercial Advisor and Ben Woolven as Business Strategy and Operations partner.
Unchanged **Systems and controls failures** **We rely on a series of systems and controls to ensure proper control of assets, record-keeping and reporting, and operation of Syncona's business.** Impacts include: –Risk of loss of assets. –Inability to properly oversee Syncona team. –Inaccurate reporting to shareholders. –Syncona team unable to carry out its functions properly. –Breach of legal or regulatory requirements. –Reputation risk, loss of confidence from shareholders and other stakeholders.	– Systems and control procedures are reviewed regularly by Syncona team, with input from specialist external advisers where appropriate. – Certain systems have been outsourced to the Administrator who provides independent assurance of its own systems. – Annual review of systems and controls carried out by the Audit Committee.	Implementing processes during the year to deliver on our Sustainability Policy. Ongoing reviews of our processes, working with external advisers where appropriate, to seek to meet current stakeholder requirements.

Portfolio company operational risks

DESCRIPTION	KEY CONTROLS	CHANGES IN THE YEAR
Increased **Unable to build high quality teams 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. In addition, these are fast-growing companies and establishing a high quality culture from the outset is key.** Impacts include: –Ultimately, failure to deliver key elements of operational plans resulting in material loss of value.	– Seek to build high quality teams in portfolio companies. This can begin before an investment is made. – Ensure executive team aim to build a high quality culture from the outset, and monitor and support its effectiveness. – Build strong portfolio company boards (including representatives from our team and experienced non-execs) to provide effective oversight and support. – Support from our team, including taking operational roles where necessary, and facilitating access to support from across the portfolio where appropriate, or external consultant resource from our networks.	Team and Board changes in a number of our companies, including Autolus, Freeline, Achilles, Quell, Purespring, Resolution and others. Anaveon entered the clinic, joining Autolus, Freeline and Achilles, and a further three companies are approaching the clinic. With an increasing number of companies in the clinic, both the capital invested and the operational challenges have increased. As a result, this risk was increased in the period.
N **Unable to execute business plans** **Portfolio company business plans may be impacted by a number of external factors, including access to patients, delivery by suppliers, and the wider business environment (including factors such as COVID-19).** Impacts include: –Ultimately, failure to deliver key elements of operational plans resulting in material loss of value.	– Seek to build high quality teams in portfolio companies. This can begin before an investment is made. Where possible these should include resilience to deal with unexpected external factors, though companies will also be focused on maximising value from capital invested. – Seek to maintain capital buffers to cope with unanticipated issues before cash out. – Oversight of key external factors/relationships that are important to delivering business plan. – Sharing of knowledge (where appropriate) across portfolio to support companies in managing external factors.	Operational issues at Freeline, partly driven by the impact of delays in its clinical trials due to the COVID-19 pandemic.

Delivering positive and sustainable impact

We are committed to managing our business in a sustainable way, investing responsibly and supporting our portfolio companies in making positive contributions to society by developing treatments that will make a difference to the lives of patients and their families.

We aim to have effective governance, a strong business culture, clear values and positive engagement with our wider stakeholders and society through our work in life sciences and our support for charity.

We are actively engaged with our portfolio companies as they seek to build sustainable businesses.

Our sustainability pillars

Our Sustainability Policy outlines our goals and commitment to being a sustainable and responsible business. This is built around four core pillars:

- Pillar 01 – **Our social impact**
- Pillar 02 – **Responsible investor and partner**
- Pillar 03 – **Inspiring and empowering our people**
- Pillar 04 – **Responsible and ethical business**

Message from the Chief Executive of Syncona Investment Management Limited

This is the second year since the launch of our Sustainability Policy, and it provides us with the opportunity to demonstrate the progress that we have made over the year in developing and implementing our sustainability framework across our business and our portfolio. We aim to be transparent about the progress we have made and to clearly identify areas where we can do more.

At the heart of everything we do at Syncona is our purpose to invest to extend and enhance human life. Our team, our portfolio and the industry we operate in are hugely motivated by making a difference to the lives of patients and this is the lens through which we seek to advance our sustainability agenda.

Over the course of this year, we have made significant progress on our four key sustainability pillars:

- Our social impact
- Being a responsible investor and partner for our portfolio companies
- Inspiring and empowering our people
- Operating as a responsible and ethical business

We continue to believe that we have a positive social impact through the progress our portfolio companies make in developing treatments for patients. For example, Autolus is advancing its lead product through a late-stage clinical trial and Anaveon entered the clinic with its product in this financial year. The Syncona Foundation also continues to share our vision of having a transformational impact on the lives of patients and others.

A core part of our approach to building a portfolio of global leaders in life science is to partner with leading academics and management teams. In engaging with them on our sustainability priorities we have sought to take a partnership approach, and have been delighted that in many cases these are areas that are important to them and that they are already focused on.

Last year we introduced a number of diversity and inclusion initiatives, conscious that we can play a role in improving diversity in our sector. It has been a real pleasure to see these roll-out so successfully and whilst we recognise we still have more work to do ourselves, we are delighted with our early progress.

We have made progress this year in developing our environmental agenda. This is the first year that we will report against the recommendations of TCFD, demonstrating our commitment to incorporating environmental issues within our overall risk reporting framework.

We have also worked closely with our portfolio companies to develop their own environmental reporting, having provided support as six of our privately held companies initiated reporting on their Scope 1 to 3 carbon emissions. Moving forward, we intend to develop our environmental agenda further in FY2022/3, with a focus on managing carbon emissions within our portfolio, and with this in mind have set an aspiration to be net zero by 2050 on a full portfolio basis.

I would like to take the opportunity to thank all of our stakeholders for their support as we seek to advance our sustainability agenda. We are privileged to have employees who work together every day to build a sustainable business, portfolio leaders who work collaboratively and with dedication to develop treatments that have the potential to reach patients, and shareholders who continue to support us and ensure that we seek to deliver our vision and strategy in a sustainable way. We look forward continuing to work with you all to deliver our purpose and strategy in the years to come.

Martin Murphy
Chief Executive Officer and Chair, Syncona Investment Management Limited

> "Our team, our portfolio and the industry we operate in are hugely motivated by making a difference to the lives of patients and this is the lens through which we seek to advance our sustainability agenda"

Our materiality matrix outlines the sustainability issues which are most material to Syncona

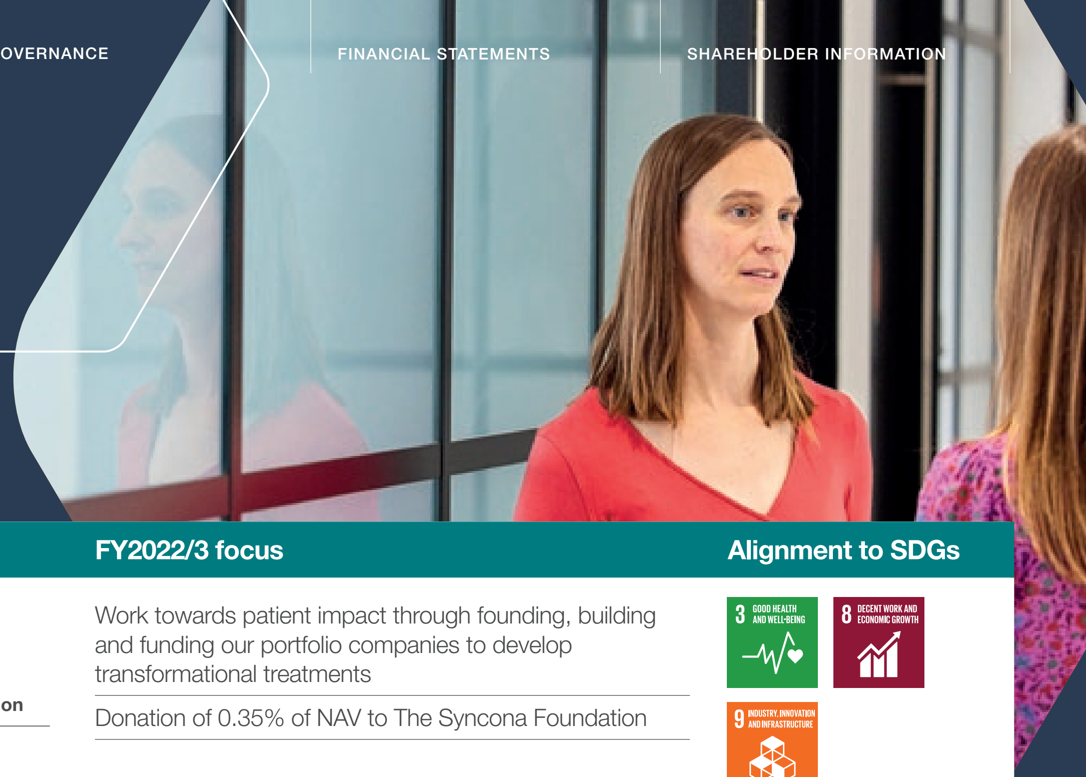
In 2020 Syncona undertook a comprehensive materiality review to understand the sustainability issues most material to the business.

Throughout this process views were sought from a range of stakeholders, including leadership teams at our portfolio companies and shareholders, whilst external opinion was sought from key charitable partners and sustainability experts alongside prominent biotech industry experts. Following this, Board approval was sought for our agreed sustainability priority areas. These were then integrated into the Syncona Sustainability Policy and Responsible Investment Policy, which were announced in 2021.

In 2022, the Syncona team has focused on implementing the Sustainability Policy and Responsible Investment Policy and integrating these into the ongoing operations at Syncona. This year for the first time we have reported in line with the recommendations of TCFD. As part of this process Syncona, with the help of an external agency, conducted a thorough climate scenario analysis to assess physical and transition risks that Syncona might be exposed to. The output of this work demonstrated that neither Syncona nor its portfolio companies are currently exposed to climate or transition risks at a material level. However, it has also been clear that climate risk and disclosure are increasingly important for Syncona's external stakeholders, including investors. We have therefore changed the position of climate risk and disclosure on our materiality matrix this year, to better reflect that importance.

Syncona materiality matrix

Progress in the year



We published our Sustainability Policy in 2021 and over the course of this financial year we have made strong progress against our sustainability goals.

Under our first pillar, our social impact, across the portfolio there has been continued progress towards the delivery of an approved product for patients. Autolus is approaching a meaningful data read-out from its pivotal trial in AUTO1 (obe-cel) and Anaveon has entered the clinic, taking our clinical stage portfolio to four companies, following the sale of Gyroscope in the financial year.

In our role as a responsible investor and partner, we have engaged with our portfolio companies to implement our Responsible Investment Policy. The output of these discussions has been positive, with companies in many cases already actively prioritising sustainability issues and showing a willingness to improve their sustainability reporting in line with Syncona's expectations.

Under our pillar of inspiring and empowering our people, we have continued to focus on attracting, developing and retaining the best talent. The team's first PhD student intern from the Windsor Fellowship programme has had a successful placement within the investment team for a six-month period, whilst progress has also been made with Syncona's other diversity and inclusion initiative partners, FastFutures and Generating Genius.

It is fundamental that our business operates in a responsible and ethical manner. We have reported for the first time in line with the recommendations of TCFD to illustrate our commitment to a strong sustainability reporting framework.

OUR SUSTAINABILITY PILLARS

Pillar	FY2021/2 sustainability priorities	Progress in the year	FY2022/3 focus	Alignment to SDGs
Pillar 01 **Our social impact** Read more: *Page 60*	Continue to support the vibrant life sciences ecosystem in the UK 0.35% of NAV donated to charity every year	**19** Clinical trial sites across the UK within Syncona portfolio **3** New charities supported by The Syncona Foundation **900+** People employed by Syncona and its portfolio companies in the UK **£4.2m** Donated to charity	Work towards patient impact through founding, building and funding our portfolio companies to develop transformational treatments Donation of 0.35% of NAV to The Syncona Foundation	3 Good health and well-being; 8 Decent work and economic growth; 9 Industry, innovation and infrastructure
Pillar 02 **Responsible investor and partner** Read more: *Page 62*	Roll-out Responsible Investment Policy Work with our portfolio companies to develop net zero strategies Become a signatory of the UN PRI	**5** Portfolio companies intending to sign up to European Biotech Social pact or US equivalent **11** Portfolio companies engaged in roll-out of Responsible Investment Policy **9** Portfolio companies reporting Scope 1 to 3 carbon emissions to Syncona **UN PRI** Became a signatory	Targeting improvements in sustainability reporting from portfolio companies against 2022 base levels Continue to ensure sustainability is an active part of our investment decision-making and portfolio company monitoring	3 Good health and well-being; 8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 13 Climate action
Pillar 03 **Inspiring and empowering our people** Read more: *Page 64*	Take concrete actions to progress diversity and inclusion agenda at Syncona Progress new Windsor Fellowship, Generating Genius and FastFutures partnerships	**First** Windsor Fellowship intern completes six-month placement **Majority** Female Syncona Limited Board **52%** Female representation on Syncona Investment Management Limited team	Further develop Syncona's diversity and inclusion strategy Continue to maximise engagement with Windsor Fellowship, Generating Genius and FastFutures partnerships, focusing on tackling the underrepresentation of black minorities within Science, Technology, Engineering and Maths (STEM) careers in the UK	3 Good health and well-being; 8 Decent work and economic growth
Pillar 04 **Responsible and ethical business** Read more: *Page 66*	Report in line with the recommendations of TCFD for the first time Begin development of a wider Scope 3 emissions strategy, incorporating portfolio company emissions	**First** TCFD disclosure **Net zero** Aspiration on a full portfolio basis by 2050 **1.7** Gross tCO_2e per full time employee*	Target publishing a full carbon emissions portfolio footprint in FY2022/3 Annual Report Intention to sign up to Net Zero Asset Managers (NZAM) initiative Publish first UN PRI questionnaire	9 Industry, innovation and infrastructure; 13 Climate action Read more online: *www.synconaltd.com*

* Using market-based method across Scope 1, 2 and limited Scope 3 emissions

Our social impact

Delivering transformational treatments to patients in areas of high unmet need

We look for technology which can deliver dramatic efficacy and can credibly be taken to the point of regulatory approval, and we build companies around this exceptional science.

We aim to develop transformational treatments and have already seen the impact we can make to patients' lives. We took Blue Earth Diagnostics' lead product, Axumin®, a diagnostic imaging agent for prostate cancer, through clinical trials to market, before selling the business to Bracco Imaging. This product has now benefitted over 165,000 patients since its launch in 2016.

In our portfolio of 11 companies, we now have four at clinical stage. Our most clinically advanced company, Autolus, is expected to report clinical data from its pivotal trial of AUTO1 (obe-cel) in relapsed/refractory adult acute lymphoblastic leukaemia (ALL) in the second half of this calendar year. Obe-cel has the potential to be a transformational therapy in adult ALL patients, and further detail on this can be found in the following case study.

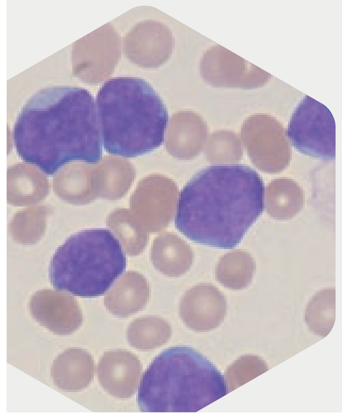
> "We aim to develop transformational treatments and have already seen the impact we can make to patients' lives"

Portfolio case study

Autolus Therapeutics: addressing a severe form of leukaemia

Acute lymphoblastic leukaemia (ALL) is a severe form of blood cancer affecting white blood cells called lymphocytes. ALL usually develops rapidly, over days or weeks, and can affect children and adults. Without any treatment, this aggressive type of leukaemia is fatal.

The standard treatment for ALL can include chemotherapy, radiation therapy, and targeted therapies such as monoclonal antibodies. Unfortunately, the prognosis based on current treatments for adults with ALL is still extremely poor. The median overall survival is less than one year in the relapsed/refractory adult ALL setting.



Autolus is focused on developing obe-cel, an innovative and potentially transformational treatment for adult ALL. Obe-cel is a CAR-T cell therapy. It involves collecting a patient's own white blood cells, called T cells, and programming them to destroy cancer. This means every treatment is customised for each individual patient.

There are other CAR-T products approved for use in cancer, including ALL, but there are some challenges that need addressing, particularly around the longevity of the treatment and debilitating side effects for patients.

Obe-cel has been designed to have a long-lasting, potentially curative effect, alongside a more favourable safety profile. Based on the positive clinical data to date, it has the potential to address a significant unmet medical need by making a real difference to the lives of patients suffering with ALL.

Autolus

The Syncona Foundation

The Syncona Foundation was set up a decade ago with charitable objectives focusing on the prevention, treatment, cure and ultimately eradication of cancer and other diseases, as well as other charitable activities.

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).

Since 2012, Syncona has donated £40.6 million to charity.

This is the final year in which the two charities will be funded separately, with donations to the ICR from 2023 onwards to be made through the Foundation. Focusing all our donations via the Foundation will enable a more holistic view of the charities that can benefit from our support and will maximise the impact of our funding.

A case study outlining the support provided to the ICR over the last decade by Syncona and The Syncona Foundation can be found on page 19 of Syncona's Sustainability Report 2022.

New cases of adult ALL diagnosed every year in the US and EU

8,400 patients*

Estimated addressable adult ALL patients in relapsed refractory setting

3,000 patients*

* SEER and EUCAN estimates (respectively) for US and EU

Building globally competitive businesses leveraging UK/ European scientific research

Syncona is fortunate to benefit from the outstanding life science research found within the UK and Europe, where we have strong links to academics at many of the world's leading universities. These relationships are often where we take the initial step in developing an investment opportunity, working with academic founders to understand the potential of their research and building this into a viable business.

Once founded, our companies continue to benefit from the strength of the life science infrastructure in the UK and Europe, as they seek to build out their manufacturing capabilities and carry out clinical trials with the goal of eventually delivering marketed products to patients.

Syncona and our portfolio companies are able to contribute directly to the life science ecosystem of the countries in which they are based. These companies conduct clinical trials, employ and train staff, invest in infrastructure, and drive innovation, benefitting their local economies and populations over the long term.

Portfolio case study

Quell Therapeutics: a UK biotech innovating the field of T-regulatory cell therapies

Founded by Syncona in 2019, Quell is investigating the use of T-regulatory (Treg) cells to control unwanted immune activity.

If successful, Quell's programmes will enable the treatment of patients with autoimmune and inflammatory disease, as well as potentially prevent organ rejection without the need to take immunosuppressive medication. Its group of scientific co-founders include academics from University College London and King's College London, as well as Hannover Medical School.

Since its foundation, Quell has continued to grow its footprint in the UK. It moved into its headquarters in west London in March 2020, and in September 2021 announced that it would be significantly expanding its manufacturing capabilities and capacity at the Cell and Gene Therapy (CGT) Catapult in Stevenage, with three Syncona portfolio companies now leasing space at this facility. This added a second Good Manufacturing Practice (GMP) facility to Quell's operational footprint, providing the company with the capacity to develop and scale production of its therapies for clinical trials. The company's lead therapy, investigating the use of Tregs in preventing organ rejection in liver transplant patients, is on course to enter the clinic in 2022 and is enrolling patients at four sites across the UK.

Quell employs 110 employees in the UK in a variety of scientific and operational roles. Its presence in the UK provides the country with a global leader in Tregs, with Quell set to become one of the first companies to enter the clinic with this technology. Quell has also been able to benefit from the UK's position as a life science leader, through both its links to the CGT Catapult and from the investment from British Patient Capital's Future Fund: Breakthrough into Quell's Series B financing. As it continues to grow and potentially broaden its clinical pipeline, Quell will continue to benefit from, and contribute towards, UK life sciences, underlining the economic benefits of a thriving early stage biotech industry.

Number of Quell UK employees

110

QuellTX

Responsible investor and partner

Syncona developed and published its Responsible Investment Policy in 2021 and since then the Syncona team has continued to make good progress in embedding this into our investment process and the management of our portfolio companies.

We continue to believe that engaging our portfolio companies on sustainability issues ensures that Syncona is fulfilling its obligations as a responsible investor, whilst also contributing to business performance, given that sustainability factors can be a significant driver of risk and value within our investments. We look to embed sustainability throughout our investment process and through the stewardship of our companies. This allows the objectives within Syncona's Sustainability Policy to be effectively implemented, positively impacting portfolio companies, the patients they seek to ultimately treat and the communities within which they operate.

Embedding our Responsible Investment Policy

Throughout the year, Syncona's investment team, supported by the Sustainability Committee, has worked closely with our portfolio companies to implement our Responsible Investment Policy. We work hand in hand with our portfolio companies, and this includes having a partnership approach to sustainability. We believe it is important that our companies develop their own sustainability priorities most suited to their specific visions and corporate activities. The output of our ongoing discussions with our portfolio has been very positive, with companies in many cases already actively prioritising sustainability issues across their own operations and showing a willingness to improve their reporting in line with Syncona's expectations. Moving forward, the investment team will continue to engage with the portfolio to understand how companies are continuing to pursue their sustainability priorities and will track progress on an ongoing basis.

The investment team now reports on portfolio company progress across the six pillars of Syncona's Responsible Investment Policy on a bi-annual basis at Syncona's quarterly business reviews. These reviews are attended by the Syncona team, as well as members of the Syncona Limited Board. We believe that ensuring our portfolio companies are operating as good corporate citizens helps to support their own longer-term interests as businesses, whilst also helping to unlock value creation across the Syncona portfolio.

The Sustainability Committee has also worked with the investment team during the year to ensure that sustainability factors are considered at the point of investment, with these now noted in the initial screen of investments, investment memorandums seeking investment approval, and term sheets. In line with the Responsible Investment Policy, sustainability factors are also considered if we choose to exit a business, and were noted at the time of the decision to sell Gyroscope to Novartis in December 2021. Further information on this process can be seen in the box on the right.

Ongoing commitment to responsible investment

Members of the investment team, supported by the Sustainability Committee, work closely with portfolio companies to make them aware of the six core pillars set out in Syncona's Responsible Investment Policy. Whilst the policy has been communicated to all 11 Syncona portfolio companies, we have taken into account the developmental stage of each company, current circumstances within that particular business, and the timing of the roll-out within Syncona's financial year when setting an expectation for immediate action in implementing elements of the policy. We have asked our portfolio companies to track their progress by reporting against a collection of sustainability KPIs. Six portfolio companies have responded this year, and we expect to take a step forward in this regard in the 2022/3 financial year.

Chris Hollowood
Chief Investment Officer,
Syncona Investment Management Ltd

Gyroscope: Sustainability factors at the point of exit

Sustainability considerations were included in the decision-making process during the sale of Gyroscope to Novartis, which was completed in the financial year. For example, given the strong gene therapy and ophthalmology franchise at Novartis, the transaction will potentially improve the speed of approval for Gyroscope's lead programme in geographic atrophy, an advanced form of dry age-related macular degeneration, making it available to patients more quickly. This followed the provision set out within the Syncona Responsible Investment Policy for sustainability factors to be considered at the point of exit, with Syncona also identifying no overarching ethical issues with the Novartis proposal when it was made.

