11 June 2020

Syncona Limited

Final Results for the Year Ended 31 March 2020

Strategic progress towards delivering a dynamic portfolio underpinned by a strong capital pool

Syncona Ltd, ("Syncona"), a leading healthcare company focused on founding, building and funding a portfolio of global leaders in life science, today announces its Final Results for the year ended 31 March 2020.

Financial performance

- Net assets of £1,246.5 million (2019: £1,455.1 million); 185.6p per share[1] (2019: 216.8p), a NAV total return[2] of (13.3) per cent
- Life science portfolio, valued at £479.5 million, a (25.0) per cent return[3]
  - Uplifts from the sale of Blue Earth Diagnostics (Blue Earth) and a Series B financing in Achilles Therapeutics (Achilles)
  - Outweighed by an 81 per cent decline in Autolus' (NASDAQ: AUTL) share price; Syncona continues to believe in the company's strong fundamentals and potential for long-term success
  - Autolus' share price has appreciated 131 per cent post year end (Syncona valuation increase of £95.5 million[4])[5]
- Capital pool of £767.0 million at 31 March 2020 (2019: £399.7 million); significantly strengthened in the year with an aggregate of £592.6 million of proceeds from divestments
  - Sale of Blue Earth to Bracco Imaging for $476.3 million, represented a 10x return on invested capital[6] and an IRR of 87 per cent[7]
  - Sale of Nightstar Therapeutics (Nightstar) to Biogen for $877.0 million represented a 4.5x return[8] on invested capital and an IRR of 72 per cent[9]

Strong clinical progress

- Significant progress across Syncona's clinical-stage companies with nine live clinical trials, including:
  - Encouraging data from Autolus in AUTO1 adult acute lymphoblastic leukaemia (adult ALL) and AUTO3 diffuse large B-cell lymphoma (DLBCL)
  - Freeline Therapeutics (Freeline) reported encouraging data in its lead programme in haemophilia B and commenced a second clinical programme in Fabry disease reporting preliminary data for the first patient dosed in this trial
  - Dose escalation ongoing in Gyroscope Therapeutics' (Gyroscope) Phase I/II trial in dry age-related macular degeneration (AMD)
  - Achilles initiated patient enrolment and opened clinical sites in its first two programmes in non-small cell lung cancer (NSCLC) and melanoma, dosing the first patient in melanoma post year end demonstrating the capability to manufacture an entirely personalised T cell therapy
- Outside of its lead clinical programmes, Autolus reported it will focus on its next generation products targeting multiple myeloma and paediatric ALL (discontinuing the AUTO2 and AUTO3 paediatric ALL programmes); demonstrating discipline in taking rigorous decisions based on clinical evidence

Significant funding for growing life science portfolio

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[1] Fully diluted, please refer to note 14 in the financial statements
[2] Alternative performance measure, refer to the glossary
[3] Alternative performance measure, refer to the glossary
[4] Including FX impact
[5] As at 09 June 2020
[6] Equivalent to ROCE
[7] Including the £14.2m distribution in 2018/19 financial year, Syncona Partners original cost
[8] Refer to footnote 6
[9] Syncona Partners original cost

- Significant ongoing commitments across six funding rounds; £206.4 million of capital deployed[10] in the year:
  - Aggregate investment of $39.0 million (£29.7 million) in two follow-on NASDAQ financings in Autolus; Autolus raised a total of approximately $184 million from the financings
  - £48.0 million commitment to Gyroscope in a £50.4 million Series B financing
  - £35.1 million commitment to Achilles in an £100.0 million Series B; Syncona was the largest investor in the oversubscribed round
  - £29.5 million commitment to new portfolio company, Azeria Therapeutics (Azeria)
  - $80.0 million commitment to Freeline in a Series C financing
  - Commitment of £16.6 million to OMass Therapeutics (OMass) in an expanded Series A financing
  - $51.0 million new commitment to SwanBio Therapeutics (SwanBio) in a $77.0 million expanded Series A financing

Operational and strategic progress

- Added one new portfolio company, Azeria, a company developing and commercialising innovative cancer therapeutics; and in advanced due diligence for potential new cell therapy company
- Strengthened Syncona senior team with appointments of Danny Bar-Zohar as Partner (formerly global Head of Clinical Affairs at Novartis) and Lorenz Mayr as Entrepreneur in Residence (formerly CTO of GE Healthcare)
- Melanie Gee appointed Chair of Syncona Ltd on 1 January 2020; bringing 30 years of experience in the financial advisory industry
- 10 senior leaders appointed across the portfolio, strengthening management teams at important stages in the companies' development
- Continued development of core manufacturing processes and capabilities across the portfolio
- Increased annual charitable donation from 0.3 per cent of NAV to 0.35 per cent; brought forward payment of donation from September to June 2020

Outlook - long-term opportunity to create significant value with key milestones in the year ahead

As always, data generated from our clinical pipeline will be a critical driver of value and while not without risk, we have a number of portfolio companies approaching key milestones in the coming year. In particular, we expect:

- Freeline's lead programme in haemophilia B to publish further data and provide a path to pivotal study; and dose its next patient in its second programme in Fabry disease
- Autolus to progress its pivotal study in AUTO1 adult ALL and to take a decision on whether to initiate a Phase II trial in AUTO3 DLBCL in Q3 CY2020
- Achilles will dose its first patient in its NSCLC programme and will report initial data on both this programme and its melanoma study in the first half of CY2021
- Gyroscope will report initial data from its lead programme targeting dry AMD

We have seen varying impact of the COVID-19 pandemic on clinical trials across our portfolio. To date, we have seen a more limited impact on trials in the oncology setting, where the acute unmet need for patients in these disease settings is severe, whilst in indications where there is an existing treatment or a lower mortality risk, we have seen trials halted and expect them to be more gradually re-established. We have largely been able to progress pre-clinical work and the development of manufacturing capabilities and expect this work to continue. Syncona does not currently anticipate that the delays across our portfolio will have any impact to the reported valuations of our privately held companies, applying our rigorous approach to recognising changes to fair value.

Our strong and liquid capital pool provides us with a strategic advantage, and we will continue to fund our companies to progress their business plans and grow in value. We expect to deploy between £150 million and £250 million this year based on whether our portfolio companies can access third-party capital (when appropriate) in this economic environment and the opportunities we see in our investment pipeline.

[10] Alternative Performance Measure, please refer to glossary

Martin Murphy, Chief Executive Officer, Syncona Investment Management Limited, said: "2020 was a year of good strategic progress for Syncona. We expanded the expertise in our team and added a new company to our portfolio, whilst the sales of Blue Earth and Nightstar, two companies we founded, delivered very attractive cash returns. The proceeds from these sales significantly strengthened our capital pool enabling us to make long-term funding commitments, deploying £206.4 million into our portfolio as our next generation of companies' scale.

Our portfolio made good progress over the year including the generation of positive clinical data. The decline in Autolus' share price has clearly impacted our financial performance in the year and whilst this is disappointing, Autolus has advanced its AUTO1 programme to a pivotal study and post period end released good data from its AUTO3 DLBCL programme. We believe Autolus has the potential to deliver next generation CAR-T therapies to patients over the long-term.

The COVID-19 pandemic has been a human tragedy and has presented an unprecedented challenge to public healthcare systems. We have worked closely with our companies to support them in navigating this disruption, avoid unnecessary burdens on health services, and ensure the safety of their employees and the patients taking part in clinical studies. Whilst we have seen delays to clinical trials across the portfolio, we are confident our companies are well placed to be resilient through the current crisis. The UK life science industry has been playing an important role in developing solutions to COVID-19 and it is clear that fundamental innovation and collaboration has never been more important for societies and patients. The Syncona team has leveraged its core expertise to provide advice to both the Wellcome Trust and Government when requested during these exceptional times.

As we look ahead, the need for medicines remains undiminished and our vision to deliver transformational treatments for patients remains as important as ever. Our strong capital pool and the deep expertise within the team means we are well positioned to support our companies in navigating continued disruption and ensure they able to progress their business plans. Whilst life science product development is never without risk, we believe our nine companies are strongly positioned to deliver value over the long-term."

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About Syncona:

Syncona is a leading FTSE250 healthcare company focused on founding, building and funding a portfolio of global leaders in life science. Our vision is to build a sustainable, diverse portfolio of 15-20 companies focused on delivering transformational treatments to patients in truly innovative areas of healthcare, through which we are seeking to deliver strong risk-adjusted returns for shareholders.

We seek to partner with the best, brightest and most ambitious minds in science to build globally competitive businesses. We take a long-term view, underpinned by a strategic capital base which provides us with control and flexibility over the management of our portfolio. We focus on delivering dramatic efficacy for patients in areas of high unmet need.

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

Forward-looking statements - this announcement contains certain forward-looking statements with respect to the portfolio of investments of Syncona Limited. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. In particular, many companies in the Syncona Limited portfolio are conducting scientific research and clinical trials where the outcome is inherently uncertain and there is significant risk of negative results or adverse events arising. In addition, many companies in the Syncona Limited portfolio have yet to commercialise a product and their ability to do so may be affected by operational, commercial and other risks.

Chair statement

It is a great privilege to share my thoughts for the first time as Chair of Syncona. Before I comment on our financial year ended 31 March 2020 and the year ahead, I want to share with you some of the reasons why I was attracted to the role. In essence, Syncona has a strong sense of social purpose both through the companies it develops to provide transformational treatments to patients and its commitment to The Syncona Foundation. This is made possible by the highly professional and committed team working for our Investment Manager, which has a strong culture built on the value created from diversity, inclusion and collaboration in all that they do. These strengths, taken together with Syncona's successful business model, create an exciting opportunity to benefit all our stakeholders and also support the continuing development of a thriving UK life sciences industry, which to date has been underserved by our early stage capital markets.

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

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

Progress in building our business

The opportunity for Syncona is significant. The UK is world leading in life science discoveries and the Syncona team works hard to connect with these scientists and research institutions principally in the UK and Europe. During the year, the team considered a range of opportunities, completing detailed diligence on 23 potential investments, from which one new investment was made, and we invested a total of £206.4 million into our portfolio companies.

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

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

Despite our good progress during the year, we have reported a (13.3) per cent NAV total return[11] with NAV declining to £1,246.5 million at year end (2019: £1,455.1 million). This was driven predominantly by a decline in Autolus' share price which outweighed the write-up of Achilles and the uplift to the value of Blue Earth on sale. We believe Autolus remains well positioned to deliver for patients and continues to have good longer-term potential.

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

[11] Refer to footnote 2

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

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

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

Developing our approach to environment, social and governance issues

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

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

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

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

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

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

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

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

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

Board activity

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

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

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

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

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

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

COVID-19 pandemic

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

Our team has been working closely with our portfolio companies to minimise the disruption caused by the pandemic, avoid unnecessary burdens on health services, and ensure the safety of their employees and the patients taking part in clinical studies. We have also continued to work proactively to identify areas where we can found innovative new companies and the team continues to see a strong pipeline of investment opportunities in this environment both by engaging globally leading academic founders and also through extensive diligence of the wider landscape. Syncona is well positioned to navigate the disruption and uncertainty caused by the pandemic with a strategic, liquid capital pool of £767.0 million to fund both existing and new portfolio companies.

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

The year ahead and outlook

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

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

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

Melanie Gee, Chair
11 June 2020

Chief Executive's Review

2020 was a year with significant achievements across the business, further validating our model. We materially strengthened our capital pool through the sales of Blue Earth and Nightstar, which generated an aggregate cash return of 6.6x[12] capital invested, we made strong progress across the portfolio and invested in a new Syncona company, Azeria.

