Syncona Limited

Annual report and accounts 2018

Building the

next generation of healthcare companies

Market insight

report

p.13–19

What's inside
2018

Syncona

Syncona is a leading FTSE 250 healthcare company focused on investing in and building global leaders in life science. Our vision is to deliver transformational treatments to patients in truly innovative areas of healthcare while generating 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 deep pool of capital, and are established leaders in the development of genetic medicine, particularly gene and cell therapy. We focus on delivering dramatic efficacy for patients in areas of high unmet need.

For more information, visit our website: *synconaltd.com*

Cover image: Syncona's portfolio company, Freeline   Above image: Syncona's portfolio company, Achilles

Today, we are at the forefront of a healthcare revolution.

Catalysed by advances in genome technology in recent decades, the healthcare industry is seeing a new wave of therapies being developed which have the potential to treat some of our most devastating and intractable diseases. We call these therapies the 'Third Wave'.

Industry is embracing the advances in areas like cell and gene therapy which are demonstrating significant efficacy for patients. These changing dynamics have the potential to disrupt established business models.

Syncona invests across areas of healthcare where dramatic efficacy can be delivered to patients in areas of high unmet need, but we have particularly deep expertise and assets in the 'Third Wave', having invested early in the field to build a high-quality, rapidly developing portfolio.

Read our special market insight report

The genomic revolution *14*

The advent of the 'Third Wave' *16*

The potential to change lives *18*

At a glance

Our business as at 31 March 2018

Highlights

Syncona has had a strong 2018 financial year, demonstrating positive operational performance and value progression in its portfolio, and founding two new life science companies. The Company has a deep, evergreen funding base to support its companies as they progress through the life science development cycle.

£1,055.8m
Net assets

57.2%
Life science portfolio return

£1.59
Fully diluted NAV per share

£541.3m
Capital pool available to invest in life science

18.7%
NAV total return in 2018

48.7%
% of net assets invested in life science

A differentiated proposition

Building long-term success

Selective portfolio focused in truly innovative areas:

We look for areas of dramatic efficacy where we can deliver a transformational outcome for patients, ensuring we invest in the highest quality assets.

Deep expertise in 'Third Wave' technologies, such as cell and gene therapy:

One of the largest and highest quality gene and cell therapy portfolios, founded and built by Syncona.

Hands-on approach:

We have a deep partnership approach to ensure success, often taking operational roles in our companies to help implement our shared development plan.

Read more
Life science portfolio review
→ p.32

15,000+

Number of patients diagnosed by Axumin, Syncona's first marketed product

15

Board seats held by Syncona across its portfolio companies, including seven as chair

6/8

Companies where Syncona has held management and operational roles, including five as CEO

8/8

Portfolio companies founded by Syncona

8/8

Companies where Syncona has appointed leading management teams

9

Live clinical trials across Syncona's pipeline[1]

Operational highlights 2018

Blue Earth became the first Syncona-founded company to reach profitability.

Three successful financing events completed in Nightstar and Autolus.

Two new Syncona life science portfolio companies founded.

1 Including Nightstar's pivotal Phase 3 trial in Choroideremia, commenced post year end.

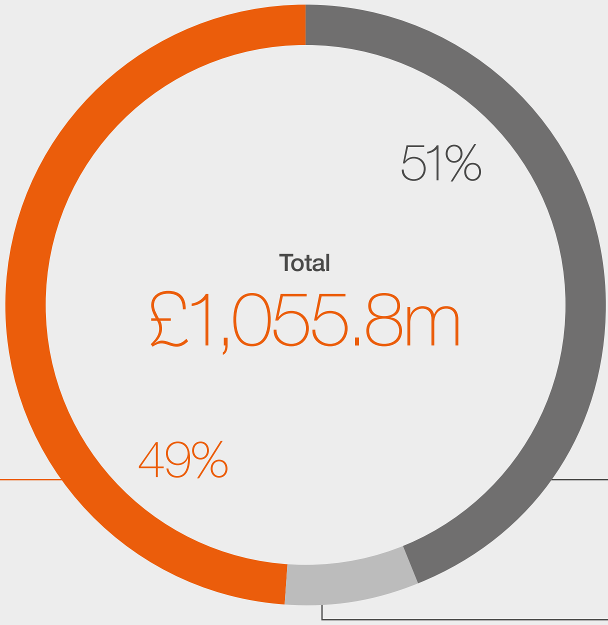
Premium heritage and access:

High-quality global networks – aligned with the Wellcome Trust and Cancer Research UK.

Syncona's portfolio company, Gyroscope

Life science portfolio
We create and build companies that have the potential to transform the delivery of healthcare in their respective markets. At 31 March 2018, we have eight portfolio companies and four life science investments.

£514.5m
(2017: £226.6)



Deep capital pool
We have a range of actively managed fund investments in leading long-only and alternative funds, across a variety of strategies and geographies. This represents a productively deployed pool of capital to draw down to invest in life sciences over the long term.

Fund investments

£465.1m
(2017: £582.8m)

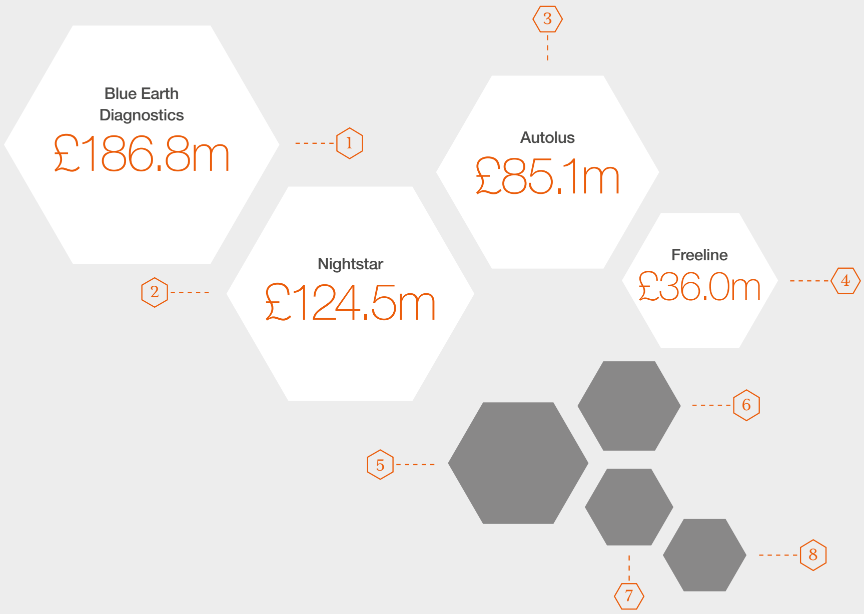
Cash (less net liabilities)

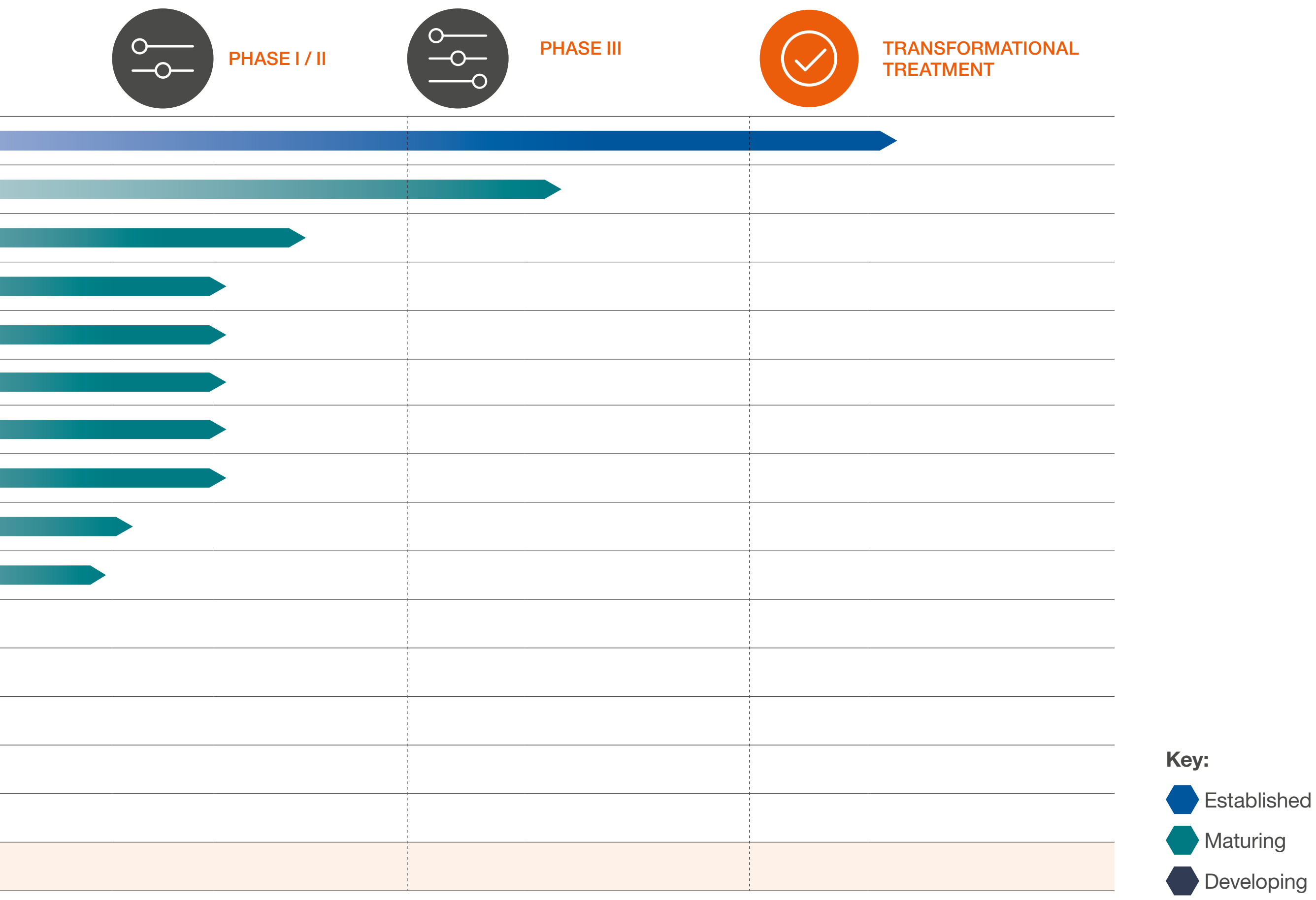
£76.2m
(2017: £86.3m)

A comprehensive and diverse pipeline

Portfolio company	DISEASE AREA	BEST IDEAS	PRE-CLINICAL DEVELOPMENT
Blue Earth	Recurrent prostate cancer		
Nightstar	NSR-REP1 Choroideremia		
Nightstar	NSR-RPGR XLRP		
Autolus	AUTO2 Multiple Myeloma		
Autolus	AUTO3 DLBCL		
Autolus	AUTO3 pALL		
Autolus (academic partners)	AUTO1 pALL		
Autolus (academic partners)	AUTO6 Neuroblastoma		
Freeline	Haemophilia B		
Autolus (academic partners)	AUTO1 aALL		
Autolus	AUTO4 T cell Lymphoma		
Gyroscope	Dry AMD		
Nightstar	Stargardt's disease		
Achilles	Non small cell lung cancer		
SwanBio	Neurodegenerative disorder		
Multiple undisclosed pre-clinical programmes			

Syncona portfolio companies	Value £m	NAV %
Established		
1 Blue Earth Diagnostics	186.8	17.7
Maturing		
2 Nightstar	124.5	11.8
3 Autolus	85.1	8.1
4 Freeline	36.0	3.4
Developing		
5 Gyroscope	11.0	1.0
6 Orbit Biomedical	8.6	0.8
7 Achilles	6.6	0.6
8 SwanBio	4.9	0.5
Syncona investments	51.0	4.8
Total	**514.5**	**48.7**





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, enabling them to continue enjoying their lives. If we are successful in doing this, we will generate superior returns for shareholders.