> "Our entire approach to building companies centres on partnering with founders and academic institutions, and rolling up our sleeves to work alongside them day-to-day. When it comes to rolling out our sustainability policies, we think about them in exactly the same way"
>
> **Gonzalo Garcia**
> Syncona Partner

Key to pie charts

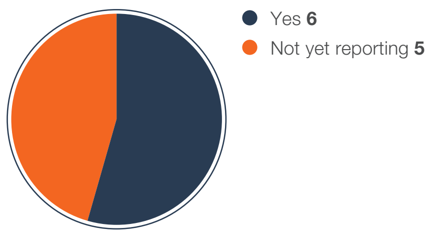
- **Yes** – when a portfolio company is already reporting in line with the requirement e.g. via a policy already being in place.
- **Intend to in next 12 months** – when the requirement is not being reported against currently, but the company intends to do so in the next 12 months.
- **Not yet reporting** – when the portfolio company has not provided a response to Syncona on this reporting requirement in this financial year.

Sustainability within the Syncona portfolio

1. Compliance and governance

Syncona believes that robust and effective compliance and governance is important for any successful business, and that we and our portfolio companies should clearly set out conduct expectations for our employees and others that we work with.

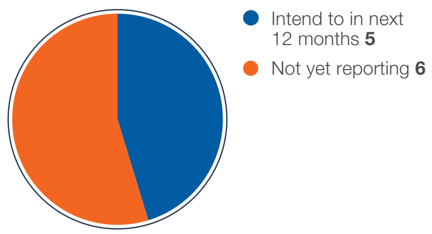
Does the company have an Anti-fraud, Bribery and Corruption Policy?



2. Access to medicines

Syncona is committed to achieving broad patient access to medicines. We support our companies in considering and designing strategies to address larger patient groups as the company progresses through the drug development cycle and the therapy has been de-risked.

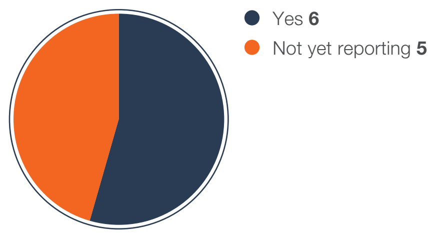
Have you signed up to the European Biotech Social pact or US equivalent?



3. Animal welfare

Syncona is committed to high standards of ethical care across all aspects of our business, including research activity. We acknowledge that, at this time, research involving animals remains an essential tool in developing new technologies, whilst also expecting our portfolio companies to have high standards in this area.

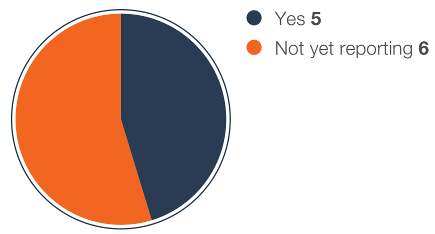
Has your company committed to the 3Rs principles?



4. Good R&D practice

We expect the drug development process at our portfolio companies to be managed prudently and in line with accepted standards, to minimise risks as far as practical, recognising the huge opportunity that new treatments can bring, particularly in indications with high unmet need.

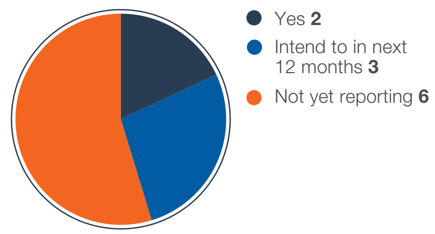
Do you have established Standard Operating Procedures where necessary, and are all relevant employees appropriately trained in these procedures and related policies?



5. Diversity & inclusion

Syncona is committed to being an advocate for diversity and inclusion in the scientific and investment communities. We expect our companies to build strong cultures grounded in diversity and inclusivity.

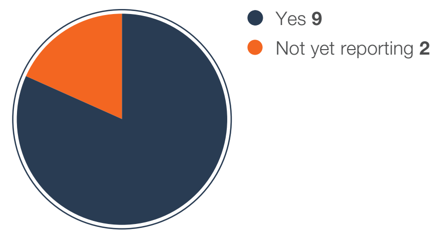
Does your company have a diversity and inclusion policy?



6. Environment

Syncona is committed to operating its business in an environmentally responsible and sustainable manner. It seeks to engage proactively with its portfolio companies as they develop their own environmental strategies.

Do you report Scope 1 to 3 emissions to Syncona?



Inspiring and empowering our people

I have thoroughly enjoyed my first year at Syncona and have been impressed by the culture of the organisation. The team are open and honest in their discussions, and there are strong relationships that exist between team members at every level of Syncona.

I have spent much of the last year working with Syncona's leadership team to identify and implement the optimum organisational structure for the next stage of Syncona's growth trajectory. The team has been incredibly open to the process, recognising the clear benefits that evolving our way of thinking at an operational level can have for business performance. As part of this work, we have implemented a Corporate Team to act as the operational leadership team for Syncona. This forum allows senior leaders to align on key issues at a corporate level, to ensure ongoing objectives are being delivered against.

We have also taken an active approach to developing our diversity and inclusion (D&I) agenda during the year. We have progressed our D&I initiatives with the Windsor Fellowship, Generating Genius and FastFutures, whilst also initiating a project to refresh and update our family-friendly policies, specifically maternity and paternity leave. The new Corporate Team includes two female leaders, including myself, and I remain committed to ensuring that Syncona has the appropriate structures in place to attract and retain female talent at all levels of the business.

Moving forward, I am very focused on the benefits that Syncona portfolio companies can draw from relationships with operational experts at Syncona. We currently have a number of team members working in operational roles at portfolio companies, and believe this is a model which can help our portfolio companies as they move through their development cycles.

We have made good progress in the year, ensuring our people strategy aligns with the strategic priorities of Syncona and its portfolio. I am excited by the prospect of continuing to develop and empower our people and ensuring Syncona is an inclusive and inspiring place to work.

Fiona Langton-Smith
Chief Human Resources Officer, Syncona Investment Management Limited

EMPLOYEE WELFARE AND WELLBEING

Career development

Our structure lends itself to small teams, with junior staff benefitting from on-the-job training alongside significant exposure to the senior team and senior industry leaders.

Formal benefits

Syncona team members benefit from a range of formal benefits, including life assurance, income protection, pension contributions, private medical insurance and family-friendly benefits.

Flexible working

We strive to have flexible working policies that meet the needs of our people and support our business. Syncona follows a hybrid working model, with team members asked to be in the office two or three days a week, depending on their department and business projects.

Mental health and employee assistance

We place increasing importance on mental wellbeing and have been acutely aware of the strains on our people during the COVID-19 pandemic, which has continued to have an impact on the team through the financial year. Along with support structures which are in place at Syncona, team members have access to professional support, as needed, from our private medical insurance providers.

Team engagement

Syncona team members are engaged on a range of business initiatives. This has been particularly true this year, where sub-groups across the investment and broader team have worked together on a number of important strategic initiatives. Whilst we have looked to introduce new elements of structure to the organisation during the year to formalise some processes, this has been done so in a way which does not unduly impact our openness as an organisation, which is important for our employees and key to our ongoing success. Board members, including the Chair, also regularly interact with members of the Syncona team.

Developing our diversity agenda

Syncona has continued to develop its three D&I initiatives during the year.

Syncona's D&I initiatives

Generating Genius

During the financial year the first five students supported by the David Twumasi Syncona Foundation Scholarship began their studies at university. The scholarship covers tuition fees as well as most living expenses for the recipients, all of whom are studying a STEM subject. The programme is specifically targeted at low-income students, and The Syncona Foundation will provide over £300,000 in funding to Generating Genius over the length of the programme.

Fast Futures

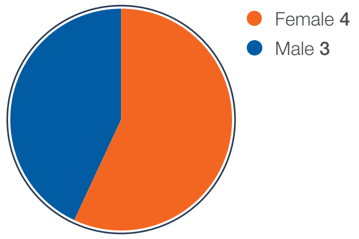
This financial year marked the first year of Syncona's partnership with FastFutures. Aimed at 18-22 year-olds, the 12-week intensive FastFutures programme aims to provide young people with the practical skills, network and confidence to take the first step in their careers. Syncona provided a donation of £25,000 to FastFutures in FY2021/2, and 13 Syncona employees also provided mentorship to 30 participants in the programme.

WINDSOR FELLOWSHIP – Enriching education, employment and citizenship

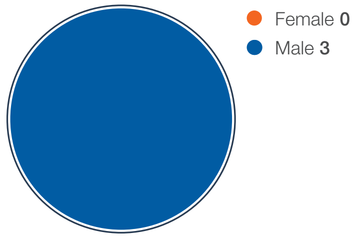
The Windsor Fellowship aims to design and deliver personal development and leadership programmes, with the goal of supporting minority communities as they pursue academic journeys within STEM. During the year Syncona welcomed its first Windsor Fellowship intern, with scholars joining Syncona for a six-month placement after their third year as a PhD candidate. Syncona also started funding its first Windsor Fellowship PhD student, who began their studies in October 2021.

Gender diversity at Syncona

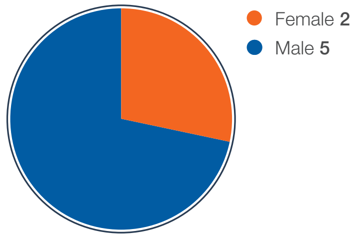
Diversity of Syncona Limited Board (31 March 2022)



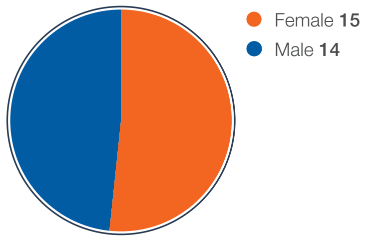
Diversity of Syncona Investment Management Limited Board (31 March 2022)



Diversity of Syncona Investment Management Limited Corporate Team (31 March 2022)



Diversity of Syncona Investment Management Limited team (31 March 2022)



Read more:
Sustainability Report 2022
www.synconaltd.com

Responsible and ethical business

Syncona policies and practices

Standards of conduct and behaviour

Syncona has in place a robust set of policies, internal controls and management processes covering all areas of our business. Many of these primarily apply to SIML, the Investment Manager which is regulated by the FCA. SIML is subject to the FCA's compliance requirements, including the Conduct Rules that apply to employees. Training is provided to all employees each year, and to new joiners. All employees must confirm in writing every six months that they have complied with the policies.

Key policies

Anti-fraud, Bribery and Corruption Policy
Syncona adopts a zero tolerance approach to fraud and corruption. All employees, contractors and those providing services for or on behalf of Syncona are required to act at all times with integrity and to safeguard the resources for which they are responsible. The business is committed to the promotion of an anti-fraud and corruption culture.

Political and charitable contributions
All political or charitable contributions by Syncona must be approved by the Syncona Board. As part of this, it is important to ensure there is no potential conflict of interest or other relationships that may be perceived as being affected by the contributions.

Gifts and inducements
The Gifts and Hospitality Policy provides that employees may not offer or accept gifts or hospitality which seek to influence, support or reward any business act or are provided in consideration of any potential further business.

Financial crime and anti-money laundering
SIML has anti-money laundering procedures in place. As SIML has a single, listed client in Syncona, the main focus of the controls is on carrying out appropriate due diligence on the investee company for new investments and any key individuals with significant control or influence.

Conflicts of interest
SIML maintains a Conflicts of Interest Policy to support employees in identifying any actual or potential conflicts and managing them to minimise the risk that a conflict could compromise or be perceived to compromise the judgement of the parties.

Inside information
An Inside Information Policy is maintained and each member of the Syncona team is responsible for notifying any relevant information that they become aware of. The policy is supplemented by policies relating to personal account dealing.

Sustainability
Syncona's Sustainability Policy establishes the foundation for integrating environmental, social and governance risks and opportunities into our business. Syncona also has in place a Climate Ambition Statement.

Modern slavery and ethical procurement
Syncona has zero tolerance for modern slavery and human trafficking. Syncona publishes an annual Modern Slavery Statement to further this goal and has policies in place to tackle modern slavery and human trafficking throughout its supply chain, recognising that the nature of our business and suppliers results in a relatively low risk of modern slavery issues arising. Syncona's approach to modern slavery and human trafficking risks in our supply chain sits within our wider approach to procurement, where ethical considerations such as carbon footprint and regulatory compliance also form a key part of due diligence and ongoing monitoring.

Syncona also aims to address any modern slavery and human trafficking risk in the Syncona portfolio companies through our responsible investment process. For further information on the Responsible Investment Policy, please see pages 62-63.

Health and safety
The team is principally office-based, based at a site in London, UK and a site in Basel, Switzerland, and engages in low-risk activities. As an employer, SIML is committed to maintaining and improving effective health and safety management throughout the business, in line with applicable legislation. During the year to 31 March 2022 there were no reportable accidents.

Data protection and information security
Syncona maintains a Data Protection Policy in line with legal requirements. The business is committed to protecting the confidentiality and integrity of personal data that we hold and this is a key responsibility that we take seriously at all times. The policy is supported by appropriate privacy notices that are made available to employees and other third parties whose information we hold. Syncona does not expect to hold significant amounts of personal data.

Syncona also maintains an Information Security Policy, which sets out our commitment to maintaining the security and confidentiality of any sensitive/confidential information, including any personal data, and only using that information for the appropriate purposes.

Approach to taxation
Syncona's approach to taxation is built on the following principles:

- As a collective investment scheme, Syncona seeks to prevent investors from suffering double taxation on their investment returns, that is once at the level of Syncona and then again in the hands of the investors. In other words, we aim for investors in Syncona to not pay more tax than they would have incurred if they had been able to invest directly in Syncona's underlying portfolio of investments.
- Fee income arising from commercial activity will be taxable in the jurisdiction in which the managing or advising entity is based. SIML is based in the UK and is liable to pay corporation tax in the UK.
- To act lawfully and with integrity, including complying with all statutory obligations and disclosure requirements, and maintain open and constructive relationships with tax authorities worldwide.
- Where tax laws require interpretation or where tax regulations or codes are ambiguous or untested, Syncona takes reasonable steps to determine their applicability, including seeking tax advice where necessary, and with due regard to fair outcomes for our relevant stakeholders.

Whistleblowing
Syncona maintains a Whistleblowing Policy, which is a key part of creating a working environment that meets the highest standards of openness and accountability. Employees are encouraged to raise any concerns about malpractice in the workplace at the earliest possible stage. Concerns should normally be raised with an employee's line manager. Where this is not appropriate the issue may be referred to the Compliance Officer or any of the senior members of the team. Alternatively, any concerns can be raised with the Chair of the Syncona Audit Committee. Our policies are clear that there should be no fear of reprisal or victimisation or harassment for whistleblowing. There were no incidents of whistleblowing in the year.

Minimising our environmental impact

This section includes our Streamlined Energy and Carbon Reporting (SECR). Although the Company is not subject to the laws of England and Wales, its reporting 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 2022.

Syncona's climate ambition statement

Syncona understands that climate change represents a systemic risk to our societies and economies.

We agree with the signatories to the 2015 Paris Agreement that our collective approach needs to limit climate change to within a 1.5 degree Celsius global temperature increase by the end of the 21st century. This means reaching a point where there are net zero emissions associated with human activity released into the atmosphere by 2050 at the latest, as advised by scientific advice.

Our footprint

Given the relatively small nature of our operations, with one primary office location and around 30 employees, our environmental impacts are relatively small. Our clearest direct impact (Scope 1 and 2) comes from the energy we use in our headquarters, of which the electricity is 100 per cent powered by renewable wind, solar and hydro asset sources.

Our office space also has a zero to landfill waste policy (Scope 3).

Methodology for SECR reporting

We have employed the services of a specialist adviser, Avieco, part of Accenture, to quantify the greenhouse gas (GHG) emissions associated with the Company's emissions for FY2021/2.

Syncona's FY2021/2 SECR location-based footprint is equivalent to 65.0 tCO_2e, with the largest portion being made up of emissions relating to business travel via air, taxi and rail at 45.3 tCO_2e. Syncona's market-based footprint, which takes into account the green energy used by its head office, amounts to 52.2 tCO_2e.

The methodology used to calculate the GHG emissions is in accordance with the requirements of the following standards:

- World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol (revised version)
- Defra's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019)

Avieco has calculated our emissions following an operational control approach to defining our organisational boundary and our calculated GHG emissions from business activities falling within the reporting period of April 2021 to March 2022. We do not classify portfolio company emissions as being within our organisational boundary.

Whilst Avieco have endeavoured to obtain accurate and complete data wherever possible, where there have been data gaps, they have used reasonable estimations such as annualisation of actual data, use of expenditure data as a proxy and typical office consumption benchmarks where data was not available for the preparation of this report. The emissions reported by Syncona are UK-based only.

Total energy use

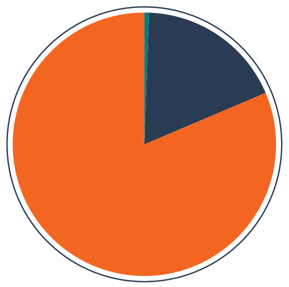
The total energy use for the Company for FY2021/2 was 59,717 kWh.

Intensity ratio

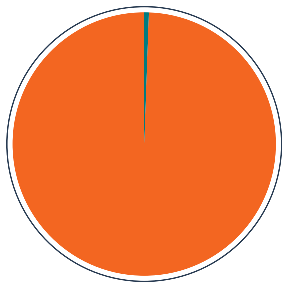
As well as reporting its absolute emissions, the Company also follows the SECR requirement of reporting its emissions through the publishing of intensity metrics. In doing so, it reports metrics of tonnes of CO_2 equivalent per employee and tonnes of CO_2 equivalent per square foot of occupied floor area. These are the most appropriate metrics given that the majority of emissions result from the operations of Syncona Investment Management Limited and the day-to-day activities of its employees.

Summary of Syncona Scope 1 to 3 emissions broken down by Scope*

2022 (Location-based emissions of Syncona)



2022 (Market-based** emissions of Syncona)



* Tonnes of CO_2 equivalent
** Market-based emissions account for the type of electricity that a company purchases. In the case of Syncona, market-based emissions are lower than location-based because it uses a green electricity provider at its headquarters.

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 Scope 1, 2 and 3 to give a ratio per employee covering all of Syncona's activities.

For FY2021/2 the intensity metrics were:

Location-based method:

- 2.1 tonnes of CO_2e per employee
- 0.010 tonnes of CO_2e per square foot of occupied space

Market-based method:

- 1.7 tonnes of CO_2e per employee
- 0.008 tonnes of CO_2e per square foot of occupied space

Energy efficiency initiatives

During the financial year, Syncona implemented new guidance for business travel by its team to be as carbon efficient as possible. This included incorporating the following guiding principles into Syncona's travel policy:

- all flight travel to be carefully considered, encouraging employees to substitute air travel with rail travel where possible;
- Syncona's business travel provider includes associated emissions data for each mode of transport and this should be a consideration for the travel booker;
- considering practical arrangements for meetings, for example arranging several meetings within one trip, holding meetings by video call or meeting at a more closely located office;
- clarity for employees that there are higher emissions associated with business-class and long-haul travel; and
- encouraging employees to use hotels and taxi firms with lower carbon emissions.

Syncona's travel policy was rolled out during the financial year, with employees responding positively to its aims and objectives.

This follows energy efficiency actions taken in the previous year, including an air quality and temperature survey at the Syncona head office, which resulted in changes being made to the local control systems.

Portfolio company emissions

During the financial year, Syncona initiated a project with its privately held portfolio companies in order to better understand their individual carbon footprints and increase awareness at the companies of environmental issues. With the assistance of an environmental consultancy, six portfolio companies across the US, UK and Europe initiated emissions reporting on a Scope 1 to 3 basis for the first time. Syncona's three listed portfolio companies, Freeline, Autolus and Achilles, are already required to report their Scope 1 to 3 emissions as quoted companies incorporated in the UK and listed on NASDAQ.

Syncona and net zero

Syncona conducted a review during the year which took into account changing best practice in the field of net zero target setting as well as the outputs from its project working with portfolio companies to assess their carbon emission footprints. Following this review, Syncona concluded that the greatest contribution it can make to minimising the carbon emissions found within its value chain can be made via its work engaging with its portfolio companies to limit their carbon emissions. Syncona is therefore setting an aspiration to become net zero throughout its value chain (including portfolio companies) by 2050, aligning the Company and its portfolio of investments with the 2015 Paris Goals, which aim for emissions related to human activity to be net zero by 2050 at the latest.

Syncona will continue to review developing guidance in the field as we work towards net zero, recognising that methodologies and best practice in working towards this aspiration are undergoing a process of change. Moving forward, Syncona intends to actively engage with its portfolio companies as they develop their own net zero strategies, with a number of portfolio companies already initiating reviews with the aim of developing pathways to achieve net zero by 2050.

Environmental plans for FY2022/3

In line with its approach to prioritise limiting emissions within its portfolio in order to achieve net zero throughout its value chain (including portfolio companies) by 2050, Syncona intends to take further steps in FY2022/3 to move towards net zero on a full portfolio basis. Syncona intends to become a signatory to the NZAM initiative and is also committed in its FY2022/3 reporting to publish its full portfolio carbon footprint, incorporating emissions at Syncona and within its portfolio. As part of becoming a signatory to NZAM, Syncona intends to initiate work with the goal of publishing interim carbon emissions targets for 2030 for a proportion of its assets under management.

Offsetting our carbon emissions

During the financial year, Syncona initiated a programme of purchasing carbon credits in order to offset the direct emissions resulting from the Company's operations. It has purchased emissions for the FY2019/20 and FY2020/1 reporting years, purchasing offsets from the Maísa REDD+ Project. These carbon credits are registered with Verra under their Verified Carbon Standard (VCS) and Climate, Community and Biodiversity (CCB) standards, validated by the Rainforest Alliance. Moving forward, we will continue to review best practice in using carbon credits to align with our net zero aspiration.