A year of significant progress across the portfolio

Our companies continued to deliver positive clinical, financial and operational milestones this year. We completed six significant financings and deployed £206.4 million[13] of capital, to strengthen leading management teams, build out industrial capabilities and scale these companies through the clinic. We saw encouraging clinical data from Autolus in its AUTO1 and AUTO3 programmes and Freeline in its haemophilia B programme. Achilles made great strides in preparing for entry to the clinic with its globally leading cNeT cell therapy, achieving the major milestone of dosing their first patient in melanoma post year end. At year end, we have nine active product candidates in clinical trials across the portfolio and our companies are continuing to build out their platform capabilities to deliver more pipeline products.

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

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

Despite this strong progress, the life science portfolio generated a negative return of 25.0 per cent[14] and was valued at £479.5 million at the year end (2019: £1,055.4 million; 77.9 per cent return). Performance was predominantly driven by a decline in Autolus' share price which resulted in a valuation decline of our investment in the company of £280.9 million to £77.0 million. This decline outweighed the write-up of Achilles and the uplift to the value of Blue Earth when it was sold to Bracco Imaging.

[12] Syncona Partners original cost
[13] Refer to footnote 10
[14] Refer to footnote 3

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

Whilst the decline in Autolus' share price over the year was disappointing, we are focused on long-term value creation and continue to believe this business has strong fundamentals. During the year, the company has decided to progress its lead programme, AUTO1 for the treatment of adult ALL, into a potentially pivotal registration study and post period end received IND[15] and CTA[16] approval for this study. Moreover, at the recent American Society of Clinical Oncology (ASCO) meeting, Autolus released positive data from their AUTO3 programme for the treatment of DLBCL showing impressive efficacy, safety and durability. Although the patient numbers were relatively small, we are encouraged by this data. AUTO3 is being progressed into an outpatient cohort of patients and the decision to progress to a formal Phase II (pivotal) study will be taken in Q3 CY2020. We believe that these clinical developments are consistent with our strategy of building companies that seek to take their products through regulatory approval and on to market. Autolus' share price has appreciated 131 per cent post year end[17] (Syncona valuation increase of £95.5 million[18]).

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

Strong balance sheet central to deliver strategy and value for shareholders

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

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

COVID-19 pandemic

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

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

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

[15] Investigational New Drug
[16] Clinical Trials Application
[17] As of 09 June 2020
[18] Including FX impact

we have seen trials halted and expect them to be more gradually re-established. We have largely been able to progress pre-clinical work and the development of manufacturing capabilities and supply and expect this work to continue.

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

Strongly positioned to deliver and create value in our portfolio

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

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

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

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

Building and deepening our expert team

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

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

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

A sustainable model to deliver significant long-term value

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

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

Martin Murphy, Chief Executive of Syncona Investment Management Limited
11 June 2020

Life Science Portfolio Review

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

We aim to add two to three new companies to our portfolio per year based on the quality of the opportunities available at any given time. In recent years, the 'first generation' of Syncona companies, Blue Earth, Nightstar and Autolus, established early in our history, have either delivered significant realised value for shareholders or have made significant clinical progress across multiple programmes. Our 'second generation' of Syncona companies, Freeline, Gyroscope and Achilles, are now in the clinic or poised for clinical entry and have been established on the same Syncona model, but importantly, have also been able to leverage our learnings from the successes and challenges we experienced in building the first generation. Having strengthened our capital pool in recent years, we have been able to deploy greater amounts of capital into the second generation of companies at earlier stages, thereby maintaining significant ownership positions for longer, increasing our ability to shape the company as it matures and allowing our shareholders to meaningfully participate in the returns we believe come from holding companies late into development and to the point of product approval.

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

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

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

<u>Clinical</u>

Autolus (6.2% of NAV, 27% shareholding)

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

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

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

During the year, Autolus experienced a delay to its AUTO3 programme in DLBCL due to manufacturing issues which, we believe, have now been resolved and post year end, the company reported positive data at the ASCO conference, showing good efficacy, safety and durability. There are two approved CAR-T therapies for the treatment of DLBCL, but there is still a high unmet need for patients, given the durability of responses and toxicity associated with the current medicines. We believe the AUTO3 product may have the potential to be an outpatient therapy, meaning it would be able to reach the total addressable relapsed refractory DLBCL patient population, given the positively differentiated safety profile which has been observed to date. Autolus initiated an outpatient cohort for this programme in Q2 CY2020 and will take a decision on whether to progress to a formal Phase II study in Q3 CY2020.

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

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

Freeline (12.1% of NAV, 79% shareholding)

- Reported encouraging data in its lead programme in haemophilia B and initiated first AAV gene therapy trial in Fabry disease; disclosed two further pre-clinical programmes for haemophilia A and Gaucher disease
- Syncona commitment of a further $80.0 million in Series C financing; appointment of Theresa Heggie as Chief Executive Officer and Julie Krop as Chief Medical Officer; Julia Gregory and Jeffrey Chodakewitz appointed to the board

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

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

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

Gyroscope (5.9% of NAV, 80% shareholding)

- Completed the treatment phase of its dose escalation Phase I/II trial for the treatment of dry AMD; preparing for Phase II clinical proof-of-concept study
- Syncona committed £48.0 million in a £50.4 million Series B financing; strengthened senior leadership with appointment of Nadia Waheed as Chief Medical Officer

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

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

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

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

Achilles (5.8% of NAV, 44% shareholding)

- Enrolled first patients in first programme in NSCLC and melanoma
- £100.0 million Series B financing cornerstoned by a £35.1 million commitment from Syncona

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

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

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

<u>Pre-clinical</u>

SwanBio (1.5% of NAV, 79% shareholding)

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

Syncona made a new $51.0 million commitment in a $77.0 million (£62.0 million) expanded Series A financing by SwanBio. This new commitment takes Syncona's total commitment to this business to $74.0 million (£59.6 million). This expanded Series A financing will enable SwanBio to continue to develop a scalable manufacturing process for commercial supply, progress its lead programme, build out a pipeline of indications and expand its leadership team. Post period end, the company announced the appointment of Steven Zelenkofske. D.O, as Chief Medical Officer. Dr Zelenkofske brings more than 20 years of experience to the SwanBio team, most recently serving as the Chief Medical Officer at Achillion Pharmaceuticals, a clinical stage company focused on complement inhibitors, and at UniQure, a clinical stage gene therapy company focused on genetic diseases.

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

Quell (0.7% of NAV, 69% shareholding)

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

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

Anaveon (1% of NAV, 51% shareholding)

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

Azeria (0.5% of NAV, 60% shareholding)

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

Drug discovery:

OMass (1.2% of NAV, 49% shareholding)

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

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

Next key milestones for clinical programmes at 31 March 2020

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

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

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

Financial review

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

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

We ended the year with net assets of £1,246.5 million, or 185.6p per share (2019; £1,455.1 million; 216.8p per share), with NAV total return[19] declining by 13.3 per cent over the 12 months (2019; increase of 36.4 per cent). Performance was impacted by the fall in the share price of Autolus, which declined in value by £280.9 million in the year, outweighing the aggregate £91.2 million positive impact of the sale of Blue Earth, uplift in the value of Achilles and currency movements. This resulted in a valuation decrease of £189.7

[19] Refer to footnote 2

million (a negative 25.0 per cent return)[20] (2019: £430.4 million gain; 77.9 per cent return) on the life science portfolio.

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

Strong commercial and financial progress as companies scale and progress

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

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

All investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines, but we take a rigorous approach to recognising an increase in value in the absence of circumstances that clearly indicate this is appropriate. For 59.5 per cent of the life science portfolio the primary input when determining fair value is capital invested (cost[21]) and for a further 15.1 per cent of the portfolio the primary input when determining fair value is the price set in a recent third-party financing. Companies which are publicly listed, are valued at their period end share price.

Strong capital pool is a key strategic advantage

The completion of the sales of Blue Earth and Nightstar, during the year, generated proceeds of £592.6 million and significantly strengthened our capital pool. Against this we deployed £206.4 million of capital[22] into our life science portfolio and at the year end our capital pool stood at £767.0 million (2019: £399.7 million).

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

Capital pool focused on liquidity and capital preservation

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

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

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[20] Refer to footnote 3
[21] For the purposes of fair value, primary input to fair value is capital invested (cost). Please refer to note 2
[22] Refer to footnote10

Maintaining a disciplined approach to capital deployment

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

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

£147.3 million of commitments

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

Charitable donation and management fee

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

Expenses

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

Incentive Scheme

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

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

Life science portfolio valuation table:

Company	31 Mar 2019 Value (£m)	Net investment period (£m)	Valuation change (£m)	FX movement (£m)	31 Mar 2020 value (£m)	% NAV	Valuation basis[23] [24]	Fully diluted Ownership stake %	Focus area
Life science portfolio companies									
Realised									
Blue Earth	267.5	-336.8	69.3		-	-	Sale price	N/A	Advanced diagnostics
Nightstar	255.8	-255.8			-	-	Sale price	N/A	Gene therapy
Clinical									
Autolus	328.2	29.7	-284.7	3.8	77.0	6.2	Quoted	27	Cell therapy
Freeline	93.5	55.6		1.6	150.7	12.1	Cost	79	Gene therapy
Gyroscope	28.9	44.1			73.0	5.9	Cost	80	Gene therapy
Achilles	16.2	32.8	23.4		72.4	5.8	PRI	44	Cell therapy
Pre-clinical									
SwanBio	5.3	12.9		0.3	18.5	1.5	Cost	79	Gene therapy
Anaveon	3.7	8.0		0.6	12.3	1.0	Cost	51	Immunoncology
Quell	8.3				8.3	0.7	Cost	69	Cell therapy
Azeria		6.5			6.5	0.5	Cost	60	Small molecule
Drug discovery									
OMass	3.5	11.1			14.6	1.2	Cost	49	Therapeutics
Life Science Investments[25]									
CRT Pioneer Fund	34.3	5.7			40.0	3.1	Adj Third Party	64	
CEGX	3.9		-2.4		1.5	0.1	Adj. PRI	9	
Adaptimmune	4.9		-1.8	0.2	3.3	0.3	Quoted	0.2	
Syncona Collaborations	1.4				1.4	0.1	Cost	100	
Total	**1,055.4**	**(386.2)**	**(196.2)**	**6.5**	**479.5**	**38.5**			

Since 2012, £592.4 million has been invested in life science generating £1,103.9 million of value with an IRR of 39 per cent - 1.9x multiple of capital invested.

Clinical trial disclosure process

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

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

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

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

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

Principal risks and uncertainties

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 risk factors is set out in note 18 to the Consolidated Financial Statements.

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

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

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

Description	Key controls	Changes in the year
The value will depend on whether the products developed can be effectively commercialised. Even at earlier stages, the value will be based on assumptions about the commercial outcome, such as size of market, competition, pricing and cost-effectiveness of manufacture. Impacts include: • Loss of value in portfolio company.	Investment process considers strength of intellectual property or other protection and this is then operationalised by each company. Investment process considers manufacturing as a key issue from inception of each company, rather than leaving to a later stage, and this is then operationalised. At appropriate stage ensure portfolio companies recruit highly skilled personnel with significant experience in commercial delivery. Strong oversight from SIML to keep portfolio companies focused on these issues. SIML team can bring in specialist expertise where helpful. Our wider portfolio aims to have multiple companies at different stages of the development cycle and different indications, to enable us to absorb failures.	and seeking to build products that can be effectively commercialised.
People in portfolio companies Portfolio companies are reliant on recruiting highly specialised, high quality staff to deliver their strategies. This can be challenging given a limited pool of people with the necessary skills in the UK/Europe. Impacts of failing to have appropriate people: • Loss of value from failure to deliver key elements of operational plans (clinical trials, manufacturing, IP, team build etc).	Seek to build high-quality teams in portfolio companies with internal resilience if one/small number of roles is absent. This can begin before an investment is made. Build strong portfolio company boards (including representatives from the SIML team and experienced non-executives) to provide effective oversight and support. Direct support from SIML, including team members taking operational roles where necessary. SIML team can also facilitate access to external support where appropriate.	Unchanged A number of key roles have been filled during the year, including CEO roles at Freeline and Quell. Brexit has been a concern, but at present we believe this can be managed.
Capital pool The capital pool is exposed to the risk of loss or illiquidity. Impacts include: • Loss of capital. • Inability to finance life science investments.	Instruments are chosen to protect against risk and provide appropriate liquidity, with return a secondary consideration. Investments largely in GBP to match functional currency. Risk parameters monitored by SIML, with support from an external adviser to annually review the capital pool against chosen parameters.	Decreased During the year we disposed of the majority of the previously held fund investments to ensure it focuses on the key criteria of high liquidity and low risk. We now hold 90 per cent of the capital pool in cash and short-term UK treasury bills. As a result, we have reduced the overall risk of our capital pool.

