Syncona Limited

Annual report and accounts 2019

For more information, visit our website:
synconaltd.com

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Syncona is a leading FTSE 250 healthcare company focused on founding, building and funding global leaders in life science.

Our vision is to deliver transformational treatments to patients in truly innovative areas of healthcare while generating superior returns for shareholders. We seek to partner with the best, brightest and most ambitious minds in science to build globally competitive businesses.

We take a long-term view, underpinned by a strategic capital pool, and are established leaders in gene and cell therapy. We focus on delivering dramatic efficacy for patients in areas of high unmet need.

Chairman's foreword

I am delighted to report another year of strong growth and significant progress. NAV increased to £1,455.1 million, or 216.8p per share[1], a 37.9 per cent total return for the 12 months. Performance was driven by the significant commercial and financial progress of our life sciences companies, in particular Biogen's recommended cash offer of $877.0 million for Nightstar in March 2019.

We made significant strategic progress in 2019. At year end we have 10 companies and a range of life science investments with a combined holding value of £1,055.4 million, or 72.5 per cent of net assets, and a capital pool of £399.7 million. Successful life science companies scale rapidly and access to a strategic capital pool allows the team to form a long-term view and take strategic ownership stakes when founding and building our companies.

Well positioned to deliver superior returns

We have a differentiated model and a high conviction portfolio of life science companies deeply enriched in advanced therapies, and in particular cell and gene therapy.

Our life science companies continue to drive significant returns for shareholders, building on the strong momentum of the last few years. While the future is not without risk, we have an expert multi-disciplinary team, a high-quality portfolio of life science companies and a strategic pool of capital, which enables us to drive strategy and execution across our portfolio.

Our long-term approach and strategy of founding, building and funding businesses around exceptional science positions us well to continue to deliver strong returns for shareholders.

Dividend and charitable donation

The Board has declared a final dividend of 2.3p per share (2018: 2.3p per share) for the year. We announced last year that the Board would be reviewing the Company's dividend policy. Syncona's investment objective is to achieve superior long-term capital appreciation by founding, building and funding global leaders in healthcare. Our companies are fast-growing and capital-intensive and therefore moving forward the Directors believe it is no longer appropriate for Syncona to pay a dividend.

Our charitable donations are an important part of what we do. This year we are donating £4.3 million to support charities in the field of healthcare, in particular cancer, and beyond, taking total charitable donations since the Company was established in 2012 to £27.1 million. This funding is an important source of income for the charities we support, and we are pleased to have been able to assist them to continue the important work that they do. We look forward to continuing to maintaining a charitable donation in the years to come.

Continued Board evolution

It is important that the Board continues to evolve with our strategy of building global leaders in life science. I have been Chairman of the Company since its establishment in 2012 and plan to step down from the Board later this financial year and I am delighted Melanie Gee has joined the Board as a non-executive director and Chair-designate. Melanie has a wealth of expertise built from 30 years in investment banking and is an experienced board member, serving on the boards of both FTSE 100 and 250 companies. Melanie is a fantastic addition and I welcome her to the Board.

Jeremy Tigue
Chairman
13 June 2019

1 Fully diluted

Our strategy

Found

Companies around exceptional science with the ability to deliver dramatic efficacy for patients

Build

Successful, sustainable and globally leading healthcare businesses

Transformational treatments for patients in areas of high unmet need

Fund

Maintain significant ownership stakes in our portfolio businesses through to on-market patient treatment

Underpinned by our strategic capital pool

Syncona has had a strong year, demonstrating positive financial, commercial and clinical progress.

Company highlights

£1,455m
Net Asset Value ("NAV")

37.9%
NAV total return

77.9%
Life Science portfolio return

217p
Fully diluted NAV per share

£139m
Capital deployed into life science portfolio

£400m
Strategic capital pool to invest in life science

3
New portfolio companies founded in innovative areas of science

3
Successful financing rounds

4.5x
Multiple of original cost on the sale of Nightstar

8
Live clinical trials at the year end and one supplemental New Drug Application filed with the U.S. Food and Drug Administration*

50,000
Patients dosed with Axumin, Blue Earth's product for the diagnosis of biochemically recurrent prostate cancer

£256m
Proceeds from the sale of Nightstar

*not including clinical trials being conducted by Nightstar which has been acquired by Biogen

Charitable donations

£4.3m
Donation for 2019

£27.1m
Support provided to charities since 2012

25
Charities supported by The Syncona Foundation this year

Our Vision

We build companies in truly innovative areas that have the potential to transform the delivery of healthcare in their respective markets.

In doing so, our ultimate goal is to deliver transformational treatments to patients. If we are successful in doing this, we will generate superior returns for shareholders.

See page 32
to read about the impact our company Blue Earth has had on patients this year

Our Team

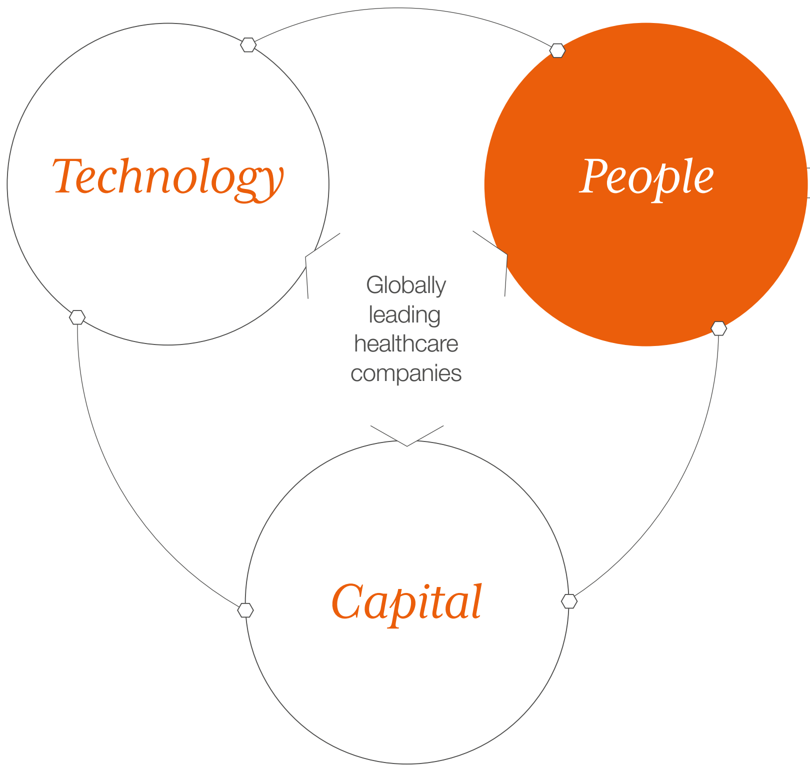
Syncona unifies technology, capital and people to deliver transformational treatments to patients.

We are differentiated by our people and their ability to navigate the life cycle of long-term company creation in life science.

Our unique skill set

- Scientific
- Commercial
- Company creation
- Investment

Our team is core to our success



The Syncona team

- Multi-disciplinary, spanning deep scientific expertise and commercial areas including product launch with a strong investment track record
- Ability to navigate the life cycle of a company, from pre-founding through to commercial launch and beyond
- Core deliverables are to appoint globally leading management teams to our companies, set strategy and work in partnership to implement strategy

Our portfolio company teams

- We appoint global leaders in their fields
- Long-term, product focused strategy drives early appointment of manufacturing and other commercial roles to ensure an industrial, scalable approach from the outset
- Team able to focus fully on execution, quality and speed to market, with Syncona providing long-term support

At a glance
Continued

Life Science Portfolio companies

Syncona portfolio companies	*Value £m*	*NAV %*	*Ownership stakes %*
Established			
1 Blue Earth Diagnostics	267.5	18.4	89
Maturing			
2 Nightstar	258.3[1]	17.8	38
3 Autolus	328.2	22.6	31
4 Freeline	93.5	6.4	80
5 Gyroscope	28.9	2.0	81
Developing			
6 Achilles	16.2	1.1	69
7 SwanBio	5.3	0.4	72
8 OMASS	3.5	0.2	46
9 Anaveon	3.7	0.3	47
10 Quell	8.3	0.6	69

1 Expected proceeds at 31 March 2019 of £258.3 million with a foreign exchange loss of £2.5 million resulting in net proceeds received of £255.8 million.

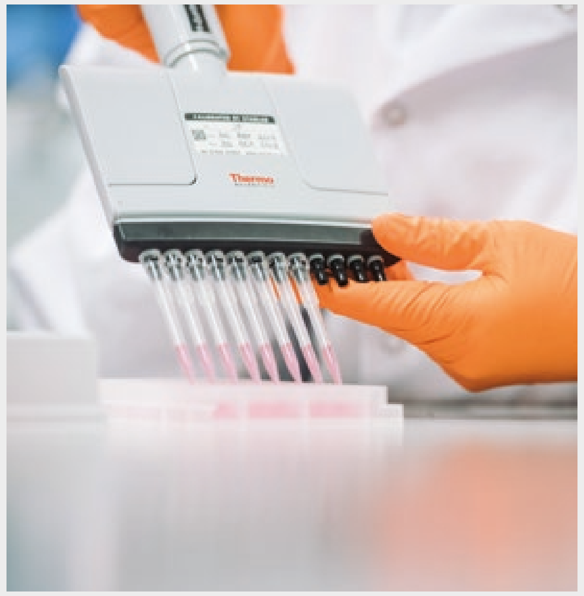
A Partnership Approach

9
Companies where we have held operational roles, including five as CEO

16
Board seats held by Syncona, including eight as chair

8/10
Companies in portfolio founded by Syncona

10
Companies where Syncona has appointed leading management teams



Product pipeline

Portfolio company	*Disease area*
Blue Earth	Recurrent prostate cancer
Blue Earth	Glioma
Autolus	AUTO2 Multiple Myeloma
Autolus	AUTO3 DLBCL
Autolus	AUTO3 pALL
Autolus (academic partners)	AUTO1 pALL
Freeline	Haemophilia B
Autolus (academic partners)	AUTO1 aALL
Gyroscope	Dry AMD
Autolus	AUTO4 T cell Lymphoma
Freeline	Fabry's disease
Freeline	Gaucher
Achilles	Non small cell lung cancer
Anaveon	Selective IL-2 Receptor Agonist
Achilles	Melanoma
Blue Earth	PSMA
SwanBio	Neurodegenerative disorder
Multiple undisclosed pre-clinical programmes	

Best ideas | *Pre-clinical development* | *Phase 1/2* | *Phase 3* | *Transformational treatment*

Not including Nightstar's clinical pipeline, following its sale to Biogen, which completed in June 2019

Report from the CEO

Martin Murphy
Chief Executive Officer

Making continued progress towards achieving what we set out to do at the foundation

3
New Syncona companies founded during the year

£28.7m
Blue Earth EBITDA for the 12 months to 31 March 2019

2019 was a year of significant progress for Syncona, demonstrating that our model is working. We delivered financial and operational milestones across the portfolio, encouraging early clinical data in our key cell and gene therapy programmes, and continued positive sales and earnings growth in our established company, Blue Earth.

Our strategy in action
This year has seen us make continued progress towards achieving what we set out to do at the foundation of Syncona – to deliver transformational treatments for patients by founding leading companies in exceptional areas of life science, building them for global success and funding them over the long term. We focus on technologies with the potential to deliver dramatic efficacy for patients and support our companies with a strategic pool of capital allocated with discipline against the best opportunities.

In line with this goal, in 2019 we:

- Delivered positive sales growth and profitability growth from our established company Blue Earth, demonstrating the commercial value of products which have a positive impact on patients' lives
- Delivered encouraging data in key clinical trials across our cell and gene therapy companies Autolus, Nightstar and Freeline
- Merged our companies Gyroscope and Orbit Biomedical to create the first end-to-end retinal gene therapy company with clinical, delivery and manufacturing capabilities globally
- Founded three new Syncona portfolio companies backing global academic leaders in areas of high-innovation science

Validation of our model
The developments in Nightstar this year demonstrate the benefits of our model. After founding the business in 2014, backing an academic programme at Oxford University, Syncona spent five years working in partnership with academic founder Robert MacLaren, building the business and putting in place the strategy and team to create a leading retinal gene therapy company. Over this time, Nightstar delivered positive proof of concept studies across two indications, built a strong clinical pipeline and commenced a pivotal trial in Choroideremia. Syncona provided £56.4 million of investment from Series A to post-IPO and remained a significant 38 per cent shareholder in the business when Nightstar agreed to be acquired by Biogen for $877.0 million. The offer for Nightstar represents a 4.5x multiple on original invested capital.

Our flexible, long-term ownership model ensures we have control and flexibility over the management of our portfolio and we seek never to be a forced seller. In this context, we were free to weigh up the optimal outcome for Syncona. We are focused on risk-adjusted returns for our shareholders and at the point of any portfolio or investment decision we take into account the opportunity available to the business, the market context, the level of scientific or clinical risk, the level of funding required to take full advantage of the opportunity and the potential return that could be delivered today and in the future. It is our strategic capital pool that allows us to take the best decisions for our companies and our shareholders.

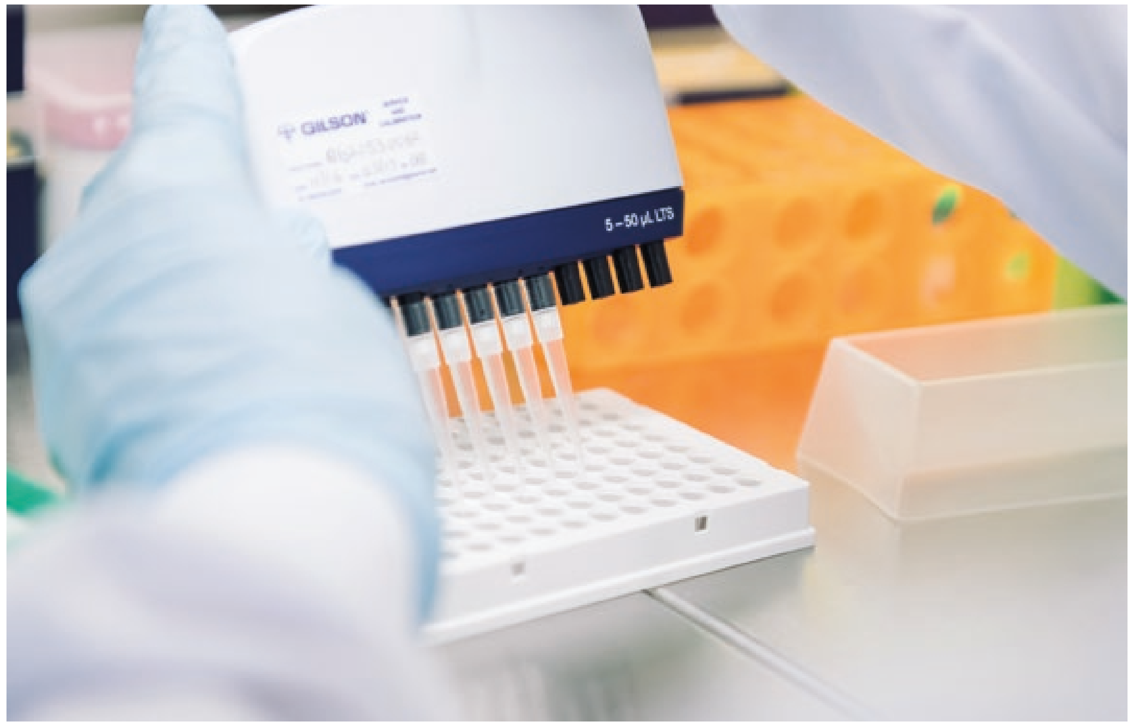
'Third Wave' gains momentum, Syncona is a strategic owner in this space
The Third Wave of advanced therapies, in particular cell and gene therapies, have continued to gain significant momentum this year. We remain very encouraged by the strong regulatory support and positive overall market setting for these undoubtedly transformational medicines. It is our view that we are still in the early days of the Third Wave, which has the potential to drive decades of innovation in healthcare as personalised, tailored medicines come to the fore powered by advances in genomic understanding.

Syncona is a global leader in this area, and our portfolio companies are very well placed to compete in a fast-growing space. We have an early mover advantage and have made significant strategic investments in areas like manufacturing and delivery, which puts us in a strong position to enable the commercial success of these emerging therapies.

We continue to have one of the world's leading gene therapy platforms across multiple companies addressing the key tissue compartments where gene therapy has delivered proof of concept, namely the eye, the central nervous system and the liver. This includes Gyroscope, our second retinal gene therapy company, which is seeking to be at the forefront of moving gene therapy from the smaller monogenic diseases, like Choroideremia, into more genetically complex and more prevalent diseases.

In the year, we also further expanded our cell therapy franchise through the creation of our new company, Quell Therapeutics, focused on engineered T-Regulatory cells.

Report from the CEO
continued



The important of a multi-disciplinary team: attracting world-class leaders
Our team remains a key differentiator, with a central part of our strategy being to take a hands-on approach and work in partnership with our companies to deliver the best results. This year the Syncona team have continued to work with company teams across our portfolio to navigate and interrogate scientific, clinical and commercial challenges in our existing companies, and work with globally leading academics to found new businesses in exciting areas of science.

As part of this, we continue our focus on bringing high-quality, experienced people to develop the innovative technology within our companies. Over the year we have continued to appoint world-class leaders with the expertise to steward our companies through the appropriate stage of their development cycle and who are attracted by Syncona's long-term model and partnership approach.

Notably this year we appointed Khurem Farooq as Chief Executive of Gyroscope. Khurem most recently held the position of Senior Vice President of the Business Unit Immunology & Ophthalmology at Genentech. Ian Clark, who most recently served as Chief Executive of Genentech, has also been appointed as a Non-Executive Director.

Dr Edwin Moses was also appointed as Chairman of Achilles. He was most recently CEO of Ablynx NV which he built over 12 years from a small R&D focused organisation to a commercial business with a broad biologics pipeline, prior to its sale to Sanofi for $4.8 billion in 2018. Dr Iraj Ali, a former Syncona Partner, also became CEO of the business.

A series of other key commercial and operational hires were also made into the portfolio. In OMASS, Ros Deegan moved from Boston to join as Chief Executive, bringing more than 20 years' experience in senior biotech roles, working alongside Dr Ali Jazayeri who was appointed as Chief Scientific Officer and was formerly Chief Technology Officer of Heptares. In Freeline, Brian Silver was appointed CFO and Head of Corporate Development, joining from healthcare group Perella Weinberg Partners.

Strategic capital pool central to our model
A strong balance sheet and certainty of funding is key to delivering our strategy. Our capital pool is a strategic asset and enables us to make long term commitments, for example in areas such as manufacturing and delivery, and to attract world class management teams as our companies scale. It also provides us with the flexibility to support our companies for longer as we drive long term decision making and navigate clinical risks. We believe our capital pool needs to be sufficient to fund both new opportunities and to scale our existing portfolio companies for a minimum of two to three years, with our expected capital deployment to be £100-200 million per year and, subject to the continued progression of the portfolio, may exceed this amount in later years. As our companies scale, we maintain a disciplined approach to the allocation of capital to each portfolio company to maximise risk adjusted returns for shareholders. As part of this process, for any given company, we assess the risk and opportunities that company faces to determine the optimum financing approach. We typically remain the sole investor throughout initial rounds of investments, however there will also be circumstances where the right thing for the company, and Syncona's shareholders, will be to bring in likeminded investors to support the company as it grows, while maintaining a significant ownership stake.

4.5x
Multiple on invested capital of £56.4 million on the sale of Nightstar to Biogen

£400m
Strategic capital pool to invest in life science at the year end

Increasing momentum and scale in the portfolio
We continue to see exciting new opportunities for investment both within the Third Wave and beyond, where new technological advances are being applied to First and Second Wave modalities such as small molecule drugs and biologics. We are focused on founding companies in areas where the Syncona model can be applied to our advantage as we seek to build a portfolio of 15-20 globally competitive companies, adding new companies at a rate of approximately 2-3 companies a year.

> Our team remains a key differentiator, with a central part of our strategy being to take a hands-on approach and work in partnership with our companies to deliver the best results."

Our portfolio companies are scaling rapidly, and we believe they are well-placed to continue to execute on strategy in line with their development plans. Many of our companies are now conducting clinical trials, where the data generated will be the core driver of fundamental value. This process is never without risk, but we believe our companies are positioned to navigate these processes as they seek to deliver transformational treatments to patients.

Long term, we continue to focus on building a selective portfolio companies and delivering 15 per cent IRR through the cycle. We believe that our differentiated business model and leading multi-disciplinary team, supported by our strategic pool of capital, will enable us to capture superior risk-adjusted returns for shareholders as we seek to build the next generation of healthcare companies.

Martin Murphy
CEO Syncona Investment Management Limited
13 June 2019

Outlook for 2020

Continued sales and earnings growth in Blue Earth

Ongoing progress in our pipeline of eight clinical trials

Important, value driving data in Autolus and Freeline

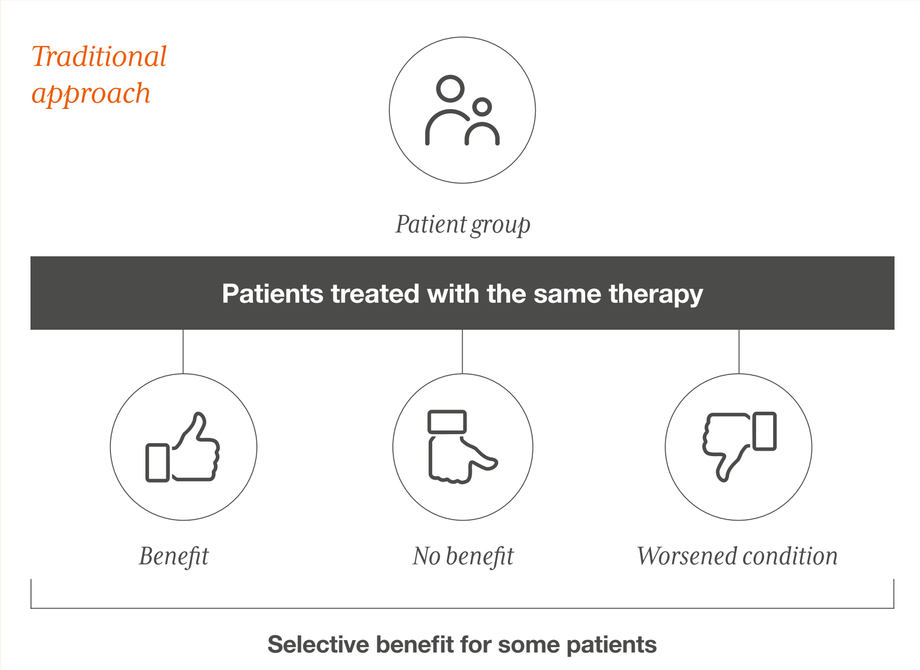
Three new trials to commence in Blue Earth, Freeline and Achilles

We expect to invest £100-200 million in new and follow-on investments

The market opportunity

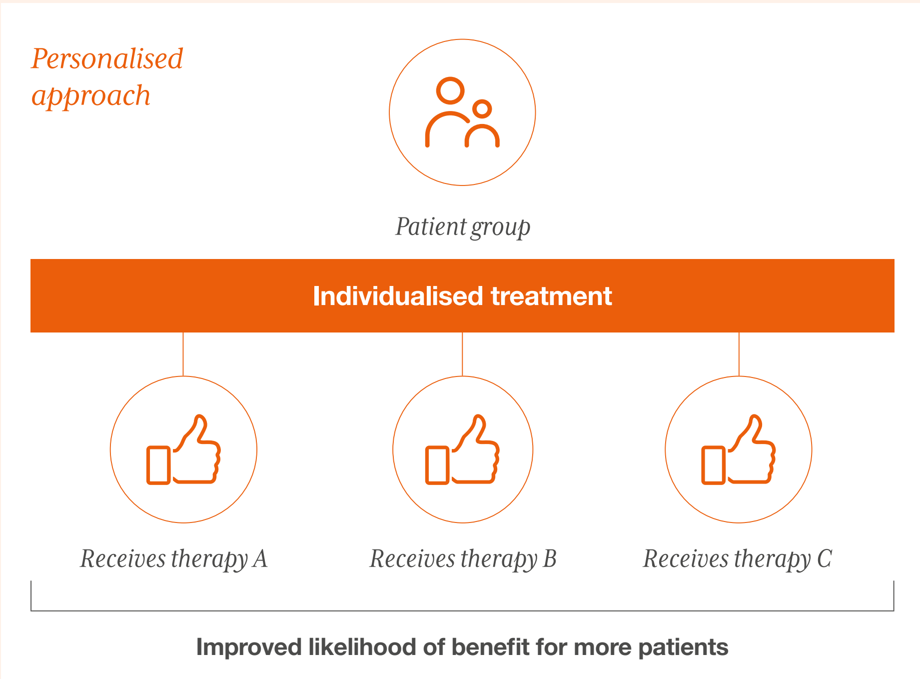
The advent of personalised medicines

One of the biggest trends in healthcare over the past decades has been a paradigm shift from population-based treatments to patient-specific treatments, driven by greatly increased understanding of human biology and genetics. This revolution has been powered by new technologies which have shown how to precisely target causes of illness and their solutions, such as DNA sequencing. This has heralded the adoption of personalised precision medicine across the industry.



Syncona's established leadership position in Third Wave therapies

- Over £300 million in investments made in Third Wave companies
- Seven companies founded in cell and gene therapy to date
- One of the largest and highest quality unencumbered gene therapy platforms globally



Personalised medicine enabling the era of the small company developer

Concurrent with an increased focus towards patient-specific treatments has been the rise of early stage, nimble biotech companies with the capabilities to take product to market. Supportive regulatory environments and targeted patient populations have shortened the time required to develop products. This shift is supportive of Syncona's strategy to found, build and fund companies which are set up with the ambition to take products to market and deliver transformational treatments to patients.

72%
Emerging biotech companies active in oncology and orphan drugs accounted for 72% of late-stage clinical drug trials, up from up from 65% in 2013 (IQVIA)

52%
Products developed by biotech companies are expected to be 52% of the top 100 product sales in healthcare by 2024 (Deloitte)

11%
The global personalized medicine market is expected to increase at 11% CAGR for the period 2017–2024 (Deloitte)

"...with each new approval, we see this exciting area of science continue to move beyond the concept phase into reality."

Ned Sharpless
Acting FDA commissioner

The rise of Third Wave therapies

At the heart of personalised medicine is what Syncona calls the 'Third Wave' – advanced therapies harnessing the power of genetics and the patient themselves to treat disease, in particular in areas like gene and cell therapy. This follows the First Wave small molecule drugs of the 1950s, and Second Wave antibody drugs of the 1990s, both of which were highly valuable and made a real difference for patients.

With its potential to address areas of high unmet medical need and transform outcomes for patients, our belief is that we are still in the early stages of the Third Wave and it has the potential to power healthcare innovation for decades to come. Its arrival has been demonstrated by recognition from regulators and the market that these products are both ready to be patient medicines and commercially significant modalities.

10,000
*Number of monogenetic disorders, less than 100 with treatments today**

80%
of rare diseases are of genetic origin (The Lancet)

9
'Third Wave' therapies have been approved in the US

27%
Predicted growth for Third Wave companies aggregate CAGR sales, per annum between 2018 and 2021 (Syncona analysis)

"By 2025, we predict that the FDA will be approving 10 to 20 cell and gene therapy products a year."

Scott Gottlieb
Retiring Commissioner of the FDA

*Monogenic disorders result from modifications in a single gene occurring in all cells of the body

Gene therapy

One of the largest and highest quality unencumbered gene therapy platforms globally, with the potential to deliver dramatic efficacy across the tens of thousands of known genetic disease

GYROSCOPE | SwanBio THERAPEUTICS | FREELINE

Strategy | *Commercial model* | *Leadership and Team*

Delivery | *Manufacturing*

Capabilities and Technology

Retinal

Diseases of blindness or blinding conditions.

Central nervous system

Neurological disorders impacting the function of brain and spinal cord.

Systemic

Diseases impacting a number of tissues and organs or the body as a whole.

Specialities covering the key tissue compartments in gene therapy

Syncona gene therapy platform

A long-term approach to enable us to found, build and fund global leaders in their space

Syncona Interview

Chris Hollowood
Chief Investment Officer

Dominic Schmidt
Syncona Partner

Syncona's Chris Hollowood and Dominic Schmidt talk about the advent of gene therapy and building one of the world's leading asset platforms in this area

Our companies are talking to and learning from each other. As they are domain focused and not competing, it really enables those interactions between them."

Dominic Schmidt
Syncona Partner

Gene therapy is really coming of age… The way we've gone about our strategy gives us the opportunity to be the first mover into this [polygenic] space, and if we can do that, that'll be a great thing."

Chris Hollowood
Chief Investment Officer

What is gene therapy?
DS: Gene therapy is the introduction of genetic material into the cells of a patient to treat or prevent human disease. Compared to more traditional modalities, gene therapy has the potential to provide long term benefit to patients, change disease phenotypes, even cure some patients, often in devastating diseases that have no treatments currently available to them.

Can you talk about your decision to found, build and fund gene therapy companies?
CH: Yes, it was very simple – the data was dramatic. Back in 2012, we saw the emergence of these initial datasets, Haemophilia B, for instance, where there was a profound benefit for the patient. As we began to look across the field, we noticed it wasn't just Haemophilia. It was also inherited forms of blindness and diseases in the central nervous system.

We saw the broad applicability of the platform and wanted to put a strategy around that which allowed us to maximally address the opportunity. We decided to form companies that focused within a therapeutic compartment, the eye, systemic, and the central nervous system. In doing that, we would build platforms that could deliver into each of those compartments.