GHG emissions (tCO_2e)[1] and associated energy consumption (kWh) for FY2021/2

	Emissions source	2021 (tCO_2e)	2022 (tCO_2e)
Scope 1	Natural gas	2.2	0.4
Total Scope 1		**2.2**	**0.4**
Scope 2	Electricity (Location-based)	10.3	11.8
	Electricity (Market-based)[2]	0.0	0.0
Total Scope 2		**10.3**	**11.8**
Scope 3	Fuel and energy related activity (T&D, WTT)[3] (LB)	3.1	4.4
	Fuel and energy related activity (T&D, WTT) (MB)	2.2	3.3
	Employee cars	0.7	0.6
	Employee commuting	0.6	2.4
	Business travel via air, taxi, and rail	0.2	45.3
	Paper	0.0	0.1
	Waste	0.3	0.1
	Water	0.2	0.04
Total Scope 3 (Location-based)		**5.1**	**52.8**
Total Scope 3 (Market-based)		**4.2**	**51.8**
Total Scope 1, 2, and 3 emissions (Location-based)		**17.5**	**65.0**
Total Scope 1, 2, and 3 emissions (Market-based)		**6.3**	**52.2**
Total Energy Usage (kWh)[4]		**61,896**	**59,717**
Intensity	tCO_2e per square foot (Location-based)[5]	0.002	0.010
	tCO_2e per square foot (Market-based)[5]	0.0003	0.008
	tCO_2e per FTE (Location-based)	0.6	2.1
	tCO_2e per FTE (Market-based)	0.2	1.7

Notes:
1 – Tonnes of CO_2 equivalent

2 – Market-based emissions account for the type of electricity that a company purchases. In the case of Syncona, market-based emissions are lower than location-based because it uses a green electricity provider at its headquarters

3 – T&D = Transmission and Distribution. WTT = Well to Tank

4 – Includes electricity, natural gas and employee cars

5 – Calculated using only Scope 1 and 2 data as these emissions are associated with office space

Climate-related financial disclosures report

Our approach to climate-related financial disclosures

We understand that climate change represents a systemic risk to our societies and economies. We agree with the signatories to the 2015 Paris Agreement that our collective approach needs to limit climate change to within a 1.5 degree Celsius global temperature increase by the end of the 21st century. This means reaching a point where there are net zero emissions associated with human activity released into the atmosphere by 2050 at the latest, as advised by the latest scientific advice.

We found and build companies to deliver transformational treatments to patients in areas of high unmet need. As such, we indirectly bear the potential transition and physical risks to which the portfolio companies and other investments are exposed. In addition, we also benefit the most from any potential opportunities which are associated with the transition to a low-carbon economy that the portfolio companies are able to take advantage of.

We believe that our business, and the portfolio companies in which we invest, are not materially exposed to climate change and that neither the risks nor opportunities (individually or collectively) materially impact our strategy or viability, or financial results, either in the short or longer term. However, we remain convinced that it is important for everyone to contribute to addressing the challenges of climate change. We have therefore chosen to address the climate-related issues in our business within our wider sustainability framework.

Although the Company is not required to provide a TCFD disclosure as the legislation does not currently apply to it, we are voluntarily providing disclosures consistent with the recommended disclosures of the Task Force on Climate-related Financial Disclosures to illustrate our commitment to climate-related issues given their increasing importance to our stakeholders.

Syncona Ltd

– Approves climate-related policies;

– Considers, monitors and oversees the Syncona team's management of climate-related risks;

– Publishes Scope 1 to 3 emissions; and

– Reports against TCFD.

Syncona team

– Oversees and manages the implementation of climate-related policies and procedures in portfolio companies; and

– Assesses and manages any climate-related issues of the portfolio companies.

Portfolio companies

– Implement climate-related policies and procedures in line with Syncona guidelines, values and expectations; and

– Report to SIML on any material climate-related issues.

Plans for FY2022/3

– Include full carbon footprint reporting incorporating both Syncona operations and our portfolio in our Annual Report 2023.

– Intention to become a signatory to the Net Zero Asset Managers (NZAM) initiative and adopt the NZAM commitments which are available on their website.

– Progress our aspiration to be net zero throughout our full value chain (including our portfolio companies) by 2050.

"We are determined to play our small part to reduce our emissions to net zero, and aspire to achieve this in advance of 2050 thereby supporting the 2015 Paris Agreement"

Melanie Gee
Chair, Syncona Ltd

Governance

Governance of climate-related issues is addressed within our wider framework for governance of sustainability issues, as set out below.

Our governance framework for sustainability issues, including climate-related matters

Syncona Limited Board

– Approves Sustainability Policy and Responsible Investment Policy

– Considers risks facing the Company from sustainability issues as part of its role in the risk management process

– Oversees implementation of the Sustainability Policy

– Oversees monitoring of risks arising from sustainability issues as part of the wider process of monitoring of risk management and internal controls

Syncona Limited Audit Committee

– Reviews scope and effectiveness of internal controls and risk management systems

– Reviews and assesses risks and associated frameworks to manage and mitigate such risks

Reports to (6-monthly)

Reports to (annually)

Syncona management team

Corporate Team

Responsibilities

– Overall responsibility for implementation of Sustainability Policy

– Manages integration of Syncona approach to sustainability across portfolio

Investment Committee

Responsibilities

– Implements the Responsible Investment Policy

– Assesses and manages sustainability risks in the portfolio

Sustainability Committee

Responsibilities

– Advises on Sustainability Policy

– Identifies areas where business can improve its approach

Within the Syncona team, the Sustainability Committee acts as a cross-function group to coordinate the implementation of our sustainability policies, horizon-scan for sustainability developments or changes in risks, and support and advise the business on sustainability issues, including climate-related issues. A key focus for the Sustainability Committee this year has been to carry out further work on understanding our climate-related risks and opportunities under a number of scenarios (on which see overleaf) and proposing our climate-related targets.

The Sustainability Committee is also responsible for coordinating reporting through the Corporate Team and onwards to the Board. Regular reporting covers our progress against the commitments in our policy and targets and KPIs, including climate-related targets. The Board also receives reports on the results of the climate scenario analysis carried out and the risks to the business.

This is the first year where we have collected Scope 1, 2 and limited Scope 3 emissions data from the majority of our portfolio companies; we hope to have a fuller data set over the next year which will let us set further targets and measure progress.

Strategy

This year we undertook a climate scenario analysis with support from Avieco, an external consulting firm, to consider the potential impact that certain physical and transitional climate-related risks and opportunities could have on our business and portfolio companies, in a range of different climate scenarios and on a short, medium and long-term time horizon. This work drew on support across the business and from our portfolio companies.

Climate scenarios – to analyse potential impact we selected three climate scenarios from the Network for Greening the Financial Systems: 'Net Zero 2050' (which assumes orderly progress towards net zero in 2050 and is aligned with the 2015 Paris Agreement scenario of 1.5 degrees Celsius), 'Divergent Net Zero' (which also assumes that net zero is reached by 2050, but with a much less orderly path to it and therefore higher transition costs), and 'Current Policies' (which assumes a 3 degrees Celsius or greater increase in global temperatures from baseline). We believe that these scenarios reflect a core range of potential outcomes that allow us to analyse impacts on our business.

Time horizons – for the purpose of this exercise, and acknowledging that climate-related issues tend to manifest themselves over the medium to long term, we have characterised our short, medium and long-term time horizons as 0-5 years, 5-15 years and 15-30 years respectively. These are reflective of the lifecycle of the portfolio companies that we invest in; company creation and drug development can take between 10-15 years and a granted patent for a therapy could last for around 20 years.

Through the risk identification process we identified four potential risks and one potential opportunity for evaluation by the business. We assessed the potential impact of physical risks taking account of physical locations of facilities and desktop analysis of supply chains, combined with publicly available data on vulnerability of different locations/logistics routes, and of transition risks by analysing internal data and publicly available data to look at the impact of sustainability factors on cost of capital. See below for further details on these risks and opportunities.

As described above, our view is that neither the risks nor opportunities (individually or collectively) materially impact our strategy or viability, or financial results, either in the short or longer term. Accordingly we do not consider there should be any impact to our financial results. However, we intend to keep the risks and opportunities under review.

Description of risk or opportunity	Impact on our business and our response	Scenario where this has highest impact	Time horizon
Extreme weather events (physical) – climate change could disrupt portfolio company manufacturing and other facilities, as a result of storms, flooding etc.	Low impact given the relatively small footprint of our portfolio companies, which are typically in clinical development. However we can recommend mitigation through site choice and physical mitigation steps.	Current Policies	Medium term 5 - 15 years
Logistics and supply chain disruption (physical) – climate change could cause chronic and acute upstream and downstream disruption to portfolio companies using supply chains and transport links as a result of rising sea levels, hurricanes and other weather events, particularly as they move towards larger clinical trials and manufacturing products.	Low impact currently though may increase in the future as companies develop. Mitigation actions could include recommending that climate-related risks are integrated into supply chain management and resilience assessments.	Current Policies	Medium term 5 - 15 years
Impact of not achieving net zero (transitional) – there could be increased costs or negative business impacts (such as increased stewardship from investors or voting action) associated with achieving net zero in a short timeframe for both Syncona and its portfolio companies.	Low impact given we are working towards a net zero strategy and due to the nature of our business and our portfolio companies.	Divergent Net Zero	Short term 0 - 5 years
Increased cost of capital (transitional) – Syncona may face increased costs of capital or be constrained in raising capital in the public market if investors perceive us as high risk from a climate perspective.	Low impact due to our low emissions and our wider sustainability focus. Mitigation could include providing further sustainability data reporting, aligned with emerging global standards on sustainability issues, to seek to maintain investor confidence in our approach to these issues.	Divergent Net Zero	Medium term 5 - 15 years
Opportunity to address new health issues (products and services) – for example, climate change may result in an increase in melanoma and respiratory issues.	Low impact and not a current focus for our business. We typically seek to build stand-alone biotech companies that have the ability to take products to market, and believe it is less likely there will be relevant opportunities on this business model. However we will keep this on our radar.	Current Policies	Medium term 5 - 15 years

Risk management

As described above, during the year we carried out a risk identification process, supported by Avieco, external consultants, and considering a range of potential scenarios, through which we identified four potential risks for evaluation by the business. None of these risks (individually or collectively) were evaluated as materially impacting our strategy or viability, or financial results, either in the short or longer term, and accordingly climate-related risks have not been included as a principal risk of the business.

Within the Syncona team, the Sustainability Committee takes a lead on horizon-scanning for sustainability developments or changes in risks, including climate-related issues. This then acts as an input into the wider risk management process, both within the Syncona team and at Board and Audit Committee. Our process for assessing and managing risk around climate-related issues is integrated in, and forms part of, our wider risk management framework, which is set out in the risk management section of this Annual Report.

We expect that the Sustainability Committee will keep the scenario analysis under review with external support where this is helpful. We will continue to monitor climate-related risks and should any of these become a material or principal risk, we will embed these within our existing risk management processes.

The Investment Committee is responsible for considering sustainability issues in Syncona investment transactions. Once an investment is made the investment team are responsible for encouraging the portfolio company to meet our sustainability requirements, with reporting to the team's quarterly review meeting where the entire investment team carries out an in-depth review of all portfolio companies. Further details of how we engage with our portfolio companies is set out in the responsible investor and partner section of our sustainability reporting, on pages 62-63.

The Corporate Team is responsible for considering sustainability issues within Syncona's own business and operations.

Metrics & targets

At present we consider metrics and targets separately for Syncona's own business and operations (that is, the Syncona team and related activities) and the activities of our portfolio companies. We plan to include full carbon footprint reporting, incorporating both Syncona operations and our portfolio, in our Annual Report 2023.

We collect and report annually on the Scope 1, 2 and limited Scope 3 emissions arising from Syncona's own business and operations (excluding portfolio companies), and these are set out on pages 68-71. Given the type of business we operate and the steps already taken, including adoption of 100% renewable electricity supply to our primary office, our emissions are already relatively low.

At portfolio level, we expect each of our portfolio companies to report on their Scope 1 to 3 emissions and encourage them to adopt a net zero strategy. We have provided assistance to a number of our portfolio companies this year by giving them access to an environmental consultancy firm, who have helped these portfolio companies obtain relevant data to report on their Scope 1, 2 and limited Scope 3 emissions as a first step.

We aspire to be net zero throughout our full value chain (including our portfolio companies) by 2050. Further details on our aspirations and commitments are set out on pages 68-71. We also intend to become a signatory to the NZAM initiative during FY2022/3 and intend to adopt the NZAM commitments which are detailed on their website.

The Company's Strategic Report is set out on pages 1 to 75 and was approved by the Board on 15 June 2022.

Melanie Gee
Chair, Syncona Ltd

Corporate governance report

Melanie Gee
Chair, Syncona Limited

> **"The Board remains focused on ensuring that governance supports robust oversight of strategy execution by the Investment Manager's team"**

This corporate governance report, together with the reports on pages 84 to 97, provides a summary of the system of governance adopted by the Company in the year ended 31 March 2022 and how the Company has applied the principles and reported against the provisions of the UK Corporate Governance Code.

Role of the Board

The Company is a closed-ended investment company. The Company has appointed its subsidiary SIML as Investment Manager, and delegated responsibility for managing the investment portfolio to it. The Board seeks to ensure the long-term sustainable success of the Company and other Syncona Group companies; it sets their purpose, investment policy (with shareholder agreement), strategic objectives and risk appetite, ensures effective engagement with stakeholders, and oversees and supports the Investment Manager in its execution of the investment strategy. The Board is not directly involved in management of the investment portfolio, other than in respect of very large decisions (meaning decisions relating to more than 10 per cent of the Company's NAV) – see Section 172 statement on page 9 for further information.

The Chair is 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, facilitating constructive relations and open contributions and exercising effective stewardship over the Company's activities in the interests of shareholders and other stakeholders.

Members of the Investment Manager's team provide administrative and other support to the Board, for example in preparing Board materials and briefings and drafting of the Annual Report. The Board also has access to the advice and services of an Administrator and Company Secretary, Citco Fund Services (Guernsey) Limited, who are responsible to the Board for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

The page opposite gives further details of our governance structure. Further details of matters reserved to the Board, and the role of the Committees, Chair and Senior Independent Director, are available on our website.

The Board

- Seeks to ensure the long-term sustainable success of the Company.
- Sets purpose, strategy and values and seeks to ensure the culture of the business is aligned.
- Recommends the Investment Policy to shareholders.
- Oversees and supports the Investment Manager in its execution of the investment strategy.
- Reviews portfolio performance considering the investment policy and strategic objectives.
- Approves transactions with significant value or involving borrowing.
- Robustly assesses the principal risks facing the Company and its risk appetite, and defines the risk management process.
- Ensures appropriate engagement with shareholders and other stakeholders.
- Sets the Sustainability Policy for the business and monitors the implementation of the policy.

Committees of the Board

Nomination and Governance Committee

Responsibilities
- Reviews Board composition and oversees succession planning.
- Recommends Board re-elections, and appointments to Board committees.
- Oversees succession planning for the CEO of the Investment Manager.
- Supports the Chair in carrying out the Board evaluation each year.
- Reviews compliance with the UK Corporate Governance Code.

Members
- Melanie Gee (Chair)
- Virginia Holmes
- Rob Hutchinson
- Gian Piero Reverberi

Read more on pages 84 to 86

Audit Committee

Responsibilities
- Oversees financial reporting and advises the Board on whether the Annual Report is fair, balanced and understandable.
- Evaluates the appointment, effectiveness and independence of the auditors.
- Oversees portfolio valuation.
- Monitors risk management and internal controls.

Members
- Rob Hutchinson (Chair)
- Virginia Holmes
- Kemal Malik
- Gian Piero Reverberi

Read more on pages 87 to 91

Remuneration Committee

Responsibilities
- Approves remuneration paid to the Chair of the Board.
- Recommends the remuneration of the Non-Executive Directors.
- Reviews the overall employee cost of the Investment Manager and approves the remuneration of its CEO.
- Oversees the incentive scheme that provides long-term rewards to the Investment Manager's team.

Members
- Gian Piero Reverberi (Chair)
- Melanie Gee
- Virginia Holmes
- Rob Hutchinson

Read more on pages 92 to 97

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

Investment Manager

- Management of Syncona's investment portfolio in line with the Investment Policy and the long-term sustainable success of the Company.
- Ensuring the culture of the business is in accordance with the purpose, Investment Policy, strategy and values approved by the Board.
- Ensuring appropriate resources are available to manage the investment portfolio and support the Syncona business.
- Reporting to the Board on portfolio performance.
- Monitoring risks and reporting to the Board; making recommendations in relation to risk appetite.
- Implementing the risk and control processes and reporting on these to the Board.
- Engaging with stakeholders in line with the approach agreed by the Board.
- Implementing the Syncona Sustainability Policy.
- Ensuring compliance with regulatory obligations of an investment manager.

Composition and meetings

All of the Board are Non-Executive Directors and profiles of each, including length of service, are on pages 80 and 81. During the year, as noted in the Chair's introduction to this Annual Report, Cristina Csimma and Julie Cherrington joined the Board and Tom Henderson, Nicholas Moss and Nigel Keen retired. All Directors are considered to be independent.

As stated in last year's Annual Report, Tom Henderson did not seek re-appointment at the Company's AGM in 2021. Nicholas Moss and Nigel Keen retired from the Board and resigned from their respective Committee roles, and in the case of Nicholas Moss, the role of the Senior Independent Director, on 31 December 2021. Virginia Holmes was appointed as the Senior Independent Director on 1 January 2022 and Gian Piero Reverberi was appointed as Chair of the Remuneration Committee on 1 January 2022.

The Board holds quarterly Board meetings, along with a Strategy Review Day each year. The Board meetings follow an annual work plan that seeks to ensure a strong focus on key strategy and governance issues, alongside monitoring the Company's operations in a structured way. The Investment Manager works closely with the Chair, and liaises with the Company Secretary, to ensure the information provided to the Board meets its requirements. All members of the Board also have access to the advice of the Company Secretary as they require. The Board may also hold ad hoc meetings or discussions between its routine quarterly meetings, where required for the business of the Company. The senior members of the Investment Manager's team attend each Board meeting; the Board also schedules part of each meeting to be held without those individuals.

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

During the year the meetings were a mixture of remote and in-person, reflecting both the ongoing impact of the COVID-19 pandemic and making the most effective use of time. As noted in last year's Annual Report, the Board was fortunate that the team of the Investment Manager was able to move quickly and smoothly to remote working and continue to work effectively throughout the COVID-19 pandemic, which (amongst other things) enabled reporting and oversight by the Board to continue. As COVID-19 moves beyond its pandemic phase we will continue to seek to work in the most effective way.

Board attendance 2021/2

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. Attendance at the Board and Committee meetings during the year was as shown in the table below.

	Board meetings	Audit Committee meetings	Nomination and Governance Committee meetings	Remuneration Committee meetings
Melanie Gee	8/8	–	3/3	4/4
Julie Cherrington[1]	1/1	–	–	–
Cristina Csimma[1]	1/1	–	–	–
Thomas Henderson[2]	1/1	–	–	–
Virginia Holmes	8/8	6/6	0/0	4/4
Rob Hutchinson	8/8	6/6	3/3	4/4
Nigel Keen[3]	5/6[4]	–	–	–
Kemal Malik	7/8[5]	6/6	–	–
Nicholas Moss[3]	6/6	5/5	3/3	3/3
Gian Piero Reverberi	8/8	6/6	1/1	4/4

1 Julie Cherrington and Cristina Csimma were appointed to the Board on 1 February 2022.
2 Thomas Henderson retired from the Board on 3 August 2021.
3 Nigel Keen and Nicholas Moss retired from the Board on 31 December 2021.
4 Nigel Keen was unable to attend an ad hoc Board meeting in December 2021 due to a prior commitment as the meeting was arranged at short notice; the Board was aware of Nigel's prior commitment at the time of planning such meeting.
5 Kemal Malik was unable to attend the November 2021 Board meeting due to personal family circumstances.

Strategy and risk

As usual, the Board held a Strategy session in September, where it considered progress towards implementing our strategy. A key topic of discussion was changes in the appetite of public markets for early stage life science businesses, particularly those using innovative cell and gene therapy technologies, and the potential impacts of this on our portfolio companies given the capital intensity of these businesses and the capital resources available to the Company. The Board also discussed how to ensure the long-term scalability of the Syncona platform as we build our diversified portfolio of 15-20 leading life sciences companies at any one time, and ensuring that the Investment Manager has the right resources to support that. The Board remains focused on ensuring that governance supports robust oversight of strategy execution by the Investment Manager's team, particularly given the very significant and often binary risks of loss within our investments (with the potential for substantial returns).

During the year, the Board discussed the key risks to our business, both current risks and potential risks that may arise, and from this our risk appetite was updated. This feeds into the Company's risk register, and more details are reported in the Principal risks section of the Annual 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 87-91). 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

The Board recognises the importance of ensuring that the Company's culture (and the culture of the Investment Manager) is aligned with its strategy and delivery of a sustainable business. This is particularly important as the Investment Manager's team grows to support progress towards our mature portfolio.

Gian Piero Reverberi is the designated Director for engagement with the team of the Investment Manager. Engagement has continued to be challenging this year as a result of the COVID-19 pandemic. However, we were pleased that Gian Piero, with the rest of the Board, had an opportunity to meet with the entire team in March 2022. We will be able to expand opportunities for engagement in the next year. Please see pages 82-83 for further details of how the Syncona Board engages with the Syncona team.

The Board believes the Company's purpose and values are embedded in the business and support effective delivery of the strategy and business. This year, as part of scaling the business, the team have identified an opportunity to provide a more structured development path for investment team members, which the Board supports.

Alongside Board engagement with the Investment Manager's team, there is a Whistleblowing Policy in place which includes provision 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 other stakeholders to ensure that their interests are considered. Further details around engagement with stakeholders are set out on pages 82-83. The Board reviews this every year and considers whether there are any areas for improvement.

The Board recognises the wider economic concerns affecting stakeholders, particularly in relation to the economic environment, cost of living and inflationary pressures. Given the current status of the portfolio companies, the Board does not consider these issues as material issues affecting our key stakeholders at this present time. The Board does however review how the interests of our key stakeholders are taken into account in the business every year and further details are set out on pages 82-83.

Ongoing communication with shareholders

The Board is focused on understanding the views of shareholders so these can be taken into account in decision-making. The Board considers feedback and shareholder views collated by our advisers at every Board meeting, with specific sessions set aside for this in November 2021 and March 2022. During the year, the Chair again took the opportunity to meet directly with a number of our key shareholders, to directly hear their perspectives and communicate these to the Board. The feedback confirms that shareholders continue to be supportive of our long-term strategy and the Investment Manager's team in executing this. Members of the Board, particularly the Chair, Senior Independent Director and Chair of the Audit Committee, are available to meet shareholders on any issues that arise.

More broadly, the Company organises a comprehensive investor relations programme, where members of the Investment Manager's team meet 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, 55 presentations were made to shareholders and potential shareholders by senior members of the Investment Manager's team during the year.

Sustainability

At the start of the year (as reported in last year's Annual Report) the Board adopted a formal Sustainability Policy and Responsible Investment Policy. During the current year the Board's focus has been on overseeing the Investment Manager as it puts processes in place to implement these, and considering its own governance of sustainability issues.

The Board believes that the Company's core activities, of investing in businesses that seek to develop treatments that will make a difference to the lives of patients and their families, make a positive contribution to society. Given these are at the centre of what the Company does, the Board has decided to integrate its consideration of sustainability issues within its normal governance processes. Further details are set out on page 90.

