Syncona

Syncona Limited
Annual report and accounts 2021

Investing to extend and enhance human life

"Our purpose is to invest to extend and enhance human life. We are acutely aware of the importance of our role in supporting rapid and continuous innovation in the life science sector and translating the globally significant science we see into commercial products for patients"

Martin Murphy
Chief Executive Officer
Syncona Investment Management Limited

Syncona has made good strategic progress this year, despite a challenging backdrop. We have built out our portfolio to 11 companies, progressed companies through the clinic delivering positive clinical data, strengthened our expert team and developed our approach to sustainability and responsible investing.

Our portfolio is well positioned to deliver value over the long term with the next generation of companies poised to enter the clinic.

2021 Highlights

£1.3bn
Net Asset Value (NAV) (193.8p[1] per share)
(2020: £1.25bn; 185.6p per share)

£578.2m
Capital pool
(2020: £767.0m)

11
Portfolio companies
(2020: 9)

4.4%*
NAV Total return
(2020: (13.3)%)

£189.2m*
Capital deployment
(2020: £206.3m)

11
Clinical trials
(2020: 9)

* Alternative Performance Measure, refer to the glossary
1 Fully diluted, please refer to note 14 in the financial statements

We build sustainable companies to deliver transformational outcomes for patients

Who we are

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

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

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

Rolling 10-year targets

15-20
High quality portfolio of leading life science companies

3-5
Companies to the point of product approval, accessing the steepest part of the life science value curve[1]

2-3
New companies per year

1 Syncona team view

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

Our team

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

- Scientific
- Commercial
- Investment
- Company creation

14
Members of life science investment team

240+
Years of life science and investing experience

79%
Investment team with PhDs or Medic background

1,000+
Portfolio company employees

16
Board seats at portfolio companies

Delivering through the Syncona platform

Enabling rapid translation of basic scientific research into companies with the potential to be global leaders

- Rapid technology translation
- Build high quality companies
- Leverage deep domain expertise
- Syncona platform

Read more:
The Syncona platform
Page 42

A differentiated and diversified portfolio

Gene therapy
52% of portfolio

FREELINE
Systemic
Value £167.9m

SwanBio Therapeutics
Central Nervous System
Value £53.7m

GYROSCOPE Therapeutics
Retinal
Value £150.1m

purespring
Renal
Value £3.9m

Cell therapy
37% of portfolio

Autolus
CAR-T
Value £81.2m

QuellTx
T-regulatory cells
Value £35.1m

ACHILLES THERAPEUTICS
Neo-antigens
Value £133.1m

Resolution Therapeutics
Macrophage cells
Value £7.4m

neogene THERAPEUTICS
T cell receptors
Value £11.0m

Small molecule
2% of portfolio

OMass THERAPEUTICS
Small molecule therapeutics
Value £16.4m

Biologics
3% of portfolio

ANAVEON
Selective IL-2 Agonist
Value £18.5m

Investment proposition

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

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

Building the next generation of global leaders in life science

Increasing value creation potential[1]

	COMPANY FORMATION	PRE-CLINICAL	EARLY CLINICAL	LATE CLINICAL AND APPROVAL
Syncona Generation 1 c2012 – 2014				Blue Earth, Nightstar, Autolus
Syncona Generation 2 c2015 – 2017			Freeline, Gyroscope, Achilles	
Syncona Generation 3 c2018 – 2019		OMass, Resolution Therapeutics, SwanBio, Quell, Anaveon		
Syncona Generation 4+ 2020+		Purespring, Neogene		

Portfolio diversified across therapeutic areas and the development cycle

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

01 Access to the best scientific innovation

UK/Europe has a globally significant scientific research base

Premium network and strong relationships across industry

Proactive approach to sourcing and generating proprietary opportunities

02 Expert team with strong track record

Technical skill set with deep scientific, operational and commercial expertise

Significant experience in managing risk and reward in specialised asset class

Proven ability to deliver returns

Deep domain expertise in cell and gene therapy

03 Differentiated company creation model

Partnering with globally leading academics maximises ability to set strategy and influence company

Enables best cost basis of any investor, supporting opportunity to deliver best returns

Hands-on operational approach to building companies

04 Opportunity to build valuable companies

Found companies around science in areas of high unmet medical need

Selecting only those assets that can credibly be developed to approval by a biotechnology company

Out-return in life science comes by holding companies late into development and to approval

05 Strategic balance sheet

Provides flexibility to fund our companies over the long term, maintaining significant ownership positions and influence

Attracts best academics, founders, managers and partners

Provides best negotiating position for external financing rounds or M&A

06 Portfolio of companies with the potential to deliver transformational treatments

Portfolio of high growth companies diversified across therapeutic area, tissue compartment and development stage

Companies built with the ambition and capability to deliver products to patients

"We are on track to build a well-diversified portfolio of 15-20 companies with a goal of delivering three to five companies in which we retain a significant ownership position on a rolling 10-year basis"

Melanie Gee
Chair of Syncona Ltd

£1.3bn
Net Asset Value

£36m+
Donated to charity since 2012, the year the Foundation was started

When I wrote to you last year, the pandemic was in its infancy and no one could have envisaged just how far reaching its impact would be across the globe and every sector of society. I am proud of how adaptive, resilient and agile all our people have been, both those in the Syncona team and those in our portfolio companies. The senior management teams have delivered good progress during the year internally and across our portfolio, often adopting new and flexible ways of working.

The pandemic has brought the life science industry to the forefront of global events and has demonstrated the importance of innovation and collaboration between scientists, industry and governments.

All these elements have come together to deliver effective vaccines in previously unthinkable time frames. The widespread rollout of vaccines – on a global basis – is a requirement to beating the pandemic and returning the world to normality.

The impact of the pandemic has also clearly highlighted other areas where accelerated change on a global scale must happen, namely deep social inequalities and the very urgent need to change our actions to restore our planet to health, for future generations. In delivering our purpose, we are committed to play our part in supporting the acceleration of change to address societal inequalities and the sustainability of our global environment.

Successfully navigating challenging times

In the business, we faced a year of challenges and opportunities in FY2020/1. We have prioritised the safety and wellbeing of our employees throughout the pandemic and supported the leadership teams in our portfolio companies to embrace their employees in a similar way. Consistent with our strong culture, team members have also supported each other as they have adapted to new working practices.

We concluded the refinement of our purpose and values during FY2020/1. All our employees and the Board contributed to this important exercise and its value to our business has been clearly demonstrated as the senior management team has navigated the impact of the pandemic. The team demonstrated resolute focus on our purpose to extend and enhance human life and unwavering commitment as they worked with our portfolio companies to drive continued progress. They have added to our pipeline of potential new ideas and engaged leading academics as we have sought to found new companies that we believe can be the next global leaders.

Alongside building our portfolio, the senior management team has been working on plans to scale the business to support our ambitious growth targets. These include improving the idea generation process and the speed and quality of company creation. In order to support these plans, I am pleased to welcome the three new team members that we have appointed to the senior leadership team, who bring a cross-section of deep and relevant expertise as the company continues to scale. The enlarged leadership team will be taking these plans forward during FY2021/2.

Portfolio progress

During the year we founded two new companies and made an investment in another early stage company versus our target of two to three new companies per year. This takes the number of companies in our portfolio to 11, against our plan to create a diversified portfolio of 15-20 companies with a goal of delivering three to five companies in which we retain a significant ownership position to the point of product approval over a rolling 10 year basis.

Founding a new Syncona company is inherently high risk as each of our portfolio companies is seeking to develop an effective treatment based on innovative science, typically for a disease for which there is no or poor treatment options at present.

Section 172 statement

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

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

As described in the Corporate Governance Report (pages 76 to 95), Syncona is an investment company and has appointed its subsidiary Syncona Investment Management Limited (SIML) as Investment Manager, and delegated responsibility for managing the investment portfolio to it. Accordingly the Board is not directly involved in management of the investment portfolio, other than in respect of very large decisions, but sets strategy and oversees the activities of the SIML team. The Board's consideration of the section 172 matters therefore mostly takes place in the context of setting strategy and oversight, rather than in individual decisions.

Long-term decision-making

The Board is responsible for setting the Company's purpose, investment policy, strategic objectives and risk appetite. During the year the Board worked with the SIML team to set out our purpose:

We invest to extend and enhance human life. We found and build companies to deliver transformational treatments to patients in areas of high unmet need.

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

Further details: see Our purpose, values and strategy (pages 14 to 23); Risk management and Principal risks (pages 52 to 59); Corporate governance report (pages 76 to 95).

Our key stakeholders

Positive relationships with our stakeholders are important to the success of our business and in maintaining our reputation and the Board reviews how it and the SIML team engages with these stakeholders on an ongoing basis. Our key stakeholders, including our patients, shareholders, the team of the Investment Manager, portfolio companies and the wider community and environment, and how their interests are taken into account in the business and by the Board, are described in more detail on pages 82 to 83.

Further details: see particularly Sustainability (pages 60 to 75); Corporate governance report (pages 76 to 95).

Our investment team has a successful track record in this area. As active investment managers, they embrace continuous improvement and their processes are carefully structured to ensure that at each step of the way, emerging data continues to support the investment thesis, the risk profile remains acceptable and additional funding is carefully controlled. Not all of our portfolio companies will succeed, the investment team may choose to close down one of our companies if the data does not support our investment thesis. In addition, we may receive attractive offers from third parties for some of our companies at a stage in their path to product approval. This is why we target a portfolio of 15 to 20 of these companies. As the investment team builds out our portfolio, it is their responsibility to ensure that the overall portfolio is also well diversified across life science technologies and stages of development, with appropriate amounts invested.

We have reported a NAV total return of 4.4 per cent with NAV of £1,300.3 million at year end. Syncona and our underlying portfolio companies are well-funded, and we expect to deliver a rich stream of clinical data over the next 12-36 months. Against this background, the investment team is expecting a small reduction in the investment spend during FY2021/2. Our strategic, liquid capital pool[1] of £578.2 million provides us with sufficient capital to found new portfolio companies and our existing companies to deliver key milestones for some years to come.

Engaging our stakeholders and our role in society

The Syncona Board is committed to conducting its business in a way that is both economically sound and socially and environmentally responsible and we must ensure that Syncona is governed taking account of the interests of all stakeholders, including employees, patients, society as a whole and the planet. We seek to understand our stakeholders' views and ensure that their interests are appropriately considered in board discussions and decision making. During the year, the Board has had direct engagement with a number of our stakeholders, both internal and external, and received reports from the senior management team on engagement with others.

Throughout the pandemic and ongoing, through CEO Martin Murphy, we have provided our support externally in areas where we can add most value, particularly as the UK Government considers its support to accelerate the growth of the life sciences industry in this country. Martin continues to contribute to the Prime Minister's Build Back Better Council.

A core part of our social contribution, outside of the day-to-day work that we do, has always been our donation (currently 0.35 per cent of NAV) to charity with a strong commitment to The Syncona Foundation (the "Foundation"). The Foundation was set up in 2012 with charitable objectives focusing on the prevention, treatment, cure and ultimately eradication of cancer and other diseases, as well as other charitable activities. Since that time, it has donated to charities which are having a significant impact across the UK and throughout the world. The charities the Foundation supports have faced immense challenges throughout the pandemic, and we are proud that our support has helped them to continue their important work during this time.

1 Refer to the glossary

Sustainable impact

We are very conscious of the wider contribution we can and do make across our communities and more broadly. In early FY2020/1 we decided to undertake a significant piece of work to help us define clearly what sustainability means for Syncona and how we can maximise our sustainable impact. The process started with the Syncona team seeking contributions from all our major stakeholders, including members of the Syncona Board.

Our people are highly motivated by making a difference to patients' lives by founding and building companies that are able to develop transformational treatments in areas of high unmet medical need. Having a positive impact on society has always been core to our approach, but we have also made progress in more formally integrating a wider set of sustainability considerations into our business, investment process and portfolio management. We have taken this approach, not only because it is the right thing to do but because we believe it is the way to deliver value and manage risks as a business.

With this strong foundation, we have worked in partnership with our stakeholders to understand and prioritise the key sustainability issues that are most important to our business and those where we should seek to improve.

Our stakeholders can read more about our approach to managing these key areas in our first Sustainability Report, which we published post period end. We are committed to taking a transparent approach and maintaining an open dialogue with our stakeholders on these matters as we evolve and improve our impact over time.

Board activity

The Board has had a busy year, despite the challenges of remote working. We have been able to maintain and develop strong relationships across the non-executive team, working in partnership with management to appoint new senior leaders and engaging across the team to ensure our people felt supported during these challenging and uncertain times. We have overseen the articulation of the Company's purpose and values, where the process provided positive affirmation of the strong culture within the Syncona team, the development of the Company's Sustainability Policy and the key initiatives that have been implemented in this area. I am very pleased with the progress we have made and look forward to continuing to evolve our approach.

Changes at Board level

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

Dr Kemal Malik

Joined in June 2020, bringing to the Board a wealth of experience in global pharmaceutical research and development.

Ellen Strahlman

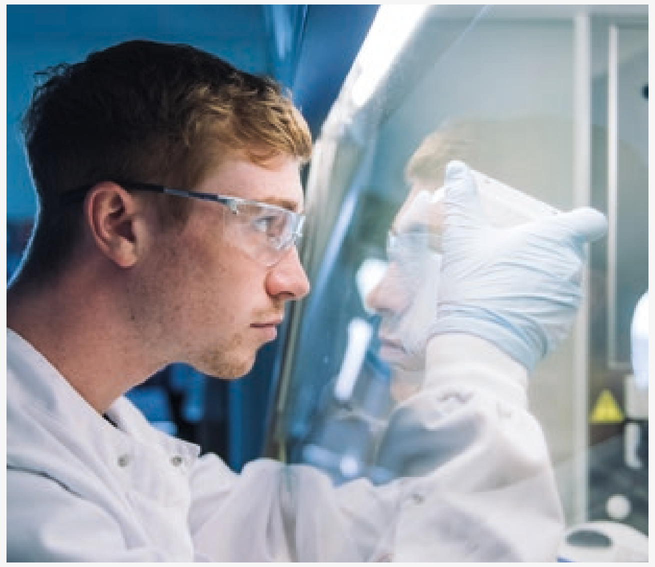
Stepped down from the Board in November 2020, having made a significant contribution to the Company during her nine years as a Non-Executive Director of Syncona Partners and Syncona Limited.

Virginia Holmes

Joined the Board in January 2021, bringing extensive knowledge of the financial services industry, including investment management and banking.

Read more:
Board of Directors
Page 80

Our Sustainability Policy – managing our business in a sustainable way



Over the past 12 months, we have formalised our approach to sustainability, and this year publish our inaugural Sustainability Report.

Responsibility and accountability

Our approach to sustainability is at the heart of our business and will be fundamental to our long-term success, underpinned by an effective governance framework built on accountability and our values. The Board has ultimate oversight of and accountability for our approach, while the full Syncona team has been involved in developing our Sustainability Policy and is responsible for its implementation.

Identifying material issues

In starting our sustainability journey, during the financial year we worked in partnership with our stakeholders to understand and prioritise the key sustainability issues that are most important to our business and importantly, where we should seek to improve.

> **"We are committed to managing our business in a sustainable way, investing responsibly and supporting our portfolio companies in making positive contributions to society by developing treatments that will make a difference to the lives of patients and their families"**
>
> **Melanie Gee, Chair of Syncona Ltd**

The four pillars of our Sustainability Policy:

This year, we have also seen the continued evolution of the Board as we seek to bring together a diverse blend of expertise and insights to support the management team as it seeks to scale the business. Kemal Malik, who brings 30 years of experience in global pharmaceutical research and development, has joined the Board, alongside Virginia Holmes, who brings extensive knowledge of the financial services industry including investment management and banking. Having held the role of non-executive Director with both Syncona Partners from 2013 and Syncona Limited, Ellen Strahlman stepped down from the Board in November 2020. On behalf of the Board, I would like to thank Ellen again for her expert support and significant contribution to the company.

Finally, shortly following this year's AGM, both Tom Henderson and Nicholas Moss will have served nine years on the Board. Tom will be standing down at the AGM and I am pleased to say will continue his involvement with us through his Chair role at the Syncona Foundation. Nicholas has agreed to continue on the Board until 31st December 2021 to enable a smooth transition of his responsibilities as Senior Independent Director and Chair of the Remuneration Committee. On behalf of the Board, I would like to thank both of them for their outstanding service to the Company over many years.

Looking ahead

We are on track to build a well-diversified portfolio of 15-20 companies with a goal of delivering 3-5 companies in which we retain a significant ownership interest to the point of product approval on a rolling 10-year basis. As we stand today, we have 11 companies in the portfolio and continue to look to found new companies at a rate of two to three a year.

Against the backdrop of the UK Government's desire to support the acceleration of the life sciences industry and academic excellence in this country as part of the 'Build Back Better' policy, our differentiated approach of founding and building companies combined with our strong capital base and expert investment management team gives us confidence as we seek to achieve NAV growth and strong risk-adjusted returns for our shareholders over the long term.

I would like to close by thanking the Syncona team and my Board colleagues for their hard work and dedication this year, as well as our shareholders and other stakeholders for their support, as we look forward to continued progress in FY2021/2.

Melanie Gee

Melanie Gee
Chair of Syncona Ltd

"Syncona has made good progress, adding companies to the portfolio whilst strengthening its leadership team and approach to sustainability"

Martin Murphy
Chief Executive Officer,
Syncona Investment Management Limited

£189m
Capital deployed in 2021[1]

11.8%
Life science portfolio return[1]

The COVID-19 pandemic has continued to present a significant challenge to healthcare systems, economies and society over the last year. Despite this environment, the team concluded FY2020/1 energised by our purpose and acutely aware of the importance of our role in supporting rapid and continuous innovation in the life science sector and translating the globally significant science we see into commercial products for patients.

The most significant impact of COVID-19 on the portfolio was to delay the running of clinical trials. In most cases, we have been able to navigate this impact relatively successfully, with clinical trials across the portfolio resuming where they were put on hold or in some cases continuing throughout, and we have been pleased to see four new trials initiate during the course of the year. We continue to recognise that the duration and impact of the pandemic remains uncertain and during times of significant disruption to healthcare systems' globally, we anticipate there may be further delays to trials. We will monitor this closely and work with our companies to mitigate the impact of these delays where possible.

Resilient financial performance despite volatility in listed holdings

We have reported a 4.4 per cent NAV total return (2020: (13.3) per cent) with NAV increasing to £1,300.3 million at year end (2020: £1,246.5 million). Performance was driven by the life science portfolio, which generated a 11.8 per cent return during the year (2020: (18.0)[2] per cent). Although we experienced volatility in Autolus' and Freeline's share prices, we saw significant valuation increases from the Achilles NASDAQ IPO and Gyroscope's Series C financing. We are delighted that we have been able to attract high quality global institutional investors to fund our companies alongside us, at strong valuation uplifts, demonstrating the value created in the early years of a company's life. These financing events are critical to bring in capital to scale our businesses to deliver products to late-stage data/approval, where we believe the out-return in life science comes.

During the year, Autolus took the decision to prioritise its AUTO1 programme which is now progressing to a pivotal study. The company is seeking to partner its AUTO3 programme before progressing it further and has reduced the headcount of the business by 20 per cent.

1 Alternative Performance Measure, refer to the glossary
2 Figure previously reported as (25) per cent return based on TWWR methodology; see glossary for further details

Disciplined risk management and effective cost management

Taking action quickly when data does not support our investment theses is a core principle in life science investment and our skill set, experience and culture puts this discipline at the centre of our investment and risk management processes.

In November, as pre-clinical data did not support further investment, we took the decision to close down Azeria resulting in a £4.4 million write off. In line with our financing approach to funding early-stage companies, we had limited capital at risk, having set milestones for the drawdown of the next tranche of funding that were explicitly designed to test the core investment thesis. When the investment thesis was disproved, we worked collaboratively with the management team to quickly recover as much value as possible from the investment, so that we can reallocate our time, investment capacity and capital to other opportunities.

The business raised $115 million in January and is well positioned to deliver its AUTO1 product through its pivotal study and progress its exciting pipeline of programmes. Freeline had a strong start to the year, successfully closing its Series C financing and shortly afterwards completing its listing on NASDAQ. However, the company has been impacted by the COVID-19 pandemic and was not able to dose patients in its Phase I/II trial for Fabry Disease during the year. However, pleasingly the company has dosed a further patient in this study post period end and expects to dose escalate during the next financial year. It has also updated its clinical plan for its lead programme in Haemophilia B, following engagement with the regulator, and continues to target filing its application for approval with the FDA by the end of 2024. Both companies have faced challenges over the last 12 months, but Syncona believes they are well positioned to deliver key milestones in the next 18 months.

A core part of our job is to focus on our companies' fundamentals and take a long-term approach to value creation. We believe this approach will generate out returns for our shareholders and we are focused on developing a diverse and resilient portfolio. With 11 portfolio companies, we are invested in companies at different stages of clinical and financial development.

We recognise that listed companies bring volatility to our NAV and our companies' share prices are subject to the wider market context as they seek to develop their products. However, NASDAQ has played an important role in providing these companies with the capital to deliver their plans. We continue to focus on underlying investment theses and the long-term. Clinical data generated by these companies over the next 12-24 months will be an important value driver for Syncona.

"Taking action quickly when data does not support our investment theses is a core principle in life science investment and our skill set, experience and culture puts this discipline at the centre of our investment and risk management processes"

Martin Murphy
Chief Executive Officer,
Syncona Investment Management Limited

The impact of COVID

COVID-19 has had a clear and profound impact over the past 12 months. It has demonstrated the critical importance of both high quality healthcare systems and scientific innovation for the future on a global basis.

Comparably, Syncona and the wider life sciences sector have been relatively well insulated from the impact of the pandemic, in the sense that demand for the benefits that we offer society are in no doubt.

As a business, we made good progress despite the challenges of the pandemic, expanding our team and developing our approach to sustainability. Some of our clinical trials were impacted – either pausing or being delayed. In most trials, we have been able to resume dosing patients in order to move closer to the development of important treatments.

More broadly, the life sciences sector is well placed to continue delivering rapid innovation, as has been so readily demonstrated with the development of numerous COVID-19 vaccines at record speed this year. The sector is well funded, has a strong research pipeline and is front of mind for regulators and market participants.

Read more:
Market review
Page 38

3
New portfolio companies

An evolving financing strategy

In this context, whilst NASDAQ remains a core funding mechanism for some of our portfolio companies that need to access capital at scale, we are carefully considering the appropriate stage to bring in external investors as these companies develop. This enables us to optimise our ownership position ahead of our companies accessing the public markets. In some cases, you may see us syndicate with external investors early in the development cycle, whilst we may also hold a small number of our portfolio companies to significant clinical milestones on a sole basis. Each decision will be taken on a company-by-company basis. There will always be a significant number of companies in our portfolio that are privately held with our new deal activity almost exclusively centred on the creation of new private companies. We view private company creation and our team's expertise in identifying commercial opportunities to turn exceptional science into transformational treatments as a core competitive advantage of our platform.

A clear purpose driven by a team of entrepreneurial leaders

In FY2020/1, the team worked together to refine and articulate our purpose. This summarises what we are seeking to achieve and the positive impact we hope to have. We believe our people are highly motivated by our purpose and it is a core part of what attracts the best people to Syncona.

We have a strong, entrepreneurial culture, where everyone takes personal ownership for delivering Syncona's purpose. Over the last 12 months, we have developed a set of values with significant input and support from across the team. These values largely reflect how we have worked as a team to date, but the process brought out what values are most important to the team and the areas where we can do better. Our values are centred around: excellence, teamwork, leadership, being data-driven and being entrepreneurial. We believe these values are critical to building globally leading life science companies and investing and managing a portfolio diversified across different therapeutic areas and stages of development.

Strengthening the team to support scale

Since being founded in 2012, Syncona has made significant progress and the team has evolved from a team of six people to 34 people today. The Company is at a pivotal stage in its development as it seeks to expand its portfolio to 15-20 companies, and the Board and senior leaders have worked in partnership to strengthen and deepen the team as we seek to found new companies and grow the next generation of senior leaders.

- Post period end, Markus John has been appointed as Head of R&D and CMO. He was formerly Global Medical Affairs Franchise Head of Immunology and Ophthalmology at Roche and Global Medical Director at Novartis. He will further deepen our networks, bringing valuable clinical expertise.
- Fiona Langton-Smith joins as Chief Human Resources Officer bringing over 20 years' experience in human resources leadership across the biotechnology and process engineering industries with focus on organisation design for key business inflection points and mergers and acquisitions. Critical to Syncona's strategy is the recruitment and retention of the best talent, and Fiona will be responsible for further developing our people, continuing to attract top-tier talent to both Syncona and our portfolio companies and socialising best organisational practices across the portfolio.
- Kenneth Galbraith has also joined as Executive in Residence. Ken brings over 30 years' experience in biotechnology and venture capital and will assist with new company creation as well as support portfolio companies as they scale and develop.

In addition, John Bradshaw, CFO, is retiring having been with the business since the inception of the Syncona life science business in 2012. Rolf Soderstrom will be joining the senior leadership team as CFO on 19 July 2021, bringing over 30 years' experience in finance and a track record of accelerating the growth of companies and delivering shareholder returns. He also has extensive strategic, operational and international experience including M&A, fundraisings and disposals. Most recently, he held the role of CFO of BTG plc from 2008 to 2018, helping to drive the successful transformation of the company into a fully integrated global manufacturing and sales organisation focused on specialist healthcare. John will work with Rolf to ensure an orderly transition. Elsewhere, during the year, Danny Bar-Zohar, a Syncona Partner, left to take up the role of Head of Global Development at Merck KGaA, a global pharmaceutical company.

Over the next year, we will continue to formalise our professional development processes and continue to build a culture of excellence and entrepreneurialism where our talented team feel empowered to continually strive for the best outcome for all of our stakeholders.

An expanding and diversified portfolio

The team continue to leverage their domain expertise in cell and gene therapy across the portfolio and have identified globally leading academics and high-quality opportunities in these fields. During the year, Syncona founded two new companies in this space, Resolution, and Purespring, and added a further company, Neogene, to the portfolio, taking the number of companies to 11.

The portfolio is also maturing, and we now have four clinical-stage companies with four new clinical trials commenced during the year and one recommencing post period end. Across the portfolio, there are now 11 live clinical trials, which generated eight data read-outs during the year. There are six pre-clinical stage companies and over the next 18 months, we expect to see Anaveon, Quell and SwanBio initiate their first clinical programmes. Data from our clinical pipeline is the main driver of value, but also a key risk for our business.

Across the portfolio, companies have been working to build out their operations. The team continues to work in partnership with our portfolio companies to attract the best talent to lead them. During the year, we were pleased to appoint Richard Francis, former Chief Executive of Sandoz and former member of Novartis Executive Committee, as CEO of our new renal gene therapy company, Purespring.

Scaling our companies for the clinic combined with disciplined approach to capital allocation

During the year, Syncona has deployed £189.2 million of capital into the portfolio with our companies completing nine financings. We believe our investment over the long-term provides our companies with the best possible chance of success and the significant level of funding we provided to our companies during the year underscores our commitment to continue scaling companies ambitiously whilst maintaining significant ownership positions of strategic influence.

Our companies raised £770.0 million in total (including two NASDAQ listings), including financing from global specialist investors and are well funded to deliver their next key milestones. Our highly liquid capital base of £578.2 million provides us with a strategic advantage to fund our companies to progress their business plans and grow in value.

We take a disciplined approach to capital allocation undertaking a rigorous assessment of the risk adjusted return analysis of each financing, as well as assessing each investment decision in the context of where capital has been invested elsewhere to support the development of a diversified and well-balanced portfolio.

Post-period end, we also supported Gyroscope's decision in early May to postpone its immediate plans for an IPO, in light of volatile market conditions. We are confident in the potential of Gyroscope and indeed excited about the clinical data released in February demonstrating modulation of the complement system with Gyroscope's therapeutic agent. Given our positive view of the business, we are confident the correct decision was to postpone the IPO. Gyroscope remains well capitalised having raised $148.0 million in its Series C financing in March, and we remain supportive of its management team as they look to deliver on its strategy.

Key value inflection points ahead and significant long-term growth potential

As we look ahead, our portfolio of companies has strong momentum. Our first- and second-generation companies are progressing through the clinic, notably with Autolus entering its pivotal study in its lead programme and Freeline set to progress dose escalation in its Phase I/II study in Fabry Disease. Importantly, Anaveon, Quell and SwanBio continued to make significant progress towards the clinic during FY2020/1, with key clinical milestones ahead. As these three companies scale, we expect them to conduct new financings, where global institutional investors will invest alongside us. These clinical milestones are key opportunities and risks for our business.

Our capital base underpins our approach to funding our companies as they scale rapidly, and also enables us to pursue new opportunities. We continue to seek exciting opportunities in areas of high unmet need in the fields of cell and gene therapy and also across biologics and small molecule therapeutics. Our high calibre, expert team, industry leading network and product-focused strategy means we are strongly positioned to continue to build global leaders in life science and deliver value for stakeholders over the long-term.

Martin Murphy
Chief Executive Officer, Syncona Investment Management Limited

Our purpose

"We invest to extend and enhance human life. We found and build companies to deliver transformational treatments to patients in areas of high unmet need"

Martin Murphy
Chief Executive Officer,
Syncona Investment
Management Limited

What our purpose means for our business

During the year we worked together as a team to formally articulate the purpose of our business. Whilst our ambition and what motivated us as a team had always been clear –to deliver transformational treatments to patients – we had not taken the opportunity to date to define this in a formal statement behind which we could all align on a go forward basis.

In this section:

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

Our values

Excellence

We continually strive for the best outcome for all of Syncona's stakeholders

We have high expectations of ourselves and each other; we act with integrity

We work with the best people to deliver our goals

Data Driven

We are relentless in searching out all of the data

We ensure our hypotheses and decisions are firmly grounded in the data

We are intellectually honest and provide open and constructive challenge

Entrepreneurial

We actively engage with the external world and work to create its future

We are curious and creative to bring about the change we seek to make

We take risks in a competitive world and face them with bravery, determination and urgency

Teamwork

We seek to give and receive constructive feedback

We are collaborative and transparent, valuing our diverse talents and perspectives

We admit our mistakes and perpetually seek to improve

Leadership

We see what needs to be done and take responsibility for doing it

We take personal ownership for delivering Syncona's mission

We think independently; we are not bound by precedent

We are trusted and empowered to progress our own development

We have drive, resilience and persistence

"Our strategy is to found, build and fund companies turning exceptional science into transformational treatments, to create a dynamic portfolio that captures the strong risk adjusted returns available from successfully commercialising life science"

Chris Hollowood
Chief Investment Officer,
Syncona Investment Management Limited

Delivering sustainable value for our stakeholders over the long term

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

Our model is to found companies around exceptional science with the ability to deliver dramatic efficacy, build globally leading healthcare businesses, funding them ambitiously to build scale while maintaining significant ownership stakes to the point of product approval.

To deliver sustainable value we seek to build a well diversified portfolio of 15-20 companies across a range of therapeutic areas and development stages, with each company built on a product-focused strategy. Over a rolling 10-year basis, our goal is to deliver three to five companies in which we retain a significant ownership position to the point of product approval, where we believe the out-return comes.

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

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

When we build successful companies:

For our shareholders
it means generating attractive and sustainable returns

For patients
it means providing life enhancing transformational treatments

For our employees
and those of our companies, it means creating an environment where everyone can contribute and flourish and where people feel their work provides a useful social contribution

For society
and the communities we work in, it means supporting UK/European life science by building sustainable life science businesses; and, through The Syncona Foundation, supporting related charitable organisations to make a positive difference

For everyone
it means we can repeat what we do, and found, build and fund even more companies to expand our impact

See how we build value for all our stakeholders in our Business model *Page 26*

Our strategic drivers

Underpinning our strategy are a number of 'strategic drivers'; themes which we believe will enable us to deliver value over the long term.

UK/Europe has a globally significant scientific research base, historically underserved by long-term growth funding

Strategy in action

The UK leads the way in biomedical research in Europe:

There is an excellent network of universities and world-class research facilities across the country.

Four of the top 10 universities worldwide for medical research are in Europe and the UK is ranked first for medical research in the G7 by citation impact.

There is also a broad funding base with the UK Government, the Wellcome Trust, Cancer Research UK, National Institute for Health Research, Medical Research Council, charities and life science companies providing research funding of c.£7 billion a year.

Beyond research funding, it has traditionally been venture capital funds in the UK/Europe that have been the primary funders of life science companies seeking to develop therapeutics. However, these types of vehicles typically invest over short (four to five years) time horizons.

Syncona's balance sheet allows it to take a long-term approach to funding companies aligned with the timeframes necessary to develop innovative medicines.

Over the last year, the COVID-19 pandemic has caused significant disruption to healthcare systems and societies. Drug development timelines have been dramatically reduced and adaptive trial designs have enabled modifications in studies to enable vaccines, diagnostics and therapeutics to be approved on accelerated timeframes to meet the acute need of society. In this context, the UK has led the way, leveraging world class science and infrastructure for clinical trials, whilst the Medicines and Healthcare products Regulatory Agency has demonstrated its sophistication as a regulator that is supportive of bringing transformational medicines to patients both quickly and as safely as possible.

Progress this year

- Foundation of Purespring, a renal gene therapy company, in partnership with the University of Bristol with Series A financing of £45m
- Foundation of Resolution, a macrophage cell therapy company, in partnership with the University of Edinburgh with a Series A financing of £27m
- Involvement in Build Britain Back Better and other Government initiatives

Link to risks

- Strategy and governance
- Early stage investments

4/10
Of world's leading life sciences and medicine universities are in Europe

The Syncona team brings deep investment, scientific and relevant operational expertise

Strategy in action

This expertise is critical to the delivery of our strategy.