If we had a platform into each compartment, as gene therapy became more mature and we could understand what it could do more, we could address more diseases, using our companies as a bridge head into each disease compartment, addressing severe diseases where the genetics is clear, like dry age-related macular degeneration. The way we've gone about our strategy gives us the opportunity to be the first mover into those spaces, and if we can do that, that'll be a great thing.

Can you talk through how you've approached scaling your platform capabilities?
CH: If you're serious about developing gene therapies and taking them all the way to market, which is the Syncona strategy, you need to do parallel investments, very large parallel investments into manufacturing, which is completely atypical of how venture capital companies are normally built. You only do it because you expect to be the owner of those businesses over the very long term, and you expect to take those products all the way to market.

In the Freeline context, as that's a key part of systemic gene therapy delivery, we bought a manufacturing platform and recruited a team out of a German company called Rentschler. We now have process development labs in Munich and those people are at the forefront of manufacturing of AAV out of a safe, consistent, scalable manufacturing platform – that's a unique asset in the space.

Can you talk about how learnings are applied across your Syncona companies?
DS: Our companies are talking to and learning from each other. As they are domain focused and not competing, it really enables those interactions between them. This includes sharing of regulatory insights, for example, forming technical partnerships, which then sometimes can lead to formal licensing agreements between them. As an example, Freeline's deep manufacturing expertise benefits our other companies, they have sophisticated analytics and understand how to precisely measure the amount of gene therapy in your manufacturing batch.

How are Syncona gene therapy companies differentiated in a competitive field?
DS: I think gene therapy is really coming of age. We have seen several approvals in recent years in the United States and in Europe, and as a result, it's a very competitive space. To really understand the differentiation, one would have to look at the details of each of the companies, but overall, we can say that our companies are built around leading science. They are backed by world class key opinion leaders, they have experienced management teams and as a result they're able to attract high profile non-executives to their board as well.

What's next for both our platform and the field of gene therapy in general?
CH: I'm excited about the next wave and I'm excited about finding the next Gyroscope. The gene therapy field has looked at these single gene disorders and established itself as a modality that will deliver real products. I think its promise is much greater than that.

See pages 30-37
to read more about our gene therapy platform

Cell therapy

Syncona cell therapy portfolio

Founding, building and funding global leaders in innovative areas of cell therapy

Focussed on differentiated and next-generation cell therapies

QuellTX	***T-regulatory cells*** A subset of T cells with the potential to downregulate the immune system
ACHILLES THERAPEUTICS	***Clonal neoantigens*** Targeting tumour evolutionary principles to treat cancer
Autolus	***Engineered CAR-T cells*** Highly active, controlled, T cell programming technologies

Delivery | *Manufacturing* | *Leadership and Team*

Strategy | *Commercial model*

Commercial focus

Market insight
report

Syncona Interview

Martin Murphy
Chief Executive Officer

Elisa Petris
Syncona Partner

Syncona's Martin Murphy and Elisa Petris talk about founding an innovative new cell therapy company, and why the Syncona model works

Can you talk through Syncona's Found, Build and Fund strategy to deliver marketed product companies?
MM: We start by working with scientists. What we're typically looking for is an innovator who has a technology we think has the potential to become a product that could really make a difference for patients. We look to partner with them and write a plan that would allow us to create a company, licence the intellectual property and then figure out a development plan that allows us over typically, a period of 5-10 years, to take that product off the bench, all the way through clinical development and regulatory approval into market.

Our model is built on three pillars. The first is to found companies with ambition. The second is to build the companies by working in partnership with key innovators and the third is to be able to fund those companies at a level and on a timeframe that's consistent with taking those products all the way to market.

How have the current opportunities in the healthcare market enabled Syncona to deliver their strategy?
MM: When we set the business up in 2012, we saw the advent of clinical data being generated in the cell and gene therapy space which showed the potential of those therapies in patients. We saw unparalleled efficacy in populations that were very poorly served. This provided a set of opportunities for us to apply our strategy of founding companies, building them and funding them all the way in this area. Our model is agnostic in terms of modality or therapeutic area, but the set of opportunities we saw within cell and gene therapy specifically created an exceptional platform to apply our strategy. If you look at our portfolio today, of our 10 companies, seven are cell and gene therapy businesses.

What's the process for founding one of these businesses?
EP: It usually takes about a year to found a Syncona company and it's really a multistep process. One of the first things that we need to do is pull together the leading academics and get them on board in terms of creating that long-term vision for the company.

Science is at the heart of all Syncona companies. We spend a lot of time really understanding the science and then work with the founders to write our business plan. As part of that, we also figure out what the funding will look like over time and what the resourcing strategy will be for the company.

We also focus on understanding what the IP landscape looks like and we work very closely with the academic institutions on this. Another big part of our activity is the clinical plan and that includes thinking carefully through how we're going to make that product because we want to ensure that we embark on a process that can move quickly to product launch if the product has the therapeutic benefit that we hope for.

Can you talk about that process in practice for your new cell therapy company, Quell?
EP: Quell is a cell therapy company that we've recently launched. It's a company that took us about 12–15 months to set up. It's going to develop therapies based on a person's own cells called T regulatory cells, that are engineered to have an immuno-suppressive function.

"Science is at the heart of all Syncona companies. We spend a lot of time really understanding the science and then work with the founders to write our business plan"

Elisa Petris
Syncona Partner

In terms of how we pulled it all together, this was quite a complex undertaking. It's founded around six academic founders, coming from three different institutions. Our founders have a complementary set of skills, they not only have a deep understanding of the science and the biology behind the T regulatory cells, but also bring deep clinical expertise.

Like all other Syncona companies, we've spent the last year developing the business plan, doing our diligence and licensing the key IP from the institutions, but another important activity has also been bringing talent into the company early.

You mentioned that there are six academic founders of the business. How did they come together to form Quell?
EP: We Syncona had been very interested in the T regulatory cell field for several years. We'd originally engaged with one of the founders, Giovanna Lombardi, four years ago and at the time we felt that the field was very exciting but wasn't quite mature enough to form a company around this therapeutic approach. Wind the tape forward to 18 months ago, we reengaged with that academic and we saw how the field had moved on over time and through her we were introduced to other founders.

Separately to that, we were also engaged with academics from UCL and we realised that actually, bringing these two sets of founders into one company could be really powerful. The company certainly wasn't there before we started – it was something that we pieced together.

Where does Quell fit into the Third Wave?
EP: Quell sits squarely in the third-wave technology. We are developing a new class of living drug, which will be able to address certain diseases that require rebalancing of the immune system.

We believe that this type of approach will have big application for a number of conditions, including autoimmune diseases, autoinflammatory diseases and also, in patients that are living with solid organ transplants. I think that this is a hugely exciting field, there's a large body of emerging preclinical and clinical data that is coming out. Quell is really at the forefront of that and will be a pioneer in this field.

Syncona Interview

Alberto Sanchez-Fueyo
Professor of Hepatology, Kings College London

Syncona speaks to one of Quell Therapeutics' academic founders, Alberto Sanchez-Fueyo

Can you tell us about your background?
I'm a transplant hepatologist, which means that I treat patients with very advanced forms of liver disease who have required liver transplantation. From a scientific standpoint, my passion is to try to understand how the immune responses within the liver are regulated and in particular how we can inhibit the rejection without resorting to administering lifelong immunosuppression.

You work with liver transplant patients – can you tell us what sort of challenges they face day to day?
Transplantation is without any doubt one of the greatest success stories in medicine over the past 60 years. The short term outcomes after a liver or kidney transplantation are exceptionally good and this is due to advances in surgical techniques but very particular to the discovery of very powerful and non-specific immunosuppressive drugs. However, what people are not so aware of is that in the long run outcomes after a liver or kidney transplantation are suboptimal.

For instance, in liver transplantation, the long-term survival is significantly lower than that of the general population, but it's also lower than the survival of non-transplant patients who have severe diseases. There are several reasons why this is the case, but without any doubt one of the key contributors are the side effects of these non-specific immunosuppressive medications that transplant patients need to take lifelong in order to protect their grafts from the harmful effects of rejection.

One of our greatest challenges here is to identify newer strategies to inhibit rejection in a very selective and permanent manner; so without affecting immune responses that are not directed against a transplanted organ and without requiring the lifelong administration of very toxic medications.

How have you seen medicine in your area change over your career?
One of the probably most extraordinary advances I have witnessed over the past two decades is the development of tools that allow us to very selectively boost the immune system to kill cancer cells. This has resulted in what look like miraculous complete remissions in terminal cancer patients and this is the reason why immunotherapy has taken centre stage in oncology.

> This is the type of platform that we have established at Quell Therapeutics with the vision of treating inflammatory disorders, autoimmune diseases, and preventing rejection after transplantation."
>
> **Alberto Sanchez-Fueyo**
> *Professor of Hepatology at King's College London*

Now, from a scientific point of view, what is absolutely fascinating is that, although there is a lot of redundancy in the immune system, it is nevertheless possible to very selectively target key molecules or immune cell or immune cell components of the immune system, resulting in huge clinical benefits, and this has incredible implications for diseases other than cancer such as autoimmunity or transplantation because many of these targets are shared by many different immunological processes.

Can you explain T reg cells and why you believe they have the potential to treat autoimmune diseases?
Regulatory T cells are a subset of T lymphocytes that have intrinsic immunosuppressive properties. We know they are essential to prevent autoimmunity and to establish what we call immunological tolerance.

From an immunotherapeutic point of view, T regs are enormously attractive. This is due to the fact that we can grow them in the laboratory in large numbers without them losing their phenotype or their suppressive functions. This opens the door to the possibility of treating autoimmunity or to prevent the rejection after transplantation by administering large numbers of ex vivo expanded regulatory T cells.

There is a further reason why T regs are very appealing for immunotherapy, which is the possibility of genetically engineering them to increase their suppressive functions and to confer antigen specificity towards predefined antigens. This is the type of platform that we have established at Quell Therapeutics with the vision of treating inflammatory disorders, autoimmune diseases, and preventing rejection after transplantation. We believe this strategy will provide very substantial clinical benefits across a variety of immune-mediated diseases for which the current standard of care is suboptimal.

Could you talk about how you came to partner with Syncona on Quell?
Syncona have a very impressive track record of partnering with academic investigators to create successful biotech companies. In particular they have acquired substantial expertise in what is the industrial development and the commercialisation of cell therapies.

…Working with Syncona is both intellectually challenging but also very gratifying. It's a challenge in the sense that we need to apply industry standards in our work, which often requires modifying and adapting our routine experimental practices. It's also challenging because we need to keep in mind that we are trying to develop commercially viable products if we are really committed to ultimately changing clinical practice. This is something that we academic investigators are not usually used to.

What are you working on for Quell at the moment? What's next for the company?
Our current project is very much centred upon the idea of generating a cell therapy product that will be able to induce immunological tolerance in the setting of solid organ transplantation. Within that, this is a fantastic opportunity to provide a very transformative clinical effect for patients.

See pages 30-37 to read more about our cell therapy platform

Capturing value

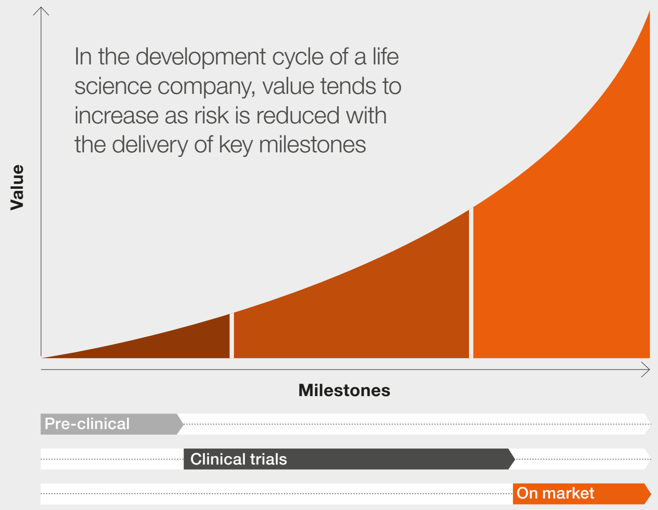
Our strategy

A Differentiated Model

Our strategy is to build companies in truly innovative areas of healthcare which have the potential to transform the delivery of healthcare in their respective markets.

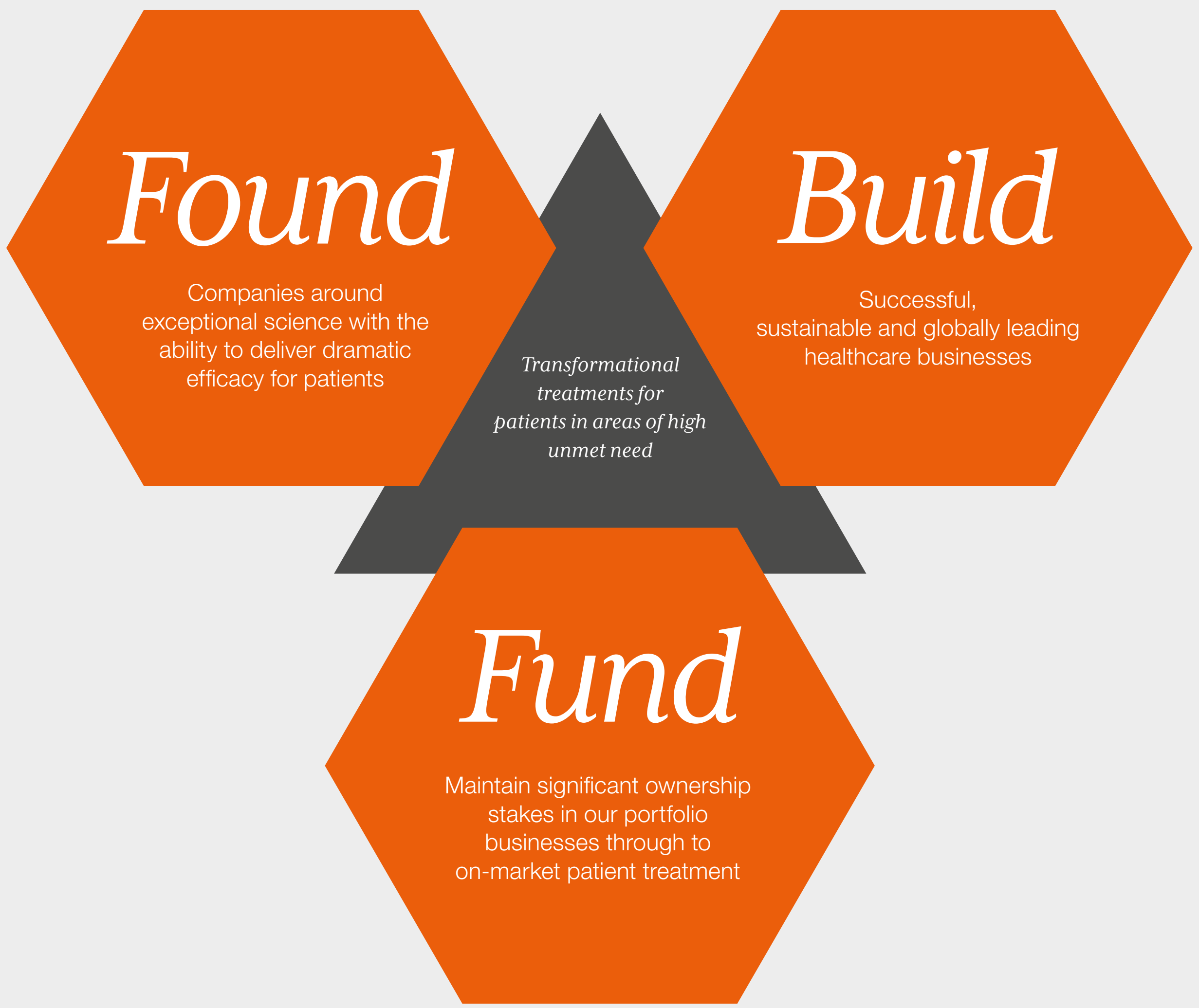
A Long-Term Approach

We take a long-term approach to investing and focus on maximising value through the cycle. We believe that returns in life science increase as development risk is reduced and marketed product is delivered. Our core investment thesis is to retain a significant ownership stake at least to the point of product approval. Our strategic capital pool ensures we have control and flexibility over the management of our companies – we seek never to be a forced seller and can thereby maximise returns.



We invest through the cycle to on-market treatment, seeking to capture value and generate superior returns for shareholders.

Strategy



Principles driving value creation

Found

We are focused and selective

Our core strategy is to found leading healthcare businesses. Our approach is to identify exceptional science, which can deliver dramatic efficacy for patients and around which we can build a company that can take products to market.

We take a high conviction and selective approach to building our portfolio. We own strategic positions with influence and the intent of being a significant shareholder at the point of product approval.

ENABLING US TO…

…invest in only the best opportunities

ACTIVITIES IN 2019

- Founded one new Syncona portfolio companies, Quell Therapeutics, a T-regulatory cell therapy company
- Led Series A financing and established strategy and business plan for new Syncona biologics company, Anaveon
- Led Series A financing and established the foundation of a new strategic direction for new Syncona company OMASS

Build

We build globally leading healthcare businesses

We seek to partner with world-leading academics to build globally competitive businesses, setting them up to be successful and sustainable over the long term.

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

ENABLING US TO…

…seek to deliver transformational treatments and maximise value for shareholders

ACTIVITIES IN 2019

- Appointed multiple globally leading members of management across our portfolio companies to manage their businesses through the next stage of growth and development
- Combined our companies Gyroscope and Orbit to create a leading retinal gene therapy platform
- Worked with our Developing companies to set strategy, oversee the roll out of business plans and prepare for clinical development
- Worked with our Maturing companies to oversee the implementation and interpretation of clinical programmes, assisted with development and scale up of manufacturing and delivery plans

Fund

We allocate capital with discipline

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

We take a disciplined approach to capital allocation when founding new companies and as we fund our companies over the long-term carefully analysing the opportunity set and their capital requirements. Our expert, multi-disciplinary team has a proven track record of allocating capital. Our funding is typically tranched and tied to the delivery of key milestones in each company.

ENABLING US TO…

…be flexible and take a long-term view

ACTIVITIES IN 2019

- £138.6m deployed into new and follow-on investments in our life science portfolio companies, including three new companies, an IPO of our cell therapy company, Autolus, two new financings and numerous milestone payments to existing portfolio companies
- Evolved the investment parameters of our strategic capital pool to focus on liquidity and capital preservation in order to support our key goal of founding, building and funding leading companies in life science

Capturing value

Our business model

We are focused on maximising value at all points of the investment cycle to deliver transformational treatments to patients and superior returns for shareholders, while making significant charitable donations.

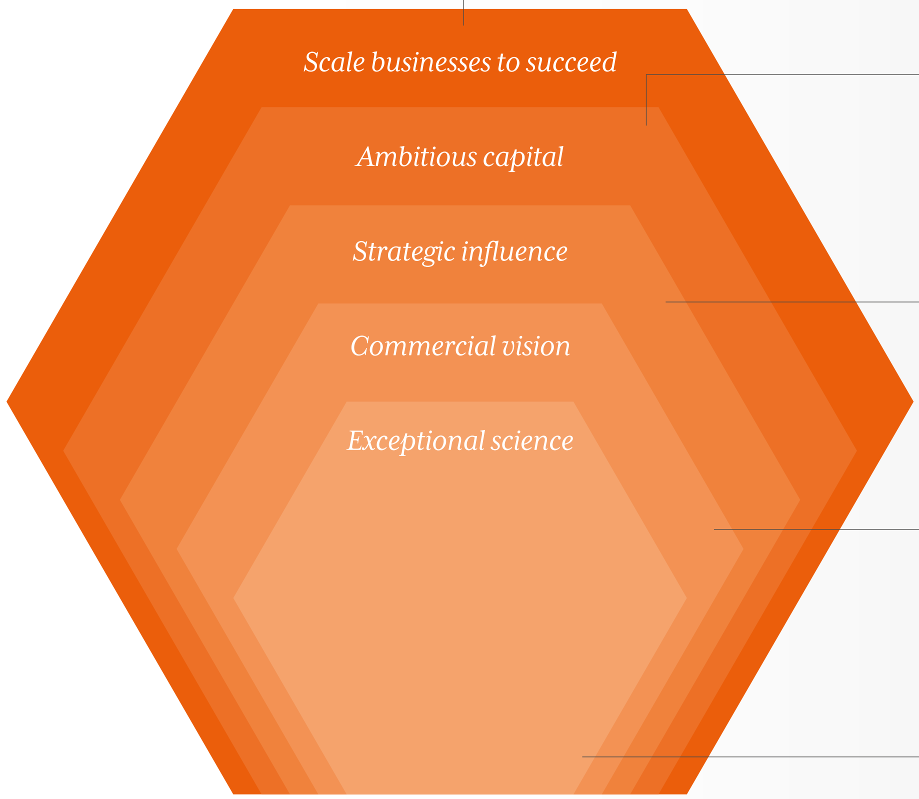
Our differentiated model

Our model gives us the strategic influence and ability to scale innovative businesses.

Strategic capital pool to support life science investments

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

Premium network and strong relationships across the industry



We are a conviction scale investor
Owning strategic positions with a view to being a significant investor at the point of product approval

Capital is a strategic asset
We can capitalise our businesses ambitiously and attract the best talent

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

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

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

Seeking to maintain significant ownership from point of investment on-market treatment

Value

£1,455m
Net asset value in 2019

77.9%
Life Science portfolio return in 2019

50,000
Number of patients who have received Axumin, Syncona's first marketed product

£4.3m
Charitable donation for 2019

Value creation story

Our strategy in action

Building a global leader

nightstar THERAPEUTICS

Nightstar Therapeutics is a leading clinical-stage gene therapy company focused on developing and commercialising novel one-time treatments for patients suffering from rare inherited retinal diseases that would otherwise progress to blindness.

In the space of five years, Nightstar progressed from an academic programme at Oxford University led by a single academic to a publicly listed company at the cutting edge of gene therapy and leader in its field.

The company was founded, built and funded by Syncona in close partnership with Professor Robert MacLaren from Oxford University and globally leading team. It is a strong example of our differentiated approach.

Key

Pre-deal

Post-deal

Found

In 2012, Syncona identified retinal gene therapy as a core area of interest, where we could found a company with the potential to be a global leader.

The Syncona team then undertook broad sector wide research, including meetings and discussions with global key opinion leaders in the field. As part of these meetings, the team met with Robert MacLaren, Professor of Opthamology at Oxford.

Nightstar was founded in January 2014 with a £12.0 million Series A financing from Syncona Partners and in partnership with Professor MacLaren. Chris Hollowood was appointed Chairman.

Build

Nightstar was set up with the intent of global success with an ambition to take its products all the way to market independently. Syncona put in place a vision and strategy for the business and developed the business plan.

We appointed a highly expert team who could move quickly to de-risk and develop Nightstar's technology, develop the IP strategy and robust clinical and commercial plans.

Deep funding from the outset enabled Nightstar to make long-term decisions, investing in areas like manufacturing and delivery.

Fund

Importantly, Syncona's long-term, high conviction approach to funding the business enabled it to build the platform and team from the start that would allow it to develop into a successful, globally competitive biotech company. Syncona provided the business with a £12.0 million Series A financing, continuing to invest through the company's later financing rounds, including in its IPO on NASDAQ and subsequent public offering; investing £56.4 million in total.

This strategy and the company's success executing it have culminated in the recent agreement for it to be acquired by Biogen for $877m.

Sep 2012
Identification of retinal gene therapy as a core area of interest where a company can get built

Sep 2012 – Mar 2013
Broad sector wide research, including meetings and discussions with leaders in the field

Nov 2012
First meeting with Robert MacLaren

Mar 2013 – Dec 2013
Identification of executives and consultants to enable fast start

Jan 2014
Syncona founds the company with Series A financing of £12m; Syncona CIO, Chris Hollowood is appointed Chairman

Jan 2015
David Fellows appointed as Chief Executive

Syncona approaches Oxford to license further programmes from Robert's group. Syncona commissions IP counsel to ensure best IP strategy for those programmes in parallel with negotiation

Syncona initiates financing on behalf of company and market to leading US funds

Nov 2015
Series B financing of $35m; Syncona invests $10m, NEA $25m in conjunction with execution of licence for further programmes

Mar 2017
Syncona identifies Stargardt's as an attractive programme given derisking data elsewhere in the gene therapy field

Jul 2017
Series C financing of $45m; Syncona invests $12.5m

Sep 2017
$76m listing on NASDAQ; Syncona invests $14m

Nov 2017
NITE execute further licence with Oxford for Stargardt programme

Mar 2018
Initiates Pivotal trial in first programme in Choroideremia

Jun 2018
Receives RMAT designation in first programme in Choroideremia

Sep 2018
Announces positive proof-of-concept data in second programme in XLRP

Follow-on financing of $83m with Syncona investing $18m

Nov 2018
Planned initiation of phase 2/3 study in second programme in XLRP

Mar 2019
Agreement to be acquired by Biogen for $877m; £256m cash return for Syncona, a 4.5x multiple of original cost and 72% IRR

2012 *2013* *2014* *2015* *2016* *2017* *2018* *2019*

Fo Bu Fu *Found*

Technical Diligence 〉

Business Model 〉

IP Diligence 〉

Terms & Legals 〉

Fo Bu Fu *Build*

Platform Development 〉

Pre-Clinical Pipeline 〉

Clinical Pipeline 〉

Fully operational 〉

Fo Bu Fu *Fund*

Fund 〉

Strong progress in our portfolio companies

We are building companies in specialist and innovative areas of healthcare across the development cycle

"Syncona's life science portfolio has performed strongly during the year. Our progress reinforces the benefits of our highly-focused, hands-on and long-term approach."

Syncona's life science portfolio has performed strongly during the year and our companies continue to make good progress against their clinical and business plans, demonstrating strong momentum across our portfolio. As at 31 March 2019, our portfolio was valued at £1,055.4 million and had 10 companies: one Established company delivering marketed products to patients, four Maturing clinical stage companies and five Developing companies focused on establishing operations and setting and implementing the strategic vision.

Our progress during the year reinforces the benefits of our highly-focused, hands-on and long-term approach. Our model means that as we build our companies, the Syncona team is actively involved operationally, bringing our differentiated, multi-disciplinary skill set to bear across all aspects of the businesses, from scientific development to clinical progression and financial discipline and ultimately capturing the opportunity available.

Product pipeline

Portfolio company	*Disease area*	*Best ideas*	*Pre-clinical development*	*Phase 1/2*	*Phase 3*	*Transformational treatment*
Blue Earth	Recurrent prostate cancer					
Blue Earth	Glioma					
Autolus	AUTO2 Multiple Myeloma					
Autolus	AUTO3 DLBCL					
Autolus	AUTO3 pALL					
Autolus (academic partners)	AUTO1 pALL					
Freeline	Haemophilia B					
Autolus (academic partners)	AUTO1 aALL					
Gyroscope	Dry AMD					
Autolus	AUTO4 T cell Lymphoma					
Freeline	Fabry's disease					
Freeline	Gaucher					
Achilles	Non small cell lung cancer					
Anaveon	Selective IL-2 Receptor Agonist					
Achilles	Melanoma					
Blue Earth	PMSA					
SwanBio	Neurodegenerative disorder					
Multiple undisclosed pre-clinical programmes						

Not including Nightstar's clinical pipeline, which accepted an offer from Biogen during the year

Life science portfolio review
continued

Established

£83.9m
Axumin sales in 2019

50,000
patients who have been diagnosed with Axumin since its approval in 2016

"Blue Earth is a leading molecular imaging diagnostics company focused on the development and commercialisation of novel PET imaging agents."

Established value
£268m

Company
BLUE EARTH DIAGNOSTICS

Blue Earth Diagnostics (18.4% NAV, 89% shareholding)

Strong financial performance with positive sales (£83.9 million) and EBITDA (£28.7 million) in FY2019[1] and reaching a milestone dosing its 50,000th patient post year end.

Momentum in Axumin sales, with US units continuing to increase over the 2019 financial year (Q1: 6,000, Q2: 6,500, Q3: 7,600, Q4 8,800).

Positive phase 3 clinical data in glioma; encouraging data from early clinical experience in Blue Earth's second asset for the diagnosis of prostate cancer, rhPSMA-7, in an academic setting

Expect continued positive earnings momentum, an FDA decision on filing for use of Axumin in glioma in coming months and to initiate and complete a phase 1 clinical trial for rhPSMA-7 this financial year.

Blue Earth is a leading molecular imaging diagnostics company focused on the development and commercialisation of novel PET imaging agents. It has had another positive year delivering strong financial performance with sales of £83.9 million and EBITDA of £28.7 million for the year to 31 March 2019[2]. 50,000 patients have now received an Axumin scan since the product was launched commercially, enabling physicians to diagnose patients with recurrent prostate cancer more effectively.

The business has continued to perform strongly in the US, with US unit doses of 28,900 over the year, up from 13,000 doses over the previous year. The US is Blue Earth's key market where the opportunity is to treat approximately 70,000 patients annually. Whilst Europe is a more fragmented market and challenging reimbursement environment than the US, the company has expanded access to Axumin in Europe over the year and it is now commercially available in nine countries with more to follow. The company has continued to progress development of its radio hybrid PSMA-targeted agent, rhPSMA-7 reporting encouraging results from its early clinical experience of the agent in an academic setting. Blue Earth is expected to initiate and complete a Phase 1 trial this financial year.

The company is also working towards a label extension for Axumin in glioma, a form of brain cancer. During the year, the U.S. Food and Drug Administration (FDA) has accepted a supplemental New Drug Application (sNDA) for the expanded use of Axumin in adults for glioma and we anticipate a decision in the coming months.