Read more in the report from the CEO on page 10

A year of strong performance and progress

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

Jeremy Tigue
Chairman

I am pleased to report on a year of strong performance and progress. NAV per share increased from 135.8p to 158.9p[1], an 18.7 per cent total return[2], and Syncona ended the year with net assets of £1,055.8 million (31 March 2017: £895.2 million).

Strong performance and significant strategic progress

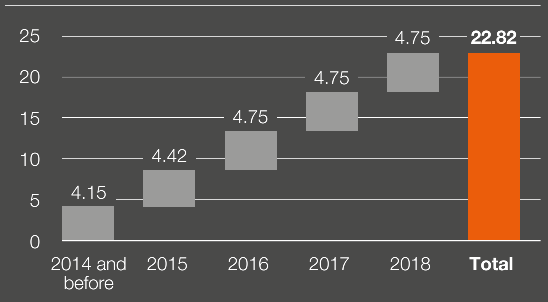
Our life science portfolio continues to generate strong growth, delivering a 57.2 per cent return in the year, driven by a combination of strong commercial progress and a number of positive financing rounds at significant uplifts. At the same time, our fund investments continue to perform well, delivering a 7.5 per cent return. We have integrated the fund investments team, with Arabella Cecil joining Syncona Investment Management Limited as Head of Fund Investments, and made good progress in repositioning our fund investments to focus on liquidity and downside protection. This deep pool of capital provides a robust capital base to support our life science investment programme and is an important differentiator for our strategy of investing in life science over the long-term.

Dividend and charitable donations

The Board has declared a final dividend of 2.3p per share (2017: 2.3p per share). We will be reviewing our dividend policy over the next 12 months as Syncona moves further towards becoming predominantly invested in life science.

Our annual charitable donation remains an important part of our corporate social responsibility. The BACIT Foundation is currently in the process of changing its name to The Syncona Foundation, reflecting its continued close connection to the Company, and we look forward to maintaining our strong relationship. We have been pleased to again contribute £4.75 million in 2018 to charities in the fields of healthcare, particularly cancer, and beyond. This takes our total charitable donations since inception to £22.8 million. Our funding is a significant source of income for the charities we support, and we are very pleased to have been able to assist them to continue the important work that they do.

Charitable donations
£m



Total charitable donations

£22.8m

Board evolution continues

Rob Hutchinson joined the Board in November 2017. Rob brings broad financial experience, having spent 28 years at KPMG. He became Chair of the Audit Committee on 1 April 2018. Gian Piero Reverberi joined on 1 April 2018 and brings over 20 years' experience in the commercialisation of novel therapies through various roles at Vanda Pharmaceuticals, Shire and Eli Lilly. On 1 April 2018 Nick Moss became Senior Independent Director, having stepped down as Chair of the Audit Committee at the end of the financial year.

I am very grateful to all my colleagues for their contribution and support, and welcome new colleagues to the Board. I am certain that their skills will prove invaluable as Syncona embarks on its next stage of growth and development. We will continue to evolve the Board over the coming years as Syncona increases its exposure to life science.

The future

Syncona's vision is to deliver transformational treatments to patients in innovative areas of healthcare while generating superior returns for shareholders.

We have a high-quality portfolio of life science companies and a strong capital base. The challenges we pursue when we invest in life science are not simple or easy given we often target complex diseases with devastating symptoms or outcomes. Some of our efforts will not succeed, but in those companies that do, we have the potential to dramatically change patient lives while generating significant value for shareholders. We have an expert multi-disciplined team, a highly selective investment strategy and a long-term approach that underpins our vision of building the next generation of healthcare companies. The future is very exciting.

As always, we are grateful for the continued hard work and dedication of our team in delivering significant progress across the portfolio. I would like to also thank the BACIT team for the substantial contribution they have made to the Company since it listed in 2012.

We are grateful for your continued support over the past year and look forward to updating you further in the year to come.

The Company's Strategic report is set out on pages 1 to 49 and was approved by the Board on 14 June 2018.

Jeremy Tigue
Chairman

14 June 2018

"We have an expert, multi-disciplined team, a highly selective investment strategy and a long-term approach that underpins our vision of building the next generation of healthcare companies. The future is very exciting."

1 Fully diluted – please refer to note 15 in the financial statements.
2 Including 2.3p dividend paid in August 2017.

Building global leaders in life science

"We have made significant commercial, operational and development progress across the life science portfolio this year, including a number of significant valuation uplifts."

Martin Murphy
Chief Executive Officer,
Syncona Investment
Management Limited

2018 has been another very positive year for Syncona. We have made strong progress developing our existing life science companies and completed selective new investments in a small number of promising opportunities, in line with our focused strategy to build global leaders in healthcare.

A year of strong progress in our portfolio companies

We have made positive commercial, operational and development progress across the life science portfolio this year, including a number of significant valuation uplifts. At the year end, our life science portfolio was valued at £514.5 million, increasing in value by £162.7 million and generating a return of 57.2 per cent[1].

We founded our most mature company, Blue Earth, in 2014, supporting it through development to the successful commercial launch of its lead product, Axumin. As at year end, the company had dosed over 15,000 patients, with revenues of £35.9 million over the 12 months to 31 March 2018, and is now a profitable business. This is a remarkable achievement just two years following launch and four years since Syncona founded the company.

Blue Earth's success has been enabled by both high-quality execution and by the clear patient impact Axumin demonstrates in the recurrent prostate cancer setting, with over 61 per cent of patients who receive an Axumin scan having their treatment path changed, a very meaningful result in the

% of net assets invested in life science portfolio

48.7%

Value of life science portfolio

£514.5m

Life science portfolio return

57.2%

Live clinical trials[3]

9

New companies founded by Syncona

2

Net investment in life science

£125.2m

> *The 'Third Wave' represents a unique opportunity to be part of a potential once-in-a-generation shift in healthcare."*

context of these patients[2]. Post the year end, Blue Earth also took an important step to extend its leadership position in the field, acquiring an exclusive worldwide licence to a high-quality, broad family of Prostate Specific Membrane Antigen (PSMA)-targeted radiohybrid agents which are expected to play an important role in the detection of prostate cancer in the future.

Beyond Blue Earth, we have seen three of our portfolio companies, Autolus, Nightstar and Freeline, commence important clinical trials, which now total eight Phase 1/2 trials and one Pivotal Phase 3 across our clinical pipeline, including Nightstar's pivotal trial in Choroideremia commenced post year end. These are critical steps for our companies and the outcomes of these programmes in the clinic will be the ultimate determinant of whether our companies succeed in delivering transformational treatments to patients. We also made a number of exciting new investments which provide Syncona with options for future growth.

A capital model fit for a long-term approach to building global leaders

Syncona has a differentiated business model which combines a deep pool of capital with an expert team and a focused portfolio of high potential life science companies. This combination means that we have flexibility and control to take a long-term view when supporting our companies over the timeframes they need to succeed, and can own significant ownership stakes through the development cycle.

The success of Blue Earth, a business founded and solely funded by Syncona, demonstrates the benefits of having our own deep pool of capital, allowing us the flexibility to retain sole ownership where it makes strategic sense for us to do so. Equally, the external financing rounds conducted this year demonstrate the benefits of our model and the quality of the companies Syncona builds, including a Series C financing and successful NASDAQ IPO in Nightstar, and a Series C financing round in Autolus, all of which were conducted at significant uplifts.

We believe this flexibility and control differentiates Syncona and allows us to capture value over the long-term.

The next wave in healthcare is here and we are well placed to benefit

What was particularly notable over the last year was the clear and unequivocal arrival of what Syncona describes as the 'Third Wave' – the next generation of treatments using cell and gene therapies which, we believe, will provide significant opportunities to address currently intractable diseases, and whose emergence will change the dynamics of the healthcare market over the coming decades.

While these therapies have been in development for several decades, industry and regulators have now recognised that these treatments are ready to be delivered to patients, with the first cell and gene therapies approved in the United States, two in the field of oncology and one targeting a genetic form of blindness.

1 Time Weighted Rate of Return.
2 The FALCON trial was a UK-based, open-label study to evaluate the clinical impact of fluciclovine (^{18}F) PET/CT imaging on patient management decisions in men with biochemically recurrent prostate cancer.
3 Including Nightstar's pivotal Phase 3 trial in Choroideremia, commenced post year end.

This is a very positive development for Syncona, as we recognised the potential for cell and gene therapies in 2012 and have since created a portfolio of seven companies in these areas; two cell therapy companies, Autolus and Achilles, and five gene therapy companies, Nightstar, Freeline, Gyroscope and our newly founded companies SwanBio and Orbit Biomedical. We have systematically invested across all aspects required to deliver high-quality, consistent therapies at commercial scale. Today, we believe we have one of the largest and highest quality 'Third Wave' portfolios on a global basis.

These developments represent a unique opportunity to participate in a potential once-in-a-generation shift in healthcare. If we execute well, Syncona can be at the forefront of a new wave of potentially curative therapies for many diseases, which today have no or limited treatment options.

A differentiated approach to capitalise on the opportunity

Syncona is well placed to capitalise on these trends, given our differentiated position in the market. We do not try to be all things to all people – we invest with discipline and focus on a select range of opportunities. Our guiding principles are:

- We are hands on and long-term investors. Our skill is not just in identifying the highest quality emerging science, but in partnering with founders to create companies and build teams capable of translating science into clinical and patient realities.
- We make high conviction investment decisions where we see a sufficient, data-grounded probability of success.
- We focus on what will be meaningful for patients: we do not believe there is a future for incremental innovation in healthcare. The products we deliver to market must be differentiated and make a real difference to the treatment of disease for the patient, the physician, and for the payers who fund such treatments.

An important period ahead

The next two to three years will be extremely important for Syncona as our portfolio companies progress through clinical trials. We are expecting initial data on a number of these trials over the next 12 months. We believe our companies are well placed to execute well through their planned clinical and regulatory development, but these processes involve significant risk.

We continue to see strong opportunities for new investments. In particular, as a result of our strong reputation in 'Third Wave' areas, we have seen our opportunity set expand globally, as demonstrated by our first US-based investments in the area, in Orbit Biomedical and SwanBio. We will also continue to invest outside the 'Third Wave' space in areas where we have deep expertise and can replicate the Syncona model; to take a significant ownership stake in the company that we can own at least to commercialisation, to work in deep partnership with those portfolio companies such that we can enhance their chances of success, and to target areas of dramatic efficacy where we can deliver transformational treatments to patients.