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

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

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

The Investment Committee is highly experienced in managing risk, both in structuring financings across tranches designed to discharge key risks, but also in managing risk across a portfolio of assets.

10 portfolio companies where Syncona currently has a board seat. Since Syncona's inception, there are 10 companies where the team has taken an operational role

Progress this year

- 425 sourcing meetings, 11 opportunities where deep diligence conducted
- Two new companies founded, one new investment and one company closed

Link to risks

- People on the Syncona team
- People in portfolio companies

1,000+
Employees throughout our portfolio companies

11
PhDs on investment team

Attracting world-class talent

Attracting the best people to lead our portfolio companies is a core part of what we do at Syncona.

It is critical to bring in global leaders early in a company's development to de-risk operational, financial and clinical pathways.

In the last two years, we have partnered with Iain McGill, formerly Senior Vice President at Jazz Pharmaceuticals, and Richard Francis, the ex CEO of Sandoz, a division of Novartis.

Richard Francis
Chief Executive
Purespring
See page 36

Iain McGill
CEO
Quell Therapeutics
See page 34

Our strategic drivers
continued

Strong balance sheet allows us to provide long-term funding

Strategy in action

$299m
Freeline raised in a Series C and IPO

A strong balance sheet and certainty of funding are key to delivering our strategy.

Our capital base enables us to fund our companies over the long term on the time frames necessary to deliver innovative medicines.

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

It also provides us with the flexibility to support our companies as we drive long-term decision making and navigate clinical risks. We believe our capital pool needs to be sufficient to fund new opportunities and to scale our existing portfolio companies for a minimum of two to three years.

As we seek to scale our companies, we encourage and support them to bring in external investors. NASDAQ has been a core funding mechanism for our companies that have significant capital requirements over the last three years. Four of our companies have successfully listed on NASDAQ raising $613 million, with both Freeline and Achilles completing their IPOs over the last year.

Each financing decision will be taken on a company-by-company basis and is dependent on company specifics: scale of opportunity, risk, capital requirement and size of Syncona's balance sheet.

In some cases, we may also hold a number of our more developed portfolio companies longer to significant clinical milestones on a sole basis.

We believe our balance sheet is a key differentiator enabling us to fund a diversified portfolio of global leaders over the long term. We continually evolve our financing strategy based on the capital requirements across the portfolio and market conditions.

Progress this year

- Syncona deployed £189m of capital into portfolio[1]
- Two portfolio companies listed on NASDAQ: Freeline and Achilles
- £117m committed in Series A financings at companies' foundations to enable focus on operationalising company and pre-clinical development

Link to risks

- Access to capital

1 Alternative Performance Measure, refer to the glossary

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

Strategy in action

4
Clinical trials commenced during the year

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

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

We also believe it means that they are attractive to potential acquirers. For example, Biogen acquired Nightstar in 2019 for $877 million, when the company's lead programme was in its pivotal trial, whilst Bracco Imaging acquired Blue Earth Diagnostics for $470 million, which had an approved product that was being used to diagnose prostate cancer in patients.

In some cases, our companies won't succeed and when issues arise we aim to take action as quickly as possible.

Progress this year

- 10 senior leaders at portfolio companies appointed
- Manufacturing progress made across portfolio
- 11 clinical trials

Link to risks

- Strategy and governance
- Clinical trial and regulatory approval
- Commercialisation

Our strategic drivers
continued

Genomics revolution has created new opportunities for stand-alone biotechnology companies

Strategy in action

20
Approved Third Wave therapies in the US

The Human Genome Project was a project which determined the DNA sequence of the entire human genome and was completed in 2003.

Since that time, the cost and time for sequencing a genome has come down significantly, and the information has spurred a new age of discovery in medicine by enabling scientists to identify the genetic targets which cause disease – effectively by having the manual to 'make' the human body.

Today, we are now in an era where individualised analysis can be based on each person's genome, leading to more personalised, precise and even preventative medicines.

Progress this year

- Foundation of Resolution and Purespring

Link to risk

- Strategy and governance
- Early stage investments

Advent of the Third Wave of Healthcare

Strategy in action

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

This follows the First Wave small molecule drugs of the 1950s, and Second Wave antibody drugs of the 1990s, both of which were highly valuable and made a real difference for patients. With its potential to address areas of high unmet medical need and transform outcomes for patients, our belief is that we are still in the early stages of the Third Wave.

To date, we have seen Third Wave therapies endorsed and approved by regulatory bodies with 20 therapies now approved in the US and there has been significant commercial interest in the space.

Syncona is an established leader in the fields of cell and gene therapy, having founded nine companies in this space, four of which have successfully listed on NASDAQ. The team's track record and domain expertise means we continue to be well placed to identify the next waves of innovation in this area.

Progress this year

- Foundation of Purespring, a renal gene therapy company, in partnership with the University of Bristol with Series A financing of £45m
- Foundation of Resolution, a macrophage cell therapy company, in partnership with the University of Edinburgh with Series A financing of £27m
- Manufacturing progress across the portfolio

Link to risk

- Early stage investments

New regulatory models enable stand-alone biotechnology companies to develop and commercialise new technologies

9 out of 11
Syncona portfolio companies in Third Wave

Strategy in action

The European Medicines Agency (EMA), the US Food and Drugs Administration (FDA), and the UK Medicines and Healthcare products Regulatory Agency (MHRA) have set up designations and regulatory avenues called: Orphan Drug, Breakthroughs, Innovative Licensing and Access Pathway, Accelerated Approval Programs or Priority Review. These have been set up to accelerate the speed of review of products in areas of high unmet need, adapt to the novel sets of modalities and help shape clinical development paths.

These pathways are delivering results. 30 of the 58 FDA approvals in 2020 received expedited eight month priority review and 12 received accelerated approval based on improvements of a surrogate endpoint rather than a clinical endpoint.

This represents a fundamental shift away from traditional drug approvals in areas of significant clinical unmet need where there are no good alternative treatments.

A favourable regulatory environment enables smaller, more efficient clinical studies, meaning innovative, nimble biotechnology companies can develop products through to approval and beyond.

Progress this year

- 3 FDA, EMA, and MHRA orphan drug designations across our portfolio
- 4 programmes moved to clinical stage

Link to risk

- Early stage investments
- Clinical trial and regulatory approval risks

Key performance indicators

As part of our commitment to enhanced narrative reporting, we have carried out a review of the Company's key performance indicators (KPIs), ensuring that they are aligned with the core pillars of our strategy, how we measure progress against these, and how we manage risk. Based on this exercise, we have updated our KPIs, outlined below, looking at both financial and non-financial metrics. These are not specific targets, but metrics that are reported on each year to show progression of the business and reflect the nature of the asset class.

Strategic drivers:

- UK/Europe has a globally significant research base, historically underserved by long-term growth funding.
- The Syncona team brings deep investment, scientific and relevant operational expertise
- Strong balance sheet allows us to provide long-term funding
- Setting companies up to take products to approval can deliver the best risk adjusted returns
- Genomics revolution has created new opportunities for stand-alone biotechnology companies
- Advent of the Third Wave of healthcare
- New regulatory models enable stand-alone biotechnology companies to develop and commercialise new technologies

Read more:
Our purpose, values and strategy
Page 14

Key risks:

1. People on the Syncona team
2. Access to capital
3. Strategy and governance
4. COVID-19
5. Early stage investments
6. Clinical trial and regulatory approval risks
7. Commercialisation
8. People in portfolio companies
9. Capital pool
10. Systems and controls

Read more:
Risk management
Page 52

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

Rationale

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

Progress in the year

- Total of 11 portfolio companies at year end
- Two new companies founded, Resolution and Purespring, and one new company added to the portfolio, Neogene
- 2.3 is the average number of portfolio companies founded or invested in over the last three years
- One company closed, Azeria
- 425 opportunities reviewed during the year

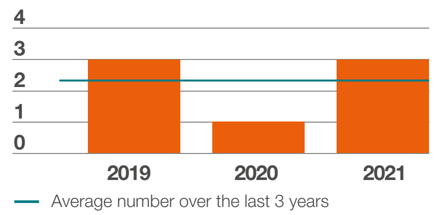
Links to strategic drivers

Key risks/factors

1 2 3 4 5 6 7 8 9

Key metrics

Number of new portfolio companies



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

Rationale

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

Progress in the year

- £189m deployed in the year[1]
- £578m capital pool at 31 March 2021[2]
- Capital pool held predominantly in cash and cash equivalents throughout the year – highly liquid
- 4.2 years of available capital to fund new companies and existing portfolio

Links to strategic drivers

Key risks/factors

2 3 9

Key metrics

4.2
Years of available capital to fund new companies, calculated using midpoint of capital deployment guidance range

NAV growth

Rationale

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

Progress in the year

- 4.4% growth NAV per share in the year[1]
- 11.8% growth in the life science portfolio[1]

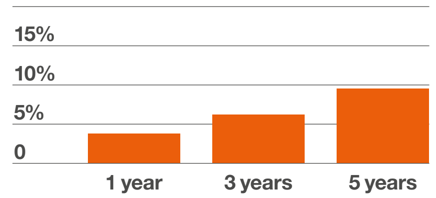
Links to strategic drivers

Key risks/factors

1 2 3 4 5 6 7 8 9

Key metrics

NAV per share growth (p.a.)



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

Rationale

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

Progress in the year

- Achilles and Gyroscope dosed first patients in lead programmes
- Freeline's lead programme progressing to dose confirmation trial
- Quell, SwanBio and Anaveon announced candidates for first clinical programmes
- Seeking partner for Autolus AUTO3

Links to strategic drivers

Key risks/factors

1 2 4 5 6 7 8

Key metrics

3
clinical candidate nominations

4
new therapies entered the clinic in the year

11
Clinical trials

Portfolio progress to patient impact

Rationale

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

Progress in the year

- One programme enrolling for pivotal trial, AUTO1 in adult ALL (Autolus)

Links to strategic drivers

Key risks/factors

1 2 6 7 8

Key metrics

3
programmes taken to pivotal trial: Axumin (Blue Earth), Choroideremia (Nightstar) and AUTO1 (Autolus)

1
approved product Axumin (Blue Earth)

People in the Syncona team

Rationale

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

Progress in the year

- Chief Human Resources Officer hired
- Expanded finance, legal and investor relations teams

Links to strategic drivers

Key risks/factors

1

Key metrics

14
members of the investment team

240+
years' experience of life science and investment experience

11
PhDs

1 Alternative Performance Measure, refer to the glossary
2 Refer to glossary

Our differentiated model

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

Proceeds from divestments recycled to fund new opportunities and existing portfolio

Inputs

- Expert team
- Strong track record
- Capital pool
- Premium network
- Active partner

Strong risk-adjusted returns

Scaled businesses

Ambitious capital

Strategic influence

Commercial vision

Exceptional science

Capturing the out-return in life science
Risk/reward carefully managed to optimise returns, opportunity to build and capture value through the development cycle, including closing down companies where data does not support our investment thesis, realising companies following attractive third party offers, and reinvesting capital into the portfolio

Maintaining significant ownership
Owning strategic positions with a view to being a significant investor late into development and to approval

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

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

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

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

Purpose and values | Disciplined capital allocation and portfolio diversification | Effective governance | Our responsible investment process | Effective risk management

Creating long-term value benefiting all our stakeholders

Rolling 10-year targets

15-20
Sustainable portfolio of leading life science companies

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

2-3
New companies created each year

Progress in the year

Shareholders – NAV growth
4.4%

Patients – Clinical trials
11

Portfolio companies
New portfolio companies
3

Total no. portfolio company employees
1,000+

Charities – amount donated
£4.7m

Investment process

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

Data driven investment process

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

Ideal characteristics of a scientific asset

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

Key decision-making factors

- Intellectual property
- Globally leading academics
- Technology

Our disciplined investment approach

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

Ongoing evaluation of emerging data and analysis of evolving competitive landscape

Hands on build out: scaling our companies for success

Continued disciplined allocation of capital

Life science portfolio review

Clinical

£532.3m
Total value of investments in clinical stage portfolio

12.9% Of NAV

47.0% Shareholding

FREELINE

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

Board seats	1 (incl. Chair)
Date of founding	2015
Date of Syncona investment	2015
Syncona capital invested	£167.7m
No of employees	250+
Uncalled commitment	–
Total capital raised	£352.9m
Syncona valuation	£167.9m

Competitor landscape[1]
Companies targeting liver directed gene therapy include uniQure, Spark (acquired by Roche in December 2019), Avrobio, Pfizer and Sangamo

Valuation basis
Quoted

Opportunity
To deliver curative gene therapies that will transform patients' lives

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

Key risks[1]
– Highly competitive environment
– Differentiated product required
– Complex manufacturing

Please refer to page 140 for references

Shareholdings reported as fully diluted
1 Competitors and key risks represent Syncona team view

Reported further data in Phase I/II Haemophilia B trial

Dosed a further patient in Phase I/II Fabry Disease trial post period end

Raised $299.1 million of gross proceeds in expanded Series C financing and IPO

Freeline, a gene therapy company focused on liver expression for a range of chronic systemic diseases, raised a total of $299.1 million of gross proceeds in the year in its expanded Series C financing and IPO on NASDAQ, attracting specialist global institutional investors and providing Freeline with a strong capital position as it looks to progress its programmes through the clinic.

Data published so far in its lead programme in FLT180a Haemophilia B programme has been positive, and the Phase I/II dose-confirmation study in Haemophilia B is on track to initiate trial sites by year-end with a data read out by the end of 2022. The company is targeting entering the Phase III pivotal study in the middle of CY2023 and filing a Biologic License Application (BLA) with the FDA at the end of CY2024.

The company also published positive pre-clinical data on its FLT201 Gaucher programme during the period, providing proof-of-concept for the potential of the programme to provide functional cures in patients with Gaucher disease Type 1, the most common form of the disease. The Phase I/II dose-finding study is expected to be in the clinic by year-end 2021. Post period, Freeline dosed a further patient in its FLT190 trial for Fabry Disease, and whilst they have experienced delays here due to the COVID-19 pandemic, we are excited by the programme's potential and look forward to seeing the potential impact of the product, as they continue to dose escalate, over the year.

Freeline also strengthened its leadership at a non-executive and executive level. Colin Love, PhD, joined the Board, bringing over 30 years of experience leading biopharmaceutical company operations. At the executive level, Michael Parini also joined as President and Chief Operating Officer from Vertex where he was Chief Business Officer, with Mark Baldry, Chief Commercial Officer, also joining the company during the year with 30 years of commercial experience.

Despite Freeline being impacted by pandemic-associated delays to its second clinical programme in Fabry Disease, the company is making good progress in re-starting the trial in this disease, its fundamentals are strong, with product candidates that have significant potential to achieve functional cures for patients across a broad array of systemic diseases and are set to progress through the development pathway in the coming months.

Next key milestones	
Haemophilia B	Initiate Phase I/II dose confirmation study in CY2021, on track to enter pivotal study mid CY2023
Fabry disease	Progress dose escalation of Phase I/II study to dose additional patients during CY2021; present clinical data by year-end
Gaucher	Phase I/II dose-finding study expected to be in the clinic by CY2021

Life science portfolio review

11.5%
Of NAV

54.3%
Shareholding

GYROSCOPE

Global clinical-stage company developing gene therapy beyond rare disease. Developing differentiated pipeline of rAAV gene therapies targeting genetic variants in the complement pathway believed to be key drivers of AMD

Board seats	1 (incl. Chair)
Date of founding	2016
Date of Syncona investment	2016
Syncona capital invested	£113.1m
No of employees	160+
Uncalled commitment	–
Total capital raised	£193.2m
Syncona valuation	£150.1m

Competitor landscape[1]
No directly competitive gene therapy approach; companies targeting Dry AMD via complement pathway include Apellis, Gemini, Iveric, Janssen

Other investors
Forbion, Sofinnova, Tetragon, Fosun Pharma, Cambridge Innovation Capital

Valuation basis
Price of recent investment[2]

Opportunity
AMD is one of the leading causes of permanent vision impairment for people aged 65 and older; no approved treatments[3]

Key risks[1]
– Highly innovative concept
– Biological link to clinical outcome

Please refer to page 140 for references

Dosed first patients in Phase II HORIZON and EXPLORE trials evaluating GT005 for the treatment of geographic atrophy secondary to AMD: positive interim data from Phase I/II FOCUS trial

Completed Series C financing raising $148.0 million cornerstoned by a $42.3 million commitment from Syncona

Gyroscope is developing gene therapy beyond rare disease and with an initial focus on developing gene therapies for a leading cause of blindness, dry age-related macular degeneration (AMD), where there are no approved treatments.

During the year, the business successfully completed dose escalation in its Phase I/II FOCUS trial evaluating the safety and dose response of its lead programme, GT005 in people with GA secondary to AMD, and carried out the first surgery using its proprietary Orbit™ Subretinal Delivery System (Orbit SDS) to deliver GT005. The company reported encouraging interim data from the study, showing GT005 to be well tolerated amongst patients, with the majority of those treated seeing an increase in CFI levels, as well as decreases in the downstream complement proteins associated with over-activation of the complement system – a part of the inflammatory system which has been strongly linked as a cause of dry AMD. Further interim data from FOCUS is expected to be reported in CY2021. In addition, Gyroscope's Phase II trials, EXPLORE and HORIZON started enrolling patients during the year.

From an operational perspective, Gyroscope raised $148.0m in a Series C financing, cornerstoned by Syncona alongside specialist institutional investors and providing the company with a strong capital base to further progress GT005 through the clinic and advance its early stage pipeline. Post-period end, the company made the decision to postpone plans for its IPO in light of volatile market conditions. Syncona supported this decision, with the business remaining well-funded following the recent Series C. The company also appointed Jessica Stitt as CFO who brings more than 20 years of healthcare finance and leadership experience and has participated in the execution of nearly $1.5 billion in corporate financing transactions over the course of her career.

Gyroscope also strengthened its board, broadening the biopharmaceutical experience by appointing highly experienced leaders in gene therapy, ophthalmology and biopharmaceuticals, Jennifer Cook, David Fellows and Renée Galá during the year.

Next key milestones

FOCUS – Dry age-related macular degeneration	Expect to report interim data in CY2021, final in CY2022
EXPLORE – Dry age-related macular degeneration	Final read out expected first half CY2023
HORIZON – Dry age-related macular degeneration	Final read out expected first half CY2023

Shareholdings reported as fully diluted
1 Competitors and key risks represent Syncona team view

ACHILLES THERAPEUTICS

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

Board seats	-
Date of founding	2016
Date of Syncona investment	2016
Syncona capital invested	£60.7m
No of employees	150+
Uncalled commitment	–
Total capital raised	£308.7m
Syncona valuation	£133.1m

Competitor landscape[1]
Publicly listed companies using Tumour Infiltrating Lymphocytes (TILs) or other methods to target solid tumours include Iovance, Instil and Gritstone

Valuation basis
Quoted

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

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

Key risks[1]
– Highly innovative concept in emerging space
– Complex manufacturing
– Increasing competition

Please refer to page 140 for references

First patients dosed in Phase I/IIa trials targeting metastatic malignant melanoma and advanced non-small cell lung cancer (NSCLC)

First clinical data reported from the CHIRON and THETIS trials and received recommendation from the Independent Data Safety Monitoring Committee to continue trials as planned

Successful Series C and IPO on NASDAQ drew further investment from global specialist investors

Achilles, a clinical-stage biopharmaceutical company developing precision T cell therapies to treat solid tumours, has continued to make financial and clinical progress during the year.

The business dosed its first patients in its Phase I/IIa clinical studies in metastatic melanoma (May 2020) and NSCLC (June 2020) and reported initial clinical date in February 2021, further demonstrating its capability to manufacture an entirely personalised T-cell therapy. An Independent Data and Safety Monitoring Committee has completed its reviews of the data and has recommended that both clinical trials continue as planned. Achilles is now moving to higher doses with patients expected to begin enrolment in the second half of CY2021.

The business raised $175.5 million[2] in its IPO and had raised £52.7m in a Series C in November 2020 further expanding its investor base. These fundraisings significantly strengthened the company's capital base as it progresses its programmes through the clinic. In October, Karl Peggs, an internationally recognised leader in cancer immunology and one of Achilles founders, was appointed Chief Medical Officer (CMO).

Next key milestones

Non-small cell lung cancer	Enrol patients for higher dose cNet therapy in second half of CY2021; dosing patients in first half of CY 2022
Melanoma	Enrol patients for higher dose cNet therapy in second half of CY2021, dosing patients in first half of CY 2022

10.2%
Of NAV

27%%
Shareholding

1 Competitors and key risks represent Syncona team view
2 Gross proceeds

Autolus

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

Board seats	1 (incl. Chair)
Date of founding	2014
Date of Syncona investment	2014
Syncona capital invested	£124.0m
No of employees	230+
Uncalled commitment	–
Total capital raised	£511.5m
Syncona valuation	£81.2m

Competitor landscape[1]
Active CAR-T programmes in clinical development for ALL include Gilead, Novartis and Fate

Valuation basis
Quoted

Opportunity[5]
Unmet medical need in lead programme: only 30-40% of patients with adult ALL achieve long-term remission with combination chemotherapy, the current standard of care

No CAR-T therapy approved for adult ALL patients

Key risks[1]
– Differentiated product required
– Complex manufacturing and supply chain
– Highly competitive environment

Please refer to page 140 for references

Shareholdings reported as fully diluted
1 Competitors and key risks represent Syncona team view
2 Gross proceeds

Took decision to prioritise pivotal study for its AUTO1 programme for Adult Acute Lymphoblastic Leukemia (ALL)

Additional financing of $115 million raised in follow-on public offering

Autolus is developing next generation programmed T-cell therapies for the treatment of cancer with its clinical pipeline targeting haematological malignancies and solid tumours. During the year, Autolus prioritised its AUTO1 programme where it has generated positive data showing favourable safety amongst patients, as well as strong and durable clinical responses. The Phase Ib/II pivotal study for the AUTO1 programme is under way and the company plans to provide a full data read out from the study in CY2022 and is targeting a BLA filing in CY2023. Post period end, AUTO1 has received PRIME designation from the European Medicines Agency, which will help to accelerate the regulatory review of this programme.

Syncona believes that the AUTO1 programme is differentiated and presents a significant commercial opportunity, with Autolus looking to capitalise on the distinct profile of the treatment by exploring activity in additional B-Cell malignancies. Autolus also released positive data from its Phase I AUTO1 trial in indolent B cell Non-Hodgkin Lymphoma (NHL), further underlining the opportunity provided by this therapy, as well as positive data post-period end in its ongoing Phase I AUTO1 study in relapsed / refractory indolent B cell lymphomas (IBCL).

In January, Autolus announced that it would be seeking to partner its AUTO3 programme targeting T cell lymphoma, ahead of progressing this programme to the next phase of development. In line with this and the company's decision to prioritise AUTO1, the company announced a reduction of its headcount by approximately 20 per cent, which is expected to realise cost savings of $15 million p.a. once the operational changes have been fully implemented.

In the broader pipeline, the company's AUTO4 programme for the treatment of TRBC1 positive Peripheral T Cell Lymphoma (PTCL), continues to make progress, with data expected in Q4 CY 2021. There is currently no approved programme T cell therapy for PTCL, with the programme now receiving innovative licensing and access pathway designation from the UK Medicines and Healthcare products Regulatory Agency.

Autolus raised approximately $115 million[2] via public offerings in January and February 2021 to fund its operations. Since the year end, Martin Murphy has been appointed non-executive Chairman of Autolus, and is working closely alongside the senior leadership team of Autolus as they progress the AUTO1 programme through its pivotal trial.

Next key milestones	
AUTO1 / Adult ALL	Enter pivotal study in CY2021 and provide data update in CY2022
AUTO1/22 / paediatric ALL	Publish clinical data in Q4 CY2021
AUTO4 – T cell Lymphoma	Publish clinical data in Q4 CY2021

6.2%
Of NAV

26.0%
Shareholding

Pre-clinical

£129.6m
Total value of investments in pre-clinical stage portfolio

SwanBio Therapeutics

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

Board seats	2 (incl. Chair)
Date of founding	2018
Date of Syncona investment	2018
Syncona capital invested	£57.4m
No of employees	40+
Uncalled commitment	-
Total capital raised	£59.8m
Syncona valuation	£53.7m

Competitor landscape[1]
Companies exploring gene therapies in the CNS field include Voyager, Taysha, Novartis, PassageBio and Prevail

Other investors
Partners Innovation Fund

Valuation basis
Cost†

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

Key risks[1]
– Slowly progressing disease
– Complex manufacturing

Please refer to page 140 for references

1 Competitors and key risks represent Syncona team view

SwanBio is a gene therapy company focused on neurological disorders. Its lead programme is targeting the treatment of Adrenomyeloneuropathy (AMN), a genetic neuro-degenerative disease affecting the spine. Its lead AMN programme continues to make progress, and the business continues to expect to enter the clinic with this programme in CY2022.

At the end of the previous financial year, SwanBio expanded its Series A financing to $77.0 million, taking Syncona's commitment to the business to $74.0 million to date. The financing has enabled 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.

The business continues to strengthen its leadership team, with Steven Zelenkofske joining as CMO whilst Scott McMillan joined as Chief Technical Officer (CTO), bringing between them more than 45 years' experience in life sciences research, development and operations.

The company also strengthened its Board in the year, appointing Patricia Allen, Alison Lawton and Syncona partner Alex Hamilton, with Patricia bringing 30 years of financial and operations experience and Alison bringing 30 years of biopharma experience to support the company as it progresses to clinical development.

Next key milestone	
Adrenomyeloneuropathy (AMN)	Phase I/II initiation of lead programme targeting AMN in CY2022

4.1%
Of NAV

75.0%
Shareholding

QuellTX

Engineered cell therapy company addressing immune dysregulation

Board seats	2 (incl. Chair)
Date of founding	2019
Date of Syncona investment	2019
Syncona capital invested	£35.1m
No of employees	70
Uncalled commitment	£24.2m
Total capital raised	£61.0m
Syncona valuation	£35.1m

Competitor landscape[1]
Field is nascent, companies developing T-Reg cell therapies include Sonoma, Kyverna, GentiBio and Sangamo

Other investors
UCL Technology Fund

Valuation basis
Cost†

Opportunity
Current standard of care for prevention of solid organ transplant rejection is life-long immunosuppression which results in an array of serious long-term side effects significantly impacting patient quality of life[7]

Key risks[1]
– Highly innovative concept in emerging space
– Complex manufacturing

Please refer to page 140 for references

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, Quell expanded its capital funding via a further Series A funding round, of which Syncona committed an additional £25.3 million, taking its total commitment to date to £59.3 million. This investment has secured the clinical pathway for the lead QEL-001 programme, which targets tolerance induction post liver transplantation, and supported the establishing of its manufacturing footprint, providing a path to entering the clinic in FY2021/2.

The company continued to expand its research network during the year, signing collaborative research agreements with Hannover Medical School (MHH) and the Sheffield Institute for Translational Neuroscience (SITraN). The MHH relationship includes joint research to accelerate the discovery and validation of Chimeric Antigen Receptor (CAR)-Treg cell therapies, while Quell will collaborate with SITraN to accelerate the validation of Quell's Treg cell therapy platform for use in the treatment of neuroinflammatory diseases.

2.7% Of NAV

74.0% Shareholding

Next key milestone	
Liver transplant	Phase I/II initiation of lead programme targeting liver transplant in FY2021/2

Shareholdings reported as fully diluted
1 Competitors and key risks represent Syncona team view

ANAVEON

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

Board seats	2 (incl. Chair)
Date of founding	2017
Date of Syncona investment	2019
Syncona capital invested	£19.5m
No of employees	10+
Uncalled commitment	£2.0m
Total capital raised	£26.9m
Syncona valuation	£18.5m

Competitor landscape[1]
Companies developing products in the IL-2 field include Roche, Sanofi, Alkermes, Nektar and Neoleukin

Other investors
UZH Life Sciences Fund, Novartis Venture Fund

Valuation basis
Cost†

Opportunity
Wide potential utility across multiple oncology indications in wider markets[8]

Key risks[1]
– Strategy for differentiation and clinical / commercial positioning
– Multiple players and highly competitive
– Clinical risk

Please refer to page 140 for references

Published encouraging pre-clinical data in its lead programme ANV419

Nominated clinical candidate in lead programme, ANV419

Anaveon develops biologics to modulate the function of cytokines with the potential to provide substantial therapeutic benefit to cancer patients. The business 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 continues to progress well in its lead ANV419 programme, publishing pre-clinical data at the Society for Immunotherapy of Cancer (SITC) conference which underlined its high level of activity, selectivity and strong safety profile. We expect the company to dose first patient in its Phase I/II study for its lead programme in the coming weeks. The study will evaluate the safety and clinical activity of ANV419 as a monotherapy in advanced solid tumours, and the business expects data from this trial to be published before the end of CY2021.

Next key milestone	
Selective IL-2 agonist	First patient to be dosed in Phase I/II study with data to be published before end of CY2021

1.4% Of NAV

51.0% Shareholding

1 Competitors and key risks represent Syncona team view

Resolution Therapeutics

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

Board seats	2 (incl. Chair)
Date of founding	2020
Date of Syncona investment	2018
Syncona capital invested	£7.4m
No of employees	10+
Uncalled commitment	£20.6m
Total capital raised	£27.9m
Syncona valuation	£7.4m

Competitor landscape[1]
Carisma Therapeutics is developing a macrophage cell therapy in cancer

Other investors
-

Valuation basis
Cost†

Opportunity
New diagnosis of liver cirrhosis affect hundreds of individuals per million of population

If left untreated, liver cirrhosis may progress to decompensation and need for a liver transplant

Key risks[1]
– Highly innovative concept in emerging space
– Future competition

Please refer to page 140 for references

Resolution was formed during the year as a cell therapy company investigating the use of macrophages for the treatment of patients with end stage liver disease, building on the work carried out under a collaboration agreement that Syncona entered into with the University of Edinburgh in 2018.

Syncona founded Resolution with a £26.6 million commitment to a Series A financing in August 2020. Ed Hodgkin, Partner at Syncona, has taken up the role of Chairman & CEO, and Syncona partner Gonzalo Garcia is acting as Chief of Staff. Martin Murphy of Syncona, Lisa Bright, formerly on the executive team of Intercept Pharmaceuticals Inc., and founder Stuart Forbes, were all appointed to the Board during the year.

0.6% Of NAV

79.0% Shareholding

purespring

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

Board seats	2 (incl. Chair)
Date of founding	2020
Date of Syncona investment	2020
Syncona capital invested	£3.9m
No of employees	c.10
Uncalled commitment	£41.1m
Total capital raised	£45.0m
Syncona valuation	£3.9m

Competitor landscape[1]
Purespring is moving into a field with no major competitors of note

Other investors
–

Valuation basis
Cost†

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

Key risks[1]
– Highly innovative concept in emerging space

Please refer to page 140 for references

In November, Syncona announced the founding of Purespring, one of the first kidney focussed AAV gene therapy companies. Purespring will seek to advance gene therapies for the treatment of chronic renal diseases that are currently poorly addressed with existing treatments.

Richard Francis, former Chief Executive of Sandos and former Executive Committee member of Novartis, has joined the company as CEO. Syncona committed £45.0 million at the Series A, and at the point all current commitments are invested, will hold an 84% stake in the business.

0.3%
Of NAV

84.0%
Shareholding

Shareholdings reported as fully diluted
1 Competitors and key risks represent Syncona team view

neogene THERAPEUTICS

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

Board seats	1
Date of founding	2018
Date of Syncona investment	2020
Syncona capital invested	£11.4m
No of employees	40+
Uncalled commitment	£3.5m
Total capital raised	£82.5m
Syncona valuation	£11.0m

Competitor landscape[1]
PACT, TCR Cure and Adaptive/Genentech are all active in this space.

Other investors
EcoR1 Capital, Jeito Capital, Polaris Partners, Pontifax, TPG, Two River, Vida Ventures, Bellco Capital

Valuation basis
Cost†

Opportunity
Limited treatment option for relapsed/refactory patients with advanced solid tumours that have progressed through first line therapies

Alternative cell therapies are not readily scalable

Key risks[1]
– Complex early stage technology
– Complex manufacturing
– Highly competitive field

Please refer to page 140 for references

Neogene is developing an engineered cell therapy product for solid tumours based on a patient's own neoantigens, which Syncona believes are the best solid tumour cancer targets given their presence in cancer cells but absence in healthy cells. The company was founded in 2019 around the work of world-class founders, Dr Ton Schumacher and Dr Carsten Linnemann.

In August 2020, Syncona co-led the $110.0 million Series A financing round of Neogene, with a commitment of $19.0≈million alongside specialist investors including EcoR1, Jeito Capital, Vida Ventures, Bellco Capital, Two River, and TPG. The Series A financing is funding pre-clinical validation of the company's proprietary tumour-specific T-cell receptor gene isolation platform and a future Phase I study.

The company has appointed Franz B. Humer, Ph.D., as Executive Chairman of the Board of Directors. Dr Humer has 30 years' experience in drug development and significant leadership expertise, having served most recently as Chairman and CEO of Roche for 16 years. The business continues to focus on the development of its manufacturing base in the US as it focuses on its pathway towards its IND application, and whilst it is entering a competitive market, we believe it provides a differentiated approach which positions it well to capture value.