1 Unaudited figures for the 12 months ended 31 March 2019.
2 Unaudited figures for the 12 months ended 31 March 2019.

Life science portfolio review

continued

Maturing

5

Programmes in Freeline and Autolus delivered clinical data

2

New trials commenced in Autolus and Gyroscope

£117m

Committed to Maturing companies this year

Maturing value

£709m

Companies

Autolus
nightstar THERAPEUTICS
FREELINE
GYROSCOPE

Nightstar Therapeutics (17.7% NAV, 38% shareholding):

Agreement to be acquired by Biogen for $877.0 million.

Represents a 4.5x return and 72 per cent IRR for Syncona; £255.8 million[1] of proceeds received post year-end

Nightstar is our clinical-stage gene therapy company developing treatments for rare inherited retinal diseases, and in March of this year, we announced that the company had reached an agreement to be acquired by Biogen.

Syncona founded Nightstar in 2013 with Professor Robert MacLaren of Oxford University and took a hands-on, operational approach, setting the business up for success over the long-term. It is a strong example of our differentiated approach of founding, building and funding innovative companies and we look forward to seeing Nightstar work to deliver transformational treatments to patients during the next phase of its development with Biogen.

Autolus (22.6% of NAV, 31% shareholding):

Significant year of clinical progress with data read-outs across four programmes

Data from six clinical trials expected to be delivered during the course of this financial year and could move to up to three Phase 2 registration trials this financial year

Autolus, founded by Syncona in 2014, is our biopharmaceutical company developing next-generation programmed T cell therapies for the treatment of cancer. The company had a strong year, continuing to progress its pipeline of therapies through the clinic and making positive progress in developing its manufacturing capabilities.

During the year Autolus reported encouraging data in its AUTO3 programmes in paediatric Acute Lymphoblastic Leukaemia (pALL) and Diffuse Large B-cell lymphoma (DLBCL), with the preliminary data from both trials showing encouraging safety data and early clinical efficacy. It also announced that it had dosed its first patient in the Phase 1/2 trial of AUTO4 in T cell lymphoma. In the second half, the company reported further positive data in AUTO1 pALL and initial positive data in AUTO1 Adult ALL. Data from a number of clinical trials will be delivered during the course of the year and could result in the company moving in to up to three Phase 2 trials this financial year.

The company has also continued to expand its manufacturing capabilities, initiating manufacturing for clinical studies at the Stevenage Catapult in mid-March 2019. It has announced plans for further facilities in Enfield in the UK and Maryland in the US, the latter of which will be a fully scaled commercial site. The company is making good clinical progress on multiple fronts and has established an economical and scalable product delivery platform, which will enable it to ultimately commercialise its products for patients.

Following completion of its successful IPO in July, the company conducted a follow-on financing post period end, raising $109.0 million. Syncona invested in both the IPO and follow on offering and retains a 30.0 per cent stake in the business.

Freeline (6.4% of NAV, 80% shareholding):

Reported encouraging initial data in December 2018 from two patients in first low dose cohort for lead programme in Haemophilia B; the company has since entered the dose optimisation phase

Expect to report further data from Haemophilia B programme and initiate second programme in Fabry disease over this financial year

Freeline, our gene therapy company focused on liver expression for a range of chronic systemic disease is currently progressing its lead programme in Haemophilia B through clinical development. In December 2018, the company reported initial data from the first two patients in programme, dosed in the lowest dose cohort and reported mean FIX activity[2] levels of 45 per cent ±5, with the normal range being 50-150 per cent[3]. The company has since entered the dose optimisation phase. During this period, dose escalation is undertaken at a range of levels to establish the optimal dose before commencing a registrational study. It will report further data from this process this financial year.

The company has also continued to progress with its pipeline in systemic diseases. Its second programme, Fabry disease, is expected to enter the clinic in the coming months. Freeline has also disclosed that the next programme in its pipeline will be in Gaucher disease[4].

In 2016, Freeline made a significant early investment in manufacturing capability, recognising the importance of a commercial scale manufacturing platform in order to achieve its ambition to take products all the way to market. Over the last year, the business has made strong progress in developing this platform to be able to deliver high-quality, consistent product at commercial scale, notably securing suites at a leading contract manufacturer and at the Cell and Gene Therapy Catapult centre, which provides it with internal capability for its phase 1/2 trials and will allow it to meet the commercial demand for its Haemophilia B programme. Over the next financial year, the business is focused on manufacturing GMP-grade[5] product, suitable for a pivotal trial for its Haemophilia B programme, supporting its ambition to ultimately deliver transformational treatments for patients.

Following the year end, Anne Prener informed the board of Freeline that she will step down as Chief Executive Officer having completed her strategic objective of bringing Freeline into the clinic with two programs. Under Anne's leadership, the Company has made excellent progress, enrolling several cohorts of patients in a Phase 1/2 study for Haemophilia B and preparing to enroll patients in its Fabry program. The Company is now well positioned to attract a new CEO with commercial experience to lead Freeline through late-stage clinical development and product launch.

Gyroscope (2.0% of NAV, 81% shareholding):

Significant strategic progress creating leading retinal gene therapy platform through merger with Orbit Biomedical

Clinical-stage company, dosing of first patient in lead programme for dry AMD in January 2019

Anticipates completing the first dose escalation for this programme in FY2020

Gyroscope is a retinal gene therapy company focused on developing genetically-defined therapies for the treatment of eye diseases linked to an unbalanced complement system. It is one of the first companies globally to move gene therapy out of rare diseases and in to more prevalent disease. It is now clinical-stage having commenced dosing in its lead programme in one of the most severe forms of dry AMD with the first patient successfully dosed in January 2019. The company anticipates completing the first dose escalation for this programme during this financial year.

The company has also made significant strategic progress in the year, merging with Syncona's surgical device company, Orbit Biomedical, and creating the first fully integrated retinal gene therapy company with high quality manufacturing and a surgical platform that can support accurate, safe and consistent sub-retinal delivery of treatments to patients with blinding conditions. It is focused on delivering a therapeutic in a way that ensures higher consistency of dosing, whilst allowing patients to receive a less invasive treatment, which will be key to widespread use and clinical effectiveness. The merger ensures Gyroscope now has the key platform capabilities it requires to develop and deliver its therapeutics commercially.

1 Expected proceeds as at 31 March 2019 of £258.3 million with a foreign exchange loss of £2.5 million resulting in net proceeds received of £255.8 million.

2 Level of Factor IX, an essential clotting protein.

3 The normal range of FIX activity in the general population's blood is between 50% and 150%.

4 An inherited metabolic disorder characterised by the progressive build-up of glucocerebroside in lysosomes throughout the body.

5 Good Manufacturing Practice.

Life science portfolio review
continued

Developing

3
New companies founded

£76m
In Series A commitments to newly founded Syncona companies this year

Developing value
£37m

Companies
Anaveon, Quell TX, Achilles Therapeutics, OMass, SwanBio Therapeutics

Developing companies (2.6% NAV)
Achilles, our cell therapy company which is focused on immunotherapy to treat solid tumours (initially lung cancer and melanoma) has made good operational progress in the period, strengthening the leadership team. The company has also received approval from UK regulatory authority, the Medicines and Healthcare products Regulatory Agency (MHRA) to conduct two Phase I/II trials evaluating the safety and clinical activity of clonal neoantigen T cells ("cNeT") in patients with advanced non-small cell lung cancer (NSCLC) and melanoma respectively. It expects to enrol the first patient in its first programme in NSCLC in H1 FY2020.

SwanBio, a gene therapy company focused on neurological disorders, has made good progress over the course of the year, appointing key members of the management team and building out its operations. The company expects to nominate the candidate for its lead programme in this financial year and make progress in building out its manufacturing capabilities.

In June, Syncona led a £14.0 million Series A financing in OMASS Therapeutics, a biopharmaceutical company using structural mass spectrometry to discover novel medicines. We have worked closely with the OMASS team to develop a plan for the company which is seeking to use its suite of proprietary technologies, developed in the lab of globally leading academic Professor Dame Carol Robinson, in order to discover and develop innovative small molecule drug therapeutics.

Syncona also led a CHF 35.0 million Series A financing in a new immuno-oncology company, Anaveon. The financing supports the development of a selective Interleukin 2 ("IL-2") Receptor Agonist, a type of protein that could therapeutically enhance a patient's immune system to respond to tumours. The Syncona team is working in close partnership with the company to build the business, focusing on developing the clinical plan and strategy.

We also announced the foundation of a new company, Quell Therapeutics, bringing together six leading academics in the cell therapy space with a £35 million Series A financing. Quell has been established with the aim of developing engineered T regulatory (Treg)[1] cell therapies to treat a range of conditions such as solid organ transplant rejection, autoimmune and auto-inflammatory diseases. The Syncona team will work in close partnership with the founders from University College London, Kings College London and Hannover Medical as the business builds out its operations and management team. Post year end, Iain McGill was appointed Chief Executive of Quell. Iain is a leading pharmaceutical executive and has spent the majority of his 25 years in the industry in the area of solid organ and cell transplantation.

Life science investments (3.1% NAV):
Beyond Syncona's portfolio companies, where we typically have a significant ownership stake and are a partner with operational and strategic influence, we also have a small number of life science investments which represent good opportunities to generate returns for shareholders or provide promising options for the future in areas where Syncona has deep domain knowledge.

The largest holding is the CRT Pioneer Fund, a fund managed by Sixth Element Capital, which is focused on early stage investments in highly innovative oncology programmes which were primarily sourced from its proprietary pipeline agreement with Cancer Research UK. Its investment period closed in March 2018 and the manager is now focused on supporting the existing 11 investments in the portfolio. Syncona contributed a net £3.5 million during the year, with a further £14.9 million of uncalled commitments remaining that we expect to be called within the next 24 months.

> We have a high-level of conviction in the fundamentals of our companies having founded them around exceptional science and built them ambitiously."

Strong momentum across our portfolio and exciting opportunities to found new companies

We have a high level of conviction in the fundamentals of our companies having founded them around exceptional science and built them ambitiously, bringing in strong leadership teams. Over the next year, we will continue to work in close partnership with them in advancing their business plans and strong pipelines and we believe they are well-positioned to continue to make good progress in the year ahead.

We continue to see a number of excellent opportunities in cell and gene therapy, areas where we have built deep domain expertise, are strategically positioned with an early mover advantage and have strong platform capabilities. We also see attractive pipeline opportunities more broadly across a range of therapeutic areas and modalities where we can deliver our strategy to build global leaders aiming to take their products to market.

We remain focused on continuing to support our companies over the long-term as they scale and progress through the clinic and ultimately seek to deliver treatments to patients.

Chris Hollowood
Chief Investment Officer,
Syncona Investment Management Limited
13 June 2019

1 Tregs are a subset of T cells with the potential to downregulate the immune system.

John Bradshaw
Chief Financial Officer, Syncona Investment Management Limited

Strong financial performance and significant commercial progress

We ended the year with net assets of £1,455.1 million, or 216.8p per share, a 37.9 per cent total return with performance driven by significant financial and commercial progress in our life science companies, which generated a return of 77.9 per cent over the 12 months.

Performance was primarily driven by the valuation increases in three of our Established and Maturing portfolio companies, Autolus, Blue Earth and Nightstar, which together added £439.9 million to the value of the portfolio. The most material of these uplifts, Autolus, was driven by its successful IPO on NASDAQ in June 2018 and the subsequent 85.1 per cent increase in its share price, and our holding was valued at £328.2 million at the year-end, an increase of £225.0 million over the 12 months. Our holding in Blue Earth has increased in value by £94.9 million to £267.5 million at 31 March 2019, following continued strong commercial performance of Axumin, the licencing of a new PSMA agent and distributions to Syncona totalling £14.2 million. Our holding in Nightstar was valued at £258.3 million[1] at the year-end, a gain of £120.0 million, reflecting its proposed acquisition by Biogen for a total of $877.0 million, which was announced in March 2019. The transaction completed in June 2019.

Beyond our Syncona portfolio companies, we have a small number of life science investments. During the year, we invested $15 million (£11.6 million) in NASDAQ-listed Adaptimmune, a leader in the engineered TCR cell therapy space, at $10.00 a share. At year end the share price was $4.30, a decrease of 57 per cent. We also sold our holding in NASDAQ-listed, Endocyte, during the year, resulting in a total realised gain of £10.2 million on an original investment of £4.0 million. CEGX is held at £3.9 million on an adjusted discounted Price of Recent Investment basis (2018: £9.8 million).

1 Expected proceeds as at 31 March 2019 of £258.3 million with a foreign exchange loss of £2.5 million resulting in net proceeds received of £255.8 million.

£1,455m
Net Asset Value

37.9%
NAV total return

> We ended the year with net assets of £1,455.1 million, or 216.8p per share, a 37.9 per cent total return with performance driven by significant financial and commercial progress in our life science companies, which generated a return of 77.9 per cent over the 12 months.”

Valuation movements in period (£m):

Company	31 Mar 2018 value £m	Net investment in period £m	Valuation change £m	31 Mar 2019 value £m	% NAV	Valuation basis	Fully diluted ownership stake %	Focus area
Life science portfolio companies								
Established								
Blue Earth	186.8	(14.2)	94.9	267.5	18.4	rDCF	89	Advanced diagnostics
Maturing								
Nightstar	124.5	13.8	120.0	258.3[3]	17.7	Quoted	38	Gene therapy
Autolus	85.1	18.1	225.0	328.2	22.6	Quoted	31	Cell therapy
Freeline	36.0	57.5	–	93.5	6.4	Cost	80	Gene therapy
Gyroscope[1]	19.6	9.0	0.3	28.9	2.0	Cost	81	Gene therapy
Developing								
Achilles	6.6	9.6	–	16.2	1.1	Cost	69	Cell therapy
SwanBio	4.9	–	0.4	5.3	0.4	Cost	72	Gene therapy
OMASS	–	3.5	–	3.5	0.2	Cost	46	Therapeutics
Anaveon	–	3.7	–	3.7	0.2	Cost	47	Immuno-oncology
Quell	–	8.3	–	8.3	0.6	Cost	69	Cell Therapy
Open forward currency contracts	–	–	(2.5)	(2.5)	(0.2)			
Life science investments								
CRT Pioneer Fund	30.8	3.5	–	34.3	2.4	Adjusted Third–party		
CEGX	9.8	–	(5.9)	3.9	0.3	Adjusted PRI		
Endocyte	9.0	(13.9)	4.9	0.0	0.0	Quoted		
Adaptimmune	–	11.6	(6.7)	4.9	0.3	Quoted		
Syncona Collaborations	1.4	–	–	1.4	0.1	Cost		
SUB-TOTAL	**514.5**	**110.5**	**430.4**	**1,055.4**	**72.5**			
Available capital	550.3	–	–	413.6[2]	28.4			
Other net liabilities	(9.0)	–	–	(13.9)	(0.9)			
Capital pool	541.3	–	–	399.7	–			
TOTAL	**1,055.8**			**1,455.1**	**100**			

1 Includes Orbit, following the merger of Gyroscope and Orbit during 2019.

2 Against which we have £126.6 million of uncalled commitments. Refer to note 21.

3 Expected proceeds as at 31 March 2019 of £258.3 million with a foreign exchange loss of £2.5 million resulting in net proceeds received of £255.8 million.

Financial review

continued

Three new investments and investment cashflow in line with guidance

Three new companies were founded in the year, which together with milestone payments to our existing life science companies and other investments, resulted in capital deployed of £138.6 million, in line with prior year guidance of £75 million to £150 million.

While the absolute level of deployment will be dependent on our investment pipeline, our current expectation is that the Company will invest between £100 million and £200 million over the next 12 months.

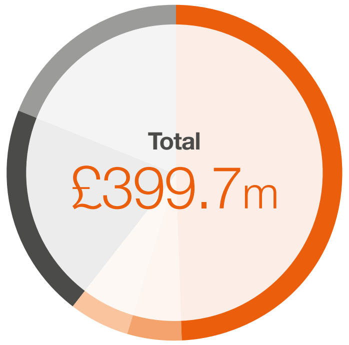
Uncalled commitments reflect new investments and financing rounds

Uncalled commitments stood at £121.5 million at the year end, of which £101.7 million relate to milestone payments associated with the life science portfolio and £14.9 million to the CRT Pioneer Fund over the next 24 months. The remaining £4.9 million of the uncalled commitments relate to investments held in the capital pool.

These payments are generally delivered over a number of tranches linked to the relevant portfolio company achieving key strategic and development goals set at the time of financing. This is a risk management tool and enables Syncona to ensure companies are tracking to their strategic plans.

Liquidity profile

Net cash	£197.9m
Within 1 month	£21.5m
1-3 months	£23.1m
3-12 months	£82.5m
Greater than 12 months	£74.7m



Strategic capital base and significant liquidity in the capital pool

Syncona has a strategic capital base with net cash resources of £197.9 million (2018: £76.2 million) and £201.8 million of further liquidity in investments (2018: £465.1 million in fund investments). In addition, we received proceeds of £255.8 million[1] from the sale of Nightstar following the completion of the transaction, taking proforma liquidity in the capital pool to £655.5 million. Against this we have milestone payments to existing portfolio companies of £101.7 million, visibility on a number of financings across our portfolio in the coming 12-24 months and a strong pipeline of new opportunities

Successful life science companies scale rapidly, therefore access to a deep capital pool allows the team to take a long-term view and retain strategic ownership stakes when founding and building our companies. Certainty of funding is key in delivering our strategy and we believe our capital pool needs to be sufficient to fund the investment pipeline and portfolio company financing rounds for a minimum of two to three years.

Over the last two years, Syncona has evolved the investment parameters of its capital pool to focus on liquidity and capital preservation in order to support Syncona's strategy and key goal of founding, building and funding global leaders in healthcare. To support this strategy, we have further simplified the management of the capital pool, redeeming all legacy fund investments except for certain longer term funds. As part of this process, we have increased our weighting to cash, cash equivalents and fixed income products with higher liquidity and lower volatility. This year, our fund investments generated a return of 1.43 per cent in the year ended 31 March 2019.

Expenses

The Company's ongoing charges ratio was 0.92 per cent for the 12 months[2], which compares to 1.01 per cent in 2018, with the decrease reflecting the growth in NAV, the absence of one-off costs[3] and effective cost management as the Company has scaled. Syncona Investment Management Limited's ("SIML") management fee is capped at 1.1% of net assets and management fees paid to SIML in 2019 totalled £8.9 million (2018: £5.8 million), or 0.70 per cent of NAV (2018: 0.79 per cent)[4]. Allowing for the costs associated with the Company's Long-Term Incentive Plan, ongoing charges increased to 1.84 per cent (2018: 1.58 per cent).

£139m

Capital deployed into life science portfolio

77.9%

Life Science portfolio return

Long-Term Incentive Plan

To provide long-term alignment of interest with shareholders, Syncona's Long-Term Incentive Plan ("LTIP") was adopted by shareholders in December 2016 and replaced the original performance scheme that was put in place at the time of the establishment of Syncona in 2012.

The strong performance of the life science portfolio has significantly exceeded the growth hurdle[5] for the LTIP. The LTIP scheme vests on a straight-line basis over a four-year period with awards settled in cash and Syncona shares. At the year end the total liability for the cash settled element was revalued at £17.2 million (2018: £5.4 million), of which £6.4 million would be payable if all eligible MES were realised in the current financial year, and the number of shares in the Company that could potentially be issued increased by 10,046,397 shares, taking the fully-diluted number of shares to 671,268,706. Further details on the LTIP can be found in the Remuneration Report in the Annual Report to be published in due course and in notes 2 and 13.

Dividend

The Board has declared a final dividend of 2.3p per share (2018: 2.3p per share) for the year. Syncona's investment objective is to achieve superior long-term capital appreciation by founding, building and funding global leaders in healthcare. The portfolio is now predominantly invested in fast growing, capital intensive, life science companies and during the year the Board reviewed the dividend policy and has decided that it will no longer be appropriate to pay a dividend moving forward.

Charitable donations

Syncona is donating £1.9 million to the Institute of Cancer Research and £2.4 million to The Syncona Foundation (for onward distribution to nominated charities) for the 2019 year. Syncona commits a minimum of 0.3% of its net asset value to charitable causes in the field of healthcare, in particular cancer, and beyond. Further details on our charitable donations can be found in the Corporate Social Responsibility statement in the Annual Report.

Foreign exchange

At the year-end, we continued to hold the Company's foreign exchange exposure in the life science portfolio unhedged with the exception of the investment in Nightstar ahead of the anticipated completion of its acquisition by Biogen in June 2019. Within the capital pool we continue to hedge all of the euro-denominated share classes, and 92.5 per cent of the exposure to US Dollar-denominated share classes and cash balances. At the year end, the unrealised loss on the associated forward contracts was £0.6 million.

> "Successful life science companies scale rapidly, therefore access to a deep capital pool allows the team to take a long-term view and retain strategic ownership stakes when founding and building our companies."

Valuation policy

The valuation of investments is conducted in accordance with International Private Equity and Venture Capital Valuation Guidelines. At 31 March 2019, the life science investments were valued at cost, Price of Recent Investment, rDCF, adjusted third-party or quoted basis. In the case where Syncona is the sole institutional investor and substantive clinical data which is material to Syncona has been generated in life science portfolio companies, we will use input from an independent valuations advisor in our determination of the fair value of investments. Capital pool investments are valued by reference to third-party pricing.

John Bradshaw
Chief Financial Officer,
Syncona Investment Management Limited
13 June 2019

1 Expected proceeds as at 31 March 2019 of £258.3 million with a foreign exchange loss of £2.5 million resulting in net proceeds received of £255.8 million.

2 The ongoing charges ratio includes expenses from all Syncona Group Companies in addition to the expenses in the Group's consolidated statement of comprehensive income, divided by average NAV for the year. It excludes a charge of £11.8 million (2018: £5.5 million) associated with the Syncona Long-Term Incentive Plan.

3 Associated with the payment to BACIT (UK) for the cessation of the Investment Management Agreement.

4 See footnote 2.

5 Excluding CRT Pioneer Fund. Participants in Syncona's LTIP scheme are issued Management Equity Shares ("MES") in Syncona Holdings Limited, relevant details of which are set out in note 2 and 13. The fair value of the MES is established via external valuation.

Key performance indicators

Financial KPIs

1 *NAV Growth*

Rationale

Includes all of the components of the Company's performance

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

Links to strategy

- Achieve superior long-term capital appreciation from investment in life science with a focus on founding, building and funding companies that can deliver transformational treatments to patients in areas of high unmet medical need
- Targeting 15% IRR on the investment portfolio through the cycle

Fo Bu Fu

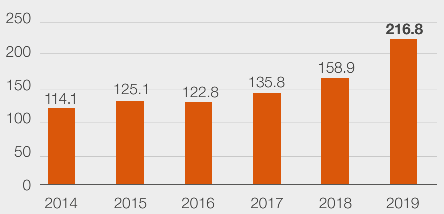
Progress in the year

- 37.9% NAV total return in the 12 months driven by a 77.9% return from our life science portfolio

Key risks/factors we monitor

- Monitoring the performance of the life science portfolio
- Depth and progression of clinical pipeline and competitive landscape
- Scientific, commercial and financing risk within the portfolio
- Range of potential values across different scenarios for Life Science portfolio companies
- Depth of capital pool to support companies long term

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



2 *Total Shareholder Return*

Rationale

Measures performance in the delivery of shareholder value

Links to strategy

- Achieve superior long-term capital appreciation from investment in life science with a focus on founding, building and funding companies that can deliver transformational treatments to patients in areas of high unmet medical need
- Targeting 15% IRR on the investment portfolio through the cycle

Fo Bu Fu

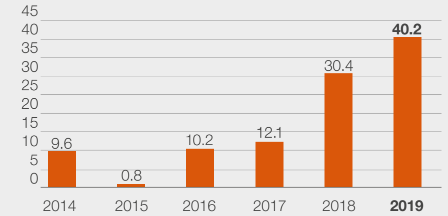
Progress in the year

- Share price increased from 186.6p to 259.0p, which together with the 2.3p dividend paid in July 2018, generated a total shareholder return of 40.2% in the 12 months to 31 March 2019 (including reinvested dividends).

Key risks/factors we monitor

- Performance of the life science portfolio and NAV growth
- Trading liquidity and investor appetite for Syncona's shares in conjunction with marketing activity
- General market sentiment more broadly and the life science sector specifically

Total Shareholder Return (at financial year end)
%



3 *Liquidity profile*

Rationale

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

Links to strategy

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

Fo Bu Fu

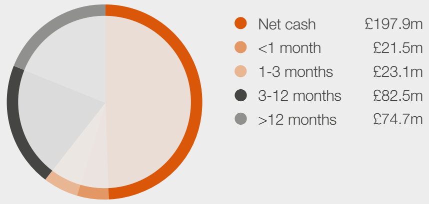
Progress in the year

- £399.7m net capital resources available in the capital pool, of which £325.0m is accessible to invest within 12 months
- Initiated the process of simplifying the management of the capital pool

Key risks/factors we monitor

- Certainty of funding and a focus on capital preservation within our capital pool
- Liquidity in the capital pool
- Ownership of strategic positions in our life sciences companies over the long term

Liquidity profile
£m



Non-financial KPIs

4 *Depth and progression in clinical pipeline*

Rationale

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

Links to strategy

- Delivering transformational treatments to patients in areas of high unmet medical need

Fo Bu Fu

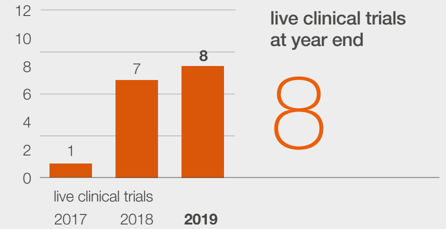
Progress in the year

- Eight clinical trials across the portfolio (excluding Nightstar, which accepted an offer from Biogen during the year)
- Two clinical trials commenced in the year in Autolus and Gyroscope

Key risks/factors we monitor

- Design and progress of clinical trials
- Negative results from, or adverse events in, clinical trials
- Commercial, regulatory and competitive landscape

Progression in clinical pipeline



5 *Charitable donations*

Rationale

Reliable income stream for cancer research and other charities

Links to strategy

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

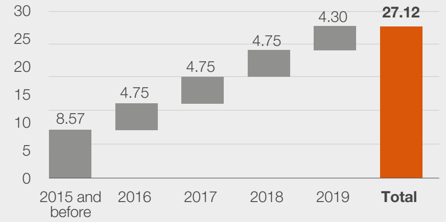
Progress in the year

- Significant donations to the Institute of Cancer Research and The Syncona Foundation (for onward distribution to a range of charities)

Key risks/factors we monitor

- Monitoring of the effectiveness of the charities and impact of Syncona's donations
- Input into selection of roster of charities to ensure alignment to strategy

Charitable donations
£m



Company builders

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

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

Scientific

Commercial

Company creation

Investment

Key statistics

10
Companies founded

83%
Of team members hold Phds

16
Board seats on Syncona companies

180+
Years of life science and investing experience

Martin Murphy

Martin is Chief Executive Officer of Syncona Investment Management Ltd and was co-founder of Syncona. Since then, Martin has been closely involved in the foundation and development of four Syncona companies: Achilles, Autolus, Blue Earth and OMass Therapeutics and continues to hold Board positions at these companies.

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

Chris Hollowood

Chris is the Chief Investment Officer of Syncona Investment Management Ltd. He is currently Chairman at three Syncona companies: Freeline Therapeutics, Gyroscope and SwanBio. He has been instrumental in their foundation and development including the acquisition of a gene therapy manufacturing platform from Rentschler on behalf of Freeline and the retinal delivery device, Orbit, for Gyroscope.

Previously, he was a partner of Apposite Capital LLP. Chris also had roles with Bioscience Managers, Neptune Investment Management and in the pharmaceutical industry. He has a degree in Natural Sciences and a PhD in Organic Chemistry from the University of Cambridge.

John Bradshaw

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

Edward Hodgkin

Edward is a Partner of Syncona Investment Management Ltd. While at Syncona, he served as the first Chief Executive Office of Syncona's portfolio company, Autolus. Prior to Syncona, he was Chief Executive Officer of Biotica Technology (Cambridge, UK), President & Chief Business Officer of BrainCells (San Diego, CA) and Vice President, Business Development & Marketing at Tripos (St. Louis, MO). Ed holds an MA and DPhil in Chemistry from Oxford University.

OMass Therapeutics
Autolus

Elisa Petris

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

Blue Earth Diagnostics
Achilles
Quell

Dominic Schmidt

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

Gyroscope
Anaveon
Freeline

Magdalena Jonikas

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

OMass Therapeutics

Alex Hamilton

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

SwanBio Therapeutics

Michael Kyriakides

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

Gyroscope

Alice Renard

Alice is a Partner of Syncona Investment Management Ltd. Prior to joining Syncona, Alice was an Investment Banking Analyst within Barclays' Healthcare Corporate Finance and M&A team, where she worked on transactions involving pharmaceutical and other healthcare companies. Prior to Barclays, Alice worked briefly at AbbVie and Janssen.

Alice holds a Doctorate degree in Pharmacy from the University of Lille 2 (School of Pharmacy, Lille, France). She holds a Masters in International Health Policy & Health Economics from the London School of Economics (London, UK).

Anaveon

Freddie Dear

Freddie is a Partner of Syncona Investment Management Ltd. Previously, he was a member of the Investment Team at the Wellcome Trust, which is responsible for the management of its £23 billion global investment portfolio. Freddie joined Syncona full time after a six-month secondment from the Wellcome Trust graduate scheme. Freddie holds a degree in Biochemistry from the University of Edinburgh.