We have a differentiated business model through which we are seeking to capture superior returns for shareholders, targeting 15 per cent IRR through the cycle. Our deep pool of capital supports our ambition of delivering transformational treatments to patients and building the next generation of healthcare companies.

Martin Murphy
Chief Executive Officer,
Syncona Investment Management Limited

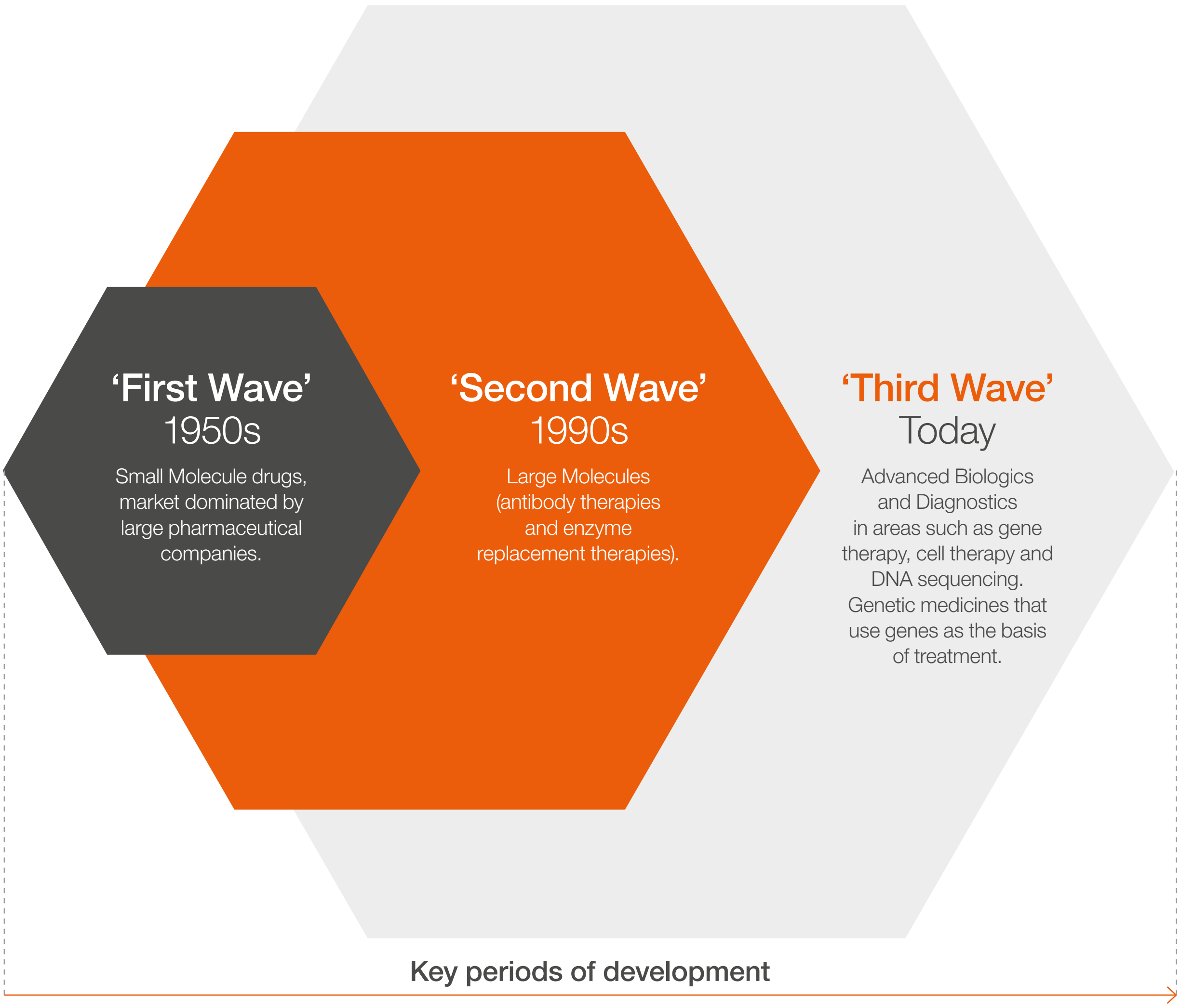
14 June 2018

Market insight *report*

Inside

Syncona's portfolio company, Gyroscope

Changing dynamics are driving the adoption of precision medicine



£6.5bn

Global analyst cumulative sales forecast for ‘Third Wave’ technologies 2018-2020.

Source: Thomson Reuters, Syncona analysis

3

First three ‘Third Wave’ therapies approved in the US in 2017.

Source: Syncona analysis

10,000

Scientists’ current estimate of human diseases known to be monogenic, of which less than 100 are believed to have treatments today.

Source: World Health Organisation, who.int/genomics

7.2%

Percentage value of ‘Third Wave’ companies on NASDAQ Biotech Index, up from 3 per cent in 2017.

Thomson Reuters, Syncona analysis

> *“I believe gene therapy will become a mainstay in treating, and maybe curing, many of our most devastating and intractable illnesses. We’re at a turning point when it comes to this novel form of therapy…”*
>
> Scott Gottlieb, US FDA Commissioner, 19 December 2017, fda.gov

Opportunities

Syncona's portfolio company, Freeline

The human genome

A genome is an organism's complete set of DNA. It contains the genetic instructions needed to develop and direct the activities of every organism. DNA molecules are made of two twisting, paired strands, and the human genome contains approximately three billion of these base pairs, held in the 23 pairs of chromosomes in the nucleus of cells. Each chromosome contains potentially thousands of genes, which carry the instructions for making proteins. Each of the estimated 30,000 genes in the human genome makes an average of three proteins. Sequencing means determining the exact order of the base pairs in a segment of DNA, enabling us to understand how the parts work together and to discover the genetic basis for health and the pathology of human disease.

Source: World Health Organisation, who.int/genomics

Syncona has deep expertise in the 'Third Wave', giving it an opportunity to lead the genetic medicine space

Syncona *Opportunity*

→ **Genetic medicines**
offer the potential to treat previously intractable diseases

→ **Opportunities**
to revolutionise healthcare, disrupt business models and vastly improve patient outcomes

→ **No incumbents**
greenfield markets with significant upside, deep expertise required

£514.5m

invested in the best life science opportunities

The genomic revolution

Spurring a new generation of healthcare

Sequencing the human genome

The Human Genome Project was a 15-year project conducted by an international consortium including the Wellcome Trust Sanger Institute. Initiated in 1990, its objective was to determine the DNA sequence of the entire human genome.

The project was eventually completed two years ahead of schedule in 2003, and cost an estimated US$2.7 billion to complete.

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

US$2.7bn

Cost of sequencing the first human genome vs approximately £1000 today.

Source: National Human Genome Research Institute, genome.gov

11 years

Time taken to sequence the first human genome vs <44 hours today.

Source: National Human Genome Research Institute, genome.gov

The power of the 'Third Wave' of healthcare: the arrival of genetic medicine

Because of these developments, today we are in a new era where individualised analysis is based on each person's genome, leading to more personalised, precise and even preventative medicine.

Combined with advances in the understanding of the best diseases to target, advances in clinical performance and greater regulatory engagement, an age of discovery has commenced which has the potential to transform human health. The arrival of gene therapy, genetically engineered cell therapy and the early emergence of gene editing offer the potential to address areas of high unmet need and transform patient treatments – even offering the potential of cures for certain diseases. Syncona calls these areas the 'Third Wave' of healthcare.

While we are still in the early stages of genetic medicine, over the past 12 months we have seen recognition from regulators and markets that these therapies are now ready to be delivered to patients, with the landmark approval of the first three gene therapies in the United States.

Charlie Swanton
Academic co-founder
of Achilles

Syncona
Interview

The advent of the 'Third Wave'

Achilles is one of Syncona's 'Third Wave' cell therapy portfolio companies. Its mission is to develop next-generation, patient-specific therapies that harness the immune system to destroy cancer cells.

> *We've seen the growth in immunotherapies in this disease, which are already having a tangible benefit for patients in terms of overall survival improvements, but we think we can do better."*

Syncona speaks to Achilles Therapeutics' clinical founder Charlie Swanton about the advent of immunotherapy and what he wants Achilles to achieve.

Q: What led you to focus on oncology in your career?

A: I had indirect exposure to cancer at a reasonably young age. My father was diagnosed with high grade B-cell lymphoma in the early nineties, in my first year in medical school. Seeing him go through the diagnostic pathway, treatment with radiation, chemotherapy and then cure; and now, 25 years later, where he is still working in the NHS, it was pretty remarkable. I thought it would be nice to do something in this field which would make a tangible difference one day.

Q: What's your vision for Achilles?

A: The vision is very simple; I want to cure patients with lung cancer, that's the overarching goal, that's the problem I face in the clinical setting, it's the problem I try to tackle in the lab. It's a disease that kills 44,000 patients a year in the UK and millions worldwide.

It's a predominantly smoking-induced cancer that has had very little investment over the last five decades. Now there is growing enthusiasm about our ability to tackle this. We've seen the growth in immunotherapies in this disease, which are already having a tangible benefit for patients in terms of overall survival improvements, but we think we can do better.

Q: Tell us about the science behind Achilles.

A: The business was set up two years ago now, after a meeting between myself, the other founders and *(Syncona Managing Partner)* Iraj Ali. The fundamental basis is that currently cancer drugs are relatively ineffective, very expensive and for the most part, with some exceptions, they are not curing patients with end-stage metastatic disease.

Our work, and that of others, has shown that this *(ineffectiveness)* happens because cancers are continuously adapting and evolving in the patient spatially and longitudinally *(that is, temporally, during the time course of the disease)*. But there are rules to the engagement, as it were, and that is that there are very early mutations present in every tumour cell that act as signals or flags to the immune system, that we are not currently targeting as efficiently as we might be.

The premise behind Achilles is that we would use those flags, those 'trunk' mutations, that are present in every tumour cell, rather than the 'branch' mutations only present in some cancer cells – and focus on targeting them by finding immune cells in the patient's tumour that would essentially be the solution to the problem. We could expand those immune cells and give them back to the patient in overwhelming numbers; that would tackle mutations present on every tumour cell and ultimately hopefully eradicate the tumour at its trunk.

Q: What has fundamentally changed in the landscape for new wave therapies like immunotherapy to come to the fore?

A: *(The problem in our area is that)* every tumour evolves in a different way, which means there are at the most one or possibly two trunk mutations that are shared between patients with the same type of disease.

No pharmaceutical intervention as I know it today can *(solve this problem)* without the body's own immune system. This is the only solution I can think of that will target multiple truncal events present in every tumour cell, within a timeframe to cure a patient.

Syncona's portfolio company, Achilles

> *"Identifying the right question is critical. It's got to be a question relevant for mankind in health-economic terms, that is viable within a timeframe that will achieve a therapy that will cure a patient we hope in months or short years."*

Q: What does your clinical experience add in the academic and business setting?

A: First of all, identifying the right question is critical. It's got to be a question relevant for mankind in health-economic terms, that is viable within a timeframe that will achieve a therapy that will cure a patient we hope in months or short years.

Then there's the fact that in medicine we are very used to working in teams, in science and business it can be more of a lonely pursuit; in the clinical setting, teamwork is important. One lab cannot provide all the solutions, we have to work together to achieve the goals of cure in cancer.