0.8%
Of NAV

11.0%
Shareholding

Drug discovery

£16.4m
Total value of investments in drug discovery stage portfolio

OMass THERAPEUTICS

Building a differentiated small molecule portfolio based on a unique drug discovery platform leveraging native Mass Spectrometry

Board seats	2 (incl. Chair)
Date of founding	2016
Date of Syncona investment	2018
Syncona capital invested	£16.4m
No of employees	30+
Uncalled commitment	£10.0m
Total capital raised	£41.5m
Syncona valuation	£16.4m

Other investors
University of Oxford and Oxford Sciences Innovation

Valuation basis
Cost†

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

Key risks[1]
– Attrition of potential drugs

Please refer to page 140 for references

OMass, our biopharmaceutical company using native mass spectrometry to unlock genetically validated but elusive targets in immunology and orphan diseases, has continued work to progress its pipeline. The business is focused on four programmes, which have clear paths to take products to market and also present opportunities to utilise the unique qualities of the OMass platform. Dr Nathalie Franchimont, currently Head of the Multiple Sclerosis and Immunology Development unit at Biogen, joined the Board, bringing with her extensive drug development and immunology expertise.

1.3%
Of NAV

49%
Shareholding

1 Key risks represent Syncona team view

Life science portfolio valuation table

Company	31 Mar 2020 (£m)	Net investment in the period (£m)	Valuation change (£m)	FX movement (£m)	31 March 2021 (£m)	% of Group NAV	Valuation basis*, †, ‡	Fully diluted ownership stake (%)	Focus area (%)
Portfolio Companies									
Clinical									
Autolus	77.0	18.1	(6.6)	(7.3)	81.2	6.2	Quoted	26	Cell therapy
Freeline	150.7	18.6	17.7	(19.1)	167.9	12.9	Quoted	47	Gene therapy
Gyroscope	73.0	40.1	36.5	0.5	150.1	11.5	PRI	54	Gene therapy
Achilles	72.4	11.7	52.1	(3.1)	133.1	10.2	Quoted	27	Cell therapy
Pre-clinical									
Anaveon	12.3	7.8	–	(1.6)	18.5	1.4	Cost	51	Immuno-oncology
SwanBio	18.5	39.7	–	(4.5)	53.7	4.1	Cost	75	Gene therapy
Quell	8.3	26.8	–	–	35.1	2.7	Cost	74	Cell therapy
Azeria	6.5	(2.1)	(4.4)	–	–	0.0	–	60	Small molecule
Resolution	1.4	6.0	–	–	7.4	0.6	Cost	79	Cell therapy
Purespring	–	3.9	–	–	3.9	0.3	Cost	84	Gene therapy
Neogene	–	11.4	–	(0.4)	11.0	0.8	Cost	11	Cell therapy
Drug discovery									
OMass	14.6	1.8	–	–	16.4	1.3	Cost	49	Thera-peutics
Life Science Investment									
CRT Pioneer Fund	40.0	2.9	(6.3)	–	36.6	2.8	Adj. Third Party	64	Oncology
CEGX	1.5	–	–	–	1.5	0.1	Adj. PRI	9	
Adaptimmune	3.3	(0.9)	3.5	(0.6)	5.3	0.4	Quoted	0.1	Cell therapy
Forcefield	–	0.4	–	–	0.4	0.0	Cost	82	Biologics
Total Life Science Portfolio	479.5	186.2	92.5	(36.1)	722.1	55.3			

* Primary input to fair value
† The basis of valuation is stated to be "Cost", this means the primary input to fair value is capital invested (cost) which is then calibrated in accordance with our Valuation Policy
‡ The basis of valuation is stated to be "PRI", this means the primary input to fair value is price of recent investment which is then calibrated in accordance with our Valuation Policy

The COVID-19 pandemic has reinforced the strength of the innovative life sciences sector

The COVID-19 pandemic propelled life sciences to the forefront of global events. It has demonstrated the rapid pace of innovation possible. Strong fundamentals in the UK support the continued growth of the life sciences sector.

Continued strong growth in global clinical trial pipeline:

13%
Increase in number of registered clinical trials in 2020 v 2019[1]

Continued strength of UK life sciences industry

4/10
World's leading life sciences and medicine universities are in Europe[2]

£81bn
In annual turnover in 2019[3]

256k
Employed 256,100 people in the UK in 2019[4]

12%
Of global trials in cell and gene therapies take place in the UK[5]

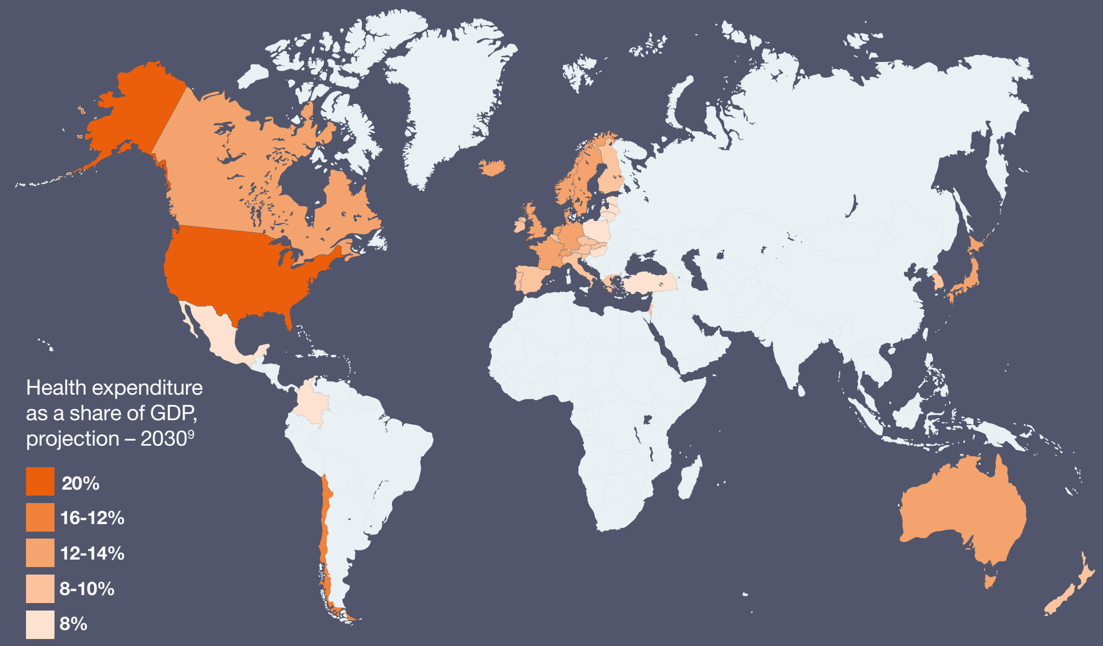
18%
Of the world's top life science publications published in the UK[6]

50%
COVID-19 Genomics UK has achieved rapid sequencing of over 50% of all the known SARS-CoV-2 genomes in the world[7]

Poised for continued growth post-COVID-19

The life sciences sector has attracted increased capital flows over the last three years, with the value creation opportunity presented by global macro trends encouraging investment in the sector.

With data suggesting that healthcare spending will continue to increase beyond the rate of economic growth, the global life sciences sector is well positioned to be an attractive proposition for investment over the medium term.



£2.8bn
Raised in UK biotech in 2020[10]

81m
People expected to be added per year to the global population by 2023[11]

3%
Global expected GDP CAGR to 2024[12]

3.9%
Global expected healthcare spending CAGR to 2024[11]

Innovation in clinical trials accelerated

The COVID-19 pandemic has required rapid acceleration in the processes of discovery, development and regulatory approval to enable innovation to reach patients. The UK regulator, the Medicines and Healthcare products Regulatory Agency (MHRA), is a sophisticated regulator and has overseen the safe and rapid approval of vaccines. Drug development timelines have been condensed and adaptive trial designs have enabled modifications in studies after they have begun.

Regulators such as the Food and Drug Administration (FDA) and European Medicines Agency (EMA) have issued guidance in support of virtual trials, with this flexible approach following on from a pre-existing trend acknowledging the benefits of real-world evidence (RWE) in clinical development[8]. The logistical and clinical benefits of either fully or partially virtual trials are varied; participants can be drawn from a wider geographic area which does not need to be dictated by the location of infrastructure, costs can be more carefully managed, whilst patients can react to treatments in an environment which more closely resembles their normal lives.

An agile approach to clinical trials

The COVID RECOVERY trial, launched in March 2020 and led by the University of Oxford, is the world's largest trial of potential COVID-19 treatments. The study has been able to scale at speed and quickly rotate through unviable treatment options due to the close collaboration between the broad range of organisations involved, as well as a focus on simplification to minimise the barriers to patient inclusion, and innovative use of the NHS DigiTrials platform to log patient data.

RECOVERY
Randomised Evaluation of COVID-19 Therapy

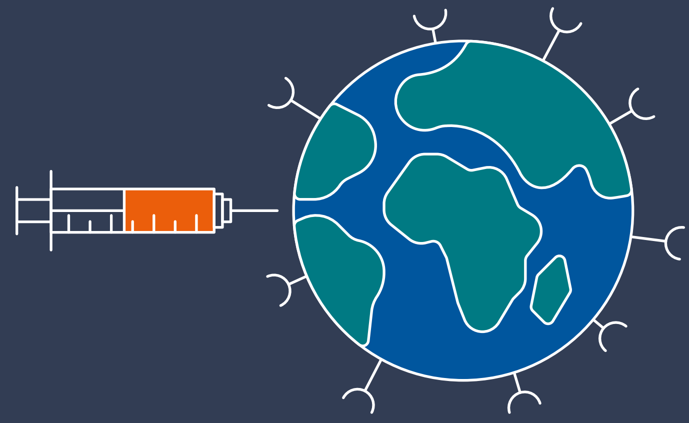
mRNA vaccines further proof of coming-of-age status of Third Wave technologies

Messenger RNA (mRNA) is a technology at the forefront of the Third Wave of medicine (see next page).

Whilst mRNA research has been ongoing for decades, it is the approval of mRNA COVID-19 vaccines in 2020 which has seen this type of therapy propelled into the public consciousness.

When introduced to the body, mRNA vaccines induce the creation of proteins, enabling the body to launch an immune response against a given virus. Two of the more prominent approved COVID-19 vaccines, from Pfizer and Moderna, use this technology, with both illustrating high levels of efficacy.

As well as the increasing body of evidence which shows positive outcomes for patients, mRNA treatments also have significant benefits from a manufacturing perspective. The cell-free process of production reduces complexity significantly, whilst clinical batches can be generated within a very short period of a sequence encoding the immunogen being available. Research is ongoing into mRNA treatments for HIV, sickle cell disease and cancer, with the funding and research in this area which has been accelerated by COVID-19 likely to lead to further breakthroughs in treatments for other illnesses.



Please refer to page 140 for references

Please refer to page 140 for references

Established leadership in Third Wave therapies

"First Wave"
1950s
Small molecule drugs, market dominated by large pharmaceutical companies.
01

"Second Wave"
1990s
Large molecule (antibody therapies and enzyme replacement therapies).
02

The "Third Wave"
Today
Advanced biologics and genetic medicines such as gene therapy and cell therapy and DNA/RNA medicines.
03

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

$3bn
Raised by cell and gene therapy companies in NASDAQ IPOs in 2020 – up 210% on 2019[13]

20
Approved Third Wave therapies in the US[14]

9 out of 11
Syncona portfolio companies are in Third Wave

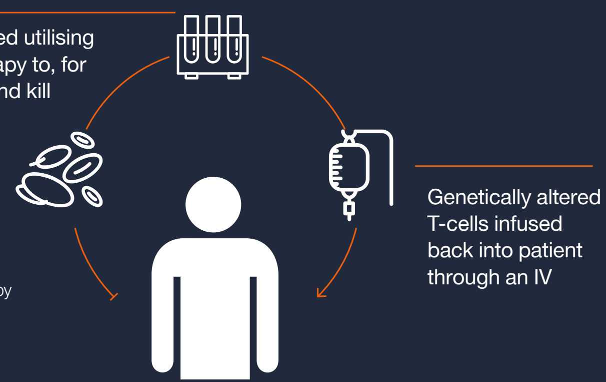
c.1000
Cell and gene therapies in clinical trials in 2020, 600 in oncology[15]

20%
Increase in advanced therapy medicinal product trials in UK between 2019 and 2020[16]

What is cell and gene therapy?

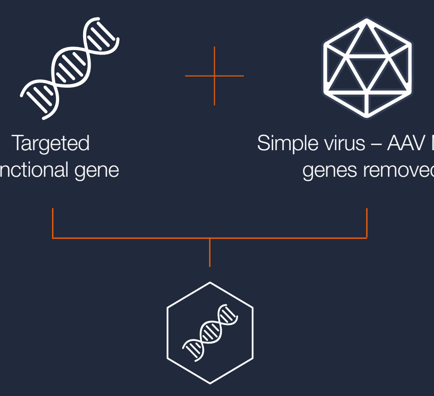
Cell therapy
Cells cultivated or modified outside the body before being injected into the patient. Cells may originate from the patient (autologous) or a donor (allogeneic).

Ex vivo gene therapy
Uses host cells engineered to express a gene of interest which are then transplanted into the body.



*Autologous Cell therapy

In vivo gene therapy
The insertion of genes via a carrier, like an AAV virus, into target tissue to replace a mutated gene which has caused a disease.



Please refer to page 140 for references

Syncona has deep domain expertise in Third Wave technologies

Gene therapy	Freeline, Gyroscope, SwanBio, Purespring	**52%** of portfolio by value
Cell therapy	Autolus, Achilles, Quell, Resolution, Neogene	**37%** of portfolio by value

Syncona's model is complementary to Third Wave companies

Market context

Platforms have strategic value in cell and gene therapy. Engineered cells and viruses are highly technical and require complex manufacturing and supply chains. Third Wave products once approved can be delivered by a single integrated platform, presenting a highly modular, scalable opportunity for those with platform expertise.

Single, fully integrated commercial platform

Found: Our domain expertise in gene and cell therapy is at the centre of our model.

Build: We are able to provide our Third Wave portfolio companies support in various ways, including supply chain and manufacturing expertise, advising them as they navigate clinical trials and regulatory feedback.

Fund: Syncona takes a long-term approach to funding its companies, funding them through the development cycle and up to approval.

The future of the Third Wave

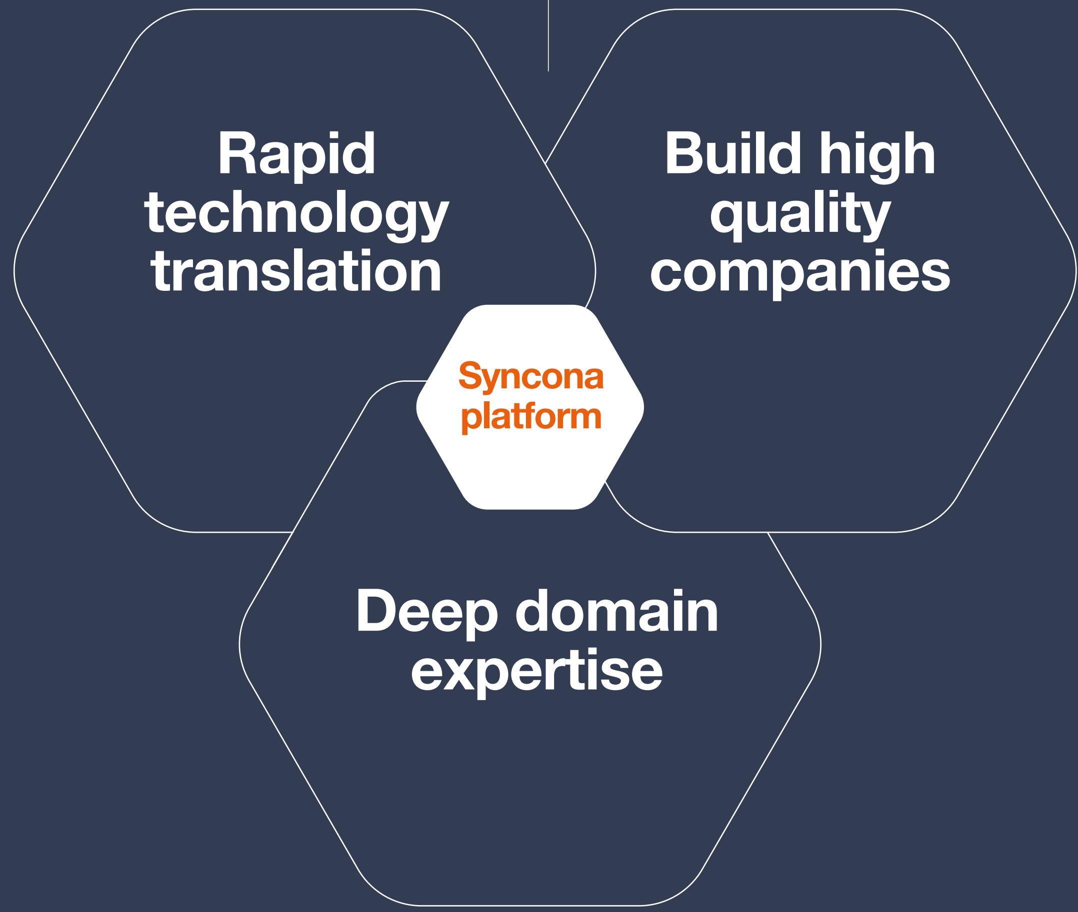
- Monogenic diseases to polygenic disease
- Increasing the precision of delivery through optimised capsids
- Autologous or allogeneic therapies

Please refer to page 140 for references

A platform to build companies that extend and enhance human life

Our Syncona platform enables the rapid translation of scientific research into companies with the potential to be global leaders. By leveraging our deep domain expertise, we are able to identify compelling areas of science which, through rapid technology translation, we seek to build into high quality companies that deliver on our purpose.

Our Syncona platform



In this section:

See how **Resolution** demonstrates our rapid technology translation in action

Page 45

Discover how **Gyroscope** is a prime example of how we build high quality companies

Page 47

Learn how our focus on identifying a compelling new area of science led to the founding of **Purespring**

Page 49

Rapid technology translation

Identifying exceptional science with a strong commercial opportunity and translating it into a transformational treatment

Identifying exceptional science

We take a proactive approach to identifying and investing in only the best opportunities; exceptional science which can deliver dramatic efficacy for patients and around which we can build a company with a long-term opportunity to take products to market. We work with globally recognised scientific key opinion leaders and look for innovative technology with transformational potential.

Defining a clear commercial opportunity

We look closely at the commercial opportunity before we invest, defining a clear commercial opportunity before we invest, carefully analysing the disease setting, capital requirements and risk involved. A clear commercial opportunity, identified and modelled at the outset, is fundamental to our decision to invest and build a company.

Setting a clear strategy and business plan

Before we form a company, we devise a clear strategy and business plan which leverages the defined commercial opportunity. This enables Syncona and its portfolio companies to align around a clear vision, attract talent and execute on the opportunity available from foundation.

Our strategic drivers enabling rapid technology translation

UK/Europe has a globally significant scientific research base, historically underserved by long-term growth funding

The Syncona team brings deep investment, scientific and relevant operational expertise

Genomics revolution has created new opportunities for stand-alone biotechnology companies

Read more:
Our strategic drivers
Page 18

Case study

Resolution: a new company founded on exciting research in exploiting the wound healing ability of macrophages

Expertise at Resolution

Resolution was founded following a productive collaboration between Edinburgh's Centre for Regenerative Medicine, the Scottish National Blood Transfusion Service, and Syncona. Its work builds on more than a decade of world leading research conducted by Prof. Stuart Forbes and his group at the University of Edinburgh, in partnership with Prof. John Campbell at the Scottish National Blood Transfusion Service.

Founders

- Stuart Forbes
- John Campbell

Syncona brought together the original founders and have remained heavily involved in the business as it has grown.

Syncona team

- Ed Hodgkin
- Gonzalo Garcia
- Martin Murphy

A partnership driven by identifying a compelling new area of science and developing a clear commercial vision on which to found a company

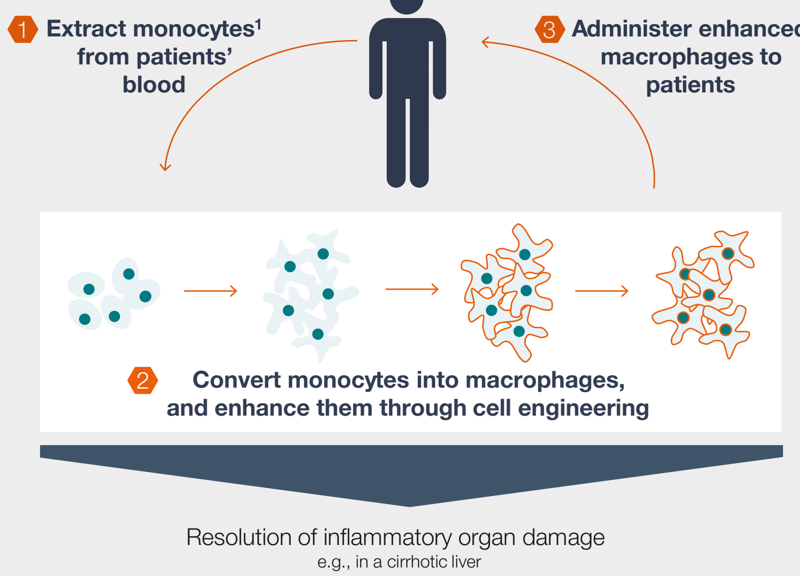
Based on the research of Prof. Stuart Forbes and Prof. John Campbell

After more than a decade studying the role of macrophages in liver regeneration in the laboratory and clinical setting, the research of Prof. Stuart Forbes and Prof. John Campbell indicated that a macrophage cell therapy may have a therapeutic effect in liver cirrhosis.

After meeting these key opinion leaders and working to understanding the potential opportunity, a research collaboration was launched in Jan 2018 with Syncona funding to develop the technology further and de-risk the investment opportunity. Following the successful completion of this next stage, a company was founded in 2020 with a vision of developing a new type of cell therapy for severely ill patients with no other treatment options.

A hands-on approach to management

Since beginning the Research Collaboration in 2018, Syncona Partner Edward Hodgkin has taken a lead role overseeing Resolution's work. Upon foundation of the company in August 2020, he became Chief Executive Officer of the company and, along with Syncona Partner Gonzalo Garcia, is overseeing the development of Resolution's strategy.



1 Monocytes are precursor cells of macrophages

Build high quality companies

Leveraging Syncona's expertise to build globally leading healthcare companies

Network support

From foundation we take a hands-on, partnership approach to ensure a strong commercial vision, clear strategy and business plan, the development of an exceptional team and strong execution. Our companies are able, when appropriate, to share knowledge and draw on our extensive networks to enable them to enhance their opportunity and overcome challenges.

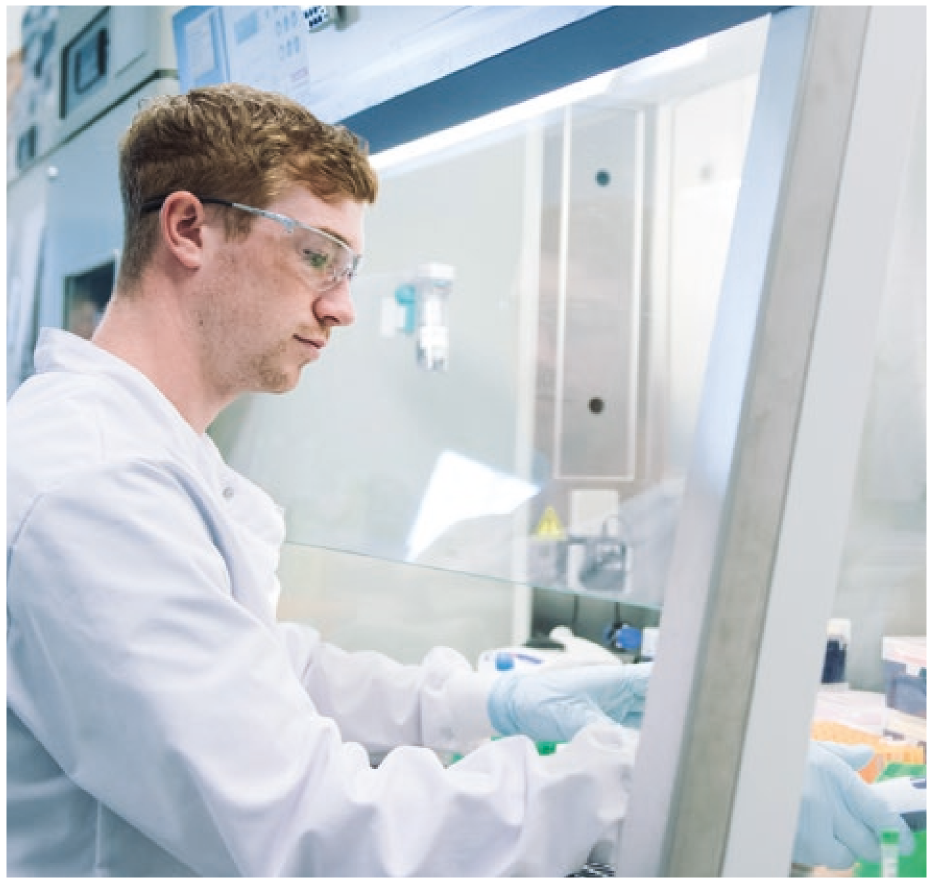
Growing reputation and track record enables opportunities

Syncona's track record, both in terms of investment returns and in identifying and driving new innovations, is helping us to attract world class managers to our companies. Scientific founders and leaders at our companies come from blue chip backgrounds and believe in Syncona's aim of developing transformational treatments. This in turns attracts high quality teams, providing our companies with the best chance of success.

Our strategic drivers enabling Syncona to build high quality companies

- Strong balance sheet allows us to provide long-term funding
- Setting companies up to take products to approval can deliver the best risk adjusted returns
- The Syncona team brings deep investment, scientific and relevant operational expertise

Read more:
Our strategic drivers
Page 18



Case study

Gyroscope: developing gene therapy beyond rare disease to treat a leading cause of blindness, dry age-related macular degeneration

Capability and expertise at the heart of Gyroscope

Syncona brought together global key opinion leaders in the area to found a company. The founders have driven groundbreaking research from foundation and remain involved in the business.

Founders

– Peter Lachmann
– David Kavanagh
– Andrew Lotery

Syncona brought together the original founders and have remained heavily involved in the business as it has grown.

Syncona team

– Chris Hollowood
– Dominic Schmidt
– Michael Kyriakides

Seeking to take application of gene therapy beyond rare disease to much larger applications

Scaling delivery to large patient populations requires properly built, commercial scale platform companies

Dry age related macular degeneration is one of the leading causes of permanent vision impairment for people aged 65 and older. There are no approved treatments and patients suffering from this disease will eventually go blind. Gyroscope was founded with the ambition to utilise gene therapy to address the disease, which would take the application of gene therapy out of rare disease for the first time to an initial population of 3.5 million people in the US and EU5 with geographic atrophy (late stage disease). To achieve this, Gyroscope, supported by Syncona, has had to build a high quality company from the outset, investing in all aspects of technology development and commercialisation so that it can achieve its ambition.

What is retinal gene therapy?

Gene therapy delivers a functioning gene to the eye, which may stimulate a patient's cells to produce the proteins needed to restore the mutated gene in the eye, with curative potential

Research suggests that when the complement system (part of the immune system) is overactive it leads to inflammation that can damage healthy eye tissues

Gene therapy may stimulate a patient's cells to produce the proteins needed to restore balance to the complement system

Deep domain expertise

An expert team with a significant knowledge base leveraged across the portfolio

Bridging the gap between technology and commercialisation

Our expert, multi-disciplinary team has a highly technical skill set with deep scientific and commercial expertise. Key opinion leaders with translatable technology want to work with us because we understand the opportunity their technologies represent and can demonstrate for them a clear path from the lab bench to commercialisation.

Knowledge share – being part of the Syncona network

Syncona has deep expertise in building platform companies and has developed extensive knowledge in areas such as developing commercial frameworks, building manufacturing platforms and developing world class networks and teams. Our hands-on approach enables our companies to draw on this deep pool of knowledge with members of our team acting to ensure we drive continuous improvement across the portfolio. Where appropriate we are able to facilitate cross company engagement to share knowledge and experience. We draw on our networks across our portfolio and throughout the industry to ensure each of our companies builds the best team possible.

Our strategic drivers enabling deep domain expertise

UK/Europe has a globally significant scientific research base, historically underserved by long-term growth funding

The Syncona team brings deep investment, scientific and relevant operational expertise

Read more:
Our strategic drivers
Page 18

Case study

Purespring: foundation of one of the first AAV gene therapy companies globally to target the kidney

New Syncona company founded in area of deep domain expertise

Company based on world-class science set up on robust and ambitious strategy and business plan

Attracting world-class talent

Richard Francis
Chief Executive Officer, Purespring

"I was attracted to Purespring because of the strength of the science and the world-class founding team who are leading experts in the kidney and gene therapy fields. Purespring will be an agile, dynamic company that focuses on building a talented team that truly wants to make a difference to the millions of people suffering from kidney related diseases. I share Syncona's passion for building sustainable life science companies that can deliver transformational medicines for patients and look forward to working with the team"

Dominic Schmidt
Syncona lead on Purespring foundation

"We are thrilled to appoint a Chief Executive Officer of Richard's calibre to operationalise Purespring and build out the organisation. Richard is an extremely accomplished executive with extensive and differentiated experience across the entire value chain. I look forward to working closely with him as we build Purespring into a global leader in renal gene therapy and his broad expertise will be valuable to Syncona as we seek to expand and develop our portfolio"

At Syncona, we have significant gene therapy domain expertise. As part of a proprietary approach to sourcing, we proactively look at disease areas that could be addressed by gene therapy and engage leading academics who have expertise in the fields where we identify opportunities. As part of this approach, we reached out to Professor Moin Saleem, Head of Bristol Renal. Professor Saleem had delivered some seminal data showing gene therapy targeting a key cell type in the kidney and we then worked in partnership with Professor Saleem to identify the commercial opportunity and business plan for a potential company. In November 2020, Syncona founded Purespring with a £45 million Series A financing to advance gene therapies for the treatment of chronic renal diseases that are currently poorly addressed with existing treatments.

An expert multi-disciplinary investment team

Our investment team works in partnership with the wider team, which is made up of highly experienced finance, investor relations, communications, human resources, and legal professionals. Our investment team is made up of our Investment Committee and wider investment team.

Investment Committee:

Nigel Keen
Co-founder and Chairman, SIML
FIET, FCA

- Commercial and company creation
- Chairman of Oxford University Innovation, Oxford Academic Health Network, MedAccess

Nigel Keen is the Chairman of Syncona Investment Management Ltd and was a co-founder of Syncona Partners alongside Martin Murphy and The Wellcome Trust. He has a degree in engineering from Cambridge University, is a Fellow of the Institute of Chartered Accountants and has been involved in the development of technology businesses for more than 30 years. He is also the Chairman of the AIM listed medical device company, Deltex Medical Group plc.

Martin Murphy
Co-founder and CEO, SIML
PhD

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

Martin is Chief Executive Officer of Syncona Investment Management Ltd. He co-founded Syncona in 2012 alongside The Wellcome Trust. Previously, he was a partner at MVM Life Science Partners LLP, a venture capital company focused on life science and healthcare, where he led their European operations. Martin has also held roles with 3i Group plc and McKinsey & Company. He has a PhD in Biochemistry from the University of Cambridge.

Chris Hollowood
CIO, SIML
PhD

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

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

Wider investment team:

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

Scientific | Commercial | Company creation | Investment

Freddie Dear
Partner

Qualification
BSc

Company affiliation
Autolus
Quell TX

Kenneth Galbraith
Executive in residence

Qualification
BComm

Gonzalo Garcia
Partner

Qualification
PhD

Company affiliation
Resolution Therapeutics

Alex Hamilton
Partner

Qualification
PhD

Company affiliation
SwanBio Therapeutics

Edward Hodgkin
Partner

Qualification
PhD

Company affiliation
OMass Therapeutics
Resolution Therapeutics

Magda Jonikas
Partner

Qualification
PhD

Company affiliation
OMass Therapeutics
neogene Therapeutics

Michael Kyriakides
Partner

Qualification
PhD

Experience
Gyroscope
Freeline

Lorenz Mayr
Entrepreneur in Residence

Qualification
PhD

Elisa Petris
Partner

Qualification
PhD

Company affiliation
neogene Therapeutics
Quell TX
Achilles Therapeutics

Alice Renard
Partner

Qualification
PhD

Company affiliation
Anaveon
purespring

Dominic Schmidt
Partner

Qualification
PhD

Company affiliation
Gyroscope
Freeline
Anaveon
purespring

Hitesh Thakrar
Partner

Qualification
BChem

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

Our strategy of founding, building and funding a portfolio of companies turning exceptional science into transformational treatments involves significant risk and opportunity. We found early stage life science businesses prior to clinical proof of concept, and build them through scientific and operational development, clinical trials, approval and potentially commercialisation; this is capital-intensive and requires significant funding from us or third-party investors. It is therefore key to our business that our risk appetite is clearly defined and that we have robust processes to manage risk.

Our risk framework is overseen by the Audit Committee under delegation from the Board. Everyone, including the Board, the Syncona team, and the management teams at our portfolio companies, plays a part in managing the risks.

Risk framework

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

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

Risk management structure

Board of Directors
Risk management leadership; risk appetite

Audit Committee
Review and monitor the risk framework

Syncona team
Risk management is integral to the investment process and financial management
Implementing and monitoring risk controls; risk reporting

Life science company management teams
Risk identification and mitigation

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

Identifying principal risks

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

During the year the Board carried out an exercise to consider the current and potential risks of the business. We were pleased that our principal risks substantially capture all of the key strategic risks to the success of our business model. The discussion also generated insight into a range of potential emerging risks and has helped to focus attention on additional areas for horizon scanning by the Board and investment team.