Quell

Hitesh Thakrar

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

Valuation policy for life science investments and clinical trial disclosure process

Valuation policy for life science investments

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

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

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

– The cost generally represents fair value as of the transaction date. Similarly, where there has been a recent investment in the unlisted company by third parties, the Price of Recent Investment ("PRI") generally represents fair value as of the transaction date, although further judgement may be required to the extent that the instrument in which the recent investment was made is different from the instrument held by the Group.
– The length of period for which it remains appropriate to use cost or the PRI depends on the specific circumstances of the investment and the stability of the external environment and adequate consideration needs to be given to the current facts and circumstances. Where there is objective evidence that an investment has been impaired or increased in value since the investment was made, such as observable data suggesting a change of the financial, technical or commercial performance of the underlying investment, the Group carries out an enhanced assessment based on one of the alternative methodologies set out in the IPEVC Valuation Guidelines.
– DCF involves estimating the fair value of an investment by calculating the present value of expected future cash flows, based on the most recent forecasts in respect of the underlying business. Given the difficulty involved with producing reliable cash flow forecasts for seed, start-up and early-stage companies, the DCF methodology will more commonly be used in the event that a life science company is in the final stages of clinical testing prior to regulatory approval or has filed for regulatory approval.

Valuation of the life science portfolio	% of life science portfolio	% of net assets
Cost	15.2	11.0
Discounted Cash Flow	25.3	18.4
Quoted	55.9	40.6
Adjusted Price of Recent Investment	0.4	0.3
Third Party	3.2	2.4

– Independent Adviser – the Group's determination of the fair values of certain investments took into consideration multiple sources including management and publicly available information and publications and certain input from independent advisers L.E.K. Consulting LLP ("L.E.K."), who have undertaken an independent review of certain investments and have assisted the Group with its valuation of such investments. The review was limited to certain limited procedures that the Group identified and requested it to perform within an agreed limited scope.

As with any review of investments these can only be considered in the context of the limited procedures and agreed scope defining such review and are subject to assumptions which may be forward looking in nature and subjective judgements. Upon completion of such limited agreed procedures, L.E.K. estimated an independent range of fair values of those investments subjected to the limited procedures. In making such a determination the Group considered the review as one of multiple inputs in the determination of fair value. The limited procedures within the agreed scope are limited by the information reviewed and did not involve an audit, review, compilation or any other form of verification, examination or attestation under generally accepted auditing standards and was based on the review of multiple defined sources. The Group is responsible for determining the fair value of the investments, and the agreed limited procedures in the review performed to assist the Group in its determination are supplementary to the inquiries and procedures that the Group is required to undertake to determine the fair value of the said investments for which the Directors are ultimately responsible.

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

Clinical trial disclosure process

Currently, Syncona's portfolio companies are progressing with eight clinical trials. These trials represent both a significant opportunity and risk for each company and for Syncona Ltd.

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

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

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

Risk management

Understanding and managing risk is at the core of everything we do

Our strategy of founding, building and funding global leaders in life science involves significant risk and opportunity. We invest in early-stage life science businesses prior to clinical proof of concept, where clinical trials are in progress, and before products are commercialised, all of which results in risk but also the potential for significant returns. It is therefore key to our business that our risk appetite is clearly defined and that we have robust processes to manage risk.

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

Identifying principal risks

We evaluate our principal risks on an ongoing basis and using both top-down and bottom-up inputs. The Board considers our strategy and operating environment each year and identifies the key strategic risks we face and key mitigants. This focuses on the principal risks that could affect the success of our business model. The Investment Manager carries out a bottom-up review, considering each of our life science companies and our internal operations, both as a specific exercise and on an ongoing basis through our regular monitoring of our life science companies. In doing this we draw on the underlying assessments by the management teams of each of our life science companies.

These inputs are brought together in our risk register which is reviewed by the Audit Committee in detail each year. The Board defines risk appetite, oversees the process to ensure a robust assessment of principal risks, and receives an update at each Board meeting.

The principal risks identified by the Board are set out on pages 48 to 51. These have evolved during the year, in particular to reflect the increasing values of our investments in life science companies and their progress into clinical trials, and also the simplification of the management of our capital pool.

Risk management

The Investment Manager is responsible for day-to-day operation and oversight of the risk management and monitoring framework and uses a number of techniques to do this. The team has a culture of transparency, ensuring that any developments are shared and addressed as soon as possible, and reported to the Board where appropriate. We rely on having highly experienced personnel to support and manage issues as they arise, together with effective financial management processes.

The Audit Committee reviews the ongoing operation and effectiveness of our control environment to manage the principal risks we face on an annual basis, and ensures that any actions identified are taken forward by the Investment Manager.

Risk management structure

Board of Directors
Risk management leadership

Audit Committee
Review and monitor the risk management process

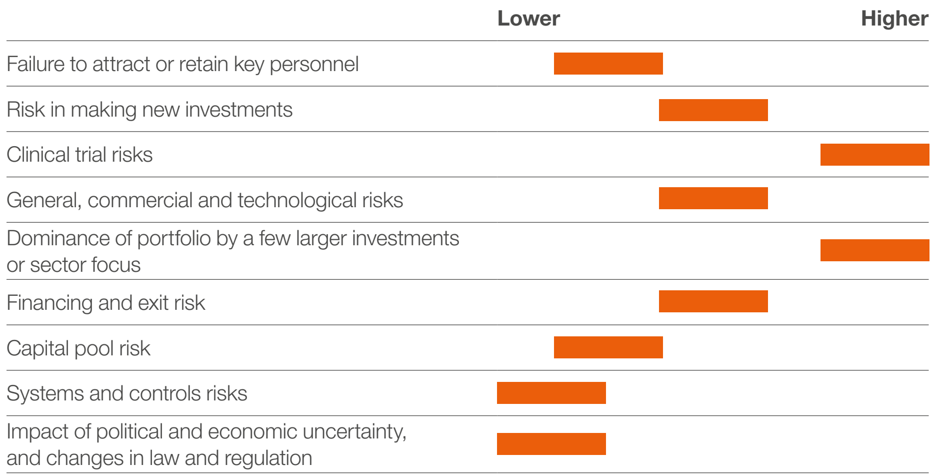
Investment Manager
Risk management is integral to the investment process and financial management. Risk reporting and running the controls assurance programme.

Life science portfolio company management teams
Risk identification and mitigation

Risk appetite

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

Our risk appetite is set out below:



Principal risks and uncertainties

The principal risks that the Board has identified are set out in the following table, along with the consequences and mitigation of each risk. Further information on risk factors is set out in note 19 to the Consolidated Financial Statements.

Unchanged | Increased | Decreased

Description	Impact	Mitigation	Changes in the year
Failure to attract or retain key personnel (Unchanged)			
The expertise, due diligence, risk management skills and integrity of the staff at the Investment Manager are key to the success of the Company. The industries in which the Investment Manager operates are highly specialised and require highly qualified and experienced management and personnel. Given the relatively small size of the team, the execution of the Company's investment strategy is dependent on a small number of key individuals. There is a risk that employees could be approached by other organisations or could otherwise choose to leave the Investment Manager.	If the Investment Manager does not succeed in retaining skilled personnel or is unable to continue to attract all personnel necessary for the development and operation of their business, it may not be able to execute the Company's investment strategy successfully.	The Investment Manager carries out regular market comparisons for staff and executive remuneration. Senior executives are shareholders in the Company and staff of the Investment Manager participate in the Syncona Long Term Incentive Plan. In addition, the Investment Manager encourages staff development and inclusion through coaching and mentoring and carries out regular objective setting and appraisals. A central part of the Company's strategy is to bring in high-quality and experienced people to manage our portfolio companies. These teams are supported by strong Non-Executive Directors, typically global leaders in their fields, to work alongside the Investment Manager to drive success in the portfolio companies.	The Board recognises that the execution of the Company's investment strategy is dependent on the specialist expertise of a small number of key individuals within the Investment Manager. Organisational capability and succession planning within the Investment Manager is discussed by the Board. The Directors are focused on ensuring that the Investment Manager retains its existing key staff and is able to attract additional staff where needed to deliver the Company's investment strategy.
Risk in making early stage investments (Unchanged)			
The Company invests in and builds life science businesses. In many cases these are at a very early stage, in many cases before there is any or any substantial clinical evidence of effectiveness or a commercially viable way to deliver the technology. Evaluating such opportunities is inherently uncertain and may require significant capital to be invested before these uncertainties can be resolved.	The Company may not realise an attractive return or, in some cases, may not realise its original cost or any value from its investment. In addition the Company may need to invest significant additional time, capital and management resources in order to realise any return. Failures of investments may affect the Company's wider reputation for building successful life science businesses and impact our share price, make it more difficult to recruit high quality personnel to the Investment Manager or our businesses, or have other negative impacts.	The Investment Manager employs highly experienced personnel, with deep scientific expertise and considerable experience of building and developing early-stage life science businesses, who are therefore well-positioned to evaluate the risks and opportunities. Before making any investment, the Investment Manager performs extensive due diligence covering all the major scientific and business risks, and develops an operational plan to mitigate these. This will typically involve the Investment Manager's personnel working closely with the portfolio company, taking non-executive and at times executive roles on portfolio company boards. The Investment Manager has a robust and disciplined financing and capital allocation framework, and investments may involve seed funding or tranching to identify and mitigate early risks before proceeding with more substantial investments.	It is increasingly clear that the best businesses require significant capital to be committed from the outset, to enable a robust business plan to be executed by a high quality team. The overall result for any one business is to improve its chances of success, but it also materially increases the capital at risk if there is a failure. We believe our existing processes are appropriate to address and mitigate the evolving risk profile but keep this under review.

Description	Impact	Mitigation	Changes in the year
Clinical trial risks (Increased)			
The Company's life science investments are typically development stage businesses engaged or seeking to engage in clinical trials of new products. There are risks arising from any clinical trial: – Risk of negative results from clinical trials – Risk of adverse events from clinical trials	A failure to demonstrate that a clinical product is effective, or the discovery of material toxicity issues, is likely to result in a decline in the value of the portfolio company, or even lead to the portfolio company failing. Even where a clinical trial demonstrates some efficacy, data may be insufficiently clear to satisfy regulatory requirements or to establish commercial differentiation, and in that case further studies may be required incurring delay and expense. This in turn may impact the value of such portfolio company. A significant adverse event during a clinical trial may result in material harm to one or more individuals. It may also result in a halt or delay to the clinical trial, or require additional studies to ascertain the cause of the event. It may also result in significant reputational issues for Syncona.	This is the key risk that underpins our business model and drives returns. To manage it we need to have a strong management team, with robust culture and process, and hire the best people within the portfolio companies. The Investment Manager employs highly experienced personnel with deep scientific expertise and considerable experience of building and developing early-stage life science businesses. The Investment Manager's personnel work closely with portfolio companies, taking both executive and non-executive roles on portfolio company boards, monitoring progress and ensuring familiarity with issues and risks. Members of the portfolio companies' management teams have significant experience in the management of clinical programmes and have dedicated internal resource to establish and monitor each of the clinical programmes in order to maximise successful outcomes. Business and clinical strategies will seek to mitigate development risk, for example by carefully considering trial design, or by seeking to have multiple trials in different indications. In addition, the Investment Manager's team can assist the management teams of the portfolio companies with arranging specialist advice.	We have separated our clinical trials as a separate risk, to recognise that a growing number of our life science companies are progressing clinical trials. There is risk inherent in this activity, as companies test pre-clinical hypotheses in a human setting. Results from clinical trials will either enable our companies to progress further with development if positive, or can result in failure both at a programme and company level if negative or if there are adverse events. During the year, two new clinical trials launched, taking the total number of clinical trials across our portfolio to eight.
General, commercial and technological risks (Unchanged)			
The Company's life science investments are exposed to a wide range of general, commercial and technological risks. In particular: – Intellectual property may fail to be granted or may be infringed or copied – Failure of a technology platform in an early-stage company – Failure to obtain regulatory approval for new products developed – Failure to sell products profitably or in sufficient volumes – Changes in pharmaceutical pricing practices – Launch of competing products – Reputational damage – Targeted public campaigns – Latent product defects resulting in claims	All of these risks could potentially lead to a decline in the value of a portfolio company, or even lead to the portfolio company failing.	The Investment Manager employs highly experienced personnel with deep scientific expertise and considerable experience of building and developing early-stage life science businesses. The Investment Manager's personnel work closely with portfolio companies, taking both executive and non-executive roles on portfolio company boards, monitoring progress and ensuring familiarity with issues and risks.	We have separated out these risks from the clinical trial risks above. Given that only one of our life science companies has a product that has completed clinical trials, these risks are typically a less significant factor for us at the current time, but we expect these risks to become a greater focus as our life science companies progress through the clinic towards commercialisation.

Principal risks and uncertainties

continued

Unchanged Increased Decreased

Description	Impact	Mitigation	Changes in the year
Dominance of portfolio by a few larger investments and/or sector focus (Increased)			
Within its life science portfolio, the Company is seeking to build a focused portfolio of 15-20 leading life science companies. Accordingly, a large proportion of the overall value of the life science portfolio may, at any time, be accounted for by one, or a few, portfolio companies. The Company's life science portfolio may also be focused on a small number of sub-sectors within the life science sector. Accordingly, a material proportion of the overall value of the life science investment portfolio may, at any time, be invested in a specific sub-sector. This risk has increased as a result of positive developments within portfolio companies that have resulted in the Company recognising value increases and committing further investment.	If a portfolio company experiences financial or operational difficulties, fails to achieve anticipated results or, where relevant, suffers from poor stock market conditions and if, as a result, its value were to be adversely affected, this could have an adverse impact on the overall value of the life science investment portfolio. Similarly, if the technology or technologies utilised in a specific sub-sector prove to be commercially unproductive or unsuccessful, then the value of the Company's investments in the respective sub-sector(s) could be negatively impacted.	The Board considers the performance of its largest portfolio companies and the portfolio's concentration in specific sub-sectors on a quarterly basis. Business and clinical strategies seek to diversify the concentration risk in any one portfolio company, for example by seeking to have multiple products under development in different indications. At 31 March 2019, the Company's three largest investments in its life science portfolio are valued at £854.0 million representing 58.7 per cent of the net asset value of the Company. One of these companies, Nightstar, received an $877 million approach from Biogen, which completed in June 2019.	The Company's strategy is to build successful life science companies, and during the year we have seen significant value creation in several of our life science companies. While this does create a greater concentration risk, we believe it to be in line with our strategy. During the year shareholders approved changes to our investment policy that gave us more flexibility to hold a significant part of our portfolio in a small number of life science companies, to support us in delivering our strategy.
Financing and exit risk (Unchanged)			
Life science businesses are capital intensive. Instability in equity and debt markets and/or the market's appetite for investment in life science companies could result in an inability to finance new investments and/or unattractive pricing for life science companies, either in public markets or sales to financial or strategic acquirers.	Lack of funding may restrict the ability of a portfolio company in the Company's life science portfolio to fund ongoing research and development and commercialisation programmes and the ability of the Company to invest in new, attractive investment opportunities. This could result in the portfolio company being unable to continue its development, impacting the value of the investment. A lower value may be realised in the event of a sale of a portfolio company at a time when markets are unstable or have reduced appetite for life science companies.	The Company maintains a strong liquidity position to fund life science investments, and seeks to maintain a minimum of two to three years of anticipated investment (existing and proposed new portfolio companies) plus two to three years of costs. This enables it to avoid being a "forced seller" (whether through sale or dilution) in unattractive market conditions. Where appropriate the Company may seek to bring in high-quality external capital into portfolio companies, to support those businesses through later, more capital intensive development stages. Portfolio companies are established with robust business models that should be attractive to external and public market investors or strategic acquirers even in challenging market conditions.	During the year we have more clearly set out our desired capital pool to enable us to support our life science companies. At 31 March 2019, the Company had available liquidity in its capital pool of £399.7 million. The sale of Nightstar will provide us with an additional £255.8m and takes our capital pool to £655.5m (pro forma including that amount). However, given our anticipated level of investment, we keep this under close review.
Capital Pool risk (Decreased)			
The Company's capital pool is exposed to the risk of loss or illiquidity if the instruments in which it is held do not perform in line with their objectives.	Any loss or illiquidity of the capital pool may prevent the Company from financing its life science investments, as well as having a direct impact on net asset value of the Company.	The Investment Manager holds the capital pool in instruments that are chosen to protect against risk and provide appropriate liquidity, with return a secondary consideration. The risk parameters for the capital pool are carefully considered by the Investment Manager and the actual performance monitored on an ongoing basis. In the event of concerns, a greater portion of the capital pool may be held in cash or cash-equivalent instruments.	During the year we simplified the management of our capital pool away from fund investments to ensure it focuses on the key criteria of high liquidity and low volatility. As a result we believe the overall risk of our capital pool has reduced.

Description	Impact	Mitigation	Changes in the year
Systems and controls (Unchanged)			
The potential loss of operation of core systems or sensitive data leading to damage and disruption to the Investment Manager or the Administrator's business.	Disruption of the business of the Investment Manager or the Administrator.	Systems and control procedures are developed and reviewed regularly and the Board receives reports annually from the Investment Manager and the Administrator on their internal controls.	During the year the Administrator changed from Northern Trust to Citco, and systems and controls have been updated to reflect that change.
Impact of political and economic uncertainty, and changes to law and regulation (Unchanged)			
Political and economic uncertainty, including impacts from the EU referendum or similar scenarios, and changes to law and regulation, could impact the Investment Manager, the Company or its portfolio companies.	There could be potential risks to research funding and so the pipeline of attractive opportunities; to attracting and retaining talent and so the ability to build successful businesses in line with plan; or to the ability to profitably commercialise new products. Changes in legislation and government policy may adversely impact the Investment Manager's ability to execute the investment strategy of the Company or result in significant additional costs being incurred. Changes to tax laws may impact the Company's returns or the returns that shareholders may receive from the Company.	The Company and the Investment Manager monitor, and respond to, changes in law and regulation, including any changes in tax or other legislation, with the support of professional advisers where appropriate.	During the year we considered the risks around a "Hard Brexit" and steps that could be taken to mitigate those risks. We continue to keep these risks under review.

Corporate social responsibility

£4.3m
Donations in 2019

£27.1m
Donations since foundation in 2012

25
Charities which we donated to in 2019

We are proud of our annual charitable donation, which is an important part of what we do.

Each year, the business undertakes to provide a significant level of funding to charity, equivalent to a minimum of 0.3 per cent of NAV. 50 per cent of this donation is provided by Syncona to the Institute of Cancer Research, one of the world's most influential cancer research organisations, with the remaining 50 per cent provided to The Syncona Foundation for onward distribution. This year, Syncona donated £4.3 million, £1.9 million to the Institute of Cancer Research, and an enhanced donation of £2.4 million to The Syncona Foundation, bringing our total donations to date since 2012 to more than £27 million.

Update from the Syncona Foundation

I am delighted to provide an update on The Syncona Foundation's charitable activities in 2019.

The Syncona Foundation was set up in 2012 with charitable objectives focusing on the prevention, treatment, cure and ultimately eradication of cancer and other diseases. Since that time, we have donated a significant amount of funding to a range of charities, some of which are set out on the next two pages.

The Foundation makes awards to a number of charities each year in conjunction with the Board of Syncona Ltd. The Foundation itself has a board of independent Trustees, which I am proud to chair, that decides on the entities to be supported.

The Foundation's board comprises individuals who are not otherwise connected with Syncona together with two trustees who also are directors of Syncona Ltd. Members of the Syncona investment team often also engage with the organisations which the Foundation supports.

The way we work is to provide the charities which have applied to the Foundation for funding with grants payable for a number of consecutive years. This allows the charity receiving the funds to plan its medium-term strategies with the security of having recurring income over that time.

We are always looking to work with groups which are making a significant difference in the sectors in which they work and although our support is focused on entities working in the cancer field, we do also make grants to other groups who are working to improve the world in which we all live.

We look forward to continuing to provide ongoing support to our charities in the years to come.

Thomas Henderson

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

The Syncona Foundation: supporting 25 charities

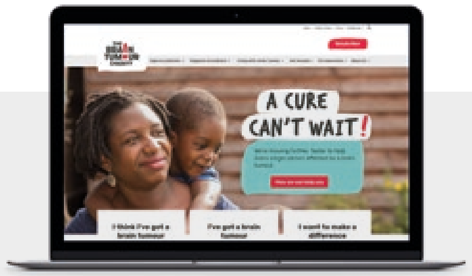
In aid of Alzheimer's Research UK – The Power to Defeat Dementia
Alzheimer's Society – United Against Dementia
Auditory Verbal UK
Bowel Cancer UK
The Brain Tumour Charity
butterfly
Cancer Research UK
Child Bereavement UK – Rebuilding lives together
cureleukaemia – the blood cancer charity
downside up
The Ella Project
The Egmont Trust
Fight for Sight – The Eye Research Charity
ICR The Institute of Cancer Research
James' Place
JDRF – Improving lives. Curing type 1 diabetes.
The Louis Dundas Centre for Children's Palliative Care at Great Ormond Street Hospital
maggie's
Marie Curie – Care and support through terminal illness
NSPCC
The Royal Marsden Cancer Charity
Supporting Wounded Veterans – Rehabilitation to Employment
ssafa the Armed Forces charity
Scope – About disability
Women for Women International

Corporate social responsibility

continued

The Syncona Foundation: Case Study

THE BRAIN TUMOUR CHARITY



https://www.thebraintumourcharity.org

Every day, 31 people in the UK are diagnosed with a brain tumour.

It's a devastating disease that costs too many lives across all age groups. Yet survival rates have barely improved in 40 years. Tens of thousands of people live with a brain tumour, often experiencing acute isolation and anxiety.

Since the launch of our 2015 research strategy, A Cure Can't Wait, we've invested £26m in research to find more effective, kinder treatments. We won't stop until we find a cure.

We also provide vital support for those affected, including parents, carers and young adults, so that no-one has to feel alone following a diagnosis.

We have two strategic goals: to double brain tumour survival and halve the harm caused by the disease.

102,000

Children and adults are estimated to be living with a brain tumour in the UK

14

People in the UK die from a brain tumour every day

60%

Of people diagnosed with a high-grade brain tumour will die within one year and just 19% of people will survive for five years or more five years or more

1.6%

Of the £680 million invested in national cancer research funding in the UK in 2016-17 was spent on brain tumours

> Without the Brain Tumour Charity, I would be a shell of the person I am today."

Laura Nuttall, 19, was just weeks into a university degree course in October 2018 when she began to experience headaches and nausea.

A scan revealed the devastating news that she had glioblastoma – a highly aggressive and incurable brain tumour.

Laura said: It's hard to keep a positive attitude when you feel isolated and like you don't fit in with society any more. I reluctantly attended a meet-up organised by The Brain Tumour Charity that my parents encouraged me to go to.

Suddenly I was in a crowd that knew the effects of chemo, what a tonic-clonic seizure was and which bio-oil was best to use on craniotomy scars.

I began to open up and share my experiences and feelings with people who completely understood what I had gone through, giving me not just friends but a support base too.

Both my family and I will never forget The Brain Tumour Charity's help and how they kept us afloat while we were drowning in our new circumstance. Without them I would be a shell of the person I am today and my family wouldn't feel comforted by the support provided.

Speaking on behalf of all my friends who have also used the services of The Brain Tumour Charity, our lives wouldn't be the same as they are today.

With Syncona's support, we're moving further and faster

Syncona's funding has helped to drive some of our key projects including:

- The creation of our groundbreaking databank, BRIAN (the Brain TumouR Information and Analysis Network). BRIAN will enable everyone affected to share information about their diagnosis and treatment, pooling global knowledge to improve understanding and accelerate research
- The establishment of the Tessa Jowell BRAIN-MATRIX, our pioneering clinical trial which aims to increase dramatically the number of patients diagnosed with glioma (the most common type of adult brain tumour) who are offered access to innovative treatments following surgery
- Our specialist support and information services. We've already held 10 young adult meet-ups around the UK with the same number again planned in 2019/20. We've developed video resources, blogs and a Facebook support group for young adults aged 16-30 (see Laura's story)
- HeadSmart, our campaign to raise awareness of symptoms in children and young people. Since its launch, the average paediatric brain tumour diagnosis time in the UK has fallen by more than half to 6.5 weeks: we want to bring that down even further to four weeks.

Our wider approach to corporate social responsibility

Our responsibility to society extends beyond support for charity. We aim to conduct our activities with integrity, respect and transparency. By building a strong business, we aim to maximise our positive impact amongst each of our stakeholders.

Health and safety

We are committed to ensuring we provide a safe environment for our employees, and seek to ensure that high standards of health, safety and welfare provisions are achieved and maintained in our business. Our life science portfolio companies are expected to meet the same standards.

We had no reported health or safety incidents in the year to 31 March 2019.

Diversity

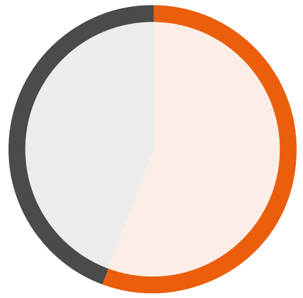
We remain fully committed to promoting diversity in our workforce at the team and Board level. We enforce an equal opportunity approach in the selection, training, career development and promotion and remuneration of our employees regardless of age, gender, sexual orientation, ethnic origin, religion and whether disabled or otherwise.

We are committed to gender diversity across our organisation. Our gender representation at Board level is 25 per cent female, 75 per cent male (at date of this Annual Report).

A breakdown of our team by gender as an average over the 12-month period to 31 March 2019 is as follows:

Team gender breakdown

Male	56%
Female	44%



Bioethics

Syncona strongly believes that medical technology can provide benefits to life, however we recognise that developing these technologies comes with significant responsibilities. We place high priority on the safety and efficacy of the products developed by our life science companies and expect that any decision to commercialise a product or therapy should involve careful consideration of the risks and the benefits of the technology in light of the information available. Our portfolio companies are expected to meet all required safety and regulatory requirements which are designed to see new therapies developed according to acceptable ethical standards.

Animal welfare

Syncona is committed to high standards of ethical care across all aspects of our business, and research activity. Acknowledging that, at this time, research involving animals remains an essential tool to increase our understanding of how human bodies work, our approach is based on support for the use of animals in research if the potential health benefits are compelling, appropriate welfare standards are met and alternatives cannot be found.

We expect our investee companies to meet all legal and regulatory requirements which set a high standard on this important issue, and to adopt the widely used '3 Rs' approach to ensuring high-quality scientific research:

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

Environment

Syncona is committed to operating its business in an environmentally responsible and sustainable manner. Syncona believes its direct environmental impact to be relatively low, with the investment team being based at the Investment Manager's head office in London and limited energy intensive activities carried out. For the year ended 31 March 2019, we estimate our CO_2 office emissions to be 42 tonnes.

The Company's Strategic Report is set out on pages 1 to 55 and was approved by the Board on 13 June 2019.

Jeremy Tigue
Chairman

Corporate Governance report

Dear fellow shareholder

I am pleased to introduce this Corporate Governance report in which we explain how effective stewardship is exercised over the Company's activities in the interests of shareholders and other stakeholders. As Chairman, I am responsible for ensuring that the Board operates effectively and efficiently and that it upholds a high standard of corporate governance.

Role of the Board

The Company is a closed-ended investment company, and has appointed its subsidiary SIML as Investment Manager. The Board's role includes determining and monitoring the Company's investment policy and strategic objectives, and overseeing the Investment Manager's execution of the strategy.

Composition and meetings

All of the Board are Non-Executive Directors and profiles of each, including length of service, are on pages 58 and 59. Of the Directors, all but Tom Henderson and Nigel Keen are considered to be independent. Tom is not considered to be independent because of his significant shareholding and his former role within BACIT (UK) Limited, the Company's former Investment Manager (until December 2017). Nigel is Chairman of SIML, and therefore is also not considered independent under the UK Code. Despite not being considered to be independent, the Board believes that both Tom and Nigel bring valuable skills to the Board, in particular Tom's involvement with the Company since its establishment in 2012 and his connection with The Syncona Foundation, and Nigel's long-standing involvement with the Syncona life science business.

We have continued to seek to recruit new Directors to the Board during the year and I was delighted to welcome Melanie Gee to the Board from 4 June 2019. Melanie brings substantial investment banking and FTSE board experience and I look forward to working with her over the next year as we transition towards her taking over as Chair.

This transition reflects our wider Board succession planning, of which more details are set out in the Nomination Committee report. We aim to ensure that the Board is refreshed with the skills and experience needed as the Company's life science investments continue to develop successfully.

The Board holds quarterly Board meetings. These follow an annual work plan that seeks to ensure a strong focus on strategy, including a Strategy Review session each year, alongside monitoring the Company's operations in a structured way. I work closely with the Investment Manager and the Company Secretary to ensure the information provided to the Board meets its requirements. The Board may also hold ad hoc meetings or discussions between its routine quarterly meetings, where required for the business of the Company.

The Audit Committee also meets quarterly whilst the Nomination Committee and Remuneration Committee meet as required, typically two or three times each year.

Attendance at the Board and Committee meetings during the year was as follows:

	Scheduled Board meetings	Audit Committee meetings	Nomination Committee meetings	Remuneration Committee meetings
Jeremy Tigue (Chairman)	4/4	–	2/2	2/2
Thomas Henderson	4/4	–	–	–
Rob Hutchinson	4/4	5/5	–	–
Nigel Keen	4/4	–	–	–
Nick Moss	4/4	5/5	2/2	2/2
Gian Piero Reverberi	4/4	–	–	–
Ellen Strahlman	3/4	5/5	1/2	1/2

The Board is satisfied that each of the Directors commits sufficient time to the affairs of the Company to fulfil their duties. Where a Director does not attend a Board meeting, I contact him or her prior to and following the meeting to keep him or her apprised and seek views on the matters discussed.