Description	Key controls	Changes in the year
Operational risks		
Systems and controls We rely on a series of systems and controls to ensure proper control of assets, record-keeping and reporting, and operation of SIML's business. Impacts if these are not effective include: • Risk of loss of assets. • Inability to properly oversee SIML. • Inaccurate reporting to shareholders. • SIML unable to carry out its functions properly. • Breach of legal or regulatory requirements.	Systems and control procedures are reviewed regularly by SIML, with external input where appropriate. Certain systems have been outsourced to the Administrator who provides independence assurance of its own systems. Annual review of systems and controls carried out by the Audit Committee.	Unchanged With the disposal of the majority of the previously held fund investments, we have updated our capital pool processes.

Responsibility statement

The Directors' responsibility statement below has been prepared in conjunction with, and is extracted from, the Company's Annual Report and Accounts for the year ended 31 March 2020 ("2020 Annual Report"), whereas this announcement contains extracts from the 2020 Annual Report. The responsibility statement is repeated here solely for the purpose of complying with DTR 6.3.5. These responsibilities are for the full 2020 Annual Report and not the extracted information presented in this announcement or otherwise.

The Directors of the Company are:

Melanie Gee, Chair
Tom Henderson, Non-Executive Director
Rob Hutchinson, Non-Executive Director
Nigel Keen, Non-Executive Director
Nicholas Moss, Non-Executive Director
Gian Piero Reverberi, Non-Executive Director
Ellen Strahlman, Non-Executive Director

The Directors confirm to the best of our knowledge:

– the financial statements contained in the 2020 Annual Report, 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 2020 Annual Report, taken as a whole, is 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 2020 Annual Report includes information and details in the Chairman's Statement, the Strategic Report, the Corporate Governance Report, the Directors' Report and the notes to the Financial Statements, which provide a fair review of the information required by:

(a) DTR 4.1.8 of the Disclosure and Transparency Rules, being a fair review of the Company business and a description of the principal risks and uncertainties facing the Company; and

(b) DTR 4.1.11 of the Disclosure and Transparency Rules, being an indication of important events that have occurred since the end of the financial year and the likely future development of the Company.

UNAUDITED GROUP PORTFOLIO STATEMENT
As at 31 March 2020

	2020		2019	
	Fair Value £'000	**% of Group NAV £'000**	**Fair Value £'000**	**% of Group NAV £'000**
Life science portfolio				
Life science companies				
Autolus Therapeutics plc	76,993	6.2	328,200	22.6
Blue Earth Diagnostics Limited	–	–	267,470	18.4
Nightstar Therapeutics plc	–	–	258,344	17.7
Freeline Therapeutics Limited	150,723	12.1	93,500	6.4
Achilles Therapeutics Limited	72,413	5.8	16,166	1.1
Gyroscope Therapeutics Limited	72,975	5.9	28,875	2.0
SwanBio Therapeutics Limited	18,529	1.5	5,294	0.3
Companies of less than 1% of NAV	47,911	3.8	25,801	1.8
Total life science companies[1]	439,544	35.3	1,023,650	70.3
CRT Pioneer Fund[2]	40,023	3.2	34,311	2.4
Open forward currency contracts	–	–	(2,488)	(0.2)
Total life science portfolio[3]	479,567	38.5	1,055,473	72.5
Capital pool investments				
UK treasury bills	614,820	49.3	–	–
Legacy funds	73,979	6.0	201,862	13.9
Open forward currency contracts	–	–	1,908	0.1
Total capital pool investments[2]	688,799	55.3	203,770	14.0
Other net assets				
Cash and cash equivalents[4]	108,873	8.7	211,748	14.6
Charitable donations	(4,607)	(0.4)	(4,300)	(0.3)
Other assets and liabilities	(26,091)	(2.1)	(11,578)	(0.8)
Total other net assets	78,175	6.2	195,870	13.5
Total NAV of the Group	1,246,541	100.0	1,455,113	100.0

[1] The fair value of Syncona Holdings Limited amounting to £894,090,198 (31 March 2019: £1,048,249,690) is comprised of investments in life science companies of £439,543,507 (31 March 2019: £1,021,161,530) (including the open forward currency contracts of £Nil (31 March 2019: £(2,488,458)), investments in Syncona Investment Management Limited of £4,210,657 (31 March 2019: £4,050,743), other net assets of £453,168,505 (31 March 2019: £25,867,467) in Syncona Portfolio Limited and other net liabilities of £2,832,471 (31 March 2019: £2,830,050) in Syncona Holdings Limited.

[2] The fair value of the investment in Syncona Investments LP Incorporated amounting to £373,613,116 (31 March 2019: £421,828,431) is comprised of the investment in the capital pool investments of £688,798,541 (31 March 2019: £203,769,671) (including the open forward currency contracts of £Nil (31 March 2019: £1,908,145)), the investment in the CRT Pioneer Fund of £40,023,299 (31 March 2019:

£34,311,339), cash of £103,100,848 (31 March 2019: £198,704,854) and other net liabilities of £458,309,572 (31 March 2019: £14,957,433).

(3) The life science portfolio of £479,566,806 (31 March 2019: £1,055,472,869) consists of life science investments totalling £439,543,507 (31 March 2019: £1,021,161,530) (including the open forward currency contracts of £Nil (31 March 2019: £(2,488,458)) held by Syncona Holdings Limited and the CRT Pioneer Fund of £40,023,299 (31 March 2019: £34,311,339) held by Syncona Investments LP Incorporated.

(4) Total cash held by Syncona Limited and its subsidiaries other than portfolio companies is £108,873,051 (31 March 2019: £211,747,675). Of this amount £17,456 (31 March 2019: £90,748) is held by Syncona Limited. The remaining £108,855,595 (31 March 2019: £211,656,927) is held by its subsidiaries other than portfolio companies ("Syncona Group Companies"). Cash held by Syncona Group Companies other than Syncona GP Limited is not shown in Syncona Limited's Consolidated Statement of Financial Position.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2020

	Notes	Revenue £'000	2020 Capital £'000	Total £'000	Revenue £'000	2019 Capital £'000	Total £'000
Investment income							
Other income	6	35,708	–	35,708	34,631	–	34,631
Total investment income		35,708	–	35,708	34,631	–	34,631
Net (losses)/gains on financial assets at fair value through profit or loss	7	–	(203,013)	(203,013)	–	404,487	404,487
Total (losses)/gains		–	(203,013)	(203,013)	–	404,487	404,487
Expenses							
Charitable donations	8	4,607	–	4,607	4,300	–	4,300
General expenses	9	23,644	–	23,644	23,556	–	23,556
Total expenses		28,251	–	28,251	27,856	–	27,856
(Loss)/profit for the year		7,457	(203,013)	(195,556)	6,775	404,487	411,262
(Loss)/earnings per Ordinary Share	14	1.13p	(30.67)p	(29.54)p	1.03p	61.21p	62.24p

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

	Notes	2020	2019

	Notes	£'000	£'000
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	10	1,267,703	1,470,078
Current assets			
Bank and cash deposits		17	91
Trade and other receivables	11	9,131	8,833
Total assets		1,276,851	1,479,002
LIABILITIES AND EQUITY			
Non-current liabilities			
Share based payments	12	18,540	10,834
Current liabilities			
Share based payments	12	6,379	6,351
Payables	13	5,391	6,704
Total liabilities		30,310	23,889
EQUITY			
Share capital	14	767,999	766,037
Distributable capital reserves		478,542	689,076
Total equity		1,246,541	1,455,113
Total liabilities and equity		1,276,851	1,479,002
Total net assets attributable to holders of Ordinary Shares		1,246,541	1,455,113
Number of Ordinary Shares in issue	14	663,665,537	661,222,309
Net assets attributable to holders of Ordinary Shares (per share)	14	£1.88	£2.20
Diluted NAV (per share)	14	£1.86	£2.17

The audited Consolidated Financial Statements were approved on 11 June 2020 and signed on behalf of the Board of Directors by:

Melanie Gee
Chair

Rob Hutchinson
Non-Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF ORDINARY SHARES
As at 31 March 2020

	Notes	Share capital £'000	Capital reserves £'000	Revenue reserves £'000	Total £'000
As at 31 March 2018		**763,016**	**292,747**	**–**	**1,055,763**
Total comprehensive income for the year		–	404,487	6,775	411,262
Transactions with shareholders:					
Distributions	15	–	(8,158)	(7,020)	(15,178)
Scrip dividend shares issued during the year	14	3,021	–	–	3,021

Share based payments		–	–	245	245
As at 31 March 2019		**766,037**	**689,076**	**–**	**1,455,113**
Total comprehensive loss for the year		–	(203,013)	7,457	(195,556)
Transactions with shareholders:					
Distributions	15	–	(7,521)	(7,687)	(15,208)
Scrip dividend shares issued during the year	14	1,962	–	–	1,962
Share based payments		–	–	230	230
As at 31 March 2020		**767,999**	**478,542**	**–**	**1,246,541**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
(Loss)/profit for the year		(195,556)	411,262
Adjusted for:			
Losses/(gains) on financial assets at fair value through profit or loss	7	203,013	(404,487)
Share based payment equity charge		(408)	(825)
Operating cash flows before movements in working capital		7,049	5,950
Increase in other receivables		(298)	(3,388)
Increase/(decrease) in other payables		6,421	8,705
Net cash generated from operating activities		13,172	11,267
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss		(36,786)	(119,109)
Return of capital contribution		36,786	119,109
Net cash (used in)/generated from investing activities		–	–
Cash flows from financing activities			
Distributions	15	(13,246)	(12,157)
Net cash used in financing activities		(13,246)	(12,157)
Net decrease in cash and cash equivalents		(74)	(890)
Cash and cash equivalents at beginning of the year		91	981
Cash and cash equivalents at end of the year		17	91
Supplemental disclosure of non-cash investing and financing activities			
Issuance of shares	14	1,962	3,021
Scrip dividend shares issued during the year	14	(1,962)	(3,021)
Net non-cash investing and financing activities		–	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2020

1. GENERAL INFORMATION

Syncona Limited (the "Company") is incorporated in Guernsey as a registered closed-ended investment company. The Company's Ordinary Shares were listed on the premium segment of the London Stock Exchange on 26 October 2012 when it commenced its business.

The Company makes its life science investments through Syncona Holdings Limited (the "Holding Company"), a subsidiary of the Company. The Company maintains its capital pool through Syncona Investments LP Incorporated (the "Partnership"), in which the Company is the sole limited partner. The general partner of the Partnership is Syncona GP Limited (the "General Partner"), a wholly-owned subsidiary of the Company. Syncona Limited and Syncona GP Limited are collectively referred to as the "Group".