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

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

The principal risks identified by the Board are set out on pages 56 to 59. These have not substantially changed in the last year.

The Board also monitors future risks that may arise, including the longer-term risks of changes to US pharmaceutical pricing, the potential long-term impact of Brexit on the UK bioscience research environment or wider business environment, or the potential for tax changes in the UK that impact its attractiveness in recruiting from a global talent pool.

Risk appetite

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

The Audit Committee this year carried out a detailed review of the defined risk appetite, to ensure it continues to reflect the commercial understanding of the Board and accurately reflected the risks we take. Following that review the Audit Committee recommended to the Board that the risk appetite remained appropriate, and the Board has accepted that recommendation.

Our risk appetite is set out below.

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

Managing risk and uncertainty around the disclosure of clinical trial data

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

Unlike typical randomised controlled pharmaceutical clinical trials, currently all 11 clinical trials are open-label trials. Open-label trials are clinical studies in which both the researchers and the patients are aware of the drug being given. In some cases the number of patients in a trial may be relatively small. Data is generated as each patient is dosed with the drug in a trial and is collected over time as results of the treatment are analysed and, in the early stages of these studies, dose-ranging studies are completed.

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

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

Viability statement

The Directors have assessed the prospects of the Company, considering its ability to continue in operation and meet its liabilities as they fall due over the period to 31 March 2024. The period selected was considered appropriate as: it covers a period over which a majority of current uncalled commitments are expected to be called; the Directors believe this to be a reasonable period of time for the life science investments to make meaningful progress on the journey towards fulfilling their long-term potential; and the Directors have a reasonable confidence over this time horizon.

The Company's strategy is well documented (see pages 14 to 23) and includes longer-term targets of creating 2-3 new companies per year, developing a portfolio of 15-20 life science companies and taking 3-5 companies to product approval over a rolling 10-year period.

Key factors affecting the Company's prospects over the assessment period are reflected in the principal risks set out on pages 56 to 59. These include ability to access capital; failure of material investment assets; people risks; and, at the present time, the COVID-19 pandemic. The table of principal risks sets out the key controls for these risks.

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

The assessment process and key assumptions

The assessment is carried out by the Syncona team and challenged and reviewed by the Audit Committee and approved by the Board.

The Company's viability testing considers base and severe combined stress scenarios. The principal risk is that the Company has insufficient access to cash to fund the life science companies and its liabilities. The base case scenario assumes that we progress the strategy of founding, building and funding life science companies as set out above and elsewhere in the document, that we do not realise any life science investments, that no income is received from the capital pool investments and that we are able to realise capital pool investments, including UK treasury bills, in accordance with their terms.

The severe combined stress scenario assumes that no income is received from the capital pool, that the legacy funds in the capital pool falls by half, and that additional funding of the life science companies (beyond our assumptions in the base case) is required from the Company as a result of the life science companies being unable to access alternative sources of funding. It does not assume any impact on the value of, or our ability to realise, UK treasury bills. We project the amount of capital we need in the business to cover our risks, including financial and operational risks, under the stress scenario.

Our viability testing also considers the impact of material life science investment failures; these do not change the Company's access to cash and so do not directly negatively impact the outcome of the viability testing, but could have other negative impacts on the Company.

The Company seeks to maintain a liquid capital pool sufficient to provide at least 2-3 years funding for the life science portfolio plus its expenses. As at 31 March 2021 Syncona had a net capital pool of £578 million, of which £505 million is accessible within 12 months, and expects that investment into the life science portfolio will be £100 million-£175 million in the current financial year. This year it was £189 million. Our analysis shows that, while there may be a significant impact on the Group's reported performance in the short term under the tested scenarios, the resilience and quality of our balance sheet is such that solvency is maintained and our business remains viable.

Viability statement

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

“Disciplined allocation of capital and taking action quickly when data does not support our investment theses, are two core principles in life science investment and our skill set, experience and culture puts these disciplines at the centre of our investment and risk management processes”

Martin Murphy, CEO, Syncona Investment Management Limited

Principal risks

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

Unchanged | Increased | Decreased

Enterprise risks

Description	Key controls	Changes in the year
People in the Syncona team (Unchanged) 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 the Syncona team does not succeed in retaining skilled personnel or is unable to recruit new personnel with relevant skills. Impacts include: – Poorer oversight of portfolio companies, risk of loss of value from poor strategic/operational decisions. – Insufficient resource to take advantage of investment opportunities.	– 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.	The Syncona team recruited a number of senior employees to start following year end, including a Chief Human Resources Officer, Chief Medical Officer and Head of Research and Development, and an Executive in Residence. Brexit has been a concern, but, at present, we believe this can be managed.
Access to capital (Unchanged) 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. Provide information to shareholders about portfolio companies to assist them in understanding portfolio value and risks. – Active engagement process with shareholders and potential shareholders. – Ongoing consideration of alternative options for long-term financing. – Ongoing consideration of syndication strategy at portfolio company level, to maximise value and minimise dilution when external capital is brought in. – Capital allocation considerations embedded in the Syncona team's investment process, with projected liquidity reviewed over three years.	At year end capital pool is more than three years' financing requirements and so in our targeted range. Investors are becoming increasingly focused on sustainability and ESG issues; we have worked to adopt a formal Sustainability Policy and improve our sustainability reporting during the year, and believe we are well-placed to respond to this trend.

Description	Key controls	Changes in the year
Strategy and governance (Unchanged) 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 the Syncona 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 the Syncona team to the Board about portfolio opportunities and risks including upside and downside valuation cases.	Virginia Holmes appointed to the Board on 1 January 2021. Kemal Malik appointed to the Board on 15 June 2020. Ellen Strahlman resigned from the Board on 2 November 2020. The Board is in the process of recruiting two further new directors.
COVID-19 (Unchanged) The COVID-19 pandemic has the potential to very significantly affect the Company's operations in a number of areas. Vaccination programmes are progressing well in the UK, US and elsewhere, and so future impacts appear likely to be less, but there remains significant uncertainty. Impacts include: – Health risk to Syncona team members and portfolio company employees. – Syncona team working remotely with collaboration / management more challenging and potential wider mental health impacts on the team as a result of lockdown, family impact etc. – 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. – Substantial shock to public markets, making them inaccessible for our portfolio companies or accessible only at punitive valuations.	– Effective remote working arrangements and business continuity plans in place for the Syncona team. – Each portfolio company has put plans in place and these are reviewed by the Syncona team. – Strong capital pool offering significant buffer; robust capital deployment process.	The Syncona team has continued to respond 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. The impact of COVID-19 has been considered in the valuation of our investments at year end; we do not consider any additional revaluation is required.

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). – Syncona 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 the Syncona team. – 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.	Failure of investment in Azeria. In this case, tranching and close management was effective in minimising the loss.
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 the Syncona team to keep portfolio companies focused on these issues. – Syncona 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 Syncona team and to Board in serious cases.	Following publication of data from Autolus' AUTO3 trial in DLBCL, Autolus decided to focus clinical development on AUTO1, and only to progress AUTO3 in DLBCL through a partnership. The Syncona team recruited a Chief Medical Officer and Head of Research and Development to start following year end, who will deepen the team's expertise in this area.
Commercialisation Our strategy is to build companies we can take to product approval and potentially beyond. The value will depend on whether the products developed can be effectively commercialised. Even at earlier stages, the value will be based on assumptions about the commercial outcome, such as size of market, competition, pricing and cost-effectiveness of manufacture. Impacts include: – Loss of value in portfolio company	– Build products in areas with significant unmet need and that show substantial and differentiated efficacy. – Investment process considers strength of intellectual property or other protection and this is then operationalised by each company. – Investment process considers manufacturing as a key issue from inception of each company, rather than leaving to a later stage, and this is then operationalised. – At appropriate stage ensure portfolio companies recruit highly skilled personnel with significant experience in commercial delivery. – Strong oversight from Syncona team to keep portfolio companies focused on these issues. – Syncona 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.	Our clinical stage businesses are moving through the clinical process and seeking to build products that can be effectively commercialised. The extent of competition for some of these products is becoming clearer, with both Autolus (AUTO1, adult ALL) and Freeline (Haemophilia B) targeting competitive markets.

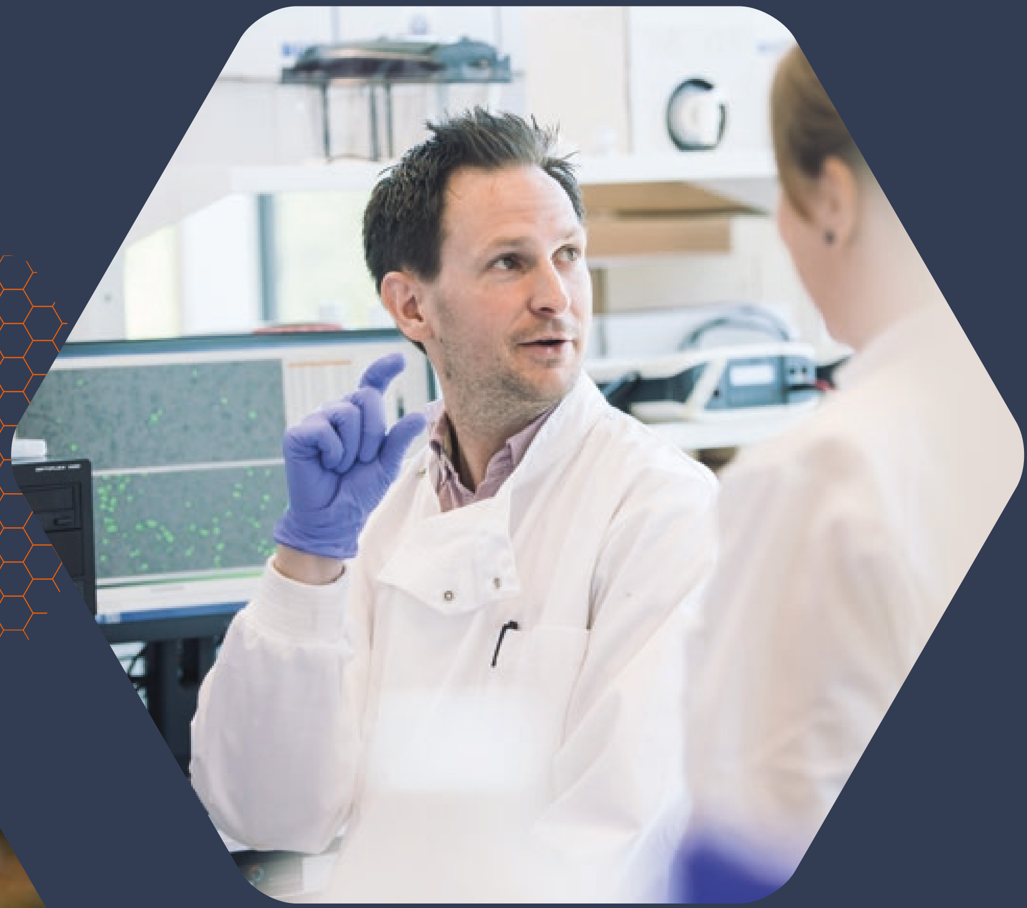
Portfolio risks continued

Description	Key controls	Changes in the year
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 Syncona team and experienced non-executives) to provide effective oversight and support. – Direct support from Syncona team, including team members taking operational roles where necessary. – Syncona team can also facilitate access to external support where appropriate.	Continued senior recruitment into portfolio companies, including Richard Francis as CEO of Purespring, Michael Parini as President and Chief Operating Officer of Freeline, Jessica Stitt as CFO of Gyroscope and Steven Zelenkofske as CMO of SwanBio. In addition, Martin Murphy has taken on the role of Chair of Autolus. The Syncona team recruited a Chief Human Resources Officer to start following year end, who will deepen the team's expertise in this area. 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 the Syncona team, with support from an external adviser to annually review the capital pool against chosen parameters.	94 per cent of the capital pool is held in cash and short-term UK treasury bills which reduces the overall risk of our capital pool, although at the cost of receiving very low returns. The Syncona team reviews on an ongoing basis, with its external adviser, whether there are other investments with appropriate risk/liquidity characteristics which would provide a higher return.

Operational risks

Description	Key controls	Changes in the year
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 the Syncona business. Impacts include: – Loss of capital. – Inability to finance life science investments	– Systems and control procedures are reviewed regularly by the Syncona team, with external input where appropriate. – Certain systems have been outsourced to the Administrator who provides independent assurance of its own systems. – Annual review of systems and controls carried out by the Audit Committee. – Use of specialist external advisers to assist on key financial representation judgments.	The Syncona team retains external advisers to assist with regulatory issues, including quarterly reviews of our processes and updates on any regulatory changes that affect us. The Syncona team's information security and procurement policies were reviewed and updated this year, and an external cybersecurity review carried out.

Delivering a positive and sustainable impact



Our Sustainability Report

In 2021 we have published our inaugural Sustainability Report, which we will publish annually, outlining our approach and progress in this important area.

Read more:
Our Sustainability Report; delivering positive and sustainable impact
Synconaltd.com

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

We aim to have effective governance, a strong business culture, clear values and positive engagement with our wider stakeholders and society through our work in life sciences and our support for charity. We are actively engaged with our portfolio companies as they seek to build sustainable businesses.

Read how we are creating positive impact across four key areas in the subsequent pages:

Message from Chief Executive of Syncona Investment Management Limited

I am proud to write to you in the year that Syncona published its inaugural Sustainability Report, which gives us the opportunity to set out in more detail our approach to sustainability and the framework we have put together over the last year to help us continue to evolve and progress in this area.

Syncona's purpose is to invest to extend and enhance human life and this has driven the development of our sustainability approach over the last year. Since the foundation of the Syncona life science business in 2012, our people have been motivated by making a difference to patients' lives by founding and building companies that are seeking to develop transformational treatments in areas of high unmet medical need. Having a positive impact on society has been a core part of what we have done since I co-founded the business with the Wellcome Trust. We have always taken this approach, not only because it is the right thing to do but because we believe it is the way to deliver value and manage risks for all our stakeholders.

With this strong foundation, we work in partnership with our stakeholders to understand and prioritise the key sustainability issues that are most important to our business and importantly, where we should seek to improve.

The result is that our Sustainability Policy is defined by four key pillars:

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

We are privileged in the relationships we develop with the people who lead our portfolio companies and who we often found the company alongside, and recognise our responsibility as their investor and partner to support them in making positive contributions to society and managing their businesses in a sustainable way.

Our people's passion to positively contribute to society helps to drive our sustainability agenda and ongoing priorities.

Outside of our core purpose, Syncona has a positive impact on society through its contribution to the life science sector more broadly and through its charitable giving to The Syncona Foundation. Moreover, the Syncona Board seeks to operate the business under an effective governance framework. You can read more about our approach to these priorities in the following pages of this report.

We are committed to communicating in a clear, open and comprehensive manner and to maintaining an open dialogue with key internal and external stakeholders on these matters. Our Sustainability Report is important in illustrating that transparency.

I would like to take the opportunity to thank them for their input into our Sustainability Policy. We look forward to working with you to deliver our purpose and strategy in the years to come.

Martin Murphy
Chief Executive Officer, Syncona Investment Management Limited

"We recognised the influence and opportunity we have to oversee the impact of our portfolio companies"

What is material and how has Syncona approached it?

To understand and prioritise the sustainability issues that are most important to our stakeholders and our business, we undertook a materiality review in 2020.

How we did it:

We worked with external consultants to identify key stakeholders and engage with them to understand the sustainability issues which are most important to them. We reviewed the feedback internally alongside our business priorities with the proposals taken to the Board for approval. This enabled us to produce a matrix of importance.

What was the outcome?

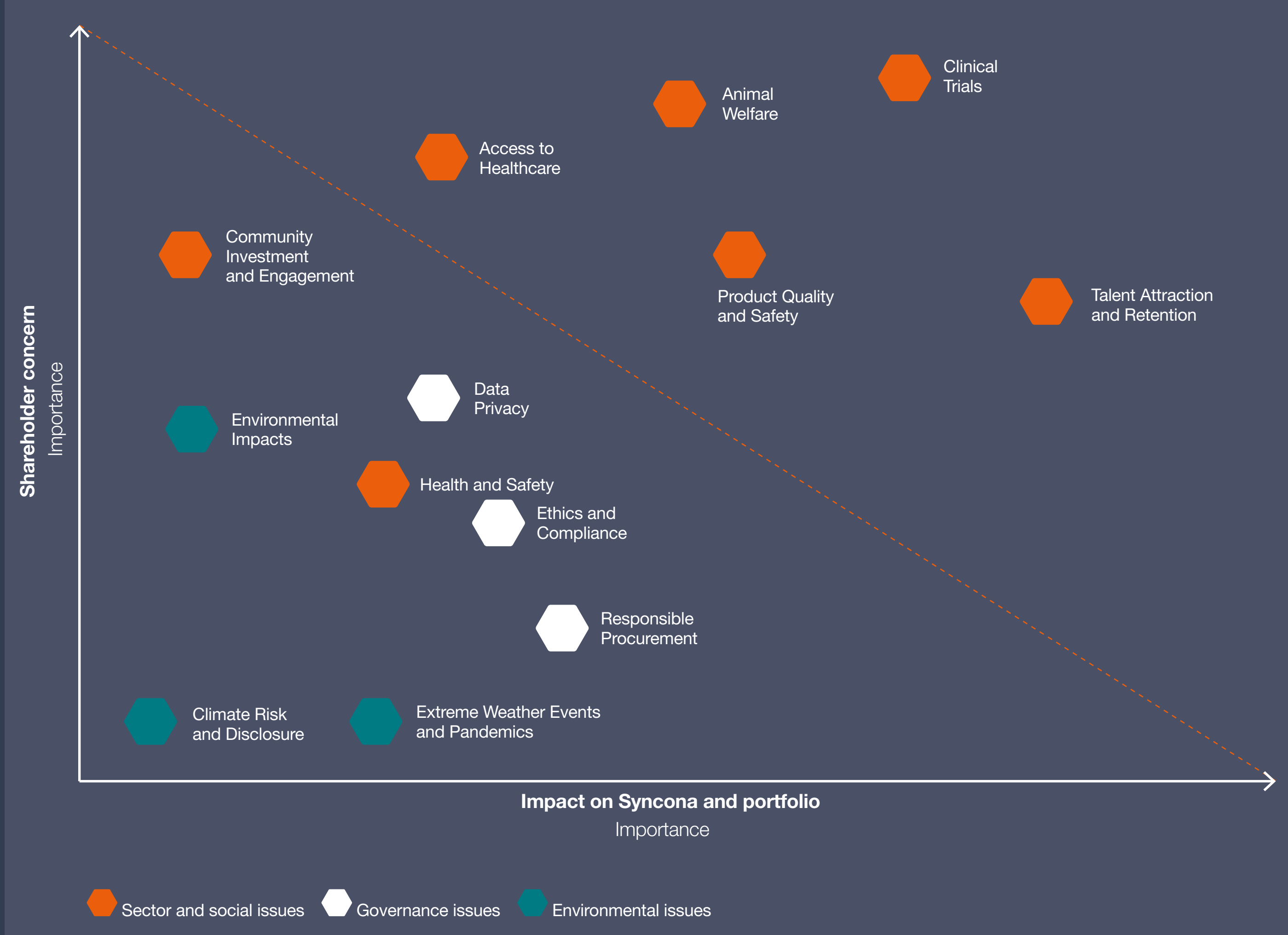
Identifying the material issues where we can have the most impact means we are able to focus our sustainability reporting and disclosure on what is meaningful both for the internal team and externally.

The outcome of the materiality assessment has been used to develop a Sustainability Policy and Responsible Investment Policy as well as the firm's approach to managing, monitoring and reporting on key sustainability issues across the firm and portfolio.

Our approach to reporting

Making and demonstrating a positive contribution to the UN Sustainable Development Goals (SDGs) is a key part of our Sustainability Framework. The three key UN SDGs which our business is especially well-aligned with are:

Syncona materiality matrix



Overview of the key pillars of our Sustainability Policy

We are committed to managing our business in a sustainable way.

Our Sustainability Policy sets out our objectives and establishes the foundation for integrating sustainability risks and opportunities into our business explicitly. It describes the key principles that guide our approach to sustainability issues, including how we support the development of our portfolio companies.

Pillar 01

Our social impact

"Having a positive social impact is at the core of what we do: through the businesses we build, our engagement with the life science community and through The Syncona Foundation"

Martin Murphy
Chief Executive Officer,
Syncona Investment Management Limited

Read more: *Page 66*

Pillar 02

Responsible investor and partner

"We aim to help our companies enhance their positive impact, and particularly to set the right culture, values and processes to help the businesses to follow a sustainable path over the long term"

Chris Hollowood
Chief Investment Officer,
Syncona Investment Management Limited

Read more: *Page 68*

Pillar 03

Inspiring and empowering our people

"People with specialised expertise, highly motivated by making a difference, are attracted to our platform and the opportunity to improve patients' lives"

Martin Murphy
Chief Executive Officer,
Syncona Investment Management Limited

Read more: *Page 70*

Pillar 04

Responsible and ethical business

"It is key that our business operates responsibly and ethically, in line with our values and with clear accountability"

Melanie Gee
Chair of Syncona Limited

Read more: *Page 72*

Pillar

01

Our social impact

We seek to make a positive social impact through extending and enhancing human life, by building companies to deliver transformational treatments to patients in areas of high unmet need. These companies support the UK life science sector, providing jobs, developing the next generation of industry practitioners, advancing the knowledge economy and in doing so strengthen the foundation for the success of our future businesses. Our charitable commitment allows us to support patients, their families and research institutions beyond our core activities.

Extending and enhancing human life

Focusing on the development of transformational treatments for patients in areas of high unmet medical need means we tend to operate in selective areas of science where the potential for a dramatic impact is high, for example in intractable diseases with no treatment options.

We are highly motivated by the potential impact of the treatments that our companies develop and believe that if we succeed in the development of these treatments, we will also see long-term value and benefits for all stakeholders.

Case study – Living with Adrenomyeloneuropathy

Tim Mathwig
Patient

Initially diagnosed with adrenomyeloneuropathy (AMN) at age 18, Tim didn't experience the long diagnostic path that many young men with AMN do when symptoms first present. Tim was tested when he was pre-symptomatic following the identification of AMN in a family member. For several years after this, Tim remained healthy and symptom-free. He started experiencing symptoms, such as problems with his gait, around age 30. Even though he had been diagnosed with AMN earlier in life, Tim and his doctors didn't immediately connect his symptoms to AMN given the lack of information available at the time.

As the disease progressed it was a struggle for Tim to cope with his frustration at not being able to do 'easy' tasks and he had a hard time talking about AMN. He credits his wife, Dawn, for explaining it to friends and family and for keeping him engaged in life. Now in his 40s, Tim struggles with intense leg pain daily. With his wife's help, he tries to stay active but the pain makes it difficult.

Tim currently takes hydrocortisone for his Addison's disease, a common condition that occurs with AMN.

He tries to manage the muscle spasms and pain that keep him up at night via medicines and exercises, and he self-catheterises before sleeping or sitting for long periods to manage urinary incontinence caused by the disease.

Tim feels that education and resources have come a long way since he was first diagnosed and encourages newly diagnosed people to do research and educate themselves on AMN and potential symptoms as well as get involved with a support group.

About SwanBio

SwanBio Therapeutics is a gene therapy company developing leading-edge medicines to deliver dramatic clinical efficacy for the treatment of neurological diseases. Founded by industry leaders with a commitment to positively impacting the lives of people with neurological diseases, SwanBio merges clinical, scientific and drug commercialisation expertise.

SwanBio THERAPEUTICS

Building globally competitive businesses leveraging UK/European scientific research

The UK has a globally significant scientific research base but historically has not developed globally competitive scaled biotech companies set up to take products to market and treatments to patients. Our model of taking a hands-on partnership approach, combined with deep, long-term and expert capital, means that companies are being built here at scale and this results in a full suite of available jobs from clinicians to product development specialists and manufacturing experts. The creation and development of these companies, which are led and funded by Syncona, leads to the formation of jobs and wealth creation throughout communities. We believe we have a broad societal role in supporting the creation of a vibrant biotech industry in the UK.

Supporting the UK life science industry

We believe we have a broad role to play in supporting the growth of the life science industry in the UK by providing support and input in specific industry initiatives and sharing our team's knowledge and experience through participation at conferences and industry events.

Building Britain Back Better

CEO Martin Murphy is a member of the UK Government's Build Back Better Council, helping to represent the voice of UK life science and encourage investment in, and the development of, the sector.

Interview

Eliza Bujor
Research Analyst at Freeline Therapeutics

Q: Tell us who you are, your background and what your role at Freeline entails?

A: My name is Eliza Bujor and I am a Research Assistant for the Research Vector Core (RVC) team at Freeline. I joined Freeline coming straight from academia where I finished a BSc in Biomedical Science and a Masters in Applied Biosciences, to pursue a career in the scientific industry. As a team, RVC works closely with the other functions of the Discovery Team on producing various viral candidates for research purposes.

Q: What attracted you to working at Freeline?

A: Coming from academia, I have always wanted to work for a company that wants to make a difference in patients' lives. As I found Freeline through my search of a career, its mission to cure rare genetic diseases and overall culture attracted me to apply for a role in their research team. I was very happy to be taken on board the RVC team.

Q: What do you most enjoy about working at Freeline?

A: I thrive in an environment surrounded by passionate and ambitious individuals which Freeline has an abundance of. My colleagues are always eager to help and support, not only me as an individual but also the ethos and goals of the company.

Q: How would you describe the culture at Freeline?

A: In my opinion the culture at Freeline is something most companies should adopt. The company really feels like one entity working to achieve a common goal. Freeline gives a great deal of research freedom to its teams and it drives its teams to challenge themselves to think outside the box in their given field. Each colleague that I work with in the Research Team has a common quality – encouragement. Encouragement leads to empowerment which leads to collaboration as you keep working with those who help you and vice versa.

The Syncona Foundation: charitable giving in our DNA

Since 2012 Syncona has donated over £36 million to charities which are having a significant impact across the UK and throughout the world. We currently give 0.35 per cent of NAV to charity each year.

The majority of our donations go to The Syncona Foundation, which was set up in 2012 with charitable objectives focusing on the prevention, treatment, cure and ultimately eradication of cancer and other diseases, as well as other charitable activities. The Foundation is independent from Syncona but closely aligned with its aim of transforming the lives of patients.

Today, the Foundation is proud to provide funding to 27 core charities. The Foundation typically aims to provide grants over a number of consecutive years and without any restrictions on what our funding can be used for. This is important for the charities it supports as it allows them to plan their medium-term strategies with the security of having recurring income, and allows them to deploy the funding into the places they know really need it. This has proven all the more important in 2020/1 as many of the charities and their stakeholders have been impacted by the fallout from the COVID-19 outbreak. The Foundation is particularly focused on increasing the impact its funding can have for patients with health conditions.

We are delighted to have the opportunity to support these important charities through the Foundation.

Read more:
Our Sustainability Report
Syncona.com

Pillar

02

Responsible investor and partner

We found leading life science companies in partnership with world class academics by identifying exceptional science that can deliver dramatic efficacy for patients and around which we can build a company with a long-term opportunity to take products to market.

This approach means that when we make an initial investment, we generally set up the company and put in place the team, processes and infrastructure. Our strategy is to hold significant ownership positions in our companies and, importantly, work in partnership with them as they scale, actively driving business strategy. We typically have at least one Syncona representative on our companies' boards.

Read more:
Our Sustainability Report
Syncona.com

A responsible investment process

Sustainability factors form an integral part of our investment management process, including initial screening, due diligence, investment approval and ongoing portfolio company management. The life sciences investment team also considers these factors at the point of exit.

Our responsible investment approach is focused on setting clear expectations for the following key issues for our portfolio companies:

- Compliance and governance
- Good R&D practice
- Promoting access to medicine
- Appropriate and considered use of animals in research
- Diversity and inclusion
- Environmental impact

Initial screen of investments

We are focused on transformational impacts for patients and healthcare systems. Although it is highly unlikely that they would fall within our investment strategy, we specifically exclude investing in any company whose activities are at odds with our ethical standards.

Investment approval

For any new investment being considered, the final investment recommendation will include a section outlining the key beneficial impacts of the company in line with our purpose and any notable sustainability issues identified in the due diligence. These considerations will form a part of the investment decision and an investment may be precluded on this basis.

Active ownership

Our approach to responsible investment is focused on the key issues above. We will work with our portfolio companies to support them in achieving our expectations in these areas, while maintaining a flexible approach that recognises the different stages of development and issues of these companies. Our activities split into two main areas.

1. We ensure that our expectations and objectives are made clear to the teams at our portfolio companies at the outset. While each company is different and has flexibility to develop its own approach, we provide standard policies and other materials for the companies to consider where this is helpful.
2. We encourage each company to put in place reporting frameworks to monitor progress on the key sustainability issues, and to provide that information to their board and Syncona. Asking them to put these frameworks in place helps to ensure that the board of each company gives proper consideration to these issues. The data in turn forms part of our own regular internal reporting and management processes.

Exit

We hope that many of our companies will become thriving, independent businesses, and continue to grow in future, even after we are no longer shareholders.

However, in some cases, there may be an opportunity to sell a company outright, most commonly to a larger pharmaceutical or biotech business who will want to acquire the products and pipeline that have been developed with a view to taking products to market. During any sale process, Syncona considers whether potential acquirers will continue to exercise appropriate stewardship and what steps it can take to address any concerns.

A responsible partner for our portfolio companies

We aim to help our companies enhance their positive impacts, and particularly to set the right culture, values and processes to help the businesses to follow a sustainable path over the long term.

During the 2021 financial year we began work on the key issues for our portfolio companies. We expect to work with our portfolio companies over the next year in these areas, supporting them to continue to grow in a sustainable way.

We have set a core set of values, covering the following key areas:

Compliance and governance

Syncona believes that robust and effective compliance and governance is important for any successful business. Our portfolio companies should clearly set out the conduct expectations for their employees and others they work with.

Good R&D practice

Syncona believes that its portfolio companies should achieve high standards in how they carry out the clinical development process. The clinical development process inherently includes risks as any new medicine has the potential to produce adverse events. We expect those to be managed prudently and in line with accepted standards, to minimise those risks as far as practical, recognising the huge opportunity that new treatments can bring, particularly in indications with high unmet need.

Animal welfare

We acknowledge that, at this time, research involving animals remains an essential tool to increase our understanding of potential new technologies and provide us with critical data to assess the potential safety and benefit of testing a medicine in a human being for the first time.

For the use of animals in research to be acceptable, the potential health benefits must be compelling, appropriate welfare standards must be met and alternatives must not be available.

More specifically, we expect our portfolio companies to meet all legal and regulatory requirements in this area, and that use of animals in research is to be guided by the widely recognised "three Rs" principles:

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

Access to medicine

Our portfolio companies are typically developing transformational treatments based on innovative science in areas of high unmet medical need for patients. We believe that true innovation in these activities will contribute meaningfully to the health of society by offering new options for patients.

We ask portfolio companies to align with industry best practice, particularly around pricing, and that they should consider how best to ensure underrepresented groups can be enabled to access their therapies.

Diversity and inclusion

As part of our hands-on partnership approach to building our companies, we work closely with our portfolio companies as they recruit world-class teams. We expect portfolio companies to build a strong culture, a diverse and inclusive team and high quality relationships, that are capable of managing the inevitable challenges that arise in developing very specialised assets and scaling companies through the development cycle.

Environment

In alignment with Syncona's commitments to environmental responsibility and climate action, we ask our portfolio companies to commit to minimising their overall environmental footprint wherever possible, focusing not only on reducing their carbon footprint but also reducing the use of other resources.

As a responsible partner, we want to work with our portfolio companies to support them in developing an approach to understand their greenhouse gas emissions and identify ways to reduce them and share best practice with them in this area. Syncona has an aspiration to achieve net zero emissions by 2030 and we will encourage our companies to consider how they too can develop a strategy to achieve net zero over an appropriate time frame.

Pillar

03

Inspiring and empowering our people

47%
Female representation across Syncona team

Our purpose to invest to enhance and extend human life is a core part of what attracts the best talent to the Syncona team. People with specialised expertise, highly motivated by making a difference, are attracted to our platform and the opportunity to improve the lives of patients and their families.

The life sciences investment team members have deep technical scientific backgrounds, supplemented by strong commercial experience ranging from venture capital investment to pharmaceutical launch and the operational expertise required to found and build companies around exciting innovation. This multi-disciplined skill set is fundamental to our business model and the team's track record has resulted in a strong network in life science, enabling the best talent to be attracted to our portfolio companies.

Establishment of our purpose and values

During the year the Board and the Syncona team worked together to formally articulate for the first time the purpose and values of our business. This was an important process that ensured the team as a whole had accountability and ownership over our ambitions as a business and how we want to operate in order to achieve that ambition.

Whilst what motivated us as a team had always been clear – to deliver transformational treatments to patients – we had not taken the opportunity to date to define this in a formal statement behind which we could all align on a go forward basis.

A working group amongst the team was placed in charge of initial thinking, which was then brought to the wider team for discussion and agreement. This process reaffirmed for us the strength of Syncona's culture.

Appointment of Chief Human Resources Officer

Our people are critical to our success. In 2021, Fiona Langton-Smith was appointed as Chief Human Resources Officer of SIML to ensure we are retaining, developing and supporting our team.

"The challenge to identify and implement the optimal operating culture is key and something I am passionate about"

Fiona Langton-Smith
Chief Human Resources Officer, SIML

Career development

Syncona seeks to invest in our people and to develop our future leaders. Our structure lends itself to small teams with shared responsibility, allowing junior staff to learn on-the-job with significant exposure to the senior team and senior industry leaders outside Syncona. Team members receive increasing exposure to the facets of the role ensuring progression is attainable and unrestrained. Each team member is trusted and empowered to progress their own development within this structure.