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 and discussions with the Chair and chairs of each of the Board's Committees.

In addition consideration is given to 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, Directors have been provided with access to updates on key corporate governance developments, and teach-in sessions have been organised on specific issues relating to the Syncona business.

UK Corporate Governance Code compliance statement

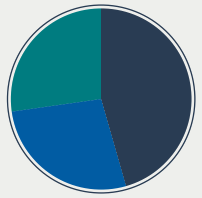
The Company has complied with the relevant provisions of the revised UK Corporate Governance Code (July 2018), which is publicly available at frc.org.uk, except that given the Company's structure, and that it has no Executive Directors and is managed by the Investment Manager, the Board considers that the following provisions are not relevant to the Company:

- the role of the Chief Executive Officer – there is no Chief Executive Officer of the Company, and responsibility for management of the investment portfolio is delegated to the Investment Manager;
- Executive Directors' remuneration – this is not relevant as the Company has no Executive Directors.

An experienced and dedicated Board

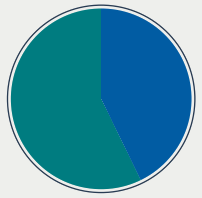
Committee memberships/roles

- A Audit Committee
- N Nomination and Governance Committee
- E Engagement with team
- R Remuneration Committee
- Chair



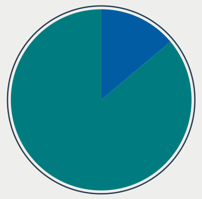
Board tenure

0-2 years	43%
2-4 years	29%
4-6 years	29%
6+	0%



Board gender diversity

Male	43%
Female	57%



Board ethnic diversity

Person of colour	14%

Melanie Gee
Chair

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

Committee memberships
N R

Biography
Melanie Gee is Chair and originally joined the Board as a Non-Executive Director in June 2019. Melanie has over 30 years of financial advisory experience in executive positions in investment banking, advising clients across a broad range of sectors and geographies. She is a Senior Adviser at Lazard & Co Ltd, having joined as a managing director in 2008. Before that, Melanie spent 25 years with SG Warburg & Co Ltd and then UBS. Melanie also has extensive Non-Executive experience, with more than a decade as a Non-Executive Director at FTSE 100 and 250 companies. Until October 2021 she was a Non-Executive Director at abrdn plc, where she sat on the Nomination & Governance and Audit Committees and was the Non-executive Director with responsibility for bringing the employee voice into the Boardroom. She was also previously a Non-Executive Director at The Weir Group PLC and Drax Group PLC.

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 and Governance Committee. Her financial advisory experience is highly relevant to effective oversight of the Company's investment and stakeholder strategies.

Current positions
Senior Adviser, Lazard & Co Ltd

Chair of the Grosvenor Britain & Ireland Board

Sits on advisory groups for two private family offices

Julie Cherrington
Non-Executive Director

Date of appointment
– 1 February 2022

Biography
Dr Julie Cherrington is an experienced life science executive with a strong track record in bringing drugs into the clinic and through to commercialisation, and particular expertise in the oncology setting. She is also an accomplished company builder and has previously served as President and Chief Executive Officer at several biotechnology companies in the US West Coast, Canada and Australia. Julie holds a B.S. in biology and an M.S. in microbiology from the University of California, Davis. She earned a Ph.D. in microbiology and immunology from the University of Minnesota and Stanford University. She completed a postdoctoral fellowship at the University of California, San Francisco.

Importance of contribution
Julie brings extensive understanding of the US regulatory and clinical development environment. Her experience of bringing drugs through the clinic and to commercialisation in the US will help the Syncona Board to understand the strategic needs of the business in North America and beyond.

Current positions
Chair of Actym Therapeutics

Non-Executive Director of Mirati Therapeutics (NASDAQ: MRTX)

Non-Executive Director of Vaxart Therapeutics (NASDAQ: VXRT)

Venture Partner at Brandon Capital

Non-Executive Director of a number of other early stage private life science companies

Cristina Csimma
Non-Executive Director

Date of appointment
– 1 February 2022

Biography
Dr Cristina Csimma has 30 years' experience in drug development, new company formation, value creation and strategic guidance across a broad range of therapeutic areas. She also brings significant expertise in venture capital and the US biotech capital market environment. Previously, Cristina was the Executive Chair of the Board of Directors of Forendo Pharma and Exonics Therapeutics, and a Board Director of Juniper Pharma, Seneca BioPharma, Vtesse, and Cydan, where she was also the founding President and CEO. She has served as Board Director of T1D Exchange and on a number of National Institutes of Health and other non-profit advisory committees. Cristina holds a Doctor of Pharmacy and a Bachelor of Science from Massachusetts College of Pharmacy, as well as a Master of Health Professions from Northeastern University.

Importance of contribution
Cristina has significant experience across a variety of biotechnology companies throughout their lifecycles. In particular, her expertise covers drug development, company building and capital raising, particularly in the US, which is a key market for Syncona's portfolio.

Current positions
Chair of Caraway Therapeutics

Non-Executive Director of Palisade Bio (NASDAQ: PALI)

Non-Executive Director of Idera Pharmaceuticals (NASDAQ: IDRA)

Virginia Holmes
Senior Independent Director

Date of appointment
– 1 January 2021

Committee memberships
A N R

Biography
Virginia Holmes has an extensive knowledge of the financial services industry, including both investment management and banking. She was previously Chief Executive of AXA Investment Managers UK and held a number of senior leadership roles over more than a decade at Barclays Bank Group. Virginia also brings a wide range of non-executive experience, both with UK listed companies and organisations across various jurisdictions. She was previously Chair for nine years of USS Investment Management Ltd, the fiduciary manager of the Universities Superannuation Scheme.

Importance of contribution
Virginia's extensive experience and proven track record of working with investment businesses as they look to develop and expand is highly relevant to the Board in defining the Company's strategy and overseeing its delivery. In addition her extensive non-executive experience gives her an in-depth understanding of governance requirements, supporting our goal of a highly effective Board.

Current positions
Chair of Unilever UK Pension Fund

Non-Executive Director of European Opportunities Trust plc

Non-Executive Director of Intermediate Capital Group plc

Rob Hutchinson
Non-Executive Director

Date of appointment
– 1 November 2017

Committee memberships
A N R

Biography
Rob Hutchinson has over 30 years' experience in the financial sector as a Chartered Accountant. He qualified in 1990 and spent 28 years with KPMG across various roles. 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 has many years of broad financial experience. He spent a number of years in roles specialising in the audit of banking and fund clients at KPMG and was appointed a partner in 1999. Rob 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, bringing broad experience in issues arising from the valuation of private assets. Rob 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.

Current positions
Non-Executive Director of Ravenscroft Holdings

Non-Executive Director of Pantheon group entities based in Guernsey

Kemal Malik
Non-Executive Director

Date of appointment
– 15 June 2020

Committee memberships
A

Biography
Kemal Malik joined the Board in June 2020. He has 30 years of experience in global pharmaceutical research and development. He has been responsible for bringing many innovative medicines through R&D to successful commercialisation. From 2014 to 2019 he was a member of the Board of Management of Bayer AG responsible for innovation across the Bayer group. He was also responsible for Bayer LEAPS, the organisational unit responsible for strategic venturing in areas of disruptive breakthrough innovation. Prior to his appointment to the Bayer Board he was Head of Global Development and Chief Medical Officer at Bayer Healthcare for 10 years and was previously a non-executive director at Acceleron Pharma, a Boston based biopharmaceutical company. Kemal began his career in the pharmaceutical industry at Bristol-Myers Squibb with responsibilities in medical affairs, clinical development and new product commercialisation. Kemal qualified in medicine at Charing Cross and Westminster Medical School (Imperial College) and is a Member of the Royal College of Physicians.

Importance of contribution
Kemal brings extensive experience in breakthrough innovation and commercialisation in the life science sector, which are highly relevant to the Board in defining the Company's strategy and overseeing its delivery.

Current positions
Scientific Adviser to Atomwise

Trustee of Our Future Health

Gian Piero Reverberi
Non-Executive Director

Date of appointment
– 1 April 2018

Committee memberships/roles
R A N E

Biography
Gian Piero Reverberi is a senior healthcare executive 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. He 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, where he had responsibilities including finance, business development, sales and business unit leadership.

Importance of contribution
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.

Current positions
Senior Vice President Europe, Canada and Latin America at Ferring Pharmaceuticals

Positive relationships with our stakeholders are key to the success of our business

Our six key stakeholders

Stakeholder	Key issues for Syncona and the stakeholder	How does Syncona engage with them?	Impact on Board activities
Patients Further details: **Our strategy (pages 14-15); Investment process (pages 16-17); Portfolio and market review (pages 20-35); Our business model (pages 38-41); S172 statement (page 9); Risk management, Principal risks and uncertainties (pages 44-53); Sustainability (pages 54-71); Sustainability Report.**	Our portfolio companies work closely with patients as they develop transformational treatments for high unmet medical needs. Patients are interested in the success of development, their ability to access treatments, and that clinical research takes place in a safe and compliant manner.	At the point of founding a new business, we would expect to have carried out extensive research which may involve speaking to key patient advocates for relevant diseases. Once our businesses are formed, engagement is then typically led by the business itself, which also has responsibility for conducting clinical research to a high standard. Syncona sets expectations for our portfolio companies around access to medicines and conduct of research, as part of our Responsible Investment Policy. The Syncona team monitors the activities of the portfolio companies as part of their wider investment monitoring.	The Board takes into account the purpose of the business, being a focus on investing to extend and enhance human life, in all of its decision-making. The Board adopted the Sustainability Policy and Responsible Investment Policy this year, which reflect patient interests in a number of areas. Any relevant and major issues arising from portfolio companies are reported to the Board as appropriate. The impact on patients was considered by the Board when deciding whether to approve the sale of Gyroscope. The Board believed that the transaction was likely to improve the speed and extent to which patients would be able to access the Gyroscope therapy, given Novartis' wider ophthalmology platform.
Shareholders Further details: **Our strategy (pages 14-15); Investment process (pages 16-17); Risk management, Principal risks and uncertainties (pages 44-53); Corporate governance report (pages 76-79).**	Shareholders want to know that we are running a long-term, sustainable business that seeks to deliver strong risk adjusted returns (both in absolute terms and relative to other opportunities available to them). The business model is capital intensive and so maintaining alignment with shareholders and access to capital is key for us.	The Chair seeks to engage with key shareholders and investor groups each year. The Syncona team meets with key shareholders after the annual and interim results, typically reaching shareholders holding more than 80% of shares. The team also engages on an ongoing basis with existing and potential shareholders.	Feedback from shareholders is reported at each Board meeting and considered by the Board as part of strategy and other discussions. This is a key determination for measuring the strength of our relationships with our shareholders, alongside our annual review of how our shareholders voted at our AGM. The Board also discusses the effectiveness of shareholder engagement and shareholder perspective. This was a key aspect for discussion at the Board's Strategy Day in September and in the November meeting, alongside the Group's corporate advisers.

Stakeholder	Key issues for Syncona and the stakeholder	How does Syncona engage with them?	Impact on Board activities
Syncona team Further details: **Our strategy (pages 14-15); Investment process (pages 16-17); Syncona team (pages 18-19); Risk management, Principal risks and uncertainties (pages 44-53); Sustainability (pages 54-71); Sustainability Report; Corporate governance report (pages 76-79); Remuneration Committee Report (pages 92-97).**	Our business is driven by a small investment team. Ensuring the team is recruited, retained and fully engaged with the Company's strategy is key to our success and a key risk for us. The team seeks a working environment providing a high-quality culture, strong opportunities for development and aligned remuneration. In addition, each individual team member's purpose must align with the wider purpose of the business, to deliver positive benefits to society and run in a long-term sustainable manner.	Managing the team is a core part of the Syncona executive team's role. The small size of the team also allows a direct connection between the Board and the Syncona team. The Board has designated a Non-Executive Director for engagement with the team, Gian Piero Reverberi, who provides a direct contact point between the Board and the wider team, although the ability to have wider engagements has been impacted by the COVID-19 pandemic. The Board also joins the Syncona team for its quarterly review meetings, and (outside of the COVID-19 pandemic) for informal lunches.	The Board has regular discussions regarding the Syncona team, including discussions on culture and values. This year, key Board agenda items have included team development at the Strategy Day and in the November and March meetings, a wider culture discussion in the March meeting and quarterly discussions on recruitment activities and updates on senior hires and leavers. Discussions on the Syncona team also feed into the Board's review of Syncona's budget. Our risk process, which is approved by the Audit Committee, recognises the Syncona team as one of the key risks of the business. The Remuneration Committee considers the remuneration of the CEO and the overall framework and incentivisation of the Syncona team and approves awards under the long-term incentive scheme.
Portfolio companies Further details: **Our strategy (pages 14-15); Investment process (pages 16-17); Portfolio and market review (pages 20-35); Our business model (pages 38-41); Sustainability (pages 54-71); Sustainability Report.**	Our strategy is executed through our portfolio companies, and we aim to ensure they act in line with our expectations as a responsible investor. In turn, our portfolio companies rely on our support for them, both financial and through our knowledge and networks.	Support and oversight of portfolio companies is a core part of the Syncona team's role. There is generally a very close relationship with one or more Syncona team members in regular contact with the portfolio company's senior team to support their business and clinical strategies and drive long-term value and taking board seats to promote high quality governance and oversight. There are extensive discussions on each portfolio company at quarterly board review meetings, attended by the Syncona team and the Board. Syncona sets expectations for our portfolio companies as part of our Responsible Investment Policy and the Board receives sustainability information half-yearly on portfolio companies.	The Syncona team provides extensive reporting on portfolio companies to the Board at each meeting, as a key element of the Board's oversight and assurance role. Reporting is centred around how the portfolio company is delivering against its business plan and our sustainability expectations for our portfolio companies. The Board also periodically meets directly with portfolio companies, or attends presentations, to understand their businesses more fully and (particularly) how the Syncona team interacts with them. The impact of the proposed sale of Gyroscope on the company itself was considered by the Board as part of the decision on the sale.
Charities Further details: **Sustainability (pages 54-71); Sustainability Report.**	Charitable giving has been part of the Syncona story since 2012, when BACIT Limited (now Syncona) was established with a commitment to donate a percentage of its NAV to charity each year. The charities benefit from long-term and sustainable donations, and the potential for growth as the Syncona NAV grows.	Syncona's donations are principally through The Syncona Foundation, which is independent of Syncona but closely aligned with its aim of transforming the lives of patients. The Foundation in turn supports and maintains relationships with a range of charities. A member of the Syncona team attends trustee meetings as an observer.	The Foundation's trustees present annually to the Board on the impact of the donations. In addition, the Board is invited to attend charity presentations each quarter, to gain a fuller understanding of the impact that Syncona's support has had.
Wider society, the community and the environment Further details: **Our strategy (pages 14-15); Investment process (pages 16-17); Sustainability (pages 54-71); TCFD disclosure (pages 72-75); Sustainability Report.**	The development of, and access to, innovative new treatments is key to wider society and maintaining our licence to operate is vital in order to continue to develop new treatments. Our businesses and portfolio companies must be run in a safe and compliant manner, with us acting as a responsible investor, in order to meet wider societal expectations around sustainability, business conduct and our impact on the community and the environment.	We aim to provide information about our wider impacts to the public and other stakeholders through our website and other public communications. We published our inaugural Sustainability Report last year and we intend to do this each year. This sets out more details of our approach on sustainability issues. When the opportunity arises, we seek to engage with the government on key issues affecting wider society and our stakeholders generally. This year, for example, we engaged with the Life Science Scale-Up Task Force which has been created to further the government's Life Sciences Sector Vision.	The Board takes into account the purpose of the business, being a focus on investing to extend and enhance human life, in all of its decision-making. The Board adopted policies around sustainability and responsible investment during the year. The Board has decided to voluntarily disclose against the TCFD recommendations to align with wider society's expectations.

As an investment company our suppliers are limited: other than SIML (our subsidiary that is our Investment Manager) they are principally our Administrator and Custodian, and professional service providers. Accordingly, we have not included suppliers as a key stakeholder above.

Melanie Gee
Chair, Nomination and Governance Committee

Nomination and Governance Committee members and structure

The Committee's members in the year were:

	Meetings attended
Melanie Gee (Chair)	3/3
Virginia Holmes (appointed to the Committee on 1 January 2022)	0/0
Rob Hutchinson	3/3
Nicholas Moss (resigned from the Committee on 31 December 2021)	3/3
Gian Piero Reverberi (appointed to the Committee on 1 October 2021)	1/1

The Committee comprises at least three members, who are appointed by the Board. All members of the Committee in the year were independent Directors. During the year Virginia Holmes and Gian Piero Reverberi joined the Committee, and Nicholas Moss resigned from the Committee. The Board has also appointed Kemal Malik to join the Committee from 1 July 2022.

The Committee meets as required, and at least twice each year. The table above 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 several occasions to deal with ongoing matters between meetings.

I am pleased to present the work of the Nomination and Governance Committee in the year ended 31 March 2022.

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;
- identify and nominate, for the approval of the Board, candidates to fill Board vacancies and for putting in place succession plans for Directors;
- have 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;
- support the Chair in carrying out the Board evaluation each year;
- make recommendations for the membership of Board sub-committees and boards of subsidiaries (other than portfolio companies); and
- review the Company's compliance with the UK Corporate Governance Code.

The Committee's Terms of Reference were revised in 2020 and the Committee reviewed its performance against them this year. The current version is available on the Company's website **synconaltd.com**. During the year the Committee's name was changed to reflect its role in considering governance matters and, after year end, the Terms of Reference were updated to add responsibility for succession planning for the CEO of the Investment Manager.

> "A key aim of the Committee is to build a diverse and inclusive Board, which is essential to bringing a broad strategic perspective"

Board succession planning

A key part of the Committee's role is to plan for Board succession. The Committee seeks to do this using a number of tools. At the core of its approach is a skills matrix which identifies the skill sets needed at the Board and against which each of the Directors are asked to evaluate themselves. Our core skill sets focus around life sciences and private investing, overlaid with the governance and other skills required by the Board of a listed company, reflecting the Board's feedback through the annual evaluation process over recent years.

In addition to the skills matrix, the Committee aims to build a diverse and inclusive Board, which we regard as essential to the success of the Company. Our Board Diversity Policy was updated in June 2022 as a result of the Committee having considered the outputs of the Hampton-Alexander Review, the Parker Review and the FTSE Women Leaders Review and the updated policy is set out below. Diversity covers a range of aspects, including personal characteristics such as gender or race, ways of thinking or geographical location and experience.

Further considerations in Board succession planning include identifying individuals to take on key Board roles such as Committee chairs. Finally, the Committee considers the performance of each Director, length of service on the Board and their future intentions around continuing to be a Director, as well as the overall tenure of the Board.

Taken together, these items allow the Committee to define the desired shape of the Board and to recruit against it. As a wholly Non-Executive Board, internal succession planning is not relevant to the Company. Recruitment is carried out using external search consultants who are provided with a brief of desired characteristics for candidates. Our search consultants are required to include a diverse range of candidates bringing the desired skill sets in preparing their long list.

The Committee re-evaluates Board succession planning annually, taking account of any feedback from the Board evaluation to ensure it has a clear outlook on the actions it should take. In the coming year a focus will be ensuring it has clear arrangements in place for a Director becoming unexpectedly unavailable.

Board changes

There have been significant changes to Board membership over the last year, with three Directors retiring and two new Directors being appointed.

We reported in the Annual Report 2021 that we were seeking to recruit Directors who had experience in building a successful US-listed life science business and in private equity and venture capital investing, and we were pleased that Dr Cristina Csimma and Dr Julie Cherrington joined the Board from February 2022. Further details on Cristina and Julie's background and experience can be found on pages 80 to 81. The recruitment process was supported by the executive search consultant Korn Ferry (who only acted for the Company in that role, and do not have any other connection with individual Directors, but were also engaged by the Investment Manager during the year to support SIML team recruitment).

During the year Tom Henderson retired from the Board at the AGM and both Nicholas Moss and Nigel Keen retired at the end of 2021. Tom and Nicholas had both been Directors since August 2012, and Nigel had been involved with the Syncona life science business since its original founding in 2012, and collectively they brought a great deal of experience to the Board.

The Committee has considered the impact of the appointments and retirals on the overall makeup of the Board and is satisfied that the Board continues to bring the relevant skills needed by the Board. In addition, we believe that the Board brings a diverse range of characteristics and perspectives in line with our Board Diversity Policy. The table below outlines our progress against the specific targets set out in the policy:

	Target (June 2022)	Position at 31 March 2022
Women on Board	40% women	57%
Women in role of Chair or SID	1 or more	2
Ethnic minority representation on Board	1 or more	1

With this year's changes to the Board, the Committee has also reviewed Board roles including Committee memberships, and recommended a number of changes to the Board, which were approved. These include appointing Virginia Holmes as the Senior Independent Director, and Gian Piero Reverberi as Chair of the Remuneration Committee, effective from 1 January 2022. Full details of the current members of each Committee are set out in the relevant Committee report. The Committee is satisfied that each of the Audit Committee, Remuneration Committee and Nomination and Governance Committee has the skill sets and diversity required to carry out its role.

Following these changes the Committee does not anticipate any further short-term changes to the Board, but will continue to evaluate Board membership in line with its succession planning processes.

Board evaluation

As described in the Corporate Governance report, the Board is focused on ensuring that governance supports robust oversight of strategy execution by the Investment Manager's team, given the Company's business model. Board evaluation is a key element for the Board to monitor whether it is delivering that.

The Board last carried out an externally facilitated evaluation of its performance in 2018/9, and accordingly planned to carry out a further externally facilitated evaluation this year. Earlier in the year the Committee engaged CoachNudge, an external Board coaching and advisory consultancy, to support the Board in maximising its performance. Given the overlap with Board evaluation, the Committee agreed to also ask CoachNudge to carry out the Board evaluation. Other than the wider Board coaching work referred to above, CoachNudge has no other connection with the Company or the Directors.

However, the Committee also noted the significant level of change to Board membership during the year. To maximise the benefit to the Board from an external evaluation, it agreed that this year's evaluation should be relatively light touch, with the intention that a more in-depth externally facilitated evaluation would be carried out in 2022/3, once the new Board composition has become more established.

The evaluation was carried out in March 2022 using self-assessment questionnaires to assist CoachNudge to analyse the Board's overall effectiveness and, amongst other things, its composition, diversity and how effectively members work together to achieve objectives. Key feedback from the evaluation was:

- The purpose and values of Syncona are clearly set out and Board members are aligned with them. The Board continues to ensure appropriate oversight of strategy and performance against a fast-changing environment.

– The recent appointment of Directors with life sciences experience was seen to have brought the Board to an appropriate mix of expertise and capability.

– The culture of the Board, the ability for all members to participate and the constructive nature of the relationship with management were all rated strongly. This was reflected in the quality of Board discussions.