On 12 December 2017, Syncona Investment Management Limited ("SIML"), a subsidiary, was appointed as the Company's Alternative Investment Fund Manager ("Investment Manager").

2. ACCOUNTING POLICIES

Statement of compliance
The Consolidated Financial Statements give a true and fair view, are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and are in compliance with The Companies (Guernsey) Law, 2008. As at 31 March 2020, the Board considers that the Group operates a single segment.

Basis of preparation
The Consolidated Financial Statements have been prepared under the historical cost basis, except for investments and derivatives held at fair value through profit or loss, which have been measured at fair value.

Functional currency
The Group's functional currency is Sterling ("£" or "GBP"). £ is the currency in which the Group measures its performance and reports its results. Ordinary Shares are denominated in £ and dividends are paid in £. The Directors believe that £ best represents the functional currency, although the Group has significant exposure to other currencies as described in note 18.

Going concern
The financial statements are prepared on a going concern basis. The Company's net assets currently consist of securities and cash amounting to £1,246.5 million (31 March 2019: £1,455.1 million) of which 49.83% (31 March 2019: 34.64%) are readily realisable within three months in normal market conditions, and liabilities including uncalled commitments to underlying investments and funds amounting to £147.3 million (31 March 2019: £121.6 million).

Furthermore, the Company has considered the implications of the COVID-19 pandemic on the Company and each of its portfolio companies through a bottom up review determining the impact on the companies' businesses, cash requirements and the valuation of the related investments. From this analysis the Company has concluded that the impact will vary from investment to investment, with delays in certain programs of work (expected to be 3 to 6 months in the majority of cases) and associated additional capital requirements. The Company has taken account of the COVID-19 pandemic in the valuation of its investments at year end. Given the Company's capital pool of £767 million the Directors consider that the Company has adequate financial resources to continue its operations, including existing commitments to its investments and additional capital requirements identified in the review, for 12 months following the approval of the financial statements. Hence, the Directors believe, having considered the impact of COVID-19, that it is appropriate to continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

Basis of consolidation
The Group's Consolidated Financial Statements consist of the financial statements of the Company and the General Partner.

The results of the General Partner during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of incorporation and 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 year ended 31 March 2020 and 31 March 2019, no such adjustments have been made. All intra-group transactions, balances and expenses are eliminated on consolidation.

Entities that meet the definition of an investment entity under IFRS 10 “Consolidated Financial Statements” are held at fair value through profit or loss in accordance with IFRS 9 “Financial Instruments”. The Partnership and the Holding Company both meet the definition of investment entities.

New standards adopted by the Group

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the Group’s financial statements:

International Financial Reporting Interpretations Committee (“IFRIC”) 23 “Uncertainty over Income Tax Treatments” was published in June 2017. It addresses whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in fact and circumstances.

Guidance contained in IFRIC 23 includes (i) if an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings; (ii) if an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. An entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either of the following methods, depending on which method the entity expects to better predict the resolution of the uncertainty; (a) the most likely amount – the single most likely amount in a range of possible outcomes. The most likely amount may better predict the resolution of the uncertainty if the possible outcomes are binary or are concentrated on one value; (b) the expected value – the sum of the probability-weighted amounts in a range of possible outcomes. The expected value may better predict the resolution of the uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value. IFRIC 23 is effective for annual periods beginning on or after 1 April 2019. The adoption of IFRIC 23 had no material impact on the financial statements.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 April 2019 that have a material effect on the Group’s Consolidated Financial Statements.

Standards, amendments and interpretations not yet effective

There are a number of other standards, amendments and interpretation that are not yet effective and are not relevant to the Group. They are not discussed in detail as no material impact to the Group’s Consolidated Financial Statements is expected.

Financial instruments

Financial assets and derivatives are recognised in the Group’s Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

- ***Financial assets at fair value through profit or loss***
  The Group classifies its financial assets as investments at fair value through profit or loss based on the Group’s business model and the contractual cash flow characteristics of the financial assets. The Group assessed which business models apply to the financial assets and determined that the financial assets held by the Group would continue to be classified at fair value through profit or loss.

- ***Financial assets measured at amortised cost***
  Financial assets are measured at amortised cost if held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group includes in this category short-term non-financing receivables including trade and other receivables.

As at 31 March 2020 and 31 March 2019, there are no financial assets measured at fair value through other comprehensive income.

- ***Financial liabilities measured at amortised cost***
  This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Group includes in this category short-term payables.

Fair value – life science portfolio
The Group's investments in life science companies are, in the case of quoted companies, valued based on bid prices in an active market as at the reporting date.

In the case of the Group's investments in unlisted companies, the fair value is determined in accordance with the International Private Equity and Venture Capital ("IPEV") Valuation Guidelines. These may include the use of recent arm's length transactions, Discounted Cash Flow ("DCF") analysis and earnings multiples as valuation techniques. Wherever possible, the Group uses valuation techniques which make maximum use of market-based inputs.

The following considerations are used when calculating the fair value of unlisted life science companies:

- Cost at the transaction date is the primary input when determining fair value. Similarly where there has been a recent investment in the unlisted company by third parties, the Price of Recent Investment ("PRI") is the primary input when determining fair value, although further judgement may be required to the extent that the instrument in which the recent investment was made is different from the instrument held by the Group.

- The length of period for which it remains appropriate to consider cost or the PRI as the primary input when determining fair value depends on the achievement of target milestones of the investment at the time of acquisition. An analysis of such milestones, which can be value maintaining or value enhancing, is undertaken at each valuation point and considers changes to the external environment and the current facts and circumstances. Where this calibration process shows there is objective evidence that an investment has been impaired or increased in value since the investment was made, such as observable data suggesting a change of the financial, technical, or commercial performance of the underlying investment, the Group carries out an enhanced assessment which may use one or more of the alternative methodologies set out in the IPEV Valuation Guidelines.

- DCF involves estimating the fair value of an investment by calculating the present value of expected future cash flows, based on the most recent forecasts in respect of the underlying business. Given the difficulty involved with producing reliable cash flow forecasts for seed, start-up and early-stage companies, the DCF methodology will more commonly be used in the event that a life science company is in the final stages of clinical testing prior to regulatory approval or has filed for regulatory approval and no investments were valued on a DCF basis as at 31 March 2020.

- Independent Adviser – The Group's determination of the fair values of certain investments took into consideration multiple sources including management and publicly available information and publications and certain input from independent advisers, in particular L.E.K. Consulting LLP ("L.E.K."), who have undertaken an independent review of certain investments and has assisted the Group with its valuation of such investments. The review was limited to certain limited procedures that the Group identified and requested L.E.K to perform within an agreed limited scope. As with any review of investments, these can only be considered in the context of the limited procedures and agreed scope defining such review and are subject to assumptions which may be forward looking in nature and subjective judgements. Upon completion of such limited agreed procedures, L.E.K. estimated an independent range of fair values of those investments subjected to the limited procedures. In making such a determination the Group considered the review as one of multiple inputs in the determination of fair value. The limited procedures within the agreed scope are limited by the information reviewed and did not involve an audit, review, compilation or any other form of verification, examination or attestation under generally accepted auditing standards and was based on the review of multiple defined sources. The Group is responsible for determining the fair value of the investments, and the agreed limited procedures in the review performed to assist the Group in its determination are supplementary to the inquiries and procedures that the Group is required to undertake to determine the fair value of the said investments for which the Directors are ultimately responsible.

Fair value – capital pool investments in underlying funds

The Group's capital pool investments in underlying funds are ordinarily valued using the values (whether final or estimated) as advised to the Investment Manager by the managers, general partners or administrators of the relevant underlying fund. The valuation date of such investments may not always be coterminous with the valuation dates of the Company and in such cases the valuation of the investments as at the last valuation date is used. The net asset value ("NAV") reported by the administrator may be unaudited and, in some cases, the notified asset values are based upon estimates. The Group or the Investment Manager may depart from this policy where it is considered such valuation is inappropriate and may, at its discretion, permit any other valuation method to be used if it considers that such valuation method better reflects value generally or in particular markets or market conditions and is in accordance with good accounting practice.

Forward currency contracts
Forward foreign currency contracts are derivative contracts and as such are recognised at fair value on the date on which they are entered into and subsequently remeasured at their fair value. Fair value is determined by rates in active currency markets. Whilst the Group currently holds no forward currency contracts, forward currency contracts are held by the Partnership and Syncona Portfolio Limited from time to time for hedging purposes only.

Other financial liabilities
Other financial liabilities include all other financial liabilities other than financial liabilities at fair value through profit or loss. The Group's other financial liabilities include payables. The carrying amounts shown in the Consolidated Statement of Financial Position approximate the fair values due to the short-term nature of these other financial liabilities.

Offsetting of financial instruments
Financial assets and liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise assets and settle the liabilities simultaneously.

Derecognition of financial instruments
A financial asset is derecognised when: (a) the rights to receive cash flows from the financial asset have expired, (b) the Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through arrangement"; or (c) the Group has transferred substantially all the risks and rewards of the financial asset, or has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

A financial liability is derecognised when the contractual obligation under the liability is discharged, cancelled or expired.

Impairment of financial assets
IFRS 9 requires the Group to record expected credit losses ("ECLs") on all financial assets held at amortised cost, all loans and trade receivables, either on a 12-month or lifetime basis. The Group only holds receivables with no financing component and which have maturities of less than 12 months at amortised cost and therefore has applied the simplified approach to recognise lifetime ECLs permitted by IFRS 9.

Commitments
Through its investment in the Holding Company and the Partnership, the Group has outstanding commitments to investments that are not recognised in the Consolidated Financial Statements. Refer to note 20 for further details.

Share based payments
Certain employees of SIML participate in equity incentive arrangements under which they receive awards of Management Equity Shares ("MES") in the Holding Company above a base line value set out at the date of award. The MES are not entitled to dividends but any dividends or capital value realised by the Group in relation to the Holding Company are taken into account in determining the value of the MES. If an individual remains in employment for the applicable vesting period, they then have the right to sell 25% of their vested MES to the Company each year. The price is determined using a formula stipulated in the Articles of Association ("Articles") of the Holding Company.

The Group's policy is to settle half of the proceeds (net of expected taxes) in Company shares which must be held for at least 12 months, with the balance paid in cash. Consequently, the arrangements are deemed to be partly an equity-settled share based payment scheme and partly a cash-settled share based payment scheme under IFRS 2 "Share Based Payments" in the Consolidated Financial Statements of the Group.

The fair value of the MES at the time of the initial subscription is determined by an independent third party valuer in accordance with IFRS 2 and taking into account the particular rights attached to the MES as described in the Articles. The third party external valuer is supplied with detailed financial information relating to the relevant businesses. Using this information, the fair value is measured using a probability-weighted expected returns methodology, which is an appropriate future-oriented approach when considering the fair value of shares that have no intrinsic value at the time of issue. The approach replicates that of a binomial option pricing model. In this case, the expected future payout to the MES was made by reference to the expected evolution of the Holding Company's value, as provided by SIML management, including expected dividends and other realisations which is then compared to the base line value. This is then discounted into present value terms adopting an appropriate discount rate. The "capital asset pricing methodology" was used when considering an appropriate discount rate to apply to the payout expected to accrue to the MES on realisation.

When MES are awarded, a share based payment charge is recognised in the Consolidated Statement of Comprehensive Income of the employing company, SIML, equal to the fair value at that date, spread over the vesting period. In its own financial statements, the Company records a capital contribution to the Holding Company with an amount credited to the share based payments reserve in respect of the equity-settled proportion and to liabilities in respect of the cash-settled proportion (see below).

When the Company issues new shares to acquire the MES, the fair value of the MES is credited to share capital.