Our new Chief Human Resources Officer will be focused in developing tailored development programmes across the team over the next 12-18 months.

Working at Syncona

We believe providing a supportive working environment is crucial to the wellbeing and satisfaction of our team.

Formal benefits

In line with our desire to attract and retain our talented team, the team are provided with competitive remuneration, a long-term incentive scheme linked to the performance of our investments, together with employee benefits including life assurance, income protection, private healthcare and pension contributions.

Flexible working

We also strive to have flexible working policies that meet the needs of our people and support our business. We are now assessing how to develop a hybrid model which enables our people to retain the positive elements that they have enjoyed from remote working blended with in-person collaboration.

Mental health and employee assistance

Throughout the pandemic, senior leaders across the business have had regular interaction with all team members and colleagues have been encouraged to check in with each other on an ongoing basis. In addition to this, we have also offered our team members access to professional support, as needed, from our private medical insurance providers.

Team engagement

The Syncona Board of Directors regularly meet members of the investment team alongside Board meetings. Gian Piero Reverberi, the Non-Executive Director who leads employee engagement, and our Chair, Melanie Gee, have met with wider team members remotely during the last 12 months and plan to meet with the team members in a more informal setting in-person, when COVID-19 restrictions allow.

Equal opportunities and diversity

Syncona is an equal opportunities employer and aims to recruit, promote and reward based on merit. We believe that a diverse and inclusive team is vital to our success and aim to create an inclusive culture that promotes diversity.

Diversity and Inclusion Initiative

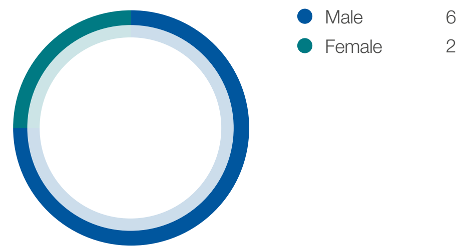
We are aware of the positive influence that Syncona can have within the UK life sciences industry in driving positive action to increase diversity within the sector. The underrepresentation of ethnic minorities within Science, Technology, Engineering and Maths (STEM) careers in the UK is striking and it is also a pertinent issue in the venture capital space.

Specifically, we have recognised that research consistently highlights black minorities as being the least represented within STEM and venture capital and our desire to combat this trend is reflected in our choice of charitable partners.

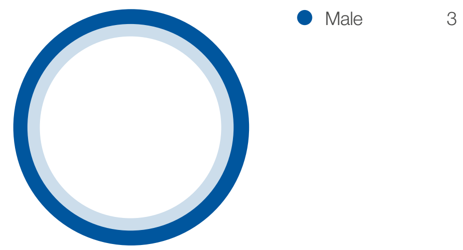
Our diversity and inclusion (D&I) approach aims to target the underrepresentation of minorities within life sciences, through partnering with organisations who provide pathways at school, undergraduate and postgraduate level. Ultimately, our aim is to implement a long-term programme which can guide young people through their education and into a possible future career as life science investors, having been exposed to many of the values which drive performance at Syncona.

We actively encourage our employees to participate in our partnership schemes, either as advocates, mentors or buddies, with our D&I strategy also aligned with the goals of The Syncona Foundation.

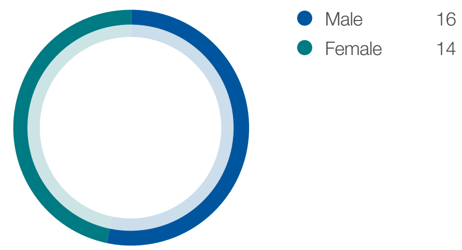
Gender diversity of Syncona Ltd Board
31 March 2021



Gender diversity of Syncona Investment Management Limited Executive Committee
31 March 2021



Gender diversity of Syncona Investment Management Limited
31 March 2021



30
Employees at Syncona Investment Management Limited
31 March 2021

Read more:
Our Sustainability Report
Syncona.com

Pillar

04

Responsible and ethical business

Standards of conduct and behaviour

Our effective governance framework is built on accountability and our values. It is fundamental to our long-term success.

Syncona aims to have a robust set of policies, internal controls and management processes covering all of the areas for our business to operate responsibly and ethically. Our key policies are:

- Anti-fraud, bribery and corruption policy
- Political and charitable contributions
- Gifts and inducements
- Financial crime and anti-money laundering
- Conflicts of interest
- Inside information
- Data protection and information security
- Approach to taxation
- Modern slavery and ethical procurement
- Health & safety
- Whistleblowing

Our subsidiary, SIML, which manages Syncona and employs the Syncona team, is an investment manager regulated by the Financial Conduct Authority, and so is also subject to the FCA's compliance requirements, including the Conduct Rules that apply to employees. Training is provided to all employees each year, and to new joiners, through a mixture of in person training and online resources, to ensure they are familiar with the obligations and requirements that apply to them. The in-person training provides the team with an opportunity to actively engage with the policies in operation at Syncona and raise any questions or provide feedback on them. All employees must confirm in writing every six months that they have complied with the policies.

The compliance team reviews all compliance policies each year to identify areas for change, and uses specialist advisers to support that work. Key compliance policies and controls are reviewed each year by the Audit Committee, alongside its annual review of risk and internal control effectiveness.

Read more:
Our Sustainability Report
Syncona.com

Limiting our environmental impact

This section includes our Streamlined Energy and Carbon Reporting (SECR). Although the Company is not subject to the laws of England and Wales, this report has been prepared in line with the relevant English legislation as set out below. The reporting period is Syncona's financial year, the 12 months to 31 March 2021.

Our footprint

Given the relatively small nature of our operations, with one office location and around 30 employees, our environmental impacts are relatively small. Our clearest direct impact (Scope 1 and 2) comes from the energy we use in our building, which is 100 per cent powered by green energy, generated from wind and hydro asset sources. Our office space also has a zero to landfill waste policy (Scope 3), with the building recycling approximately 60 per cent of waste, with the remainder undergoing heat recovery to produce energy which heats homes and water.

Within our extended Scope 3 environmental impacts, historically our largest impact has been business travel, in particular business flights. These form an important part of the work we do given the location of some of our portfolio companies in which we have extensive involvement and given the global nature of the life science industry. Understandably, during the COVID-19 pandemic there has been a significant reduction in this kind of travel, with this consequently leading to a reduction in our Scope 3 emissions in the financial year. In FY2021/2, we aim to set targets to reduce our Scope 1, 2 and 3 emissions as currently reported (which excludes any emissions relating to our portfolio companies) from our baseline year of FY2019/20.

Methodology

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

The FY2020/1 SECR location-based footprint is equivalent to 17.5 tCO_2e, with the largest portion being made up of emissions from purchased electricity at 10 tCO_2e.

Anthesis has calculated our greenhouse gas emissions estimates to cover all material sources of emissions for which Syncona Limited is responsible. The methodology used was that of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition, 2015). Responsibility for emissions sources was determined using the operational control approach. All emissions sources specified under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 are included. Natural gas and water consumption data were not available so pro-rata extrapolation was adopted using the figures from the FY2019/20 reporting year. Syncona does not have any overseas offices, therefore the emissions are UK based only.

Raw data in the form of meter readings and spreadsheets were collected from Syncona by Anthesis. Energy was converted to greenhouse gas estimates using the UK Government's GHG Conversion Factors for Company Reporting 2020.

The emissions sources that constitute our boundary for the year to 31 March 2021 are:

- Scope 1: natural gas combustion within boilers;
- Scope 2: purchased electricity and heat consumption for our own use; and
- Scope 3: business travel, waste generation, the supply and treatment of water, employee commuting, electricity transmission and distribution and WTT emissions associated with extracting, refining and transportation of raw fuel to vehicle/asset/process. We do not classify portfolio company emissions as being Scope 3.

Absolute emissions

The total Scope 1, 2 and 3 GHG emissions from the Company's operations in the year ending 31 March 2021 were:

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

Total energy use

The total energy use for the Company for FY2020/1 was 61,896 kWh.

Intensity ratio

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

100%
All electricity supplied to our headquarters in London is generated by wind, solar or hydro renewable schemes

60%
Of waste is recycled from our office space

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

For FY2020/1, the intensity metrics were:

Location-based method:
- 0.6 tonnes of CO_2e per employee
- 0.002 tonnes of CO_2e per square foot of occupied space

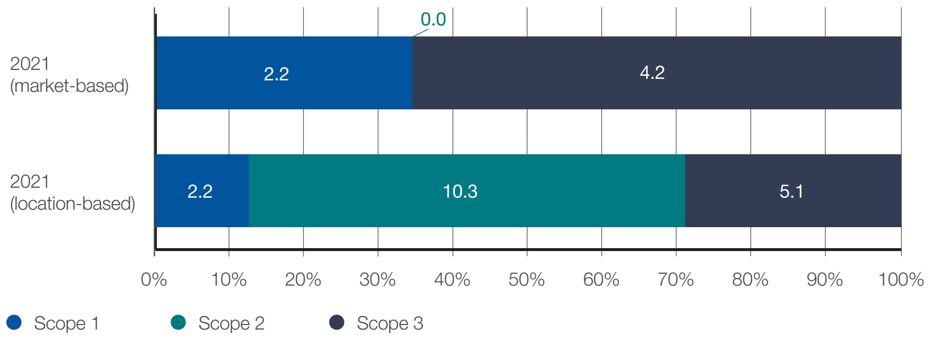
Market-based method:
- 0.2 tonnes of CO_2e per employee
- 0.0003 tonnes of CO_2e per square foot of occupied space

Energy efficiency action

In January 2021, Syncona had an air quality and temperature survey carried out at the Syncona office which highlighted that the AHUs are operating correctly. The survey also identified some periods in the week when temperature levels on Syncona's floor increased above 26 degrees, typically between Tuesdays and Fridays, and it was recommended that local control systems are reviewed.

The electricity supplied to the Syncona office in London by Total Gas & Power Ltd was 100 per cent generated by wind, solar or hydro renewable schemes as accredited by Ofgem, from October 2020.

Syncona's Breakdown of emissions by scope



Reporting year	UK April 2020 – March 2021	UK April 2019 – March 2020
Energy consumption used to calculate emissions (kWh)	61,896	68,174 (excluding Scope 3)*
Emissions from combustion of gas (Scope 1) (tCO_2e)	2.2	2.2
Emissions from purchased electricity (Scope 2) (tCO_2e) (location-based)	10.3	14.4
Emissions from purchased electricity (Scope 2) (tCO_2e) (market-based)	0.0	0.0
Emissions from business travel in rental cars or employee-owned vehicles where Company is responsible for purchasing the fuel (Scope 3) (tCO_2e)	0.7	0.0
Emissions from employee business travel via air, taxi and rail (tCO_2e) (Scope 3) (tCO_2e)	0.2	174.8
Emissions from employee commuting (Scope 3) (tCO_2e)	0.6	7.2
Emissions from the supply and treatment of water (Scope 3) (tCO_2e)	0.2	0.2
Emissions from waste disposal (Scope 3) (tCO_2e)	0.3	0.3
Emissions from fuel and energy related activity (WTT and T&D) (Scope 3) (tCO_2e) (location-based)**	3.1	23.1
Emissions from fuel and energy related activity (WTT and T&D) (Scope 3) (tCO_2e) (market-based)**	2.2	21.9
Total gross Scope 1, 2 and 3 emissions (tCO_2e) (location-based)	**17.5**	**223.1**
Total gross Scope 1, 2 and 3 emissions (tCO_2e) (market-based)	**6.3**	**207.5**
Intensity ratio: tCO_2e gross figure per FTE (location-based)	0.6	8.6
Intensity ratio: tCO_2e gross figure per FTE (market-based)	0.2	0.8
Intensity ratio: tCO_2e per square foot of floor area (location-based)***	0.0019	0.0025
Intensity ratio: tCO_2e per square foot of floor area (market-based)***	0.0003	0.0003

Notes:
* The total energy consumption (kWh) for the 2019/20 reporting year was unknown but totalled 68,174 kWh excluding Scope 3 emissions
** WTT = Well to Tank, T&D = Transmission and Distribution
*** The emissions for this intensity ratio only include those from electricity generation, WTT and T&D and natural gas combustion and WTT

Climate ambition statement

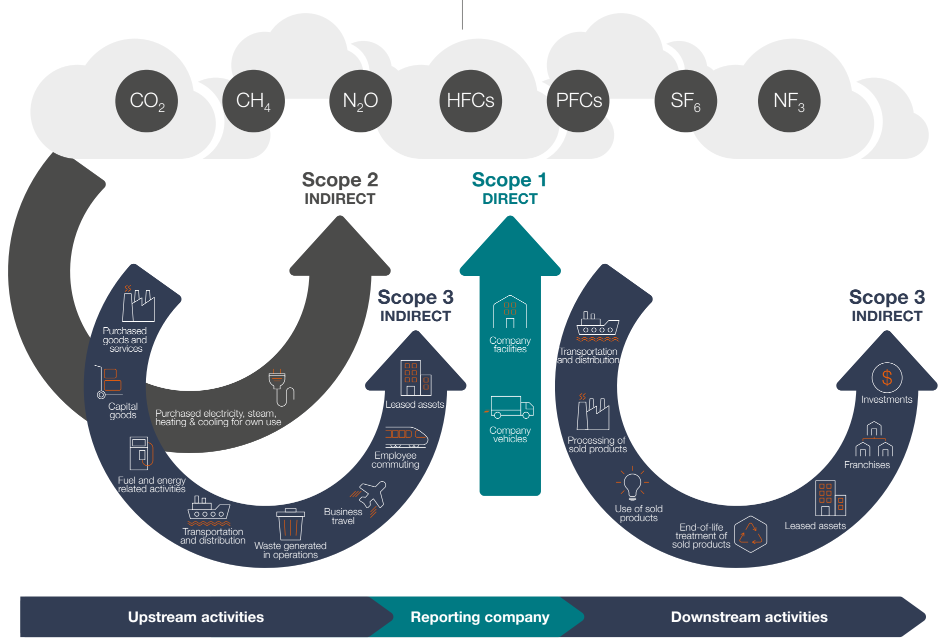
Syncona understands that climate change represents a systemic risk to our societies and economies.

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

Our carbon emissions plan

We are starting our journey by focusing on our own direct emissions. Given the type of business we operate, these are already relatively low, but in 2021/2, we aim to set targets to reduce our Scopes 1, 2 and 3 emissions as currently reported (which excludes any emissions relating to our portfolio companies) from our baseline year of FY2019/20.

Our aspiration is to achieve a net zero impact by 2030, that incorporates reductions in emissions alongside use of carbon offsets as a means to balance our residual and hard-to-abate emissions, focusing on carbon removals. We will continue to review developing guidance in the field as we work towards net zero, recognising that methodologies and best practice in working towards this aspiration are undergoing a process of change. Beyond our initial focus on reducing our direct emissions, we will go further by developing a wider Scope 3 strategy over the next few years which considers the impacts of our portfolio companies and engages with them, seeking to aspire to our net zero objective throughout our value chain. We also anticipate implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in FY2021/2.



The Company's Strategic Report is set out on pages 1 to 75 and was approved by the Board on 16 June 2021.

Melanie Gee
Chair, Syncona Ltd

Corporate governance report

"We seek a high standard of corporate governance, operating effectively and efficiently, promoting a culture of openness and debate, and exercising effective stewardship over the Company's activities"

Melanie Gee
Chair

This Corporate Governance report, together with the reports on pages 84 to 95, provides a summary of the system of governance adopted by the Company in the year ended 31 March 2021 and how the Company has applied the principles and reported against the provisions of the UK Corporate Governance Code.

Role of the Board

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

The Chair is responsible for ensuring that the Board upholds a high standard of corporate governance and operates effectively and efficiently, promoting a culture of openness and debate, facilitating constructive relations and open contributions and exercising effective stewardship over the Company's activities in the interests of shareholders and other stakeholders.

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

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

The Board

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

Committees of the Board

Nomination Committee

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

Members
- Melanie Gee (Chair)
- Rob Hutchinson
- Nicholas Moss

〉Read more on pages 84 and 85

Audit Committee

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

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

〉Read more on pages 86 to 89

Remuneration Committee

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

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

〉Read more on pages 90 to 95

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

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

Investment Manager

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

Composition and meetings

All of the Board are Non-Executive Directors and profiles of each, including length of service, are on pages 80 and 81. During the year, as noted in the Chair's introduction to this Annual Report, Kemal Malik and Virginia Holmes joined the Board and Ellen Strahlman retired.

Of the Directors, all but Nigel Keen are considered to be independent. Nigel is Chairman of SIML (and separately remunerated for that role), and so is not considered independent under the UK Corporate Governance Code. Despite not being considered to be independent, the Board believes that Nigel brings valuable skills and knowledge to the Board, in particular his broad experience of early stage life science businesses in the UK, as well as bringing direct insight into SIML's investment decision-making through his membership of the SIML Investment Committee.

In addition, Tom Henderson and Nicholas Moss were each appointed as Directors of the Company in August 2012 (shortly before the Company's initial listing in October 2012), and so during the coming year will reach the point where they have served for more than nine years. As noted in the Chair's introduction to this Annual Report, Tom has indicated to the Board that he does not propose to seek re-appointment at the Company's AGM this year. The Board has agreed with Nicholas that he will continue as a director until the end of 2021, to enable a smooth transition of his responsibilities as Senior Independent Director and Chair of the Remuneration Committee, and the Board is pleased that Virginia Holmes has agreed to take on both roles from 1 January 2022. The Board considers that Nicholas remains independent.

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

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

The Board is satisfied that each of the Directors commits sufficient time to the affairs of the Company to fulfil their duties and meet their responsibilities. Attendance at the Board and Committee meetings during the year was as shown in the table below.

Board attendance 2020/21

	Scheduled Board meetings	Audit Committee meetings	Nomination Committee meetings	Remuneration Committee meetings
Melanie Gee	5/5	–	4/4	4/4
Thomas Henderson	5/5	–	–	–
Virginia Holmes[1]	1/1	1/1	–	2/2
Rob Hutchinson	5/5	4/4	3/3	4/4
Nigel Keen	5/5	–	–	–
Kemal Malik[2]	4/4	2/2	–	–
Nicholas Moss	5/5	4/4	4/4	4/4
Gian Piero Reverberi	5/5	n/a	–	4/4
Ellen Strahlman[3]	3/3	2/2	2/2	–

1 Virginia Holmes was appointed to the Board on 1 January 2021.
2 Kemal Malik was appointed to the Board on 15 June 2020.
3 Ellen Strahlman resigned from the Board on 2 November 2020.

Board evaluation and effectiveness

During the year, the Board carried out an internally managed self-evaluation to help it review its own performance and identify areas for improvement. This was based on completion of a questionnaire by the Board and senior members of the Investment Manager's team. In addition, the Chair held one-to-one discussions with each Board member.

Overall, the results were largely positive and demonstrated the effective working of the Board. A number of strengths were recognised, including the Board's collegiate working style, with open discussions, mutual respect and a broad range of contributions; constructive relationships with the senior members of the Investment Manager's team and the wider team; a strong focus from the Board on the success of Syncona and in working collaboratively to support the business; and a clear and shared understanding of the purpose and strategy of the business.

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

Continue to develop the membership of the Board to ensure it has the right skills, experience and diversity to fully support the growth and aspirations of the business. As discussed in the Nomination Committee report, careful consideration has been given to the skills required by the Board and it is currently seeking to recruit two new Directors.

Consideration of how the Board can engage more effectively with the Investment Manager's team, shareholders, and other stakeholders, to ensure it has a full understanding of each group's views and can take them into account. The Board will continue to evolve this over the next year.

The Board has also agreed that it is important to continue to challenge itself to ensure that its discussions avoid groupthink and that its members embrace a wide range of ways of thinking. The Board will be working with an external coaching provider during the next year to maximise its performance. This will lead into an externally facilitated Board evaluation during 2021/2.

Alongside the Board evaluation, Nicholas Moss as Senior Independent Director leads the appraisal of the Chair's performance. The Board was satisfied that the Chair was providing effective leadership for the Board, particularly over a period where there were significant challenges arising from the COVID-19 pandemic.

Strategy and risk

The Board held a successful Board Strategy Day in September, where it considered progress towards implementing our strategy and how to support the Investment Manager in developing its team and processes. The Board recognises that Syncona continues to work towards building a full portfolio and that a key issue for all of our portfolio companies is to ensure they can access capital at an appropriate cost, given the capital intensity of these businesses and the capital resources available to the Company.

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

During the year, the Board discussed the key risks to our business, both current risks and potential risks that may arise. This feeds into the Company's risk register, and more details are reported in the Principal risks section of this Annual Report. The Board also considers the effectiveness of the Company's risk management and internal control systems, supported by the work carried out by the Audit Committee (see its report on pages 86 to 89). The Board is satisfied that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed, although recognises that the system of internal control is designed to manage rather than to eliminate the risk of failure to achieve these objectives.

As part of the Strategy Day the Board reviewed the approach to sustainability issues and carefully considered the KPIs used to assess the performance of our business. The KPIs have been updated and are reported in this Annual Report.

Culture and stakeholders

The Board recognises the importance of ensuring that the Company's culture (and the culture of the Investment Manager) is aligned with its strategy. During the year, as described in the Chair's introduction to this Annual Report, the Board and the Investment Manager worked to capture the Company's purpose, strategy and values.

Last year, Gian Piero Reverberi was appointed as the designated Director for engagement with the team of the Investment Manager. Although all engagement has been made more challenging by the COVID-19 pandemic, Gian Piero and the Chair spent time during the year with a number of team members to gain a fuller understanding of their key issues and concerns, and reported to the Board. The Board was pleased to hear the high level of engagement and enthusiasm around the Company's purpose and values initiative and work on the Company's sustainability strategy.

Alongside these arrangements, there is a whistleblowing policy in place for the Investment Manager's team, which includes provision for any issues to be notified (where appropriate) to the Chair of the Audit Committee.

The Board also holds responsibility for overseeing the effective engagement with stakeholders to ensure that their interests are considered. Further details around engagement with stakeholders is set out on pages 82 and 83. The Board reviews this every year and considers whether there are any areas for improvement.

During the year, a major focus for the Board has been to formalise the Company's approach to sustainability. While the Board believes that the Company has always sought to make a positive contribution to society, it recognises that for many stakeholders it is important that this is set out in a more structured way. As set out in this Annual Report, and in the Sustainability Report which has recently been published, the Board has now adopted a formal Sustainability Policy and Responsible Investment Policy, and will oversee the Investment Manager as it puts processes in place to implement these.

Ongoing communication with shareholders

The Board views communication with shareholders as a priority. There is a comprehensive investor relations programme, where members of the Investment Manager's team meet with existing and potential investors following the publication of the annual and interim results, and as required during the year. As part of this programme, 74 presentations were made to shareholders and potential shareholders by senior members of the Investment Manager's team during the year.

During the year, the Chair also took the opportunity to meet directly with a number of our key shareholders, to better understand their perspectives and communicate these to the Board. The Board appreciated the opportunity to confirm that shareholders had a clear understanding of our long-term strategy, and are supportive of the Investment Manager's team in executing this. Members of the Board, particularly the Chair, Senior Independent Director and Chair of the Audit Committee, are available to meet shareholders on any issues that arise.

Training and advice

The Company provides an extensive induction process for new Directors, including briefings from a significant portion of the Investment Manager's team.

In addition consideration is given to whether any additional training would be helpful to the Board, taking account of feedback from Directors as part of the Board evaluation. As a result, Directors have been provided with access to updates on key corporate governance developments, and teach-in sessions have been organised on specific issues relating to the Syncona business.

Impact of the COVID-19 pandemic

The COVID-19 pandemic has changed the way we work over the last year. The Board has been fortunate that the team of the Investment Manager was able to move quickly and smoothly to remote working and continue to work effectively, which has enabled reporting and oversight by the Board to continue.

The Board will continue to support the team of the Investment Manager and to seek to ensure it can exercise strong governance as we move out of the pandemic.

Compliance statement

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

– the role of the Chief Executive Officer – there is no Chief Executive Officer of the Company, only of the Investment Manager;

– Executive Directors' remuneration, and wider employee remuneration – these are not relevant as the Company has no Executive Directors and no employees. However, the Remuneration Committee is responsible for approving incentive scheme awards for the team of the Investment Manager and reviews the overall employee cost of the Investment Manager.

An experienced and dedicated Board

Committee memberships/roles

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

Board tenure

0-2 years	37.5%
2-4 years	25.0%
4-6 years	12.5%
6+	25.0%

Melanie Gee
Chair

Date of appointment
– 1 January 2020 (as Chair)

Committee memberships
N R

Biography
Melanie Gee is Chair and originally joined the Board as a Non-Executive Director in June 2019. Melanie has over 30 years of financial advisory experience in executive positions in investment banking, advising clients across a broad range of sectors and geographies. She is a Senior Adviser at Lazard & Co Ltd, having joined as a managing director in 2008. Before that, Melanie spent 25 years with SG Warburg & Co Ltd and then UBS.

Melanie also has extensive Non-Executive experience, with ten years as a Non-Executive Director at FTSE 100 and 250 companies. She is a Non-Executive Director at Standard Life Aberdeen plc, where she sits on the Nomination & Governance and Audit Committees and is the Non-executive Director with responsibility for bringing the employee voice into the Boardroom. She was previously a Non-Executive Director at The Weir Group PLC and Drax Group PLC. She was an alternate member of The Takeover Panel – LIBA (CFC) between 2006 and 2013.

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

Thomas Henderson
Non-Executive Director

Date of appointment
– 14 August 2012

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

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

Virginia Holmes
Non-Executive Director

Date of appointment
– 1 January 2021

Committee memberships
A R

Biography
Virginia Holmes has an extensive knowledge of the financial services industry, including both investment management and banking. She was previously Chief Executive of AXA Investment Managers UK and held a number of senior leadership roles over more than a decade at Barclays Bank Group.

Virginia also brings a wide range of non-executive experience, both with UK listed companies and organisations across various jurisdictions. She is currently a Non-Executive Director of Intermediate Capital Group plc, a FTSE 100 specialist asset manager, where she chairs the Remuneration Committee, and of the European Opportunities Trust plc, a closed ended European equity fund. She is also Chair of USS Investment Management Ltd, the fiduciary manager of the Universities Superannuation Scheme.

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

Rob Hutchinson
Non-Executive Director

Date of appointment
– 1 November 2017

Committee memberships
A N R

Biography
Rob Hutchinson has around 30 years' experience in the financial sector as a Chartered Accountant. He qualified in 1990 and spent 28 years with KPMG across various roles, including a number of years in roles specialising in the audit of banking and fund clients where he led the audits for a number of UK and European private equity and venture capital houses as well as listed funds covering a variety of asset classes. He led the firm's fund and private equity practices for seven years and served as Head of Audit for KPMG in the Channel Islands for five years until 2013. Rob retired from practice in 2014 and is a Fellow of the Institute of Chartered Accountants in England and Wales. He served as President of the Guernsey Society of Chartered and Certified Accountants between 2007 and 2009.

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

Nigel Keen
Non-Executive Director

Date of appointment
– 19 December 2016

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

His career has encompassed venture capital, industry and banking and he has been involved in the formation and development of high technology businesses for more than 30 years.

He is Chairman of Oxford University Innovation, the technology transfer group for Oxford University, and Chairman of the Oxford Academic Health Science Network, an entity established by the National Health Service in England to align the interests of patients in its region with academia, industry and the healthcare system. He is also chair of MedAccess, a recently established entity sponsored by the UK Government and its development finance institution, CDC Group, to enable the provision of medicines to countries in sub-Saharan Africa and South Asia. He is also the Chairman of the AIM listed medical device company, Deltex Medical Group plc.

He has a degree in engineering from Cambridge University, is a Fellow of the Institute of Chartered Accountants and a Fellow of the Institute of Engineering and Technology.

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

Kemal Malik
Non-Executive Director

Date of appointment
– 15 June 2020

Committee memberships
A

Biography
Kemal Malik joined the Board in June 2020. He has 30 years of experience in global pharmaceutical research and development. He has been responsible for bringing many innovative medicines through R&D to successful commercialisation.

From 2014 to 2019 he was a member of the Board of Management of Bayer AG responsible for innovation across the Bayer group. He was also responsible for Bayer LEAPS, the organisational unit responsible for strategic venturing in areas of disruptive breakthrough innovation. Prior to his appointment to the Bayer Board he was Head of Global Development and Chief Medical Officer at Bayer Healthcare for ten years. Kemal began his career in the pharmaceutical industry at Bristol-Myers Squibb with responsibilities in medical affairs, clinical development and new product commercialisation.

He is non-executive director at Acceleron Pharma, a Boston based biopharmaceutical company, where he chairs the Science and Innovation Committee and is a member of the Nomination and Governance committee. Kemal qualified in medicine at Charing Cross and Westminster Medical School (Imperial College) and is a Member of the Royal College of Physicians.

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

Nicholas Moss
Senior Independent Director

Date of appointment
– 17 August 2012

Committee memberships
A N R

Biography
Nicholas Moss is an English qualified chartered accountant (FCA) and has nearly 30 years' experience in the financial services sector, focused primarily on the structuring, advising and administration of the overall wealth of ultra high net worth private clients.

Nicholas was a founder of Virtus Trust, an international fiduciary business which he sold to Equiom group in 2017. Prior to Virtus, Nicholas was a Managing Director within NM Rothschild's private wealth group. He is a highly experienced fiduciary and investment practitioner, advising family offices and private clients in many jurisdictions, and has been an independent director and audit committee member of listed closed-ended investment companies including Brevan Howard and Blackstone managed entities.

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

Gian Piero Reverberi
Non-Executive Director

Date of appointment
– 1 April 2018

Committee memberships/roles
A R E

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

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

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

Our stakeholders

Focused on driving long-term sustainable performance for all our stakeholders

Stakeholder	Key issues	How does Syncona engage with them?	Impact on Board activities
Patients Further details: **Purpose, values and strategy (pages 14-23); Portfolio and market review (pages 29-41); Syncona platform (pages 42-49); Risk management, Principal risks and uncertainties (pages 52-59); Sustainability (pages 60 – 75); Sustainability Report.**	Our portfolio companies work closely with patients as they develop transformational treatments for high unmet needs. Patients are interested in the success of development, their ability to access treatments, and that clinical research takes place in a safe and compliant manner.	Engagement is typically led by our portfolio companies, who also have responsibility for conducting clinical research to a high standard. Syncona sets expectations for our portfolio companies around access to medicines and conduct of research, as part of our responsible investment policy. The Syncona team monitors the activities of the portfolio companies as part of their wider investment monitoring.	The Board has approved our purpose this year, reconfirming our focus on investing to extend and enhance human life. The Board has also had extensive discussions around our approach to responsible investment during the year, including our expectations on access to medicines and conduct of research, and has now approved the policy. Any relevant and major issues arising from portfolio companies are reported to the Board as appropriate.
Shareholders Further details: **Purpose, values and strategy (pages 14-23); Risk management, Principal risks and uncertainties (pages 52-59); Corporate Governance report (pages 76-95).**	Shareholders want to know we are running a long-term, sustainable business that will deliver strong risk adjusted returns. The business model is capital intensive and so maintaining alignment with shareholders and access to capital is key for us.	The Chair seeks to engage with key shareholders and investor groups each year. The Syncona executive team meets with key shareholders after the annual and interim results, typically reaching shareholders holding more than 80% of shares. The team also engages on an ongoing basis with existing and potential shareholders.	Feedback from shareholders is reported at each Board meeting, and considered by the Board as part of strategy and other discussions. The Board also discusses the effectiveness of shareholder engagement. The Board has had extensive discussions around sustainability and responsible investment issues during the year, to ensure we are achieving the expectations of shareholders and other stakeholders, and has now approved policies in these areas.