Where I have been very fortunate is to work with the three other founders in the company, Sergio Quezada, Mark Lowdell and Karl Peggs, to develop something where the whole is greater than the sum of the parts.

Q: What have you found most challenging and what are you most excited about?

A: I love working in a team where I am constantly learning new things. I've learnt a lot from the commercial reality of getting, let's say, a bioinformatics pipeline that we have in an academic setting into a commercial one. That has required patience on both sides and deep friendships which have evolved over a mutual understanding of what we are all trying to achieve here; a common goal of achieving cures. That's what gets us all out of bed in the morning. When we are all motivated by the same vision, everything else fits into place.

What I hadn't realised is how difficult it would be to get a crazy scientific idea, and put it into a commercially viable structure. That's where *(Syncona)* came in, who essentially deconstructed this crazy idea and put the pieces back together within a framework that made commercial sense.

I think where Syncona have a unique niche is that they are in this field for the long term. *(As founders)* we're interested in creating a commercially viable product that will achieve cures. That's not something that can be done in 18-24 months, it is going to need years of investment.

What I'd most like is for our T cell therapies to cure just one patient with end-stage metastatic disease. To cure one patient would make all of this worthwhile.

The potential to change lives

Genetic medicines have the potential to change outcomes and transform lives for patients in the treatment of diseases which previously had no options, and by bringing new, potentially curative options to devastating diseases like cancer.

Their potential impact for patients is increased by the nature of their delivery – rather than being single homogeneous medicines which are the same for large patient populations, they are precise, potentially one-time treatments offering the possibility of curing disease.

Measuring the potential impact of a gene therapy for patients

Emma Salisbury is the mother of Tommy Salisbury, a 17 year old who was diagnosed with Choroideremia when he was four.

Since his diagnosis, Emma has worked tirelessly to raise money for research funding into the disease, working alongside various organisations to set up the Tommy Salisbury Choroideremia Fund, which has raised more than £500,000 to date. This work ultimately resulted in a gene therapy programme in Choroideremia through its early clinical work, after which Syncona formed its portfolio company Nightstar in order to seek to progress the treatment through to market.

Emma Salisbury
Founder of the Tommy Salisbury Choroideremia Fund

Here, Emma Salisbury talks to Syncona about her experience and the potential impact a treatment for Choroideremia would have for her family.

I live in Kent with my husband Paul and my three children Amelia, Tommy and Johnny.

My grandad had Choroideremia. I only ever remember him blind and not being able to see. When I was seven years old my cousins and I went off to St Thomas' (Hospital, London) and we were all tested. I was told then that I was a carrier for Choroideremia, a genetic eye disease affecting males, and women carry it. Choroideremia begins to affect you in your late teens, starting with night blindness. It then starts to deteriorate as you lose your peripheral vision until total blindness.

Syncona
Interview

To then have a company like Nightstar created and the rest of the trials funded, that was huge security for us that this was going to continue."

My son Tommy, who is now 17, was diagnosed at Moorfields in 2005 when he was four. As I knew I was a carrier I was keen to get him tested, and sadly he has the condition. In the last 18 months he's started having trouble seeing in the dark… if he moves from a lit area into a darker area it takes his eyes much longer than everybody else would to adjust.

When Tommy was diagnosed my husband and I were absolutely devastated. It took a while to sink in and for us to be able to process what was going to happen. We aren't a family that can sit back and wait.

I started to research what was going on and who was looking into a treatment, or hopefully a cure, but in the beginning, when we first started looking into treatments, there was nothing.

We got involved with Fight for Sight after I researched what was happening; someone in the US told me that the research was happening in London at the Imperial College at the time. When we first went to see them they didn't know what the gene was; was it missing or defective? Obviously since then we have moved on massively. This treatment could change lives.

I realised this was where we wanted our money that we were raising to go. I got in touch with Fight for Sight and asked if it was possible for me to fundraise purely for Choroideremia and we set up the Tommy Salisbury fund within their charity. Since then it has been a great partnership.

We started raising money and had lots of supporters. The more money we raised and the more we learnt about the research that was happening and the more positive news we got, the more it inspired everybody to do more. It just helped us to get the momentum to carry on.

By about 2011 we'd raised £300,000 and it was then that the treatment that was being worked on had got to the stage of being able to go into the clinic. We continued to fund some of the early trial work, and it has just continued to get better.

Everything has gone from strength to strength. Once the clinical trial started, to then have a company like Nightstar created and the rest of the trials funded, that was huge security for us that this was going to continue. You never know because things might stop or funding might run out.

The whole reason we are doing this is because of Tommy, we all want to hopefully change his future. Sometimes I have to pinch myself that we are actually where we are today because I just think in the beginning we hoped eventually it would happen, but we never quite believed we'd get this far.

My hope for the future is that the trial continues to be a success and that the results in the final phase are what the team need. What I pray for every day is that this will be ready for Tommy and we might save his sight and he'll be able to see for the rest of his life.

How we invest in life science

We take a rigorous and disciplined approach to investing in the best life science opportunities.

When we invest in a new portfolio company, we seek to take significant positions and form a strong partnership with the scientific founders to build a successful, sustainable and scalable long-term business. Each of our companies is formed around a core asset that we believe has a commercial investment case on its own, and which in many cases can be built out into a broader pipeline addressing a larger opportunity.

Fundamental to each of our investments is the level of potential efficacy we think can be delivered. We have three core principles to drive our ultimate aim of delivering transformational treatments to patients.

Syncona's portfolio company, Freeline

1

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

Syncona's portfolio company, Gyroscope

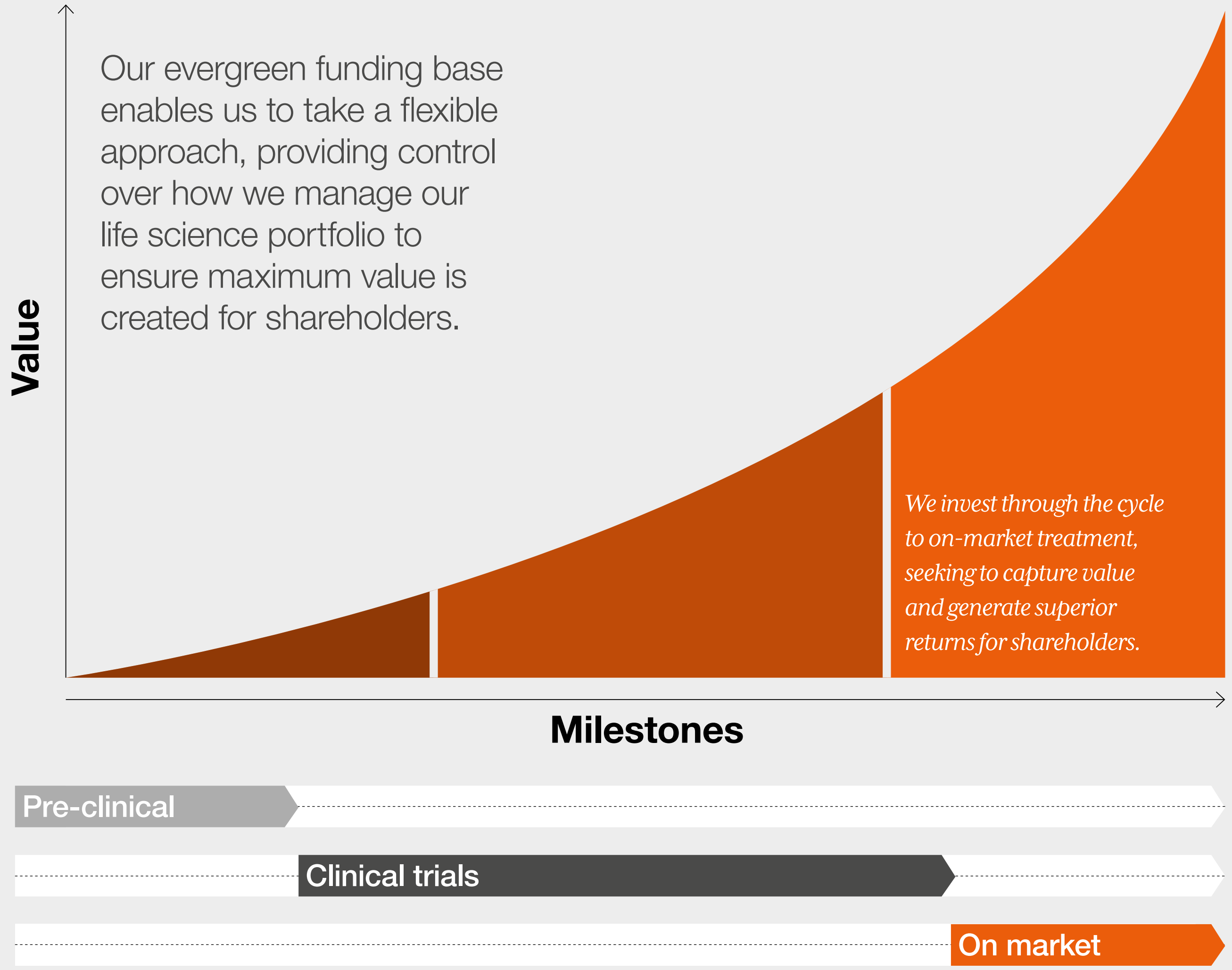
2

Taking a partnership approach to building successful, sustainable and globally leading healthcare businesses

3

Dramatic efficacy for patients in areas of high unmet need

How we create value in life science



We are a long-term investor focused on maximising value through the cycle. With the out-return in life sciences coming at the point of marketed product, our investment thesis is centred upon retaining a significant ownership stake and supporting our companies long-term, until at least this point of development.

Our evergreen funding base enables us to take this long-term approach and back our companies to succeed. This deep pool of capital also ensures we have full control and flexibility over the management of our life science portfolio, as we are never a forced seller, and can seek to maximise value in all our investments.

We are continuing to transition rapidly towards becoming predominantly invested in life sciences. We have a strategic balance sheet. Our capital pool, which is invested in non-healthcare fund investments, will diminish in proportion, however we see it as a strategically important part of the business which enables us to take a long-term view in life science.

Differentiated strategy driving value creation

STRATEGIC APPROACH	DESCRIPTION
1 *We allocate capital with discipline*	Utilising our evergreen, long-term funding base, we seek to allocate capital efficiently and effectively with a clear focus on delivering superior returns for shareholders through the cycle. This structure enables us to take a long-term view, which we believe will allow us to capture greater value in life science, where greater returns are delivered once treatments are delivered to patients.
2 *We are focused and selective*	Our expert, multi-disciplinary investment team has a proven track record of creating value for stakeholders through focused investment strategies. In life science, we take a high conviction approach to building a selective portfolio of high-quality healthcare businesses in truly innovative areas of science with the potential to deliver dramatic efficacy for patients.
3 *We build globally competitive healthcare businesses*	We seek to build deep partnerships with the best, brightest and most ambitious minds in science to invest in and build globally competitive businesses capable of being successful in the long term. We are hands-on and seek to maintain significant ownership stakes all the way to on-market patient treatment.

We seek to deliver superior shareholder returns by maximising the value available from the successful commercialisation of life science technology and the delivery of transformational treatments to patients.

