

22 November 2017

Syncona Limited

Interim results for the six months ended 30 September 2017

Strong returns and NAV increase with positive performance across the business

- Net assets at 30 September 2017 of £1,032.2 million; 156.4p per share, a total return of 16.7 per cent¹
- 50.6 per cent² return from life science portfolio driven by positive financing events in Nightstar and Autolus
- Funds portfolio generated return of 4.1 per cent³, benefitting from continued strong equity markets

Significant advancement in evolution; differentiated strategy driving value creation

- Evolution to concentrate on creating, investing in and building global leaders in life science gathered pace
- Life science portfolio valued at £455.2 million and now represents 44.1 per cent of the Company's Net Assets, up from 25.3 per cent at March 2017
- Pace of transition driven by strong value progression in the portfolio and £91.6 million of follow-on investment into existing life science portfolio
- Funds portfolio valued at £552.0 million providing a deep pool of capital for investing in life sciences
- Significant progress made repositioning the funds portfolio towards more liquid funds in hedged strategies with a lower volatility profile

Life science portfolio delivers very strong financial and operational progress

- Blue Earth Diagnostics, our PET imaging agent company, delivered continued momentum in the launch and rollout of Axumin. Units sold in the United States increased significantly in the third and fourth quarters since launch to 1800 and 2500 units respectively, with strong reordering rates and positive organic growth at existing sites
- Nightstar, our gene therapy company targeting inherited forms of blindness, completed a US\$45 million Series C financing and an IPO on NASDAQ raising US\$86 million at significant valuation uplifts
- Autolus, our CAR-T cell therapy company focused on the treatment of cancer, completed a US\$80 million Series C financing at a material uplift and commenced its clinical trial programme
- Syncona's Developing portfolio companies continue to progress the delivery of key milestones, in particular with the appointment of CEOs with significant gene therapy experience in Gyroscope and Freeline

Life Sciences valuation movements in period (£m):

Company	31 March 2017 value	Net investment in the period	Valuation change	30 Sept 2017 value	% NAV
Established					
Blue Earth Diagnostics	£108.4	£6.0	£2.5	£116.9	11.3
Maturing					
Nightstar Therapeutics	£34.2	£25.6	£114.8	£174.6	16.9
Autolus	£31.2	£38.1	£19.7	£89.0	8.6
Developing					
Freeline Therapeutics	£18.0	£13.0	-	£31.0	3.0
Gyroscope Therapeutics	£5.0	£2.8	-	£7.8	0.8
Achilles Therapeutics	£2.8	£3.8	-	£6.6	0.6
CEGX	£5.2	-	-	£5.2	0.5
CRT Pioneer Fund	£21.8	£2.3	-	£24.1	2.4
TOTAL	£226.6	£91.6	£137.0	£455.2	44.1

Positive outlook and clear plan

Syncona has had a particularly strong start to the year. Our life science portfolio companies remain well placed and are working towards the delivery of important key milestones in their development plans, with a number commencing

¹ Including 2.3p dividend paid in August 2017

² Return for life sciences and funds portfolio calculated on a time weighted basis

³ Return for life sciences and funds portfolio calculated on a time weighted basis

or progressing clinical trials in 2018, which, if successful, will enable the continued progression of their therapies to market.

Syncona is well funded, with a deep pool of capital in our funds portfolio underpinning our life science portfolio. We continue to see a rich pipeline of life science investment opportunities in areas of high unmet medical need, with multiple projects under review. We have a highly selective and disciplined investment strategy and maintain a focus on investing in only the best opportunities. We continue to expect to invest up to £150.0 million into new and existing life science investments in the current financial year, having already made £91.6 million of investments into our existing life sciences portfolio.

We remain positive on the outlook for the business and believe the investment portfolio is well positioned to continue to deliver attractive risk adjusted returns through the cycle.

Martin Murphy, CEO, Syncona Investment Management Limited, said, "Syncona has made significant progress in the first half and delivered strong NAV progression. We have demonstrated the benefit of a differentiated model that enables us to draw from a deep pool of productively deployed capital to make investments in our focused life sciences portfolio. Our objective is to ensure our businesses have the backing they need to become global leaders in their fields and deliver transformational treatments to patients in areas of high unmet need.

"The Syncona team worked closely with our portfolio companies to achieve significant milestones during a particularly busy first half. Among our maturing business, Autolus completed an important financing round and commenced clinical trials for its differentiated CAR-T programmes. Nightstar completed a highly successful IPO just four years after Syncona founded the Company. Our established business, Blue Earth Diagnostics, continued to prove the efficacy and market appeal of its Axumin product in the US and commenced its introduction to the European market.

"This progress reinforces the benefits of Syncona's highly focused, hands-on and long-term approach. The material valuation gains in this six months reflect five years of significant efforts since Syncona was founded in 2012. Looking ahead, 2018 will be an important year as a number of our portfolio companies enter or progress clinical trials and seek to deliver other important milestones. There is much to do as we work to help these businesses fulfil their potential and deliver value for both patients and shareholders."

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

Forward-looking statements – this announcement contains certain forward-looking statements with respect to the portfolio of investments of Syncona Limited. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements

About Syncona:

Syncona is a leading FTSE250 company focused on investing in and building global leaders in life science. Our vision is to deliver transformational treatments to patients in truly innovative areas of healthcare while generating attractive returns for shareholders. Our current investment portfolio consists of seven high quality investee companies in life science and a leading range of fund investments.

We seek to partner with the best, brightest and most ambitious minds in science to build globally competitive businesses. We are established leaders in gene therapy, cell therapy and advanced diagnostics, and focus on delivering dramatic efficacy for patients in areas of high unmet need.

Our funds portfolio seeks to generate superior returns by investing in long only and alternative investment funds. This represents a productively deployed evergreen funding base, which enables us to take a long-term approach to investing in life science as we target the best new opportunities and support our existing portfolio investee companies to grow and succeed.

Syncona is aligned with two of the premium charitable funders in UK science, the Wellcome Trust, original founder of Syncona, and Cancer Research UK, both of which are significant shareholders in our business. We make a donation of 0.3 per cent of Net Asset Value to a range of charities each year.

Chairman's statement

I am pleased to report strong performance and continued progress for the six months to 30 September 2017.

Significant positive momentum

NAV per share increased by 16.7 per cent⁴ on a total return basis and Syncona now has assets of £1,032.2 million, or 156.4p per share (March 2017: £895.2 million; 136.0p per share).

Within our life science portfolio a number of significant financial and operational milestones were achieved, resulting in excellent value progression and a return of 50.6 per cent in the six months. These returns have been complemented by a 4.1 per cent gain on our funds portfolio, which continues its focus on generating attractive risk-adjusted returns as it transitions to more liquid and less volatile funds and provides a strong capital base for the life science portfolio.

Excellent progress in the evolution of Syncona's investment strategy

Significant value progression and investment in the life science portfolio during the period saw further evolution of our investment strategy to focus on investing in and building global leaders in healthcare. By 30 September, Syncona's exposure to life science investments had increased to 44.1 per cent of net assets, up from 25.3 per cent at 31 March 2017.

The funds and life science investment teams have worked well together to utilise a deep, productively deployed capital pool to invest in compelling investment opportunities in life science. This combination is an important strategic differentiator for the business and one on which we will further capitalise in the coming years.

Board

With the development of the investment strategy, the composition of the Board is also evolving.

Earlier this month Rob Hutchinson joined the Board as a Non-Executive Director. Rob brings many years of broad financial experience to the role, having spent 28 years at KPMG and as a Fellow of the Institute of Chartered Accountants in England and Wales. Rob will be a valuable addition to the Board and we look forward to working with him. We expect the Board will continue to evolve.

The future

Our vision remains to deliver transformational treatments to patients in innovative areas of healthcare while generating superior returns for shareholders. We are delighted with the delivery of significant achievements in our life science portfolio and the excellent value progression delivered this half. We have made a very strong start towards the delivery of our strategy and look forward to reporting back to shareholders at the end of the year.

Jeremy Tigue, Chairman, Syncona Limited
22 November 2017

⁴ Including 2.3p dividend paid in August 2017

Report from CEO of Syncona Investment Management Limited

Syncona has delivered a very strong start to our first year as a combined business. It has been pleasing to see our strategy of building global leaders in life science gather pace, supported by our deep, productively deployed pool of long term capital.

A remarkable period for new 'Third Wave' technologies

The past six months have seen remarkable landmarks in the development of emerging 'Third Wave' technologies such as cell and gene therapy. These therapies have the potential to transform care in a range of devastating diseases through highly precise treatments tailored to the individual patient. In many cases they offer the potential for cure through a single, one off treatment. With the milestone approval of the first two CAR-T therapies in the United States, which harness the power of a patient's own T-cells to fight cancer, during the period, it is now clear that these treatments are going to become commercial and, more importantly, patient realities.

When we formed Syncona in 2012 we took a high conviction view on emerging clinical data that these therapies were going to drive the next wave of innovation in healthcare. We developed deep domain expertise, allowing us to select the best scientific opportunities and build a portfolio of high quality companies in these areas. These companies are now making very positive progress and have the opportunity, should they continue to execute well, to be global leaders in the cell and gene therapy space. This process is representative of Syncona's strategy; to identify promising areas of cutting edge science and build companies which we can support over the long term as they seek to take their products to market.