Stakeholder	Key issues	How does Syncona engage with them?	Impact on Board activities
Syncona team Further details: **Purpose, values and strategy (pages 14-23); Syncona team (pages 50-51); Risk management, Principal risks and uncertainties (pages 52-59); Sustainability (pages 60 – 75); Sustainability Report; Corporate Governance report (pages 76-79); Remuneration Committee Report (pages 90-95).**	Ensuring the team is recruited, retained and fully engaged with the Company's strategy is key to our success and a key risk for us. The team seeks a working environment providing a high quality culture, strong opportunities for development and aligned remuneration.	Managing the team is a core part of the Syncona executive team's role. The small size of the team also allows a direct connection between the Board and the Syncona team. The Board has designated a Non-Executive Director for engagement with the team, Gian Piero Reverberi, who with the Chair has met individually with a range of team members during the year. The Board also joins the Syncona team for its quarterly review meetings, and (outside the COVID-19 pandemic) for informal lunches.	Team matters have been key items on the Board agenda this year, including agreeing a set of Syncona values developed by the Syncona team and other work to formalise the Syncona culture; reporting from Gian Piero Reverberi on his engagement with the team; and supporting the Syncona team in recruitment of key senior leaders during the year, including a Chief Human Resources Officer. Our risk process also recognises the Syncona team as one of the key risks of the business. Alongside this, the Remuneration Committee considers incentivisation of the team and approves awards under the long-term incentive scheme.
Portfolio companies Further details: **Purpose, values and strategy (pages 14-23); Portfolio and market review (pages 29-41); Syncona platform (pages 42-49); Sustainability (pages 60 – 75); Sustainability Report.**	Our strategy is executed through our portfolio companies, and we aim to ensure they act in line with our expectations as a responsible investor. In turn, our portfolio companies rely on our support for them, both financial and through our knowledge and networks.	Support and oversight of portfolio companies is a core part of the Syncona team's role. There is generally a very close relationship with one or more Syncona team members in regular contact with the portfolio company's senior team to support their business and clinical strategies and drive long-term value, and taking board seats to promote high quality governance and oversight. Syncona sets expectations for our portfolio companies as part of our responsible investment policy.	The Syncona team provides extensive reporting on portfolio companies to the Board at each meeting, as a key element of the Board's oversight and assurance role. The Board also meets directly with portfolio companies, to more fully understand their businesses and (particularly) how the Syncona team interacts with them.
Charities Further details: **Sustainability (pages 60 – 75); Sustainability Report.**	Charitable giving has been part of the Syncona story since 2012, when BACIT Limited (now Syncona) was established with a commitment to donate a percentage of its NAV to charity each year. The charities benefit from long-term and sustainable donations, and the potential for growth as the Syncona NAV grows.	Syncona's donations are principally through The Syncona Foundation, which is independent of Syncona but closely aligned with its aim of transforming the lives of patients. The Foundation in turn supports and maintains relationships with a range of charities. Two Board members are also trustees, and a member of the Syncona team attends trustee meetings as an observer.	The Foundation's trustees present annually to the Board on the impact of the donations. In addition, the Board is invited to attend charity presentations each quarter, to gain a fuller understanding of the impact that Syncona's support has had.
Wider society Further details: **Purpose, values and strategy (pages 14-23); Sustainability (pages 60 – 75); Sustainability Report.**	Maintaining our licence to operate is vital. We believe our purpose is fundamentally positive for society. We aim to run our business in a sustainable way, acting as a responsible investor and meeting expectations for our impact on the community and the environment, high standards of business conduct and other impacts on society.	We aim to provide information about our wider impacts to the public and other stakeholders. We have recently published a Sustainability Report setting out more details of our approach on sustainability issues, and intend to do this each year.	The Board has approved our purpose this year, reconfirming our focus on investing to extend and enhance human life. The Board has had extensive discussions around sustainability and responsible investment issues during the year, to ensure we are achieving the expectations of shareholders and other stakeholders, and has now approved policies in these areas.

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

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

Melanie Gee
Chair, Nomination Committee

Nomination Committee members and structure

The Committee’s members in the year were:

	Meetings attended
Melanie Gee (Chair)	4/4
Nicholas Moss	4/4
Ellen Strahlman (resigned from the Committee on 2 November 2020)	2/2
Rob Hutchinson (appointed to the Committee on 9 September 2020)	3/3

The Committee comprises at least three members, who are appointed by the Board. All members of the Committee in the year were independent Directors. During the year Rob Hutchinson joined the Committee, and Ellen Strahlman resigned as a Director.

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

I am pleased to present the work of the Nomination Committee in the year ended 31 March 2021.

Role of the Committee

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

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

The Committee’s Terms of Reference were revised in 2020 and the Committee reviewed its performance against them this year. The current version is available on the Company’s website **synconaltd.com**

Board skills and recruitment

This year, the Committee has again spent considerable time considering the skill sets and attributes required to create a dynamic high performing Board and to maximise the value added. During the year we further developed our view of the skill sets we need at the Board, and this has been a key input into Board recruitment during the year. We have also thought carefully about other attributes that we require to ensure that the Board is diverse and inclusive, supporting different experiences and ways of thinking; this remains a work in progress and we will build on it over the next year. The Committee has also reflected on the feedback from the internally facilitated Board evaluation, which was supportive of this approach.

The Committee has also been busy in moving forward with Board recruitment. In June 2020 we recruited Kemal Malik; Kemal’s recruitment process was supported by the executive search consultant Odgers Berndtson (who only acted for the Company in that role, and do not have any other connection with individual Directors, but were also engaged by the Investment Manager during the year to support executive recruitment). In January 2021 Virginia Holmes joined the Board; Virginia’s recruitment process was supported by the executive search consultant Spencer Stuart (who only acted for the Company in that role, and do not have any other connection with individual Directors, but were also engaged by the Investment Manager during the year to support recruitment to a portfolio company).

The Committee has also considered the impact of departures from the Board. Ellen Strahlman retired from the Board in November 2020, and the Committee also considered the position of Tom Henderson and Nicholas Moss who were both appointed in August 2012 and so will be approaching nine years of service on the Board at the time of this year’s AGM. As noted in the Corporate Governance report, Tom has now indicated to the Board that he does not propose to seek re-appointment at the Company’s AGM this year and Nicholas has agreed with the Board that he will continue as a director until the end of 2021 to enable a smooth transition of his responsibilities as Senior Independent Director and Chair of the Remuneration Committee.

Accordingly the Committee has continued to seek to recruit further high quality Directors, and has developed specifications for individuals with experience in, respectively, building a successful US-listed life science business and in private equity and venture capital investing. These recruitment processes are underway and we hope to make further appointments in 2021.

With this year’s changes to the Board, the Committee has also reviewed the membership of each Committee during the year, and has recommended a number of changes to the Board which were approved. Details of the current members of each Committee are set out in the relevant Committee report.

Our approach to diversity

A key aim of the Committee is to build a diverse and inclusive Board, which we regard as essential to the success of the Company.

As detailed in last year’s Annual Report, the Committee updated our Diversity Policy last year (see box below), and so the focus this year has been on implementing it. Our Diversity Policy forms a key part of any recruitment to the Board, including our current recruitment process. We require our search consultants to include a diverse range of candidates bringing the desired skill sets in preparing their long list, without any compromise in the quality of candidates.

Our target is for at least 33 per cent female representation on the Board, and we were disappointed not to have achieved this target during the current year. However, we were pleased that 50 per cent of appointments during the year were female; with further recruitment ongoing, we aim and expect to achieve our target during the next year.

We also have a target to have appointed at least one person of colour to the Board by 2024, and were very pleased to have achieved that target last year. However, we do not regard that as the end of the journey, and will continue to seek a diverse range of candidates, including people of colour, for each appointment.

Committee evaluation and effectiveness

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

Contribution and time commitment

During the year, the Committee has formally considered the contribution of each Board member and whether they each devote sufficient time to fulfil their respective duties and responsibilities effectively. The Committee is satisfied with the level of commitment and contribution offered to the performance of the Board and recommended to the Board that each of the Board members be recommended for re-election to the Board at the Company’s AGM on 3 August 2021.

Melanie Gee
Chair, Nomination Committee
16 June 2021

Board Diversity Policy (adopted September 2019)

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

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

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

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

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

"The valuation of the life science portfolio is a critical element in the Company's reporting, and a particular focus for the Committee"

Rob Hutchinson
Chair, Audit Committee

Audit Committee members and structure

The Committee's members in the year were:

	Meetings attended
Rob Hutchinson (Chair)	4/4
Virginia Holmes (appointed to the Committee on 1 January 2021)	1/1
Kemal Malik (appointed to the Committee on 9 September 2020)	2/2
Nicholas Moss	4/4
Gian Piero Reverberi (appointed to the Committee on 10 March 2021)	n/a
Ellen Strahlman (resigned from the Committee on 2 November 2020)	2/2

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

The members of the Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. Further details on the experience and qualifications of members of the Committee can be found on pages 80 and 81. The Board is satisfied that the Committee has recent and relevant financial experience, and competence relevant to the Company's portfolio.

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

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

The role of the Committee includes:

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

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

Members of the Committee

During the year Ellen Strahlman resigned from the Committee and we welcomed Kemal Malik, Virginia Holmes and Gian Piero Reverberi as new members. The changes reflect our view of the skill sets required by the Committee; it is important that the Committee has a range of appropriate experience, particularly in the life science sector and valuation of private investments. The expansion of the Committee is valuable to ensure that remains the case over the coming years.

Significant Financial Statement matters

a. Valuation of life science portfolio. In the year, the Group continued to make significant investments into its portfolio of life science investments. Two portfolio companies listed on NASDAQ and one was closed. In total, the Group holds a life science portfolio with a fair value of £685.6 million (2020: £439.5 million) through Syncona Holdings Limited, and £36.6 million (2020: £40.0 million) in respect of the CRT Pioneer Fund through Syncona Discovery Limited (a subsidiary of Syncona Investments LP Incorporated).

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

The Group fair values its interests in Syncona Holdings Limited and Syncona Discovery Limited which are based on the fair value of underlying investments and other assets and liabilities. Life science investments are valued at fair value through profit and loss in accordance with IFRS 13 'Fair Value Measurement' ("IFRS 13") and International Private Equity and Venture Capital ("IPEV") guidelines. In accordance with the accounting policy in note 2, unquoted investments are generally fair valued based on either cost or price of recent investment (PRI) and then appropriately calibrated to take into consideration any changes that might have taken place since the transaction date, or through discounted cash flow ("DCF") models, price-earnings multiple methodology or by using market comparators. The majority of our unlisted life science investments are valued using Cost or PRI as the primary valuation input. Note 2 includes the considerations and challenges that the Group faces when valuing its interests. See also note 3 which sets out the critical accounting judgements and sources of estimation uncertainty that the Group faces when valuing its interests.

Last year, the Committee approved changes made to the Valuation Policy by the Investment Manager, reflecting changes to IPEV guidelines that came into effect as of 1 April 2019. The Committee this year reviewed the implementation of the changes made to the Valuation Policy and concluded that the changes had been implemented satisfactorily.

Details of the life science portfolio balance are disclosed in the Unaudited Group Portfolio Statement on page 106 and the accounting policy and further information relating to them are disclosed in note 2.

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

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

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

The Investment Manager uses a model prepared by PricewaterhouseCoopers, and certain inputs provided by them, to value the incentive scheme in accordance with IFRS 2 Share-based Payments ("IFRS 2"). The fair value of awards of MES made in the year ended 31 March 2021 was £2.9 million (31 March 2020: £0.3 million) and the liability related to the cash settled element at 31 March 2021 was £32.3 million (31 March 2020: £24.9 million).

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

The Committee reviews the valuation and has previously met with PricewaterhouseCoopers to discuss the methodology adopted in the model. Based on those discussions, and discussions with the Investment Manager, the Committee considers the accounting for the incentive scheme to be reasonable. The accounting for the incentive scheme is undertaken in accordance with the accounting policies disclosed in note 2 and is regularly reviewed by the Investment Manager and the Committee.

Effectiveness of the external audit

Deloitte LLP ("Deloitte") has acted as the Independent Auditor from the date of the initial listing on the London Stock Exchange and was re-appointed at the Company's Annual General Meeting on 28 July 2020 for the current financial year. John Clacy is the lead audit partner and opinion signatory and has held this position for three financial years. Mr. Clacy previously held the role of engagement quality control review partner and is therefore required to rotate off the audit for the next financial year.

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

The Committee performed the following in relation to its review of the effectiveness and independence of the Independent Auditor:

- Reviewed and discussed the audit plan presented to the Committee before the start of the audit including any changes that might have an impact on the audit approach;
- Reviewed and discussed the audit findings report and challenged them on their process and conclusions;
- Monitored changes to audit personnel in light of rotation requirements;
- Discussed with the Investment Manager and the Administrator any feedback on the audit process including factors that could affect audit quality and how any risks identified were addressed;
- Reviewed and approved the terms of engagement during the year, including review of the scope and related fees;
- Reviewed and discussed Deloitte's report on its own internal procedures, safeguarding measures and conclusion on its independence and objectivity, together with the results of the FRC's Audit Quality Review of Deloitte for the 2019/2020 cycle of reviews; and
- Discussed if any relationships existed between the auditor and the Company (other than in the ordinary course of business) that would compromise independence.

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

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

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

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

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

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

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

	31 March 2021 £'000	31 March 2020 £'000
Audit services		
Audit services	87.5	43.0
Audit fee for Syncona Group companies	99.5	130.0
Non-audit services		
Interim review	23.0	23.0
CASS audit for SIML	7.0	6.5
DART subscription	1.0	-

The Committee reviews the non-audit services policy annually to ensure that there continues to be independence and objectivity of the audit. The Committee does not consider that the provision of non-audit services is a threat to the objectivity and independence of the audit and Deloitte may only provide such services if their work does not conflict with their statutory responsibilities and ethical guidance. Where non-audit services were performed, the fees were insignificant to the Group as a whole and when required a separate team was utilised. Further, the Committee has obtained Deloitte's confirmation that the other services provided do not prejudice its independence. The Committee has also produced and approved a policy on the recruitment of any employees by the Company or the Investment Manager that are associated with the auditor.

Competitive tender process for the audit

Although the Company, as a Guernsey company, is not subject to the Statutory Audit Services Order 2014, the Committee considers it appropriate to report in the manner set out in the Order. The Company has complied with the provisions of the Order in the financial year.

Last year, the Committee concluded that it was in the best interests of the Company's shareholders to carry out a competitive tender process for the audit, as the 2020/21 financial year is the ninth year in which Deloitte have acted as Independent Auditor. However, as indicated in last year's report from the Committee, the Committee was concerned about the challenges of running an effective tender process given the restrictions arising from the COVID-19 pandemic, and accordingly retained flexibility over the timing of the tender.

During the year the Committee agreed that the tender process should be delayed until the 2021/2 financial year. The Committee now believes it is appropriate to proceed with the tender and has begun that process, which will be carried out in line with guidance from the Financial Reporting Council, with the aim of completing the process during summer 2021. The successful tenderer will be appointed to carry out their first audit in the 2022/3 financial year, having had the opportunity (if the Independent Auditor is not reappointed) to shadow the audit process by the existing Independent Auditor in the 2021/2 financial year.

Risk management and internal control

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

The Company's risk framework was updated last year and is summarised on pages 56 to 59. During the year the Committee reviewed the risk framework, with particular focus on the risk appetite, and reported to the Board. Following the review the Committee concluded that it remains satisfied with the risk framework.

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

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

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

Committee evaluation and effectiveness

During the year, the Committee used an external assessment framework to assist in its annual review of effectiveness. The Committee concluded that it had performed its responsibilities effectively with the framework allowing a focused discussion on areas where performance could be improved in the future, especially in relation to developments in corporate governance reporting.

Following year end, the Committee has also noted the publication of the UK Government's 'Restoring trust in audit and corporate governance' consultation, and has started to consider any further steps it should take in relation to the proposals set out.

Conclusion and recommendation

After discussing with the Investment Manager and Independent Auditor and assessing the Significant Financial Statement matters listed on page 87, the Committee is satisfied that the Consolidated Financial Statements appropriately address the critical judgements and key estimates in respect to the amounts reported and the disclosures. The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust. The Committee does not consider any material uncertainties arise in relation to the Company's ability to continue as a going concern.

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

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

The Committee confirms that it is satisfied that the Independent Auditor has fulfilled its responsibilities with diligence and has acted independently on the work undertaken on behalf of the Group.

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

Rob Hutchinson
Chair, Audit Committee
16 June 2021

"The Committee is focused on ensuring that our Board remuneration allows the Board to recruit and retain Directors with the skill sets and diversity required"

Nicholas Moss
Chair, Remuneration Committee

Remuneration Committee members and structure

The Committee's members in the year were:

	Meetings attended
Nicholas Moss (Chair)	4/4
Melanie Gee	4/4
Virginia Holmes (appointed on 1 January 2021)	2/2
Rob Hutchinson	4/4
Gian Piero Reverberi	4/4

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

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

I am pleased to introduce the remuneration report for the year ended 31 March 2021, which sets out the work performed by the Committee.

Role of the Committee

The Committee's principal role is to review the remuneration paid to the Chair of the Board; make recommendations to the Board on the remuneration of the other Directors; review the overall employee cost of the Investment Manager; and oversee and operate the incentive scheme that provides long-term rewards to the staff of the Investment Manager. The Company has no Executive Directors and so the Committee does not have any responsibilities for reviewing Executive Director remuneration.

The Committee's Terms of Reference were revised in 2020 and are available on the Company's website synconaltd.com.

Virginia Holmes joined the Committee during the year, and brings valuable experience as Chair of the remuneration committee of a FTSE 100 investment business. We look forward to working with her.

Although the Committee does not anticipate that the Company will face material remuneration issues, it considers it appropriate to have access to suitable independent professional advice and has engaged PricewaterhouseCoopers LLP (PwC) for this purpose. PwC were appointed by the Committee in 2020 following a selection process carried out by the Committee.

During the year PwC provided the Committee with an update on the remuneration landscape for listed companies, with particular reference to changes to bonus and incentive scheme terms in light of the pandemic, as context for the work of the Committee. The Committee has reviewed the advice provided to it by PwC during the year and is satisfied that it has been objective and independent. The total fees of PwC for the advice during the year were £13,900 (excluding VAT) (2020: £nil). PwC also separately advise the Company and the Investment Manager on tax compliance and the Company on the valuation, accounting treatment and process relating to the issue of awards under the incentive scheme, but do not have any other connection with the Company or individual Directors.

Incentive scheme

The Committee is responsible for approving the making of awards under the incentive scheme that provides long-term rewards to the staff of the Investment Manager, and in which most of the staff of the Investment Manager participate. Further details of the scheme can be found in the summary of the Investment Manager's approach to remuneration on page 95. In line with its normal practice, the Committee approved awards in June and July 2020, and approved a further set of exceptional awards in January 2021 to take account of changes in the team since July 2020.

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

Subject to any changes to the Company's strategy which might require an earlier review, the Committee's intention remains that it will carry out a further review of the scheme in 2022/3.

Review of the Investment Manager

The remuneration policy for, and remuneration of, the staff of the Investment Manager is determined by the Investment Manager (other than in respect of awards under the incentive scheme, which is determined by the Committee as set out above). The Committee reviews the overall employee cost of the Investment Manager. A summary of the Investment Manager's approach to remuneration is set out on page 95.

The Committee is satisfied that the remuneration policy, overall cost and incentive scheme are appropriate to align the team of the Investment Manager with the Company's strategy.

Committee evaluation and effectiveness

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

Remuneration Policy for Non-Executive Directors

A revised Remuneration Policy for Non-Executive Directors was approved by shareholders at the AGM on 30 July 2020. The Remuneration Policy can be found on page 94. The Remuneration Policy is reviewed annually to ensure that it remains appropriate.

As noted in the Committee's report last year, as part of reviewing the Remuneration Policy, the Committee also considered the limit contained in the Company's Articles of Incorporation, which restricts the aggregate fees paid to the Directors in any year to a maximum of £500,000. The Committee was concerned that, given the size of the Board and the responsibilities, this limit could prevent the Board from recruiting and retaining Directors with the skill sets and diversity required. It accordingly concluded that it should seek shareholder approval in 2021 to increase the limit to £1 million, subject to any views from shareholders.

The Committee has not had any negative feedback from shareholders on this proposal and, where it has contacted shareholders directly to ask for their views, has received supportive feedback. The Committee believes it remains appropriate to ask shareholders to increase the limit to £1 million, and accordingly a resolution will be proposed at the AGM on 3 August 2021 to increase the limit.

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

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

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

The Committee anticipates reviewing the fees paid to the Chair and Non-Executive Directors (which were last fully revised with effect from 1 October 2017) in the next financial year, to ensure they remain appropriate to recruit high quality directors with appropriate skills and other attributes, and fairly remunerate them for the work performed. Other than that review, the Committee does not anticipate any significant change to the way in which the Remuneration Policy is implemented in the next financial year.

Directors' fees

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

	Fee per annum
Chair	£100,000
Director	£45,000
Senior Independent Director	£5,000 additional fee[1]
Chair of Audit Committee	£15,000 additional fee
Member of Audit Committee (other than Chair)	£5,000 additional fee
Chair of Remuneration Committee	n/a[2]

1. Increased to £10,000 additional fee with effect from 1 April 2021.
2. Additional fee of £5,000 payable with effect from 1 April 2021.

During the year the Board approved, on the recommendation of the Committee, changes to committee and other fees payable to certain Directors for taking on additional responsibilities. The updated fees take effect from 1 April 2021 and are noted above.

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

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

Nigel Keen is Chair of the Investment Manager and receives a fee of £133,430 per annum, payable by the Investment Manager, in respect of his services to the Investment Manager, which is in addition to the fee as a Director of the Company.

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

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

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

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

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

Single total figure table (audited information)

For the year to 31 March 2021, the fees for Directors were as follows:

	31 March 2021 £'000	31 March 2020 £'000
Melanie Gee (Chair)	100	48
Thomas Henderson	–	–
Rob Hutchinson	60	60
Nigel Keen[1]	45	45
Nicholas Moss	55	55
Gian Piero Reverberi	45	45
Ellen Strahlman[2]	31	51
Kemal Malik[3]	38	–
Virginia Holmes[4]	12	–
Total	**386**	**379**

1 Fees paid to Imperialise Limited, a company controlled by Nigel Keen.
2 The Company paid Ellen Strahlman in US$ and the total figure paid reflects foreign exchange differences. Ellen Strahlman resigned from the Board on 2 November 2020.
3 Kemal Malik was appointed to the Board on 15 June 2020.
4 Virginia Holmes was appointed to the Board on 1 January 2021.

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

Relative importance of spend on pay

The following table shows the proportion of the Company's Directors' fees relative to returns to shareholders. This table includes Directors only as the Company did not have any other staff. In line with previous announcements, the Company does not intend to declare a dividend in relation to the year ended 31 March 2021 or future years.

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000	Difference £'000
Total Directors' pay	386	379	7
Dividends	0	0	0
Directors' pay as a % of distributions to shareholders	N/A	N/A	N/A

Results of the voting at the 2020 AGM

At the 2020 AGM, shareholders approved the Remuneration Policy and remuneration report that were published in the 2020 Annual Report and Accounts. The results for this vote are shown below:

Resolution	Votes for	% for	Votes against	% against	Withheld	Discretion
Approval of the Directors' Remuneration Policy	445,809,247	99.97	84,694	0.02	13,850	11,733
Approval of the Directors' remuneration report	445,811,513	99.97	84,928	0.02	11,350	11,733

An ordinary resolution for the approval of the annual remuneration report will be put to the shareholders at the Annual General Meeting to be held on 3 August 2021.

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

Neither the Company's Articles of Association nor the Directors' Letters of Appointment require a Director to own shares in the Company. The interests of the Directors and their connected persons in the equity securities of the Company at 31 March 2021 are shown in the table below.

	Ordinary Shares	
	31 March 2021	31 March 2020
Melanie Gee (Chair)	26,500	26,500
Thomas Henderson[1]	8,042,400	8,042,400
Virginia Holmes[2]	38,000	–
Rob Hutchinson	68,827	68,827
Nigel Keen	-	–
Kemal Malik[3]	11,475	–
Nicholas Moss	28,096	28,096
Gian Piero Reverberi	50,000	16,000

1 Shares held by Farla Limited, a company controlled by Thomas Henderson.
2 Virginia Holmes was appointed to the Board on 1 January 2021.
3 Kemal Malik was appointed to the Board on 15 June 2020.

On 1 April 2021, Farla Limited, a company controlled by Thomas Henderson, disposed of 317,961 shares and between 7 to 11 May 2021, Farla Limited disposed of a total of 6,000,000 shares. Other than this, there have been no changes in the interests of the Directors and their connected persons in the equity securities of the Company since 31 March 2021.

Nicholas Moss
Chair, Remuneration Committee
16 June 2021

Remuneration Policy

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

The Remuneration Policy set out below will apply until it is next put to shareholders for approval, which will be at the Company's Annual General Meeting in 2023 or sooner if it is proposed to vary the Remuneration Policy.

General

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

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

Non-Executive Directors

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

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

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

Table of Directors' remuneration components

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

Notes to the Table of Directors' remuneration components

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

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

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

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

Remuneration approach of the Investment Manager

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

The policy and components of current remuneration are set out below, and are intended to ensure that there is alignment with the Syncona purpose, strategy and values. Stretching targets are set for the Investment Manager's team after careful consideration of the anticipated challenges and opportunities faced by the business.

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

Base salary

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

Pension

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

Annual bonus

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

Other benefits

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

Incentive scheme

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

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

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

The incentive scheme accordingly reflects the value generated in the life science portfolio over a number of years. Since December 2016 (when the incentive scheme was established), the adjusted Net Asset Value of the life science portfolio has grown by a total of £568 million, of which £520 million is a realised gain.

In the 12 months to 31 March 2021 the following payments were made as a result of realisations of MES:

- In July 2020, a cash payment of £4.2 million was made to MES holders (total since December 2016: £10.4 million).
- In July 2020, 914,880 Ordinary Shares were issued to MES holders (valued at £2.4 million at the time of issue); these shares are subject to a 12 month lock-up (total since December 2016: 2,518,854 shares valued at £5.9 million at the time of issue).
- At 31 March 2021:
- The total liability for the cash settled element of the incentive scheme for MES that have vested but not yet been realised determined in accordance with IFRS 2 was £32.3 million (see note 12). Of that amount, a maximum of £8.8 million can be realised at the next realisation date.
- The total number of Ordinary Shares in the Company that could potentially be issued under the incentive scheme was 6,177,787 (taking account of all MES, whether vested or not vested, and based on the share price at 31 March 2021 of £2.54/share), equal to 0.93 per cent of the number of Ordinary Shares in issue at that date. Of those shares, a maximum of 1,969,757 Ordinary Shares could be issued at the next realisation date (the actual number of shares that can be issued will depend on the share price at the time of realisation). The aggregate number of new Ordinary Shares which may be issued on the realisation of MES under the incentive scheme in any 10-year period may not exceed 10 per cent of the number of Ordinary Shares in issue from time to time.

Share interests

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

Directors' report

The Directors present their Annual Report and Audited Consolidated Financial Statements for the year ended 31 March 2021, which have been prepared in accordance with The Companies (Guernsey) Law, 2008.

Principal activity

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

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

The Company's investment objective is to achieve superior long-term capital appreciation from its investments. A copy of the investment policy can be found on page 98.

Investment Manager

The investment portfolio is managed by the Investment Manager, which was appointed to that role on 12 December 2017. The Investment Manager is regulated by the Financial Conduct Authority as an Alternative Investment Fund Manager.

The Company pays the Investment Manager an annual fee equal to expenses incurred in managing the investment portfolio, up to a maximum of 1.05 per cent per annum of the Company's NAV. In addition, the Company makes an incentive scheme that provides long-term rewards available to employees of the Investment Manager.

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

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

Expenses

Management fees paid to the Investment Manager in 2021 totalled £8.2 million (2020: £7.5 million); 0.63 per cent of NAV for the 12 months (2020: 0.57 per cent of NAV). 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 1.54 per cent (2020: 1.79 per cent).

Directors

Biographical details of the current Directors of the Company are shown on pages 80 and 81. Details of the Directors' shareholdings are included in the Directors' remuneration report on page 93.

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

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

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

Share capital

As at 31 March 2021, the Company had 664,580,417 nil paid Ordinary Shares in issue. No shares were held in treasury. The total number of voting rights at 31 March 2021 was 664,580,417. The Ordinary Shares each have standard rights as to voting, dividends and payment on winding up and no special rights and obligations attaching to them. There are no material restrictions on transfers of shares. In addition, the Company has one Deferred Share in issue. This share has the right to payment of £1 on the liquidation of the Company, and a right to vote only if there are no other classes of voting shares of the Company in issue, but no other rights.

As at 31 March 2021, the Company has been notified of the following significant (5 per cent or more) direct or indirect holdings of securities in the Company:

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

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

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

Results and dividends

The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 107.

No dividend was declared in the year ending 31 March 2021 (31 March 2020: £15.2 million, comprised of £13.2 million cash and a scrip dividend of £2.0 million; further details can be found in note 15 of the Consolidated Financial Statements), and the Company does not intend to declare a dividend in relation to the year ended 31 March 2021 or in future years.

Going concern

The Company has an indefinite life. The net assets held by the Group and within investment entities controlled by the Group currently consist of securities and cash amounting to £1,300.3 million (31 March 2020: £1,246.5 million) of which 41.89 per cent (31 March 2020: 49.83 per cent) are readily realisable in three months in normal market conditions, and liabilities including uncalled commitments to underlying investments and funds amounting to £115.5 million (31 March 2020: £147.3 million).

The Group has considered the implications of the COVID-19 pandemic on the Group and each of its portfolio companies. Given the experience of the past year the Group has concluded that the impact will vary from investment to investment, with delays in certain programmes of work (expected to be three to six months in the majority of cases) and potential associated additional capital requirements. This remains consistent with the assessment made at 31 March 2020. The Group has taken account of the COVID-19 pandemic in the valuation of its investments as at year end. Given the Group's capital pool of £578 million[1] (2020: £767 million) the Directors consider that the Group has adequate financial resources to continue its operations, including existing commitments to its investments and additional capital requirements identified in the review, for 12 months following the approval of the financial statements.

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

Annual General Meeting

The AGM will be held at Arnold House, St Julian's Avenue, St. Peter Port, Guernsey GY1 3RD on 3 August 2021 at 10:30am. Details of the resolutions to be proposed at the AGM, together with explanations, appear in the Notice of Annual General Meeting sent to shareholders separately.

At the time of writing, there continue to be limits on travel to Guernsey arising from the ongoing COVID-19 global pandemic. Accordingly, we anticipate that few shareholders will be able to attend the AGM in person. Shareholders are strongly encouraged to ensure that their votes are counted at the AGM by appointing the chair of the AGM as their proxy in line with the procedures set out in the Notice of Annual General Meeting.

1 Refer to the glossary

The Board remains committed to allowing shareholders the opportunity to engage with the Board, and if shareholders have any questions for the Board in advance of the AGM, these can be sent by email to contact@synconaltd.com. The Board will endeavour to answer key themes of these questions on the Company's website as soon as practical.

Charitable donations

The Company has agreed with The Syncona Foundation that one-twelfth of 0.35 per cent of the total NAV of the Company at each month-end during the year will be donated annually by the Company to charity (the amount of the donation was previously one-twelfth of 0.3 per cent of the Company's NAV at each month-end during the year but was increased by agreement with effect from 1 April 2019). Of this donation, 0.15 per cent of NAV is donated to The Institute of Cancer Research and the remainder is donated to The Syncona Foundation, for it to make grants to selected charities.

Thomas Henderson and Nigel Keen are trustees of The Syncona Foundation.

Further details of the Company's charitable donations are set out in the Sustainability section of the Strategic Report on page 67 and in the Company's separate Sustainability Report, available on its website.

Stakeholders, emissions and other matters

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

Auditor

The Company is required to appoint auditors for each financial year of the Company, to hold office until the conclusion of the next general meeting at which accounts are presented. Our Independent Auditor, Deloitte LLP, has indicated their willingness to remain in office and resolutions to reappoint them for the year to 31 March 2022 and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting. The Audit Committee is in the process of carrying out a tender for the role of Independent Auditor, but in any case intends that Deloitte LLP will continue as auditor throughout the year to 31 March 2022.

As far as the Directors are aware, there is no relevant audit information of which the Auditor is unaware and they have taken all steps they should have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Auditors are aware of that information.

Signed on behalf of the Board.

Melanie Gee

Melanie Gee
Chair
16 June 2021

Investment objective and policy

The Company's investment objective is to achieve superior long-term capital appreciation from its investments. The Company invests in life science businesses (including private and quoted companies) and single or multi-asset projects ("Life Science Investments").

The Company will target an annualised return across its net assets of 15 per cent per annum over the long term.

The Company also holds a portion of its assets as a capital pool ("Capital Pool") to ensure it has capital available to make future Life Science Investments. There is no limit on the size of the Capital Pool although it is intended that the Company should invest the significant majority of its assets in Life Science Investments.

Life Science Investments

Life Science Investments will principally be privately owned businesses or single or multi-asset opportunities, together with the Company's investment in the CRT Pioneer Fund.

The Company anticipates that its Life Science Investment businesses will primarily be headquartered in the United Kingdom and, to a lesser extent, continental Europe, although some may have operations elsewhere in the world and may market and commercialise their products on a global basis.

The Company anticipates that, over time, its Life Science Investments portfolio will consist of around 15 to 20 life science opportunities, of which three to five are likely to become significant core holdings. The Company will invest further in its existing portfolio of Life Science Investments and will seek to create further opportunities by founding new businesses to commercialise academic science.

The Company will seek to create and invest in new or existing Life Science Investment businesses or opportunities with a view to long-term ownership, to support the building of companies that are capable of taking their products to market on an independent basis and therefore to build sustainable, revenue-generating businesses.

However, the Company may selectively divest companies in part or in full where it is in the Company's interest to do so.

The Company will commit at least 25 per cent of the assets that it commits to Life Science Investments to oncology projects or Life Science Investment businesses with a sole or dominant focus on oncology.

The Life Science Investment portfolio is subject to the following diversification requirements, each of which is measured only at the time of an investment and with respect to the impact of that investment:

- no more than 35 per cent of the Company's gross assets may be invested in any single Life Science Investment;
- no more than 60 per cent of the Company's gross assets may be invested in the largest two Life Science Investments;
- no more than 75 per cent of the Company's gross assets may be invested in the largest three Life Science Investments; and
- no more than 15 per cent of the Company's gross assets may be invested in quoted companies, disregarding for these purposes any investments which have become quoted companies during their ownership by the Company.

Capital Pool

The objective of the Capital Pool is to provide the Company with access to liquidity in all market conditions, with limited annualised volatility across the Capital Pool as a whole.

In implementing this objective the Capital Pool may be held in a combination of cash, short-term deposits, other liquid and low volatility assets, and funds including credit, fixed income and multi-strategy funds.

In addition, parts of the Capital Pool may be held in funds that were invested in accordance with any prior investment policy of the Company, until those funds are realised.

The composition of the Capital Pool will vary over time, depending on the aggregate amount of the Company's gross assets that are allocated to it.

The Capital Pool is subject to the requirement, measured at the time of investment, that no more than 20 per cent of the Company's gross assets may be held in any single fund or managed account.