To the extent that the Company expects to pay cash to acquire the MES, the fair value of the MES is recognised as a liability in the Company's Consolidated Statement of Financial Position. The fair value is established at each balance sheet date and recognised in the Consolidated Statement of Comprehensive Income throughout the vesting period, based on the proportion vested at each Statement of Financial Position date and adjusted to reflect subsequent movements in fair value up to the date of acquisition of the MES by the Company.

The fair value paid to acquire MES (whether in shares in the Company or cash) will result in an increase in the carrying value of the Holding Company by the Company.

Income
All income is accounted for in accordance with IFRS 15 "Revenue from Contracts with Customers" and is recognised in the Consolidated Statement of Comprehensive Income. Income is further discussed in note 6.

Expenses
Expenses are accounted for on accruals basis. Expenses incurred on the acquisition of investments at fair value through profit or loss are presented within the Capital column of the Consolidated Statement of Comprehensive Income. All other expenses are presented within the Revenue column of the Consolidated Statement of Comprehensive Income. Charitable donations are accounted for on accruals basis and are recognised in the Consolidated Statement of Comprehensive Income. Expenses directly attributable to the issuance of shares are charged against capital and recognised in the Consolidated Statement of Changes in Net Assets Attributable to Holders of Ordinary Shares.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

Translation of foreign currency
Items included in the Group's Consolidated Financial Statements are measured in £, which is the currency of the primary economic environment where the group operates.

Transactions in currencies other than £ are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the Consolidated Statement of Financial Position are retranslated into £ at the rate of exchange ruling at that date.

Foreign exchange differences arising on retranslation are recognised in the Consolidated Statement of Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the rate of exchange at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated into £ at foreign exchange rates ruling at the date the fair value was determined.

Presentation of the Consolidated Statement of Comprehensive Income
In order to better reflect the activities of an investment company and in accordance with guidance issued by the AIC, supplementary information which analyses the Consolidated Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Consolidated Statement of Comprehensive Income.

3. CRITICAL ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's Consolidated Financial Statements requires judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses at the reporting date. However, uncertainties about these assumptions and estimates, in particular relating to underlying investments of private equity investments and the life science investments could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Critical accounting judgements
In the process of applying the Group's accounting policies, the following judgements have been made, which have the most significant effect on the amounts recognised in the Consolidated Financial Statements:

Fair value – life science portfolio
In the case of the Group's investments in unlisted companies, the fair value is determined in accordance with the IPEV Valuation Guidelines. These include the use of recent arm's length transactions, DCF analysis and earnings multiples. Wherever possible, the Group uses valuation techniques which make maximum use of market-based inputs.

The key judgement relates to whether there is objective evidence that suggests the investment has been impaired or increased in value due to observable data, technical, or commercial performance.

Where the Group is the sole institutional investor and until such time as substantial clinical data has been generated investment will be recorded at fair value, the primary valuation input being Cost or PRI, subject to adequate consideration being given to current facts and circumstances. Once substantial clinical data has been generated the Group will use input from an independent valuations advisers to assist in the determination of fair value.

Sources of estimation uncertainty
The Group's investments consist of its investments in the Holding Company and the Partnership, both of which are classified at fair value through profit or loss and are valued accordingly, as disclosed in note 2. The key source of estimation uncertainty is related to the valuation of the Holding Company's life science investments, the investment in the CRT Pioneer Fund and the Partnership's private equity investments.

The life science portfolio is very illiquid. Many of the companies are early stage investments and privately owned. The Company has analysed the impact of the COVID-19 pandemic on the portfolio companies through a bottom-up review and does not consider that any COVID-19 revaluations are required, however the final impact of the pandemic is not yet certain and may have effects on the portfolio companies that have not been anticipated. Accordingly, a market value can be difficult to determine. The accounting policy for all investments is described in note 2 and the fair value of all investments is described in note 19. In the case where the Company is the sole institutional investor and substantive clinical data has been generated, the Company will use input from an independent valuations advisers in its determination of the fair value of investments. Sensitivity to a 20% movement in the valuation of private company investments is included in note 19.

As at the year end, none of the Partnership's underlying investments have imposed restrictions on redemptions (31 March 2019: none). However, underlying managers often have the right to impose such restrictions. The Directors believe it remains appropriate to estimate their fair values based on NAV as reported by the administrators of the relevant investments.

The Directors believe that such NAV represents fair value because subscriptions and redemptions in the underlying investments occur at these prices at the Consolidated Statement of Financial Position date, where permitted.

The share-based payment charge is determined by an independent third party valuer in accordance with IFRS 2 using a probability-weighted expected returns methodology. This methodology includes estimates related to the underlying investments including probabilities of success and scenario weightings. If probabilities of success were 10% lower or higher than estimated the provision for cash settled share based payments would decrease or increase by £2.2 million.

4. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

The Company meets the definition of an investment entity in accordance with IFRS 10. Therefore, with the exception of the General Partner, the Company does not consolidate its subsidiaries and indirect associates, but rather recognises them as financial assets at fair value through profit or loss.

Directly owned subsidiaries

Subsidiary	Principal place of business	Principal activity	2020 % interest[1]	2019 % interest[1]
Syncona GP Limited	Guernsey	General Partner	100%	100%
Syncona Holdings Limited	Guernsey	Portfolio management	100%	100%
Syncona Investments LP Incorporated	Guernsey	Portfolio management	100%	100%

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

(1) Based on undiluted issued share capital and excluding the MES issued by Syncona Holdings Limited (see note 12).

Indirect interests in subsidiaries

Indirect Subsidiaries	Principal place of business	Immediate parent	Principal activity	2020 % interest[1]
Syncona Discovery Limited	UK	Syncona Investments LP Inc	Portfolio management	100%
Syncona Portfolio Limited	Guernsey	Syncona Holdings Limited	Portfolio management	100%
Syncona IP Holdco Limited	UK	Syncona Portfolio Limited	Portfolio management	100%
Syncona Investment Management Limited	UK	Syncona Holdings Limited	Portfolio management	100%
Syncona Collaboration (E) Limited	UK	Syncona Portfolio Limited	Research	100%
Freeline Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	84%
Gyroscope Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	84%
SwanBio Therapeutics Limited	United States	Syncona Portfolio Limited	Gene therapy	74%
Quell Therapeutics Limited	UK	Syncona Portfolio Limited	Cell therapy	58%
Achilles Therapeutics Limited	UK	Syncona Portfolio Limited	Cell therapy	52%
Omass Therapeutics Limited	UK	Syncona Portfolio Limited	Small molecule	51%

Indirect associates	Principal place of business	Immediate parent	Principal activity	2020 % interest[1]
Anaveon AG	Switzerland	Syncona Portfolio Limited	Biologics	41%
Azeria Therapeutics Limited	UK	Syncona Portfolio Limited	Small molecule	34%
Autolus Therapeutics plc	UK	Syncona Portfolio Limited	Cell therapy	27%

(1) Based on undiluted issued share capital and excluding the MES issued by Syncona Holdings Limited (see note 12).

Indirect Subsidiaries	Principal place of business	Immediate parent	Principal activity	2019 % interest[1]
Syncona Discovery Limited	UK	Syncona Investments LP Inc	Portfolio management	100%
Syncona Portfolio Limited	Guernsey	Syncona Holdings Limited	Portfolio management	100%
Syncona IP Holdco Limited	UK	Syncona Portfolio Limited	Portfolio management	100%
Syncona Investment Management Limited	UK	Syncona Holdings Limited	Portfolio management	100%
Syncona Collaboration (E) Limited	UK	Syncona Portfolio Limited	Research	100%
Blue Earth Diagnostics Limited	UK	Syncona Portfolio Limited	Advanced diagnostics	89%
Freeline Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	87%
Gyroscope Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	86%

Achilles Therapeutics Limited	UK	Syncona Portfolio Limited	Cell therapy	69%
Quell Therapeutics Limited	UK	Syncona Portfolio Limited	Cell therapy	58%
SwanBio Therapeutics Limited	United States	Syncona Portfolio Limited	Gene therapy	58%

Indirect associates	Principal place of business	Immediate parent	Principal activity	2019 % interest[1]
Nightstar Therapeutics plc	UK	Syncona Portfolio Limited	Gene therapy	38%
Omass Therapeutics Limited	UK	Syncona Portfolio Limited	Small molecule	37%
Autolus Therapeutics plc	UK	Syncona Portfolio Limited	Cell therapy	31%
Anaveon AG	Switzerland	Syncona Portfolio Limited	Biologics	20%

(1) Based on undiluted issued share capital and excluding the MES issued by Syncona Holdings Limited (see note 12).

5. TAXATION

The Company and the General Partner are exempt from taxation in Guernsey under the provisions of The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and have both paid an annual exemption fee of £1,200 (31 March 2019: £1,200).

The General Partner is incorporated and a tax resident in Guernsey, its corporate affairs being managed solely in Guernsey. Having regard to the non-UK tax residence of the General Partner and the Company, and on the basis that the Partnership is treated as transparent for UK and Guernsey tax purposes and that the Partnership's business is an investment business and not a trade, no UK tax will be payable on either the General Partner's or the Company's shares of Partnership profit (save to the extent of any UK withholding tax on certain types of UK income such as interest).

Some of the Group's underlying investments may be liable to tax, although the tax impact is not expected to be material to the Group, and is included in the fair value of the Group's investments.

6. INCOME

The Group's income relates to cash transfers from the Partnership which are used for paying costs and dividends of the Group.

During the year, income received from the Partnership amounted to £35,708,000 (31 March 2019: £34,631,000) of which £4,607,416 (31 March 2019: £4,300,000) remained receivable as at 31 March 2020. The receivable reflects the charitable donations of the Group.

7. NET (LOSSES)/GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	Note	2020 £'000	2019 £'000
Net (losses)/gains from:			
The Holding Company	7.a	(191,176)	431,893
The Partnership	7.b	(11,837)	(27,406)
		(203,013)	404,487

7.a Movements in the Holding Company:

	2020 £'000	2019 £'000
Expenses	(3)	(100)
Movement in unrealised (losses)/gains on life science investments at fair value through profit or loss	(191,173)	431,993
Net (losses)/gains on financial assets at fair value through profit or loss	(191,176)	431,893

7.b Movements in the Partnership:

	2020	2019

	£'000	£'000
Investment income	469	610
Rebates and donations	384	2,527
Expenses	(95)	(63)
Realised gains on financial assets at fair value through profit or loss	33,889	76,965
Movement in unrealised losses on financial assets at fair value through profit or loss	(6,300)	(60,459)
(Losses)/gains on forward currency contracts	(6,389)	997
Gains/(losses) on foreign currency	1,913	(13,352)
Gains on financial assets at fair value through profit or loss	23,871	7,225
Distributions	(35,708)	(34,631)
Net losses on financial assets at fair value through profit or loss	(11,837)	(27,406)

8. CHARITABLE DONATIONS

For the year ended 31 March 2020, the Group has agreed to make a donation to charity of 0.35% of the total NAV of the Group calculated on a monthly basis, 0.15% donated to The Institute of Cancer Research ("ICR") and 0.20% donated to The Syncona Foundation, and these donations are made by the General Partner.

During the year, accrued charitable donations amounted to £4,607,416 (31 March 2019: £4,300,155). As at 31 March 2020, £4,607,416 (31 March 2019: £4,300,155) remained payable.

9. GENERAL EXPENSES

	2020 £'000	2019 £'000
Directors' remuneration	379	355
Auditor's remuneration	173	232
Share based payments	13,434	11,792
Investment management fees	7,517	8,923
Other expenses	2,141	2,254
	23,644	23,556

Auditor's remuneration includes audit fees in relation to the Group of £43,035 (31 March 2019: £31,830). Total audit fees paid by the Group and the Syncona Group Companies for the year ended 31 March 2020 totalled £173,470 (31 March 2019: £172,515). Additional fees paid to the auditor were £29,500 (31 March 2019: £28,100) which relates to work performed at the interim review of £23,000 (31 March 2019: £21,600) and other non-audit fees of £6,500 (31 March 2019: £6,500).