– Board engagement with shareholders is effective and appropriate.

– A small number of areas were identified for further work, many of which are areas that were already being actively addressed by the Board:

– Develop the Board's engagement and focus on key stakeholders, including the impact of what we do on patients. As described on pages 79 and 82 to 83, there is already significant engagement with key stakeholders, but the Board acknowledges an opportunity to enhance further its understanding of their concerns and maximise the positive impact on the business.

– Continue to support the Investment Manager's team as they scale the business, ensuring that the culture of Syncona supports effective strategy execution. This links to the previous point and reflects the importance of maintaining the culture of Syncona at a time of growth and significant volatility in biotech investments.

The Board intends to review these points further at its upcoming Strategy meeting in September/October and agree Board goals to address them.

Alongside the Board evaluation, Virginia Holmes as Senior Independent Director led the appraisal of the Chair's performance. The Board was satisfied that the Chair was providing effective leadership for the Board, supporting it to work together effectively and maintain its focus on key strategic issues for the business.

The Committee has also revisited the key feedback from the 2020/1 evaluation to ensure this has been acted upon:

– Continue to develop the membership of the Board to ensure it has the right skills, experience and diversity to fully support the growth and aspirations of the business. As set out above, the Committee considers that this has been achieved taking account of recruitment during the year, but will keep it under review.

– Consideration of how the Board can engage more effectively with the Investment Manager's team, shareholders, and other stakeholders, to ensure it has a full understanding of each group's views and can take them into account. The Board has made progress in these areas during the year but, as already discussed, considers there is more to be done with its stakeholders.

– Board to continue to challenge itself to ensure that its discussions avoid groupthink and that its members embrace a wide range of ways of thinking. This work is ongoing with the support of CoachNudge and the Board expects to continue to engage with this over the next year.

Committee evaluation and effectiveness

During the year, the Committee completed its annual review of effectiveness, and concluded that it had performed its responsibilities effectively.

Contribution and time commitment

During the year, the Committee has formally considered the contribution of each Board member and whether they each devote sufficient 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 2 August 2022.

Melanie Gee
Chair, Nomination and Governance Committee
15 June 2022

Board Diversity Policy (adopted June 2022)

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.

The Nomination and Governance 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 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 have at least 40% female representation on the Board, as part of a broadly gender balanced Board;

– that at least one of the Chair or the Senior Independent Director should be female; and

– to have at least one person of colour on the Board.

* 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.

Rob Hutchinson
Chair, Audit Committee

Audit Committee members and structure

The Committee's members in the year were:

	Meetings attended
Rob Hutchinson (Chair)	6/6
Virginia Holmes	6/6
Kemal Malik	6/6
Nicholas Moss (resigned from the Committee on 31 December 2021)	5/5
Gian Piero Reverberi	6/6

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 Board has also appointed Julie Cherrington to join the Committee from 1 July 2022.

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 80 and 81. 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 above 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 its 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, 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.

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

– reviewing the appointment and remuneration of the Company's Independent Auditor, including monitoring and reviewing the quality, effectiveness and independence of the Independent Auditor and the quality and effectiveness of the audit process.

The Committee's Terms of Reference were revised in 2020. The current version is available on the Company's website **synconaltd.com**.

> "The Committee gives particular focus to the valuation of the life science portfolio and requests the Independent Auditor to focus on it"

Significant Financial Statement matters

a. **Valuation of life science portfolio.** In the year, the Group continued to deploy significant capital into its portfolio of life science investments and also completed the sale of Gyroscope. In total, the Group holds a life science portfolio with a fair value of £446.9 million (2021: £685.6 million) through Syncona Holdings Limited, £28.2 million (2021: £36.6 million) in respect of the CRT Pioneer Fund through Syncona Discovery Limited (a subsidiary of Syncona Investments LP Incorporated) and £49.8 million (2021: £Nil) attributable to milestone payments that may become payable to Syncona Portfolio Limited (a subsidiary of Syncona Holdings Limited), subject to certain milestones, on the sale of Gyroscope.

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 payout under 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 to and which it specifically requests the Independent Auditor to focus on as part of the audit and its work in this area is detailed in the Audit Report on pages 102 to 107.

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, including consideration of market related events, or through discounted cash flow ("DCF") models, price-earnings multiple methodology or by using market comparators. The majority of our unlisted life science investments are valued using cost or PRI as the primary valuation input. Note 2 includes the considerations and challenges that the Group faces when valuing its interests. See also note 3 which sets out the critical accounting judgements and sources of estimation uncertainty that the Group faces when valuing its interests.

Details of the life science portfolio balance are disclosed in the Unaudited Group Portfolio Statement on page 108 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. Details of the valuation methodology and accounting treatment applicable to the deferred consideration that may be payable to Syncona Portfolio Limited are disclosed in note 2.

The Committee discusses the appropriateness of the valuation methodology chosen by the Investment Manager in determining the fair value of unquoted investments. The Committee challenges the Investment Manager on the process and assumptions it has used and the parameters around the calibration exercise, especially in relation to the effect milestones may have on the valuations, and instructs an independent valuation expert to provide their own view of the valuation to assist with this. The Committee has a separate meeting with the independent valuation expert to challenge those views ahead of a meeting with the Independent Auditor.

The Committee also assesses the Independent Auditor's work on the valuation, in particular to understand how the Independent Auditor challenged the Investment Manager's key assumptions within the life science valuations. An example this year relates to the Series B financing of OMass which completed after the Group's financial year-end, where the Committee discussed with the Independent Auditor how it had gained comfort over the Investment Manager's judgement to recognise a value uplift at year-end and the range of assumptions considered reasonable by the Independent Auditor – see note 2 for further information.

Although it appears that the COVID-19 pandemic is drawing to an end, at least in the United Kingdom, the Committee has considered any impact on valuation arising from the pandemic. The Committee has also considered any impacts on valuation arising from the war in Ukraine and associated macroeconomic factors. Based on its review, the Committee considers the valuation of these investments to be reasonable and the Committee is satisfied that the Group has valued its interests in accordance with the approved Valuation Policy.

b. 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.

The Investment Manager uses a model originally prepared by PricewaterhouseCoopers LLP ("PwC"), and certain inputs provided by them, to 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 2022 was £2.9 million (31 March 2021: £2.9 million) and the liability related to the cash settled element at 31 March 2022 was £17.8 million (31 March 2021: £32.3 million).

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

The Committee reviews the valuation and has previously met with PwC to discuss the methodology adopted in the model. The Committee has discussions with the Investment Manager to challenge whether key judgements that have been made, such as key assumptions associated with the valuation methodology, are correct. The Committee also assesses the Independent Auditor's work on the value of the incentive scheme to confirm it is satisfied that the Independent Auditor has properly considered key assumptions. Based on those discussions, 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.

Challenge of the Investment Manager's judgements

The Committee considers that a key part of its role is to ensure that the Investment Manager's judgements are challenged appropriately. Key areas of challenge include judgements in the following areas:

- valuation of the MES – see above for further details;
- valuation methodology chosen by the Investment Manager in determining the fair value of unquoted investments – see above for further details; and
- key judgements and key assumptions, including judgements used in the going concern and viability statements.

Effectiveness of the external audit

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 3 August 2021 for the current financial year. John Clacy, previously the lead audit partner and opinion signatory, was required to rotate off the audit during this financial year. Mr Clacy was replaced by Marc Cleeve.

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 focused on audit quality as part of the audit tender process and subsequently with the Independent Auditor during the audit process, particularly around behaviours and mindset, relevant experience of the team, use of specialists and demonstration of scepticism and challenge. In particular, 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 and challenged them on their process and conclusions, in particular around their valuation methodologies, valuation components and valuation outcomes (see above for further details);
- monitored changes to audit personnel;
- 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 Inspection and Supervision Review of Deloitte for the 2020/2021 cycle of reviews;
- discussed if any relationships existed between the auditor and the Company (other than in the ordinary course of business) that would compromise independence; and
- had a private session with the Independent Auditor following the audit to discuss any issues raised by the Independent Auditor in respect of the Investment Manager and/or audit quality.

The Committee also performs a specific evaluation of the performance of the Independent Auditor on an annual basis, including a review of independence and objectivity of the Independent Auditor (see further below). 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.

Audit fees and assessment of independence and objectivity of the Independent Auditor

The Committee conducts an annual assessment of the independence and objectivity of the Independent Auditor and reviews the terms under which the Independent Auditor is appointed to perform permitted non-audit services. In accordance with the non-audit services policy, proposals for all permitted non-audit services must be approved by the Committee in advance and such services must be on the 'white list' included in the policy. Further, proposals for all permitted non-audit services in excess of £15,000 require prior approval from the Committee before being undertaken by the Independent Auditor.

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

	31 March 2022 £'000	31 March 2021 £'000
Audit services		
Audit services	98.0	87.5
Audit fee for Syncona Group companies	112.0	99.5
Non-audit services		
Interim review	30.0	23.0
CASS limited assurance report for SIML	8.0	7.0
Subscription for accounting research tool	1.0	1.0

The Committee reviews the non-audit services policy annually to ensure that there continues to be independence and objectivity of the audit. The Committee does not consider that the provision of the permitted non-audit services is a threat to the objectivity and independence of the audit and Deloitte may only provide such services if their work does not conflict with their statutory responsibilities, ethical guidance and such services are included within the 'white list'. 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.

The Committee has also produced and approved a policy on the recruitment of any employees by the Company or the Investment Manager that are associated with the auditor.

Audit tender process

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 Company has complied with the provisions of the Order in the financial year.

As referenced in the Committee's report last year, the Committee undertook a competitive audit tender process during the year for the appointment of the Independent Auditor for the financial year ended 31 March 2023 onwards.

The tender process was carried out in line with ethical standards, guidance issued by the FRC and the Investment Association and concluded in August 2021. The process was managed by the Audit Tender Steering Group led by the Chair of the Committee, supported by certain members of the Investment Manager's finance team. The Committee held two additional meetings in connection with the tender process, as well as attending the oral presentations.

Four audit firms in Guernsey who the Committee considered had appropriate audit capability (including one non 'Big Four' firm) were invited to tender. This list included Deloitte who were the incumbent auditor. Two firms declined to tender due to potential conflicts. Formal written tenders were received from two firms which were followed by an oral presentation by each firm attended by the Committee and the Steering Group, allowing for a question-and-answer session with key members of each firm's proposed audit team. The tendering firms were evaluated against key selection criteria set by the Committee in a scorecard format, focusing on the strength and depth of expertise in the team, in particular around life science and valuation experience.

Following the presentations, the Committee reviewed and discussed the outcomes of the presentations and responses. After considering the findings and debate, the Committee recommended both firms to the Board, with Deloitte identified as the preferred choice. In making this recommendation the Committee considered the fact that Deloitte were the incumbent auditor and there was a risk to independence due to the long tenure of appointment, but considered that of the firms who had chosen to tender, its experience and capabilities in the life sciences sector made it the preferred choice.

In August 2021, the Board agreed to recommend that Deloitte be re-appointed as the Independent Auditor for the financial year ended 31 March 2023. The re-appointment is subject to shareholder approval being received at the 2022 AGM.

Risk management and internal control

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.

Following such review by the Committee, and taking into account feedback received from the Board, Audit Committee and the Investment Manager, the Company's principal risks were updated this year in line with our risk management processes and are summarised on pages 48-53. Key amendments to the principal risks include particular processes now being in place to identify emerging risks and thematic grouping of risks into three categories covering business model risks (acknowledging the concentration risk that the Group has in cell and gene therapy portfolio companies), operational execution risks (focusing on key man risk and risks inherent in the small investment team) and financing risks (particularly in light of market sentiment and shifts that we have witnessed this year in the life sciences sector more broadly). Work was also undertaken to review and determine how climate-related risks were addressed in the Company's risk management processes.

As part of the effectiveness review, the Committee also carried out a detailed assessment of the control framework and included an assessment of any fraud risks. 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 controls are maintained and implemented on an ongoing basis by the Investment Manager, working with the Administrator. Key internal controls include the separate role of the Administrator in maintaining the financial records of the Group, and the Custodian in overseeing the investment assets; the existence of an Investment Committee, Valuation Committee and Liquidity Management Committee within the Investment Manager to approve investment decisions and capital allocation; and processes to determine and review valuations of investments. The effectiveness review includes compliance with legal requirements, preventing and detecting fraud and bribery, anti-money laundering and whistleblowing arrangements. The Committee also discussed the risk events and breaches that occurred in the year and the actions taken in response to them.

Key amendments to the control framework included the implementation of additional policies in a number of areas, including sustainability, to help mitigate risks and increased controls to help prevent fraud and corruption within the Group and against the Group.

Following the review, 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 considers that the systems and procedures employed by the Investment Manager, the Administrator and the Custodian 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.

During the year the Committee discussed the implementation of an Audit and Assurance Policy for the Group. It was agreed that it would be in line with best practice to implement such a policy and work has begun on preparing a policy.

Climate-related matters

During the year, the Committee assessed the materiality of climate-related matters to the Group and how climate-related risks and opportunities should be addressed and the impact of these matters in the preparation of the Consolidated Financial Statements.

The Committee concluded that climate-related risks continue to not be material to the Group, and that they could accordingly be addressed within the Group's existing risk management processes to address them. Given the increase in our stakeholders' interest on this topic, the Audit Committee continues to monitor this matter each year.

Committee evaluation and effectiveness

During the year, the Committee undertook its annual review of effectiveness against its Terms of Reference and concluded that it had performed its responsibilities effectively and that it had met its key priorities for the year.

Conclusion and recommendation

After discussing with the Investment Manager and Independent Auditor and assessing the Significant Financial Statement matters listed on page 88, 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 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. 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. Following the outcome of the formal audit tender process this year, and in considering the work that the Independent Auditor has undertaken this year, the Committee has recommended, and the Board has agreed to recommend to shareholders, that Deloitte be reappointed as the Independent Auditor for the next financial year. The re-appointment is subject to shareholder approval at the 2022 AGM.

The Committee Chair attends each Annual General Meeting to respond to any questions on matters not addressed in the foregoing.

Rob Hutchinson
Chair, Audit Committee
15 June 2022

Gian Piero Reverberi
Chair, Remuneration Committee

Remuneration Committee members and structure

The Committee's members in the year were:

	Meetings attended
Gian Piero Reverberi (Chair from 1 January 2022)	4/4
Melanie Gee	4/4
Virginia Holmes	4/4
Rob Hutchinson	4/4
Nicholas Moss (resigned from the Committee on 31 December 2021; Chair until 31 December 2021)	3/3

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 Board has also appointed Cristina Csimma to join the Committee from 1 July 2022.

The Committee meets as required and expects to meet at least three times each year. The table above 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 2022, which sets out the work performed by the Committee.

It has been a privilege to take over chairing the Committee during the year. I would like to extend my, and the Committee's, thanks to Nicholas Moss for all of his work as Chair of the Committee over the last four years.

Role of the Committee

The Committee's role is to:

- approve 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;
- oversee and operate the incentive scheme that provides long-term rewards to the staff of the Investment Manager; and
- set the remuneration policy and remuneration of the CEO of the Investment Manager.

The Company has no Executive Directors and accordingly the Committee does not have any responsibilities for reviewing Executive Director remuneration.

The Committee's Terms of Reference were revised earlier this year to reflect the new responsibilities of the Committee and the updated version is available on the Company's website synconaltd.com.

The Committee retains PricewaterhouseCoopers LLP (PwC) to provide independent professional advice on remuneration issues.

During the year, PwC provided the Committee with an update on the remuneration landscape for listed companies, and also provided advice to support work by the Committee in reviewing the fees paid to the Chair and Non-Executive Directors. The Committee has reviewed the advice provided to it by PwC during the year and is satisfied that it has been objective and independent. The total fees of PwC for the advice during the year were £22,500 (excluding VAT) (2021: £13,900 (excluding VAT)). PwC also separately advise the Company and the Investment Manager on tax compliance and the Company on the valuation, accounting treatment and process relating to the issue of awards under the incentive scheme, but do not have any other connection with the Company or individual Directors.

Remuneration Policy for Non-Executive Directors and Director fees

A Remuneration Policy for Non-Executive Directors was approved by shareholders at the AGM on 28 July 2020. The Remuneration Policy can be found on page 96. The Remuneration Policy is reviewed annually to ensure that it remains appropriate.

During the year, and as reported in the Committee's report for 2020/1, the Committee reviewed the fees paid to the Chair of the Board and to Non-Executive Directors generally. These were last fully reviewed in October 2017 and the Committee considered it was important to ensure that Board remuneration remained at a level that enables the Board to recruit and retain Directors with the skill sets and diversity required. Changes have been approved to take effect from 1 April 2022 and are set out in further detail below.

In addition, the Committee was grateful for the support of shareholders at the Company's AGM on 3 August 2021, to increase the limit on the aggregate fees paid to the Directors in any year to £1,000,000.

Incentive scheme

The Committee is responsible for approving the making of awards under the incentive scheme that provides long-term rewards to the staff of the Investment Manager, and in which most of the staff of the Investment Manager participate. Further details of the scheme can be found in the summary of the Investment Manager's approach to remuneration on page 97. In line with its normal practice, the Committee approved awards in July 2021 and made one further award in November 2021 to a member of staff when they became eligible for an award.

During the year the Committee discussed its process for making awards, and has agreed that with effect from awards made in 2022 it will only approve individual awards for specific senior members of staff of the Investment Manager and will delegate authority to approve individual awards for other staff to the Investment Manager, within designated bands.

> **"The incentive scheme aligns the team of the Investment Manager with delivering shareholder returns and a positive impact on society"**

As previously reported, the Committee carried out a review of the terms and operation of the incentive scheme during 2019/20. The Committee concluded that the incentive scheme remains fit for purpose, aligning the team of the Investment Manager with the Company's strategy by ensuring that a material part of individual compensation is directly tied to gains in the Company's life science portfolio, which is the key driver of shareholder returns, and that the staged realisation structure ensures that rewards are principally driven by long-term performance rather than short-term changes in valuation. In line with its normal cycle the Committee intends to carry out a further review of the scheme during 2022/3.

Remuneration of Investment Manager staff

The remuneration policy for, and remuneration of, the staff of the Investment Manager is determined by the Investment Manager, with the exception of awards under the incentive scheme, where the Committee is involved as set out above, and the remuneration policy and remuneration of the CEO, as described below.

The Committee reviews the overall employee cost of the Investment Manager on an annual basis. A summary of the Investment Manager's approach to remuneration is set out on page 97. 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.

As noted above, during the year the Board agreed that the Committee should also take responsibility for setting the remuneration policy and remuneration of the CEO of the Investment Manager. The Committee expects to establish its processes to do this over the next financial year.

The Committee has also begun to consider how sustainability issues should impact remuneration policy. As described elsewhere in this Annual Report, the Board believes our core activities have the potential for transformational impact on patients in areas of high unmet need whilst also providing strong risk-adjusted returns for shareholders. The team of the Investment Manager is incentivised to create value through building valuable businesses that deliver new treatments for patients, and as such we believe the existing incentive structures already align the team with delivering a positive impact on society. In addition, part of the team's annual objectives relate to implementation of our wider sustainability policies and these feed into performance and bonus assessments. As our sustainability implementation matures, the Committee expects there will be further discussion within the Investment Manager around additional sustainability metrics for remuneration.

Committee evaluation and effectiveness

During the year, the Committee completed its annual review of effectiveness, and concluded that it had performed its responsibilities effectively.

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.

During the year, the Committee conducted a detailed review of the fees paid to the Chair and Non-Executive Directors (which were last fully revised with effect from 1 October 2017), to ensure they remain appropriate to recruit high quality directors with appropriate skills and other attributes, and fairly remunerate them for the work performed. As part of this evaluation, the Committee consulted with PwC, conducted benchmarking against comparable peer groups (taking account of the Company's structure as a self-managed investment company, its business model of founding and building early stage life science businesses, and the Company's market capitalisation). The Committee also reviewed the responsibilities undertaken by the Chair and Non-Executive Directors including time spent on the respective roles and the extent to which these have changed since 2017 as the Company's life science business has evolved. Following the review, the Board approved, on the recommendation of the Committee, an increase in annual base fees to the Chair and Non-Executive Directors with effect from 1 April 2022. The Board also approved additional allowances in two situations, namely for Directors who also serve as a director of the Company's Guernsey subsidiary companies, and a travel time allowance for meetings attended outside the Director's continent of residence.

Details of the previous and revised fees are set out below. Following these changes, the Committee does not anticipate any significant change to the way in which the Remuneration Policy is implemented 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 Increased to £125,000 with effect from 1 April 2022
Director	£45,000 Increased to £50,000 with effect from 1 April 2022
Senior Independent Director	£10,000 additional fee
Chair of Audit Committee	£15,000 additional fee
Member of Audit Committee (other than Chair)	£5,000 additional fee
Chair of Remuneration Committee	£5,000 additional fee
Director of Guernsey subsidiary companies	£10,500 additional fee payable from 1 January 2022
Travel time allowance	£2,500 additional allowance for each meeting attended outside the Director's continent of residence payable from 1 January 2022

The fee paid to each Director is set out in the single total figure table opposite.

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 2022, the fees for Directors were as follows:

	31 March 2022 £'000	31 March 2021 £'000
Melanie Gee (Chair)	100	100
Julie Cherrington[1]	10	–
Cristina Csimma[1]	10	–
Thomas Henderson[2]	–	–
Virginia Holmes	53	12
Rob Hutchinson	63	60
Nigel Keen[3]	34	45
Kemal Malik	50	38
Nicholas Moss[4]	49	55
Gian Piero Reverberi	52	45
Total	419	386

1 Julie Cherrington and Cristina Csimma were appointed to the Board on 1 February 2022.
2 Thomas Henderson retired from the Board on 3 August 2021. Mr Henderson had waived his right to receive fees.
3 Fees paid to Imperialise Limited, a company controlled by Nigel Keen. Mr Keen retired from the Board on 31 December 2021. In addition, Mr Keen was the Chair of the Investment Manager and received a fee of £136,766 per annum, payable by the Investment Manager, in respect of his services to the Investment Manager. Mr Keen also retired as Chair of the Investment Manager on 31 December 2021; following his retirement he received a payment in April 2022 of £91,612 consisting of contractual notice pay and an ex gratia payment of £42,341.
4 Nicholas Moss retired from the Board on 31 December 2021.

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 2022 or future years.

	For the year ended 31 March 2022 £'000	For the year ended 31 March 2021 £'000	Difference £'000
Total Directors' pay	419	386	
Dividends	0	0	0
Directors' pay as a % of distributions to shareholders	N/A	N/A	-

Results of the voting at the 2021 AGM

At the 2021 AGM, shareholders approved the remuneration report that was published in the 2021 Annual Report. The results for this vote are shown below:

Resolution	Votes for	% for	Votes against	% against	Withheld	Discretion
Approval of the Directors' remuneration report	483,970,337	99.67%	1,618,992	0.33%	9,883	0

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 2 August 2022.