Investment restrictions

The Company will not make any direct investment in any tobacco company and has agreed with (a) The Institute of Cancer Research (the "ICR") not knowingly to make any investment which contravenes the tobacco restriction contained in the investment policy of the ICR and (b) Cancer Research UK not knowingly to make or continue to hold any investments in the Fund Investment portfolio which would result in exposure to tobacco companies exceeding 1 per cent of the aggregate value of the Capital Pool from time to time.

The Company will not invest more than 15 per cent of its gross assets in other closed-ended investment funds that are listed on the FCA's Official List.

The Group may incur indebtedness for the purpose of financing share repurchases or redemptions, satisfying working capital requirements or to assist in payment of the annual charitable donation, up to a maximum of 20 per cent of the Company's Net Asset Value at the time of incurrence.

Any decision to incur indebtedness for the purpose of servicing any awards under the Group's Long-Term Incentive Plan must be approved by the Board. Any other decision to incur indebtedness may be taken by the Investment Manager within such parameters as are approved by the Board from time to time. There are no limitations on indebtedness being incurred at the level of the Company's underlying investments.

The Company does not propose to enter into any securities or derivative hedging or other derivative arrangements other than those that may from time to time be considered appropriate for the purposes of efficient portfolio management and will not enter into such arrangements for investment purposes, although there are no limitations on such arrangements being entered into at the level of the Company's underlying investments.

Statement of Directors' responsibilities
In respect of the Annual Report and audited Consolidated Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy: and
- the financial statements include information and details in the Chairman's Statement, the Strategic Report, the Corporate Governance Report, the Directors' Report and the notes to the Financial Statements, which provide a fair review of the information required by:
  - (a) DTR 4.1.8 of the Disclosure and Transparency Rules, being a fair review of the Company business and a description of the principal risks and uncertainties facing the Company; and
  - (b) DTR 4.1.11 of the Disclosure and Transparency Rules, being an indication of important events that have occurred since the end of the financial year and the likely future development of the Company.

This responsibility statement was approved by the Board of Directors on 16 June 2021 and is signed on its behalf by:

Melanie Gee
Melanie Gee
Chair

Rob Hutchinson
Rob Hutchinson
Non-Executive Director

Independent Auditor's report to the members of Syncona Limited

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Syncona Limited (the 'parent company') and its subsidiary (together the 'Group'):

- **give a true and fair view of the state of the Group's affairs as at 31 March 2021 and of its profit for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.**

We have audited the financial statements which comprise:

- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Financial Position;
- the Consolidated Statement of Changes in Net Assets Attributable to Holders of Ordinary Shares;
- the Consolidated Statement of Cash Flows; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group for the year are disclosed in note 9 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Key Judgements within the Valuation of Unquoted Life Science Investments; and
- Valuation of the Long-Term Incentive Plan ("LTIP") Liability.

Within this report, key audit matters are identified as follows:

Newly identified
Increased level of risk
Similar level of risk
Decreased level of risk

Materiality

The materiality that we used in the current year was £25.7 million which was determined on the basis of approximately 2% of net assets attributable to holders of Ordinary Shares ('NAV').

Scoping

The Group engagement team carried out audit work on the parent company, its subsidiary and the underlying entities in the investment structure, executed at levels of materiality applicable to each entity, which in all instances was lower than Group materiality.

Significant changes in our approach

There have been no significant changes in our audit approach.

4. Conclusions relating to going concern

4.1. Going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's going concern paper, identifying the assumptions applied in the going concern assessment and testing the mechanical accuracy of the underlying forecasts;
- Performing sensitivity analysis on the key assumptions applied to understand those that could potentially give rise to a material uncertainty in respect of the use of the going concern basis;
- Checking consistency of the forecast assumptions applied in the going concern assessment with other forecasts, including investment funding and valuation assumptions;
- Assessing the liquidity position of the Group and the underlying entities in the investment structure by evaluating the impact of near term requests for capital from the portfolio of life science investments. This included scenarios where cash outflows are over and above commitments and anticipated deployment of funds into life science investments totalling £100 million – £175 million; and
- We considered the mitigating actions identified by management as available responses to liquidity risks, principally the ability to utilise cash totalling £199.9 million held in the Group and the underlying entities in the investment structure, as well as the realisation of UK treasury bills with an aggregate value at 31 March 2021 of £344.9 million, held in Syncona Investments LP Incorporated.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Key judgments in the valuation of unquoted life science investments

Key audit matter description

The Group holds unquoted life science investments with a fair value of £431.2 million through Syncona Portfolio Limited, a direct subsidiary of Syncona Holdings Limited, and £36.6 million through Syncona Discovery Limited, a direct subsidiary of Syncona Investments LP Incorporated ("life science investments"). The unquoted life science investments constitute 36.0% of the Group NAV.

The Group records its interests in Syncona Holdings Limited and Syncona Investments LP Incorporated at fair value. The amounts are based on the fair value of underlying unquoted life science investments and other assets and liabilities, and these are recorded in accordance with IFRS 9 Financial Instruments ("IFRS 9"). The underlying unquoted life science investments are recorded at fair value through profit and loss in accordance with IFRS 13 Fair Value Measurement ("IFRS 13") and International Private Equity and Venture Capital ("IPEV") guidelines.

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

Investments are valued at fair value either at a calibration of cost, price of recent investment ("PRI"), or through other valuation techniques:

- The CRT Pioneer Fund valuation is based on the valuation provided by Sixth Element Capital LLP, the underlying Investment Manager using a Discounted Cash Flow ("DCF") for those investments. These investments are adjusted by Management to apply the policies, discount rates and/or probability of success rates that are consistent with the rest of the Group.
- Calibrated Cost/PRI are used for investments recently made, or recent transactions with third parties where available. Judgement exists as to whether there is objective evidence of change in fair value, based on more recent financial, technical and other data.

The valuation was prepared by the Investment Manager, Syncona Investment Management Limited ("SIML") and the Board also commissioned an independent advisor to provide an alternative valuation for certain investments.

In addition to the judgement inherent in the valuation of these investments, management may seek manipulate the valuation of the Life Science Investments to influence key performance indicators. As such there is an incentive to overstate investment valuation and we identified this as a potential area for fraud.

Details of the life science investments balance are disclosed in notes 7, 17, 18 and 19 and the accounting policies relating to them are disclosed in note 2. Critical accounting judgments and key sources of estimation uncertainty are described in note 3 and the Audit Committee Report on pages 86 to 89.

How the scope of our audit responded to the key audit matter

In order to test the key judgements in the valuation of the underlying unquoted life science investments as at 31 March 2021 we performed the following procedures:

- Obtained an understanding of relevant controls relating to the valuation process applied by SIML, and the monitoring and review by the Board;
- Evaluated the directors' methodology, against the requirements of IFRS 13 and IPEV guidelines;
- Evaluated management's assessment of the impact of the Covid-19 pandemic on the underlying life science investments and subsequently the impact on the valuation of the investments;
- Assessed the market volatility in determining whether there has been a change in fair value of the underlying life science investments;
- Concluded on the competency, capability and objectivity of the Group's independent advisor; and
- Analysed the valuations performed by the independent advisor, and challenged the directors' rationale for adopting a valuation approach different to that used by the independent advisor.

Independent Auditor's report to the members of Syncona Limited
continued

For investments where the calibration of cost or PRI are determined to be the best method to determine fair value in accordance with IFRS 13 we performed the following procedures:

- Obtained supporting documentation for amounts invested, to assess whether the cost recorded is accurate and to understand whether the use of calibrated cost/PRI is a reasonable valuation basis;
- Inspected the latest financial information, board meeting minutes, investor reports, and other external information sources to assess whether there have been any indication of a change in fair value since the latest funding round on an investment by investment basis;
- Searched for contradictory evidence in reports and information obtained from the portfolio companies to assess progress against technical milestones anticipated by the investment thesis in the last funding round;
- Inspected post year end transactions to test that conditions did not exist at the balance sheet date that would suggest that the year-end fair value was materially misstated;
- Challenged management's assumptions over the appropriateness of the valuation methodology used, and whether other valuation methods may have been more appropriate, including comparison to independent valuations performed by management's expert; and
- Assessed whether the disclodures made were in accordance with IFRS 13.

Key observations
We concluded that the methodologies and assumptions applied by management, in arriving at the fair value of the Group's unquoted life science investments were reasonable, and that the resulting valuations are appropriately stated.

5.2. Valuation of the Long-Term Incentive Plan ("LTIP") Liability

Key audit matter description
Employees of Syncona Investment Management Limited ("SIML") are entitled to participate in an Incentive Scheme (the "LTIP") and Syncona Holdings Limited may award Management Equity Shares ("MES") to those employees. Awards entitle participants to share in the growth of the valuation of the life science investments, subject to a hurdle rate on invested capital being met. The fair value of awards of MES issued in the year ended 31 March 2021 was £2.9 million (31 March 2020: £0.3 million) and the carrying amount of the cash element of the liability arising for the year ended 31 March 2021 was £32.3 million (31 March 2020: £24.9 million).

The Board previously commissioned an independent expert to value the LTIP in accordance with IFRS 2 Share-based Payment ("IFRS 2") and the model developed for this purpose has been utilised by Management for determining the 31 March 2021 LTIP value.

The risk therefore exists that, due to error or fraud, the valuation of the LTIP liability and equity portions are not calculated accurately or that not all information relating to the valuation of the underlying life science investments relevant to its calculation is included, such that the amounts recognised by the Group are materially misstated.

Details of the LTIP balances are disclosed in note 12 and the accounting policies relating to them are disclosed in note 2 and in the Audit Committee Report on pages 86 to 89.

How the scope of our audit responded to the key audit matter

To respond to the key audit matter, we have performed the following audit procedures:

- Obtained an understanding of relevant controls relating to the valuation of the LTIP;
- We assessed the competency, capability and objectivity of the Group's independent advisor, who were engaged to provide discount rates;
- We have reviewed the accounting considerations around the grant date fair value and intrinsic value of the awards in the LTIP, to assess whether this has been accounted for appropriately;
- We have performed a recalculation of the value of any LTIP liability and equity portions, based on the terms of the LTIP rules and the Articles of Association of Syncona Holdings Limited. We have compared this to the value calculated by SIML, to determine whether the value is reasonable;
- We have challenged the assumptions and the model used in the calculation of the MES fair value including the evolution of the life science portfolio and the associated probabilities of assess;
- Involved our modelling specialists to assess the mechanical accuracy, design and structure of the model used to calculate the fair value of the LTIP;
- We have performed procedures as noted in the key audit matter relating to key judgments in the valuation of unquoted life science investments over the life science investment valuation, as this is a key input into the model; and
- We have reviewed the disclosures in the notes to the financial statements for the LTIP to assess whether they meet the requirements of the IFRS 2.

Key observations
We conclude that the valuation of the LTIP liability at 31 March 2021 and the related disclosures are appropriate.

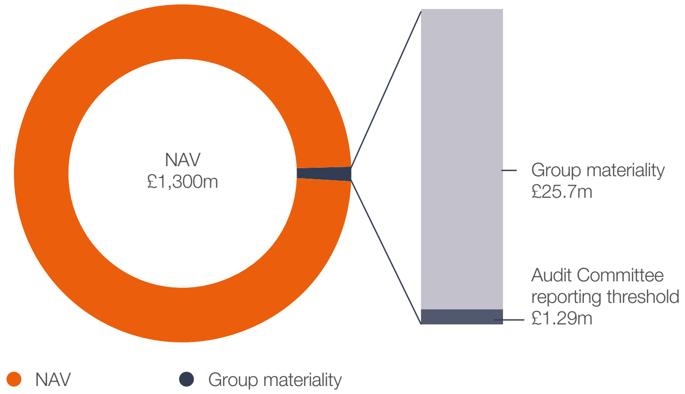
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£25.7 million (2020: £25.1 million)
Basis for determining materiality	2% (2020: 2%) of Net Asset Value
Rationale for the benchmark applied	The Group's investment objective is to achieve superior long-term capital appreciation from its investments. We therefore evaluated the Group's NAV as the most appropriate benchmark as it is one of the principal considerations for members of the Group in assessing financial performance and represents total shareholders' interest.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2021 audit (2020: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the Group's overall control environment, including that of the administrator;
- the performance of the Group during the year ended 31 March 2021, in particular the resilience of the Group's results against the impact of Covid-19 on the UK and global economy; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.29m (2020: £1.25m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component level.

The Group audit engagement team carried out audit work directly on the parent company and its consolidated subsidiary Syncona GP Limited executed at levels of materiality applicable to each entity (£230k for Syncona GP Limited).

7.2. Our consideration of the control environment

The accounting function for the Company is provided by a third-party administrator. In performing our audit, we obtained an understanding of the relevant controls at the administrator that are relevant to the business processes of the Company.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's report to the members of Syncona Limited
continued

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for the investment manager and directors' remuneration, performance targets and LTIP valuation;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was reviewed by the Audit Committee on 1 February 2021;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- Key judgements in the Valuation of unquoted Life Science Investments; and
- Valuation of the LTIP liability.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies (Guernsey) Law, 2008, the Listing Rules and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Company's regulatory licences under The Protection of Investors (Bailiwick of Guernsey) Law, 1987.

11.2 Audit response to risks identified

As a result of performing the above, we identified key judgements in the valuation of unquoted life science investments and valuation of the LTIP liability as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Guernsey Financial Services Commission; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinion on other matter prescribed by our engagement letter

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the UK Companies Act 2006 as if that Act had applied to the parent company.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 97;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 55;
- the directors' statement on fair, balanced and understandable set out on page 99;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 99;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 89; and
- the section describing the work of the audit committee set out on pages 86 to 89.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent company; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

15. Other matters

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 22 September 2012 to audit the financial statements for the period from 14 August 2012 (date of incorporation) to 25 October 2012 and subsequent financial periods/years. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is nine years, covering the periods/years ending 25 October 2012 to 31 March 2021.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Clacy (FCA)
For and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey

16 June 2021

Unaudited Group Portfolio Statement
As at 31 March 2021

	2021		2020	
	Fair value £'000	% of Group NAV	Fair value £'000	% of Group NAV
Life science portfolio				
Life science companies				
Freeline Therapeutics Holdings plc	167,902	12.9	150,723	12.1
Gyroscope Therapeutics Limited	150,062	11.5	72,975	5.9
Achilles Therapeutics plc	133,127	10.2	72,413	5.8
Autolus Therapeutics plc	81,180	6.2	76,993	6.2
SwanBio Therapeutics Limited	53,689	4.1	18,529	1.5
Quell Therapeutics Limited	35,069	2.7	–	–
Anaveon AG	18,575	1.4	–	–
Omass Therapeutics Limited	16,436	1.3	–	–
Companies of less than 1% of NAV	29,526	2.4	47,911	3.8
Total life science companies(1)	685,566	52.7	439,544	35.3
CRT Pioneer Fund(2)	36,576	2.8	40,023	3.2
Total life science portfolio(3)	722,142	55.5	479,567	38.5
Capital pool investments				
UK treasury bills	344,862	26.5	614,820	49.3
Legacy funds	72,366	5.6	73,979	6.0
Total capital pool investments(2)	417,228	32.1	688,799	55.3
Other net assets				
Cash and cash equivalents(4)	199,833	15.4	108,873	8.7
Charitable donations	(4,710)	(0.4)	(4,607)	(0.4)
Other assets and liabilities	(34,204)	(2.6)	(26,091)	(2.1)
Total other net assets	160,919	12.4	78,175	6.2
Total NAV of the Group	1,300,289	100.0	1,246,541	100.0

(1) The fair value of Syncona Holdings Limited amounting to £956,279,205 (31 March 2020: £894,279,198) is comprised of investments in life science companies of £685,566,309 (31 March 2020: £439,543,507), investments in Syncona Investment Management Limited of £5,752,423 (31 March 2020: £4,210,657), other net assets of £269,383,714 (31 March 2020: £453,168,505) in Syncona Portfolio Limited and other net liabilities of £4,422,241 (31 March 2020: £2,832,471) in Syncona Holdings Limited.

(2) The fair value of the investment in Syncona Investments LP Incorporated amounting to £371,667,317 (31 March 2020: £373,613,116) is comprised of the investment in the capital pool investments of £417,227,726 (31 March 2020: £688,798,541), the investment in the CRT Pioneer Fund of £36,576,032 (31 March 2020: £40,023,299), cash of £189,439,798 (31 March 2020: £103,100,848) and other net liabilities of £271,576,239 (31 March 2020: £458,309,572).

(3) The life science portfolio of £722,142,341 (31 March 2020: £479,566,806) consists of life science investments totalling £685,566,309 (31 March 2020: £439,543,507) held by Syncona Holdings Limited and the CRT Pioneer Fund of £36,576,032 (31 March 2020: £40,023,299) held by Syncona Investments LP Incorporated.

(4) Cash amounting to £13,916 (31 March 2020: £17,456) is held by Syncona Limited. The remaining £199,819,232 (31 March 2020: £108,855,595) 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 2021

		2021			2020		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment income							
Other income	6	19,934	–	19,934	35,708	–	35,708
Total investment income		19,934	–	19,934	35,708	–	35,708
Net gains/(losses) on financial assets at fair value through profit or loss	7	–	58,605	58,605	–	(203,013)	(203,013)
Total gains/(losses)		–	58,605	58,605	–	(203,013)	(203,013)
Expenses							
Charitable donations	8	4,710	–	4,710	4,607	–	4,607
General expenses	9	20,671	–	20,671	23,644	–	23,644
Total expenses		25,381	–	25,381	28,251	–	28,251
Profit/(loss) for the year		(5,447)	58,605	53,158	7,457	(203,013)	(195,556)
Profit/(loss) after tax		(5,447)	58,605	53,158	7,457	(203,013)	(195,556)
Earnings/(loss) per Ordinary Share	14	(0.82)	8.82	8.00	1.13	(30.67)	(29.54)
Earnings/(loss) per Diluted Share	14	(0.81)	8.74	7.93	1.10	(30.30)	(29.20)

The total columns of this statement represent the Group's Consolidated Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

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

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

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Financial Position
As at 31 March 2021

	Notes	2021 £'000	2020 £'000
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	10	1,327,946	1,267,703
Current assets			
Bank and cash deposits		14	17
Trade and other receivables	11	10,446	9,131
Total assets		1,338,406	1,276,851
LIABILITIES AND EQUITY			
Non-current liabilities			
Share based payments	12	23,505	18,540
Current liabilities			
Share based payments	12	8,836	6,379
Payables	13	5,776	5,391
Total liabilities		38,117	30,310
EQUITY			
Share capital	14	767,999	767,999
Capital reserves		537,147	478,542
Revenue reserves		(4,857)	-
Total equity		1,300,289	1,246,541
Total liabilities and equity		1,338,406	1,276,851
Total net assets attributable to holders of Ordinary Shares		1,300,289	1,246,541
Number of Ordinary Shares in issue	14	664,580,417	663,665,537
Net assets attributable to holders of Ordinary Shares (per share)	14	£1.96	£1.88
Diluted NAV (per share)	14	£1.94	£1.86

The audited Consolidated Financial Statements on pages 107 to 134 were approved on 16 June 2021 and signed on behalf of the Board of Directors by:

Melanie Gee
Chair

Rob Hutchinson
Non-Executive Director

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Changes in Net Assets Attributable to Holders of Ordinary Shares
For the year ended 31 March 2021

	Notes	Share capital £'000	Capital reserves £'000	Revenue reserves £'000	Total £'000
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
Total comprehensive income for the year		–	58,605	(5,447)	53,158
Transactions with shareholders:					
Share based payments		–	–	590	590
As at 31 March 2021		767,999	537,147	(4,857)	1,300,289

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit/(loss) for the year		53,158	(195,556)
Adjusted for:			
(Gains)/losses on financial assets at fair value through profit or loss	7	(58,605)	203,013
Non-cash movement in share based payment provision	2	6,374	7,326
Operating cash flows before movements in working capital		927	14,783
Increase in trade and other receivables		(1,315)	(298)
Increase/(decrease) in other payables		385	(1,313)
Net cash (used in)/generated from operating activities		(3)	13,172
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss		–	(36,786)
Return of capital contribution		–	36,786
Net cash generated from investing activities		–	–
Cash flows from financing activities			
Distributions	15	–	(13,246)
Net cash used in financing activities		–	(13,246)
Net decrease in cash and cash equivalents		(3)	(74)
Cash and cash equivalents at beginning of the year		17	91
Cash and cash equivalents at end of the year		14	17
Supplemental disclosure of non-cash investing and financing activities			
Issuance of shares	14	–	1,962
Scrip dividend shares issued during the year	14	–	(1,962)
Net non-cash investing and financing activities		–	–

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

The accompanying notes are an integral part of the financial statements.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2021

1. General information

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

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

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

The investment objective and policy is set out in the Directors' Report on page 98.

2. Accounting policies

Statement of compliance

The Consolidated Financial Statements give a true and fair view, are prepared in accordance with IFRS as adopted by the European Union, and are in compliance with The Companies (Guernsey) Law, 2008. The Consolidated Financial Statements were approved by the Board and authorised for issue on 16 June 2021.

Information reported to the Board (the Chief Operating Decision Maker ("CODM")) for the purpose of allocating resources and monitoring performance of the Group's overall strategy to found, build and fund companies in innovative areas of healthcare, consists of financial information reported at the Group level. The capital pool is fundamental to the delivery of the Group's strategy and performance is reviewed by the CODM only to the extent this enables the allocation of those resources to support the Group's investment in life science companies. There are no reconciling items between the results contained within this information and amounts reported in the financial statements. IFRS requires operating segments to be identified on the basis of the internal financial reports that are provided to the CODM, and as such the Directors present the results of the Group as a single operating segment.

Basis of preparation

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

Functional currency

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

Going concern

The financial statements are prepared on a going concern basis. The net assets held by the Group and within investment entities controlled by the Group currently consist of securities and cash amounting to £1,300.3 million (31 March 2020: £1,246.5 million) of which 41.89% (31 March 2020: 49.83%) are readily realisable within three months in normal market conditions, and liabilities including uncalled commitments to underlying investments and funds amounting to £115.5 million (31 March 2020: £147.3 million).

Furthermore, the Group has considered the implications of the COVID-19 pandemic on the Group and each of its portfolio companies. Given the experience of the past year the Group has concluded that the impact on each investment and portfolio company will vary with delays in certain programmes of work (expected to be three to six months in the majority of cases) and potential associated additional capital requirements. This remains consistent with the assessment made at 31 March 2020. The Group has taken account of the COVID-19 pandemic in the valuation of its investments as at year end. Given the Group's capital pool of £578 million (31 March 2020: £767 million) the Directors consider that the Group 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.

2. Accounting policies (continued)

Basis of consolidation

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

The results of the General Partner during the year are consolidated in the Consolidated Statement of Comprehensive Income from the effective date of incorporation and are consolidated in full. The financial statements of the General Partner are prepared in accordance with United Kingdom ("UK") Accounting Standards under Financial Reporting Standard 101 "Reduced Disclosure Framework". Where necessary, adjustments are made to the financial statements of the General Partner to bring the accounting policies used in line with those used by the Group. During the years ended 31 March 2021 and 31 March 2020, 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 Company, the Partnership and the Holding Company meet the definition of Investment Entities. The General Partner does not meet the definition of an Investment Entity and is therefore consolidated.

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:

Amendments to IFRS 7 "Financial Instruments: Disclosures", IFRS 9 and IAS 39 "Financial Instruments: Recognition and Measurement": Interest Rate Benchmark Reform
The amendments modify some specific hedge accounting requirements to provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that Interbank Offered Rate reform should not generally cause hedge accounting to terminate.

These amendments had no impact on the financial statements.

Amendments to IAS 1 and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors": Definition of Material
The amendments modify some specific hedge accounting requirements to provide certain reliefs in connection with interest rate benchmark reform.

These amendments had no impact on the financial statements.

Amendments to IFRS 3 "Business Combinations": Definition of a Business
The International Accounting Standards Board has amended the definition of a business which will impact how acquisitions are accounted for. Under IFRS 3, an acquisition must include an input and a substantive process that on a combined basis lead to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services or investment income and other income delivered to customers and specifically excludes returns in the form of lower costs and other economic benefits.

This amendment had no 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 2021 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 interpretations that are not yet effective and are not relevant to the Group as listed below. These are not discussed in detail as no material impact to the Group's Consolidated Financial Statements is expected.

- Amendments to IFRS 17 "Insurance Contracts";
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 3: Reference to the Conceptual Framework;
- Amendments to IFRS 16: COVID-19-related Rent Concessions;
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract;
- Annual Improvements to IFRS Standards 2018 – 2020.

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 2021 and 31 March 2020, there are no financial assets measured at fair value through other comprehensive income.

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

Fair value
The Group's investments in life science companies and capital pool investments are held through the Holding Company and the Partnership which are measured at fair value through profit or loss in accordance with the requirement of IFRS 10. The Net Asset Value ("NAV") of the Holding Company and the Partnership represent the Group's assessment of the fair value of its directly held assets (see note 10) and have been determined on the basis of the policies adopted for underlying investments described below.

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

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

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

- Cost at the transaction date is the primary input when determining fair value. Similarly, where there has been a recent investment in the unlisted company by third parties, the Price of Recent Investment ("PRI") is the primary input when determining fair value, although further judgement may be required to the extent that the instrument in which the recent investment was made is different from the instrument held by the Group.
- The length of period for which it remains appropriate to consider cost or the PRI as the primary input when determining fair value depends on the achievement of target milestones of the investment at the time of acquisition. An analysis of such milestones, which can be value maintaining or value enhancing, is undertaken at each valuation point and considers changes to the external environment and the current facts and circumstances. Where this calibration process shows there is objective evidence that an investment has been impaired or increased in value since the investment was made, such as observable data suggesting a change of the financial, technical, or commercial performance of the underlying investment, the Group carries out an enhanced assessment which may use one or more of the alternative methodologies set out in the IPEV Valuation Guidelines.
- DCF involves estimating the fair value of an investment by calculating the present value of expected future cash flows, based on the most recent forecasts in respect of the underlying business. Given the significant uncertainties involved with producing reliable cash flow forecasts for seed, start-up and early stage companies, the DCF methodology will more commonly be used in the event that a life science company is in the final stages of clinical testing prior to regulatory approval or has filed for regulatory approval. No investments were valued on a DCF basis as at 31 March 2021 and 31 March 2020.

Notes to the Consolidated Financial Statements
continued

2. Accounting policies (continued)

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

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

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

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

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

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

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

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

Share based payments
Certain employees of SIML participate in equity incentive arrangements under which they receive awards of Management Equity Shares ("MES") in the Holding Company above a base line value set out at the date of award. The MES are not entitled to dividends but any dividends or capital value realised by the Group in relation to the Holding Company are taken into account in determining the value of the MES. MES vest if an individual remains in employment for the applicable vesting period. The individual then has 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 terms of the equity incentive arrangements provide that half of the proceeds (net of expected taxes) are settled in Company shares which must be held for at least 12 months, with the balance paid in cash. Consequently, the arrangements are deemed to be partly an equity-settled share based payment scheme and partly a cash-settled share based payment scheme under IFRS 2 "Share Based Payments" in the Consolidated Financial Statements of the Group.

The fair value of the MES at the time of the initial award is determined in accordance with IFRS 2 and taking into account the particular rights attached to the MES as described in the Articles. The fair value is measured using a probability-weighted expected returns methodology, which is an appropriate future-oriented approach when considering the fair value of shares that have no intrinsic value at the time of issue. The approach replicates that of a binomial option pricing model. The key assumptions used within the model are: NAV progression of the company; discount rates ranging from 11% to 31% (31 March 2020: 13% to 39%); and probabilities of success that results in an average cumulative probability of success across the life science portfolio of 31% (31 March 2020: 19%). In this case, the expected future payout to the MES was made by reference to the expected evolution of the Holding Company's value, including expected dividends and other realisations which is then compared to the base line value. This is then discounted into present value terms adopting an appropriate discount rate. The "capital asset pricing methodology" was used when considering an appropriate discount rate to apply to the payout expected to accrue to the MES on realisation.

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

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

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

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

The movement in the share based payment provision of the Group is a non-cash fair value movement to the reported liability, rather than a working capital balance movement. This movement is recognised directly in the Consolidated Statement of Comprehensive Income. Although the Directors do not consider this to be material, in the comparative figures for 31 March 2020, £7.7 million has been removed from the changes in working capital section of the Consolidated Statement of Cash Flows and is instead shown as a direct adjustment to profit or loss.

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, 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.

Notes to the Consolidated Financial Statements
continued

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.

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

Once substantial clinical data has been generated the Group will use input from an independent valuation advisers to assist in the determination of fair value.

The key judgement relates to determining whether a Cost or PRI (Market) based approach is the most appropriate for determining fair value of the Group's investments in unlisted companies. In making this judgement, the Group highlight that the majority of its investments are early-stage businesses, typically with products in the discovery stage of drug development and pre-revenue generation. As a result, it considers that the determination of fair value should be based on what a market participant buyer would pay to acquire or develop a substitute asset with comparable scientific or commercial progression, adjusted for obsolescence (i.e. its current replacement cost). This technique is applied until such time that the life science investments is at a stage in its life cycle where cash flow forecasts are more predictable, thus using an income-based approach provides a more reliable estimate of fair value.

However there are also other methodologies that can be used to determine the fair value of investments in private companies including the use of the DCF methodology or the use of a third party valuation expert. It is possible that the use of an alternative valuation methodology would result in a different fair value than that recorded by the Group.

When assessing this judgement, the Group's determination of the fair values of certain investments took into consideration multiple sources including management and publicly available information and publications as well as input from an independent review by L.E.K. Consulting LLP ("L.E.K."), in respect of the Group's valuation of the following investments: Anaveon AG, Gyroscope Therapeutics Limited, Omass Therapeutics Limited, Quell Therapeutics Limited, and SwanBio Therapeutics Limited.

The review was limited to certain specific limited procedures which we identified and requested L.E.K to perform within an agreed limited scope and it was subject to assumptions which are forward looking in nature and subjective judgements. Upon completion of the review within the parameters of the agreed procedures, L.E.K. estimated an independent range of fair values of those investments. The limited procedures did not involve an audit, review, compilation or any other form of verification, examination or attestation under generally accepted auditing standards and were based on the review of sources agreed in the limited scope only. SIML is responsible for determining the fair value of the investments, and the review performed by L.E.K to assist the Company is only one element of the enquiries, and procedures in the process in making a determination of the fair value of those investments and for which SIML is ultimately responsible.

Sources of estimation uncertainty

The Group's investments consist of its investments in the Holding Company and the Partnership, both of which are classified at fair value through profit or loss and are valued accordingly, as disclosed in note 2.

The key sources of estimation uncertainty are the valuation of the Holding Company's investments in privately held life science companies, the investment in the CRT Pioneer Fund, the Partnership's private equity investments and the valuation of the share based payment liability.

The investments in privately held life science companies are very illiquid. The companies are typically at an early stage of development and pre-revenue. Accordingly a market value can be difficult to determine. The primary inputs used by the Company to determine the fair value of investments in privately held life science companies are the cost of the capital invested and PRI, adjusted to reflect the achievement or otherwise of milestones or other factors. The accounting policy for all investments is described in note 2 and the fair value of all investments is described in note 19.

In determining a suitable range to sensitise the fair value of the unlisted life science portfolio, management note the achievement or not of value enhancing milestones as being a key source of estimation uncertainty. Such activities and resulting data emanating from the life science companies can be the key trigger for fair value changes and typically involve financing events which crystallise value at those points in time. The range of 18% (2020: 20%) identified by management reflects their estimate of the range of reasonably possible valuations over the next financial year, taking into account the position of the portfolio as a whole. Key technical milestones considered by management and that typically trigger value enhancement (or deterioration if not achieved) include the generation of substantial clinical data.

The Company has analysed the impact of the COVID-19 pandemic on the private life science companies and does not consider that any COVID-19 revaluations are required, however the final impact of the pandemic is not yet certain and may have effects on the portfolio companies that have not been anticipated.

The CRT Pioneer Fund is invested in early stage life science projects and companies. A market value can be difficult to determine for assets of this nature. The Company values its interest in the CRT Pioneer Fund by reference to the valuation provided by the manager of that fund, adjusted to reflect the Company's view on certain of the key valuation inputs. Sensitivity to a 23% movement in the valuation of the CRT Pioneer Fund is included in note 19.

As at the year end, none (31 March 2020: none) of the Partnership's underlying investments have imposed restrictions on redemptions. However, underlying managers often have the right to impose such restrictions. The Directors believe it remains appropriate to estimate their fair values based on NAV as reported by the administrators of the relevant investments.

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

The share based payment charge is determined using an externally generated model in accordance with IFRS 2 using a probability-weighted expected returns methodology. Additional details regarding the key inputs into the valuation are stated in note 2.