Further details of the share based payments can be found in note 12.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	2020 £'000	2019 £'000
The Holding Company	10.a	894,090	1,048,250
The Partnership	10.b	373,613	421,828
		1,267,703	1,470,078

10.a The net assets of the Holding Company

	2020 £'000	2019 £'000
Cost of the Holding Company's investment at the start of the year	456,932	325,510
Purchases during the year	36,378	131,422
Cost of the Holding Company's investments at the end of the year	493,310	456,932
Net unrealised gains on investments at the end of the year	403,613	594,148

Fair value of the Holding Company's investments at the end of the year	896,923	1,051,080
Other current liabilities	(2,833)	(2,830)
Financial assets at fair value through profit or loss at the end of the year	894,090	1,048,250

10.b The net assets of the Partnership

	2020 £'000	2019 £'000
Cost of the Partnership's investments at the start of the year	183,257	381,381
Purchases during the year	2,349,530	170,275
Sales during the year	(1,869,399)	(433,051)
Return of capital	(14,527)	(12,313)
Net realised gains on disposals during the year	33,889	76,965
Cost of the Partnership's investments at the end of the year	682,750	183,257
Net unrealised gains on investments at the end of the year	46,072	52,916
Fair value of the Partnership's investments at the end of the year	728,822	236,173
Open forward currency contracts	–	1,908
Cash and cash equivalents	103,101	198,705
Other net current liabilities	(458,310)	(14,958)
Financial assets at fair value through profit or loss at the end of the year	373,613	421,828

11. TRADE AND OTHER RECEIVABLES

	2020 £'000	2019 £'000
Due from related parties (see note 16)	4,524	4,495
Investment income receivable	4,607	4,300
Prepayments	–	38
	9,131	8,833

12. SHARE BASED PAYMENTS

Share based payments are associated with awards of MES in the Holding Company, relevant details of which are set out in note 2.

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

	2020 £'000	2019 £'000
Charge related to revaluation of the liability for cash settled share awards	13,434	11,792
Total	13,434	11,792

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

	2020 £'000	2019 £'000
Share based payments - current	6,379	6,351
Share based payments - non-current	18,540	10,834
Total	24,919	17,185

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

The fair value of the MES is established via external valuation as set out in note 2. Vesting is subject only to the condition that employees must remain in employment at the vesting date. Each MES is entitled to share equally in value attributable to the Holding Company above the applicable base line value, provided that the applicable hurdle value of 15% or 30% growth in the value of the Holding Company above the base line value at the date of award has been achieved.

The fair value of awards made in the year ended 31 March 2020 was £260,000 (31 March 2019: £1,520,000). This represents 9,559,389 new MES issued (31 March 2019: 12,607,898).

The number of MES outstanding are shown below:

	2020	**2019**
Outstanding at the start of the year	36,784,147	27,664,909
Issued	9,559,389	12,607,898
Cancelled	(4,405,823)	(3,488,660)
Outstanding at the end of the year	41,937,713	36,784,147
Weighted average remaining contractual life of outstanding MES, years	1.72	2.24
Vested MES as at the year end	20,758,829	14,798,030
Realisable MES as at the year end	6,171,469	3,900,433

As at 31 March 2020, if all MES were realised, the number of shares issued in the Company as a result would be 7,937,704 (31 March 2019: 10,046,397). The per share value of net assets attributable to holders of Ordinary Shares would fall from £1.88 to £1.86 (31 March 2019: £2.20 to £2.17) if these shares were issued.

13. PAYABLES

	2020 £'000	**2019 £'000**
Charitable donations payable	4,607	4,300
Management fees payable	196	1,242
Due to related party (see note 16)	–	500
Other payables	588	662
	5,391	6,704

14. SHARE CAPITAL

A. Authorised Share Capital

The Company is authorised to issue an unlimited number of shares, which may have a par value or no par value. The Company is a closed-ended investment company with an unlimited life.

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

	2020 £'000	**2019 £'000**
Ordinary Share Capital		
Balance at the start of the year	766,037	763,016
Scrip dividend shares issued during the year	1,962	3,021
Balance at the end of the year	767,999	766,037

	2020 Shares	**2019 Shares**
Ordinary Share Capital		
Balance at the start of the year	661,222,309	659,952,090
Scrip dividend shares issued during the year	860,090	1,249,383
Share based payment shares issued during the period	1,583,138	20,836
Balance at the end of the year	663,665,537	661,222,309

In July 2019, £1,961,865 (860,090 Ordinary Shares) in new Ordinary Shares were issued at a price of 228.1p as a result of the 2019 scrip dividend.

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

The Company has issued one Deferred Share to The Syncona Foundation for £1.

B. Capital reserves

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

C. (Loss)/earnings per share

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

	2020	**2019**
(Loss)/earnings for the purposes of earnings per share	£(195,556,000)	£411,262,000
Basic weighted average number of shares	661,919,658	660,759,419
Basic revenue earnings per share	1.1p	1.0p
Basic capital (loss)/earnings per share	(30.7)p	61.2p
Basic (loss)/earnings per share	(29.6)p	62.2p
Diluted weighted average number of shares	669,857,362	670,805,816
Diluted revenue earnings per shares	1.1p	1.0p
Diluted capital (loss)/earnings per share	(30.3)p	60.3p
Diluted (loss)/earnings per share	(29.2)p	61.3p

	2020	**2019**
Issued share capital at start of year	661,222,309	659,952,090
Weighted effect of share issues		
Scrip dividend	256,147	791,959
Share based payments	441,202	15,370
Potential share based payment share issues	7,937,704	10,046,397
Diluted weighted average number of shares	669,857,362	670,805,816

D. NAV per share

	2020	**2019**
Net assets for the purposes of NAV per share	£1,246,540,660	£1,455,112,953
Ordinary Shares in issue	663,665,537	661,222,309
NAV per share	187.8p	220.1p
Diluted number of shares	671,603,241	671,268,706
Diluted NAV per share	185.6p	216.8p

15. DISTRIBUTION TO SHAREHOLDERS

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

During the year ended 31 March 2020, the Company declared and paid a dividend of 2.3p (31 March 2019: 2.3p) per share amounting to £15,208,113 (31 March 2019: £15,178,477). The dividend was comprised of £13,246,248 cash (31 March 2019: £12,157,469) and a scrip dividend of £1,961,865 (31 March 2019: £3,021,008).

The Company is not declaring a 2020 dividend.

16. RELATED PARTY TRANSACTIONS

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

Life science investments
The Group makes equity investments in some life science investments where it retains control. The Group has taken advantage of the investment entity exception as permitted by IFRS 10 and has not consolidated these investments but does consider them to be related parties.

During the year, the total amount invested in life science investments with control was £156,531,372 (31 March 2019: £84,332,761).

The Group makes other equity investments where it does not have control but may have significant influence through its ability to participate in the financial and operating policies of these companies, therefore the Group considers them to be related parties.

During the year, the total amount invested in life science investments with significant influence was £44,209,342 (31 March 2019: £39,101,314).

Commitments of milestone payments to the life science investments are disclosed in note 20.

During the year, SIML, an indirectly held subsidiary of the Company, charged the life science investments a total of £294,963 (31 March 2019: £478,521) in relation to Directors' fees.

Investment Manager
SIML, an indirectly held subsidiary of the Company, is the Investment Manager of the Group.

For the year ended 31 March 2020 SIML was entitled to receive an annual fee of up to 1.05% of NAV (31 March 2019: 1.10%) per annum.

	2020 £'000	2019 £'000
Amounts paid to SIML	7,517	8,923

During the year, SIML received fees from the Group's portfolio companies of £294,963 (31 March 2019: £478,522).

Company Directors
As at the year end, the Company had seven Directors, all of whom served in a non-executive capacity. The Directors Nicholas Moss and Rob Hutchinson also serve as Directors of the General Partner.

Nigel Keen is Chairman of the Investment Manager and receives a fee of £130,981 (31 March 2019: £128,388) per annum, payable by the Investment Manager, in respect of his services to the Investment Manager.

Gian Piero Reverberi was appointed as Non-Executive Director with effect from 1 April 2018. Nicholas Moss was appointed as Senior Independent Director and Rob Hutchinson succeeded him as Chair of the Audit Committee with effect from 1 April 2018. Melanie Gee was appointed as Non-Executive Director with effect from 4 June 2019 and was appointed Chair on 1 January 2020.

Directors' remuneration for the year ended 31 March 2020 and 31 March 2019, including outstanding Directors' remuneration as at the end of the year, are set out below.

	2020 £'000	2019 £'000
Directors' remuneration for the year	379	355
Payable at end of the year	–	125

The Syncona Foundation

Charitable donations are made by the Company to The Syncona Foundation. The Syncona Foundation was incorporated in England and Wales on 17 May 2012 as a private company limited by guarantee, with exclusively charitable purposes and holds the Deferred Share in the Company. The amount donated to The Syncona Foundation during the year ended 31 March 2020 was £2,375,804 (31 March 2019: £2,375,804).

Other related parties
As at 31 March 2020, the Company has a payable to the Holding Company amounting to £Nil (2019: £500,000), and receivable from the Partnership, Holding Company and Syncona Portfolio Limited amounting to £Nil (2019: £500,000), £3,955,602 (2019: £3,953,202) and £568,039 (2019: £Nil), respectively.

17. FINANCIAL INSTRUMENTS

In accordance with its investment objectives and policies, the Group holds financial instruments which at any one time may comprise the following:

- securities and investments held in accordance with the investment objectives and policies;
- cash and short-term receivables and payables arising directly from operations; and
- derivative instruments including forward currency contracts.

The financial instruments held by the Group are comprised principally of the investments in the Holding Company and the Partnership.

Details of the Group's significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of its financial assets and liabilities are disclosed in note 2.

	2020 £'000	**2019 £'000**
Financial assets at fair value through profit or loss		
The Holding Company	894,090	1,048,250
The Partnership	373,613	421,828
Total financial assets at fair value through profit or loss	1,267,703	1,470,078
Financial assets measured at amortised cost		
Bank and cash deposits	17	91
Other financial assets	9,131	8,795
Total financial assets measured at amortised cost	9,148	8,886
Financial liabilities at fair value through profit or loss		
Provision for share based payments	(24,919)	(17,185)
Total financial liabilities at fair value through profit or loss	(24,919)	(17,185)
Financial liabilities measured at amortised cost		
Other financial liabilities	(5,391)	(6,704)
Total financial liabilities measured at amortised cost	(5,391)	(6,704)
Net financial assets	1,246,541	1,455,075

The financial instruments held by the Group's underlying investments are comprised principally of life science investments, hedge, equity, long-term alternative investment funds, short-term UK treasury bills and cash.

The table below analyses the carrying amounts of the financial assets and liabilities held by the Holding Company by category as defined in IFRS 9 (see note 2).

	2020 £'000	**2019 £'000**
Financial assets at fair value through profit or loss		
Investment in Subsidiaries	896,923	1,051,080
Total financial assets at fair value through profit or loss	896,923	1,051,080

Financial assets measured at amortised cost		
Other financial assets	1,123	1,123
Financial liabilities measured at amortised cost		
Other financial liabilities	(3,956)	(3,953)
Net financial assets of the Holding Company	894,090	1,048,250

The table below analyses the carrying amounts of the financial assets and liabilities held by the Partnership by category as defined in IFRS 9.