Portfolio highlights demonstrate the benefits of our company building approach

In this context we delivered positive progress in our life science portfolio during the half. We saw Nightstar, a gene therapy company which Syncona founded four years ago, conduct an US\$86 million listing on NASDAQ supported by a wide range of leading global investors. At the end of the period Nightstar was trading at US\$19.20 per share, a premium of almost 40 per cent to its listing price capitalising the business at US\$550 million, demonstrating the potential the market sees in this business. Nightstar is now a step closer to achieving its ambition of becoming the global leader for the treatment of inherited retinal disease through gene therapy. The business is on track to start its pivotal trial, the last before a potential approval, in its lead indication of choroideremia in early 2018. Consistent with our strategy of maintaining significant ownership stakes in our portfolio companies, we look forward to continuing to take an active role in supporting Nightstar's success so that the business might ultimately be able to deliver its potentially transformative treatments to patients.

We also saw our CAR-T cell therapy company Autolus reach a significant milestone, becoming a clinical stage company with the commencement of three clinical trials in its two lead programmes. While the CAR-T space is now a competitive field, we believe Autolus is differentiated by its extensive cell programming capabilities and its efficient, scalable manufacturing platform. These factors provide it with the opportunity to deliver programmes which are either first in class or best in class.

Autolus also completed a significant US\$80 million Series C funding round at a substantial valuation uplift, led by Syncona as the founding shareholder and supported by leading global institutional investors. With the recent approval of two CAR-T products by the US Food and Drug Administration and significant corporate activity in the space, it is now clear that CAR-T will become an important commercial reality in the haematological cancer field.

These examples demonstrate the strength of our business model, which combines an expert approach to company building with a deep pool of capital and a long-term ownership approach. We believe this enables us to hire highly motivated, expert teams to lead our businesses. Through our model we hope to deliver transformational treatments to patients in areas of high unmet medical need and secure value throughout the cycle for our shareholders.

Significant progress delivered with an important period ahead

Our life science companies have delivered a significant amount of progress this half, benefitting from five years of development since the foundation of Syncona in 2012. 2018 will be an important year for the business as we see a number of our portfolio companies commence or progress clinical trials or approach other key milestones which will require them to execute well and which, if successful, will enable the progression of their therapies to market. We are pleased with the early strong momentum in the portfolio and look forward to continuing to support our companies to succeed.

Martin Murphy, CEO, Syncona Investment Management Limited
22 November 2017

Finance review

Syncona's core focus is on investing in and building global leaders in life science, with its investment programme funded and underpinned by its funds portfolio.

As the investment portfolio evolves, the weighting to life science investments will increase as our companies develop and new and follow-on investments are made. The liquidity provided by our funds portfolio is a strategic differentiator. Whilst we expect the overall weighting to this part of our portfolio to reduce as a percentage of the portfolio over time, we anticipate that it will remain a bedrock of our funding model, providing us with the confidence to take a long-term view in the financing of our life sciences investments.

Performance

The portfolio as a whole generated a return of 19.8 per cent in the six months. Performance was driven by the 50.6 per cent return from our life sciences portfolio, following strong value progression in Nightstar and Autolus during the period. These strong returns were underpinned by a 4.1 per cent return from the funds portfolio. Through the cycle, we are targeting a 15 per cent net IRR on our portfolio and we are encouraged by this early strong performance.

Valuations

Syncona continues to maintain a conservative valuation approach for all investments, with the funds portfolio valued on a third-party basis and the life science portfolio valued in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

Life sciences portfolio valuation basis	30 September 17	31 March 17
Quoted	38%	-
Discounted cash flow	26%	48%
Price of recent investment	21%	31%
Cost	10%	11%
Adjusted third-party	5%	10%

In September, Nightstar listed on NASDAQ, and the valuation for the business moved from a price of recent investment to a quoted basis. At 30 September 2017, Nightstar was valued at £174.6 million and the valuation will fluctuate with both the movement in Nightstar's share price and the foreign currency exchange rate.

Cash flows and liquidity

Syncona continues to have a strong capital base with cash balances of £36.1 million (March 2017: £86.3 million) and £552.0 million (March 2017: £582.4 million) of liquidity in the funds portfolio.

During the six months, the funds portfolio continued to transition to more liquid and less volatile investments. A total of £113.4 million of redemptions were made, of which £66.6 million was redeployed into the funds portfolio. The remainder was used, alongside existing cash balances, to support the £91.6 million⁵ of follow-on investments into our existing life science portfolio.

Looking ahead, we would anticipate holding a prudent level of cash resources on hand. We anticipate cash balances to typically be above those held at 30 September 2017.

The absolute level of drawdowns from our cash and liquidity resources will be dependent on our life science investment pipeline. Our expectation remains that Syncona will invest up to £150 million in new and existing life science investments this financial year.

Liquidity profile	30 September 17	31 March 17
Cash	£36.1m	£86.3m
< 1 month	£220.7m	£161.7m
1-3 months	£85.3m	£137.5m
3-12 months	£198.7m	£237.3m
> 12 months	£47.3m	£45.9m

⁵ Including £10.5 million investment into Nightstar at its IPO, which settled on 2 October 2017

Expenses

Our ongoing charges ratio for the six months was 1.44 per cent (March 2017: 0.72 per cent). The ongoing charges ratio includes charges paid to the Investment Manager (BACIT UK) and the Investment Advisor (Syncona Investment Management Limited).

Charitable donations

Total charitable donations of £2.4 million (March 2017: £4.8 million) were accrued during the half, to be split equally between The Institute of Cancer Research and The BACIT Foundation (for onward distribution to the nominated charities). Including these donations, since launch the Company has now made charitable donations of more than £20.5 million.

Uncalled commitments

Uncalled commitments stood at £86.2 million at 30 September 2017, of which £38.8 million relate to milestone payments associated with the life science portfolio. These payments are linked to the relevant company achieving key strategic and development goals over the next 24 months.

	Uncalled Commitment
Life Science Portfolio:	
Milestone payments to portfolio companies	£38.8m
CRT Pioneer Fund	£26.1m
Fund Portfolio	£21.3m
TOTAL	£86.2m

Foreign exchange

During the period, Autolus and Nightstar conducted funding rounds in US dollars, resulting in £263.6 million of the life science portfolio now being denominated in US dollars, none of which was hedged. Within the funds portfolio, £270.7 million was denominated in US Dollars, of which 69.4 per cent was hedged and £69.3 million was denominated in Euros, all of which was hedged. At 30 September 2017, the unrealised gain on the associated forward contracts was £4.0 million (March 2017: £0.4 million).

Appointment of Alternative Investment Fund Manager (AIFM)

We expect Syncona Investment Management Limited to be appointed as the Company's AIFM before the end of 2017.

John Bradshaw, Chief Financial Officer, Syncona Investment Management Limited
22 November 2017

Life science portfolio review

Syncona's life science portfolio made excellent strategic and financial progress during the first half of the 2018 financial year. We remain at the forefront of the revolution in 'Third Wave' technologies such as cell and gene therapy, with five of our seven portfolio companies operating in these areas.

Life science portfolio as at 30 September 2017

Company	£m value	Syncona ownership ⁶	% of life science portfolio	% of NAV	Valuation basis
Established					
Blue Earth Diagnostics	£116.9	90%	25.7%	11.3%	DCF
Maturing					
Nightstar	£174.6	42%	38.4%	16.9%	Quoted
Autolus	£89.0	38%	19.6%	8.6%	PRI
Developing					
Freeline Therapeutics	£31.0	74%	6.8%	3.0%	Cost
Gyroscope Therapeutics	£7.8	78%	1.7%	0.8%	Cost
Achilles Therapeutics	£6.6	66%	1.4%	0.6%	Cost
CEGX	£5.2	12%	1.1%	0.6%	PRI
CRT Pioneer Fund	£24.1	64%	5.3%	2.3%	Adj. Third-Party

DCF – Discounted Cash Flow; PRI – Price of Recent Investment

Portfolio performance

The portfolio generated a 50.6 per cent return in the period since 31 March 2017. The increase was driven in particular by significant financing events in Nightstar and Autolus, both of which were delivered at substantial valuation uplifts for Syncona in the six month period.

Established companies

Blue Earth Diagnostics (Blue Earth)

Blue Earth is a molecular imaging diagnostics company focused on the development and commercialisation of novel PET imaging agents to inform clinical management and guide care for cancer patients.

During the period the business continued its positive trajectory in the launch of Axumin, its product for the diagnosis of recurrent prostate cancer. Units sold increased to 1800 and 2500 in the second and third quarters of 2017 respectively, a significant increase from 200 units and 800 units in the first launch quarters (4Q16 and 1Q17⁷). We are encouraged by strong reordering rates and robust organic growth at launched sites, providing confidence in the rollout to new areas as the business seeks to increase its coverage across the US in a measured way. Expansion of Axumin supply is ongoing through the addition of new manufacturing sites and increased utilisation of existing sites, with 17 sites active at period end, up from 14 in March 2017.

In Europe, Blue Earth received approval from the European Commission to market Axumin in May. The European market is more fragmented and represents a more challenging reimbursement environment than the US, that will require country specific rollout plans. Blue Earth made excellent progress on this front, signing four manufacturing and distribution agreements covering 14 countries. Commercial sales commenced in two initial countries in September and October and will be rolled out across other markets in due course.