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 2022 are shown in the table below.

	Ordinary Shares	
	31 March 2022	31 March 2021
Melanie Gee (Chair)	76,500	26,500
Julie Cherrington[1]	–	–
Cristina Csimma[1]	–	–
Virginia Holmes	38,000	38,000
Rob Hutchinson	94,827	68,827
Kemal Malik	11,475	11,475
Gian Piero Reverberi	50,000	50,000

1 Julie Cherrington and Cristina Csimma were appointed to the Board on 1 February 2022.

Gian Piero Reverberi
Chair, Remuneration Committee
15 June 2022

Remuneration Policy

This is the Remuneration Policy for the Non-Executive Directors of the Company, as approved by shareholders at the Company's Annual General Meeting on 28 July 2020.

The Remuneration Policy set out below will apply 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.

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 the aggregate fees payable in any year are restricted to a maximum of £1,000,000. 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.

Table of Directors' remuneration components

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 team. This approach applies to the entire team, although adjustments may be made for employees who live outside the UK to take account of local requirements.

The policy and components of current remuneration are set out below, and are intended to ensure that there is alignment with the Syncona purpose, strategy and values. 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, which may include 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 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 moved by a total of £574.7 million, of which £727.8 million is a realised gain.

In the 12 months to 31 March 2022 the following payments were made as a result of realisations of MES:

- In July 2021, a cash payment of £8.4 million was made to MES holders (total since December 2016: £18.8 million).
- In July 2021, 2,153,171 Ordinary Shares were issued to MES holders (valued at £4.8 million at the time of issue); these shares are subject to a 12 month lock-up (total since December 2016: 4,672,025 shares valued at £10.7 million at the time of issue).
- At 31 March 2022: 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 £17.8 million (see note 12). Of that amount, a maximum of £9.4 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 6,880,057 (taking account of all MES, whether vested or not vested, and based on the share price at 31 March 2022 of £1.60/share), equal to 1.03 per cent of the number of Ordinary Shares in issue at that date. Of those shares, a maximum of 3,316,834 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.

The Directors present their Annual Report and Audited Consolidated Financial Statements for the year ended 31 March 2022, 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, the Investment Manager. Its company secretarial and administrative functions are outsourced to Citco Fund Services (Guernsey) Limited, with further support and oversight provided by the Investment Manager. 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 100.

Investment Manager

The investment portfolio is managed by the Investment Manager, which 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. In addition, the Company has in place 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.

Expenses

Management fees paid to the Investment Manager in 2022 totalled £10.7 million (2021: £8.2 million); 0.82 per cent of NAV for the 12 months (2021: 0.63 per cent of NAV). The ongoing charges ratio, which includes the management fee, costs and reduction in value associated with the Company's incentive scheme and costs incurred in running the Company, was 0.48 per cent (2021: 1.54 per cent).

Directors

Biographical details of the current Directors of the Company are shown on pages 80 and 81. Details of the Directors' shareholdings are included in the Directors' remuneration report on page 95.

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 2022, the Company had 666,733,588 nil paid Ordinary Shares in issue. No shares were held in treasury. The total number of voting rights at 31 March 2022 was 666,733,588. 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 2022, 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	27.90
Schroders plc	40,386,504	6.06
Waverton Investment Management Limited	34,026,037	5.10

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 109.

No dividend was declared in the year ending 31 March 2022 (31 March 2021: £0.00), and the Company does not intend to declare a dividend in relation to the year ended 31 March 2023 or in future years.

Going concern

The financial statements are prepared on a going concern basis. The net assets held by the Group and within investment entities controlled by the Group currently consist of securities and cash amounting to £1,309.8 million (31 March 2021: £1,300.3 million) of which £764.7 million (31 March 2021: £544.7 million) are readily realisable within three months in normal market conditions, and liabilities including uncalled commitments to underlying investments and funds amounting to £88.5 million (31 March 2021: £115.5 million).

Given the Group's capital pool of £784.9 million[1] (31 March 2021: £578.2 million) the Directors consider that the Group has adequate financial resources to continue its operations, including existing commitments to its investments and planned additional capital expenditure for 12 months following the approval of the financial statements. The Directors also continue to monitor the potential future impact of COVID-19, the war in Ukraine and the ever changing macro environment on the Group. Hence, the Directors believe 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 2 August 2022 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.

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 (subject to review each year). Of this donation, in the current year 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.

Further details of the Company's charitable donations are set out in the Sustainability section of the Strategic Report on pages 54-71 and in the Company's separate Sustainability Report, available on its website.

Stakeholders, emissions and other matters

For stakeholder information, see Our stakeholders section. For emissions reporting, see Strategic Report. For future developments, see Strategic Report and for post-balance sheet events, see note 21 of the Consolidated Financial Statements. For information regarding financial instruments, see notes 17 and 18 of the Consolidated Financial Statements.

The Directors have considered the relevance of the risks of climate change and transition risks in the preparation of the Consolidated Financial Statements and confirm that the financial impact of climate-related matters, to the extent relevant to the Company, has been incorporated into the Consolidated Financial Statements.

The Directors have considered the impact of events in Russia and Ukraine in the preparation of the Consolidated Financial Statements and confirm that the financial impact of such matters, to the extent relevant to the Company, has been incorporated into the Consolidated Financial Statements.

1 Refer to glossary

Other information

Under Listing Rule 9.8.4CR, a listed company must include all information required by LR 9.8.4R in a single identifiable location or a cross-reference table indicating where that information is set out.

For the purposes of LR 9.8.4CR, the information that is required to be disclosed by LR 9.8.4R can be found as per the below table.

Requirement	Location
Interest capitalised	Not applicable
Unaudited financial information	Not applicable
Long-term incentive schemes	Audit Committee Report Remuneration Committee Report
Waiver of emoluments / future emoluments by a director	Not applicable
Non pre-emptive issues of equity for cash	Not applicable
Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings	Not applicable
Information for unlisted major subsidiary undertaking	Not applicable
Parent undertaking details	Not applicable
Contract of significance	Not applicable
Controlling shareholder provision of services	Not applicable
Dividend waiver by shareholders	Not applicable
Future dividend waiver by shareholders	Not applicable
Agreements with controlling shareholders	Not applicable

All the relevant information cross-referenced above is hereby incorporated by reference into this Directors' report.

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 2023 and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting. The Audit Committee carried out a tender for the role of Independent Auditor during the financial year and the Board recommends that Deloitte LLP continues as auditor.

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 Auditor is aware of that information.

Signed on behalf of the Board.

Melanie Gee

Melanie Gee
Chair
15 June 2022

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

– the financial statements include information and details in the Chair's statement, the Strategic Report, the Corporate governance report, the Directors' report and the notes to the Consolidated 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 15 June 2022 and is signed on its behalf by:

Melanie Gee
Melanie Gee
Chair

Rob Hutchinson
Non-Executive Director

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 2022 and of its profit for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **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 listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group for the year are disclosed in note 9 to the financial statements. 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.

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 Portfolio; and
- Valuation of the Long-Term Incentive Plan ("LTIP") Liability.

Within this report, key audit matters are identified as follows:

Newly identified
Increased level of risk
Similar level of risk
Decreased level of risk

Materiality

The materiality that we used in the current year was £25.7 million which was determined on the basis of approximately 2% of 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

There have been no significant changes in our audit approach.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's going concern paper, identifying the assumptions applied in the going concern assessment and testing the mechanical accuracy of the underlying forecasts;
- Performing sensitivity analysis on the key assumptions applied to understand those that could potentially give rise to a material uncertainty in respect of the use of the going concern basis;
- Checking consistency of the forecast assumptions applied in the going concern assessment with other forecasts, including investment funding and valuation assumptions;
- Assessing the liquidity position of the Group and the underlying entities in the investment structure by evaluating the impact of near term requests for capital from the portfolio of life science investments. This included scenarios where cash outflows are over and above commitments and anticipated deployment of funds into life science investments totalling £150 million – £250 million;
- We considered the mitigating actions identified by management as available responses to liquidity risks, principally the ability to utilise cash totalling £485.2 million held in the Group and the underlying entities in the investment structure, as well as the realisation of UK treasury bills with an aggregate value at 31 March 2022 of £180.0 million, also held in Syncona Investments LP Incorporated; and
- Evaluated the disclosures made in relation to going concern within note 2.

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

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

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.

Our assessment of fraud risk factors related to the Valuation of the LTIP has identified that the key area of potential manipulation and fraud risk relates to the matters already identified for the key judgements in the valuation of unquoted life science portfolio, on the basis the settlement of the awards reflects the prevailing performance of the portfolio. As a result, we have presented this as representing a decreased level of risk 5.2 but continue to include this as a key audit matter as a reflection of the relative audit effort required.

5.1. Key judgments in the valuation of unquoted life science portfolio

Key audit matter description

The Group holds unquoted life science investments with a fair value of £325.7 million through Syncona Portfolio Limited, a direct subsidiary of Syncona Holdings Limited, and £28.1 million through Syncona Discovery Limited, a direct subsidiary of Syncona Investments LP Incorporated ("life science investments"). The unquoted life science investments constitute 24.9% of the Group NAV. In addition, the life science portfolio includes "milestone payments" related to contractual deferred contingent consideration due to Syncona Portfolio Limited from the sale of Gyroscope Therapeutics Ltd ("Gyroscope"), with a reported fair value of £49.8 million (3.5% of the Group NAV).

The Group records its interests in Syncona Holdings Limited and Syncona Investments LP Incorporated at fair value. The amounts are based on the fair value of underlying unquoted life science investments and other assets and liabilities, and 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.

The portfolio is 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 (held through Syncona Discovery Limited) is based on the valuation provided by Sixth Element Capital LLP, the underlying Investment Manager using a Discounted Cash Flow ("DCF") for those investments. These investments are adjusted by management to apply the policies, discount rates and/or 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.
- A discounted cash flow was prepared for the Gyroscope milestone payments using the contractual cash flows, adjusted for probability of success rates and discounted to present value.

The valuation was prepared by the Investment Manager, Syncona Investment Management Limited ("SIML") and the Board also commissioned an independent advisor to provide an alternative valuation for certain investments.

In addition to the judgement inherent in the valuation of these investments, management may seek to manipulate the valuation of the life science investments and milestone payments to influence key performance indicators. As such there is an incentive to overstate investment valuation and we identified this as a potential area for fraud.

Details of the life science investments balance and milestone payments are disclosed in notes 7, 17, 18 and 19 and the accounting policies relating to them are disclosed in note 2. Critical accounting judgements and key sources of estimation uncertainty are described in note 3 and the Audit Committee Report on page 88.

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 2022 we performed the following procedures:

- Obtained an understanding of and tested relevant 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 and the Ukraine-Russia War 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;
- Evaluated the competence, capability and objectivity of the Group's independent advisor; and
- Analysed the valuations performed by the independent advisor, and challenged the directors' rationale for adopting 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 method to determine 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 has been any indication of a change in fair value since the latest funding round on an investment by investment basis;
– Searched for contradictory evidence in reports and information obtained from the portfolio companies to assess progress against technical milestones anticipated by the investment thesis in the last funding round;
– 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;
– Challenged management's assumptions over the appropriateness of the valuation methodology used, and whether other valuation methods may have been more appropriate, including comparison to independent valuations performed by management's expert; and
– Assessed whether the disclosures made were in accordance with IFRS 13.

In respect of the milestone payments, we performed the following additional procedures:

– Reviewed the terms of the sale of Gyroscope and the accounting paper prepared by management in consideration of relevant guidance to assess the appropriateness of the recognition and measurement policy adopted for the milestone payments;
– Challenged management on the valuation methodology used in light of our understanding of general practice in the sector and through consultation with specialists; and
– Reconciled inputs used in the discounted cash flow model with contractual terms and challenged the assumptions used in the calculation of the fair value, including the probabilities of success and discount rate, with reference to published benchmarks and independently determined ranges.

Key observations
We concluded that the methodologies and assumptions applied by management in arriving at the fair value of the Group's unquoted life science portfolio were reasonable, and that the resulting valuations are appropriately stated.

5.2. Valuation of the Long-Term Incentive Plan ("LTIP") Liability

Key audit matter description
Employees of Syncona Investment Management Limited ("SIML") are entitled to participate in an Incentive Scheme (the "LTIP") and Syncona Holdings Limited may award Management Equity Shares ("MES") to those employees. 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 issued in the year ended 31 March 2022 was £2.9 million (31 March 2021: £2.9 million) and the carrying amount of the cash element of the liability arising for the year ended 31 March 2022 was £17.8 million (31 March 2021: £32.3 million).

The Board previously commissioned an independent expert to value the LTIP in accordance with IFRS 2 Share-based Payment ("IFRS 2") and the model developed for this purpose has been utilised by management for determining the 31 March 2022 LTIP value.

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 88.

How the scope of our audit responded to the key audit matter
To respond to the key audit matter, we have performed the following audit procedures:

– We obtained an understanding of relevant controls relating to the valuation of the LTIP;
– We evaluated the competence, capability and objectivity of the Group's independent expert, who were engaged to provide discount rates;
– We have reviewed the accounting considerations around the award 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 the value 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 involved our modelling specialists to assess the mechanical accuracy, design and structure of the model used to calculate the fair value of the LTIP;
– We have performed procedures as noted in the key audit matter relating to key judgements in the valuation of unquoted life science investments over the life science investment valuation, as this is a key input into the model; and
– We have reviewed the disclosures in the notes to the financial statements for the LTIP to assess whether they meet the requirements of IFRS 2.

Key observations
We conclude that the valuation of the LTIP liability at 31 March 2022 and the related disclosures are appropriate.

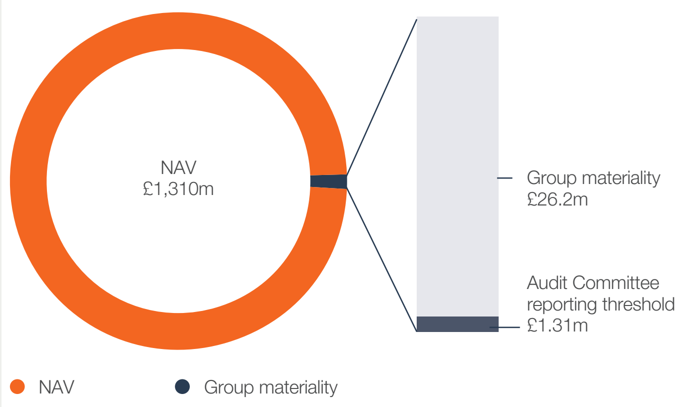
6. Our application of materiality

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:

Group materiality	£26.2 million (2021: £25.7 million)
Basis for determining materiality	2% (2021: 2%) of Net Asset Value
Rationale for the benchmark applied	The Group's investment objective is to achieve superior long-term capital appreciation from its investments. We therefore evaluated the Group's NAV as the most appropriate benchmark as it is one of the principal considerations for members of the Group in assessing financial performance and represents total shareholders' interest.



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 2022 audit (2021: 70%). In determining performance materiality, we considered the following factors:

– our risk assessment, including our assessment of the Group's overall control environment, including that of the administrator;
– the performance of the Group during the year ended 31 March 2022, in particular the resilience of the Group's results against the impact of COVID-19 on the UK and global economy; and
– 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 £1.31million (2021: £1.29 million), 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

7.1. Scoping

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 statutory levels of materiality applicable to each entity (Syncona GP Ltd set at £0.2 million (2021: £0.2 million)).

7.2. Our consideration of the control environment

The accounting function for the Group and parent company is provided by a third-party administrator. In performing our audit, we obtained an understanding of relevant controls at the administrator that are relevant to the business processes of the Group and parent company.

We have decided not to rely on controls as the Group and parent company does not perform significant automated processing of large volumes of data and the control environment is predominantly manual in nature.

7.3. Our consideration of climate related risks

As part of our audit we made enquiries of management to understand the process they have adopted to assess the potential impact of climate change on the financial statements. Management considers that the impact of climate change does not give rise to a material financial statement impact. We used our knowledge of the Group to evaluate management's assessment. We particularly considered how climate change risks could impact the assumptions, such as funding requirements for portfolio companies, considered in the valuation of the Unquoted Life Science Portfolio. We also considered the consistency of the disclosures in relation to climate change made in the other information within the Annual Report with the financial statements and our knowledge from our audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 Group 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.

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

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

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 the investment manager and directors' remuneration, bonus levels, performance targets and incentive scheme;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board on 31 January 2022;
- 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 and relevant internal specialists, including tax, valuations and industry specialists 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:

- Key judgements in the Valuation of unquoted Life Science Portfolio.

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 frameworks 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, the Listing Rules and relevant tax legislation.

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. These included the Company's regulatory licences under The Protection of Investors (Bailiwick of Guernsey) Law, 2020.

11.2. Audit response to risks identified

As a result of performing the above, we identified key judgements in the valuation of unquoted life science portfolio (including milestone payments) as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains this matter in more detail and also describes the specific procedures we performed in response to this key audit matter.

In addition to the above, 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 and the audit committee 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, reviewing internal audit reports 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 including internal specialists, 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. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 98;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 47;
- the directors' statement on fair, balanced and understandable set out on page 101;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 101;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 90; and
- the section describing the work of the audit committee set out on pages 87-91.

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 which we are required to address

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 period from 14 August 2012 (date of incorporation) to 25 October 2012 and subsequent financial periods/years. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is eleven periods/years, covering the periods/years ending 25 October 2012 to 31 March 2022.

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 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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Marc Cleeve, FCA
For and on behalf of Deloitte LLP
Recognised Auditor

St Peter Port, Guernsey

15 June 2022

Unaudited Group Portfolio Statement
As at 31 March 2022

	2022		2021	
	Fair value £'000	% of Group NAV £'000	Fair value £'000	% of Group NAV £'000
Life science portfolio				
Life science companies				
Achilles Therapeutics plc	24,810	1.9	133,127	10.2
Anaveon AG	59,818	4.6	18,575	1.4
Autolus Therapeutics plc	61,979	4.7	81,180	6.2
Cambridge Epigenetix Limited	17,345	1.3	–	–
Freeline Therapeutics Holdings plc	32,277	2.5	167,902	12.9
Gyroscope Therapeutics Limited	–	–	150,062	11.5
OMass Therapeutics Limited	34,712	2.7	16,436	1.3
Purespring Therapeutics Limited	18,500	1.4	–	–
Quell Therapeutics Limited	81,416	6.2	35,069	2.7
SwanBio Therapeutics Limited	75,103	5.7	53,689	4.1
Companies of less than 1% of NAV	40,929	3.1	29,526	2.4
Total life science companies(1)	446,889	34.1	685,566	52.7
CRT Pioneer Fund(2)	28,183	2.2	36,576	2.8
Milestone payments	49,802	3.8	–	–
Total life science portfolio(3)	524,874	40.1	722,142	55.5
Capital pool investments				
UK treasury bills	179,984	13.7	344,862	26.5
Capital pool investment funds	99,489	7.6	–	–
Legacy funds	39,857	3.1	72,366	5.6
Total capital pool investments(2)	319,330	24.4	417,228	32.1
Other net assets				
Cash and cash equivalents(4)	485,223	37.0	199,833	15.4
Charitable donations	(4,250)	(0.3)	(4,710)	(0.4)
Other assets and liabilities	(15,336)	(1.2)	(34,204)	(2.6)
Total other net assets	465,637	35.5	160,919	12.4
Total NAV of the Group	1,309,841	100.0	1,300,289	100.0

(1) The fair value of Syncona Holdings Limited amounting to £980,282,165 (31 March 2021: £956,279,205) is comprised of investments in life science companies of £446,888,721 (31 March 2021: £685,566,309), investments in Syncona Investment Management Limited of £5,822,250 (31 March 2021: £5,752,423), milestone payments on Gyroscope sale of £49,801,548 (31 March 2021: £Nil), other net assets of £482,281,565 (31 March 2021: £269,383,714) in Syncona Portfolio Limited and other net liabilities of £4,511,919 (31 March 2021: £4,422,241) in Syncona Holdings Limited.

(2) The fair value of the investment in Syncona Investments LP Incorporated amounting to £342,949,949 (31 March 2021: £371,667,317) is comprised of the investment in the capital pool investments of £319,330,598 (31 March 2021: £417,227,726), the investment in the CRT Pioneer Fund of £28,183,492 (31 March 2021: £36,576,032), cash of £475,786,299 (31 March 2021: £189,439,798) and other net liabilities of £480,350,440 (31 March 2021: £271,576,239).

(3) The life science portfolio of £524,873,761 (31 March 2021: £722,142,341) consists of life science investments totalling £446,888,721 (31 March 2021: £685,566,309), milestone payments on Gyroscope sale of £49,801,548 held by Syncona Holdings Limited and CRT Pioneer Fund of £28,183,492 (31 March 2021: £36,576,032) held by Syncona Investments LP Incorporated.

(4) Cash amounting to £275,902 (31 March 2021: £13,916) is held by Syncona Limited. The remaining £484,947,557 (31 March 2021: £199,819,232) 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 since it is included within financial assets at fair value through profit or loss.

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 2022

		2022			2021		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment income							
Other income	6	25,391	–	25,391	19,934	–	19,934
Total investment income		25,391	–	25,391	19,934	–	19,934
Net (losses)/gains on financial assets at fair value through profit or loss	7	–	(6,698)	(6,698)	–	58,605	58,605
Total (losses)/gains		–	(6,698)	(6,698)	–	58,605	58,605
Expenses							
Charitable donations	8	4,250	–	4,250	4,710	–	4,710
General expenses	9	5,605	–	5,605	20,671	–	20,671
Total expenses		9,855	–	9,855	25,381	–	25,381
Profit/(loss) for the year		15,536	(6,698)	8,838	(5,447)	58,605	53,158
Profit/(loss) for the year after tax		15,536	(6,698)	8,838	(5,447)	58,605	53,158
Earnings/(loss) per Ordinary Share	14	2.34p	(1.01)p	1.33p	(0.82)p	8.82p	8.00p
Earnings/(loss) per Diluted Share	14	2.31p	(1.00)p	1.31p	(0.81)p	8.74p	7.93p

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.

The profit/(loss) 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.