ENABLING US TO...	ACTIVITIES IN 2018
...be flexible and take a long-term view	– £125.2 million in new and follow-on investments in our high-quality life science portfolio companies. – Successfully continued transition towards fund investments less correlated to equity markets and typically more liquid, in line with focus on liquidity and capital preservation within the funds investment portfolio.
...invest in only the best opportunities	– Two new high-quality life science companies formed in Syncona's core 'Third Wave' skill set, in line with our ambition to create a focused portfolio of 15-20 high-quality life science companies. – £125.2 million in new and follow-on investments in our high-quality existing life science portfolio companies.
...seek to deliver transformational treatments and maximise value for shareholders	– Worked alongside our portfolio companies to achieve key development milestones including successful financing events in Nightstar and Autolus, the commencement of new clinical trials in Nightstar, Autolus and Freeline, and the acquisition of a strategic new asset and a valuation uplift in Blue Earth as the business reached profitability.

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.

Significant evergreen long-term funding

Expert and multi-disciplined team

Disciplined and selective investment strategy

Premium heritage and access

The creation of successful, scalable healthcare businesses

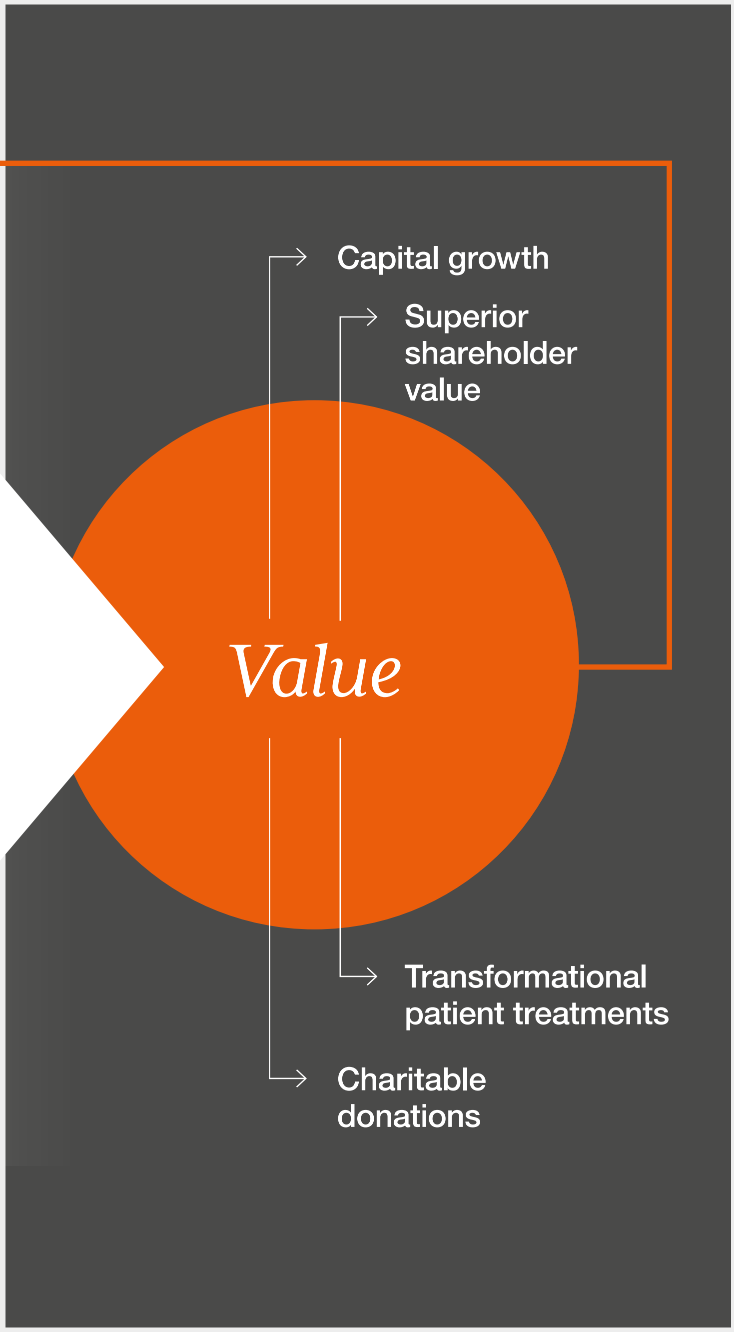
Focused on areas of high unmet need and dramatic efficacy

Read more
Life science portfolio review
→ p.32

Recycle capital to the pool of funds investments and new and existing life science opportunities

We seek to maintain significant ownership interests from the point of investment all the way to on-market treatment

Enabling us to build and capture greater value through the cycle



Key performance indicators

Financial KPIs

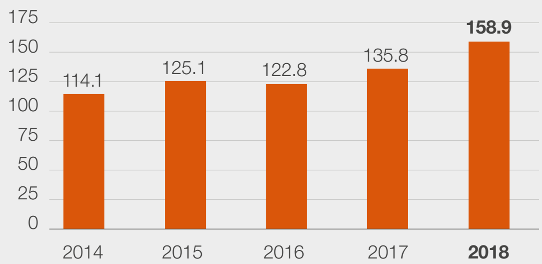
1 NAV Growth[1]

Rationale
Includes all the components of the Company's performance.

Progress
The Company has continued to build on its strong performance, with net assets increasing by 17.0% to 158.9p.

Targeting 15% IRR on the investment portfolio through the cycle.

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



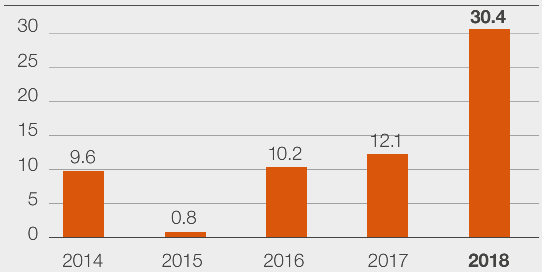
1 Excluding dividend.

2 Total Shareholder Return[2]

Rationale
Measures performance in the delivery of shareholder value.

Progress
Share price increased from 145.0p to 186.6p, together with the final dividend of 2.3p, generating a Total Shareholder Return of 30.4%.

Total Shareholder Return (at financial year end)
%



2 Source: Bloomberg.

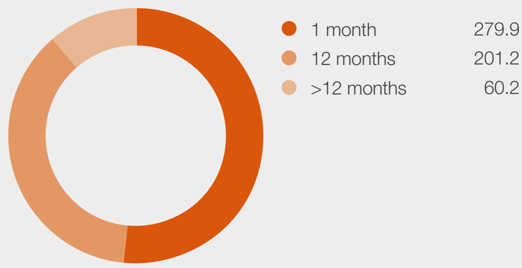
3 Liquidity profile

New for 2018

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

Progress
£125.2 million from capital pool invested in life science, and capital pool accessible to invest within 12 months maintained.

Liquidity profile
£m



Non-financial KPIs

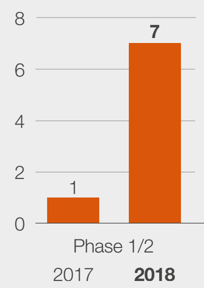
4 Depth and progression in clinical pipeline

★ New for 2018

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

Progress
Seven Phase 1/2 trials were commenced during the year across Nightstar, Freeline and Autolus.

Progression in clinical pipeline



Total clinical trials in pipeline at year end

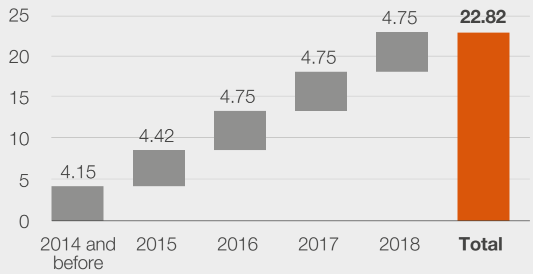
8

5 Charitable donations

Rationale
Reliable income stream for cancer research and other charities.

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

Charitable donations
£m



2018: Changes in our KPI reporting

Syncona regularly reviews its KPIs to ensure that they are the most effective metrics for measuring the Company's performance. In light of this, the following additions have been made this year:

★ New KPI – Liquidity profile:
Our ability to fund our life science portfolio is an important driver for our business. Our evergreen funding base enables us to take a flexible approach and provides control on how we manage our life sciences portfolio. Investment in the life science portfolio is funded via our capital pool which is held in a range of fund investments and cash. A key measure of the performance of this capital pool is its liquidity, meaning we can invest in life science as and when needed.

★ New KPI – Depth and progression in clinical pipeline:
Syncona's strategy is to build global leaders in life science. A key measure of the development success of Syncona's portfolio companies is their progression through clinical trials, which will ultimately enable them to deliver their products to market. The depth of our clinical pipeline and its progression towards delivering transformational treatments to patients is therefore a key measure of success for Syncona as a business.

John Bradshaw
Chief Financial Officer,
Syncona Investment
Management Limited

Delivering strong financial progress

Syncona has made significant progress in the year and delivered strong NAV progression. We continue to demonstrate the benefit of a differentiated model that enables us to draw from a deep pool of productively deployed capital to make investments in our focused life science portfolio.

Performance driven by significant progress in our life science portfolio

At 31 March 2018, Syncona had net assets of £1,055.8 million, or 158.9p per share (2017: £895.2 million – 135.8p per share)[1], reporting a total return of 18.7 per cent[2] in the year with performance driven by a 57.2 per cent growth from life science portfolio, underpinned by a 7.5[3] per cent return from fund investments.

Within our life science portfolio, performance has primarily been driven by the valuation increases of a number of our established and maturing portfolio companies, in particular Blue Earth, Nightstar and Autolus. Together these increases added £152.9 million to the value of the portfolio. The most material of these uplifts, Blue Earth, was valued at £186.8 million at the year end, an increase of £72.4 million in the year, as the business moved into profitability following the continued strong commercial performance of Axumin, and the licensing of a new PSMA agent. The valuation movement in both Nightstar and Autolus was driven by financing events, with Nightstar successfully completing a Series C investment round and an IPO on NASDAQ and Autolus completing a Series C fundraising in the year.

Valuation policy

The valuation of investments is conducted in accordance with International Private Equity and Venture Capital Valuation Guidelines. At 31 March 2018, the life science investments were valued at cost, Price of Recent Investment, rDCF 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 its determination of the fair value of investments. The fund investments are valued by reference to third-party pricing.