	2020 £'000	**2019 £'000**
Financial assets at fair value through profit or loss		
Listed investments	614,820	–
Unlisted investments	114,002	236,173
Unrealised gains on open forward currency contracts	–	1,908
Total financial assets designated at fair value through profit or loss	728,822	238,081
Financial assets measured at amortised cost		
Current assets	103,928	199,964
Financial liabilities measured at amortised cost		
Current liabilities	(459,137)	(16,217)
Net financial assets of the Partnership	373,613	421,828

Capital risk management

The Group's objectives when managing capital include the safeguarding of the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group does not have externally-imposed capital requirements.

The Group may incur indebtedness for the purpose of financing share repurchases or redemptions, making investments (including as bridge finance for investment obligations), satisfying working capital requirements or to assist in payment of the charitable donation, up to a maximum of 20% of the NAV at the point of obtaining debt. The Group may utilise gearing for investment purposes if, at the time of incurrence, it considers it prudent and desirable to do so in light of prevailing market conditions. There is no limitation on indebtedness being incurred at the level of the underlying investments.

18. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS

Financial risk management

The Group is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including market price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. These risks have existed throughout the year and the Group's policies for managing them are summarised below.

The risks below do not reflect the risks of the underlying investment portfolios of the financial assets at fair value through profit or loss. The Group has very significant indirect exposure to a number of risks through the underlying portfolios of the investment entities. This is in line with the strategy of the Group in order to achieve capital gains. There is no mechanism to control these risks without considerably prejudicing return objectives.

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

During the year, the Group materially decreased the risk associated with the assets held by the Partnership by redeeming fund investments and investing in short-term UK treasury bills.

Syncona Limited
Syncona Limited is exposed to financial risks through its investments in the Holding Company and the Partnership. The risks and policies for managing them are set out in the sections below.

The Holding Company

Market price risk
The Holding Company invests in early stage life science companies that typically have limited products in development, any problems encountered in development may have a damaging effect on that company's business and the value of the investment.

This is mitigated by the employment of highly experienced personnel and the performance of extensive due diligence prior to investment.

Foreign currency risk
Foreign currency risk represents the potential losses or gains on the life science investments future income streams and the potential losses or gains on investments made in United States Dollars ("USD") and Swiss Francs ("CHF") by the Holding Company's underlying investments.

	2020 USD £'000	**2020 CHF £'000**	**2019 USD £'000**	**2019 CHF £'000**
10% increase	16,315	1,122	103,308	336
10% decrease	(13,348)	(1,234)	(126,383)	(370)

As at 31 March 2020, the Holding Company had no open forward currency contracts (31 March 2019: one).

	Sell '000	**Buy £'000**	**Mark to market equivalent £'000**	**2019 Unrealised losses £'000**
GBP/USD forward currency contract				
Settlement date 12 June 2019	$336,700	254,948	257,436	(2,488)
Total unrealised losses as at year end				(2,488)

The following tables present the Holding Company's assets and liabilities in their respective currencies, converted into the Group's functional currency.

	CHF £'000	**USD £'000**	**GBP £'000**	**2020 Total £'000**
Financial assets at fair value through profit or loss	12,338	131,031	753,554	896,923
Receivables	–	–	1,123	1,123
Payables	–	–	(3,956)	(3,956)
Total	12,338	131,031	750,721	894,090

	CHF £'000	**USD £'000**	**GBP £'000**	**2019 Total £'000**
Financial assets at fair value through profit or loss	3,700	591,493	455,887	1,051,080
Receivables	–	–	1,123	1,123
Payables	–	–	(3,953)	(3,953)
Total	3,700	591,493	453,057	1,048,250

Interest rate risk
Interest rate risk is negligible in the Holding Company as minimal cash and no debt is held.

Credit risk
The equity investments in life science companies are highly illiquid and cannot be recovered from the investee. The investments are held for the long term and will typically be realised through the sale of the companies concerned, whether in a private transaction or through the public markets.

Liquidity risk
Liquidity risk is the risk that the financial commitments made by the Holding Company are not able to be met as they fall due. The Holding Company holds minimal cash and has no access to debt and instead relies on liquidity from the Partnership. The liquidity risk associated with the Partnership is set out in the Partnership section below.

The table below details the Holding Company's liquidity analysis for its financial assets and liabilities.

	Within 1 month £'000	>1 to 3 months £'000	>3 to 12 months £'000	>12 months £'000	2020 Total £'000
Financial assets at fair value through profit or loss	–	–	–	896,923	896,923
Receivables	–	–	–	1,123	1,123
Payables	–	–	(35)	(3,921)	(3,956)
Total	–	–	(35)	894,125	894,090
Percentage	0.0%	0.0%	0.0%	100.0%	100.0%

	Within 1 month £'000	>1 to 3 months £'000	>3 to 12 months £'000	>12 months £'000	2019 Total £'000
Financial assets at fair value through profit or loss	–	258,344	–	792,736	1,051,080
Receivables	–	–	–	1,123	1,123
Payables	–	–	(32)	(3,921)	(3,953)
Total	–	258,344	(32)	789,938	1,048,250
Percentage	0.0%	24.6%	0.0%	75.4%	100.0%

The Partnership

Market price risk
The overall market price risk management of each of the fund holdings of the Partnership is primarily driven by their respective investment objectives. The Investment Manager assesses the risk in the Partnership's fund portfolio by monitoring exposures, liquidity, and concentrations of the underlying funds' investments, in the context of the historic and current volatility of their asset classes, and the Investment Manager's risk appetite. The maximum risk resulting from financial instruments is generally determined by the fair value of underlying funds. The overall market exposure as at 31 March 2020 is shown in the Consolidated Statement of Financial Position.

The financial instruments are sensitive to market price risk; any increase or decrease in market price will have an equivalent effect on the market value of the financial instruments.

Foreign currency risk
Foreign currency risk represents the potential losses or gains the Partnership may suffer through holding foreign currency assets in the face of foreign exchange movements. The Partnership's treatment of currency transactions is set out in note 2 to the Consolidated Financial Statements under "Translation of foreign currency" and "Forward currency contracts". Currency risk exists in the underlying investments, the analysis of which is not feasible.

The investments of the Partnership are denominated in USD, Euro ("EUR"), and GBP. The Partnership's functional and presentation currency is £; hence, the Consolidated Statement of Financial Position may be significantly affected by movements in the exchange rates between the foreign currencies previously mentioned. The Investment Manager may manage exposure to EUR and USD movements by using forward currency contracts to hedge exposure to investments in EUR and USD-denominated share classes.

As at 31 March 2020, the Partnership had no open forward currency contracts (31 March 2019: two).

	Sell '000	Buy £'000	Mark to market equivalent £'000	2019 Unrealised gains £'000
GBP/EUR forward currency contract				
Settlement date 7 May 2019	€47,200	41,618	40,675	943
GBP/USD forward currency contract				
Settlement date 7 May 2019	$177,800	137,149	136,184	965
Total unrealised gains as at year end				1,908

The following tables present the Partnership's assets and liabilities in their respective currencies, converted into the Group's functional currency.

	USD £'000	EUR £'000	GBP £'000	2020 Total £'000
Financial assets at fair value through profit or loss	8,001	52,930	667,891	728,822
Cash and cash equivalents	35,262	37	67,802	103,101
Trade and other receivables	17	–	810	827
Payables	–	–	(454,530)	(454,530)
Distributions payable	–	–	(4,607)	(4,607)
	43,280	52,967	277,366	373,613

	USD £'000	EUR £'000	GBP £'000	2019 Total £'000
Financial assets at fair value through profit or loss	123,321	41,387	71,465	236,173
Cash and cash equivalents	34,128	416	164,161	198,705
Trade and other receivables	7	–	1,252	1,259
Unrealised (losses)/gains on forward currency contracts	(136,184)	(40,675)	178,767	1,908
Payables	–	–	(16,217)	(16,217)
	21,272	1,128	399,428	421,828

Foreign currency sensitivity analysis

The table below details the sensitivity of the Partnership's NAV to a 10% change in the £ exchange rate against the USD and EUR with all other variables held constant. The sensitivity analysis percentage represents the Investment Manager's assessment, based on the foreign exchange rate movements over the relevant period and of a reasonably possible change in foreign exchange rates.

	2020 USD £'000	2020 EUR £'000	2019 USD £'000	2019 EUR £'000
10% increase	4,328	5,297	13,675	4,608
10% decrease	(4,328)	(5,297)	(11,188)	(3,770)

The above includes the effect of the Group's hedging strategy.

Interest rate risk

Interest receivable on bank deposits or payable on bank overdrafts are affected by fluctuations in interest rates, however the effect is not expected to be material. All cash balances receive interest at variable rates. Interest rate risk may exist in the Partnership's underlying investments, the analysis of which is impractical.

Credit risk

Credit risk in relation to listed securities transactions awaiting settlement is managed through the rules and procedures of the relevant stock exchanges. In particular, settlements for transactions in listed securities are effected by the Citco Custody (UK) Limited (the "Custodian") which acts as the custodian of the partnership's assets, on a delivery against payment or receipt against payment basis. Transactions in unlisted securities are affected against binding subscription agreements. Credit risk may exist in the Partnership's underlying fund investments, the analysis of which is impractical.

The Partnership invests in short-term UK treasury bills and considers the associated credit risk to be negligible.

The principal credit risks for the Partnership are in relation to deposits with banks. The securities held by the Custodian are held in trust and are registered in the name of Partnership. Citco is "non-rated", however, the Investment Manager takes comfort over the credit risk of Citco as they have proven to rank amongst the "Best in Class" and "Top rated" in the recognised industry survey carrying a global presence and over 40 years of experience in the provision of custodian and other services to their clients and the hedge fund industry. The credit risk associated with debtors is limited to any unrealised gains on open forward currency contracts, as detailed above, and other receivables.

Liquidity risk

The Partnership is exposed to the possibility that it may be unable to liquidate certain of its assets as it otherwise deems advisable as the Partnership's underlying funds or their managers may require minimum holding periods and restrictions on redemptions. Further, there may be suspension or delays in payment of redemption proceeds by underlying funds or holdbacks of redemption proceeds otherwise payable to the Partnership until after the applicable underlying fund's financial records have been audited. Therefore, the Partnership may hold receivables that may not be received by the Partnership for a significant period of time, may not accrue any interest and ultimately may not be paid to the Partnership. As at 31 March 2020, no suspension from redemptions existed in any of the Partnership's underlying investments (31 March 2019: Nil).

The Partnership invests in short-term UK treasury bills and considers the associated liquidity risk to negligible.

The table below details the Partnership's liquidity analysis for its financial assets and liabilities. The table has been drawn up based on the undiscounted net cash flows on the financial assets and liabilities that settle on a net basis and the undiscounted gross cash flows on those financial assets and liabilities that require gross settlement.

	Within 1 month £'000	>1 to 3 months £'000	>3 to 12 months £'000	>12 months £'000	2020* Total £'000
Financial assets at fair value through profit or loss	239,983	284,934	89,904	114,001	728,822
Cash and cash equivalents	103,101	–	–	–	103,101
Trade and other receivables	827	–	–	–	827
Payables	(454,530)	–	–	–	(454,530)
Distributions payable	–	(4,607)	–	–	(4,607)
Total	(110,619)	280,327	89,904	114,001	373,613
Percentage	(29.6)%	75.0%	24.1%	30.5%	100.0%

	Within 1 month £'000	>1 to 3 months £'000	>3 to 12 months £'000	>12 months £'000	2019* Total £'000
Financial assets at fair value through profit or loss	21,494	23,089	87,686	103,904	236,173
Cash and cash equivalents	198,705	–	–	–	198,705
Trade and other receivables	1,259	–	–	–	1,259
Unrealised gains on forward currency contracts	–	1,908	–	–	1,908
Payables	(11,915)	–	–	–	(11,915)

Distributions payable	–	–	(4,302)	–	(4,302)
Total	209,543	24,997	83,384	103,904	421,828
Percentage	49.7%	5.9%	19.8%	24.6%	100.0%

* The liquidity tables above reflect the anticipated cash flows assuming notice was given to all underlying investments as at 31 March 2020 and 31 March 2019 and that all UK treasury bills are held to maturity. They include a provision for "audit hold back" which most hedge funds can apply to full redemptions and any other known restrictions the managers of the underlying funds may have placed on redemptions. Where there is currently no firm indication from the underlying manager on the expected timing of the receipt of redemption proceeds, the relevant amount is included in the ">12 months" category. The liquidity tables are therefore conservative estimates.