Notes to the Consolidated Financial Statements
continued

4. Investment in subsidiaries and associates

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

Direct interests in subsidiaries

Subsidiary	Principal place of business	Principal activity	2021 % interest(1)	2020 % interest(1)
Syncona GP Limited	Guernsey	General Partner	100%	100%
Syncona Holdings Limited	Guernsey	Portfolio management	100%	100%
Syncona Investments LP Incorporated	Guernsey	Portfolio management	100%	100%

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

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

Indirect interests in subsidiaries and associates

Indirect subsidiaries	Principal place of business	Immediate parent	Principal activity	2021 % interest(1)
Syncona Discovery Limited	UK	Syncona Investments LP Inc	Portfolio management	100%
Syncona Portfolio Limited	Guernsey	Syncona Holdings Limited	Portfolio management	100%
Syncona IP Holdco Limited	UK	Syncona Portfolio Limited	Portfolio management	100%
Syncona Investment Management Limited	UK	Syncona Holdings Limited	Portfolio management	100%
Quell Therapeutics Limited	UK	Syncona Portfolio Limited	Cell therapy	83%
SwanBio Therapeutics Limited	United States	Syncona Portfolio Limited	Gene therapy	76%
Resolution Therapeutic Limited (formerly Syncona Collaboration (E) Limited)	UK	Syncona Portfolio Limited	Cell therapy	66%
Purespring Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	65%
Gyroscope Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	59%
Freeline Therapeutics Holdings plc	UK	Syncona Portfolio Limited	Gene therapy	53%
Anaveon AG	Switzerland	Syncona Portfolio Limited	Biologics	50%
Omass Therapeutics Limited	UK	Syncona Portfolio Limited	Small molecule	49%
Forcefield Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	47%

Indirect associates	Principal place of business	Immediate parent	Principal activity	2021 % interest(1)
Azeria Therapeutics Limited	UK	Syncona Portfolio Limited	In voluntary liquidation	34%
Autolus Therapeutics plc	UK	Syncona Portfolio Limited	Cell therapy	28%
Achilles Therapeutics Limited	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	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%
Resolution Therapeutic Limited (formerly Syncona Collaboration (E) Limited)	UK	Syncona Portfolio Limited	Research	100%
Freeline Therapeutics Holdings plc	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).

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 2020: £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 £19,933,644 (31 March 2020: £35,708,000) of which £4,710,217 (31 March 2020: £4,607,416) remained receivable as at 31 March 2021. The receivable reflects the charitable donations of the Group. Refer to note 8.

Notes to the Consolidated Financial Statements
continued

7. Net gains/(losses) on financial assets at fair value through profit or loss

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

	Note	2021 £'000	2020 £'000
Net gains/(losses) from:			
The Holding Company	7.a	60,551	(191,176)
The Partnership	7.b	(1,946)	(11,837)
		58,605	(203,013)

7.a Movements in the Holding Company:

	2021 £'000	2020 £'000
Expenses	(89)	(3)
Movement in unrealised gains/(losses) on life science investments at fair value through profit or loss	60,640	(191,173)
Net gains/(losses) on financial assets at fair value through profit or loss	60,551	(191,176)

7.b Movements in the Partnership:

	2021 £'000	2020 £'000
Investment income	117	469
Rebates and donations	18	384
Other income	53	–
Expenses	(273)	(95)
Realised gains on financial assets at fair value through profit or loss	33,479	33,889
Movement in unrealised gains on financial assets at fair value through profit or loss	(10,740)	(6,300)
Losses on forward currency contracts	–	(6,389)
(Losses)/gains on foreign currency	(4,666)	1,913
Gains on financial assets at fair value through profit or loss	17,988	23,871
Distributions	(19,934)	(35,708)
Net losses on financial assets at fair value through profit or loss	(1,946)	(11,837)

8. Charitable donations

For the years ended 31 March 2021 and 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% to be donated to The Institute of Cancer Research and 0.20% to be donated to The Syncona Foundation, and these donations are made by the General Partner.

During the year, accrued charitable donations amounted to £4,710,217 (31 March 2020: £4,607,416). As at 31 March 2021, £4,710,217 (31 March 2020: £4,607,416) remained payable. Refer to note 13.

9. General expenses

	2021 £'000	2020 £'000
Share based payments	10,561	13,434
Investment management fees	8,177	7,517
Directors' remuneration	386	379
Auditor's remuneration	143	173
Other expenses	1,404	2,141
	20,671	23,644

Auditor's remuneration includes audit fees in relation to the Group of £87,500 (31 March 2020: £43,035). Total audit fees paid by the Group and the Syncona Group companies for the year ended 31 March 2021 totalled £187,000 (31 March 2020: £173,470). Additional fees paid to the auditor were £30,000 (31 March 2020: £29,500) which relates to work performed at the interim review of £23,000 (31 March 2020: £23,000) and other non-audit fees of £7,000 (31 March 2020: £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	2021 £'000	2020 £'000
The Holding Company	10.a	956,279	894,090
The Partnership	10.b	371,667	373,613
		1,327,946	1,267,703

10.a The net assets of the Holding Company

	2021 £'000	2020 £'000
Cost of the Holding Company's investment at the start of the year	493,310	456,932
Purchases during the year	1,500	36,378
Cost of the Holding Company's investments at the end of the year	494,810	493,310
Net unrealised gains on investments at the end of the year	465,891	403,613
Fair value of the Holding Company's investments at the end of the year	960,701	896,923
Other current liabilities	(4,422)	(2,833)
Financial assets at fair value through profit or loss at the end of the year	956,279	894,090

10.b The net assets of the Partnership

	2021 £'000	2020 £'000
Cost of the Partnership's investments at the start of the year	682,750	183,257
Purchases during the year	1,075,333	2,349,530
Sales during the year	(1,340,000)	(1,869,399)
Return of capital	(33,090)	(14,527)
Net realised gains on disposals during the year	33,479	33,889
Cost of the Partnership's investments at the end of the year	418,472	682,750
Net unrealised gains on investments at the end of the year	35,332	46,072
Fair value of the Partnership's investments at the end of the year	453,804	728,822
Cash and cash equivalents	189,440	103,101
Other net current liabilities	(271,577)	(458,310)
Financial assets at fair value through profit or loss at the end of the year	371,667	373,613

11. Trade and other receivables

	2021 £'000	2020 £'000
Due from related parties (see note 16)	5,736	4,524
Investment income receivable	4,710	4,607
	10,446	9,131

Notes to the Consolidated Financial Statements
continued

12. Share based payments

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

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

	2021 £'000	2020 £'000
Charge related to revaluation of the liability for cash settled share awards	**10,561**	13,434
Total	**10,561**	13,434

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

	2021 £'000	2020 £'000
Share based payments – current	**8,836**	6,379
Share based payments – non-current	**23,505**	18,540
Total	**32,341**	24,919

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

The fair value of awards made in the year ended 31 March 2021 was £2,907,000 (31 March 2020: £260,000). This represents 5,902,624 new MES issued (31 March 2020: 9,559,389). Awards were made on 11 June 2020 and 9 July 2020 at 43p per MES and on 25 January 2021 at 50p per MES.

The number of MES outstanding are shown below:

	2021	2020
Outstanding at the start of the year	**41,937,713**	36,784,147
Issued	**5,902,624**	9,559,389
Realised	**(3,953,906)**	(4,405,823)
Lapsed	**(13,192)**	–
Outstanding at the end of the year	**43,873,239**	41,937,713
Weighted average remaining contractual life of outstanding MES, years	**1.24**	1.72
Vested MES as at the year end	**38,502,646**	20,758,829
Realisable MES as at the year end	**9,625,668**	6,171,469

As at 31 March 2021, if all MES were realised, the number of shares issued in the Company as a result would be 6,177,787 (31 March 2020: 7,937,704). The per share value of net assets attributable to holders of Ordinary Shares would fall from £1.96 to £1.94 (31 March 2020: £1.88 to £1.86) if these shares were issued.

13. Payables

	2021 £'000	2020 £'000
Charitable donations payable	**4,710**	4,607
Management fees payable	**600**	196
Other payables	**466**	588
	5,776	5,391

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.

	2021 £'000	2020 £'000
Ordinary share capital		
Balance at the start of the year	**767,999**	766,037
Scrip dividend shares issued during the year	**–**	1,962
Balance at the end of the year	**767,999**	767,999

	2021 Shares	2020 Shares
Ordinary share capital		
Balance at the start of the year	**663,665,537**	661,222,309
Scrip dividend shares issued during the year	**–**	860,090
Share based payment shares issued during the year	**914,880**	1,583,138
Balance at the end of the year	**664,580,417**	663,665,537

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.

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. Earnings/(loss) per share

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

	2021	2020
Earnings/(loss) for the purposes of earnings per share	**£53,158,000**	£(195,556,000)
Basic weighted average number of shares	**664,314,726**	661,919,658
Basic revenue earnings per share	**(0.8)p**	1.1p
Basic capital earnings/(loss) per share	**8.8p**	(30.7)p
Basic earnings/(loss) per share	**8.0p**	(29.6)p
Diluted weighted average number of shares	**670,492,513**	669,857,362
Diluted revenue earnings per share	**(0.8)p**	1.1p
Diluted capital earnings/(loss) per share	**8.7p**	(30.3)p
Diluted earnings/(loss) per share	**7.9p**	(29.2)p

	2021	2020
Issued share capital at the start of the year	**663,665,537**	661,222,309
Weighted effect of share issues		
Scrip dividend	**–**	256,147
Share based payments	**649,189**	441,202
Potential share based payment share issues	**6,177,787**	7,937,704
Diluted weighted average number of shares	**670,492,513**	669,857,362

Notes to the Consolidated Financial Statements
continued

14. Share capital (continued)

D. NAV per share

	2021	2020
Net assets for the purposes of NAV per share	£1,300,287,998	£1,246,540,660
Ordinary Shares in issue	664,580,417	663,665,537
NAV per share	195.7p	187.8p
Diluted number of shares	670,758,204	671,603,241
Diluted NAV per share	193.9p	185.6p

15. Distribution to shareholders

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

During the year ended 31 March 2021, the Company did not declare or pay a dividend (31 March 2020: £15,208,113 was paid in relation to the year ended 31 March 2019). The Directors believe that it is no longer appropriate for the Company to pay a dividend.

The Company is not declaring a 2021 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 £145,075,244 (31 March 2020: £156,531,372).

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 £29,767,748 (31 March 2020: £44,209,342).

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

During the year, SIML charged the life science investments a total of £188,965 in relation to Directors' fees and other fees of £116,854 (31 March 2020: £294,963).

Investment Manager

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

For the year ended 31 March 2021, SIML was entitled to receive an annual fee of up to 1.05% of NAV (31 March 2020: 1.05%) per annum.

	2021 £'000	2020 £'000
Amounts paid to SIML	8,177	7,517

Amounts owed to SIML in respect of management fees totalled £599,519 as at 31 March 2021 (31 March 2020: £196,062).

During the year, SIML received fees from the Group's portfolio companies of £305,819 (31 March 2020: £294,963).

Company Directors

As at the year end, the Company had eight 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 £133,430 (31 March 2020: £130,981) per annum, payable by the Investment Manager, in respect of his services to the Investment Manager.

Kemal Malik was appointed as a Non-Executive Director with effect from 15 June 2020. Virginia Holmes was appointed as a Non-Executive Director with effect from 1 January 2021.

Ellen Strahlman retired as Director of the Company with effect from 2 November 2020.

Directors' remuneration for the years ended 31 March 2021 and 31 March 2020, excluding expenses incurred, and outstanding Directors' remuneration as at the end of the year, are set out below.

	2021 £'000	2020 £'000
Directors' remuneration for the year	386	379
Payable at end of the year	–	–

Shares held by the Directors can be found in the Report of the Remuneration Committee. The Directors of Syncona Limited together hold 1.24% of the Syncona Limited voting shares.

For further details, please refer to the remuneration report on pages 90 to 94.

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 2021 was £2,632,809 (31 March 2020: £2,375,804).

Other related parties

As at 31 March 2021, the Company has a receivable from the Partnership, Holding Company, Syncona Portfolio Limited and Syncona Discovery Limited amounting to £106,981 (31 March 2020: £500,000), £5,489,048 (31 March 2020: £3,955,602), £137,246 (31 March 2020: £568,039) and £7,920 (2020: £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.

	2021 £'000	2020 £'000
Financial assets at fair value through profit or loss		
The Holding Company	956,279	894,090
The Partnership	371,667	373,613
Total financial assets at fair value through profit or loss	1,327,946	1,267,703
Financial assets measured at amortised cost		
Bank and cash deposits	14	17
Other financial assets	10,446	9,131
Total financial assets measured at amortised cost	10,460	9,148
Financial liabilities at fair value through profit or loss		
Provision for share based payments	(32,341)	(24,919)
Total financial liabilities at fair value through profit or loss	(32,341)	(24,919)
Financial liabilities measured at amortised cost		
Other financial liabilities	(5,776)	(5,391)
Total financial liabilities measured at amortised cost	(5,776)	(5,391)
Net financial assets	1,300,289	1,246,541

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).

Notes to the Consolidated Financial Statements
continued

17. Financial Instruments (continued)

	2021 £'000	2020 £'000
Financial assets at fair value through profit or loss		
Investment in subsidiaries	960,701	896,923
Total financial assets at fair value through profit or loss	960,701	896,923
Financial assets measured at amortised cost*		
Current assets	1,088	1,123
Financial liabilities measured at amortised cost*		
Current liabilities	(5,510)	(3,956)
Net financial assets of the Holding Company	956,279	894,090

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

	2021 £'000	2020 £'000
Financial assets at fair value through profit or loss		
Listed investments	344,862	614,820
Unlisted investments	72,366	73,979
Investment in subsidiaries	36,576	40,023
Total financial assets at fair value through profit or loss	453,804	728,822
Financial assets measured at amortised cost*		
Current assets	189,913	103,928
Financial liabilities measured at amortised cost*		
Current liabilities	(272,050)	(459,137)
Net financial assets of the Partnership	371,667	373,613

* Has a fair value which does not materially differ to amortised cost

Capital risk management

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

The Group does not have externally-imposed capital requirements.

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

18. Financial risk management and associated risks

Financial risk management

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

The risks below do not reflect the risks of the underlying investment portfolios of certain of the financial assets at fair value through profit or loss. The Group has significant indirect exposure to a number of risks through the underlying portfolios of the investment entities. There is no mechanism to control these risks without considerably prejudicing return objectives.

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

During the prior year, the Group materially decreased the risk associated with the assets held by the Partnership by redeeming most of its 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 following sections.

The Holding Company

Market price risk

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

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

Foreign currency risk

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

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

	CHF £'000	USD £'000	GBP £'000	2021 Total £'000
Financial assets at fair value through profit or loss	18,582	487,421	454,698	960,701
Cash and cash equivalents	–	–	438	438
Receivables	–	–	650	650
Payables	–	–	(5,510)	(5,510)
Total	18,582	487,421	450,276	956,279

	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

Notes to the Consolidated Financial Statements
continued

18. Financial risk management and associated risks (continued)

Foreign currency sensitivity analysis

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

	2021 USD £'000	2021 CHF £'000	2020 USD £'000	2020 CHF £'000
10% increase	**66,922**	**2,064**	16,315	1,122
10% decrease	**(54,754)**	**(1,689)**	(13,348)	(1,234)

Interest rate risk

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

Liquidity risk

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

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

	>3 to 12 months £'000	>12 months £'000	2021 Total £'000
Financial assets at fair value through profit or loss	–	960,701	**960,701**
Cash and cash equivalents	–	438	**438**
Receivables	–	650	**650**
Payables	(89)	(5,421)	**(5,510)**
Total	(89)	956,368	**956,279**
Percentage	0.0%	100.0%	**100.0%**

	>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%	100.0%	100.0%

The Partnership

Market price risk

The overall market price risk management of each of the fund holdings of the Partnership is primarily driven by their respective investment objectives. The Investment Manager assesses the risk in the Partnership's fund portfolio by monitoring exposures, liquidity, and concentrations of the underlying funds' investments, in the context of the historic and current volatility of their asset classes, and the Investment Manager's risk appetite. The maximum risk resulting from financial instruments is generally determined by the fair value of underlying funds. The overall market exposure as at 31 March 2021 and 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.

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	2021 Total £'000
Financial assets at fair value through profit or loss	7,785	57,259	388,760	**453,804**
Cash and cash equivalents	51,207	14	138,219	**189,440**
Trade and other receivables	–	–	473	**473**
Payables	–	–	(267,340)	**(267,340)**
Distributions payable	–	–	(4,710)	**(4,710)**
	58,992	57,273	255,402	**371,667**

	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

Foreign currency sensitivity analysis

The following table 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.

	2021 USD £'000	2021 EUR £'000	2020 USD £'000	2020 EUR £'000
10% increase	**5,686**	**4,683**	4,328	5,297
10% decrease	**(5,686)**	**(4,683)**	(4,328)	(5,297)

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

Notes to the Consolidated Financial Statements
continued

18. Financial risk management and associated risks (continued)

Interest rate risk

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

Credit risk

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

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

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

Liquidity risk

The Partnership is exposed to the possibility that it may be unable to liquidate certain of its assets as it otherwise deems advisable as the Partnership's underlying funds or their managers may require minimum holding periods and restrictions on redemptions. Further, there may be suspension or delays in payment of redemption proceeds by underlying funds or holdbacks of redemption proceeds otherwise payable to the Partnership until after the applicable underlying fund's financial records have been audited. Therefore, the Partnership may hold receivables that may not be received by the Partnership for a significant period of time, may not accrue any interest and ultimately may not be paid to the Partnership. As at 31 March 2021, no (31 March 2020: Nil) suspension from redemptions existed in any of the Partnership's underlying investments.

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

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

	Within 1 month £'000	>1 to 3 months £'000	>3 to 12 months £'000	>12 months £'000	2021[1] Total £'000
Financial assets at fair value through profit or loss	70,001	259,861	15,000	108,942	**453,804**
Cash and cash equivalents	189,440	–	–	–	**189,440**
Trade and other receivables	473	–	–	–	**473**
Payables	(267,340)	–	–	–	**(267,340)**
Distributions payable	–	(4,710)	–	–	**(4,710)**
Total	(7,426)	255,151	15,000	108,942	**371,667**
Percentage	(2.0)%	68.7%	4.0%	29.3%	**100.0%**

	Within 1 month £'000	>1 to 3 months £'000	>3 to 12 months £'000	>12 months £'000	2020[1] 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%

(1) The liquidity tables above reflect the anticipated cash flows assuming notice was given to all underlying investments as at 31 March 2021 and 31 March 2020 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 2021 and 31 March 2020:

Assets	Level 1 £'000	Level 2 £'000	Level 3 £'000	2021 Total £'000
Financial assets at fair value through profit or loss:				
The Holding Company	–	–	956,279	**956,279**
The Partnership	–	–	371,667	**371,667**
Total assets	–	–	1,327,946	**1,327,946**

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

The investments in the Holding Company and the Partnership are classified as Level 3 investments due to the use of the unadjusted NAV of the subsidiaries as a proxy for fair value, as detailed in note 2. The subsidiaries hold some investments valued using techniques with significant unobservable inputs as outlined in the sections that follow.

Notes to the Consolidated Financial Statements
continued

19. Fair value measurement (continued)

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

The following table presents the Holding Company's financial assets by level within the valuation hierarchy as at 31 March 2021 and 31 March 2020:

Asset type	Level	31 March 2021 £'000	31 March 2020 £'000	Valuation technique	Significant unobservable inputs	Impact on valuation £'000
Listed investments	1	**387,514**	80,279	Publicly available share bid price as at balance sheet date	n/a	n/a
SIML	3	**5,752**	4,211	Unadjusted net assets of SIML	Carrying value of assets and liabilities determined in accordance with generally accepted accounting principles, without adjustment.	+/- £288
Calibrated PRI[1]	3	**296,497**	357,710	Calibrated PRI	The main unobservable input is the quantification of the progress investments make against internal financing and/or corporate milestones where appropriate. A reasonable shift in the fair value of the investment would be +/-18%.	+/- £52,209
Adjusted price of latest funding round[2]	3	**1,555**	1,555	Price of latest funding round adjusted by management	The main unobservable input is the potential value returned in various exit scenarios and the weighting between these scenarios. A reasonable shift in the fair value of the investment would be +/-18%.	+/- £274

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

The following table presents the movements in Level 3 investments of the Holding Company for the years ended 31 March 2021 and 31 March 2020:

	Life science investments £'000	SIML £'000	2021 Total £'000	2020 Total £'000
Opening balance	359,265	4,211	**363,476**	420,751
Purchases during the year	149,514	1,500	**151,014**	170,953
Sales during the year	(3,017)	–	**(3,017)**	(336,932)
Gains on financial assets at fair value through profit or loss	37,786	41	**37,827**	93,247
Transfer (from)/to Level 3	(245,496)	–	**(245,496)**	15,457
Closing balance	298,052	5,752	**303,804**	363,476

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 £37,827,000 (2020: £93,247,000).

During the year, there were movements from Level 3 to Level 1 amounting to £150,722,983 and £94,772,653 (31 March 2020: £Nil) as a result of Freeline Therapeutics Holdings plc and Achilles Therapeutics Limited undergoing an Initial Public Offering.

The following table presents the Partnership's financial assets by level within the valuation hierarchy as at 31 March 2021 and 31 March 2020:

Asset type	Level	31 March 2021 £'000	31 March 2020 £'000	Valuation technique	Significant unobservable inputs	Impact on valuation £'000
UK treasury bills	1	**344,862**	614,820	Publicly available price as at balance sheet date	n/a	n/a
Unlisted fund investments	2	**26,098**	21,022	Valuation produced by fund administrator. Inputs into fund components are from observable inputs	n/a	n/a
Long-term unlisted investments	3	**46,268**	52,957	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%.	+/- £4,627
CRT Pioneer Fund	3	**36,576**	40,023	Valuation produced by fund administrator and adjusted by management	Unobservable inputs include the fund manager's assessment of the performance of the underlying investments and adjustments made to this assessment to generate the deemed fair value. A reasonable possible shift in the fair value of the instruments would be +/-23%.	+/- £8,412

During the year ended 31 March 2021, there were no movements from Level 1 to Level 2 (31 March 2020: £nil).

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 long-term unlisted investments are underlying funds which are not traded or available for redemption. The fair value of these assets is derived from quarterly statements provided by each fund's administrator. The 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 2021:

	CRT Pioneer Fund £'000	Capital pool investment £'000	2021 Total £'000	2020 Total £'000
Opening balance	40,023	52,957	**92,980**	83,368
Purchases	4,167	1,581	**5,748**	6,543
Return of capital	(1,239)	(33,252)	**(34,491)**	(14,527)
Gains on financial assets at fair value through profit or loss	(6,376)	24,983	**18,607**	17,596
Closing balance	36,575	46,269	**82,844**	92,980

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 £18,607,213 (31 March 2020: £17,595,453 gains).

20. Commitments and contingencies

The Group had the following commitments as at 31 March 2021:

	2021 Uncalled commitment £'000	2020 Uncalled commitment £'000
Life science portfolio		
Milestone payments to life science companies	106,854	133,991
CRT Pioneer Fund	4,888	9,056
Capital pool investments	3,751	4,247
Total	115,493	147,294

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 16 June 2021. Subsequent events have been evaluated until 15 June 2021.

Since the balance sheet date, share price movements resulted in a decrease in value of the listed life science investments of £53.6 million as at 15 June 2021.

AIFMD Disclosures (unaudited)

Report on remuneration and quantitative remuneration disclosure

Under the Alternative Investment Fund Managers Directive ("AIFMD"), we are required to make disclosures relating to remuneration of staff working for the Investment Manager for the year to 31 March 2021.

Amount of remuneration paid

The Investment Manager paid the following remuneration to staff in respect of the financial year ending on 31 March 2021 in relation to work on the Company.

	£m
Total staff	
Fixed remuneration	4.8
Variable remuneration	7.7
	12.4
Of which senior management and risk takers	6.7
Number of beneficiaries	32

Leverage

The Group may employ leverage and borrow cash, up to a maximum of 20 per cent of the NAV at the time of incurrence, in accordance with its stated investment policy. The use of borrowings and leverage has attendant risks and can, in certain circumstances, substantially increase the adverse impact to which the Group's investment portfolio may be subject. For the purposes of this disclosure, leverage is any method by which the Group's exposure is increased, whether through borrowing of cash or securities, or leverage embedded in foreign exchange forward contracts or by any other means. The AIFMD requires that each leverage ratio be expressed as the ratio between a Group's exposure and its Net Asset Value, and prescribes two required methodologies, the gross methodology and the commitment methodology (as set out in AIFMD Level 2 Implementation Guidance), for calculating such exposure. Using the methodologies prescribed under the AIFMD, the leverage of the Group is detailed in the table below:

	Commitment leverage as at 31 March 2021	Gross leverage as at 31 March 2021
Leverage ratio	0%	0%

Other risk disclosures

The risk disclosures relating to risk framework and risk profile of the Group are set out in note 18 to the Financial Statements on pages 127 to 130 and the principal risks and uncertainties on pages 56 to 59.

Pre-investment disclosures

The AIFMD requires certain information to be made available to investors in an Alternative Investment Fund ("AIF") before they invest and requires that material changes to this information be disclosed in the Annual Report of the AIF. A notice giving AIFMD Article 23 Disclosures, setting out information on the Group's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information, is available on the Group's website at www.synconaltd.com (in the "Regulatory Publications" section within "Investors").

The notice predominantly gives information by reference to the AIF's most recent Annual Report and accordingly will be updated to refer to this document shortly following its publication.

Report of the Depositary to the shareholders

Depositary Report

Report of the Depositary to the Shareholders

Citco Custody (UK) Limited has been appointed as Depositary to Syncona Limited (the "Company") in accordance with the requirements of Article 36 and Articles 21(7), (8) and (9) of the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (the "AIFM Directive").

We have enquired into the conduct of the AIFM and Syncona Ltd (the "AIF") for the year ended 31 March 2021, in our capacity as Depositary to the AIF. This report including the opinion has been prepared for and solely for the shareholders in the AIF, in accordance with the stated Depositary requirements in the FCA Investment Fund Sourcebook. We do not, in giving our opinion, accept or assume responsibility for any other purposes or to any other person to whom this report is shown.

Responsibilities of the Depositary

Our duties and responsibilities are outlined in the FCA Investment Fund Sourcebook. One of those duties is to enquire into the conduct of the AIFM and the AIF in each annual accounting period and report thereon to the shareholders. Our report shall state whether, in our opinion, the AIF has been managed in that period, in accordance with the provisions of the AIF's Memorandum and Articles of Association and the FCA Investment Fund Sourcebook. It is the overall responsibility of the AIFM and the AIF to comply with these provisions. If either the AIFM or the AIF has not so complied, we as Depositary must state why this is the case and outline the steps which we have taken to rectify the situation.

Basis of Depositary Opinion

The Depositary conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties as outlined in the FCA Investment Fund Sourcebook and to ensure that, in all material respects, the AIF has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the AIF's constitutional documentation and the appropriate regulations.

Opinion

In our opinion, the AIF has been managed during the year, in all material respects:

i) in accordance with the limitations imposed on the investment and borrowing powers of the AIF by the constitutional document; and by the AIFMD legislation as prescribed in the FCA Investment Fund Sourcebook; and

ii) otherwise in accordance with the provisions of the constitutional document and the AIFMD legislation.

Company summary and e-communication for shareholders

The Company

Syncona is a leading healthcare company focused on founding, building and funding a portfolio of global leaders in life science.

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

Information for shareholders

The Stock Exchange code for the shares is SYNC.

The Company publishes updates with a full investment portfolio review as at 30 September and 31 March each year. The Company also publishes an interim management statement as at 30 June and 31 December each year.

Registrar services and e-communications for shareholders

Communications with shareholders are mailed to the address held on the share register. Any notifications and enquiries relating to registered share holdings, including a change of address or other amendment, should be directed to Link Asset Services.

By phone:
UK: 0371 664 0300.

From overseas: +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

By email:
shareholder.services@linkgroup.co.uk

By post:
Link Group Shareholder Services, 10th Floor, Central Square,
29 Wellington Street, Leeds LS1 4DL

Syncona Limited would like to encourage shareholders to receive shareholder documents electronically, via our website or by email notification instead of hard copy format. This is a faster and more environmentally friendly way of receiving shareholder documents. The online Signal Shares service from our registrar, Link, provides all the information required regarding your shares.

Its features include:
- The option to receive shareholder communications electronically instead of by post.
- Direct access to data held for you on the share register including recent share movements.
- The ability to change your address online.

To receive shareholder communications electronically in future, including all reports and notices of meetings, you just need the "shareholder reference" printed on your proxy form and knowledge of your registered address. Please register your details free on:
www.signalshares.com

Should you require further information, please visit:
www.synconaltd.com

Email: contact@synconaltd.com

Glossary

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 base
Capital pool investments plus cash less other net liabilities.

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

Capsid
The protein shell of a virus.

Clinical endpoint
An outcome from a clinical trial which demonstrates a direct clinical benefit from a therapy e.g. increased rates of survival.

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.

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.

Gaucher disease
A genetic disorder in which a fatty substance called glucosylceramide accumulates in macrophages in certain organs due to the lack of functional GCase.

General Partner
Syncona GP Limited.

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

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

Holding Company
Syncona Holdings Limited.

ICR
The Institute of Cancer Research.

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

Investment Manager
Syncona Investment Management Limited.

IRR
Internal Rate of Return.

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

Life science portfolio return
Life science portfolio Time Weighted Rate of Return for 2021: 14 per cent; 2020: (25) 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 investment.

Gross Life Science portfolio return for 2021 11.8 per cent; 2020: (18) per cent.

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 106.

Lymphocytes
Specialised white blood cells that help to fight infection.

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

Macrophages
A form of white blood cell and the principal phagocytic (cell-engulfing) components of the immune system.

MES
Management Equity Shares.

Monocytes
A type of white blood cell, formed in the bone marrow.

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

Net Asset Value, Net Assets or NAV
Net Asset Value (“NAV”) is a measure of the value of the Company, being its assets – principally investments made in other companies and cash and cash equivalents held – minus any liabilities expressed as pence per share.

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

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

NAVTR calculation

Opening NAV per fully diluted share (note 14):	185.6p
Closing NAV per fully diluted share (note 14):	193.8p
Movement:	8.3p
Dividend paid in the year (note 15):	–
Total movement:	(10.6p)
Total movement/opening NAV per fully diluted share:	4.4%

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.

Partnership
Syncona Investments LP Incorporated.

PTCL
Peripheral T Cell Lymphoma – an aggressive T-cell non-Hodgekin Lymphoma, originating in the lymphatic system.

SIML
Syncona Investment Management Limited.

Surrogate endpoint
An outcome from a clinical trial which produces a predicted clinical benefit from a therapy, based on its impact on a surrogate factor e.g. tumour shrinkage.

Syncona Group companies
The Company and its subsidiaries other than those companies within the life science portfolio.

Syncona team
The team of SIML, the Company’s investment manager.

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

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

Total Shareholder Return
Movement in share price plus dividends.

Advisers

Secretary, Administrator and registered office

Citco Fund Services (Guernsey) Limited
Arnold House
St Julian Avenue
St. Peter Port
Guernsey GY1 3RD

Investment Manager

Syncona Investment Management Limited
8 Bloomsbury Street
London WC1B 3SR
United Kingdom

Depositary and Custodian

Citco Custody (UK) Limited
7 Albemarle Street
London W1S 4HQ
United Kingdom

Auditors

Deloitte LLP
PO Box 137
Regency Court
Glategny Esplanade
St Peter Port
Guernsey GY1 3HW

Brokers

Goldman Sachs
River Court
120 Fleet Street
London EC4A 2BE
United Kingdom

Numis Securities
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT
United Kingdom

References for portfolio company information, page 29-37

3 https://www.aao.org/eye-health/diseases/amd-macular-degeneration

4 https://www.nature.com/articles/s41416-021-01353-6

5 Autolus corporate presentation: May 2021 – https://autolus.gcs-web.com/static-files/f38a593a-a058-4c77-a9ea-ce24e7c70a85

6 See impact of approved therapy for SMA, Zolgensma: https://www.zolgensma.com/

7 https://www.ema.europa.eu/en/clinical-investigation-immunosuppressants-solid-organ-transplantation

8 https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4938354/

References for market review information, page 38-41

1 https://clinicaltrials.gov/ct2/resources/trends

2 https://www.topuniversities.com/university-rankings/university-subject-rankings/2021/life-sciences-medicine

3 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/977265/Life_Science_Competitiveness_Indicators_2020_report.pdf

4 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/910439/Bioscience_and_Health_Technology_Statistics_2019_Infographic_-_Life_Sciences.pdf

5 https://www.gov.uk/government/publications/the-future-of-uk-clinical-research-delivery/saving-and-improving-lives-the-future-of-uk-clinical-research-delivery

6 Source: page 45
https://www.bioindustry.org/uploads/assets/2552f01e-5b03-47ca-9794ba0d428a6cf5/Opportunity-on-your-doorstep-A-guide-to-investing-in-the-UK-biotech-sector.pdf

7 https://www.thelancet.com/journals/lanmic/article/PIIS2666-5247(21)00041-0/fulltext

8 https://www.bcg.com/en-gb/publications/2020/how-the-pandemic-is-redefining-clinical-development

9 https://www.oecd-ilibrary.org/sites/3d1e710c-en/index.html?itemId=/content/component/3d1e710c-en

10 https://www.bioindustry.org/uploads/assets/bbf42256-e162-461f-bb171ae6272f974d/The-science-of-success-WEB-small.pdf

11 Source: Deloitte, Page 4 – https://documents.deloitte.com/insights/Globalhealthcareoutlook

12 https://data.oecd.org/gdp/gdp-long-term-forecast.htm

13 Jefferies Research 5-1-2021/Syncona Team analysis of Third Wave transaction

14 https://www.fda.gov/vaccines-blood-biologics/cellular-gene-therapy-products/approved-cellular-and-gene-therapy-products, Syncona team analysis

15 https://www.clinicalomics.com/topics/navigating-complexity-in-oncology-cell-and-gene-therapy-clinical-trials/

16 https://ct.catapult.org.uk/news-media/general-news/press-release-2020-clinical-trials-database-report-confirms-uk

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C107262

This report is printed on GenYous® which is derived from sustainable sources. Both the manufacturing paper mill and printer are registered to the Environmental Management System ISO 14001 and are Forest Stewardship Council® chain of custody certified.

Designed and produced by **SampsonMay**
Telephone: 020 7403 4099
www.sampsonmay.com