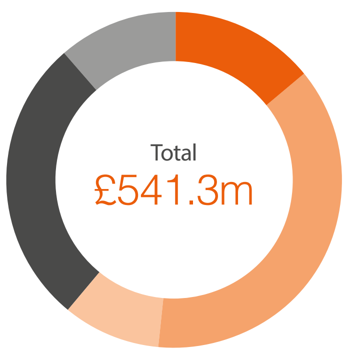
Valuation movements in period (£m):

Company	31 Mar 2017 value £m	Net investment in period £m	Valuation change £m	31 Mar 2018 value £m	% NAV	Valuation basis	Fully diluted ownership stake %	Focus area
Life science portfolio companies								
Established								
Blue Earth	108.4	6.0	72.4	186.8	17.7	rDCF	89	Advanced diagnostics
Maturing								
Nightstar	34.2	25.6	64.7	124.5	11.8	Quoted	42	Gene therapy
Autolus	31.2	38.1	15.8	85.1	8.1	PRI	38	Cell therapy
Freeline	18.0	18.0	–	36.0	3.4	Cost	74	Gene therapy
Developing								
Gyroscope	5.0	6.0	–	11.0	1.0	Cost	78	Gene therapy
Orbit Biomedical	–	8.4	0.2	8.6	0.8	Cost	80	Surgical devices[1]
Achilles	2.8	3.8	–	6.6	0.6	Cost	69	Cell therapy
SwanBio	–	4.9	–	4.9	0.5	Cost	72	Gene therapy
Life science investments								
CRT Pioneer Fund	21.8	9.0	–	30.8	2.9	Third-party	N/A	
CEGX	5.2	–	4.6	9.8	0.9	PRI	9	
Endocyte	–	4.0	5.0	9.0	0.9	Quoted	2	
Syncona Collaborations	–	1.4	–	1.4	0.1	Cost	100	
Sub-total	**226.6**	**125.2**	**162.7**	**514.5**	**48.7**			
Fund investments	582.8	(135.8)	18.1	465.1	44.1			
Cash	86.3	–	–	85.2	8.1			
Other net liabilities	(0.5)	–	–	(9.0)	(0.9)			
Total	**895.2**	**–**	**–**	**1,055.8**	**100**			

1 Focused on sub-retinal delivery, an enabling technology for Syncona's retinal gene therapy companies.

Liquidity profile

Net cash	£76.2m
Within 1 month	£203.7m
1-3 months	£51.0m
3-12 months	£150.2m
Greater than 12 months	£60.2m



Investment cash flow in line with guidance

During the year, gross investment into life science investments was £127.2 million (net investment of £125.2 million), funding four new and seven follow-on investments, and in line with prior year guidance of £75 million to £150 million. Whilst the absolute level of drawdowns will be dependent on our investment pipeline, our current expectation is that the Company will continue to invest between £75 million to £150 million in new and existing life science investments over the next 12 months.

Uncalled commitments reflect new investments and financing rounds

Uncalled commitments stood at £72.0 million at the year end, of which £47.1 million relate to milestone payments associated with the life science portfolio and £19.3 million to the CRT Pioneer Fund. These payments are typically linked to the relevant portfolio company achieving key strategic and development goals over the next 24 months. The remainder of the uncalled commitments relate to fund investments.

£125.2m

Net capital deployed into life science portfolio

Fund strategy

	£m value	% of NAV	% of funds investments	% change in weighting in 12 months
Equity hedge funds	214.2	20.3	46.1	7.9
Equity funds	117.8	11.2	25.3	1.2
Fixed income and credit funds	67.7	6.5	14.6	(0.5)
Other strategies	39.3	3.7	8.4	2.5
Global macro funds	24.6	2.3	5.3	(7.9)
Commodities	–	–	–	(3.5)
Unrealised FX hedge	1.5	0.1	0.3	0.3
Total	**465.1**	**44.1**	**100.0**	**0.0**

Arabella Cecil
Head of Fund Investments, Syncona Investment Management Limited

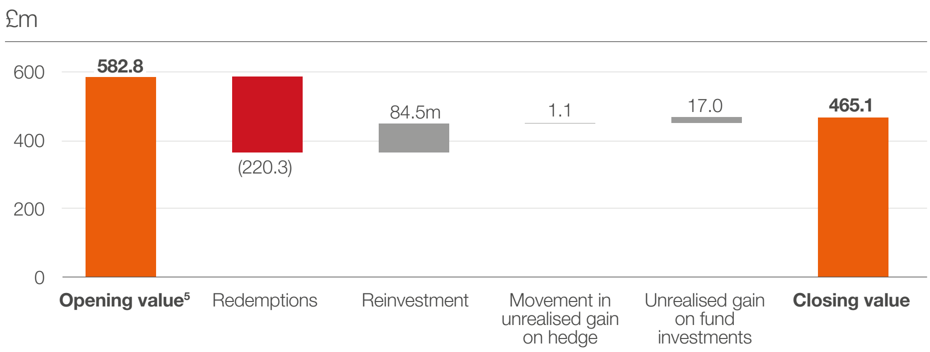
Strong capital base and significant liquidity in fund investments

Syncona has a strong capital base with net cash resources of £76.2 million[4] and £465.1 million of further liquidity in fund investments.

During the year, Syncona's life science and fund investment teams worked increasingly closely together to support the key goal of meeting the capital requirements of the life science business. Over this time, the fund investments' parameters have evolved to focus on liquidity and capital preservation and the underlying investments are transitioning towards funds that are less correlated to equity markets and are typically more liquid than in the past. In line with this, over the 12 months a number of allocations to long-only funds were redeemed in favour of hedged strategies.

The portfolio of fund investments is invested with 18 managers across 23 funds and focuses on managers with track records of containing downside volatility through portfolio construction or nimble repositioning and active management of underlying holdings, or both. The fund investments represent a productively deployed capital base, generating attractive risk-adjusted returns, which can be drawn upon to support Syncona's life science investment programme. Importantly, this capital base gives us flexibility and control over the choice and timing of life science investments.

The 7.5 per cent return from the fund investments was predominantly driven by the long-biased elements of the portfolio, with both equity hedge funds and equity funds producing strong constant currency returns of 9.9 per cent and 13.6 per cent respectively. The remainder of the portfolio is invested in fixed income and credit funds, which generated a constant currency return of 3.5 per cent and Global Macro funds, which made a small negative contribution to performance on a constant currency basis of -0.4 per cent. Other strategies, which include infrastructure, private equity and credit, generated a constant currency return of 20.7 per cent, benefitting from a number of strong realisations.



Since the year end, a further £19.7 million has been redeemed from long-only strategies and £13.2 million invested into hedged strategies[6]. The portfolio's weighting to hedged strategies will continue to increase as we transition the portfolio away from more directional long-only funds towards strategies more suited to our current investment parameters. We expect to have substantially completed this repositioning in the current financial year.

Top 10 fund investments

Fund	Strategy	Asset class	% of NAV
The SFP Value Realization Fund	Long-bias	Equities	3.6
Polar UK Absolute Equity Fund	Hedge	Equities	3.5
Maga Smaller Companies UCITS	Hedge	Equities	3.0
Polygon European Equity Opportunity	Hedge	Equities	3.0
Polar Capital Japan Alpha	Long-bias	Equities	3.0
AKO Global UCITS Fund	Hedge	Equities	2.8
Sinfonietta	Hedge	Macro	2.3
Portland Hill	Hedge	Equities	2.3
Majedie UK Equity	Long-bias	Equities	2.2
Permira V	Long-bias	Private equity	2.1

Revised arrangements for the management of the fund investments expected to deliver significant cost savings

Towards the end of the financial year we announced revised arrangements for the management of the fund investments, including an agreement with BACIT to terminate its Investment Management Agreement (IMA) and for Arabella Cecil (former CIO of BACIT) to join SIML as Head of Fund Investments. In consideration for the significant early cessation of the IMA, Syncona paid a fee to BACIT of £3.8 million.

These arrangements came into effect on 1 April 2018. They are expected to deliver significant cost savings to Syncona over the life of the original BACIT agreement and will reduce the maximum management fees incurred by the Company to 1.1 per cent of NAV per annum, from 1.19 per cent.

Expenses

Our ongoing charges ratio for the year was 1.01 per cent[7], and included fees paid to SIML and BACIT of £7.6 million, or 0.79 per cent of NAV. This year's ongoing charges ratio compares to 0.72 per cent in 2017, with the increase reflecting a full year of costs associated with the management of the life science portfolio. Allowing for the costs associated with the Company's Long-Term Incentive Plan, ongoing charges increased to 1.58 per cent (2017: 0.72 per cent).

Long-Term Incentive Plan

The strong performance of the life science portfolio has significantly exceeded the 15 per cent growth hurdle[8] for the Company's Long-Term Incentive Plan ('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 £5.4 million and the number of shares in the Company that could potentially be issued increased by 4,620,436 shares, taking the fully-diluted number of shares to 664,572,526. Further details on the LTIP can be found in the Remuneration Report in the Annual Report and in notes 2 and 13.

Dividend

The Company has declared a dividend of 2.3p per share (2017: 2.3p per share). The Board will review the dividend policy over the next 12 months as Syncona moves further towards becoming predominantly invested in life science. The dividend will be paid on 30 July 2018 and will be paid as a scrip dividend, unless shareholders elect to receive the dividend in cash. The ex-dividend date will be 21 June 2018 and the record date 22 June 2018.

Foreign exchange

At the year end we continue to hold the Company's foreign exchange exposure in its life science portfolio unhedged. Within the portfolio of fund investments we continue to hedge all of the euro-denominated share classes, and 69.5 per cent of the exposure to US Dollar-denominated share classes and cash balances. At the year end, the unrealised gain on the associated forward contracts was £1.5 million.

Recent events

In May 2018 Syncona's portfolio company Autolus announced that it had filed for a proposed initial public offering in the United States. An amended registration statement published on 8 June 2018 disclosed an indicative pricing range for the proposed offering of US$15.00 – US$17.00 per ADS. This would represent an increase in value of Syncona's current shareholding in Autolus (compared to the 31 March 2018 sterling holding value) of £51.6 million – £69.9 million[9] (7.8p – 10.5p per share). Syncona has indicated an interest in purchasing ADSs in the offering, subject to agreement with the underwriters.

John Bradshaw
Chief Financial Officer,
Syncona Investment Management Limited

14 June 2018

1 Fully diluted, please refer to note 15 in the financial statements.
2 Including 2.3p dividend paid in August 2017.
3 Including realised gain of £19.3 million on foreign exchange hedge.
4 Gross cash resources of £85.2 million, less £9.0 million of net liabilities. Of the £85.2 million gross cash resources, £1 million is held by Syncona Limited. £78.7 million, £2.5 million and £3.0 are held by Syncona Investments LP Incorporated, Syncona Portfolio Limited and Syncona Investment Management Limited respectively.
5 Restated to include the £582.4 million of fund investments and the £0.4 million unrealised hedge position
6 As at 31 May 2018.
7 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 £5.5 million (2017: £0.1 million) associated with the Syncona Long-Term Incentive Plan and the £3.8 million termination fee paid to BACIT.
8 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.
9 As at exchange rates on 13 June 2018.

Chris Hollowood
Chief Investment Officer,
Syncona Investment
Management Limited

A year of strong development progress

Syncona's deep clinical pipeline

Portfolio company	DISEASE AREA	BEST IDEAS	PRE-CLINICAL DEVELOPMENT
Blue Earth	Recurrent prostate cancer		
Nightstar	NSR-REP1 Choroideremia		
Nightstar	NSR-RPGR XLRP		
Autolus	AUTO2 Multiple Myeloma		
Autolus	AUTO3 DLBCL		
Autolus	AUTO3 pALL		
Autolus (academic partners)	AUTO1 pALL		
Autolus (academic partners)	AUTO6 Neuroblastoma		
Freeline	Haemophilia B		
Autolus (academic partners)	AUTO1 aALL		
Autolus	AUTO4 T cell Lymphoma		
Gyroscope	Dry AMD		
Nightstar	Stargardt's disease		
Achilles	Non small cell lung cancer		
SwanBio	Neurodegenerative disorder		
Multiple undisclosed pre-clinical programmes			

The portfolio performed strongly during the year, meeting or exceeding the key operational and financial milestones set out at the beginning of the year.