During the year, the Board benefitted from an external evaluation carried out by Advanced Boardroom Excellence (http://www.abexcellence.com/). Further details are included in the Nomination Committee report. I was pleased to see recognition of our strong Board culture and relationships, which provide a solid foundation for the Board to lead the Company through the next phases of its development and growth.

The Board

- Sets strategy and recommends the investment policy.
- Approves transactions with significant value or involving borrowing.
- Robustly assesses the principal risks facing the Company and defines the risk management process.
- Ensures appropriate engagement with shareholders.

Committees of the Board

Nomination Committee

Responsibilities
- Recommends Board appointments.
- Reviews Board composition and oversees succession planning.

Members
- Jeremy Tigue (Chair)
- Melanie Gee (from 4 June 2019)
- Nick Moss
- Ellen Strahlman

Read more on page 60

Audit Committee

Responsibilities
- Oversees financial reporting and evaluates the auditors.
- Oversees portfolio valuation.
- Monitors risk management and internal controls.

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

Read more on page 62

Remuneration Committee

Responsibilities
- Sets remuneration for the Non-Executive Directors.
- Approves awards under the LTIP for the Investment Manager's team.

Members
- Nick Moss (Chair)
- Melanie Gee (from 4 June 2019)
- Ellen Strahlman
- Jeremy Tigue

Read more on page 65

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

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

Ongoing communication with shareholders

The Board views communication with shareholders as a high priority. During the year, 85 presentations were made to shareholders and potential shareholders by senior members of the Investment Manager's team.

Feedback on these meetings is provided to the Board at its regular meetings. The Board also receives briefings from its corporate brokers on the shareholder register. In addition, I take the opportunity to speak to shareholders and shareholder advisers on corporate governance matters each year, and value the input and perspectives those discussions bring.

At our 2018 Annual General Meeting, the resolution to waive the requirements of Rule 9 of the Takeover Code in the event of the Company using its authority to repurchase its own shares resulting in an increase in the percentage shareholding of Wellcome Ventures, was opposed by 32.3 per cent of those voting on it. We had previously consulted shareholders and shareholder advisers on this resolution and believed it to be valuable to shareholders for the Board to have flexibility to repurchase its shares, but recognised the concerns of some shareholders that this could result in Wellcome Ventures acquiring 'creeping control'.

In March 2019 Wellcome Ventures sold approximately 57 million shares and, following the sale, now holds approximately 28 per cent of the share capital of the Company. Accordingly, we no longer require to propose a resolution to waive the requirements of Rule 9, and so this issue will no longer arise.

Compliance statement

A summary of the system of governance adopted by the Company is set out in this report and in the following reports on pages 60 to 70. The Company has complied with the relevant provisions of the UK Corporate Governance Code (April 2016), which is publicly available at frc.org.uk, except that given the Company's structure, and that it has no Executive Directors, employees or internal operations, the Board considers that the following provisions are not relevant to the Company:

- the role of the Chief Executive Officer;
- Executive Directors' remuneration;
- the need for an internal audit function; and
- a whistle-blowing policy.

The Board reviews this judgement each year to ensure that the arrangements in place (in particular, the arrangements of the Investment Manager) continue to provide appropriate assurance to the Board.

During the year the Board discussed the changes in the UK Corporate Governance Code (July 2018) and we anticipate being in a position to comply with the revised Code for the coming year.

Jeremy Tigue
Chairman
13 June 2019

Board of Directors

An experienced and dedicated Board

Jeremy Tigue
Chairman

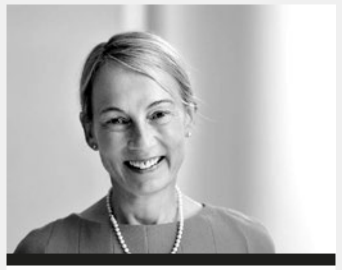
Biography
Jeremy Tigue has been Chairman of the Board since the Company's inception in 2012. He has over 30 years' experience of global investing and was the fund manager of Foreign & Colonial Investment Trust, one of the largest investment companies, from 1997 to 2014. He is also Chairman of ICG Enterprise Trust plc, Senior Independent Director of Aberdeen Standard Equity Income Trust PLC, a Director and Chairman of the Audit Committee of The Monks Investment Trust PLC and Senior Independent Director of The Mercantile Investment Trust plc. He was a Director of the Association of Investment Companies from 2003 to 2013 and Deputy Chairman between 2006 and 2010. Jeremy was also Chairman of the Institutional Shareholder Committee from 2006 to 2008. He was an Investment Advisor to the BP and British Steel Pension Funds from 1998 to 2014 and 1999 to 2014 respectively.

Experience
Jeremy brings extensive experience of investments, private equity, investor relations and governance. He has broad and deep knowledge of all aspects of investment company management, governance and regulation.

Date of appointment
- 14 August 2012

Committee memberships
- Nomination Committee (Chair)
- Remuneration Committee

Melanie Gee
Non-Executive Director, Chair-designate



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

Experience
Melanie has over 30 years financial advisory experience in executive positions in investment banking, advising clients across a broad range of sectors and geographies. Melanie also has extensive Non-Executive experience, having spent eight years in Non-executive Director roles for three FTSE100 and 250 companies where she has served on numerous committees.

Date of appointment
- 4 June 2019

Committee memberships
- Nomination Committee
- Remuneration Committee

Thomas Henderson
Non-Executive Director

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

Experience
Thomas brings extensive experience of managing capital in listed equities and in building private equity investments which have gone on to list in the US capital markets. He has a broad and deep network of relationships and a strong track record in the fund management industry. Thomas also sits on the investment committee at The Institute of Cancer Research.

Date of appointment
- 14 January 2012

Rob Hutchinson
Non-Executive Director

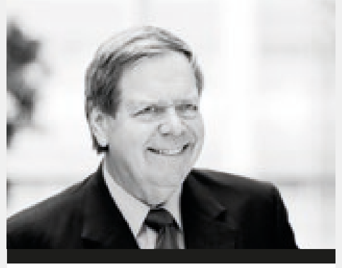
Biography
Rob Hutchinson has around 30 years' experience in the financial sector as a Chartered Accountant. He qualified in 1990 and spent 28 years with KPMG across various roles. Rob retired from practice in 2014 and is a Fellow of the Institute of Chartered Accountants in England and Wales. He served as President of the Guernsey Society of Chartered and Certified Accountants between 2007 and 2009.

Experience
Rob has many years of broad financial experience. He spent a number of years in roles specialising in the audit of banking and fund clients at KPMG and was appointed a partner in 1999. Rob led the audits for a number of UK and European Private Equity and Venture Capital houses as well as listed funds covering a variety of asset classes, bringing broad experience in issues arising from the valuation of private assets. Rob led the firm's fund and private equity practices for seven years and served as Head of Audit for KPMG in the Channel Islands for five years until 2013.

Date of appointment
- 1 November 2017

Committee membership
- Audit Committee (Chair)

Nigel Keen
Non-Executive Director



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

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

Experience
Nigel brings extensive experience in healthcare and commerce. His career has encompassed venture capital, industry and banking, and he has been involved in the formation and development of high technology businesses for more than 30 years.

Date of appointment
- 19 December 2016

Nick Moss
Senior Independent Director

Biography
Nick Moss is an English qualified chartered accountant (FCA) and has nearly 30 years' experience in the financial services sector, focused primarily on the structuring, advising and administration of the overall wealth of ultra high net worth private clients. Nick was a founder of the Virtus Trust, an international fiduciary business which he sold to Equiom group in 2017. Prior to Virtus, Nick was a Managing Director within NM Rothschild's private wealth group.

Experience
Nick has extensive experience as an independent director and audit committee member of listed closed-ended investment companies including Brevan Howard and Blackstone managed entities. He is a highly experienced fiduciary and investment practitioner, advising family offices and private clients in many jurisdictions. Nick was Chairman of the Audit Committee of the Company until 31 March 2018 and became Senior Independent Director on 1 April 2018.

Date of appointment
- 17 August 2012

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

Gian Piero Reverberi
Non-Executive Director

Biography
Gian Piero Reverberi is a senior healthcare executive and is presently Senior Vice President and Chief Commercial Officer at Vanda Pharmaceuticals, a specialty pharmaceutical company focused on novel therapies to address high-unmet medical needs. Prior to this, Gian Piero acted as a corporate adviser supporting companies in the development of their commercial and geographical expansion strategies. He also spent 10 years at Shire, where he served as Senior Vice President International Specialty Pharma, with responsibility for EMEA, Canada, Asia Pacific and Latin America. He started his pharmaceutical career at Eli Lilly in the US and Italy, where he had responsibilities including finance, business development, sales and business unit leadership.

Experience
Gian Piero has over 20 years of experience in commercialising novel therapies spanning commercial strategy, business development, business unit leadership and management, launching specialty and orphan drugs across international markets. He has a degree in Economics and Business Administration from Sapienza University of Rome and a Master in Business Administration from SDA Bocconi in Italy.

Date of appointment
- 1 April 2018

Ellen Strahlman
Non-Executive Director

Biography
Ellen Strahlman recently retired as the Executive Vice President, Research & Development and Chief Medical Officer for BD (Becton, Dickinson and Company), a leading global medical technology company, a role she held since 2013. Prior to this, she served as the Senior Vice President and Chief Medical Officer at GlaxoSmithKline, as well as senior executive leadership roles in leading pharmaceutical and medical technology companies including Pfizer, Novartis, Bausch & Lomb and Merck.

Experience
Ellen is a senior executive with over 25 years of experience in global product development and commercialisation in a wide range of areas such as biopharmaceuticals, medical devices, vaccines, consumer products and international health. She is a graduate of Harvard University (Biochemical Sciences); obtained her medical degree from the Johns Hopkins School of Medicine; and earned a Master's Degree in Health Sciences from the Johns Hopkins Bloomberg School of Public Health as a Carnegie-Mellon Physician Public Health Fellow. She has medical qualifications in general surgery (Johns Hopkins) and ophthalmology (the Wilmer Institute, Johns Hopkins).

Date of appointment
- 19 December 2016

Committee memberships
- Audit Committee
- Nomination Committee
- Remuneration Committee

Report of the Nomination Committee

Jeremy Tigue
Chair, Nomination Committee

Nomination Committee members and structure

The Committee's members in the year were:

	Meetings attended
Jeremy Tigue (Chair)	2/2
Nick Moss	2/2
Ellen Strahlman	1/2

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

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

Role of the Committee

The Committee's role is to review the Board's structure, size and composition (including the skills, knowledge, diversity and experience) and make recommendations to the Board about any changes. It is also responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies and for putting in place succession plans for Directors. The Committee's terms of reference are available on the Company's website **synconaltd.com**.

I am pleased to present the Nomination Committee's report for the year.

This has been another active year for the Nomination Committee, as we continued to give significant thought to the evolution and development of the Board. A considerable amount of time was spent on Board recruitment (with an appointment taking place after the end of the year) and the Nomination Committee also took the lead on identifying an external Board evaluation adviser to evaluate the Board this year.

Succession planning and recruitment

During the year, the Nomination Committee reviewed its Board evolution plan. Three Directors – myself, Tom Henderson and Nick Moss – were appointed at the time of the IPO in 2012, and the Committee expects that all three will step down by the time of the Company's AGM in 2021, at which point each will have served for around nine years. We want to ensure this transition is managed well, in a way that maintains the strong culture and relationships on the Board while also bringing new skills and perspectives to the Board to meet the needs of the Company as it grows.

To do that, we envisage seeking to recruit around one Director each year over the next few years, and accordingly we carried out a formal recruitment process to recruit a new Director, supported by our retained executive search consultant Odgers Berndtson (who only act for the Company in that role). The remit was to find candidates with strong listed company experience, to ensure the Board is able to deliver the high quality governance and shareholder relations expected of a growing FTSE 250 company.

I am pleased to say that the recruitment was successful and Melanie Gee has joined the Board as a Non-Executive Director and Chair-designate. Identifying a new Chair is a key element of our Board succession planning and I am delighted that Melanie has agreed to take on this role when I step down from the Board on 31 December 2019. Melanie brings significant FTSE 100 and 250 Board experience which includes membership of the Risk & Capital, Nomination & Governance, Audit, Remuneration and Investment Committees across a range of industries, together with extensive investment banking experience over 30 years.

Nick Moss, as our Senior Independent Director (as well as a member of the Nomination Committee), has led the process of appointing a Chair-designate and I would like to thank him for his work in bringing this to a successful conclusion. Given Melanie's background, she will also join the Nomination Committee and Remuneration Committee.

Melanie will receive a comprehensive induction including meeting with the key members of the Investment Manager's team to gain a full understanding of the underlying portfolio, investment processes, reporting and Board responsibilities.

Performance evaluation

The Board undertook an externally facilitated evaluation of its own performance during the year, supported by Advanced Boardroom Excellence (who have no other connection with the Company).

Advanced Boardroom Excellence interviewed all of the Directors and key members of the SIML team. They also observed a full Board meeting and reviewed historical Board papers, including documents from key committees. A comprehensive report was provided to the Board, containing detailed feedback, reflections and recommendations on key areas, and was presented to and discussed with the Board at its March meeting. Individual feedback on each Director was also provided to the Chairman (and, in the case of the Chairman, to the Senior Independent Director).

The evaluation was very positive about the Board, with particular comment on the strong Board dynamics, open style and integrity; the open interaction with the CEO of SIML and other senior members of the SIML team; and the Board's strong alignment on the goals and vision for the Company. There was a recognition of the degree of change in the Company and the Board since the acquisition of the Syncona life science business in December 2016, including joining the FTSE 250 in April 2017 and the evolution and success of the life science portfolio over the last two years, and a number of recommendations to enhance governance procedures were made, to ensure that the Board continues to develop the Company's culture, governance, succession planning and approach to remuneration in a way that meets the needs of the business both now and in coming years.

The Committee, on behalf of the Board has begun the process of reviewing the recommendations, and making proposals on how best to implement them, and will take advantage of the wider perspective brought by Melanie Gee following her appointment to the Board. We expect to complete this in the coming months and will report back in the next Annual Report.

Other roles, training and advice

The Board gives careful consideration to other roles held by each Director. Any proposed appointment to a new role is discussed with me (or in my case with the Board as a whole), to ensure we are satisfied that the new role would not affect the Director's ability to commit sufficient time to carry out his or her role with the Company.

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

Our approach to diversity

We believe that a diverse and inclusive Board helps to ensure that the Board brings a broad strategic perspective. We make Board appointments on merit, with candidates assessed against measurable objective criteria, but strive to maintain a Board in which a diverse range of skills, knowledge and experiences are combined in an environment that values the input of every Director.

When new appointments are being made, we instruct search agents that a diverse range of candidates must be included in the long list, considering gender, race, different skills, industry experience, background and sexual orientation. Our target has been to achieve at least 25 per cent female representation on the Board by 2020 and we are pleased to have achieved that goal.

We recognise that we need to continue to develop the diversity of our Board, and the Committee looks forward to doing that through our future Board recruitment.

Jeremy Tigue

Jeremy Tigue
Chair, Nomination Committee
13 June 2019

Report of the Audit Committee

Rob Hutchinson
Chair, Audit Committee

Audit Committee members and structure

The Committee's members in the year were:

	Meetings attended
Rob Hutchinson (Chair)	5/5
Nick Moss	5/5
Ellen Strahlman	5/5

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

The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. Further details on the experience and qualifications of members of the Committee can be found on pages 58 and 59. The Board is satisfied that the Committee has recent and relevant financial experience, and competence relevant to the Company's portfolio.

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

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

Duties of the Committee

The role of the Committee includes:

- reviewing the valuations of the life science portfolio and the valuation methods for all investments;
- monitoring the integrity of the Consolidated Financial Statements and interim reports;
- reviewing any significant issues and judgements made in the preparation of the Consolidated Financial Statements and other financial information and reporting them to the Board;
- monitoring changes in accounting practices;
- oversight of the Company's risk management framework and monitoring and reviewing the relevant internal control and risk management systems;
- monitoring and reviewing the quality and effectiveness of the Independent Auditor, their independence and audit process; and
- considering and making recommendations to the Board on the appointment, reappointment, replacement and remuneration of the Company's Independent Auditor.

The Committee's formal duties and responsibilities are set out in the Committee's terms of reference which were reviewed and updated during the year. The terms of reference are available on the Company's website **synconaltd.com**.

Independent Auditor

The independence and objectivity of the Independent Auditor is reviewed by the Committee, which also reviews the terms under which the Independent Auditor is appointed to perform non-audit services. The outsourcing of any non-audit services to the Independent Auditor requires prior Committee approval where fees for the services are in excess of £15,000. The Company does not utilise the Independent Auditor for internal audit purposes, secondments or valuation advice. The audit and non-audit fees proposed by the Independent Auditor each year are reviewed by the Committee taking into account the Company's structure, operations and other requirements during the year.

Deloitte LLP ('Deloitte') has been the Independent Auditor from the date of the initial listing on the London Stock Exchange and was re-appointed at the Company's Annual General Meeting on 8 September 2018 for the current financial year. John Clacy is the lead audit partner and opinion signatory and has been the lead audit partner for one financial year having been appointed earlier this financial year.

Although the Company, as a Guernsey company, is not subject to the Statutory Audit Services Order 2014, the Committee considers it appropriate to report in the way set out in the Order. The Committee remains satisfied with Deloitte's effectiveness and independence and accordingly considers it in the best interests of shareholders to complete a competitive tender process for the audit before the financial year ended 2023. Notwithstanding these plans, the Committee will continue to consider the tender of the audit annually depending on the Auditor's performance and to ensure it meets the best interests of shareholders. The Company has complied with the provisions of the Order in the financial year.

Key evaluations during the year

1. Significant Financial Statement matters

a. Valuation of life science portfolio. In the year the Group continued to make significant investments into its portfolio of life science investments. In total, the Group holds a life science portfolio with a fair value of £1,023.7 million (2018: £483.7 million) through Syncona Holdings Limited, and £34.3 million (2018: £30.8 million) in respect of the CRT Pioneer Fund through Syncona Discovery Limited (a subsidiary of Syncona Investments LP Incorporated).

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

Life science investments are valued at fair value through profit and loss in accordance with IFRS 13 'Fair Value Measurement' ('IFRS 13') and International Private Equity and Venture Capital ('IPEVC') guidelines. In accordance with the accounting policy in note 2, unquoted investments are generally valued either by reference to cost, Price of Recent Investment ('PRI') or through Discounted Cash Flow ('DCF') models, and which methodology to use is a critical judgement.

The Audit Committee discusses the appropriateness of the valuation methodology chosen by the Investment Manager in determining the fair value of unquoted investments, and specifically whether the methodology remains valid in light of the development of the specific investment and wider developments in its marketplace. From next year the revised IPEVC guidelines will apply to the Company and we have been particularly considering the assumptions made when cost or PRI are used as the key reference in valuation, and whether any adjustments should be made. As set out in note 3, our view is that cost or PRI will generally no longer be an appropriate valuation reference when material clinical data has subsequently been received. Given the work already done, we believe there will be limited change to our valuations as a result of the revised IPEVC guidelines.

Details of the life science portfolio balance are disclosed in note 4 and the accounting policies and further information relating to them are disclosed in notes 2 and 20.

The Group fair values its interests in Syncona Holdings Limited and Syncona Discovery Limited which are themselves based on the fair value of underlying investments and other assets and liabilities. The risk exists that the pricing methodology applied to the underlying investments in the life science portfolio does not reflect an exit price in accordance with IFRS 13 and IPEVC guidelines. Further risks exist as set out in paragraph c below.

The Audit Committee considers the valuation of these investments to be reasonable from discussions with the Investment Manager. The Audit Committee also considers the views of the independent valuation expert. The valuation of the life science portfolio is reviewed regularly by the Investment Manager, the Committee and the Board.

b. Valuation of capital pool investments. This is represented by a capital interest in Syncona Investments LP Incorporated ('the LP'), which is valued at £421.8 million (2018: £426.1 million) in the Consolidated Statement of Financial Position.

The LP acts as the investment vehicle through which the Group holds its capital pool investments. As described in note 3 to the financial statements, the LP meets the definition of an investment entity under IFRS 10, and as such is held at fair value through profit or loss rather than being consolidated.

The fair value of the capital pool investments of the LP at year end is £201.9 million (2018: £465.1 million) and represents 47.9 per cent (2018: 80.7 per cent) of the fair value of the Group's investment in the LP with the remainder held in cash or represented by the value of the CRT Pioneer Fund.

Details of the capital pool investments' balances are disclosed in note 4 and the accounting policies relating to them are disclosed in note 2.

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

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

The Board commissioned an independent expert to value the LTIP in accordance with IFRS 2 Share-based Payments ('IFRS 2'). The fair value of awards of MES made in the year ended 31 March 2019 was £1,205k (31 March 2019: £12k) and the liability related to the cash settled element of the LTIP at 31 March 2019 was £17.2 million (31 March 2018: £5.4million).

Details of the LTIP are disclosed in note 13 and the accounting policies and key judgements related to them are disclosed at notes 2 and 3.

The Audit Committee considers the accounting for the LTIP to be reasonable from discussions with the Investment Manager. The accounting for the LTIP is undertaken in accordance with the accounting policies disclosed in note 2 and is regularly reviewed by the Investment Manager, the Committee and the Board.

2. Effectiveness of the external audit

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

- Reviewed and discussed the audit plan presented to the Committee before the start of the audit;
- Reviewed and discussed the audit findings report;
- Monitored changes to audit personnel;
- Discussed with the Investment Manager and the Administrator any feedback on the audit process;
- Reviewed and approved the terms of engagement during the year, including review of the scope and related fees; and
- Reviewed and discussed Deloitte's own internal procedures and conclusion on its independence, including Deloitte's response to the AQR's 2017/18 Audit Quality Inspection Report.

The FRC's Audit Quality Review team selected the audit of the 2018 financial statements to review as part of their 2018/19 annual inspection of audit firms. The focus of the review and their reporting is

Report of the Audit Committee

continued

on identifying areas where improvements are required rather than highlighting areas performed to or above the expected level. The Chairman of the Audit Committee received a full copy of the findings of the Audit Quality Review team and has discussed these with Deloitte. The Audit Committee confirms that there were no significant areas for improvement identified within the report. The Audit Committee is also satisfied that there is nothing within the report which might have a bearing on the audit appointment.

Further to the above, the Committee performs a specific evaluation of the performance of the Independent Auditor. There were no significant adverse findings from the evaluation this year and the Committee is satisfied that the audit process is effective.

3. Audit fees and safeguards of non-audit services

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

	31 March 2019 £'000	31 March 2018 £'000
Audit services		
Audit services	32	34
Audit fee for Syncona Group companies	141	95
Non-audit services		
Interim review	21	20
FCA review	7	7

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

The Committee does not consider that the provision of these non-audit services is a threat to the objectivity and independence of the audit. Where non-audit services were performed, the fees were insignificant to the Group as a whole and when required a separate team was utilised. Further, the Committee has obtained Deloitte's confirmation that the other services provided do not prejudice its independence.

4. Internal control

In accordance with its terms of reference the Committee carried out a full review of the Company's system of internal control. The review covers financial, operational, compliance and risk management matters, and aims to ensure that suitable controls are in place for key risks of the Company, assets of the Company are safeguarded, proper accounting records are maintained and the financial information for publication is reliable. During the year there were further changes in the operations of the Investment Manager (in particular, changes to fund investments), and also a change to the Company's Administrator, and so the controls were updated to reflect those changes.

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

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

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

5. Risk management

The Committee continued to oversee the process for identifying, evaluating and managing the significant risks faced by the Company, further details of which are set out on pages 47 to 51, within the risk framework set by the Board.

The significant risks are summarised in the Group's risk assessment matrix which is regularly reviewed by the Audit Committee including an annual review of the processes for identifying risks within the Company's business. During the year, the risk assessment matrix was updated to reflect changes in the operations of the Investment Manager, the change of the Company's Administrator, and the evolution of the life science portfolio, in particular that a number of the underlying companies have initiated clinical trials with the associated opportunities and risks.

Conclusion and recommendation

After discussing with the Investment Manager and Independent Auditor, and assessing the Significant Financial Statement matters listed on page 62, the Committee is satisfied that the Consolidated Financial Statements appropriately address the critical judgements and key estimates in respect to the amounts reported and the disclosures. The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust. The Committee further concludes that the Consolidated Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

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

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

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

Rob Hutchinson
Chair, Audit Committee
13 June 2019

Directors' remuneration report

Nick Moss
Chair, Remuneration Committee

Remuneration Committee members and structure

The Committee's members in the period were:

	Meetings attended
Nick Moss (Chair)	2/2
Ellen Strahlman	1/2
Jeremy Tigue	2/2

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

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

Role of the Committee

The Committee's role is principally to review the remuneration paid to the Directors (who are all non-executive), and to administer the LTIP provided for staff of the Investment Manager. The Committee's terms of reference are available on the Company's website **synconaltd.com**.

Statement from the Chairman of the Remuneration Committee

I am pleased to introduce the remuneration report for the financial year from 1 April 2018 to 31 March 2019.

Remuneration Policy for Non-Executive Directors

A resolution to approve the Company's Remuneration Policy for Non-Executive Directors was approved by shareholders at the Annual General Meeting of the Company held on 8 September 2017. The Remuneration Policy can be found on page 68.

The Remuneration Policy is reviewed annually to ensure that it remains appropriate.

Report on remuneration implementation

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

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

The Remuneration Committee does not anticipate any change to the implementation of the Remuneration Policy in the next financial year, although it anticipates reviewing the fees paid to the Non-Executive Directors to ensure these remain appropriate.

Directors' fees

The fees paid to the Non-Executive Directors were revised with effect from 1 October 2017 and are set out below.

	Fee per annum
Chairman	£100,000
Senior Independent Director	£5,000 additional fee
Chair of Audit Committee	£60,000
Director	£45,000
Member of Audit Committee (other than Chair)	£5,000 additional fee

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

Directors' remuneration report

continued

Nigel Keen is Chairman of the Investment Manager and receives a fee of £128,388 per annum, payable by the Investment Manager, in respect of his services to the Investment Manager, which is in addition to the fee as a Director of the Company.

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

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

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

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

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

Single total figure table (audited information)

For the year to 31 March 2019, the fees for Directors were as follows:

	31 March 2019 £'000	31 March 2018 £'000
Jeremy Tigue (Chairman)	100	70
Peter Hames[1]	–	11
Thomas Henderson	–	–
Rob Hutchinson[4]	60	21
Nigel Keen[3]	45	35
Nick Moss[4]	55	45
Gian Piero Reverberi[5]	45	–
Ellen Strahlman	50	37
Total	**355**	**219**

1 Peter Hames resigned from the Board on 8 September 2017.

2 Rob Hutchinson was appointed to the Board on 1 November 2017 and as Chair of the Audit Committee on 1 April 2018.

3 Fees paid to Imperialise Limited, a company controlled by Nigel Keen.

4 Nick Moss was appointed as Senior Independent Director on 1 April 2018. Fees paid to Equiom Management Services Limited.

5 Gian Piero Reverberi was appointed to the Board on 1 April 2018.

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

Relative importance of spend on pay

The following table shows the proportion of the Company's Directors' fees relative to returns to shareholders. This table includes Directors only as the Company did not have any other staff.

	For the year ended 31 March 2019 £'000	For the year ended 31 March 2018 £'000	Difference
Total Directors' pay[1]	355	219	136
Dividends	15,208	15,143	30
Directors' pay as a % of distributions to shareholders	2.3	1.4	0.9

1 Including Directors' fees.

Results of the voting at the 2018 AGM

At the 2018 AGM, shareholders approved the remuneration report that was published in the 2018 Annual Report and Accounts. The results for this vote are shown below:

Resolution	Votes for	% for	Votes against	% against	Withheld	Discretion
Approval of the Directors' remuneration report	394,182,678	99.4	2,265,155	0.6	1,441	34,183

An ordinary resolution for the approval of the annual remuneration report will be put to the shareholders at the Annual General Meeting to be held on 30 July 2019.

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

Neither the Company's Articles of Association nor the Directors' Letters of Appointment require a Director to own shares in the Company. The interests of the Directors and their connected persons in the equity securities of the Company at 31 March 2019 are shown in the table below.

	Ordinary Shares	
	31 March 2019	31 March 2018
Jeremy Tigue (Chairman)	478,065	473,561
Thomas Henderson[1]	9,042,400	9,042,400
Rob Hutchinson	42,915	23,140
Nigel Keen	0	–
Nick Moss	28,096	20,092
Gian Piero Reverberi	16,000	–
Ellen Strahlman	157,127	110,888

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

There have been no changes in the interests of the Directors and their connected persons in the equity securities of the Company since 31 March 2019.

Nick Moss

Chair, Remuneration Committee

13 June 2019

Remuneration approach of the Investment Manager

This section of the remuneration report gives brief details of the remuneration approach taken by the Investment Manager.

The policy and components of current remuneration are set out below, and are intended to ensure that there is alignment with our business strategy of founding, building and funding global leaders in life science with a view to delivering superior shareholder returns. Stretching targets are set for the Investment Manager's team after careful consideration of the anticipated challenges and opportunities faced by the business.

Base salary

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

Pension

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

Annual bonus

A discretionary annual bonus may be awarded to recognise individual performance. An award will take into account three factors: the underlying performance of the Company, the underlying life science portfolio return and the individual's performance. Bonus payments are not pensionable.

Long-Term Incentive Plan

The Company operates the Syncona Long-Term Incentive Plan ("LTIP") for employees of the Investment Manager (as more fully described below), aligning them with Syncona Limited's strategy to found, build and fund global leaders in life science. This LTIP was put in place and approved by shareholders in December 2016. It replaced the incentive arrangements in place at Syncona Partners, which dated back to the establishment of the business in 2012 when it was an independent subsidiary of the Wellcome Trust. To date, no realisations have been made by any current members of the Investment Manager's team under either the former Syncona Partners incentive scheme or the Syncona Limited LTIP.