During the period Blue Earth also presented the UK Axumin Change in Management FALCON study at the 2017 ASTRO Annual Meeting. The study measured the extent to which physicians opted to change the treatment provided to their patients after Axumin was used to identify the location of their recurrent prostate cancer. Recruitment to the trial was halted early based on a successful interim analysis, with initial results demonstrating that 61.2 per cent of patients had their clinical management changed following an Axumin scan, representing overwhelming efficiency as defined by the protocol.

While it remains early days for a complex product launch of this nature, we are very pleased with the results so far and remain positive about the prospects for Blue Earth.

⁶ Fully diluted ownership

⁷ Calendar year

Maturing companies

Nightstar

Nightstar utilises gene therapy to develop products for inherited forms of blindness which have no available therapies. During the period Nightstar conducted two major financing events, a US\$45 million Series C financing round in June and an oversubscribed US\$86 million NASDAQ IPO in September. Both rounds were conducted at significant valuation uplifts and Syncona invested in both financings consistent with its strategy of maintaining significant ownership stakes in its businesses. As a result of these activities, the value of Syncona's stake in the business increased from £34.2 million to £174.6 million during the period.

Both financings were supported by leading institutional investors, testament to the quality and potential of the business. The IPO places Nightstar amongst the leading global biotech companies operating at the forefront of the gene therapy field, a remarkable achievement just four years after being founded by Syncona on the basis of early academic data.

The business also continued to progress its high-quality pipeline of seven programmes in mono-genetic retinal disorders, having licensed a further programme from Oxford in Stargadt disease following the period end. The business is on track to commence its Phase III pivotal clinical trial in its lead programme of choroideremia in the first half of next year, and expects initial data from its second programme in X-linked Retinitis Pigmentosa during 2018. Its third programme in Best Vitelliform Macular Dystrophy is targeting initiating a clinical trial in 2019.

Autolus

Autolus is a clinical-stage biopharmaceutical company focused on the development and commercialisation of next generation CAR-T cell therapies for the treatment of cancer. Autolus continued to make progress establishing a leading position in the CAR-T field during the period, commencing three clinical trials for Multiple Myeloma, paediatric ALL and adult DLBCL, with products it believes have the potential to be first or best in class. Autolus is focused on progressing these programmes through the clinic rapidly, with initial data expected to begin reading out from 2018.

In September, Autolus conducted an US\$80 million Series C investment round at a significant valuation uplift for Syncona. Syncona led the round, which was supported by leading global institutional investors. The funds will be used to advance Autolus' clinical-stage pipeline while building an efficient, scalable manufacturing platform to bring its CAR T-cell therapies rapidly and successfully to market

Autolus anticipates commencing clinical trials of its T-cell Lymphoma program in the first half of 2018 as well as advancing several programmes targeting solid tumours through preclinical development during the year. We believe Autolus is well positioned to compete with global competitors in the CAR-T field and look forward to continuing to support the business.

Developing companies

Our Developing companies have continued to work towards executing their plans and delivering key milestones during the period.

Gyroscope, our second retinal gene therapy company, appointed Dr Soraya Bekkali as Chief Executive Officer. Soraya brings over 20 years' industry experience with a specific focus in the fields of gene therapy and ophthalmology, and will also serve as Chief Medical Officer of the business. Gyroscope also publicly launched its business, revealing that it is developing genetically defined therapies for retinal diseases linked to an unbalanced complement system, a part of the immune system and that Age-related Macular Degeneration (AMD) is the first disease being targeted. AMD is the most common cause of blindness in the industrialised world. This is an emerging new application of gene therapy conceived by Syncona due to its deep experience in the field. Gyroscope is expected to commence clinical trials during 2018.

Freeline, a third gene therapy company which is focused on the development of curative therapies for haemophilia and other debilitating disorders, appointed Anne Prener as Chief Executive Officer. Anne has extensive experience in drug development and commercialisation with a specific focus on gene therapy and rare diseases. From 2014 to 2016 she served as Vice President, Clinical Research Haematology and Global Therapeutic Area Head of Haematology at Baxalta. During her tenure, three new major product approvals in both the US and EU were secured along with a significant advancement in Baxalta's haematology portfolio including gene therapy for haemophilia. The business is seeking to validate its clinical and manufacturing platform during 2018.

Achilles, our preclinical immunotherapy company, also made strong progress during the period making important breakthroughs which have provided further confidence in the key scientific premise of the business. We remain positive on the opportunities for the business which is meeting key milestones as planned. Finally, CEGX, a

pioneer in the field of epigenetics, generated new data during the period which is now under analysis by the business and further plans are underway.

CRT Pioneer Fund

The CRT Pioneer Fund is managed by Sixth Element Capital and invests in oncology focused assets. The fund has a pipeline agreement with Cancer Research UK under which it has a right of first review of certain CRUK drug discovery projects. At 30 September 2017, Syncona's ownership stake in the fund equalled 64.1 per cent and was valued at £24.1 million, comprising a portfolio of 11 investments in early stage drug discovery opportunities.

Outlook

Looking ahead, we continue to believe our portfolio companies are well positioned to execute on their clear and ambitious plans, and we look forward to continuing to support them to do so. We are leaders in 'Third Wave' technologies which are enjoying positive sentiment because of the ever-increasing amount of positive clinical data in the field. This will be a critical year for a number of our businesses as they enter clinical trials which we hope will generate the positive data required for them to move forward with their therapies. We continue to see opportunities to add to our portfolio and will make new investments where the quality of the opportunity meets the high bar set by the remainder of our portfolio companies.

Chris Hollowood, Chief Investment Officer, Syncona Investment Management Limited
22 November 2017

Funds portfolio review

The funds portfolio has continued to deliver attractive risk-adjusted returns, generating a return of 4.1 per cent⁸ over the six months. Unsurprisingly, given continued rising asset prices in the period, performance was driven by the long-biased elements of the portfolio, with the portfolio's exposure to both long-only and hedge funds contributing to overall growth.

At 30 September 2017, the funds portfolio was valued at £552.0 million⁹ (March 2017: £582.8 million) and was invested in 30 underlying funds across 21 managers.

Funds portfolio	
Opening portfolio	£582.8m
Redemptions	(£113.4m)
Reinvestment	£66.6m
Movement in unrealised gain on hedge	£3.5m
Gain on portfolio	£12.5m
Closing portfolio	£552.0m

Portfolio transition to more liquid funds in strategies with a lower volatility profile

Following the expansion of Syncona's investment policy in December 2016, we have continued to transition the portfolio's investments to ones that are typically more liquid and are less correlated to equity markets, redeeming some allocations to more directional or long-only strategies in favour of long/short hedge funds, which may at any time proactively adjust exposure to equity markets, depending on their outlook and market sentiment.

During the six months, £113.4 million of redemptions were made, of which £66.6 million was reinvested into funds with the remainder deployed into the life science portfolio or held in cash. In particular, the portfolio's allocation to commodities was redeemed in total and its exposure to a number of funds that have historically proved to be more volatile was reduced. We expect to have substantially completed the repositioning of the portfolio by the end of 2018.

Portfolio construction – focus on containing correlation to a market correction

We are focused on investing with proven managers who have demonstrated an ability to contain downside volatility through portfolio construction or nimble repositioning and active management of underlying holdings, or both. At 30 September 2017, 58 per cent of the portfolio was allocated to hedge funds and the portfolio's construction is driven by the degree to which the managers' skill sets deliver performance that has a low correlation to equity markets and can limit the portfolio exposure to market dislocations.

Rising markets increases portfolio's exposure to equities

Looking across the portfolio at both our long-only and hedged strategies, our underlying managers' outlook and relative confidence in equity markets continued to improve, and we estimate the portfolio ended the period 65 per cent net long in equity equivalents. This reflects the expansion of our underlying managers' long books with rising markets, rather than re-allocation of capital to long-only strategies at the portfolio level, and is at the top of the 37 per cent to 65 per cent range since inception and compares to 57 per cent at the end of March 2017.

Foreign exchange – reduction in unhedged US\$ exposure

The funds portfolio continues to hedge out substantially all exposure to Euro denominated share classes, and around three-quarters of its exposure to US Dollar denominated share classes. Overall, 15.1 per cent of the portfolio's value at the period end was in unhedged US Dollar share classes. As we report in Sterling, and the US Dollar weakened from US\$1.25 to US\$1.34 over the six months, while the realised and unrealised gain on the portfolio's foreign exchange hedges made a £9.1 million¹⁰ contribution to performance in the period, the unhedged element detracted approximately £2.6 million or 0.5 per cent from the portfolio performance during the period.

⁸ Including realised gain of £5.6 million on foreign exchange hedges

⁹ Including associated hedges

¹⁰ £5.6 million realised gain, £3.5 million unrealised gain

Portfolio strategies

Strategy	£m value	% of NAV	% of the funds portfolio	% change in weighting in six months
Equity hedge funds	£233.1	22.6	42.2	+4.1
Equity funds	£153.8	14.9	27.9	+3.8
Fixed income and credit funds	£68.9	6.7	12.5	-2.6
Global macro funds	£57.3	5.6	10.4	-2.8
Other strategies	£34.9	3.4	6.3	+0.4
Commodities	-	-	-	-3.5
Unrealised FX hedge	£4.0	0.4	0.7	+0.6
TOTAL	£552.0	53.6	100.0	-

Equity hedge funds

The portfolio's weighting to equity hedge funds increased to 42.2 per cent in the six months, reflecting an increase in our allocation to this strategy and strong performance, with the long-bias elements of these strategies continuing to drive value. The managers within this strategy have track records of modest correlation to equity markets. In aggregate, funds in this strategy produced a constant currency return of 4.7 per cent in the six months.