Over the course of the year we made significant steps towards our development and commercialisation plans for our existing portfolio companies. We made a number of new investments, particularly in the areas of 'Third Wave' modalities where we have deep expertise and have reinforced our leadership position in this space. As at 31 March 2018, our life science portfolio consisted of eight portfolio companies and four investments and was valued at £514.5 million.

The companies in our life science portfolio are categorised in three stages. Established companies are those that are marketing their products, Maturing companies have made significant development progress towards market approval for their product and Developing companies are earlier stage, focused on establishing differentiated platforms, management teams and capabilities to progress their products through the full regulatory approval path.

Beyond Syncona's portfolio companies, where we typically have a significant ownership stake and are a founder with significant operational influence, we also have a number of life science investments which represent good opportunities to generate returns for shareholders or provide promising options for the future and are aligned in areas where Syncona has domain knowledge.

Key achievements FY2018

- Blue Earth delivered successful commercial launch and reached profitability.
- Nine live clinical trials across pipeline, including Pivotal phase 3 trial commenced in Nightstar post year end.
- Founded two new companies in gene therapy, further expanding scale in AAV.
- Three successful financing rounds completed at uplifts to previous valuations.

Key:

- Established
- Maturing
- Developing

Established companies

Syncona's portfolio company, Blue Earth Diagnostics

Blue Earth Diagnostics

Blue Earth was established by Syncona in 2014 when Axumin, then in clinical development, was licensed from GE Healthcare with the ambition of building a world-leading prostate cancer imaging company, developing molecular imaging technologies to reliably inform diagnosis and treatment decisions.

Blue Earth has had another positive year, delivering a strong commercial launch. More than 15,000 patients have now received an Axumin scan since the product was launched commercially. Revenues during the 2018 financial year were £12.4 million in the first half, increasing to £23.5 million in the second half, and the business reached profitability during the period.

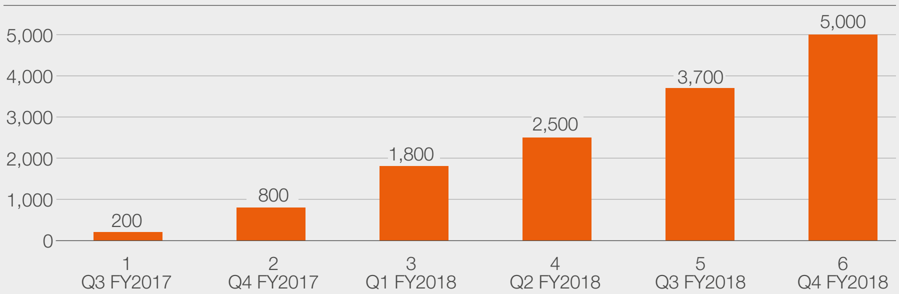
Importantly, Blue Earth's FALCON trial during the year showed that in over 61 per cent of cases, patients undergoing an Axumin scan will have a 'change in management' in the way their disease is treated. This is a significant achievement and demonstrates that the product is having a real impact for patients and their physicians, which is our overarching aim in all our life science investments.

Axumin's presence expanded across markets during the year. After securing approval for Axumin from the European Medicines Agency in May 2017, the business signed new distribution agreements covering 14 European countries and began conducting early sales in its first market, Austria. Distribution and coverage in the United States has continued to expand through Blue Earth's successful partnership with Siemens PETNET, increasing from 14 active sites to 19 out of a possible 31 over the course of the year.

The business has also continued to focus on extending its leadership position in the prostate imaging market. It continues to make good progress towards a label extension for Axumin in glioma, a form of brain cancer, in 2018 and, following the year end, also signed an exclusive worldwide licence to a high-quality, broad family of PSMA-targeted radiohybrid agents for prostate cancer imaging. This represented an opportunity to expand Blue Earth's portfolio in prostate cancer imaging to new areas of high unmet need, such as early stage primary prostate cancer patients where Axumin is not used.

Looking forward, we expect Blue Earth to maintain a positive sales trajectory. The business is focused on continuing to increase Axumin's coverage and penetration and will begin work on its PSMA asset development, aiming to file an Investigational New Drug Application and complete Phase 1/2 work in 2019.

Quarter since launch
Units sold (US)



Revenue H1

£12.4m

Revenue H2

£23.5m

Maturing companies

Nightstar Therapeutics
Nightstar utilises gene therapy to develop products for inherited forms of blindness and is pursuing a pipeline of retinal gene therapy programmes. Its lead product is for Choroideremia, a progressive blinding condition for which there are no alternative therapies.

Nightstar had a successful year as a business. In particular, it became the first Syncona-founded company to progress to the public markets, on a timeline which we believe to be one of the fastest from founding to listing on NASDAQ for a UK biotech company.

Operationally, the business progressed its preclinical pipeline and its Phase 1/2 trial in its second programme of X-linked Retinitis Pigmentosa, another progressive blinding condition for which there are no available therapies. Importantly, the business commenced its pivotal Phase 3 trial (NSR-REP1) in Choroideremia on schedule in April 2018, post year end, with Phase 3 being the last step before potential product approvals. The primary endpoint being assessed in the trial is the proportion of patients with an at least 15 letter gain[1] in visual acuity at month 12 (High-Dose vs. Control). Nightstar expects to complete enrolment of the Phase 3 trial in the first half of 2019 with the one year follow-up results expected in 2020.

The business is expecting to publish initial efficacy and safety data in X-linked Retinitis Pigmentosa in 2018 and will progress preclinical work for the next programmes in its pipeline as it seeks to achieve its ambition of becoming the global leader in retinal gene therapy.

Autolus
Autolus is a biopharmaceutical company developing next-generation programmed T cell therapies for the treatment of cancer. The business engineers precisely targeted, controlled and highly active T cell therapies that are designed to recognise and break down the defence mechanisms of cancer cells and eliminate them. Autolus believes its treatments have the potential to offer cancer patients substantial benefits over the existing standard of care, including the potential for cure in some patients.

Autolus made significant progress this year, including licensing new clinical stage programmes (AUTO1 in paediatric ALL and AUTO1 in adult ALL) and announcing the AUTO6 programme in neuroblastoma (a partnered programme with Cancer Research UK). It commenced new clinical trials including in its three existing programmes of Multiple Myeloma (AUTO2), paediatric ALL (AUTO3), DLBCL (AUTO3), and in adult ALL (AUTO1). The business is progressing these programmes through the clinic rapidly, with data expected to begin reading out from this year.

In September 2017, Autolus conducted a US$80 million Series C investment round at a significant valuation uplift. The business announced post year end that it had filed for a proposed initial public offering in the United States, the process of which remains ongoing.

Freeline
Freeline is a gene therapy company focused on liver expression for chronic systemic diseases. The business met a significant milestone during the year, with the first patient dosed in its lead programme in Haemophilia B, a rare, lifelong monogenic disease which causes prolonged or spontaneous bleeding episodes primarily in the brain, muscles and weight-bearing joints.

We believe the business is well placed to execute on its vision. It has a proprietary capsid which draws on founder Amit Nathwani's ground-breaking work in gene therapy of the liver published in 2011 in the New England Journal of Medicine which showed safe, effective and sustainable expression, and which has informed the competitive landscape since. We believe the Freeline treatments have the potential to be best in class for the delivery of liver-targeted therapy.

Syncona seeks to build its portfolio companies ambitiously, and in line with this aim Freeline has systematically invested in, and built, an industry-leading, commercial scale AAV manufacturing platform and a world-class team with extensive track records in gene therapy, clinical translation and global drug approvals. The company is led by Anne Prener, formally Vice President, Clinical Research Haematology and Global Therapeutic Area Head of Haematology at Baxalta, who commenced as CEO in July 2017.

Initial data from the Phase 1/2 trial in Haemophilia B is anticipated within 12 months, while the business has identified and is working on its next programmes in other systemic diseases.

Syncona's portfolio company, Gyroscope

1 On a standardised ETDRS letter chart.

Developing companies

Gyroscope is the second Syncona-founded retinal gene therapy company, and our first gene therapy company seeking to move beyond rare monogenic disorders into prevalent diseases impacting significantly larger sized patient markets. The business was founded by Syncona in May 2016 after it saw an opportunity to apply gene therapy to the complement system, a part of the immune system, in the development of Dry Age Related Macular Degeneration (dry AMD), the leading cause of irreversible blindness in the developed world. The business has an ambition to become the leading gene therapy company in retinal inflammation.

During the year the business made significant progress building out its operations and team, including appointing Soraya Bekkali as CEO. Soraya joined from Lysogene, a clinical-stage gene therapy company, where she was SVP Chief Medical Officer, and prior to this was Global Head of Ophthalmology Business Unit at Sanofi, where she led Sanofi's ophthalmology strategy towards ocular gene therapy.

The company is expecting to dose its first patient in its lead programme in one of the most severe forms of dry AMD this year, and will nominate the candidate for the second programme over the next 12 months.

Achilles, our second cell therapy company which is focused on immunotherapy to treat lung cancer, also made good progress during the year, demonstrating pre-clinical product viability, and the company will progress towards clinical studies in 2019. Syncona Managing Partner, Iraj Ali, replaced Chris Ashton, who retired as CEO of the business and a Syncona partner in late 2017. Iraj will lead Achilles through the next phase of its business plan.

Syncona's portfolio company, Achilles

Finally, SwanBio and Orbit Biomedical are Syncona's newly founded gene therapy businesses. SwanBio is a gene therapy company focused on the development and commercialisation of genetically defined therapies for the treatment of neurological disorders. Orbit has the potential to transform the accuracy, safety and consistency of delivering therapeutics, including gene therapies, to the sub-retinal space with its proprietary device, minimally invasive surgical technique and state-of-the-art-training. The businesses provide Syncona with further scale and breadth in AAV gene therapy where we have a leading position. They will focus this year on recruiting further members of the team and establishing and building out their operations.

Life science investments

CEGX progressed well and completed a US$27.5 million financing round post year end. Given Syncona's relatively low ownership stake in the business (previously 12 per cent, 9 per cent following the investment round), we regard our holding in CEGX as an investment. In this context we remain supportive of the business, but did not participate in the financing round. Following the round, Syncona's investment is valued at £9.8 million, a £4.6 million uplift to the previous holding value.

The CRT Pioneer Fund has now completed its new asset investment period, with 12 opportunities in the portfolio. Syncona contributed a net £9.0 million during the year, with a further £19.3 million of commitments remaining.

During the year we acquired a 2 per cent holding in Endocyte (ECYT), a NASDAQ-listed biotech company with a potential

product for late-stage prostate cancer. We viewed the company as fundamentally undervalued and invested a total of £4.0 million, which was valued at £9.0 million at year end. While not the core of what we do, Endocyte operates in therapeutic areas where we have deep domain expertise, allowing us a high level of confidence in the investment. Following the year end, we sold £4.1 million worth of shares, recovering the cost of our original investment, while retaining a holding of 1.4 per cent.