Under the LTIP, employees are awarded Management Equity Shares ('MES') in Syncona Holdings Limited ('SHL') at nil par value. The MES entitle holders to share in the growth of the Net Asset Value of the life science portfolio (excluding the interest in the CRT Pioneer Fund) as further described in note 2 of the Consolidated Financial Statements, and vest on a straight-line basis over a four-year period. MES have value provided that the Net Asset Value of the life science portfolio has grown by at least 15 or 30 per cent (depending on when the MES were issued) from the date of issue of the MES concerned. Holders are able to realise 25 per cent of their vested MES annually after the publication of the Company's Annual Results. On realisation 50 per cent of the after-tax value is realised in the Company's Ordinary Shares (which must normally be held for at least 12 months) and the balance is realisable in a cash payment. Information about awards made under the Syncona Long-Term Incentive Plan is set out in note 13.

At 31 March 2019, the provision for the total cash settled element of the LTIP was valued at £17.2 million and the total number of shares in the Company that could potentially be issued was 10,046,397. Given the vesting schedule of the LTIP, if all the eligible vested MES were realised in the current financial year, £6.4 million would be payable

Share dilution limits

The aggregate number of new Ordinary Shares which may be issued on the realisation of MES under the Syncona Long-Term Incentive Plan in any 10-year period may not exceed 10 per cent of the number of Ordinary Shares in issue from time to time. At 31 March 2019, the total number of the Company's shares that could potentially be issued under awards made under the Syncona Long-Term Incentive Plan would have been 1.5 per cent of the number of Ordinary Shares in issue at that date.

Other benefits

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

Share interests

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

Directors' remuneration report
continued

Remuneration Policy
This is the Remuneration Policy for the Non-Executive Directors of the Company, as approved by shareholders on 8 September 2017.

The Remuneration Policy set out below will apply from the date of approval until it is next put to shareholders for approval, which must be at intervals of not more than three years, or if it is proposed to vary the Remuneration Policy, in which event shareholder approval for the new Remuneration Policy will be sought.

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

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

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

The Non-Executive Directors of the Company are entitled to such rates of annual fees as the Board at its discretion shall from time to time determine (subject to the aggregate annual fees not exceeding £500,000) and reimbursement of reasonable fees and expenses incurred by them in the performance of their duties. Non-Executive Directors have no entitlement to pensions or pension-related benefits, medical or life insurance schemes, share options, Long-Term Incentive Plans or performance-related payments. Where expenses are recognised as a taxable benefit, a Non-Executive Director may receive the grossed-up costs of that expense as a benefit.

In line with the majority of investment companies, no component of any Director's remuneration is subject to performance factors.

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

Table of Directors' remuneration components (Non-Executive Directors)

Element	Purpose and link to strategy	Operation	Maximum
Board Chairman fee	To attract and retain a high-calibre Board Chairman by offering a market competitive fee level.	The Board Chairman is paid a single fee for all his responsibilities. The level of the fee is reviewed periodically by the Remuneration Committee, with reference to workload, time commitment and market levels in comparably sized investment companies, and a recommendation is then made to the Board (without the Chairman being present).	The fees paid to the Chairman are subject to change periodically by the Remuneration Committee under this policy. There is no maximum fee level.
Non-Executive Director fees	To attract and retain high-calibre Non-Executive Directors by offering a market competitive fee level.	The Non-Executives are paid a basic fee. The fee levels are reviewed periodically by the Chairman and the Remuneration Committee, with reference to workload, time commitment and market levels in comparably sized investment companies and a recommendation is then made to the Board. Additional fees may be paid for Non-Executive roles with further Board responsibilities such as Audit Committee Chairman.	These fee levels are subject to change periodically under this policy. There is no maximum fee level.

Notes
- The Board only exercises its discretion in setting rates of fees after an analysis of fees paid to Directors of other companies having similar profiles to that of the Company, and consultation with third-party advisers.
- The Company has no employees. Accordingly, there are no differences in policy on the remuneration of Directors and the remuneration of employees.
- No Director is entitled to receive any remuneration from the Company which is performance-related. As a result there are no performance conditions in relation to any elements of the Directors' remuneration in existence to set out in this Remuneration Policy.

Directors' report

The Directors present their Annual Report and Audited Consolidated Financial Statements for the year ended 31 March 2019, which have been prepared in accordance with The Companies (Guernsey) Law, 2008.

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

The Company is governed by an independent Board of Directors and has no employees. Management of its investments is contracted to its subsidiary Syncona Investment Management Limited. Its company secretarial and administrative functions were outsourced until 31 August 2018 to Northern Trust International Fund Administration Services (Guernsey) Limited, and from 1 September 2018 to Citco Fund Services (Guernsey) Limited. Further details on the Company's Investment Manager are given below.

The Company's investment objective is to achieve superior long-term capital appreciation from its investments. Amendments to the Company's investment policy were approved by shareholders at the Extraordinary General Meeting held on 30 October 2018, and further non-material amendments were made by the Board of Directors on 10 June 2019 to take effect on publication of this Annual Report. A copy of the investment policy, including those amendments, is set out on page 71, and is followed by a redlined copy of the investment policy on pages 72 and 73 showing the amendments made by the Board of Directors.

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

The Company pays the Investment Manager an annual fee equal to expenses incurred in managing the investment portfolio, up to a maximum of 1.1 per cent per annum of the Company's NAV. In addition, the Company makes the LTIP available to employees of the Investment Manager.

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

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

Directors
Biographical details of the current Directors of the Company are shown on pages 58 and 59. Details of the Directors' shareholdings are included in the Directors' remuneration report on page 66.

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

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

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

Share capital
As at 31 March 2019, the Company had 661,222,309 nil paid Ordinary Shares in issue. No shares were held in treasury. The total number of voting rights at 31 March 2019 was 661,222,309. The Ordinary Shares each have standard rights as to voting, dividends and payment on winding up and no special rights and obligations attaching to them. There are no material restrictions on transfers of shares. In addition, the Company has one Deferred Share in issue. This share has the right to payment of £1 on the liquidation of the Company, and a right to vote only if there are no other classes of voting shares of the Company in issue, but no other rights.

As at 11 June 2019, the Company has been notified of the following significant (5 per cent or more) direct or indirect holdings of securities in the Company:

Shareholder	Number of Ordinary Shares held	% of issued share capital held
The Wellcome Trust	186,000,000	28.1%

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

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

Results and dividends
The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 83. During the year ended 31 March 2019, the Company declared a dividend of £15.2 million (31 March 2018: £15.1 million) relating to the year ended 31 March 2018. The dividend was comprised of £12.2 million (31 March 2018: £12.4 million) cash and a scrip dividend of £3.0 million (31 March 2018: £2.7 million). Further details can be found in note 16 of the Consolidated Financial Statements.

Going concern
The Company has an indefinite life. The Company's net assets currently consist of securities and cash amounting to £1,455.1 million (31 March 2018: £1,055.8 million) of which 34.64 per cent (31 March 2018: 31.4 per cent) are readily realisable in three months in normal market conditions and the Company has uncalled commitments to underlying investments and funds amounting to £121.6 million (31 March 2018: £72.0 million). Accordingly, the Company has adequate financial resources to continue in operational existence for 12 months following the approval of the financial statements and the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

Viability statement

In accordance with provision C2.2 of the UK Code, the Directors have assessed the prospects of the Company, considering its ability to continue in operation and meet its liabilities as they fall due over the period to 31 March 2022. The period selected was considered appropriate as it covers a period over which a majority of current uncalled commitments are expected to be called and believe this to be a reasonable period of time for the life science investments to make meaningful progress on the journey towards fulfilling their long-term potential.

In considering the viability of the Company over the three-year period, the Directors have robustly assessed the principal risks and the procedures adopted to mitigate those risks. These are more fully described on pages 47 to 51. The strategy of the Company is to maintain a liquid Capital Pool sufficient to provide at least 2-3 years funding for the Life Science Investments plus Group expenses, as at 31 March 2019 Syncona had a net capital pool of £399.7m of which £322.5m is accessible within 12 months. The Directors have reviewed the Company's current financial position and its internal models for liquidity and investment pipeline in a number of stressed scenarios reflecting reduced investment returns and reduced liquidity from the Capital Pool.

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

Annual General Meeting

The AGM will be held at Arnold House, St Julian's Avenue, St. Peter Port, Guernsey GY1 3RD on 30 July 2019 at 10:30am. Details of the resolutions to be proposed at the AGM, together with explanations, appear in the Notice of Annual General Meeting sent to shareholders separately.

Charitable donations

As set out in the Company's investment objectives and policy, one-twelfth of 0.3 per cent of the total NAV of the Company at each month-end during the year is donated annually by the Company to charity, with half donated to the ICR and half donated to The Syncona Foundation for onward distribution among other charities in proportions which are determined each year by the shareholders. In addition, the Company has agreed that the donation to The Syncona Foundation in respect of the financial year ending in 2019 would be at least £2.375 million, and accordingly the total amount donated this year to the Syncona Foundation will be that amount.

Thomas Henderson and Nigel Keen are trustees of The Syncona Foundation.

Further details of the Company's charitable donations are set out in the Corporate Social Responsibility report on pages 52 to 55.

Auditor

The Company is required to appoint auditors for each financial year of the Company, to hold office until the conclusion of the next general meeting at which accounts are presented. Our Independent Auditor, Deloitte LLP, has indicated their willingness to remain in office and resolutions to reappoint them and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

As far as the Directors are aware, there is no relevant audit information of which the Auditor is unaware and they have taken all steps they should have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Auditors are aware of that information.

Signed on behalf of the Board

Jeremy Tigue
Chairman
13 June 2019

Investment Objective and Policy (effective from the date of publication of this Annual Report)

The Company's investment objective is to achieve superior long-term capital appreciation from its investments. The Company invests in life science businesses (including private and quoted companies) and single or multi-asset projects ('Life Science Investments').

The Company will target an annualised return across its net assets of 15 per cent per annum over the long-term.

The Company also holds a portion of its assets as a capital pool ('Capital Pool') to ensure it has capital available to make future Life Science Investments. There is no limit on the size of the Capital Pool although it is intended that the Company should invest the significant majority of its assets in Life Science Investments.

Life Science Investments

Life Science Investments will principally be privately owned businesses or single or multi-asset opportunities, together with the Company's investment in the CRT Pioneer Fund.

The Company anticipates that its Life Science Investment businesses will primarily be headquartered in the United Kingdom and, to a lesser extent, continental Europe, although some may have operations elsewhere in the world and may market and commercialise their products on a global basis.

The Company anticipates that, over time, its Life Science Investments portfolio will consist of around 15 to 20 life science opportunities, of which three to five are likely to become significant core holdings. The Company will invest further in its existing portfolio of Life Science Investments and will seek to create further opportunities by founding new businesses to commercialise academic science.

The Company will seek to create and invest in new or existing Life Science Investment businesses or opportunities with a view to long-term ownership, to support the building of companies that are capable of taking their products to market on an independent basis and therefore to build sustainable, revenue-generating businesses. However, the Company may selectively divest companies in part or in full where it is in the Company's interest to do so.

The Company will commit at least 25 per cent of the assets that it commits to Life Science Investments to oncology projects or Life Science Investment businesses with a sole or dominant focus on oncology.

The Life Science Investment portfolio is subject to the following diversification requirements, each of which is measured only at the time of an investment and with respect to the impact of that investment:

- no more than 35 per cent of the Company's gross assets may be invested in any single Life Science Investment;
- no more than 60 per cent of the Company's gross assets may be invested in the largest two Life Science Investments;
- no more than 75 per cent of the Company's gross assets may be invested in the largest three Life Science Investments; and
- no more than 15 per cent of the Company's gross assets may be invested in quoted companies, disregarding for these purposes any investments which have become quoted companies during their ownership by the Company.

Capital Pool

The objective of the Capital Pool is to provide the Company with access to liquidity in all market conditions, with limited annualised volatility across the Capital Pool as a whole.

In implementing this objective the Capital Pool may be held in a combination of cash, short-term deposits, other liquid and low volatility assets, and funds including credit, fixed income and multi-strategy funds.

In addition, parts of the Capital Pool may be held in funds that were invested in accordance with any prior investment policy of the Company, until those funds are realised.

The composition of the Capital Pool will vary over time, depending on the aggregate amount of the Company's gross assets that are allocated to it.

The Capital Pool is subject to the requirement, measured at the time of investment, that no more than 20 per cent of the Company's gross assets may be held in any single fund or managed account.

Investment restrictions

The Company will not make any direct investment in any tobacco company and has agreed with (a) The Institute of Cancer Research (the 'ICR') not knowingly to make any investment which contravenes the tobacco restriction contained in the investment policy of the ICR and (b) Cancer Research UK not knowingly to make or continue to hold any investments in the Fund Investment portfolio which would result in exposure to tobacco companies exceeding 1 per cent of the aggregate value of the Capital Pool from time to time.

The Company will not invest more than 15 per cent of its gross assets in other closed-ended investment funds that are listed on the FCA's Official List.

The Group may incur indebtedness for the purpose of financing share repurchases or redemptions, satisfying working capital requirements or to assist in payment of the annual charitable donation, up to a maximum of 20 per cent of the Company's net asset value at the time of incurrence.

Any decision to incur indebtedness for the purpose of servicing any awards under the Group's Long-Term Incentive Plan must be approved by the Board. Any other decision to incur indebtedness may be taken by the Investment Manager within such parameters as are approved by the Board from time to time. There are no limitations on indebtedness being incurred at the level of the Company's underlying investments.

The Company does not propose to enter into any securities or derivative hedging or other derivative arrangements other than those that may from time to time be considered appropriate for the purposes of efficient portfolio management and will not enter into such arrangements for investment purposes, although there are no limitations on such arrangements being entered into at the level of the Company's underlying investments.

Investment Objective and Policy (showing changes from prior investment policy)

The Company's investment objective is to achieve superior long-term capital appreciation from its investments. The Company ~~may~~ invest**s** in~~:~~

– life science businesses (including private and quoted companies) and single or multi-asset projects ('Life Science Investments')~~; and~~
– ~~leading long-only and alternative investment funds and managed accounts across multiple asset classes ('Fund Investments').~~

The Company will target an annualised return ~~per share~~ across its ~~investment portfolio~~ **net assets** of 15 per cent per annum over the long-term.

The Company **also holds a portion of its assets as a capital pool ('Capital Pool') to ensure it has capital available to make future Life Science Investments. There is no limit on the size of the Capital Pool** ~~is not required to allocate a specific percentage of its assets to Life Science Investments or Fund Investments~~ although it is intended that the Company should invest the significant majority of its assets in Life Science Investments. ~~The Company anticipates that it will, in general, invest available cash in Fund Investments and realise those investments as and when finance is required for its Life Science Investments.~~

Life Science Investments

Life Science Investments will principally be privately owned businesses or single or multi-asset opportunities, together with the Company's investment in the CRT Pioneer Fund.

The Company anticipates that its Life Science Investment businesses will primarily be headquartered in the United Kingdom and, to a lesser extent, continental Europe, although some may have operations elsewhere in the world and may market and commercialise their products on a global basis.

The Company anticipates that, over time, its Life Science Investments portfolio will consist of around 15 to 20 life science opportunities, of which three to five are likely to become significant core holdings. The Company will invest further in its existing portfolio of Life Science Investments and will seek to create further opportunities by founding new businesses to commercialise academic science.

The Company will seek to create and invest in new or existing Life Science Investment businesses or opportunities with a view to long-term ownership, to support the building of companies that are capable of taking their products to market on an independent basis and therefore to build sustainable, revenue-generating businesses. However, the Company may selectively divest companies in part or in full where **it is in the Company's interest to do so**. ~~such divestment delivers a financial return beyond the value that the Company could create alone.~~

The Company will commit at least 25 per cent of the assets that it commits to Life Science Investments to oncology projects or Life Science Investment businesses with a sole or dominant focus on oncology.

The Life Science Investment portfolio is subject to the following diversification requirements, each of which is measured only at the time of an investment and with respect to the impact of that investment:

– no more than 35 per cent of the Company's gross assets may be invested in any single Life Science Investment;
– no more than 60 per cent of the Company's gross assets may be invested in the largest two Life Science Investments;
– no more than 75 per cent of the Company's gross assets may be invested in the largest three Life Science Investments; and
– no more than 15 per cent of the Company's gross assets may be invested in quoted companies, disregarding for these purposes any investments which have become quoted companies during their ownership by the Company.

Capital Pool

The objective of the Capital Pool is to provide the Company with access to liquidity in all market conditions, with limited annualised volatility across the Capital Pool as a whole.

In implementing this objective the Capital Pool may be held in a combination of cash, short-term deposits, other liquid and low volatility assets, and funds including credit, fixed income and multi-strategy funds.

In addition, parts of the Capital Pool may be held in funds that were invested in accordance with any prior investment policy of the Company, until those funds are realised.

The composition of the Capital Pool will vary over time, depending on the aggregate amount of the Company's gross assets that are allocated to it.

The Capital Pool is subject to the requirement, measured at the time of investment, that no more than 20 per cent of the Company's gross assets may be held in any single fund or managed account.

~~Fund Investments~~

~~The Company may make Fund Investments in long-only funds, hedge funds, private equity funds, infrastructure funds, credit and fixed income and real estate funds. The Company may make Fund Investments on a global basis, including in funds that invest in emerging markets. The Company may also make short-term investments in short-term deposits or investments that are readily realisable pending investment in longer-term opportunities.~~

~~The composition of the Fund Investments portfolio will vary over time, depending on the aggregate amount of the Company's gross assets that are allocated to it.~~

~~The Fund Investments portfolio is subject to the following diversification requirements, measured at the time of investment:~~

– ~~no more than 20 per cent of the Company's gross assets may be invested in any single fund or managed account;~~
– ~~no more than 30 per cent of the Company's gross assets may be invested with a single investment manager;~~
– ~~no more than 50 per cent of the Company's gross assets may be invested in funds or managed accounts pursuing any single investment strategy; and~~
– ~~no more than 80 per cent of the Company's gross assets may be invested in any single asset class.~~

~~Fund Investments may follow a wide range of investment policies and strategies and may be permitted to borrow and invest in long and short positions in quoted and unquoted equities, fixed income securities, options, warrants, futures, commodities, currency forwards, over the counter derivative instruments (such as swaps), securities that lack active public markets, private securities, repurchase agreements, preferred stocks, convertible bonds and other financial instruments or real estate as well as cash and cash equivalents.~~

Investment restrictions

The Company will not make any direct investment in any tobacco company and has agreed with (a) The Institute of Cancer Research (the 'ICR') not knowingly to make any investment which contravenes the tobacco restriction contained in the investment policy of the ICR and (b) Cancer Research UK not knowingly to make or continue to hold any investments in the Fund Investment portfolio which would result in exposure to tobacco companies exceeding 1 per cent of the aggregate value of the **Capital Pool** ~~Fund Investment portfolio~~ from time to time.

The Company will not invest more than 15 per cent of its gross assets in other closed-ended investment funds that are listed on the FCA's Official List.

~~Annual charitable donation~~

~~The Company is required to make a charitable donation, in arrears, equal to one-twelfth of 0.3 per cent of its total net asset value at each month-end during the relevant financial year. Half is donated to the ICR and half donated to The Syncona Foundation for onward distribution among other charities in proportions which are determined each year by shareholders.~~

~~Indebtedness and other investment limitations~~

The Group may incur indebtedness for the purpose of financing share repurchases or redemptions, satisfying working capital requirements or to assist in payment of the annual charitable donation, up to a maximum of 20 per cent of the Company's net asset value at the time of incurrence.

Any decision to incur indebtedness for the purpose of servicing any awards under the Group's Long-Term Incentive Plan must be approved by the Board. Any other decision to incur indebtedness may be taken by the Investment Manager within such parameters as are approved by the Board from time to time. There are no limitations on indebtedness being incurred at the level of the Company's underlying investments.

The Company does not propose to enter into any securities or derivative hedging or other derivative arrangements other than those that may from time to time be considered appropriate for the purposes of efficient portfolio management and will not enter into such arrangements for investment purposes, although there are no limitations on such arrangements being entered into at the level of the Company's underlying investments.

Statement of Directors' responsibilities

In respect of the Annual Report and audited Consolidated Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy; and
- these financial statements include information and details in the Chairman's Statement, the Strategic Report, the Corporate Governance Report, the Directors' Report and the notes to the Financial Statements, which provide a fair review of the information required by:
  - (a) DTR 4.1.8 of the Disclosure and Transparency Rules, being a fair review of the Company business and a description of the principal risks and uncertainties facing the Company; and
  - (b) DTR 4.1.11 of the Disclosure and Transparency Rules, being an indication of important events that have occurred since the end of the financial year and the likely future development of the Company.

This responsibility statement was approved by the Board of Directors on 13 June 2019 and is signed on its behalf by:

Jeremy Tigue
Chairman
13 June 2019

Rob Hutchinson
Non-Executive Director
13 June 2019

Independent Auditor's report to the members of Syncona Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Syncona Limited ("the parent company") and its subsidiary (the "Group"):

- **give a true and fair view of the state of the Group's affairs as at 31 March 2019 and of the Group's profit for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.**

We have audited the financial statements which comprise:

- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Financial Position;
- the Consolidated Statement of Changes in Net Assets Attributable to Holders of Ordinary Shares;
- the Consolidated Statement of Cash Flows; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

While the parent company is not a public interest entity subject to European Regulation 537/2014, the Directors have decided that the parent company should follow the same requirements as if that Regulation applied to the parent company.

Independent Auditor's report to the members of Syncona Limited

continued

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – Key Judgements within the Valuation of Unquoted Life Science Investments; and – Valuation of the Long-Term Incentive Plan ('LTIP') Liability. Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with .
Materiality	The materiality that we used in the current year was £29.2m, which was determined on the basis of 2% of total net assets attributable to holders of Ordinary Shares ("NAV").
Scoping	The Group engagement team carried out audit work on the parent company, its subsidiary and the underlying entities in the investment structure, executed at levels of materiality applicable to each entity, which in all instances was lower than Group materiality.
Significant changes in our approach	In the prior year our key audit matter was associated to all life science investments. However, due to the lower levels of judgement present in the valuation of quoted investments we revised our risk assessment to be more specific and pinpoint the risk to the key judgements in the valuation of the unquoted Life Science investments.

Conclusions relating to going concern, principal risks and viability statement

Going concern We have reviewed the Directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements. We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.	We confirm that we have nothing material to report, add or draw attention to in respect of these matters.
Principal risks and viability statement Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to: – the disclosures on pages 47-51 that describe the principal risks and explain how they are being managed or mitigated; – the Directors' confirmation on page 70 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or – the Directors' explanation on page 70 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key judgments in the valuation of unquoted life science investments

Key audit matter description	The Group holds unquoted life science investments with a fair value of £432.2m through Syncona Portfolio Limited ("SPL") held by Syncona Holdings Limited, and £34.3m through Syncona Discovery Limited held by Syncona Investments LP Incorporated ("life science investments"). The unquoted life science investments constitute 32% of the Group NAV. The Group fair values its interests in Syncona Holdings Limited and Syncona Investments LP Incorporated which are themselves based on the fair value of underlying investments and other assets and liabilities. These are recorded in accordance with IFRS 9 Financial Instruments ("IFRS 9"). The underlying investments are recorded at fair value through profit and loss in accordance with IFRS 13 Fair Value Measurement ("IFRS 13") and International Private Equity and Venture Capital ("IPEV") guidelines. The risk exists that the pricing methodology applied to the underlying life science investments does not reflect an exit price in accordance with IFRS 13 and IPEV guidelines. Investments are generally valued either at cost, price of recent investment ("PRI"), or through other valuation techniques: – Discounted cash flow ("DCF") analysis is used where investments have reached the final stages of clinical testing, prior to regulatory approval and launching of a product. Changes to the discount rate and cash flows used in these models can have a large impact on the present value calculated in the model, and cash flows can be difficult to predict given these are early stage investments in most cases. – The CRT Pioneer Fund valuation is based on the valuation provided by Sixth Element Capital LLP, the underlying Investment Manager, using either cost for early stage investments, or the DCF for those investments where a deal has been agreed. These investments are adjusted by Management to use discount rates and probability of success rates that are consistent with the rest of the Group. – Cost /PRI are used for investments recently made, or recent transactions with third parties where available. Judgement exists as to whether there is objective evidence of change in fair value, based on more recent financial, technical and other data. As the valuation was prepared by the Investment Manager, Syncona Investment Management Limited ("SIML") the Board also commissioned an independent advisor to assist SIML in their determination of fair value of certain investments. In addition to the judgement inherent in the valuation of these investments, we also note that any reward under the LTIP is dependent on the valuation of the Life Science Investments. As such there is an incentive to manipulate investment valuation and we identified this key audit matter as a potential area for fraud. Details of the life science investments balance are disclosed in notes 4 and 20 and the accounting policies relating to them are disclosed in note 2 and Audit Committee Report on pages 62-64.
How the scope of our audit responded to the key audit matter	In order to test the key judgements in the valuation of unquoted life science investments as at 31 March 2019 we performed the following procedures: – Critically assessed the design and implementation of controls relating to the valuation process applied by SIML, and the monitoring and review by the board; – Evaluated the Directors' methodology, against the requirements of IFRS 13 and IPEV guidelines; – Concluded on the experience and independence of the Group's independent advisor; and – Reviewed the valuations performed by the independent advisor, and challenged the Director's rationale when they adopted a valuation approach different to that used by the independent advisor. For investments where other valuation techniques are determined to be the best approximation of fair value in accordance with IFRS 13 we performed the following procedures: – Understood and challenged the Director's rationale where DCF modelling is used, and assessed whether this is a reasonable valuation basis; and – Inspected the valuation model used, and challenged the key inputs used in the model using our valuations expert. This included benchmarking against broader market practice and sensitivity analysis on the inputs to the model, particularly the discount rate, as this was the most significant assumption. For investments where cost or PRI are determined to be the best approximation of fair value in accordance with IFRS 13 we performed the following procedures: – Obtained supporting documentation for amounts invested, to assess whether the cost recorded is accurate and to understand whether use of cost is a reasonable valuation basis; – Inspected the latest financial information, board meeting minutes, investor reports, and other external information sources to assess whether cost or PRI remains the most representative valuation for that investment; – Inspected post year end transactions to test that conditions did not exist at the balance sheet date that would suggest that the year end fair value was materially misstated; and – Challenged management's assumptions over the appropriateness of the valuation methodology used, and whether other valuation methods may have been more appropriate.
Key observations	Overall, we conclude that the valuations and methodologies applied are appropriate in all material respects.

Independent Auditor's report to the members of Syncona Limited

continued

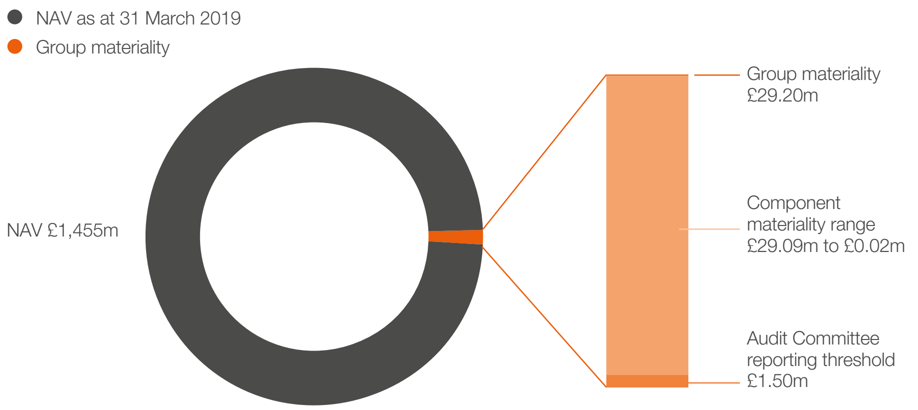
Valuation of the Long-Term Incentive Plan ('LTIP') Liability	
Key audit matter description	Members of the management team of Syncona Investment Management Limited ("SIML") are entitled to participate in a LTIP. Syncona Holdings Limited may award Management Equity Shares ("MES") to employees of SIML. Awards entitle participants to share in the growth of the valuation of the life science investments, subject to a hurdle rate on invested capital being met. The fair value of awards of MES made in the year ended 31 March 2019 was £1,520k (31 March 2018: £11k) and the carrying amount of the cash element of the liability arising for the year ended 31 March 2019 was £17.2m (31 March 2018: £5.4m). The Board commissioned an independent expert to value the LTIP in accordance with IFRS 2 Share-based Payment ("IFRS 2"). As the LTIP value is based upon the valuation of life science investments, this provides incentive to manipulate the valuation of life science investments in order to increase the pay-out under the scheme. The risk therefore exists that the valuation of the LTIP liability and equity portions are not calculated accurately or that not all information relating to the valuation of the underlying life science investments relevant to its calculation is included, such that the amounts recognised by the Group are materially misstated. Details of the LTIP balances are disclosed in note 13 and the accounting policies relating to them are disclosed in note 2 and in the Audit Committee Report on pages 62-64.
How the scope of our audit responded to the key audit matter	In order to test the valuation of the LTIP as at 31 March 2019 we performed the following procedures: – We have assessed the design and implementation of key controls relating to the valuation of the LTIP; – We have reviewed the accounting considerations around the grant date fair value and intrinsic value of the awards in the LTIP, to assess whether this has been accounted for appropriately; – We have performed a recalculation of the value of any LTIP liability and equity portions, based on the terms of the LTIP rules and the Articles of Association of Syncona Holdings Limited. We have compared this to the value calculated by SIML against a tolerable threshold, to determine whether this is reasonable; – We have performed procedures as noted in the key audit matter above over the life science investment valuation, as this is a key input into the model; – We have reviewed the disclosures in the notes to the financial statements for the LTIP to assess whether they meet the requirements of the IFRS 2 and adequately disclose all material terms of the plan; and – We have held discussions with management's independent expert and challenged the key assumptions in particular the evolution of life science investments over the life of the LTIP.
Key observations	We conclude that the valuation of the LTIP at 31 March 2019 and the related disclosures are appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£29.2m (2018: £21.1m)
Basis for determining materiality	2% of NAV as at 31 March 2019 (2018: 2% of NAV)
Rationale for the benchmark applied	The Group's investment objective is to realise returns through growth in their fair value of investments. We therefore considered the value of the Group's NAV to be a key performance indicator for shareholders. The reason for the increase in materiality is due to the NAV of the Group increasing to £1,461m as at 31 March 2019 (2018: £1,056m).