Equity funds

Rising equity markets have continued to provide a tail-wind for our investments in long-only equity funds, with the UK, Japanese and Russian funds outperforming their respective benchmarks in the six months. In aggregate, funds in this strategy produced a return of 10.5 per cent in constant currencies, with the small increase in the portfolio's weighting to long-only funds reflecting performance rather than a meaningful increase in our allocation.

Fixed income and credit funds

Inflation expectations declined as did the US Dollar against Sterling, both of which negatively impacted the value of the portfolio's TIPs holding. This partially detracted from the positive progress made by the remaining investments within our credit strategies. In aggregate fixed income and credit funds made a 2.5 per cent contribution on a constant currency basis.

Global macro funds

The portfolio has a 10.4 per cent weighting to global macro funds, primarily invested in two long/short funds, one global and one focused on Asia Pacific. The portfolio's allocation to macro funds is intended to serve as a hedge for its long-only equity book and in aggregate these funds made a small positive contribution to performance in the six months.

Other strategies

Other Strategies accounted for 6.3 per cent of the portfolio and include infrastructure, private equity and credit. Realisations activity and valuation uplifts continued to drive strong performance across these funds, generating an aggregate return of 9.2 per cent in constant currencies in the period.

Commentary on the portfolio after period end

Since the period end, asset prices have continued to rise on the back of a growing market consensus of an economic scenario of sustainable growth and moderate inflation. Against this, the scale of global debt burdens constrains central bankers' abilities to raise interest rates without the risk of triggering a recession and, in this context, we remain cautious about the ability of markets to absorb the risks which are building within the system.

Whilst the portfolio's current long bias means that it should continue to benefit from rising asset prices, we believe its significant allocation to a number of hedge fund managers, who have in the past weathered market volatility well, position the portfolio to react to any changes in market sentiment. We remain confident in our managers' ability to generate attractive risk-adjusted returns through the cycle.

BACIT (UK) Limited Investment Team
22 November 2017

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company for the second half of the financial year are substantially the same as those disclosed in the Report and Accounts for the year ended 31 March 2017. These include:

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

Statement of Directors' Responsibilities

Going Concern

The factors likely to affect the Company's ability to continue as a going concern were set out in the Report and Accounts for the year ended 31 March 2017. As at 30 September 2017, there have been no significant changes to these factors. Having reviewed the Company's forecasts and other relevant evidence, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly financial statements.

Statement of Directors' Responsibilities

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

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

The Directors of Syncona Limited are listed in the Syncona Limited Report & Accounts for the year ended 31 March 2017, with the exception of Peter Hames who stepped down at the AGM on 8 September 2017. Rob Hutchinson was appointed as a non-executive Director on 1 November 2017. A list of current directors is maintained on the Syncona Limited website: <http://www.synconaltd.com/people/board>.

Jeremy Tigue, Chairman, Syncona Limited
22 November 2017

Independent Review Report to Syncona Limited

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 which comprises the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Net Assets Attributable to Holders of Ordinary Shares, Consolidated Statement of Cash Flows and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Statutory Auditor
St Peter Port, Guernsey
22 November 2017

GROUP PORTFOLIO STATEMENT

As at 30 September 2017

	Fair Value £'000	% of Group NAV 2017
Life Science Portfolio		
Life Science Companies		
Nightstar Therapeutics plc	174,647	16.9
Blue Earth Diagnostics Limited	116,899	11.3
Autolus Limited	88,997	8.6
Freeline Therapeutics Limited	31,000	3.0
Companies of less than 1% of NAV	19,582	1.9
Total Life Science Companies ⁽¹⁾	431,125	41.7
CRT Pioneer Fund ⁽²⁾	24,052	2.4
Total Life Science Portfolio⁽³⁾	455,177	44.1

Funds Portfolio

Equity Hedge Funds

Polygon European Equity Opportunity <i>European event-driven equities (long/short)</i>	39,448	3.8
Polar UK Absolute Equity <i>UK equities</i>	33,002	3.2
Maga Smaller Companies UCITS <i>European equities (long/short)</i>	30,616	3.0
AKO Global UCITS <i>Fundamental equities (long/short)</i>	27,449	2.7
Portland Hill <i>Event-driven equity investments (long/short)</i>	23,915	2.3
Sagil Latin American Opportunities <i>Latin American equities (long/short)</i>	15,650	1.5
Doric Asia Pacific <i>Asia ex-Japan small caps (China, India, SE Asia, Korea) (long/short)</i>	14,066	1.4
The S.W. Mitchell European Fund <i>European equities (long/short)</i>	13,618	1.3
Man GLG Pan-European Growth <i>European high growth equities (mandate permits short)</i>	12,722	1.2
Portland Hill European <i>Catalyst-driven, fundamental EU equities (long/short)</i>	10,171	1.0
Funds of less than 1% of NAV	12,440	1.2
	233,097	22.6

Equity Funds

Polar Capital Japan Alpha <i>Japanese large and mid-cap equities</i>	41,057	3.9
The SFP Value Realisation <i>Small and mid-cap Japanese equities (mandate permits short)</i>	35,680	3.5
Majedie UK Equity <i>UK equities</i>	32,838	3.2
Majedie UK Focus <i>UK equities</i>	26,112	2.5
Russian Prosperity <i>Russian equities</i>	18,123	1.8
	153,810	14.9

Fixed Income and Credit Funds

Polygon Convertible Opportunity		
<i>US and European convertible arbitrage</i>	21,816	2.1
CG Portfolio Dollar		
<i>US TIPS (inflation linked government bonds)</i>	17,201	1.7
WyeTree RRETRO		
<i>US and EU subprime mortgage-backed securities</i>	16,939	1.6
Funds of less than 1% of NAV	12,974	1.2
	<u>68,930</u>	<u>6.6</u>
Global Macro Funds		
Parity Value		
<i>Discretionary global macro (long/short)</i>	32,091	3.1
Sinfonietta		
<i>Equities, rates, FX and commodities, with an Asian focus (long/short)</i>	25,220	2.5
	<u>57,311</u>	<u>5.6</u>
Other Strategies		
Permira V		
<i>Private equity, mid to large cap European buyouts</i>	23,038	2.3
Funds of less than 1% of NAV	11,842	1.1
	<u>34,880</u>	<u>3.4</u>
Open forward currency contracts	<u>3,979</u>	<u>0.4</u>
Total Funds Portfolio⁽²⁾	<u>552,007</u>	<u>53.6</u>
Investment in Subsidiaries⁽¹⁾	<u>403</u>	<u>-</u>
Total Investment in Subsidiaries	<u>403</u>	<u>-</u>
Other Net Assets		
Cash and cash equivalents ⁽⁴⁾	36,119	3.5
Charitable donations	(2,376)	(0.2)
Other assets and liabilities	(9,157)	(0.9)
Total Other Net Assets	<u>24,586</u>	<u>2.4</u>
Total Net Asset Value of the Group	<u>1,032,173</u>	<u>100.0</u>

⁽¹⁾ The fair value of Syncona Holdings Limited amounting to £433,463,002 is comprised of investments in life science companies of £431,124,622 and investment in SIML of £402,849, other net assets of £1,239,032 in Syncona Portfolio Limited and other net assets of £696,499 in Syncona Holdings Limited.

⁽²⁾ The fair value of the investment in Syncona Investments LP Incorporated amounting to £600,460,237 is comprised of the investment in the funds portfolio of £552,006,502 (including the open forward currency contracts of £3,979,499), the investment in the CRT Pioneer Fund of £24,052,234, cash of £24,470,000 and other net liabilities of £68,499. The CRT Pioneer Fund is 64.1 per cent owned by the Group; however the Group has no control over the fund.

⁽³⁾ The life science portfolio of £455,176,856 consists of life science investments totalling £431,124,622 held by Syncona Holdings Limited and the CRT Pioneer Fund of £24,052,234 held by Syncona Investments LP Incorporated.

⁽⁴⁾ Total cash held by the Group is £36,119,379. Of this amount £315,852 is held by Syncona Limited, and £24,470,000 and £11,333,527 is held by Syncona Investments LP Incorporated and Syncona Portfolio Limited respectively. Cash held by Syncona Investments LP Incorporated and Syncona Portfolio Limited is not shown in Syncona Limited's Consolidated Statement of Financial Position.