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Financial Position
As at 31 March 2022

	Notes	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	10	**1,323,232**	1,327,946
Current assets			
Bank and cash deposits		**276**	14
Trade and other receivables	11	**9,878**	10,446
Total assets		**1,333,386**	1,338,406
LIABILITIES AND EQUITY			
Non-current liabilities			
Share based payments	12	**8,459**	23,505
Current liabilities			
Share based payments	12	**9,388**	8,836
Payables	13	**5,698**	5,776
Total liabilities		**23,545**	38,117
EQUITY			
Share capital	14	**767,999**	767,999
Capital reserves	14	**530,449**	537,147
Revenue reserves		**11,393**	(4,857)
Total equity		**1,309,841**	1,300,289
Total liabilities and equity		**1,333,386**	1,338,406
Total net assets attributable to holders of Ordinary Shares		**1,309,841**	1,300,289
Number of Ordinary Shares in issue	14	**666,733,588**	664,580,417
Net assets attributable to holders of Ordinary Shares (per share)	14	**£1.96**	£1.96
Diluted NAV (per share)	14	**£1.94**	£1.94

The audited Consolidated Financial Statements were approved on 15 June 2022 and signed on behalf of the Board of Directors by:

Melanie Gee

Melanie Gee
Chair

Rob Hutchinson
Non-Executive Director

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Changes in Net Assets Attributable to Holders of Ordinary Shares
For the year ended 31 March 2022

	Notes	Share capital £'000	Capital reserves £'000	Revenue reserves £'000	Total £'000
As at 31 March 2020		767,999	478,542	–	1,246,541
Total comprehensive income for the year		–	58,605	(5,447)	53,158
Transactions with shareholders:					
Share based payments		–	–	590	590
As at 31 March 2021		767,999	537,147	(4,857)	1,300,289
Total comprehensive income for the year		–	(6,698)	15,536	8,838
Transactions with shareholders:					
Share based payments		–	–	714	714
As at 31 March 2022		767,999	530,449	11,393	1,309,841

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Cash Flows
As at 31 March 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Profit for the year		8,838	53,158
Adjusted for:			
Losses/(gains) on financial assets at fair value through profit or loss	7	6,698	(58,605)
Non-cash movement in share based payment provision		(15,764)	6,374
Operating cash flows before movements in working capital		(228)	927
Decrease/(increase) in trade and other receivables		568	(1,315)
(Decrease)/increase in other payables		(78)	385
Net cash generated from/(used in) from operating activities		262	(3)
Net increase/(decrease) in cash and cash equivalents		262	(3)
Cash and cash equivalents at beginning of the year		14	17
Cash and cash equivalents at end of the year		276	14

Cash held by the Company and Syncona Group companies is disclosed in the Group Portfolio Statement.

The accompanying notes are an integral part of the financial statements.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2022

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".

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 within the Annual Report and Accounts.

2. Accounting policies

The Group's investments in life science companies, other investments within the life science portfolio and capital pool investments are held through the Holding Company and the Partnership, which are measured at fair value through profit or loss in accordance with the requirement of IFRS 10 "Consolidated Financial Statements".

Statement of compliance

The Consolidated Financial Statements which give a true and fair view are prepared in accordance with IFRS as adopted by the European Union and are in compliance with The Companies (Guernsey) Law, 2008. The Consolidated Financial Statements were approved by the Board and authorised for issue on 15 June 2022.

Information reported to the Board (the Chief Operating Decision Maker ("CODM")) for the purpose of allocating resources and monitoring performance of the Group's overall strategy to found, build and fund companies in innovative areas of healthcare, consists of financial information reported at the Group level. The capital pool is fundamental to the delivery of the Group's strategy and performance is reviewed by the CODM only to the extent this enables the allocation of those resources to support the Group's investment in life science companies. There are no reconciling items between the results contained within this information and amounts reported in the financial statements. IFRS requires operating segments to be identified on the basis of the internal financial reports that are provided to the CODM, and as such the Directors present the results of the Group as a single operating 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 and presentational 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 any dividends declared 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.

£ is also the Group's presentational currency.

Going concern

The financial statements are prepared on a going concern basis. The net assets held by the Group and within investment entities controlled by the Group currently consist of securities and cash amounting to £1,309.8 million (31 March 2021: £1,300.3 million) of which £764.7 million (31 March 2021: £544.7 million) are readily realisable within three months in normal market conditions, and liabilities including uncalled commitments to underlying investments and funds amounting to £88.5 million (31 March 2021: £115.5 million).

Given the Group's capital pool of £784.9 million (31 March 2021: £578.2 million) the Directors consider that the Group has adequate financial resources to continue its operations, including existing commitments to its investments and planned additional capital expenditure for 12 months following the approval of the financial statements. The Directors also continue to monitor the potential future impact of COVID-19, the war in Ukraine and the ever changing macro environment on the Group. Hence, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements
continued

2. Accounting policies (continued)

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 consolidated in the Consolidated Statement of Comprehensive Income from the effective date of incorporation and is 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 years ended 31 March 2022 and 31 March 2021, 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 are held at fair value through profit or loss in accordance with IFRS 9 "Financial Instruments". The Company, the Partnership and the Holding Company meet the definition of Investment Entities. The General Partner does not meet the definition of an Investment Entity due to providing investment management related services to the Group, and is therefore consolidated.

New standards adopted by the Group

The following amendments to accounting standards became effective during the year and were applied consistently:

Amendments to IFRS 16 "Accounting for COVID-19 related rent concessions"
In March 2021, the IASB issued the amendment to IFRS 16 COVID-19-Related Rent Concessions beyond 30 June 2021, to update the condition to apply the relief to a reduction in lease payments originally due on or before 30 June 2022 from 30 June 2021.

The amendment has had no impact on the Group's financial statements.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 31 March 2022 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 as listed below. These are not discussed in detail as no material impact to the Group's Consolidated Financial Statements is expected.
- Amendments to IFRS 17, "Insurance Contracts";
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 3: Reference to the Conceptual Framework;
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract;
- Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors;
- Amendments to IAS 12: Income Taxes.

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.

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 2022 and 31 March 2021, 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
The Group's investments in life science companies and capital pool investments are held through the Holding Company and the Partnership which are measured at fair value through profit or loss in accordance with the requirement of IFRS 10. The net asset value ("NAV") of the Holding Company and the Partnership represent the Group's assessment of the fair value of its directly held assets (see note 10) and have been determined on the basis of the policies adopted for underlying investments described below.

Fair value – life science portfolio – life science investments
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 significant uncertainties 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. No investments were valued on a DCF basis as at 31 March 2022 and 31 March 2021.

Fair value – life science portfolio – milestone payments
Milestone payments which form part of the total consideration resulting from a business combination and is dependent on the meeting of future conditions is initially recognised at fair value through profit or loss. When estimating the fair value of the milestone payments the present value of expected future cash flows is calculated based on the known future cash flows and an estimate of the likelihood of meeting the stated conditions using publicly available information where possible.

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 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 forward 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.

Notes to the Consolidated Financial Statements
continued

2. Accounting policies (continued)

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.

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. MES vest if an individual remains in employment for the applicable vesting period. 25% of an individual MES become realisable each year, they have the right to sell these realisable shares to the Company and the Company is obligated to purchase said shares. The price is determined using a formula stipulated in the Articles of Association ("Articles") of the Holding Company.

The terms of the equity incentive arrangements provide that half of the proceeds (net of expected taxes) are settled 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 award is determined in accordance with IFRS 2 and taking into account the particular rights attached to the MES as described in the Articles. 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. The key assumptions used within the model are: NAV progression; discount rates ranging from 12% to 30% (31 March 2021: 11% to 31%); and probabilities of success that result in an average cumulative probability of success across the life science portfolio of 32% (31 March 2021: 31%). In this case, the expected future payout to the MES was made by reference to the expected evolution of the Holding Company's value, 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 statement of financial position 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.

The movement in the share based payment provision of the Group is a non-cash fair value movement to the reported liability, rather than a working capital balance movement. This movement is recognised directly in the Consolidated Statement of Comprehensive Income.

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 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. The Group's assets are primarily denominated in £.

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, 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 key 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.

In most cases, where the Group is the sole institutional investor and/or until such time as substantial clinical data has been generated, the primary valuation input is Cost or PRI, subject to adequate consideration being given to current facts and circumstances. This includes 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 considered appropriate, once substantial clinical data has been generated the Group will use input from independent valuation advisors to assist in the determination of fair value.

The key judgement relates to determining whether a Cost or PRI (Market) based approach is the most appropriate for determining fair value of the Group's investments in unlisted companies. In making this judgement, the Group highlights that the majority of its investments are early-stage businesses, typically with products in the discovery stage of drug development and pre-revenue generation. As a result, it considers that the determination of fair value should be based on what a market participant buyer would pay to acquire or develop a substitute asset with comparable scientific or commercial progression, adjusted for obsolescence (i.e. its current replacement cost). This technique is applied until such time that the life science investment is at a stage in its life cycle where cash flow forecasts are more predictable, thus using an income-based approach provides a more reliable estimate of fair value.

However there are also other methodologies that can be used to determine the fair value of investments in private companies including the use of the DCF methodology. It is possible that the use of an alternative valuation methodology would result in a different fair value than that recorded by the Group.

When assessing the judgement, the Group's determination of the fair values of certain investments took into consideration multiple sources including Management and publicly available information and publications, as well as input from an independent review by L.E.K. Consulting LLP ("L.E.K.") in respect of Syncona's valuation of the following investments: Anaveon AG; OMass Therapeutics Limited; Quell Therapeutics Limited; and SwanBio Therapeutics Limited.

The review was limited to certain specific limited procedures which we identified and requested L.E.K. to perform within an agreed limited scope, and it was subject to assumptions which are forward looking in nature and subjective judgements. Upon completion of the review within the parameters of the agreed procedures L.E.K. estimated an independent range of fair values of those investments. The limited procedures carried out by L.E.K. did not involve an audit, review, compilation or any other form of verification, examination or attestation under generally accepted auditing standards and were based on the sources agreed in the limited scope only. Syncona Investment Management Limited ("the AIFM") is responsible for determining the fair value of the investments, and the review performed by L.E.K. to assist Syncona is only one element of the enquiries and procedures in the process in making a determination of the fair value of those investments and for which SIML is ultimately responsible.

During the year the investment in Gyroscope was sold to an external third party for consideration comprising of upfront cash and cash to be paid in the future subject to certain milestones being met ("milestone payments"). Gyroscope was previously held as an investment at fair value through profit or loss by Syncona Portfolio Limited due to Syncona Portfolio Limited meeting the conditions of being an investment entity and holding its subsidiaries at fair value through profit or loss.

There is currently no prescriptive accounting standard for the seller where milestone payments which are contingent on a future event is agreed in a contract for the disposal of a subsidiary. Guidance available within IFRS 3 "Business Combinations" to the acquiring entity was therefore applied to the recognition and measurement of the milestone payments. IFRS 3 requires the acquirer to recognise any milestone payments dependent on uncertain events to be recognised as a financial liability at fair value through profit or loss in their financial statements. In accordance with available guidance and industry practice it was concluded that the milestone payments receivable following the sale of Gyroscope are required to be recognised as a financial asset measured at fair value through profit or loss in the financial statements of Syncona Portfolio Limited. This forms part of the fair value of the Groups investment in the Holding Company.

Key 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 sources of estimation uncertainty are the valuation of the Holding Company's investments in privately held life science companies and milestone payments on sale of a subsidiary, the Partnership's private equity investments and investment in the CRT Pioneer Fund, and the valuation of the share based payment liability.

The unquoted investments within the life science portfolio are very illiquid. Many of the companies are early stage investments and privately owned. Accordingly, a market value can be difficult to determine. The primary inputs used by the Company to determine the fair value of investments in privately held life science companies are the cost of the capital invested and PRI, adjusted to reflect the achievement or otherwise of milestones or other factors. The accounting policy for all investments is described in note 2 and the fair value of all investments is described in note 19.

In determining a suitable range to sensitise the fair value of the unlisted life science portfolio, Management note the achievement or not of value enhancing milestones as being a key source of estimation uncertainty. Such activities and resulting data emanating from the life science companies can be the key trigger for fair value changes and typically involve financing events which crystallise value at those points in time. The range of 18% (2021: 18%) identified by Management reflects their estimate of the range of reasonably possible valuations over the next financial year, taking into account the position of the portfolio as a whole. Key technical milestones considered by Management and that typically trigger value enhancement (or deterioration if not achieved) include the generation of substantial clinical data.

The Company has analysed the impact of the COVID-19 pandemic on the private life science companies 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.

The Company has assessed the current impact of the war in Ukraine on the private life science companies and does not consider that any revaluations are required as a result, however the final impact of the war is not yet certain and may have effects on the portfolio companies that have not been anticipated.

The fair value of the milestone payments is inherently difficult to calculate with the value being dependent on contingent events. To this end the valuation is determined using a DCF model where the key unobservable inputs are the probability of the contingent events occurring and the discount rate applied in order to generate a present value of the asset. The accounting policy for the milestone payments is described in note 2 and the fair value is detailed in note 19.

In determining a suitable range to sensitise the fair value of the milestone payments Management note varying sources of publicly available information for relevant probabilities of success that could be applied to the DCF in order to generate differing valuations. The range of £42 million - £54 million by Management reflects their estimate of a range of reasonably possible valuations as at 31 March 2022.

The CRT Pioneer Fund is invested in early-stage life science projects and companies. A market value can be difficult to determine for assets of this nature. The Company values its interest in the CRT Pioneer Fund by reference to the valuation provided by the manager of that fund, adjusted to reflect the Company's view on certain of the key valuation inputs. Sensitivity to a 48% (31 March 2021: 23%) movement in the valuation of the CRT Pioneer Fund is included in note 19 being the identified range of other alternative valuations of this asset.

As at the year end, none (31 March 2021: none) of the Partnership's underlying investments have imposed restrictions on redemptions. 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.

Where investments held by the Partnership can be subscribed to, 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 using an externally generated model in accordance with IFRS 2 using a probability-weighted expected returns methodology. Additional details regarding the key inputs into the valuation are stated in note 2.

Notes to the Consolidated Financial Statements
continued

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.

Direct interests in subsidiaries

Subsidiary	Principal place of business	Principal activity	2022 % interest(1)	2021 % 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%

(1) Based on undiluted issued share capital and excluding the MES issued by Syncona Holdings Limited (see note 12).

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

Indirect interests in subsidiaries and associates

Indirect Subsidiaries	Principal place of business	Immediate parent	Principal activity	2022 % 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%
SIML Switzerland AG	Switzerland	SIML	Portfolio management	100%
SwanBio Therapeutics Limited	United States	Syncona Portfolio Limited	Gene therapy	76%
Purespring Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	76%
Forcefield Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	76%
Resolution Therapeutics Limited	UK	Syncona Portfolio Limited	Cell therapy	73%
Freeline Therapeutics Holdings plc	UK	Syncona Portfolio Limited	Gene therapy	61%
OMass Therapeutics Limited	UK	Syncona Portfolio Limited	Small molecule	53%

Indirect associates	Principal place of business	Immediate parent	Principal activity	2022 % interest(1)
Quell Therapeutics Limited	UK	Syncona Portfolio Limited	Cell therapy	44%
Anaveon AG	Switzerland	Syncona Portfolio Limited	Biologics	41%
Azeria Therapeutics Limited	UK	Syncona Portfolio Limited	In voluntary liquidation	34%
Achilles Therapeutics plc	UK	Syncona Portfolio Limited	Cell therapy	27%
Autolus Therapeutics plc	UK	Syncona Portfolio Limited	Cell therapy	21%

(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	2021 % 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%
Quell Therapeutics Limited	UK	Syncona Portfolio Limited	Cell therapy	83%
SwanBio Therapeutics Limited	United States	Syncona Portfolio Limited	Gene therapy	76%
Resolution Therapeutics Limited (formerly Syncona Collaboration (E) Limited)	UK	Syncona Portfolio Limited	Cell therapy	66%
Purespring Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	65%
Gyroscope Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	59%
Freeline Therapeutics Holdings plc	UK	Syncona Portfolio Limited	Gene therapy	53%
Anaveon AG	Switzerland	Syncona Portfolio Limited	Biologics	50%
OMass Therapeutics Limited	UK	Syncona Portfolio Limited	Small molecule	49%
Forcefield Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	47%

Indirect associates	Principal place of business	Immediate parent	Principal activity	2021 % interest(1)
Azeria Therapeutics Limited	UK	Syncona Portfolio Limited	In voluntary liquidation	34%
Autolus Therapeutics plc	UK	Syncona Portfolio Limited	Cell therapy	28%
Achilles 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).

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 2021: £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 £25,390,625 (31 March 2021: £19,933,644) of which £4,249,836 (31 March 2021: £4,710,217) remained receivable as at 31 March 2022. The receivable reflects the charitable donations of the Group. Refer to note 8.

Notes to the Consolidated Financial Statements
continued

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	2022 £'000	2021 £'000
Net (losses)/gains from:			
The Holding Company	7.a	**22,019**	60,551
The Partnership	7.b	**(28,717)**	(1,946)
		(6,698)	58,605

7.a Movements in the Holding Company:

	2022 £'000	2021 £'000
Expenses	**(90)**	(89)
Movement in unrealised gains on life science investments at fair value through profit or loss	**22,109**	60,640
Net gains on financial assets at fair value through profit or loss	**22,019**	60,551

7.b Movements in the Partnership:

	2022 £'000	2021 £'000
Investment income	**23**	117
Rebates and donations	**409**	18
Other income	**–**	53
Expenses	**(229)**	(273)
Realised gains on financial assets at fair value through profit or loss	**13,716**	33,479
Movement in unrealised losses on financial assets at fair value through profit or loss	**(19,185)**	(10,740)
Gains/(losses) on foreign currency	**1,940**	(4,666)
Gains on financial assets at fair value through profit or loss	**(3,326)**	17,988
Distributions	**(25,391)**	(19,934)
Net losses on financial assets at fair value through profit or loss	**(28,717)**	(1,946)

8. Charitable donations

For the years ended 31 March 2022 and 31 March 2021, 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% to be donated to The Institute of Cancer Research and 0.20% to be donated to The Syncona Foundation, and these donations are made by the General Partner.

During the year, charitable donations expense amounted to £4,249,836 (31 March 2021: £4,710,217). As at 31 March 2022, £4,249,836 (31 March 2021: £4,710,217) remained payable. Refer to note 13.

9. General expenses

	2022 £'000	2021 £'000
Share based payments	**(7,304)**	10,561
Investment management fees	**10,699**	8,177
Directors' remuneration	**419**	386
Auditor's remuneration	**141**	143
Other expenses	**1,650**	1,404
	5,605	20,671

Auditor's remuneration includes audit fees in relation to the Group of £105,000 (31 March 2021: £87,500). Total audit fees paid by the Group and the Syncona Group Companies for the year ended 31 March 2022 totalled £210,000 (31 March 2021: £187,000). Additional fees paid to the auditor were £38,000 (31 March 2021: £30,000) which relates to work performed at the interim review of £30,000 (31 March 2021: £23,000) and other non-audit fees of £8,000 (31 March 2021: £7,000).

Further details of the share based payments can be found in note 12.

10. Financial assets at fair value through profit or loss

	Note	2022 £'000	2021 £'000
The Holding Company	10.a	**980,282**	956,279
The Partnership	10.b	**342,950**	371,667
		1,323,232	1,327,946

The Holding Company and the Partnership are the only two investments held directly by the Group and as such the reconciliation of movement in investments has been presented separately for each below.

10.a The net assets of the Holding Company

	2022 £'000	2021 £'000
Cost of the Holding Company's investment at the start of the year	**494,810**	493,310
Purchases during the year	**–**	1,500
Cost of the Holding Company's investments at the end of the year	**494,810**	494,810
Net unrealised gains on investments at the end of the year	**489,984**	465,891
Fair value of the Holding Company's investments at the end of the year	**984,794**	960,701
Other current liabilities	**(4,512)**	(4,422)
Financial assets at fair value through profit or loss at the end of the year	**980,282**	956,279

10.b The net assets of the Partnership

	2022 £'000	2021 £'000
Cost of the Partnership's investments at the start of the year	**418,472**	682,750
Purchases during the year	**835,375**	1,075,333
Sales during the year	**(923,659)**	(1,340,000)
Return of capital	**(9,070)**	(33,090)
Net realised gains on disposals during the year	**13,716**	33,479
Cost of the Partnership's investments at the end of the year	**334,834**	418,472
Net unrealised gains on investments at the end of the year	**16,147**	35,332
Fair value of the Partnership's investments at the end of the year	**350,981**	453,804
Cash and cash equivalents	**475,786**	189,440
Other net current liabilities	**(483,817)**	(271,577)
Financial assets at fair value through profit or loss at the end of the year	**342,950**	371,667

Notes to the Consolidated Financial Statements
continued

11. Trade and other receivables

	2022 £'000	2021 £'000
Due from related parties (see note 16)	5,462	5,736
Charitable donation receivable from related party	4,250	4,710
Prepayments	166	–
	9,878	10,446

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 within general expenses in the Consolidated Statement of Comprehensive Income is shown below:

	2022 £'000	2021 £'000
Charge related to revaluation of the liability for cash settled share awards	(7,304)	10,561
Total	(7,304)	10,561

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

	2022 £'000	2021 £'000
Share based payments - current	9,388	8,836
Share based payments - non-current	8,459	23,505
Total	**17,847**	**32,341**

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 using an externally developed model 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 at the date of award, 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 2022 was £2,883,500 (31 March 2021: £2,907,000). This represents 8,238,571 new MES issued (31 March 2021: 5,902,624). An award was made on 15 July 2021 at 35p per MES.

The number of MES outstanding are shown below:

	2022	2021
Outstanding at the start of the year	43,873,239	41,937,713
Issued	8,238,571	5,902,624
Realised	(7,253,638)	(3,953,906)
Lapsed	(2,576,050)	(13,192)
Outstanding at the end of the year	42,282,122	43,873,239
Weighted average remaining contractual life of outstanding MES, years	1.20	1.24
Vested MES as at the year end	31,293,486	38,502,646
Realisable MES as at the year end	11,478,050	9,625,668

As at 31 March 2022, if all MES were realised, the number of shares issued in the Company as a result would increase by 6,880,057 (31 March 2021: 6,177,787). The undiluted per share value of net assets attributable to holders of Ordinary Shares would fall from £1.97 to £1.94 (31 March 2021: £1.96 to £1.94) if these shares were issued.

13. Payables

	2022 £'000	2021 £'000
Charitable donations payable	4,250	4,710
Management fees payable	1,048	600
Other payables	400	466
	5,698	5,776

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.

	2022 £'000	2021 £'000
Ordinary Share Capital		
Balance at the start of the year	767,999	767,999
Balance at the end of the year	767,999	767,999

	2022 Shares	2021 Shares
Ordinary Share Capital		
Balance at the start of the year	664,580,417	663,665,537
Share based payment shares issued during the year	2,153,171	914,880
Balance at the end of the year	666,733,588	664,580,417

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.