We agreed with the Audit Committee that we would report all audit differences in excess of £1.5m (2018: £1.1m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group and parent company level, as well as at the Group's other component, Syncona GP Limited.

The Group audit engagement team carried out statutory audit work directly on the parent company and its consolidated subsidiary Syncona GP Limited executed at levels of materiality applicable to each entity.

We also acted as statutory auditor for a number of intermediate entities in the investment structure; our audit work on these entities was utilised for the purposes of auditing the Group's investment balances.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's report to the members of Syncona Limited

continued

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- discussing among the engagement team and involving relevant internal specialists, including tax, and valuations regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas:
  - Valuation of unquoted life science investments; and
  - Valuation of the LTIP liability; and
- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the Companies Guernsey Law (2008), and Listing Rules.

Audit response to risks identified

As a result of performing the above, we identified Key judgments in the valuation of unquoted life science investments and Valuation of the LTIP Liability as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters. As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing correspondence with the Guernsey Financial Services Commission; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion: – we have not received all the information and explanations we require for our audit; or – proper accounting records have not been kept by the parent company; or – the financial statements are not in agreement with the accounting records.	We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 22 September 2012 to audit the financial statements for the period from 14 August 2012 (date of incorporation) to 25 October 2012 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is seven years, covering the period ending 25 October 2012 to the year ending 31 March 2019.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Clacy (Senior statutory auditor)
For and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey

13 June 2019

Group portfolio statement
As at 31 March 2019

	Fair value £'000	% of Group NAV 2019
Life science portfolio		
Life science companies		
Autolus Therapeutics plc	328,200	22.6
Blue Earth Diagnostics Limited	267,470	18.4
Nightstar Therapeutics plc	258,344	17.7
Freeline Therapeutics Limited	93,500	6.4
Gyroscope Therapeutics Limited	28,875	2.0
Achilles Therapeutics Limited	16,166	1.1
Companies of less than 1% of NAV	31,095	2.1
Total life science companies(1)	**1,023,650**	70.3
CRT Pioneer Fund(2)	34,311	2.4
Open forward currency contracts	(2,488)	(0.2)
Total life science portfolio(3)	**1,055,473**	72.5
Capital pool investments		
Sagil Latin American Opportunities	21,507	1.5
Funds of less than 1% of NAV	37,383	2.6
	58,890	4.1
Equity funds		
The SFP Value Realisation	33,906	2.3
	33,906	2.3
Fixed income and credit funds		
Polygon Convertible Opportunity	20,930	1.4
Wyetree RETRO	18,665	1.3
	39,595	2.7
Fixed term funds		
Permira V	21,054	1.4
Portland Hill	20,414	1.4
Chenavari European Deleveraging Opportunities	14,171	1.0
Funds of less than 1% of NAV	13,832	1.0
	69,471	4.8
Open forward currency contracts	**1,908**	0.1
Total capital pool investments(2)	203,770	14.0
Other net assets		
Cash and cash equivalents(4)	211,748	14.6
Charitable donations	(4,300)	(0.3)
Other assets and liabilities	(11,578)	(0.8)
Total other net assets	**195,870**	13.5
Total net asset value of the Group	**1,455,113**	100.0

(1) The fair value of Syncona Holdings Limited amounting to £1,048,249,690 is comprised of investments in life science companies of £1,021,161,530 (including the open forward currency contracts of £(2,488,458)), investments in Syncona Investment Management Limited of £4,050,743, other net assets of £25,867,467 in Syncona Portfolio Limited and other net liabilities of £2,830,050 in Syncona Holdings Limited.
(2) The fair value of the investment in Syncona Investments LP Incorporated amounting to £421,828,431 is comprised of the investment in the capital pool investments of £203,769,671 (including the open forward currency contracts of £1,908,145), the investment in the CRT Pioneer Fund of £34,311,339, cash of £198,704,854 and other net liabilities of £14,957,433.
(3) The life science portfolio of £1,055,472,869 consists of life science investments totalling £1,021,161,530 (including the open forward currency contracts of £(2,488,458)) held by Syncona Holdings Limited and the CRT Pioneer Fund of £34,311,339 held by Syncona Investments LP Incorporated.
(4) Total cash held by the Group is £211,747,675. Of this amount £90,748 is held by Syncona Limited. The remaining £211,656,927 is held by its subsidiaries other than portfolio companies ("Syncona Group Companies"). Cash held by Syncona Group Companies is not shown in Syncona Limited's Consolidated Statement of Financial Position.

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

Consolidated statement of comprehensive income
For the year to 31 March 2019

		2019			2018		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment income							
Other income	7	34,631	–	34,631	28,747	–	28,747
Total investment income		34,631	–	34,631	28,747	–	28,747
Net gains on financial assets at fair value through profit or loss	8	–	404,487	404,487	–	167,694	167,694
Total gains		–	404,487	404,487	–	167,694	167,694
Expenses							
Charitable donation	9	4,300	–	4,300	4,752	–	4,752
General expenses	10	23,556	–	23,556	18,858	–	18,858
Total expenses		27,856	–	27,856	23,610	–	23,610
Profit for the year		6,775	404,487	411,262	5,137	167,694	172,831
Earnings per Ordinary Share	15	1.03p	61.21p	62.24p	0.78p	25.43p	26.21p

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 year 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 31 March 2019

	Notes	2019 £'000	2018 £'000
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	11	1,470,078	1,064,521
Current assets			
Bank and cash deposits		91	981
Trade and other receivables	12	8,833	5,445
Total assets		1,479,002	1,070,947
LIABILITIES AND EQUITY			
Non-current liabilities			
Share based payments	13	10,834	4,450
Current liabilities			
Share based payments	13	6,351	943
Payables	14	6,704	9,791
Total liabilities		23,889	15,184
EQUITY			
Share capital	15	766,037	763,016
Distributable capital reserves		689,076	292,747
Total equity		1,455,113	1,055,763
Total liabilities and equity		1,479,002	1,070,947
Total net assets attributable to holders of Ordinary Shares		1,455,113	1,055,763
Number of Ordinary Shares in Issue	15	661,222,309	659,952,090
Net assets attributable to holders of Ordinary Shares (per share)	15	£2.20	£1.60
Diluted NAV (per share)	15	£2.17	£1.59

The audited Consolidated Financial Statements on pages 83 to 111 were approved on 13 June 2019 and signed on behalf of the Board of Directors by:

Jeremy Tigue
Chairman

Rob Hutchinson
Non-Executive Director

Consolidated statement of changes in net assets attributable to holders of Ordinary Shares
As at 31 March 2019

	Notes	Share capital £'000	Capital reserves £'000	Revenue reserves £'000	Total £'000
As at 31 March 2017		760,327	134,911	–	895,238
Total comprehensive income for the year		–	167,694	5,137	172,831
Transactions with shareholders:					
Distributions	16	–	(9,858)	(5,285)	(15,143)
Scrip dividend shares issued during the year	15	2,689	–	–	2,689
Share based payments		–	–	148	148
As at 31 March 2018		763,016	292,747	–	1,055,763
Total comprehensive income for the year		–	404,487	6,775	411,262
Transactions with shareholders:					
Distributions	16	–	(8,158)	(7,020)	(15,178)
Scrip dividend shares issued during the year	15	3,021			3,021
Share based payments		–	–	245	245
As at 31 March 2019		766,037	689,076	–	1,455,113

Consolidated statement of cash flows
For the year to 31 March 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Profit for the year		411,262	172,831
Adjusted for:			
Gains on financial assets at fair value through profit or loss	8	(404,487)	(167,694)
Operating cash flows before movements in working capital		6,775	5,137
Increase in other receivables		(3,388)	(673)
(Decrease)/increase in other payables		(3,087)	3,729
Net cash generated from operating activities		300	8,193
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss		(119,419)	(114,133)
Return of capital contribution		130,386	119,270
Net cash generated from investing activities		10,967	5,137
Cash flows from financing activities			
Distributions	16	(12,157)	(12,454)
Net cash used in financing activities		(12,157)	(12,454)
Net increase in cash and cash equivalents		(890)	876
Cash and cash equivalents at beginning of the year		981	105
Cash and cash equivalents at end of the year		91	981
Supplemental disclosure of non-cash investing and financing activities			
Issue of shares	15	3,021	2,689
Scrip dividend shares issued during the year	15	(3,021)	(2,689)
Net non-cash investing and financing activities		–	–

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

Notes to the consolidated financial statements
For the year ended 31 March 2019

1. General information

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

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

On 12 December 2017 Syncona Investment Management Limited ("SIML"), a subsidiary, was appointed as the Company's Alternative Investment Fund Manager ("Investment Manager") replacing BACIT (UK) Limited ("BACIT") which became a sub-delegate to the Investment Manager on the same date. On 31 March 2018 the sub-delegate relationship between the Company, SIML and BACIT was terminated.

The investment objective and policy is set out in the Directors' Report on pages 69 to 73.

2. Accounting policies

Statement of compliance

The Consolidated Financial Statements give a true and fair view, are prepared in accordance with International Financial Reporting Standards ("IFRS") adopted for use in the European Union, and are in compliance with The Companies (Guernsey) Law, 2008.

Basis of preparation

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

Going concern

The financial statements are prepared on a going concern basis. The Company's net assets currently consist of securities and cash amounting to £1,455.1 million (31 March 2018: £1,055.8 million) of which 34.64% (31 March 2018: 31.4%) are readily realisable within three months in normal market conditions, and liabilities including uncalled commitments to underlying investments and funds amounting to £121.6 million (31 March 2018: £72.0 million). Accordingly, the Company has adequate financial resources to continue in operational existence for 12 months following the approval of the Consolidated Financial Statements. Hence, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

Basis of consolidation

The General Partner is consolidated in full; the Company and the General Partner consolidated form the Group.

The results of the General Partner during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of incorporation. The financial statements of the General Partner are prepared in accordance with United Kingdom Accounting Standards. Where necessary, adjustments are made to the financial statements of the General Partner to bring the accounting policies used into line with those used by the Group. During the year, no such adjustments have been made. All intra-group transactions, balances and expenses are eliminated on consolidation.

Entities that meet the definition of an investment entity under IFRS 10 "Consolidated Financial Statements" are held at fair value through profit or loss in accordance with IFRS 9. The Partnership and the Holding Company both meet the definition of Investment Entities as described in note 3.

New standards adopted by the Group

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

The Group has adopted IFRS 9 "Financial Instruments" ("IFRS 9"), which replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement, which became effective from 1 January 2018 and adopted by the Group on 1 April 2018. As outlined below the impact of adopting IFRS 9 on the Consolidated Financial Statements was not material for the Group and there was no adjustment to retained earnings on application at 1 April 2018. In line with the transition guidance in IFRS 9, the Group has not restated the prior year results on adoption.

IFRS 9 also introduces a new expected credit loss ("ECL") impairment model for financial instruments held at amortised cost which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. On initial recognition, entities will record a day-1 loss equal to the 12 month ECL, unless the assets are considered credit impaired. There was no material impact on adoption from the application of the new impairment model for the Group.

The adoption of IFRS 9 has no material impact on the Group's classification of financial assets and financial liabilities as financial assets and liabilities are still measured on a fair value basis.

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" which became effective from 1 January 2018 and adopted by the Group on 1 April 2018, replacing IAS 18 "Revenue". The standard provides a single, principles based five-step model to be applied to all contracts with customers. Material revenue streams have been reviewed and there are no changes to the recognition of income by the Group as a result of the new standard.

Notes to the consolidated financial statements
For the year ended 31 March 2019
continued

2. Accounting policies (continued)

Standards, amendments and interpretations not yet effective

At the date of approval of these Consolidated Financial Statements, the following standards and interpretations, which have not been applied in these Consolidated Financial Statements, were in issue but not yet effective:

IFRS 16 – Leases (effective accounting periods starting on or after 1 January 2019).

Amendments to IFRS 9 – Prepayments features with negative compensation (effective accounting periods on or after 1 January 2019).

Amendments to IAS 28 – Long term interests in associates and joint ventures (effective accounting periods on or after 1 January 2019).

IFRS 16 "Leases" introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees except for short-term leases and leases of low value assets. The Group has no material leases and therefore it is not anticipated that there will be a material impact on the Group's financial statements.

Amendments to IFRS 9 – Prepayments features with negative compensation. The narrow-scope amendments made to IFRS 9 in December 2017 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model. The amendments are not expected to have a material impact on the Group's financial statements.

Amendments to IAS 28- Long term interests in associates and joint ventures. The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 before applying the loss allocation and impairment requirements in IAS 28 Investments in Associates and Joint Ventures. The amendments are not expected to have a material impact on the Group's financial statements.

Financial instruments

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

The Group has adopted IFRS 9, which replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement.

Policy effective from 1 April 2018

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

Financial assets at fair value through profit or loss

The Group classifies its financial assets as investments at fair value through profit or loss based on the Group's business model and the contractual cash flow characteristics of the financial assets. On 1 April the Investment Manager assessed which business models apply to the financial assets and determined that the financial assets held by the Group would continue to be classified at fair value through profit or loss.

Financial assets measured at amortised cost

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

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

Financial liabilities measured at amortised cost

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

Policy effective before 1 April 2018

The Group classified its financial assets and financial liabilities into the following categories in accordance with IAS 39, financial assets at fair value through profit and loss, loan and receivables. The classification depended on the nature and purpose of the financial assets and was determined at the time of initial recognition.

Financial assets at fair value through profit or loss ("investments")

Investments purchased were initially recorded at fair value, being the consideration given and excluding transaction or other dealing costs associated with the investment. Gains and losses on investments sold are recognised in the Statement of Comprehensive Income in the period in which they arise. The appropriate classification of the investments was determined at the time of the purchase and was re-evaluated on a regular basis. The adoption of IFRS 9 had no impact on this classification.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The carrying amounts, being cost, were shown in the Consolidated Statement of Financial Position and approximate the fair values due to the short term nature of these loans and receivables.

Forward currency contracts

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

Other financial liabilities

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

Offsetting of financial instruments

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

Fair value – life science portfolio

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

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

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

– The cost generally represents fair value as of the transaction date. Similarly where there has been a recent investment in the unlisted company by third parties, the Price of Recent Investment ("PRI") generally represents fair value as of the transaction date, although further judgement may be required to the extent that the instrument in which the recent investment was made is different from the instrument held by the Group.

– The length of period for which it remains appropriate to use cost or the PRI depends on the specific circumstances of the investment and the stability of the external environment and adequate consideration needs to be given to the current facts and circumstances. Where there is objective evidence that an investment has been impaired or increased in value since the investment was made, such as observable data suggesting a change of the financial, technical, or commercial performance of the underlying investment, the Group carries out an enhanced assessment based on one of the alternative methodologies set out in the IPEVC Valuation Guidelines.

– DCF involves estimating the fair value of an investment by calculating the present value of expected future cash flows, based on the most recent forecasts in respect of the underlying business. Given the difficulty involved with producing reliable cash flow forecasts for seed, start-up and early-stage companies, the DCF methodology will more commonly be used in the event that a life science company is in the final stages of clinical testing prior to regulatory approval or has filed for regulatory approval.

– Independent Adviser – The Group's determination of the fair values of certain investments took into consideration multiple sources including management and publicly available information and publications and certain input from independent advisors L.E.K. Consulting LLP ("L.E.K."), who has undertaken an independent review of certain investments and has assisted the Group with its valuation of such investments. The review was limited to certain limited procedures that the Group identified and requested it to perform within an agreed limited scope.

Notes to the consolidated financial statements
For the year ended 31 March 2019
continued

2. Accounting policies (continued)

Financial instruments (continued)
As with any review of investments these can only be considered in the context of the limited procedures and agreed scope defining such review and are subject to assumptions which may be forward looking in nature and subjective judgements. Upon completion of such limited agreed procedures, L.E.K. estimated an independent range of fair values of those investments subjected to the limited procedures. In making such a determination the Group considered the review as one of multiple inputs in the determination of fair value. The limited procedures within the agreed scope are limited by the information reviewed and did not involve an audit, review, compilation or any other form of verification, examination or attestation under generally accepted auditing standards and was based on the review of multiple defined sources. The Group is responsible for determining the fair value of the investments, and the agreed limited procedures in the review performed to assist the Group in its determination are supplementary to the inquiries and procedures that the Group is required to undertake to determine the fair value of the said investments for which the Directors are ultimately responsible.

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

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

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

Impairment of financial assets
IFRS 9 requires the Group to record ECLs on all financial assets held at amortised cost, all loans and trade receivables, either on a 12-month or lifetime basis. Given the limited exposure of the Group to credit risk, this amendment has not had a material impact on the financial statements. The Group only holds receivables with no financing component and which have maturities of less than 12 months at amortised cost and therefore has applied the simplified approach to recognise lifetime expected credit losses permitted by IFRS 9.

Commitments
Through its investment in the Holding Company and the Partnership, the Group has outstanding commitments to investments that are not recognised in the Consolidated Financial Statements. Refer to note 21 for further details.

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

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

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

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

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

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

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

Income
All income is accounted for on an accruals basis and is recognised in the Consolidated Statement of Comprehensive Income. Income is further discussed in note 7.

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

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

Translation of foreign currency
Items included in the Group's Consolidated Financial Statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The Consolidated Financial Statements are presented in Sterling (£), which is the Group's functional and presentational currency.

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

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

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

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

3. Critical accounting judgements and sources of estimation uncertainty

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

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

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

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

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

Notes to the consolidated financial statements
For the year ended 31 March 2019
continued

3. Critical accounting judgements and sources of estimation uncertainty (continued)

Functional currency
As disclosed in note 2, the Group's functional currency is Sterling. Sterling is the currency in which the Group measures its performance and reports its results. Ordinary Shares are denominated in Sterling and dividends are paid in Sterling. The Directors believe that Sterling best represents the functional currency, although the Group has significant exposure to other currencies as described in note 19.

Assessment as investment entity
Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries, other than those that provide investment services to the Group, at fair value through profit or loss rather than consolidate them.

The criteria which define an investment entity are as follows:

– An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;

– An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and

– An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company meets the criteria as follows:

The Company is a closed-ended investment company and has a number of investors who pool their funds to gain access to the Company's investment services and investment opportunities to which they might not have had access individually. The Company, being listed on the London Stock Exchange, obtains funding from a diverse group of external shareholders.

The key judgement relates to whether the business purpose of the Company is consistent with that of an investment entity. The Company has the intention to realise the constituents of each of its investment classes. Some investments are held long term, but for each investment there is an intention to exit the investment at a price and timing that is deemed suitable to the Group. During the year, the Company agreed to the sale of its shareholding in Nightstar Therapeutics plc.

The Holding Company and the Partnership both measure and evaluate the performance of substantially all of their investments on a fair value basis. The fair value method is used to represent the Company's performance in its communication to the market, including investor presentations. In addition, the Company reports fair value information internally to the Board of Directors, who use fair value as a significant measurement attribute to evaluate the performance of its investments.

The IFRS 10 investment entity exemption requires investment entities to hold subsidiaries that are themselves investment entities, at fair value through profit or loss. As the Holding Company and the Partnership meet the criteria of investment entities, they and their underlying subsidiaries have not been consolidated by the Group.

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

The life science portfolio is very illiquid. Many of the companies are early stage investments and privately owned. Accordingly, a market value can be difficult to determine. The accounting policy for all investments is described in note 2 and the fair value of all investments is described in note 20. In the case where Syncona is the sole institutional investor and substantive clinical data has been generated, Syncona will use input from an independent valuations advisor in its determination of the fair value of investments.

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

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

The Share based payment charge is an estimate linked to the future valuation of the Holding Company. The Holding Company holds life science investments whose valuations are a source of estimation uncertainty as set out above.

4. Operating segments

The Group is made up of two main components, the "life science portfolio" and the "Capital pool investments". 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 capital pool investments. The life science portfolio and the Capital pool investments 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 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 Group Portfolio Statement on page 82.

Capital pool investments
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. During the year the Group commenced the reduction of its fund investments and increased its weighting to cash and cash equivalents.

Details of the underlying assets are shown in the Group Portfolio Statement on page 82.

Information about reporting segments
The following provides detailed information for the Group's two reportable segments for the year ended 31 March 2019 and 31 March 2018:

As at 31 March 2019	Life science portfolio £'000	Capital pool investments £'000	Unallocated[1] £'000	Total £'000
Revenue	–	–	34,631	34,631
Capital growth	431,893	(27,406)	–	404,487
Expenses	–	–	(27,856)	(27,856)
Net assets	1,055,473	203,770	195,870	1,455,113

As at 31 March 2018	Life science portfolio £'000	Capital pool investments £'000	Unallocated[1] £'000	Total £'000
Revenue	–	–	28,747	28,747
Capital growth	162,933	4,761	–	167,694
Expenses	–	–	(23,610)	(23,610)
Net assets	514,543	465,102	76,118	1,055,763

1 Revenue as explained in note 7 is unrelated to either segment's performance. Expenses include the dividends, donations and expenses for the year, which are not appropriate to allocate by segment. Unallocated net assets are primarily made up of cash and are unrelated to either segment's performance.

The net assets of each segment can be agreed to the Group Portfolio Statement on page 82. The capital growth can be agreed to the Consolidated Statement of Comprehensive Income on page 83.

Notes to the consolidated financial statements
For the year ended 31 March 2019
continued

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	Principal place of business	Principal activity	% interest[1]
Syncona GP Limited	Guernsey	General Partner	100%
Syncona Holdings Limited	Guernsey	Portfolio management	100%
Syncona Investments LP Incorporated	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	Principal place of business	Immediate parent	Principal activity	% interest[1]
Syncona Discovery Limited	UK	Syncona Investments LP Inc	Portfolio management	100%
Syncona Portfolio Limited	Guernsey	Syncona Holdings Limited	Portfolio management	100%
Syncona IP Holdco Limited	UK	Syncona Portfolio Limited	Portfolio management	100%
Syncona Investment Management Limited	UK	Syncona Holdings Limited	Portfolio management	100%
Syncona Collaboration (E) Limited	UK	Syncona Portfolio Limited	Research	100%
Blue Earth Diagnostics Limited	UK	Syncona Portfolio Limited	Advanced diagnostics	89%
Freeline Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	87%
Gyroscope Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	86%
Achilles Therapeutics Limited	UK	Syncona Portfolio Limited	Cell therapy	69%
Quell Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	58%
SwanBio Limited	USA	Syncona Portfolio Limited	Gene therapy	58%

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

1 Based on undiluted issued share capital and excluding the MES issued by Syncona Holdings Limited (see note 13).

6. Taxation

The Company and the General Partner are exempt from taxation in Guernsey under the provisions of The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and have both paid an annual exemption fee of £1,200 (31 March 2018: £1,200).

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

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

7. Income

The Group's income relates to cash transfers from the Partnership which are used for paying costs and dividends of the Group. Cash transferred from the Partnership to the Group for the purposes of investment in the Holding company is not regarded as income.

During the year, income received from the Partnership amounted to £34,631,000 (31 March 2018: £28,746,812) of which £4,300,000 (31 March 2018: £4,757,729) remained receivable at 31 March 2019. The receivable reflects the charitable donation of the Group.

8. 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 Holding Company and the Partnership.

	Note	2019 £'000	2018 £'000
Net gains/(losses) from:			
The Holding Company	8.a	431,893	162,933
The Partnership	8.b	(27,406)	4,761
		404,487	167,694

8.a Movements in the Holding Company:

	2019 £'000	2018 £'000
Residual income from liquidated subsidiaries	–	726
Expenses	(100)	(44)
Movement in unrealised gains on life science investments at fair value through profit or loss	431,993	162,251
Net gains on financial assets at fair value through profit or loss	431,893	162,933

8.b Movements in the Partnership:

	2019 £'000	2018 £'000
Investment income	610	1,821
Rebates and donations	2,527	2,355
Expenses	(63)	(236)
Realised gains on financial assets at fair value through profit or loss	76,965	43,670
Movement in unrealised losses on financial assets at fair value through profit or loss	(60,459)	(26,744)
Gains on forward currency contracts	997	20,370
Losses on foreign currency	(13,352)	(7,728)
Gains on financial assets at fair value through profit or loss	7,225	33,508
Distributions	(34,631)	(28,747)
Net (losses)/gains on financial assets at fair value through profit or loss	(27,406)	4,761

9. Charitable donations

The Group has agreed to make a donation to charity of 0.3% of the total NAV of the Group calculated on a monthly basis, half donated to The Institute of Cancer Research ("ICR") and half donated to The Syncona Foundation (previously The BACIT Foundation), and these donations are made by the General Partner. For the years ending 31 March 2017 and 31 March 2018, the Group agreed that the charitable donations will not be less than £4,751,608. The Group has agreed with The Syncona Foundation that the charitable donations to it will not be less than £2,375,804 for the year ended 31 March 2019. Any amount paid to ICR in excess of half of 0.3% of the total NAV of the Group in those years will be recovered by reducing the charitable donations in subsequent years provided that the charitable donation to ICR will not as a result be reduced below £2,375,804.

During the year, accrued charitable donations amounted to £4,300,155 (31 March 2018: £4,751,608). As at 31 March 2019, £4,300,155 (31 March 2018: £4,751,608) remained payable.

Notes to the consolidated financial statements
For the year ended 31 March 2019
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10. General expenses

	2019 £'000	2018 £'000
Directors' fees	355	219
Auditor's remuneration	232	34
Share based payments	11,792	5,494
Termination expense	–	3,800
Investment management fees	8,923	7,604
Other expenses	2,254	1,707
	23,556	18,858

Auditor's remuneration includes audit fees in relation to the Group of £31,830 (31 March 2018: £34,351). Total audit fees paid by the Group and the Syncona Group Companies for the year ended 31 March 2019 totalled £172,515 (31 March 2018: £128,923). Additional fees paid to the auditor were £28,100 (31 March 2018: £26,500) which relates to work performed at the interim review of £21,600 (31 March 2018: £20,000) and other non-audit fees of £6,500 (31 March 2018: £6,500).

On 31 March 2018 the Investment Management Agreement between the Company and BACIT was terminated in consideration for a cash payment of £3,800,000, as disclosed in note 17. During the year ended 31 March 2018, fees of £1,826,719 were charged by BACIT to the Group.

Further details of the Share based payments can be found in note 13.

11. Financial assets at fair value through profit or loss

	Note	2019 £'000	2018 £'000
The Holding Company	11.a	1,048,250	488,347
The Partnership	11.b	421,828	576,174
		1,470,078	1,064,521

11.a The net assets of the Holding Company:

	2019 £'000	2018 £'000
Cost of the Holding Company's investment at the start of the year	325,510	180,479
Purchases during the year	131,422	120,091
Realised gains on transfer of assets	–	24,940
Cost of the Holding Company's investments at the end of the year	456,932	325,510
Net unrealised gains on investments at the end of the year	594,148	162,148
Fair value of the Holding Company's investments at the end of the year	1,051,080	487,658
Other current (liabilities)/assets	(2,830)	689
Financial assets at fair value through profit or loss at the end of the year	1,048,250	488,347

The realised gains on transfer of assets relates to the transfer of the life science investments to the subsidiary Syncona Portfolio Limited.

11.b The net assets of the Partnership:

	2019 £'000	2018 £'000
Cost of the Partnership's investments at the start of the year	381,381	464,434
Purchases during the year	170,275	95,524
Sales during the year	(433,051)	(209,070)
Return of capital	(12,313)	(13,177)
Net realised gains on disposals during the year	76,965	43,670
Cost of the Partnership's investments at the end of the year	183,257	381,381
Net unrealised gains on investments at the end of the year	52,916	113,017
Fair value of the Partnership's investments at the end of the year	236,173	494,398
Open forward currency contracts	1,908	1,511
Cash and cash equivalents	198,705	78,712
Other net current (liabilities)/assets	(14,958)	1,553
Financial assets at fair value through profit or loss at the end of the year	421,828	576,174

12. Trade and other receivables

	2019 £'000	2018 £'000
Due from related parties (see note 17)	4,495	–
Investment income receivable	4,300	4,758
Prepayments	38	687
	8,833	5,445

13. Share based payments

Share based payments are associated with awards of Management Equity Shares ("MES") in the Holding Company, relevant details of which are set out in note 2.

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

	2019 £'000	2018 £'000
Charge relating to issue of new MES	–	4
Charge relating to previously issued MES	–	292
Charge related to revaluation of the liability for cash settled share awards	11,792	5,199
Total	11,792	5,495

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

	2019 £'000	2018 £'000
Share based payments – current	6,351	943
Share based payments – non-current	10,834	4,450
Total	17,185	5,393

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

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

The fair value of awards made in the year ended 31 March 2019 was £1,520,000 (31 March 2018: £11,776). This represents 12,607,898 new MES issued (31 March 2018: 557,639).