See note 5 for a description of Syncona Holdings Limited and Syncona Investments LP.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2017

				Unaudited six months to 30 September 2017	Unaudited six months to 30 September 2016	Audited year to 31 March 2017
	Notes	Revenue £'000	Capital £'000	Total £'000	Total £'000	Total £'000
Investment income						
Other income		21,118	-	21,118	10,183	14,561
Total investment income		21,118	-	21,118	10,183	14,561
Net gains on financial assets at fair value through profit or loss	6	-	137,281	137,281	13,571	71,375
Total gains		-	137,281	137,281	13,571	71,375
Expenses						
Charitable donation	7	2,376	-	2,376	2,381	4,752
Management fees		5,438	-	5,438	449	2,774
General expenses		1,269	-	1,269	424	1,119
Total expenses		9,083	-	9,083	3,254	8,645
Profit for the period/year		<u>12,035</u>	<u>137,281</u>	<u>149,316</u>	<u>20,500</u>	<u>77,291</u>
Earnings per Ordinary Share	10	<u>1.83p</u>	<u>20.84p</u>	<u>22.67p</u>	<u>5.32p</u>	<u>16.72p</u>
Diluted earnings per Ordinary Share	10	<u>1.81p</u>	<u>20.66p</u>	<u>22.47p</u>	<u>5.32p</u>	<u>16.72p</u>

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

		Unaudited 30 September 2017 £'000	Unaudited 30 September 2016 £'000	Audited 31 March 2017 £'000
	Notes			
ASSETS				
Non-current assets				
Financial assets at fair value through profit or loss	8	1,033,923	485,865	896,469
Current assets				
Bank and cash deposits		316	320	105
Trade and other receivables		3,025	2,485	4,772
Total assets		<u>1,037,264</u>	<u>488,670</u>	<u>901,346</u>
LIABILITIES AND EQUITY				
Non-current liabilities				
Share based payment	9	1,083	-	46
Current liabilities				
Share based payment	9	<u>710</u>	<u>-</u>	<u>-</u>
Payables		<u>3,298</u>	<u>2,587</u>	<u>6,062</u>
Total liabilities		<u>5,091</u>	<u>2,587</u>	<u>6,108</u>
EQUITY				
Share capital account	10	763,016	408,009	760,327
Distributable capital reserves		<u>269,157</u>	<u>78,074</u>	<u>134,911</u>
Total equity		<u>1,032,173</u>	<u>486,083</u>	<u>895,238</u>
Total liabilities and equity		<u>1,037,264</u>	<u>488,670</u>	<u>901,346</u>
Total net assets attributable to holders of Ordinary Shares				
		<u>1,032,173</u>	<u>486,083</u>	<u>895,238</u>
Number of Ordinary Shares in Issue	10	<u>659,952,090</u>	<u>386,138,785</u>	<u>658,387,407</u>
Net assets attributable to holders of Ordinary Shares (per share)	10	<u>£1.56</u>	<u>£1.26</u>	<u>£1.36</u>

The unaudited Consolidated Financial Statements were approved on 22 November 2017.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF ORDINARY SHARES

	Notes	Share capital account £'000	Capital reserves £'000	Revenue reserves £'000	Total £'000
As at 31 March 2016 (audited)		406,208	66,037	-	472,245
Total comprehensive income for the period		-	13,571	6,929	20,500
Transactions with shareholders:					
Distributions		-	(1,534)	(6,929)	(8,463)
Scrip dividend shares issued during the period		1,801	-	-	1,801
As at 30 September 2016 (unaudited)		408,009	78,074	-	486,083
Total comprehensive income for the period		-	57,804	(1,013)	56,791
Transactions with shareholders:					
Distributions		-	(967)	967	-
Issuance of shares		357,054	-	-	357,054
Share issue costs		(4,736)	-	-	(4,736)
Share based payment	9	-	-	46	46
As at 31 March 2017 (audited)		760,327	134,911	-	895,238
Total comprehensive income for the period		-	137,281	12,035	149,316
Transactions with shareholders:					
Distributions	11	-	(3,035)	(12,108)	(15,143)
Scrip dividend shares issued during the period	10	2,689	-	-	2,689
Share based payment	9	-	-	73	73
As at 30 September 2017 (unaudited)		763,016	269,157	-	1,032,173

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2017

		Unaudited six months to 30 September 2017 £'000	Unaudited six months to 30 September 2016 £'000	Audited year to 31 March 2017 £'000
	Notes			
Cash flows from operating activities				
Profit for the period/year		149,316	20,500	77,291
Adjusted for:				
Gains on financial assets at fair value through profit or loss	6	(137,281)	(13,571)	(71,375)
Operating cash flows before movements in working capital		12,035	6,929	5,916
Decrease in other receivables		1,747	2,310	23
(Decrease)/increase in other payables		(1,017)	(2,298)	1,177
Net cash generated from operating activities		12,765	6,941	7,116
Cash flows from investing activities				
Purchase of financial assets at fair value through profit or loss		(90,385)	-	(169,235)
Return of capital contribution		90,285	-	4,000
Net cash used in investing activities		(100)	-	(165,235)
Cash flows from financing activities				
Issuance of shares		-	-	169,581
Share issue costs		-	-	(4,736)
Distributions	11	(12,454)	(6,662)	(6,662)
Net cash (used in)/generated from financing activities		(12,454)	(6,662)	158,183
Net increase in cash and cash equivalents				
Cash and cash equivalents at beginning of period/year		105	41	41
Cash and cash equivalents at end of period/year		316	320	105

Supplemental disclosure of non-cash investing and financing activities:

Investments purchased by issue of shares	8	-	-	(187,473)
Issue of shares	10	2,689	1,801	189,274
Scrip dividend shares issued during the period/year	10	(2,689)	(1,801)	(1,801)
Net non-cash investing and financing activities		-	-	-

Cash held by the Company and its wholly owned subsidiaries ("Syncona Group Companies") is disclosed in the portfolio statement.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 September 2017

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 ("LSE") on 26 October 2012 when it commenced its business.

In December 2016, shareholders approved the expansion of the Company's investment policy and the acquisition from the Wellcome Trust of Syncona Partners LLP, a portfolio of life science investments, together with its investment management team ("the December 2016 transaction"). As part of the transaction, the Company also acquired Cancer Research UK's partnership interest in the Cancer Research Technologies Pioneer Fund LP ("CRT Pioneer Fund").

2. ACCOUNTING POLICIES

The accounting policies applied in these interim results are the same as those applied by the Group in its Annual Report and Accounts for the year ended March 2017 and shall form the basis of the 2018 Annual Report and Accounts. No new standards that have become effective in the period have had a material effect on the Group's financial statements.

Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and should be read in conjunction with the Annual Report and Accounts for the year ended March 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial information in these interim accounts was approved by the Board and authorised for issue on 22 November 2017. The financial information is unaudited but has been subject to a review by the Group's independent auditor.

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

Going concern

The financial statements are prepared on a going concern basis. The Group's assets predominantly consist of securities and cash, amounting to £1,037.3 million (September 2016: £488.7 million; March 2017: £901.3 million) of which 33.0 per cent (September 2016: 53.8 per cent; March 2017: 43.1 per cent) are readily realisable within three months in normal market conditions. The Group has liabilities including uncalled commitments to underlying investments and funds amounting to £91.3 million (September 2016: £47.3 million; March 2017: £114.1 million). Accordingly, the Group has adequate financial resources to continue in operational existence for 12 months following the approval of the financial statements.

Basis of consolidation

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

In preparing these interim results, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Annual Report and Accounts for the year ended March 2017.

4. OPERATING SEGMENTS

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

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

Life science portfolio

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

Details of the underlying assets are shown in the Portfolio Statement.

Funds portfolio

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

Details of the underlying assets are shown in the Portfolio Statement.

Information about Reporting Segments

The following provides detailed information for the Group's two reportable segments for the six months to 30 September 2017, the six months to 30 September 2016 and the year to 31 March 2017:

As at 30 September 2017 (unaudited)	Life Science Portfolio £'000	Funds Portfolio £'000	Unallocated ¹ £'000	Total £'000
Revenue	-	-	21,118	21,118
Capital growth	137,220	61	-	137,281
Expenses	-	-	(9,083)	(9,083)
Net Assets	455,177	552,007	24,989	1,032,173

As at 30 September 2016 (unaudited)	Life Science Portfolio £'000	Funds Portfolio £'000	Unallocated ¹ £'000	Total £'000
Revenue	-	-	10,183	10,183
Capital growth	-	13,571	-	13,571
Expenses	-	-	(3,254)	(3,254)
Net Assets	10,631	460,800	14,652	486,083

As at 31 March 2017 (audited)	Life Science Portfolio £'000	Funds Portfolio £'000	Unallocated ¹ £'000	Total £'000
Revenue	-	-	14,561	14,561
Capital growth	24,801	46,574	-	71,375
Expenses	-	-	(8,645)	(8,645)
Net Assets	226,554	582,808	85,876	895,238

¹ Unallocated' includes the dividends, donations and expenses for the period, which are not relevant to allocate by segment. The revenue is unrelated to either segment's performance.

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

Prior to the December 2016 transaction, the Group's activities formed a single segment, namely the funds portfolio. Following the December 2016 transaction, the reporting segments have changed so the 2016 segments have been restated. The restatement relates to the CRT Pioneer Fund which was previously treated as a Fund Investment and deemed immaterial for disclosure. The CRT Pioneer Fund is included in the life science portfolio as the underlying assets of this fund are also developing products to deliver transformational treatments to patients.

5. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

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

Directly owned subsidiaries

Subsidiary	Country of incorporation	Principal activity	% interest
Syncona GP Limited	Guernsey	General Partner	100%
Syncona Investments LP Incorporated	Guernsey	Portfolio management	100%
Syncona Holdings Limited	Guernsey	Portfolio management	100%

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

Indirect interests in subsidiaries

Indirect subsidiaries	Country of incorporation	Immediate parent	Principal activity	% interest ¹
		Syncona Investments LP		
Syncona Discovery Limited	UK	Inc	Portfolio management	100%
Syncona Portfolio Limited	Guernsey	Syncona Holdings Limited	Portfolio management	100%
Syncona IP Holdco Limited	UK	Syncona Portfolio Limited	Portfolio management	100%
Syncona Investment Management Limited	UK	Syncona Holdings Limited	Portfolio management	100%
Syncona Partners LLP ²	UK	Syncona Holdings Limited	Portfolio management	100%
Syncona Management LLP ²	UK	Syncona Holdings Limited	Portfolio management	100%
Syncona LLP ²	UK	Syncona Holdings Limited	Portfolio management	100%
Syncona Management Services Limited ²	UK	Syncona Management LLP	Portfolio management	100%
Blue Earth Diagnostics Limited	UK	Syncona Portfolio Limited	Medical imaging	90%
Freeline Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	83%
Gyroscope Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	74%
Achilles Therapeutics Limited	UK	Syncona Portfolio Limited	Immunotherapy	65%

Indirect associates	Country of incorporation	Immediate parent	Principal activity	% interest ¹
Nightstar Therapeutics plc	UK	Syncona Portfolio Limited	Gene therapy	42%
Autolus Limited	UK	Syncona Portfolio Limited	T-Cell Therapies	41%
Cambridge Epigenetix Limited	UK	Syncona Portfolio Limited	Research tools	14%

¹ Based on undiluted issued share capital.

² Entities in members voluntary liquidation.

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

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

		Unaudited six months to 30 September 2017 £'000	Unaudited six months to 30 September 2016 £'000	Audited year to 31 March 2017 £'000
Net gains from:				
Syncona Investments LP Incorporated	6.a	61	13,571	46,574
Syncona Holdings Limited	6.b	137,220	-	24,801
		<u>137,281</u>	<u>13,571</u>	<u>71,375</u>

6.a Movements in Syncona Investments LP Incorporated:

	Unaudited six months to 30 September 2017 £'000	Unaudited six months to 30 September 2016 £'000	Audited year to 31 March 2017 £'000
Investment income	877	498	1,333
Rebates and donations	901	914	2,035
Expenses	(118)	(165)	(303)
Distributions	(21,118)	(10,183)	(14,561)
Realised gains on financial assets at fair value through profit or loss	18,734	995	7,324
Movement in unrealised (losses)/gains on financial assets at fair value through profit or loss	(7,361)	39,539	72,143
Gains/(losses) on forward currency contracts	9,103	(18,477)	(23,368)
(Losses)/gains on foreign currency	(957)	450	1,971
Net gains on financial assets at fair value through profit or loss	61	13,571	46,574

6.b Movements in Syncona Holdings Limited:

	Unaudited six months to 30 September 2017 £'000	Audited period from 24 November 2016 to 31 March 2017 £'000
Residual income from liquidated subsidiaries	726	-
Expenses	(17)	(36)
Movement in unrealised gains on life science investments at fair value through profit or loss	136,844	24,940
Movement in unrealised losses on wholly owned Group companies at fair value through profit or loss	(333)	(103)
Net gains on financial assets at fair value through profit or loss	137,220	24,801

7. CHARITABLE DONATIONS

As part of the December 2016 transaction, the Company has an obligation to make a donation to charity, paid in arrears, of 0.3 per cent of the total NAV of the Company during the financial year calculated on a monthly basis. For the years ending March 2017 and March 2018 the Company has agreed that the charitable donations will not be less than £4,751,608. Any amount paid in excess of 0.3 per cent of the total NAV of the Company in those years will be recovered by reducing the charitable donations in subsequent years if the NAV of the Company rises above £1,583,869,333. Half of the donation is donated to The Institute of Cancer Research ("ICR") and the other half to The BACIT Foundation. The BACIT Foundation grants those funds to charities proposed annually by The BACIT Foundation, in proportions determined each year by shareholders of the Company.

During the period, accrued charitable donations amounted to £2,375,804 (September 2016: £2,381,232, March 2017: £4,751,608). As at September 2017, £2,375,804 (September 2016: £2,381,232, March 2017: £4,751,608) remained payable.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Unaudited 30 September 2017 £'000	Unaudited 30 September 2016 £'000	Audited 31 March 2017 £'000
Syncona Investments LP Incorporated	8.a	600,460	485,865	690,682
Syncona Holdings Limited	8.b	433,463	-	205,787
		<u>1,033,923</u>	<u>485,865</u>	<u>896,469</u>

The financial assets at fair value through profit or loss represent the movement in the Group's underlying investments during the period.

8.a The net assets of Syncona Investments LP Incorporated.

	Unaudited 30 September 2017 £'000	Unaudited 30 September 2016 £'000	Audited 31 March 2017 £'000
Cost of the Partnership's investments at the start of the period/year	460,046	388,412	388,412
Purchases during the period/year	67,049	11,020	136,197
Sales during the period/year	(101,462)	(27,077)	(60,804)
Return of capital	(9,076)	(2,168)	(11,083)
Net realised gains on disposals during the period/year	<u>18,734</u>	<u>995</u>	<u>7,324</u>
Cost of the Partnership's investments at the end of the period/year	435,291	371,182	460,046
Net unrealised gains on investments at the end of the period/year	<u>136,788</u>	<u>111,545</u>	<u>144,149</u>
Fair value of the Partnership's investments at the end of the period/year	572,079	482,727	604,195
Open forward currency contracts	3,979	(11,296)	437
Cash and cash equivalents	24,470	16,567	86,204
Other net current liabilities	<u>(68)</u>	<u>(2,133)</u>	<u>(154)</u>
Financial assets at fair value through profit or loss at the end of the period/year	<u>600,460</u>	<u>485,865</u>	<u>690,682</u>

8.b The net assets of Syncona Holdings Limited.

	Unaudited 30 September 2017 £'000	Audited 31 March 2017 £'000
Cost of the Holding Company's investments at the start of the period/year	180,479	-
Purchases during the period/year	<u>90,940</u>	<u>180,479</u>
Cost of the Holding Company's investments at the end of the period/year	271,419	180,479
Net unrealised gains on investments at the end of the period/year	<u>161,348</u>	<u>24,837</u>
Fair value of the Holding Company's investments at the end of the period/year	432,767	205,316
Other net current assets	<u>696</u>	<u>471</u>
Financial assets at fair value through profit or loss at the end of the period/year	<u>433,463</u>	<u>205,787</u>

9. LONG TERM INCENTIVE PLAN

	Unaudited six months to 30 September 2017 £'000	Unaudited six months to 30 September 2016 £'000	Audited year to 31 March 2017 £'000
Current share-based payments	710	-	-
Non-current share-based payments	1,083	-	46
Total share-based payments	1,793	-	46

Share-based payments represent a liability associated with awards of Management Equity Shares ("MES") in the Holding Company, relevant details of which are set out in note 2 of the Annual Report and Accounts for the year ended March 2017. There were no MES in September 2016 therefore there is no comparative information for that date. There were no share-based payments for the Company's shares during the period ended 30 September 2017 (March 2017: nil and September 2016: nil).

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. During the period ended 30 September 2017 the charge to the Consolidated Statement of Comprehensive Income was £146,500 (March 2017: £92,000) of which £73,250 (March 2017: £46,000) is expected to be settled in shares and £73,250 (March 2017: £46,000) is expected to be settled in cash. In addition, the cash liability was revalued incurring a charge of £1,673,486.

The fair value of the MES is established via external valuation as set out in note 2 of the Annual Report and Accounts for the year ended March 2017. For the awards of MES made in the period ended 30 September 2017, the applicable hurdle value was 15 per cent (March 2017: 15 per cent) growth in the value of the Holding Company above the value at the date of award. No further performance targets apply to the MES awards. Each MES is entitled to share equally in value attributable to the Holding Company above the applicable hurdle value.

The fair value of awards made in the period ended 30 September 2017 was £13,000 (March 2017: £648,000).

The following MES were held by participants:

Date of award	MES awarded	MES vested at 30 September 2017	Holding Company hurdle	Vesting period
December 2016	26,304,603	-	£203.4 million	December 2016 - December 2020
March 2017	1,480,721	-	£203.4 million	March 2017 - March 2021
July 2017	489,854	-	£208.0 million	July 2017 - July 2021

Number of ordinary shares in the Holding Company in issue at 30 September 2017: 255,721,814 (March 2017: 176,986,208).

Value of the Holding Company at 30 September 2017 adjusted for MES purposes: £429.0 million (March 2017: £200.1 million).

At 30 September 2017, if all MES were realised the number of shares issued in the Company would be 5,095,588 (March 2017: 1,087,495).

The cash liability is revalued at the end of each accounting period. At 30 September 2017 the fair value of the cash liability was £1,792,736 (March 2017: nil). The revaluation of the cash liability is a charge to the Statement of Comprehensive Income.

10. SHARE CAPITAL ACCOUNT

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 shares can be issued as Ordinary Shares, C Shares or other such classes and in any currency at the discretion of the Board.

The Company is a closed-ended investment company with an unlimited life. The Ordinary Shares are not puttable instruments because redemption is conditional upon certain market conditions and/or Board approval. As such they are not required to be classified as debt under IAS 32 – 'Financial Instruments: Disclosure and Presentation'.

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

The Company also 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.

Ordinary Shares carry the right to receive all income of the Company attributable to the Ordinary Shares of such class and to participate in any distribution of such income made by the Company, pro-rata to the relative calculated NAV of each of the classes of Ordinary Shares and within each such class income shall be divided pari passu among the holders of Ordinary Shares of that class in proportion to the number of Ordinary Shares of such class held by them.