Notes to the Consolidated Financial Statements
continued

14. Share capital (continued)

C. Earnings/(loss) per share

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

	2022	2021
Earnings for the purposes of earnings per share	**£8,838,000**	£53,158,000
Basic weighted average number of shares	**666,108,284**	664,314,726
Basic revenue earnings per share	**2.3p**	(0.8)p
Basic capital (loss)/earnings per share	**(1.0)p**	8.8p
Basic earnings per share	**1.3p**	8.0p
Diluted weighted average number of shares	**672,988,341**	670,492,513
Diluted revenue earnings per shares	**2.3p**	(0.8)p
Diluted capital (loss)/earnings per share	**(1.0)p**	8.7p
Diluted earnings per share	**1.3p**	7.9p

	2022	2021
Issued share capital at the start of the year	**664,580,417**	663,665,537
Weighted effect of share issues		
Share based payments	**1,527,867**	649,189
Potential share based payment share issues	**6,880,057**	6,177,787
Diluted weighted average number of shares	**672,988,341**	670,492,513

D. NAV per share

	2022	2021
Net assets for the purposes of NAV per share	**£1,309,840,518**	£1,300,287,998
Ordinary Shares in issue	**666,733,588**	664,580,417
NAV per share	**196.5p**	195.7p
Diluted number of shares	**673,613,645**	670,758,204
Diluted NAV per share	**194.4p**	193.9p

15. Distribution to shareholders

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

During the year ended 31 March 2022, the Company did not declare or pay a dividend (31 March 2021: £Nil was paid in relation to the year ended 31 March 2020). The Directors believe that it is not appropriate for the Company to pay a dividend.

The Company is not declaring a 2022 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 which the Group controls was £62,765,311 (31 March 2021: £145,075,244).

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 in which the Group has significant influence was £46,592,768 (31 March 2021: £29,767,748).

Commitments of milestone payments to the life science investments are disclosed in note 20.

During the year, SIML charged the life science investments a total of £222,406 in relation to Director's fees (31 March 2021: £188,965).

Investment Manager

SIML, an indirectly held subsidiary of the Company, is the Investment Manager of the Group.

For the year ended 31 March 2022, SIML was entitled to receive an annual fee of up to 1.05% of the Company's NAV (31 March 2021: 1.05%) per annum.

	2022 £'000	2021 £'000
Amounts paid to SIML	**10,699**	8,177

Amounts owed to SIML in respect of management fees totalled £1,047,525 as at 31 March 2022 (31 March 2021: £599,519).

During the year, SIML received fees from the Group's portfolio companies of £615,342 (31 March 2021: £305,819).

Company Directors

As at the year end, the Company had seven Directors, all of whom served in a non-executive capacity. Rob Hutchinson also serves as a Director of the General Partner.

Thomas Henderson resigned as a Director of the Company with effect from 3 August 2021.

Nicholas Moss resigned as a Director of the Company with effect from 31 December 2021. He retained his Directorship of the General Partner, the Holding Company and Syncona Portfolio Limited.

Nigel Keen retired as a Director of the Company and Chairman of the Investment Manager with effect from 31 December 2021. He received fees of £102,575 (31 March 2021: £133,430) from the Investment Manager, in respect of his services to the Investment Manager.

Julie Cherrington and Cristina Csimma were appointed as Directors of the Company with effect from 1 February 2022.

Directors' remuneration for the years ended 31 March 2022 and 31 March 2021, excluding expenses incurred, and outstanding Directors' remuneration as at the end of the year, are set out below.

	2022 £'000	2021 £'000
Directors' remuneration for the year	**419**	386
Payable at end of the year	**–**	–

Shares held by the Directors can be found in the Report of the Remuneration Committee. The directors of Syncona Limited together hold 0.04% (31 March 2021: 1.24%) of the Syncona Limited voting shares.

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 2022 was £2,691,553 (31 March 2021: £2,632,809).

Other related parties

As at 31 March 2022, the Company has a receivable from the Partnership, Holding Company and Syncona Portfolio Limited amounting to £15,409 (31 March 2021: £106,981), £5,431,409 (31 March 2021: £5,489,048) and £15,409 (31 March 2021: £137,246), 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.

	2022 £'000	2021 £'000
Financial assets at fair value through profit or loss		
The Holding Company	980,282	956,279
The Partnership	342,950	371,667
Total financial assets at fair value through profit or loss	1,323,232	1,327,946
Financial assets measured at amortised cost		
Bank and cash deposits	276	14
Other financial assets	9,878	10,446
Total financial assets measured at amortised cost	10,154	10,460
Financial liabilities at fair value through profit or loss		
Provision for share based payments	(17,847)	(32,341)
Total financial liabilities at fair value through profit or loss	(17,847)	(32,341)
Financial liabilities measured at amortised cost		
Other financial liabilities	(5,698)	(5,776)
Total financial liabilities measured at amortised cost	(5,698)	(5,776)
Net financial assets	1,309,841	1,300,289

The financial instruments held by the Group's underlying investments are comprised principally of life science investments, hedge, equity, credit, long-term alternative investment funds, short-term UK treasury bills and cash.

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).

	2022 £'000	2021 £'000
Financial assets at fair value through profit or loss		
Investment in subsidiaries	984,794	960,701
Total financial assets at fair value through profit or loss	984,794	960,701
Financial assets measured at amortised cost[(1)]		
Current assets	947	1,088
Financial liabilities measured at amortised cost[(1)]		
Current liabilities	(5,459)	(5,510)
Net financial assets of the Holding Company	980,282	956,279

The table below analyses the carrying amounts of the financial assets and liabilities held by the Partnership by category as defined in IFRS 9.

	2022 £'000	2021 £'000
Financial assets at fair value through profit or loss		
Listed investments	279,473	344,862
Unlisted investments	39,857	72,366
Investment in subsidiaries	31,651	36,576
Total financial assets at fair value through profit or loss	350,981	453,804
Financial assets measured at amortised cost[(1)]		
Current assets	476,586	189,913
Financial liabilities measured at amortised cost[(1)]		
Current liabilities	(484,617)	(272,050)
Net financial assets of the Partnership	342,950	371,667

(1) Has a fair value which does not materially differ to amortised cost

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 certain of the financial assets at fair value through profit or loss. The Group has significant indirect exposure to a number of risks through the underlying portfolios of the investment entities. 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 interest, foreign exchange and other market risks which are magnified by gearing in some, not many cases, resulting in increased liquidity and return risk.

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 following sections.

Notes to the Consolidated Financial Statements
continued

18. Financial risk management and associated risks (continued)

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.

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	2022 Total £'000
Financial assets at fair value through profit or loss	59,818	370,772	554,204	**984,794**
Cash and cash equivalents	–	–	297	**297**
Receivables	–	–	650	**650**
Payables	–	–	(5,459)	**(5,459)**
Total	59,818	370,772	549,692	**980,282**

	CHF £'000	USD £'000	GBP £'000	2021 Total £'000
Financial assets at fair value through profit or loss	18,582	487,421	454,698	960,701
Cash and cash equivalents	–	–	438	438
Receivables	–	–	650	650
Payables	–	–	(5,510)	(5,510)
Total	18,582	487,421	450,276	956,279

Foreign currency sensitivity analysis

The following table details the sensitivity of the Holding Company's NAV to a 10% change in the £ exchange rate against the USD and CHF 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.

	2022 USD £'000	2022 CHF £'000	2021 USD £'000	2021 CHF £'000
10% increase	35,663	6,646	66,922	2,064
10% decrease	(29,179)	(5,438)	(54,754)	(1,689)

Interest rate risk

Interest rate risk is negligible in the Holding Company as minimal cash and no debt is held.

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.

	>3 to 12 months £'000	>12 months £'000	2022 Total £'000
Financial assets at fair value through profit or loss	–	984,794	**984,794**
Cash and cash equivalents	297	–	**297**
Receivables	–	650	**650**
Payables	(37)	(5,422)	**(5,459)**
Total	260	980,022	**980,282**
Percentage	0.0%	100.0%	**100.0%**

	>3 to 12 months £'000	>12 months £'000	2021 Total £'000
Financial assets at fair value through profit or loss	–	960,701	960,701
Cash and cash equivalents	–	438	438
Receivables	–	650	650
Payables	(89)	(5,421)	(5,510)
Total	(89)	956,368	956,279
Percentage	0.0%	100.0%	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 2022 and 31 March 2021 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.

Notes to the Consolidated Financial Statements
continued

18. Financial risk management and associated risks (continued)

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	2022 Total £'000
Financial assets at fair value through profit or loss	3,899	27,418	319,664	**350,981**
Cash and cash equivalents	354,553	28	121,205	**475,786**
Trade and other receivables	2	–	798	**800**
Payables	(334,998)	–	(145,369)	**(480,367)**
Distributions payable	–	–	(4,250)	**(4,250)**
	23,456	27,446	292,048	**342,950**

	USD £'000	EUR £'000	GBP £'000	2021 Total £'000
Financial assets at fair value through profit or loss	7,785	57,259	388,760	453,804
Cash and cash equivalents	51,207	14	138,219	189,440
Trade and other receivables	–	–	473	473
Payables	–	–	(267,340)	(267,340)
Distributions payable	–	–	(4,710)	(4,710)
	58,992	57,273	255,402	371,667

Foreign currency sensitivity analysis

The following table details the sensitivity of the Partnership's NAV to a 10% change in the GBP 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.

	2022 USD £'000	2022 EUR £'000	2021 USD £'000	2021 EUR £'000
10% increase	**2,355**	**2,745**	5,686	4,683
10% decrease	**(2,355)**	**(2,745)**	(5,686)	(4,683)

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 due to the lack of visibility over the underlying information required to perform this analysis within the Partnership's investments.

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 due to the lack of visibility over the underlying information required to perform this analysis within the Partnerships investments.

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 other receivables.

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 2022, no (31 March 2021: Nil) suspension from redemptions existed in any of the Partnership's underlying investments.

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	2022[1] Total £'000
Financial assets at fair value through profit or loss	279,473	–	–	71,508	**350,981**
Cash and cash equivalents	475,786	–	–	–	**475,786**
Trade and other receivables	800	–	–	–	**800**
Payables	(480,367)	–	–	–	**(480,367)**
Distributions payable	–	(4,250)	–	–	**(4,250)**
Total	275,692	(4,250)	–	71,508	**342,950**
Percentage	80.3%	(1.2)%	0.0%	20.9%	**100.0%**

	Within 1 month £'000	>1 to 3 months £'000	>3 to 12 months £'000	>12 months £'000	2021[1] Total £'000
Financial assets at fair value through profit or loss	70,001	259,861	15,000	108,942	453,804
Cash and cash equivalents	189,440	–	–	–	189,440
Trade and other receivables	473	–	–	–	473
Payables	(267,340)	–	–	–	(267,340)
Distributions payable	–	(4,710)	–	–	(4,710)
Total	(7,426)	255,151	15,000	108,942	371,667
Percentage	(2.0)%	68.7%	4.0%	29.3%	100.0%

(1) The liquidity tables above reflect the anticipated cash flows assuming notice was given to all underlying investments as at 31 March 2022 and 31 March 2021 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.

Notes to the Consolidated Financial Statements
continued

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 2022 and 31 March 2021:

Assets	Level 1 £'000	Level 2 £'000	Level 3 £'000	2022 Total £'000
Financial assets at fair value through profit or loss:				
The Holding Company	–	–	980,282	980,282
The Partnership	–	–	342,950	342,950
Total assets	–	–	1,323,232	1,323,232

Assets	Level 1 £'000	Level 2 £'000	Level 3 £'000	2021 Total £'000
Financial assets at fair value through profit or loss:				
The Holding Company	–	–	956,279	956,279
The Partnership	–	–	371,667	371,667
Total assets	–	–	1,327,946	1,327,946

The investments in the Holding Company and the Partnership are classified as Level 3 investments due to the use of the unadjusted NAV of the subsidiaries as a proxy for fair value, as detailed in note 2. The subsidiaries hold some investments valued using techniques with significant unobservable inputs as outlined in the sections that follow.

The underlying assets of the Partnership and the Holding Company are shown below.

The following table presents the Holding Company's financial assets by level within the valuation hierarchy as at 31 March 2022 and 31 March 2021:

Asset type	Level	31 March 2022 £'000	31 March 2021 £'000	Valuation technique	Significant unobservable inputs	Impact on valuation £'000
Listed investments	1	121,226	387,514	Publicly available share bid price as at statement of financial position date	n/a	n/a
SIML	3	5,822	5,752	Net Assets of SIML	Carrying value of assets and liabilities determined in accordance with generally accepted accounting principles, without adjustment. A sensitivity of 5% of the NAV of SIML is applied.	+/- £291
Milestone payments	3	49,802	–	Discounted Cash Flow	The main unobservable inputs consist of the assigned probability of milestone success and the discount rate used.	PoS: +/- £5,889 Discount rate: £7,558
Calibrated PRI(1)	3	325,662	296,497	Calibrated PRI	The main unobservable input is the quantification of the progress investments make against internal financing and/or corporate milestones where appropriate. A reasonable shift in the fair value of the investment would be +/-18%.	+/- £58,619
Adjusted price of latest funding round(2)	3	–	1,555	Price of latest funding round adjusted by Management	The main unobservable input was the potential value returned in various exit scenarios and the weighting between these scenarios. A reasonable shift in the Fair Value of the investment was +/-18%.	+/- 274

(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 years ended 31 March 2022 and 31 March 2021:

	Life science investments £'000	Other asset £'000	SIML £'000	2022 Total £'000	2021 Total £'000
Opening balance	298,052	–	5,752	303,804	363,476
Purchases during the year	107,817	–	–	107,817	151,014
Sales during the year	(325,837)	–	–	(325,837)	(3,017)
Gains on financial assets at fair value through profit or loss	245,630	49,802	70	295,502	37,827
Transfer from Level 3	–	–	–	–	(245,496)
Closing balance	325,662	49,802	5,822	381,286	303,804

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 £295,502,000 (2021: £37,827,000).

During the year, there were no movements from Level 3 to Level 1 (31 March 2021: £245,495,636) or between Level 2 and Level 1 (31 March 2021: £nil)

Notes to the Consolidated Financial Statements
continued

19. Fair value measurement (continued)

The following table presents the Partnership's financial assets by level within the valuation hierarchy as at 31 March 2022 and 31 March 2021:

Asset type	Level	31 March 2022 £'000	31 March 2021 £'000	Valuation technique	Significant unobservable inputs	Impact on valuation £'000
UK treasury bills	1	179,984	344,862	Publicly available price as at statement of financial position date	n/a	n/a
Capital pool investment fund - Credit funds	2	99,489	–	Valuation produced by fund administrator. Inputs into fund components are from observable inputs	n/a	n/a
Legacy funds - Unlisted fund investments	2	–	26,098	Valuation produced by fund administrator. Inputs into fund components are from observable inputs	n/a	n/a
Legacy funds – Long-term unlisted investments	3	39,857	46,268	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%.	+/- £3,986
Investment in Subsidiary	3	28,183	36,576	Valuation produced by fund administrator and adjusted by Management	Unobservable inputs include the fund managers assessment of the performance of the underlying investments and adjustments made to this assessment to generate the deemed fair value. A reasonable possible shift in the fair value of the instruments would be +/-48%.	+/- £13,528

During the year ended 31 March 2022, there were no movements from Level 1 to Level 2 (31 March 2021: £Nil) or between other Levels in the fair value hierarchy.

Assets classified as Level 2 investments are primarily 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. Other assets within the level 2 investments are daily traded credit funds priced using the latest market price equivalent to their NAV. 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 long-term unlisted 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 following table presents the movements in Level 3 investments of the Partnership for the year ended 31 March 2022:

	Investment in Subsidiary £'000	Capital pool investment £'000	2022 Total £'000	2021 Total £'000
Opening balance	36,576	46,268	**82,844**	92,980
Purchases	1,832	760	**2,592**	5,748
Return of capital	–	(9,070)	**(9,070)**	(34,491)
(Losses)/gains on financial assets at fair value through profit or loss	(6,757)	1,899	**(4,858)**	18,607
Closing balance	31,651	39,857	**71,508**	82,844

The net (losses)/gains for the year included in the Consolidated Statement of Comprehensive Income in respect of Level 3 investments of the Partnership held as at the year end amounted to £4,857,645 (31 March 2021: £18,607,213 gains).

20. Commitments and contingencies

The Group had the following commitments as at 31 March 2022:

	2022 Uncalled commitment £'000	2021 Uncalled commitment £'000
Life science portfolio		
Milestone payments to life science companies	**82,617**	106,854
CRT Pioneer Fund	**3,424**	4,888
Capital pool investments	**2,429**	3,751
Total	**88,470**	115,493

There were no contingent liabilities as at 31 March 2022 (March 2021: nil). The commitments are expected to fall due in the next 36 months.

21. Subsequent events

These Consolidated Financial Statements were approved for issuance by the Directors on 15 June 2022. Subsequent events have been evaluated until 14 June 2022.

Since the statement of financial position date share price movements resulted in a decrease in value of the listed life science investments of £37.1 million as at 14 June 2022.

The Directors continue to monitor the Group's assets and strategy in light of the latest market events including inter alia, the war in Ukraine, inflationary and interest rate rises, and COVID-19 impacts. At the date of signing they are not aware of any direct or immediate post year end impacts that materially affect the financial statements.

Post year end the Group invested £9 million in the OMass Series B and $19 million in the SwanBio Series B, with £13 million invested in Resolution as part of the existing Series A financing. In addition $400 million was invested in US treasury bills.

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 2022.

Amount of remuneration paid

The Investment Manager paid the following remuneration to staff in respect of the financial year ending on 31 March 2022 in relation to work on the Company:

	£m
Total staff	
Fixed remuneration	5.7
Variable remuneration	15.2*
	20.9
Of which senior management and risk takers	12.4
Number of beneficiaries	36

*Including historical payments from the Syncona LTIP Scheme

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 2022	Gross leverage as at 31 March 2022
Leverage ratio	0%	0%

Other risk disclosures

The risk disclosures relating to risk framework and risk profile of the Group are set out in note 18 to the Consolidated Financial Statements on pages 129 to 133 and the principal risks and uncertainties on pages 48-53.

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 "Regulatory Publications" section within "Investors").

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 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 2022, 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 AIF's 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-communications for shareholders

The Company

Syncona is a leading healthcare company focused on founding, building and funding a portfolio of 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 Group Shareholder Services, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL

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

AAV
Adeno-associated virus – a non-enveloped virus that can be engineered to deliver DNA to target cells.

ALL
Acute lymphocytic leukaemia – a cancer of the bone marrow and blood in which the body makes abnormal white blood cells.

CAGR
Compound Annual Growth Rate.

Capital deployed/deployment
Follow-on investment in our portfolio companies and investment in new companies during the year. See alternative performance measures, page 143.

Capital pool/Capital base
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 and 3 month) UK treasury bills, listed fund investments and legacy fixed term funds.

CAR-T therapy
Chimeric antigen receptor T-cell therapy – a type of immunotherapy which reprogrammes a patient's own immune cells to fight cancer.

Cell therapy
A therapy in which cells are transferred into a patient to help lessen or cure a disease.

CNS
Central nervous system – a part of the body's nervous system comprised of the brain and spinal cord.

Companies Law
Companies (Guernsey) Law 2008.

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.

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.

Gaucher disease
A genetic disorder in which a fatty substance called glucosylceramide accumulates in macrophages in certain organs due to the lack of functional GCase enzyme.

General Partner
Syncona GP Limited.

Gene therapy
A therapy which seeks to modify or manipulate the expression of a gene in order to treat or cure disease.

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.

iPSC technology
Induced pluripotent stem cells (iPSCs) are a type of pluripotent stem cell which can be generated directly from mature cells (such as those of the skin or blood).

IRR
Internal Rate of Return.

Glossary

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
See alternative performance measures, page 143.

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.

Macrophages
A form of white blood cell and the principal phagocytic (cell engulfing) components of the immune system.

Mass Spectrometry
A technique used by which chemical substances are identified by the sorting of gaseous ions in electric fields according to their mass-to-charge ratios.

Melanoma
A serious form of skin cancer that begins in cells known as melanocytes.

MES
Management Equity Shares.

mRNA
Messenger ribonucleic acid (RNA).

Net Asset Value, Net Assets or NAV
Net Asset Value ("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.

NAV per share
See alternative performance measures, page 143.

NAV total return
See alternative performance measures, page 143.

NSCLC
Non-small cell lung cancer – the most common form of lung cancer.

NZAM
The Net Zero Asset Managers (NZAM) initiative is an international group of asset managers who are committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner.

Partnership
Syncona Investments LP Incorporated.

SIML
Syncona Investment Management Limited.

Syncona Group companies
The Company and its subsidiaries other than those companies within the life science portfolio.

Syncona team
The team of SIML, the Company's Investment Manager.

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.

TCFD
The Task Force on Climate-related Financial Disclosures (TCFD). First published in 2017, the TCFD recommendations act as a framework for assessing the physical and transition risks companies are exposed to from climate change and the transition to a green economy.

The Syncona Foundation
The Foundation distributes funds to a range of charities, principally those involved in the areas of life science and healthcare.

UN PRI
The United Nations (UN) Principles for Responsible Investment (PRI) is a network of investors, who commit to working to promote sustainable investment.

Viral vectors
A modified version of a virus which is designed to deliver genetic material to cells.

Alternative performance measures

Capital deployed
With reference to the life science portfolio valuation table on page 33 this is calculated as follows:

A Net investment in the period	£(203.0)m
adjusted for:	
B Gyroscope proceeds	£325.8m
C CRT Pioneer fund distributions	£0.4m
Total Capital deployed (A+B+C)	£123.2m

Life science portfolio return
Gross life science portfolio return for 2022 0.8 per cent; 2021 11.8 per cent. This is calculated as follows:

A Opening life science portfolio	£722.1m
Net investment in the period	£(203.0)m
B Valuation movement	£5.9m
Closing life science portfolio	£524.9m
Life science portfolio return (B/A)	0.8%

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. This is calculated as follows:

A NAV for the purposes of NAV per share	£1,309,840,518
B Ordinary shares in issue (note 14)	666,733,588
C Dilutive shares	6,880,057
D Fully diluted number of shares (B+C)	673,613,645
NAV per share (p) (A/D)	194.4

NAV total return
NAV total return ("NAVTR") is a measure of how the NAV 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. This is calculated as follows:

A Opening NAV per fully diluted share (note 14):	193.9p
B Closing NAV per fully diluted share (note 14):	194.4p
C Movement (B-A)	0.5p
D Dividend paid in the year (note 15):	0.0p
E Total movement (B+C-A)	0.5p
NAV Total Return (E/A)	0.3%

Advisers

Secretary, Administrator and registered office

Citco Fund Services (Guernsey) Limited
Arnold House St Julian Avenue St. Peter Port Guernsey GY1 3RD

Investment Manager

Syncona Investment Management Limited
8 Bloomsbury Street London WC1B 3SR United Kingdom

Depositary and Custodian

Citco Custody (UK) Limited
7 Albemarle Street London W1S 4HQ United Kingdom

Auditors

Deloitte LLP
PO Box 137 Regency Court Glategny Esplanade St Peter Port Guernsey GY1 3HW

Brokers

Goldman Sachs
River Court 120 Fleet Street London EC4A 2BE United Kingdom

Numis Securities
45 Gresham Street London EC2V 7BF United Kingdom

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