19. FAIR VALUE MEASUREMENT

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

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

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

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

The following table presents the Group's financial assets and liabilities by level within the valuation hierarchy as at 31 March 2020 and 31 March 2019:

Assets	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**2020 Total £'000**
Financial assets at fair value through profit or loss:				
The Holding Company	–	–	894,090	894,090
The Partnership	–	–	373,613	373,613
Total assets	–	–	1,267,703	1,267,703

Assets	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**2019 Total £'000**
Financial assets at fair value through profit or loss:				
The Holding Company	–	–	1,048,250	1,048,250
The Partnership	–	–	421,828	421,828
Total assets	–	–	1,470,078	1,470,078

These amounts represent the unadjusted NAV of the Partnership and the Holding Company.

The underlying assets of the Partnership and the Holding Company are shown below.

The following table presents the Holding Company's financial assets and liabilities by level within the valuation hierarchy as at 31 March 2020 and 31 March 2019:

Asset type	Level	31 March 2020 £'000	31 March 2019 £'000	Valuation technique	Significant unobservable inputs	Impact on valuation £'000
Listed investments	1	80,279	591,493	Publicly available share price at balance sheet date	n/a	n/a
Price of latest funding round (investment made less than 12 months ago)	2	–	15,457	Price of latest funding round	n/a	n/a
SIML	3	4,211	4,051	Net assets of SIML	n/a	n/a
Forward contracts	2	–	(2,488)	Publicly available exchange rates at balance sheet date	n/a	n/a
Calibrated PRI[1]	3	357,710	145,262	Calibrated PRI	The main unobservable input is the variance in the price of the last funding round due to a lack of an active market for the investment. A reasonable shift in the Fair Value of the investment would be +/-20%.	+/- £71,542
Investments valued on discounted cash flow forecasts	3	–	267,470	Future earnings potential, discount for lack of marketability and time value of money	n/a	n/a
Adjusted price of latest funding round[2]	3	1,555	3,968	Price of latest funding round adjusted by management	The main unobservable input is the variance in the price of the last funding round due to a lack of an active market for the investment. A reasonable shift in the Fair Value of the investment would be +/-20%.	+/- £311

1 Valuation made by reference to price of recent funding round unadjusted following adequate consideration of current facts and circumstances.

2 Valuation made by reference to price of recent funding round adjusted following adequate consideration of current facts and circumstances.

The following table presents the movements in Level 3 investments of the Holding Company for the year ended 31 March 2020 and 31 March 2019:

	Life science investments £'000	SIML £'000	2020 Total £'000	2019 Total £'000
Opening balance	416,700	4,051	420,751	254,884
Transfer to Level 3	15,457	–	15,457	4,177
Purchases	170,953	–	170,953	71,777
Sales	(336,932)	–	(336,932)	–
Gains on financial assets at fair value through profit or loss	93,087	160	93,247	89,913
Closing balance	359,265	4,211	363,476	420,751

The net gains for the year included in the Consolidated Statement of Comprehensive Income in respect of Level 3 investments in the Holding Company held as at the year end amounted to £93,247,000 (2019: £89,913,000).

During the year ended 31 March 2020 and 31 March 2019, the valuation of a life science investment was adjusted by management and has therefore moved from Level 2 to Level 3. This resulted in £15,457,000 (31 March 2019: £4,177,000) transferring from Level 2 to Level 3.

The following table presents the Partnership's financial assets and liabilities by level within the valuation hierarchy as at 31 March 2020 and 31 March 2019:

	Level	31 March 2020 £'000	31 March 2019 £'000	Valuation technique	Significant unobservable inputs	Impact on valuation £'000
UK treasury bills	1	614,820	–	Publicly available price at balance sheet date	n/a	n/a
Forward contracts	2	–	1,908	Publicly available share price at balance sheet date	n/a	n/a

Unlisted fund investments	2	21,022	152,805	Valuation produced by fund administrator. inputs into fund components are from observable inputs	n/a	n/a
Long-term unlisted investments	3	52,957	49,057	Valuation produced by fund administrator	The main unobservable input include the assessment of the performance of the underlying fund by the fund administrator. A reasonable possible shift in the Fair Value of the instruments would be +/-10%.	+/- £5,516
CRT Pioneer Fund	3	40,023	34,311	Valuation produced by fund administrator	Unobservable inputs include the fund manager's assessment of the performance and potential of the underlying assets, changes in market value and any calculations of impairment. A reasonable possible shift in the Fair Value of the instruments would be +/-10%.	+/- £4,002

During the year ended 31 March 2020, no funds (31 March 2019: one) were moved from Level 1 to Level 2. This resulted in £Nil (31 March 2019: £3,968,218) transferring from Level 1 to Level 2.

Assets classified as Level 2 investments are underlying funds fair-valued using the latest available NAV of each fund as reported by each fund's administrator, which are redeemable by the Group subject to necessary notice being given. Included within the Level 2 investments above are investments where the redemption notice period is greater than 90 days. Such investments have been classified as Level 2 because their value is based on observable inputs. The Group's liquidity analysis is detailed in note 18.

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

The following table presents the movements in Level 3 investments of the Partnership for the year ended 31 March 2020:

	CRT Pioneer Fund £'000	**Capital pool investment £'000**	**2020 Total £'000**	**2019 Total £'000**
Opening balance	34,311	49,057	83,368	86,325
Purchases	5,859	684	6,543	4,632
Return of capital	(147)	(14,380)	(14,527)	(12,313)
Gains on financial assets at fair value through profit or loss	–	17,596	17,596	4,724
Closing balance	40,023	52,957	92,980	83,368

The net gains for the year included in the Statement of Comprehensive Income in respect of Level 3 investments of the Partnership held as at the year end amounted to £17,595,453 (31 March 2019: £4,473,997 gains).

20. COMMITMENTS AND CONTINGENCIES

The Group had the following commitments as at 31 March 2020:

	2020 Uncalled commitment £'000	**2019 Uncalled commitment £'000**
Life science portfolio		
Milestone payments to life science companies	133,991	101,738
CRT Pioneer Fund	9,056	14,915
Capital pool investments	4,247	4,924
Total	147,294	121,577

The commitments are expected to fall due in the next 24 months.

21. SUBSEQUENT EVENTS

These Consolidated Financial Statements were approved for issuance by the Directors on 11 June 2020. Subsequent events have been evaluated until 09 June 2020.

On 1 April 2020, the Company invested £15.8 million into SwanBio Therapeutics Limited. On 29 May 2020, the Company invested £11.7 million into Quell Therapeutics Limited.

Between 31 March 2020 and 09 June 2020, the fair value of the Group's holdings in companies whose shares are listed on NASDAQ experienced a combined net fair value increase of £105.3m.

Glossary

Alternative Performance Measures
We assess our performance using a variety of measures that are not specifically defined under IFRS and are therefore termed APMs. APMs are denoted with an (*) in this glossary where required.

ALL
Acute lymphocytic leukaemia – a cancer of the bone marrow and blood in which the body makes abnormal white blood cells.

AAV
Adeno-associated virus – a non-enveloped virus that can be engineered to deliver DNA to target cells.

Capital deployed/deployment*
Follow-on investment in our portfolio companies and investment in new companies during the year

Capital pool
Capital pool investments plus cash less other net liabilities.

Capital pool investments
The underlying investments consist of cash and cash equivalents, including short-term (1, 3 and 6 month) UK treasury bills and legacy fixed term funds.

Capsid
The protein shell of a virus.

Company
Syncona Limited.

CRT Pioneer Fund
The Cancer Research Technologies Pioneer Fund LP. The CRT Pioneer Fund is managed by Sixth Element Capital and invests in oncology focused assets.

CSO
Chief Scientific Officer.

DLBCL
Diffuse large B-cell lymphoma – an aggressive type of blood cancer that can arise in lymph

Group
Syncona Limited and Syncona GP Limited are collectively referred to as the "Group".

Haemophilia B
A genetic disorder caused by missing or defective Factor IX that can result in dangerously low levels of the essential clotting protein.

Holding Company
Syncona Holdings Limited

ICR
The Institute of Cancer Research.

Immunotherapy
A type of therapy that uses substances to stimulate or suppress the immune system to help the body fight cancer, infection, and other diseases.

Investment Manager
Syncona Investment Management Limited.

IRR
Internal Rate of Return.

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

Life science portfolio return*

Life science portfolio return for 2020 (25.0) per cent; 2019: 77.9 per cent
The Time Weighted Rate of Return ("TWRR") method is a measure of the performance of an investment or pool over a period. This method divides the gain or loss in value plus any income, less any capital cash flows, by the average capital invested over the period of measurement.

nodes (glands) or outside of the lymphatic system.

Dry AMD
Dry age-related macular degeneration – a progressive and debilitating loss of vision in the centre of the visual field (macula) and a very common cause of blindness in the elderly.

Fabry disease
A rare genetic disease resulting from a deficiency of the enzyme alpha-galactosidase A leading to dysfunctional lipid metabolism and abnormal glycolipid deposits.

General Partner
Syncona GP Limited.

Lymphoma
A type of cancer that affects lymphocytes and lymphocyte-producing cells in the body.

MES
Management Equity Shares.

Multiple myeloma
Blood cancer arising from plasma cells found in the bone marrow.

Net asset value, net assets or NAV
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
NAV per share is calculated by dividing net assets by the number of shares in issue adjusted for dilution by the potential share-based payment share issues. NAV takes account of dividends payable on the ex-dividend date.

NAV total return*
NAV total return ('NAVTR') is a measure of how the net asset value per share has performed over a period, considering both capital returns and dividends paid to shareholders. NAVTR is calculated as the increase in NAV between the beginning and end of the period, plus any dividends paid to shareholders in the year.

NAVTR calculation

Opening NAV per fully diluted share (Note 14)	216.8p
Closing NAV per fully diluted share (Note 14):	185.6p
Movement	(31.2p)
Dividend paid in the year (Note 15)	2.3p

Gross Life Science portfolio return for 2020 (18.0) per cent; 2019: 84.1%
This is calculated as the valuation change including FX movement as a % of the opening Life Science portfolio value as shown in the Valuation movements in the period on page 38.

Lymphocytes
Specialised white blood cells that help to fight infection.

Neuroblastoma
A cancer that develops from immature nerve cells found in several areas of the body, and most commonly arises in and around the adrenal glands.

pALL / aLL
Paediatric/adult acute lymphocytic leukaemia – a cancer of the bone marrow and blood occurring during childhood in which the body makes abnormal white blood cells (lymphocytes).

Partnership
Syncona Investments LP Incorporated.

SIML
Syncona Investment Management Limited.

Syncona Group Companies
The Company and its subsidiaries other than its portfolio companies.

T cell
A type of lymphocyte white blood cell, which forms part of the immune system and develops from stem cells in the bone marrow.

The Syncona Foundation
The Foundation distributes funds to a range of charities, principally those involved in the areas of life science and health care.

Total Shareholder Return
Movement in share price plus dividends.

Total movement	(28.9p)		
Total movement/opening NAV per fully diluted share	(13.3%)		