The Founder Share issued at the date of incorporation was redesignated, by special resolution dated 28 September 2012, as a Deferred Share and transferred to The BACIT Foundation. This non-participating non-redeemable Deferred Share has no other rights to assets or dividends, except to payment of £1 on the liquidation of the Company and carries a right to vote only if there are no other classes of voting share of the Company in issue.

	Unaudited Ordinary Shares at 30 September 2017 £'000	Unaudited Ordinary Shares at 30 September 2016 £'000	Unaudited Ordinary Shares at 31 March 2017 £'000
Ordinary Share Capital			
Balance at the start of the period/year	760,327	406,208	406,208
Issued during the period/year	-	-	357,054
Scrip dividend shares issued during the period/year	2,689	1,801	1,801
Share issue costs	-	-	(4,736)
Balance at the end of the period/year	<u>763,016</u>	<u>408,009</u>	<u>760,327</u>

	Unaudited Ordinary Shares at 30 September 2017 Shares	Unaudited Ordinary Shares at 30 September 2016 Shares	Unaudited Ordinary Shares at 31 March 2017 Shares
Ordinary Share Capital			
Balance at the start of the period/year	658,387,407	384,665,158	384,665,158
Issued during the period/year	-	-	272,248,622
Scrip dividend shares issued during the period/year	1,564,683	1,473,627	1,473,627
Balance at the end of the period/year	<u>659,952,090</u>	<u>386,138,785</u>	<u>658,387,407</u>

A further £2,688,751 (1,564,683 Ordinary Shares) in new Ordinary Shares were issued at a price of 171.84p as a result of the 2017 scrip dividend.

B. Capital reserves

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

C. Earnings per Share

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

	Unaudited six months to 30 September 2017	Unaudited six months to 30 September 2016	Audited year to 31 March 2017
Earnings for the purposes of earnings per share	£149,315,501	£20,499,938	£77,291,393
Basic weighted average number of shares	658,763,615	385,011,420	462,399,882
Basic revenue earnings per share	1.83p	1.80p	1.28p
Basic capital earnings per share	20.84p	3.52p	15.44p
Basic earnings per share	22.67p	5.32p	16.72p
Diluted weighted average number of shares	664,471,801	385,011,420	462,399,882
Diluted revenue earnings per share	1.81p	1.80p	1.28p
Diluted capital earnings per share	20.66p	3.52p	15.44p
Diluted earnings per share	22.47p	5.32p	16.72p

Earnings are diluted for the six months to September 2017 due to the MES described in note 9.

D. NAV per Share

	Unaudited 30 September 2017	Unaudited 30 September 2016	Audited year 31 March 2017
Net assets for the purposes of NAV per share	£1,032,172,609	£486,083,040	£895,238,499
Ordinary Shares in issue	659,952,090	386,138,785	658,387,407
NAV per share	156.40p	125.88p	135.97p
Diluted NAV per share	155.20p	125.88p	135.97p

11. DISTRIBUTION TO SHAREHOLDERS

The Company may pay a dividend at the discretion of the Board. Following the EGM in October 2013, each dividend paid by the Company will be in the form of scrip as a default, with a cash dividend alternative, under which shareholders may elect to receive cash in place of new Shares. Ordinary Shares issued pursuant to a scrip dividend are issued at a price based on Ordinary Share price.

During the period ended 30 September 2017, the Company declared and paid a dividend of 2.3p per share amounting to £15,142,910 (September 2016: £8,462,633) relating to the year ended March 2017 (March 2016). The dividend was comprised of £12,454,159 cash (September 2016: £6,662,132) and a scrip dividend of £2,688,751 (September 2016: £1,800,501).

12. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Directors are responsible for the determination of the investment policy of the Group and have overall responsibility for the Group's activities. The Group's investment portfolio is managed by the Investment Manager, BACIT (UK) Limited.

The Company has five Directors, all of whom serve in a Non-Executive capacity. The Directors of the Company, with the exception of Nigel Keen and Ellen Strahman who also serve as Directors of the General Partner. Thomas Henderson is also a director of BACIT (UK) Limited.

Peter Hames resigned as a Director on 8 September 2017.

For the period ended 30 September 2017, each Director is entitled to a fee of £25,000 (March 2017: £25,000) per annum, except for the Chairman who is entitled to receive a fee of £40,000 (March 2017: £40,000) per annum and the Chairman of the Audit Committee who is entitled to a fee of £30,000 (March 2017: £30,000) per annum. Until 31 December 2016, Jeremy Tigue had agreed to waive his right to receive his fee and since 1 January 2017 has taken a fee of £40,000 per annum. Thomas Henderson has agreed to continue waiving his fee. Please refer to note 15 for further information.

Directors' fees for the six months to 30 September 2017, the six months to 30 September 2016 and the year to 31 March 2017, including outstanding Directors' fees at the end of the period/year, are set out below.

	Unaudited six months to 30 September 2017	Unaudited six months to 30 September 2016	Audited year to 31 March
	£'000	£'000	
Directors' fees for the period/year	70	35	87
Payable at end of period/year	-	14	38

As at 30 September 2017, Directors of the Company held the following Ordinary Shares beneficially:

	Number of shares	Number of shares	Number of shares
	30 September 2017	30 September 2016	31 March 2017
Jeremy Tigue (Chairman)	473,561	355,153	467,307
Thomas Henderson*	12,042,400	11,742,400	12,042,400
Nigel Keen (appointed 19 December 2016)	-	-	-
Nicholas Moss	20,092	15,270	20,092
Ellen Strahlman (appointed 19 December 2016)	107,162	-	-

*Shares are held by Farla Limited, a company controlled by Thomas Henderson.

The Group may have underlying investments which, from time to time, include investments associated with members of the Board. In no case does the member have any direct ability to influence the investment policy of the Group's portfolio investments to make, hold or dispose of such investments.

In accordance with the Company's Articles of Incorporation, 50 per cent of the charitable donations are made to The BACIT Foundation. The BACIT 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 paid to The BACIT Foundation during the period ended 30 September 2017 was £2,375,804 (September 2016: £2,375,804, March 2017: £2,375,804). At the period end, £1,187,902 remained payable (September 2016: £1,187,902, March 2017: £2,375,804).

BACIT (UK) Limited is the Company's Investment Manager. The operating expenses of the Investment Manager are covered by a Management Expense Contribution, payable by the Company to the Investment Manager, equal to 0.19 per cent of NAV per annum. Until June 2017, the Group directly bore certain expenses ("Sundry Expense Contribution") of the Investment Manager. During the period, £2,873 (September 2016: £40,589, March 2017: £96,333) of Sundry Expense Contribution was borne by the Company on behalf of BACIT (UK) Limited and £nil (September 2016: £1,248, March 2017: £1,248) remained payable as at 30 September 2017. At the period end, there is a prepayment of £526,819 relating to advanced payment of fees to BACIT (UK) Limited (September 2016: £nil, March 2017: £nil).

Following the EGM held on 14 December 2016 and subject to receipt of the appropriate regulatory authorisations, Syncona Investment Management Limited ("SIML") will become the Investment Manager of the Company. The Company pays SIML an annual fee of up to 1 per cent of NAV per annum.

13. FAIR VALUE MEASUREMENT

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices) or other market corroborated inputs; and

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

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

The following table presents the Group's financial assets and liabilities by level within the valuation hierarchy as at 30 September 2017, 30 September 2016 and 31 March 2017:

				30 September 2017
	Level 1	Level 2	Level 3	Total
Assets (unaudited)	£'000	£'000	£'000	£'000
Financial assets at fair value				
through profit or loss:				
Syncona Investments LP Incorporated	-	600,460	-	600,460
Syncona Holdings Limited	-	-	433,463	433,463
Total assets	-	600,460	433,463	1,033,923
				30 September 2016
	Level 1	Level 2	Level 3	Total
Assets (unaudited)	£'000	£'000	£'000	£'000
Financial assets at fair value				
through profit or loss:				
Syncona Investments LP Incorporated	-	485,865	-	485,865
Total assets	-	485,865	-	485,865
				31 March 2017
	Level 1	Level 2	Level 3	Total
Assets (audited)	£'000	£'000	£'000	£'000
Financial assets at fair value				
through profit or loss:				
Syncona Investments LP Incorporated	-	690,682	-	690,682
Syncona Holdings Limited	-	-	205,787	205,787
Total assets	-	690,682	205,787	896,469

As noted below, 11.2 per cent (September 2016: 10.0 per cent, March 2017: 9.9 per cent) of the Partnership's fair value measurements consist of positions residing in Level 3 of the fair value hierarchy ('the Level 3 investments'). IFRS 13 requires the fair value measurement of the Partnership to be classified in the same level of the fair value hierarchy as the lowest level input that is significant to the overall valuation of the Partnership. Given their quantum, the Directors do not consider the Level 3 investments to be significant to the overall fair value of the investment. As such, and in accordance with IFRS 13, the Partnership investment has been disclosed within Level 2 in the fair value hierarchy. The Directors have provided additional information in respect of the assets and liabilities of the Partnership below.