The number of MES outstanding are shown below:

	2019	2018
At the start of the year	27,664,909	27,785,324
Issued	12,607,898	557,639
Cancelled	(3,488,660)	(678,054)
Outstanding at the end of the year	36,784,147	27,664,909
Weighted average remaining contractual life of outstanding MES, years	2.24	2.75
Vested MES at the year end	14,798,030	6,781,629
Realisable MES at the year end	3,900,433	1,695,407

At 31 March 2019, if all MES were realised the number of shares issued in the Company, as a result would be 10,046,397 (31 March 2018: 4,620,436). The per share value of net assets attributable to holders of Ordinary Shares would fall from £2.20 to £2.17 if these shares were issued.

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14. Payables

	2019 £'000	2018 £'000
Charitable donations payable	4,300	4,752
Management fees payable	1,242	852
Termination expense payable	–	3,800
Due from related party (see note 17)	500	–
Other payables	662	387
	6,704	9,791

15. Share capital

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

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

	2019 £'000	2018 £'000
Ordinary share capital		
Balance at the start of the year	763,016	760,327
Scrip dividend shares issued during the year	3,021	2,689
Balance at the end of the year	766,037	763,016

	2019 Shares	2018 Shares
Ordinary share capital		
Balance at the start of the year	659,952,090	658,387,407
Scrip dividend shares issued during the year	1,249,383	1,564,683
Share based payment shares issued during the period	20,836	–
Balance at the end of the year	661,222,309	659,952,090

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

In August 2017, £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.

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

B. Capital reserves
Gains and losses recorded on the realisation of investments, realised exchange differences, unrealised gains and losses recorded on the revaluation of investments held at the year 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:

	2019	2018
Earnings for the purposes of earnings per share	£411,262,000	£172,831,499
Basic weighted average number of shares	660,759,419	659,356,224
Basic revenue earnings per share	1.0p	0.8p
Basic capital earnings per share	61.2p	25.4p
Basic earnings per share	62.2p	26.2p
Diluted weighted average number of shares	670,805,816	663,980,947
Diluted revenue earnings per shares	1.0p	0.8p
Diluted capital earnings per share	60.3p	25.2p
Diluted earnings per share	61.3p	26.0p

	2019	2018
Issued share capital at start of year	659,952,090	658,387,407
Weighted effect of share issues		
Scrip dividend 25 July 2018	791,959	973,104
Share based payment 13 August 2018	15,370	–
Potential share based payment share issues	10,046,397	4,620,436
Diluted weighted average number of shares	670,805,816	663,980,947

D. NAV per share

	2019	2018
Net assets for the purposes of NAV per share	£1,455,112,953	£1,055,763,499
Ordinary Shares in issue	661,222,309	659,952,090
NAV per share	220.1p	160.0p
Diluted number of shares	671,268,706	664,572,526
Diluted NAV per share	216.8p	158.9p

16. Distribution to shareholders

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

During the year ended 31 March 2019, the Company declared and paid a dividend of 2.3p (31 March 2018: 2.3p) per share amounting to £15,178,477 (31 March 2018: £15,142,910) relating to the year ended 31 March 2018 (31 March 2017). The dividend was comprised of £12,157,469 cash (31 March 2018: £12,454,159) and a scrip dividend of £3,021,008 (31 March 2018: £2,688,751).

See note 22 for details of the 2019 dividend.

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17. Related party transactions

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

Life science investments

The Group makes equity investments in some life science investments where it retains control. The Group has taken advantage of the investment entity exception as permitted by IFRS 10 and has not consolidated these investments, but does consider them to be related parties. The total amounts included for investments where the Group has control are set out below:

	2019 £'000	2018 £'000
Investments with control	420,949	248,728

The Group makes other equity investments where it does not have control but may have significant influence through its ability to participate in the financial and operating policies of these companies, therefore the Group considers them to be related parties. The total amounts included for investments where the Group has significant influence are set out below:

	2019 £'000	2018 £'000
Investments with significant influence	593,745	226,025

During the year SIML, an indirectly held subsidiary of the Company, charged the life science investments a total of £478,521 (31 March 2018: £340,189) in relation to Directors' fees.

Investment Manager

Until 12 December 2017 BACIT was the Group's Investment Manager, on which date BACIT became a sub-delegate to SIML. BACIT charged the Group an annual fee of 0.19% of NAV per annum. With effect from 12 December 2017, SIML became the Investment Manager of the Group. SIML is an indirectly held subsidiary of the Company.

For the year ended 31 March 2019 SIML was entitled to receive an annual fee of up to 1.10% of NAV (31 March 2018: 1.00%) per annum.

	2019 £'000	2018 £'000
Amounts paid to BACIT	–	5,627
Amounts paid to SIML	8,923	5,778

On 31 March 2018, the sub-delegate relationship between the Company, SIML and BACIT was terminated in consideration for a cash payment of £3,800,000, which is included in the £5,627,000 above.

During the year SIML received fees from its portfolio companies of £478,522 (31 March 2018: £440,368).

Company Directors

At the year end, the Company had seven Directors, all of whom served in a Non-Executive capacity. The Directors Jeremy Tigue, Nicholas Moss and Rob Hutchinson also serve as Directors of the General Partner. Thomas Henderson was a Director of BACIT until May 2018.

Nigel Keen is Chairman of the Investment Manager and receives a fee of £128,388 (31 March 2018: £128,388) per annum, payable by the Investment Manager, in respect of his services to the Investment Manager.

Gian Piero Reverberi was appointed as Non-Executive Director with effect from 1 April 2018. Nicholas Moss was appointed as Senior Independent Director and Rob Hutchinson succeeded him as Chair of the Audit Committee with effect from 1 April 2018.

Directors' fees for the year to 31 March 2019, including outstanding Directors' fees at the end of the year, are set out below.

	2019 £'000	2018 £'000
Directors' fees for the year	355	219
Payable at end of year	125	–

For further details please refer to the remuneration report on page 65 to 68.

The Syncona Foundation

Charitable donations are made by the Company to The Syncona Foundation. The Syncona Foundation was incorporated in England and Wales on 17 May 2012 as a private company limited by guarantee, with exclusively charitable purposes and holds the Deferred Share in the Company. The amount donated to The Syncona Foundation during the year ended 31 March 2019 was £2,375,804 (31 March 2018: £2,375,804).

As at 31 March 2019, the Company has a payable to the Holding Company amounting to £500,000 (2018: £Nil), and receivable from the Partnership and Holding Company amounting to £500,000 (2018: £Nil) and £3,953,202 (2018: £Nil) respectively.

18. Financial instruments

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

– securities and investments held in accordance with the investment objectives and policies;

– cash and short-term receivables and payables arising directly from operations; and

– derivative instruments including forward foreign currency contracts.

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

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

	2019 £'000	2018 £'000
Financial assets at fair value through profit or loss		
The Holding Company	1,048,250	488,347
The Partnership	421,828	576,174
Total financial assets at fair value through profit or loss	1,470,078	1,064,521
Financial assets measured at amortised cost		
Bank and cash deposits	91	981
Other financial assets	8,795	4,758
Total financial assets measured at amortised cost	8,886	5,739
Financial liabilities measured at amortised cost		
Share based payments	(17,185)	(5,393)
Other financial liabilities	(6,704)	(9,791)
Total financial liabilities measured at amortised cost	(23,889)	(15,184)
Net financial assets	1,455,075	1,055,076

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

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18. Financial instruments (continued)

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

	2019 £'000	2018 £'000
Financial assets at fair value through profit or loss		
Investment in Subsidiaries	1,051,080	486,208
Receivable	–	726
Total financial assets at fair value through profit or loss	1,051,080	486,934
Financial assets measured at amortised cost		
Other financial assets	1,123	1,450
Financial liabilities measured at amortised cost		
Other financial liabilities	(3,953)	(37)
Net financial assets of the Holding Company	1,048,250	488,347

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

	2019 £'000	2018 £'000
Financial assets at fair value through profit or loss		
Listed investments	–	166,677
Unlisted investments	236,173	327,721
Unrealised gains on open forward foreign currency contracts	1,908	1,511
Total financial assets designated at fair value through profit or loss	238,081	495,909
Financial assets measured at amortised cost		
Current assets	199,964	85,084
Financial liabilities measured at amortised cost		
Current liabilities	(16,217)	(4,819)
Net financial assets of the Partnership	421,828	576,174

19. Financial risk management and associated risks

Capital risk management

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

The Group does not have externally-imposed capital requirements.

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

Financial risk management

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

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

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

Syncona Limited

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

The Holding Company

Market price risk

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

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

Foreign currency risk

Foreign currency risk represents the potential losses or gains on the life science investments future income streams and the potential losses or gains on investments made in US Dollars by the Holding Company's underlying investments.

	2019 £'000	2018 £'000
10% increase	103,308	21,186
10% decrease	(126,383)	(25,893)

As at 31 March 2019, the Holding Company had one open forward foreign currency contracts (31 March 2018: Nil).

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

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

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

	USD £'000	GBP £'000	2018 Total £'000
Financial assets at fair value through profit or loss	233,041	254,617	487,658
Receivables	–	726	726
Payables	–	(37)	(37)
Total	233,041	255,306	488,347

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continued

19. Financial risk management and associated risks (continued)

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

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

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

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

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

	Within 1 month £'000	1 to 3 months £'000	3 to 12 months £'000	Greater than 12 months £'000	2018 Total £'000
Financial assets at fair value through profit or loss	8,983	–	–	478,675	487,658
Receivables	–	–	726	–	726
Payables	(37)	–	–	–	(37)
Total	8,946	–	726	478,675	488,347
Percentage	1.8%	0.0%	0.2%	98.0%	100.0%

The Partnership
Market price risk
The overall market price risk management of each of the holdings of the Partnership is primarily driven by their respective investment objectives. The Investment Manager assesses the risk in the Partnership's portfolio by monitoring exposures, liquidity, and concentrations of the underlying funds' investments, in the context of the historic and current volatility of their asset classes, and the Investment Manager's risk appetite. The maximum risk resulting from financial instruments is generally determined by the fair value of underlying funds. The overall market exposure as at 31 March 2019 is shown in the Consolidated Statement of Financial Position.

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

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

The investments of the Partnership are denominated in US Dollars, Euros, Swedish Krona and Sterling. The Partnership's functional and presentation currency is Sterling; hence, the Consolidated Statement of Financial Position may be significantly affected by movements in the exchange rates between the foreign currencies previously mentioned. The Investment Manager may manage exposure to Euro and US Dollar movements by using forward foreign currency contracts to hedge exposure to investments in Euro and US Dollar denominated share classes.

As at 31 March 2019, the Partnership had two open forward foreign currency contracts (31 March 2018: two).

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

	Sell 000	Buy £'000	Mark to market equivalent £'000	2018 Unrealised gain £'000
Sterling/Euro forward currency contract				
Settlement date 11 July 2018	€80,000	71,156	70,361	795
Sterling/USD forward currency contract				
Settlement date 11 July 2018	$247,000	176,070	175,354	716
Total unrealised gains as at year end				1,511

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

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

	USD £'000	EUR £'000	GBP £'000	SEK £'000	2018 Total £'000
Financial assets at fair value through profit or loss	208,040	58,943	225,241	2,174	494,398
Bank and cash deposits	44,489	8,174	26,039	10	78,712
Trade and other receivables	172	13	6,187	–	6,372
Unrealised (losses)/gains on forward currency contracts	(175,354)	(70,361)	247,226	–	1,511
Payables	–	–	(4,819)	–	(4,819)
	77,347	(3,231)	499,874	2,184	576,174

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19. Financial risk management and associated risks (continued)

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

	2019 USD £'000	2019 EUR £'000	2018 USD £'000	2018 EUR £'000	2018 SEK £'000
10% increase	13,675	4,608	(23,038)	221	(199)
10% decrease	(11,188)	(3,770)	28,157	(271)	243

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

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

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

The principal credit risks for the Partnership are in relation to deposits with banks. Citco Custody (UK) Limited ("Citco"), acts as the principal banker to the Partnership, and as custodian of its assets, a role previously fulfilled by Northern Trust (Guernsey) Limited. The securities held by Citco as Custodian are held in trust and are registered in the name of Syncona Investments LP Incorporated. Citco is "non-rated" however the Investment Manager takes comfort over the credit risk of Citco as they have proven to rank amongst the "Best in Class" and "Top rated" in the recognised industry survey carrying a global presence and over 40 years of experience in the provision of custodian and other services to their clients and the hedge fund industry. The credit risk associated with debtors is limited to any unrealised gains on open forward foreign currency contracts, as detailed above, and other receivables.

Liquidity risk
The Partnership is exposed to the possibility that it may be unable to liquidate its assets as it otherwise deems advisable as the Partnership's underlying funds or their managers may require minimum holding periods and restrictions on redemptions. Further, there may be suspension or delays in payment of redemption proceeds by underlying funds or holdbacks of redemption proceeds otherwise payable to the Partnership until after the applicable underlying fund's financial records have been audited. Therefore, the Partnership may hold receivables that may not be received by the Partnership for a significant period of time, may not accrue any interest and ultimately may not be paid to the Partnership. As at 31 March 2019, no suspension from redemptions existed in any of the Partnership's underlying investments (31 March 2018: Nil).

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

	Within 1 month £'000	1 to 3 months £'000	3 to 12 months £'000	Greater than 12 months £'000	2019* Total £'000
Financial assets at fair value through profit or loss	21,494	23,089	87,686	103,904	236,173
Cash and cash equivalents	198,705	–	–	–	198,705
Trade and other receivables	1,259	–	–	–	1,259
Unrealised gains on forward currency contracts	–	1,908	–	–	1,908
Payables	(11,915)	–	–	–	(11,915)
Distribution payable	–	–	(4,302)	–	(4,302)
Total	209,543	24,997	83,384	103,904	421,828
Percentage	49.7%	5.9%	19.8%	24.6%	100.0%

	Within 1 month £'000	1 to 3 months £'000	3 to 12 months £'000	Greater than 12 months £'000	2018* Total £'000
Financial assets at fair value through profit or loss	172,648	44,395	99,771	177,584	494,398
Cash and cash equivalents	78,712	–	–	–	78,712
Trade and other receivables	6,372	–	–	–	6,372
Unrealised gains on forward currency contracts	–	–	1,511	–	1,511
Payables	(61)	–	–	–	(61)
Distribution payable	–	–	(4,758)	–	(4,758)
Total	257,671	44,395	96,524	177,584	576,174
Percentage	44.7%	7.7%	16.8%	30.8%	100.0%

*The liquidity tables above reflect the anticipated cash flows assuming notice was given to all underlying investments as at 31 March 2019 and 31 March 2018. They include a provision for "audit hold back" which most hedge funds can apply to full redemptions and any other known restrictions the managers of the underlying funds may have placed on redemptions. Where there is currently no firm indication from the underlying manager on the expected timing of the receipt of redemption proceeds, the relevant amount is included in the "greater than 12 months" category. The liquidity tables are therefore conservative estimates.

Notes to the consolidated financial statements
For the year ended 31 March 2019

continued

20. Fair value measurement

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

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

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

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

The following table presents the Group's financial assets and liabilities by level within the valuation hierarchy as at 31 March 2019 and 31 March 2018:

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

Assets	Level 1 £'000	Level 2 £'000	Level 3 £'000	2018 Total £'000
Financial assets at fair value through profit or loss:				
The Holding Company	–	–	488,347	488,347
The Partnership	–	–	576,174	576,174
Total assets	–	–	1,064,521	1,064,521

These amounts represent the unadjusted net asset value of the Partnership and the Holding Company.

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

The following table presents the Holding Company's financial assets and liabilities by level within the valuation hierarchy as at 31 March 2019 and 31 March 2018:

Asset type	Level	31 March 2019 £'000	31 March 2018 £'000	Valuation technique	Significant unobservable inputs	Impact on valuation £'000
Listed investments	1	**591,493**	133,475	Publicly available share price at balance sheet date	n/a	n/a
Price of latest funding round (investment made less than 12 months ago)	2	**15,457**	97,849	Price of latest funding round	n/a	n/a
Syncona Group companies	3	**4,051**	2,472	Net assets of Syncona Group companies	–	–
Forward contracts	2	**(2,488)**	–	Publicly available Exchange rates at Balance sheet date	n/a	n/a
Price of latest funding round (investment made more than 12 months ago)[1]	3	**145,262**	54,977	Price of latest funding round	The main unobservable input is the variance in the price of the last funding round due to a lack of an active market for the investment. A reasonable shift in the Fair Value of the investment would be +/- 10%.	+/- 14,526
Investments valued on discounted cash flow forecasts	3	**267,470**	186,828	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, uplift in Fair Value and calculations of any impairments. The main unobservable Inputs are: Discount rate with a reasonable possible shift of +/-2%; Revenue with a reasonable possible shift of +/- 10%.	Discount rate: -£20,000 +£25,000 Revenue +- £56,000
Adjusted price of latest funding round[2]	3	**3,968**	10,607	Price of latest funding round adjusted by management	The main unobservable input is the variance in the price of the last funding round due to a lack of an active market for the investment. A reasonable shift in the Fair Value of the investment would be +/- 10%.	+/- £397

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

Notes to the consolidated financial statements
For the year ended 31 March 2019
continued

20. Fair value measurement (continued)

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

	Life science investments £'000	Syncona Group companies £'000	2019 Total £'000	2018 Total £'000
Opening balance	252,412	2,472	**254,884**	205,316
Transfer to Level 3	4,177	–	**4,177**	(59,938)
Purchases	70,741	1,036	**71,777**	37,353
Gains/(losses) on financial assets at fair value through profit or loss	89,370	543	**89,913**	72,153
Closing balance	416,700	4,051	**420,751**	254,884

The net gains for the year included in the Consolidated Statement of Comprehensive Income in respect of Level 3 investments in the Holding Company held at the year end amounted to £89,913,000 (2018: £72,152,873).

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

The following table presents the Partnership's financial assets and liabilities by level within the valuation hierarchy as at 31 March 2019 and 31 March 2018:

Asset type	Level	31 March 2019 £'000	31 March 2018 £'000	Valuation technique	Significant unobservable inputs	Impact on valuation £'000
Listed investments	1	**–**	162,084	Publicly available share price at balance sheet date	n/a	n/a
Listed investments	2	**–**	4,593	Publicly available share price at balance sheet date	n/a	n/a
Forward contracts	2	**1,908**	1,511	Publicly available exchange rates at balance sheet date	n/a	n/a
Unlisted fund investments	2	**152,805**	241,396	Valuation produced by fund administrator. Inputs into fund components are from observable inputs	n/a	n/a
Long-term unlisted investments	3	**49,057**	55,518	Valuation produced by fund administrator	The main unobservable input include the assessment of the performance of the underlying fund by the fund administrator. A reasonable possible shift in the Fair Value of the instruments would be +/- 10%.	+/- 4,906
CRT pioneer fund	3	**34,311**	30,807	Valuation produced by fund administrator	Unobservable inputs include the fund manager's assessment of the performance and potential of the underlying assets, changes in market value and any calculations of impairment. A reasonable possible shift in the Fair Value of the instruments would be +/- 10%.	+/- 3,431

During the year ended 31 March 2019, one fund was moved from Level 1 to Level 2. This resulted in £3,968,218 transferring from Level 1 to Level 2 (31 March 2018: no transfers).

Assets classified as Level 2 investments are underlying funds fair-valued using the latest available NAV of each fund as reported by each fund's administrator, which are redeemable by the Group subject to necessary notice being given. Included within the Level 2 investments above are investments where the redemption notice period is greater than 90 days. Such investments have been classified as Level 2 because their value is based on observable inputs. The Group's liquidity analysis is detailed in note 19.

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.

The following table presents the movements in Level 3 investments of the Partnership for the year ended 31 March 2019:

	CRT Pioneer Fund £'000	Capital pool investments £'000	2019 Total £'000	2018 Total £'000
Opening balance	30,807	55,518	**86,325**	60,860
Purchases	4,423	209	**4,632**	31,927
Return of capital	(919)	(11,394)	**(12,313)**	(13,177)
Gains on financial assets at fair value through profit or loss	–	4,724	**4,724**	6,715
Closing balance	34,311	49,057	**83,368**	86,325

The net gains for the year included in the Statement of Comprehensive Income in respect of Level 3 investments of the Partnership held at the year end amounted to £4,473,997 (31 March 2018: £6,714,678 gains).

21. Commitments and contingencies

The Group had the following commitments as at 31 March 2019:

	2019 Uncalled commitment £'000	2018 Uncalled commitment £'000
Life science portfolio:		
Milestone payments to life science companies	101,738	47,105
CRT Pioneer Fund	14,915	19,338
Capital pool investments	4,924	5,575
Total	121,577	72,018

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

22. Subsequent events

These Consolidated Financial Statements were approved for issuance by the Board on 13 June 2019. Subsequent events have been evaluated until 11 June 2019.

Melanie Gee joined the Board as a non-executive director and Chair-designate on 4 June 2019.

A scrip dividend for the year ended 31 March 2019 of 2.3 pence per Ordinary Share will be paid on 29 July 2019 to those shareholders on the register of members of the Company as at 21 June 2019.

Between 31 March 2019 and 11 June 2019 the fair value of the Group's holdings in companies whose shares are listed on NASDAQ experienced a combined net fair value decrease of £159.1m.

The sale of Nightstar to Biogen completed on 7 June 2019.

AIFMD Disclosures (unaudited)

Report on remuneration and quantitative remuneration disclosure
Under the Alternative Investment Fund Managers Directive ('AIFMD'), we are required to make disclosures relating to remuneration of staff working for the Investment Manager for the year to 31 March 2019.

Amount of remuneration paid
The Investment Manager paid the following remuneration to staff in respect of the financial year ending on 31 March 2019 in relation to work on the Company.

	£m
Fixed remuneration	4.7
Variable remuneration	1.2
Total remuneration	5.9
Number of beneficiaries	32

Leverage
The Group may employ leverage and borrow cash, up to a maximum of 20 per cent of the NAV at the time of incurrence, in accordance with its stated investment policy. The use of borrowings and leverage has attendant risks and can, in certain circumstances, substantially increase the adverse impact to which the Group's investment portfolio may be subject. For the purposes of this disclosure, leverage is any method by which the Group's exposure is increased, whether through borrowing of cash or securities, or leverage embedded in foreign exchange forward contracts or by any other means. The AIFMD requires that each leverage ratio be expressed as the ratio between a Group's exposure and its net asset value, and prescribes two required methodologies, the gross methodology and the commitment methodology (as set out in AIFMD Level 2 Implementation Guidance), for calculating such exposure. Using the methodologies prescribed under the AIFMD, the leverage of the Group is detailed in the table below:

	Commitment leverage as at 31 March 2019	Gross leverage as at 31 March 2019
Leverage ratio	100%	100%

Other risk disclosures
The risk disclosures relating to risk framework and risk profile of the Group are set out in note 19 to the Financial Statements on pages 102 to 107 and the principal risks and uncertainties on pages 48 to 51.

Pre-investment disclosures
The AIFMD requires certain information to be made available to investors in an Alternative Investment Fund ('AIF') before they invest and requires that material changes to this information be disclosed in the Annual Report of the AIF. A notice giving AIFMD Article 23 Disclosures, setting out information on the Group's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information, is available on the Group's website at www.synconaltd.com (in the 'Document Library' section under 'Regulatory').

During the year, the following material changes were made and reflected in the notice: (i) changes made to the AIF's investment policy on 30 October 2018, and (ii) the Administrator, Custodian, Depositary and Company Secretary of the AIF changed on 1 September 2018.

The notice predominantly gives information by reference to the AIF's most recent Annual Report and accordingly will be updated to refer to this document shortly following its publication.

Report of the Depositary to the shareholders

Citco Custody (UK) Limited has been appointed as Depositary to Syncona Limited (the "Company") in accordance with the requirements of Article 36 and Articles 21(7), (8) and (9) of the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (the "AIFM Directive").

We have enquired into the conduct of the AIFM and Syncona Ltd (the "AIF") for the period 01 September 2018 to 31 March 2019, in our capacity as Depositary to the AIF. This report including the opinion has been prepared for and solely for the shareholders in the AIF, in accordance with the stated Depositary requirements in the FCA Investment Fund Sourcebook. We do not, in giving our opinion, accept or assume responsibility for any other purposes or to any other person to whom this report is shown.

Responsibilities of the Depositary
Our duties and responsibilities are outlined in the FCA Investment Fund Sourcebook. One of those duties is to enquire into the conduct of the AIFM and the AIF in each annual accounting period and report thereon to the shareholders. Our report shall state whether, in our opinion, the AIF has been managed in that period, in accordance with the provisions of the AIFs Memorandum and Articles of Association and the FCA Investment Fund Sourcebook. It is the overall responsibility of the AIFM and the AIF to comply with these provisions. If either the AIFM or the AIF has not so complied, we as Depositary must state why this is the case and outline the steps which we have taken to rectify the situation.

Basis of Depositary Opinion
The Depositary conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties as outlined in the FCA Investment Fund Sourcebook and to ensure that, in all material respects, the AIF has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the AIF's constitutional documentation and the appropriate regulations.

Opinion
In our opinion, the AIF has been managed during the year, in all material respects:

i) in accordance with the limitations imposed on the investment and borrowing powers of the AIF by the constitutional document; and by the AIFMD legislation as prescribed in the FCA Investment Fund Sourcebook; and

ii) otherwise in accordance with the provisions of the constitutional document and the AIFMD legislation.

Company summary and e-communications for shareholders

The Company
Syncona Limited is a leading FTSE 250 company focused on investing in and building global leaders in life science.

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

Information for shareholders
The Stock Exchange code for the shares is SYNC.

The Company publishes updates with a full investment portfolio review as at 30 September and 31 March each year. The Company also publishes an interim management statement as at 30 June and 31 December each year.

Registrar services and e-communications for shareholders
Communications with shareholders are mailed to the address held on the share register. Any notifications and enquiries relating to registered share holdings, including a change of address or other amendment, should be directed to Link Asset Services.

By phone:
UK: 0371 664 0300.

From overseas: +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

By email:
shareholder.services@linkgroup.co.uk

By post:
Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU.

Syncona Limited would like to encourage shareholders to receive shareholder documents electronically, via our website or by email notification instead of hard copy format. This is a faster and more environmentally friendly way of receiving shareholder documents. The online Signal Shares service from our registrar, Link, provides all the information required regarding your shares.

Its features include:

- The option to receive shareholder communications electronically instead of by post.
- Direct access to data held for you on the share register including recent share movements and dividend details.
- The ability to change your address or dividend payment instructions online.

To receive shareholder communications electronically in future, including all reports and notices of meetings, you just need the "shareholder reference" printed on your proxy form or dividend notices, and knowledge of your registered address. Please register your details free on: www.signalshares.com

Should you require further information, please visit:
www.synconaltd.com

Email: contact@synconaltd.com

Glossary

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

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

Autoimmune diseases
A condition in which your immune system mistakenly attacks your body.

Axumin
Diagnostic imaging agent that can help detect and localise recurrent prostate cancer.

BACIT
BACIT (UK) Limited.

Capital pool
Pool of funds investments plus cash less other net liabilities.

Capsid
The protein shell of a virus.

Choroideremia
A rare, degenerative, X-linked genetic retinal disorder primarily affecting males.

Company
Syncona Limited.

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

CSO
Chief Scientific Officer.

DLBCL
Diffuse large B-cell lymphoma – an aggressive type of blood cancer that can arise in lymph nodes (glands) or outside of the lymphatic system.

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

EBITDA
Earnings before interest, tax, depreciation and amortization

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

General Partner
Syncona GP Limited.

Glioma
A type of brain cancer

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

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

Holding Company
Syncona Holdings Limited.

ICR
The Institute of Cancer Research.

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

Interleukin 2 Receptor Agonist
A type of protein that could therapeutically enhance a patient's immune system to respond to tumours

Investment Manager
BACIT held the Alternative Fund Investment Manager role until 12 December 2017. From this date, Syncona Investment Management Limited became the Alternative Fund Investment Manager.

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.

Lymphocytes
Specialised white blood cells that help to fight infection.

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

Mass spectrometry
An analytical technique that measures the mass-to-charge ratio of proteins.

Melanoma
A type of skin cancer

MES
Management Equity Shares.

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

NAV
Net Asset Value.

NAV total return
Movement in NAV per share plus dividend per share.

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

Non-small cell lung cancer (NSCLC)
A group of lung cancers that are named for the kinds of cells found in the cancer and how the cells look under a microscope.

Ongoing charges ratio
Expenses from all Syncona Group Companies in addition to the expenses in the Group's consolidated statement of comprehensive income, divided by average NAV for the year. It includes a charge of £11.8m associated with the Syncona Long-Term Incentive Plan.

Glossary
continued

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

Partnership
Syncona Investments LP Incorporated.

PET
Positron emission tomography – a type of medical imaging test, which uses a radioactive drug to help locate and visualise certain diseases in the body.

Prostate Specific Membrane Antigen (PSMA)
A type II membrane protein which is expressed in all forms of prostate tissue.

rDCF
Risk Adjusted Discounted Cash Flow.

Return
Time Weighted Rate of Return is the method used for return calculations.

RPGR
A gene that provides instructions for making a protein that is essential for normal vision.

SIML
Syncona Investment Management Limited.

Stargardt's disease
A form of juvenile macular dystrophy; a rare inherited condition causing loss of central vision.

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

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

T cell lymphoma
A type of cancer that forms in T cells

T regulatory cells (Tregs)
A subset of T cells with the potential to downregulate the immune system.

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

X-linked Retinitis Pigmentosa (XLRP)
A rare inherited X-linked recessive genetic retinal disorder primarily affecting males and most often caused by mutations in the RPGR gene.

Advisors

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