The following table presents the Partnership's financial assets and liabilities by level within the valuation hierarchy as at 30 September 2017, 30 September 2016 and 31 March 2017:

Asset type	Level	Unaudited 30 September 2017 £'000	Unaudited 30 September 2016 £'000	Audited 31 March 2017 £'000	Valuation technique	Unobserved inputs	Key input	Reasonable possible shift +/-	Change in valuation £'000	Relationship of inputs to value
Listed investments	1	196,108	98,152	157,332	Publicly available share price at balance sheet date	-	-	-	-	-
Listed investments	2	-	7,104	4,258	Publicly available share price at balance sheet date	Inputs include current publicly available share prices however as the investments are not regularly traded at this price.				
						Different fair value from date of last trade and the period end	n/a	-	-	The greater the value of latest trade, the greater the fair value
Forward contracts	2	3,979	(11,296)	437	Publicly available exchange rates at balance sheet date	Inputs include different exchange rates used at different banking institutions. IFRS 13 specifically defines forward contracts as level 2. Valuation is taken using publicly available exchange rates and calculating the asset value.				
						Different exchange rates at period end	n/a	-	-	The greater the GBP exchange rate, the greater the fair value
Unlisted fund investments	2	311,192	330,326	381,745	Valuation produced by fund administrator. Inputs into fund components are from observable inputs	Inputs include asset administrator's assessment of the performance of the underlying funds. Valuation is taken from the fund administrator who has based the fund's fair value on observable inputs of underlying assets.				
						Valuation model produced by asset administrator	n/a	10%	31,119	The greater the asset administrator's valuation, the greater the fair value
Long-term unlisted investments	3	40,727	36,514	39,036	Valuation produced by fund administrator	Inputs include asset administrator's assessment of the performance of the underlying funds. Valuation is provided by quarterly statements from each administrator. The administrator's valuation technique will use unobservable inputs, the main unobservable input relates to asset administrator's inputs into the valuation:				
						Valuation model produced by asset administrator	n/a	10%	4,073	The greater the expectation for future profits, the greater the fair value
CRT Pioneer Fund	3	24,052	10,631	21,824	Valuation produced by fund administrator	Inputs include asset manager's assessment of the performance of the underlying investee companies. Valuation is provided by quarterly statements from the manager. The valuation is based on cost of investments, price of latest round of investments and discounted future cashflows. The valuation by the manager is updated to comply with Syncona accounting methodology as seen in note 2 of the Annual Report and Accounts for the year ended 31 March 2017. The main unobservable input relates to the asset manager's assessment of performance:				
						Valuation model produced by asset administrator	n/a	10%	2,405	The greater the expectation for future profits, the greater the fair value
		576,058	471,431	604,632						

The Partnership values investments in accordance with the International Private Equity and Venture Capital ("IPEVC") valuation guidelines. In line with the investment methodology outlined in the IPEVC guidance, new investments are valued equivalent to the cost of the investments.

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

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

There were no transfers between levels during the period (September 2016: nil, March 2017: nil).

The following table presents the movements in Level 3 investments of the Partnership for the six months to 30 September 2017, the six months to 30 September 2016 and the year to 31 March 2017:

			Unaudited six months to 30 September 2017	Unaudited six months to 30 September 2016	Audited year to 31 March 2017
	CRT	Funds	Total	Total	Total
	Pioneer Fund	portfolio			
	£'000	£'000	£'000	£'000	£'000
Opening balance	21,824	39,036	60,860	37,249	37,249
Purchases	4,218	4,973	9,191	9,829	25,014
Return of capital	(1,990)	(7,086)	(9,076)	(2,168)	(11,083)
Gain on financial assets at fair value through profit or loss	-	3,804	3,804	2,235	9,680
Closing balance	24,052	40,727	64,779	47,145	60,860

The net gain for the period included in the Statement of Comprehensive Income in respect of Level 3 investments of the Partnership held at the period end amounted to £3,803,501 (September 2016: £2,234,501, March 2017: £9,680,448 gain).

The Holding Company is an addition to the Group as a result of the December 2016 transaction, therefore there are no September 2016 comparatives. 38.7 per cent of the Holding Company's fair value measurements consist of positions residing in Level 3 of the fair value hierarchy.

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

Asset type	Level	Unaudited 30 September 2017 £'000	Audited 31 March 2017 £'000	Valuation technique	Unobserved inputs	Key input	Reasonable possible shift +/-	Change in valuation £'000	Relationship of inputs to value
Listed investments	1	174,647	-	Publicly available share price at balance sheet date	-	-	-	-	-
Receivables	2	1,239	-	Purchase agreement	Inputs include management's assessment of any impairment. Receivables are valued at cost with any adjustments made to reflect the fair value.				
					Adjusted for fair value	n/a	-	-	The greater the assessment of the impairment, the lower the fair value
Price of latest funding round (investment made less than twelve months ago)	2	88,997	-	Price of latest funding round	Observable inputs include recent valuation by independent third party investors. This price is not actively traded.				
					Adjusted for fair value	n/a	-	-	The greater the assessment of the impairment, the lower the fair value
Wholly owned Syncona group companies	3	403	586	Net assets of wholly owned Syncona group companies	Unobservable inputs include management's assessment of the wholly owned Syncona group companies, uplift in fair value and calculations of any impairment. Wholly owned Syncona group companies are valued at net assets with any necessary adjustments for fair value. The main unobservable input relates to the adjustments in fair value:				
					Adjusted for fair value	n/a	-	-	The greater the assessment of the impairment, the lower the fair value
Price of latest funding round (investment made more than twelve months ago)	3	50,582	96,315	Price of latest funding round	Unobservable inputs include management's assessment of the performance of the investee company, uplift in fair value and calculations of any impairment. For further information on valuation methodology, see note 2 of the Annual Report and Accounts for the year ended 31 March 2017. The main unobservable input relates to the adjustments in fair value:				
					Adjusted for fair value	n/a	-	-	The greater the assessment of the impairment, the lower the fair value
Investments valued on discounted cashflow forecasts	3	116,899	108,415	Future earnings potential, discount for lack of marketability and time value of money	Unobservable inputs include management's assessment of the performance of the investee company and calculations of any impairment. For further information on valuation methodology, see note 2 of the Annual Report and Accounts for the year ended 31 March 2017. The main unobservable input relates to assessment of the future performance of the investee:				
					Assessment of the future performance of the investee	Discount rate	2%	11,688	The greater the assessment of performance, the higher the fair value
						USD exchange rate	10%	11,651	
		432,767	205,316						

The following table presents the movements in Level 3 investments of the Holding Company for the period ended 30 September 2017 and 31 March 2017:

		Wholly owned Group companies	Unaudited six months to 30 September 2017 Total £'000	Audited year to 31 March 2017 Total £'000
	Life science investments £'000	£'000		
Opening balance	204,730	586	205,316	-
Transfer from level 3	(65,368)	-	(65,368)	-
Purchases	25,635	147	25,782	180,950
Gain/(loss) on financial assets at fair value through profit or loss	2,484	(330)	2,154	24,837
Closing balance	<u>167,481</u>	<u>403</u>	<u>167,884</u>	<u>205,787</u>

The net gain for the period included in the Consolidated Statement of Comprehensive Income in respect of Level 3 investments in the Holding Company held at the period end amounted to £2,153,505 (March 2017: £24,837,281).

During the period ending 30 September 2017, Nightstar Therapeutics plc became a listed investment and has therefore moved from Level 3 to Level 1. This resulted in £34,168,416 transferring from Level 3 to Level 1.

During the period ending 30 September 2017, Autolus Limited had a new funding round and has therefore moved from Level 3 to Level 2. This resulted in £31,200,000 transferring from Level 3 to Level 2.

14. COMMITMENTS AND CONTINGENCIES

The Group had the following commitments as at 30 September 2017:

	Uncalled commitment £'000
2017	
Life science portfolio	
Milestone payments to life science companies	38,782
CRT Pioneer Fund	26,093
Funds portfolio	<u>21,343</u>
TOTAL	<u>86,218</u>

There were no contingent liabilities as at 30 September 2017.

15. SUBSEQUENT EVENTS

These Consolidated Financial Statements were approved for issuance by the Board on 22 November 2017. Subsequent events have been evaluated until this date.

Rob Hutchinson was appointed as Director of the Company, with effect from 1 November 2017.

On 10 November 2017, the Board approved an increase in directors' annual fees effective 1 October 2017 as follows:

Basic Director fee	£45,000
Committee member – additional	£5,000
Audit chair	£60,000
Chairman	£100,000

Thomas Henderson agreed to waive his fee.

GLOSSARY

Company	Syncona Limited
CRT Pioneer Fund	The Cancer Research Technologies Pioneer Fund LP
December 2016 transaction	In December 2016, shareholders approved the expansion of the Company's investment policy and the acquisition from The Wellcome Trust of Syncona Partners LLP, a portfolio of life science investments, together with its investment management team.
Funds portfolio	The underlying investments in this segment are investments in a diversified portfolio of hedge, equity and long-term alternative investments funds across multiple asset classes.
General Partner	Syncona GP Limited
Group	Syncona Limited and Syncona GP Limited are collectively referred to as the "Group"
Holding Company	Syncona Holdings Limited
ICR	The Institute of Cancer Research
Investment Manager	Alternative Fund Investment Manager, role performed by BACIT (UK) Limited
IRR	Internal Rate of Return
Life science portfolio	The underlying investments in this segment are those whose activities focus on actively developing products to deliver transformational treatments to patients.
MES	Management Equity Shares
NAV	Net Asset Value
Partnership	Syncona Investments LP Incorporated
Return	Time Weighted Rate of Return is the method used for return calculations
SIML	Syncona Investment Management Limited
Syncona Group Companies	Subsidiaries that are 100 per cent owned by Syncona
Total return	Movement in NAV per share plus dividend per share