Finally, we entered into a new collaboration agreement (Syncona Collaborations) with Edinburgh University to fund a two-year programme into a promising new potential use of cell therapy to treat an area of chronic disease. Should initial pre-clinical work prove promising, we have the option to form a new company to progress the development of these innovations.

Outlook

Our portfolio companies are well placed to continue to execute their development plans and, in the case of Blue Earth, we expect continued positive sales progress.

We have a number of important milestones approaching. Autolus, Nightstar and Freeline are now in clinical trials and the next year will be crucial for these businesses, as well as for Gyroscope, which is expected to move to clinical stage. Specifically, in the next 12 months we anticipate:

- Initial Phase 1/2 data in five clinical trials: Autolus (Multiple Myeloma, paediatric ALL and adult DLBCL), Nightstar (XLRP), Freeline (Haemophilia B).
- Two new clinical trials expected to commence in Gyroscope and Autolus.

All of our portfolio companies have first class management teams and are operating in areas of high unmet medical need and we believe they are in a strong position to navigate clinical and regulatory processes, but the pathway ahead of them is not without risk.

Our new portfolio company investments in Orbit Biomedical and SwanBio are exciting new opportunities completed in line with Syncona's disciplined approach to creating a portfolio of no more than 15-20 companies in transformative areas of science that we can support over the long-term, ultimately seeking to deliver transformational treatments for patients in areas of high unmet need.

After founding these new companies in AAV Gene Therapy, we are now reaching critical mass, with what we believe to be one of the most comprehensive co-ordinated AAV Gene Therapy programmes and platforms globally.

Finally, we continue to see strong opportunities for new investments, both in the 'Third Wave' and beyond.

In short, we have a high-quality portfolio that is well positioned to continue to progress towards their key milestones and development plans.

Syncona's portfolio company, Achilles

12-month catalysts

- Positive sales progress in Blue Earth.
- Initial Phase 1/2 data in five Phase 1/2 clinical trials.
- Two new clinical trials expected to commence.
- New financings, companies and programme initiations.

We are strategically positioned in the increasingly important area of cell and gene therapy, have a strong pipeline of opportunities and remain focused on delivering transformational treatment to patients.

Chris Hollowood
Chief Investment Officer,
Syncona Investment
Management Limited

14 June 2018

Our portfolio companies

BLUE EARTH DIAGNOSTICS

Description *Established*

PET imaging agent for prostate cancer.

Fully diluted ownership	89%	**Focus areas**	Diagnostics
Value	£186.8m	**Valuation basis**	Risk adjusted Discounted Cash Flow
% of NAV	17.7%	**% of life science portfolio**	36%

Blue Earth Diagnostics was founded in March 2014 to develop and commercialise molecular imaging agents, addressing areas of high unmet medical need. The company's first approved and commercially available product, Axumin®, is clinically proven to target and image prostate cancer cells. Axumin was reviewed by the US Food and Drug Administration and was granted US regulatory approval in Q2 2016. Marketing authorisation in Europe was granted by the European Medicines Agency in Q2 2017. Blue Earth Diagnostics is investigating the utility of Axumin, the imaging of other cancers, such as glioma. In May 2018, Blue Earth Diagnostics expanded its prostate cancer portfolio through the acquisition of exclusive, worldwide rights to a broad family of Prostate Specific Membrane Antigen ('PSMA')-targeted radiohybrid ('rh') agents for cancer. rhPSMA is a clinical-stage, investigational class of theranostic compounds, with potential applications in both the imaging and treatment of prostate cancer.

blueearthdiagnostics.com

nightstar THERAPEUTICS

Description *Maturing*

Gene therapy for inherited retinal dystrophies.

Fully diluted ownership	42%	**Focus areas**	Gene therapy
Value	£124.5m	**Valuation basis**	Quoted
% of NAV	11.8%	**% of life science portfolio**	24%

Nightstar 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. Nightstar's lead product candidate, NSR-REP1, is currently in Phase 3 development for the treatment of patients with Choroideremia, a rare, degenerative, genetic retinal disorder that has no current treatments and affects approximately one in every 50,000 people.

Positive results from a Phase 1/2 trial of NSR-REP1 were published in *The Lancet* in 2014 and in *The New England Journal of Medicine* in 2016. Nightstar's second product candidate, NSR-RPGR, is currently being evaluated in a Phase 1/2 clinical trial for the treatment of patients with X-linked Retinitis Pigmentosa, an inherited X-linked recessive retinal disease that affects approximately one in every 40,000 people.

nightstartx.com

Autolus

Description *Maturing*

A next-generation programmed T cell therapy company.

Fully diluted ownership	38%	**Focus areas**	Cell therapy
Value	£85.1m	**Valuation basis**	Price of Recent Investment
% of NAV	8.1%	**% of life science portfolio**	17%

Autolus is a clinical-stage biopharmaceutical company developing next-generation programmed T cell therapies for the treatment of cancer.

Using its broad suite of proprietary and modular T cell programming technologies, Autolus is engineering precisely targeted, controlled and highly active T cell therapies that are designed to better recognise cancer cells, break down their defence mechanisms and eliminate these cells.

Autolus has a pipeline of product candidates in development for the treatment of haematological malignancies and solid tumours.

Autolus believes its programmed T cell therapies have the potential to be best-in-class and offer cancer patients substantial benefits over the existing standard of care, including the potential for cure in some patients.

autolus.com

FREELINE

Description *Maturing*

Liver-targeted gene therapy for chronic systemic disease.

Fully diluted ownership	74%	**Focus areas**	Gene therapy
Value	£36.0m	**Valuation basis**	Cost
% of NAV	3.4%	**% of life science portfolio**	7%

Freeline is a clinical-stage biotechnology company based in the UK and Germany. Freeline's vision is to create better lives for people suffering from chronic systemic diseases using the potential of gene therapy as a one-off curative treatment. Freeline has a clear focus on AAV-based gene therapy targeting the liver with the aim to provide treatments for diseases with significant unmet needs.

Freeline's gene therapy treatment builds upon the pioneering work by the Freeline CSO, Professor Amit Nathwani, Professor of Haematology at UCL, which has already transformed the lives of patients by providing safe, effective and reliable gene therapy for people with Haemophilia B.

Freeline's proprietary AAV capsid is optimised to effectively transduce human liver cells and thus provide sustainable, high levels of the desired protein. This strong capsid performance is being validated in the Haemophilia B patients and sets the stage for potentially curative products in a wide range of diseases which have not to date been treatable with one-time treatment.

freeline.life

Gyroscope Therapeutics

Developing

Description
Retinal gene therapy.

Fully diluted ownership	78%	**Focus areas**	Gene therapy
Value	£11.0m	**Valuation basis**	Cost
% of NAV	1.0%	**% of life science portfolio**	2%

Gyroscope is committed to changing ophthalmology and fighting the devastating impact of sight loss. It is exploiting the convergence of breakthroughs in genetics and proprietary insights into the role of the complement system in AMD to develop a series of one-off gene therapy treatments for dry AMD and other chronic eye diseases.

The company was founded in 2016 with investments from Syncona and Cambridge Enterprise. Gyroscope is located in Stevenage at the Bioscience Catalyst.

gyroscopetx.com

Achilles Therapeutics

Developing

Description
Immunotherapy for late-stage cancer.

Fully diluted ownership	69%	**Focus areas**	Cell therapy
Value	£6.6m	**Valuation basis**	Cost
% of NAV	0.6%	**% of life science portfolio**	1%

Achilles Therapeutics' mission is to develop next-generation personalised therapies that harness the immune system to destroy cancer cells, with the potential to cure patients. These immunotherapies target clonal tumour neoantigens, protein markers unique to each individual that are expressed on the surface of every cancer cell. Achilles uses DNA sequencing data from each patient, together with its proprietary bioinformatics technology, to identify clonal neoantigens specific to that patient and to develop personalised therapies.

Targeting multiple clonal mutations present in every tumour cell will reduce the risk that new mutations can induce immune evasion and therapeutic resistance, as occurs with many conventional approaches.

achillestx.com

SwanBio Therapeutics

Developing

Description
Central nervous system gene therapy.

Fully diluted ownership	72%	**Focus areas**	Gene therapy
Value	£4.9m	**Valuation basis**	Cost
% of NAV	0.5%	**% of life science portfolio**	1%

SwanBio Therapeutics is a gene therapy company focused on the development and commercialisation of genetically defined therapies for the treatment of neurological disorders. The company, which is located in Boston and Philadelphia, is building on its proprietary delivery and manufacturing know-how to enable it to deliver its products commercially, which it will leverage for each of its pipeline products.

The business is based on work by Florian Eichler, a founder of SwanBio and Associate Professor of Neurology at Harvard Medical School and Assistant in Neurology, Director of the Leukodystrophy Clinic, and Director of the Center for Rare Neurological Diseases at Massachusetts General Hospital. Its lead programme is in development for a monogenic neurodegenerative condition impacting approximately one in 17,000 people.

Orbit Biomedical

Developing

Description
Precise surgical solutions for the sub-retinal space.

Fully diluted ownership	80%	**Focus areas**	Surgical devices[1]
Value	£8.6m	**Valuation basis**	Cost
% of NAV	0.8%	**% of life science portfolio**	2%

Orbit Biomedical brings precise, targeted surgical delivery to the rapidly progressing field of gene and cell therapy. The company's technology platform and clinical training has the potential to transform the accuracy, safety and consistency of delivering curative therapeutics, including gene therapies, enabling enhanced benefits to patients.

Orbit Biomedical's current focus is on delivery to the sub-retinal space for the treatment of retinal diseases. Located in Philadelphia, Orbit Biomedical was founded in 2018.

orbitbiomed.com

1 Focused on sub-retinal delivery, an enabling technology for Syncona's retinal gene therapy companies.

Key team members

Our people are vital to our success

Martin Murphy

Martin is Chief Executive Officer of Syncona Investment Management Ltd and was co-founder of Syncona. 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 and was closely involved in investments including PregLem SA, Momenta Pharmaceuticals, Inc, Healthcare Brands International and Heptares Therapeutics Ltd. Martin has 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 and a Managing Partner of Syncona Investment Management Ltd. Previously, he was a partner of Apposite Capital LLP, a venture and growth capital healthcare investment company. Before Apposite, Chris had roles with Bioscience Managers Ltd, Neptune Investment Management Ltd and in the pharmaceutical industry. Chris holds a degree in Natural Sciences and a PhD in Organic Chemistry, both from the University of Cambridge.

John Bradshaw

John Bradshaw 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.

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.

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.

Edward Hodgkin

Edward Hodgkin is a Partner of Syncona Investment Management Ltd. He is a Director of Syncona's portfolio company, Autolus, having served as its first Chief Executive Officer. 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.

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.

Arabella Cecil

Arabella is Head of Fund Investments at Syncona Investment Management Limited. She was Chief Investment Officer of BACIT UK and co-founder of BACIT Ltd. Arabella trained at Finbancaria (corporate finance, Milan) in 1987, Banque Hottinguer (Paris), and Credit Lyonnais Laing (London) where she headed food manufacturing research. Between 1998 and 2008 she owned and ran Gravity Pictures, specialising in IMAX®. Most recently she was an investment manager and a member of the investment and risk committees of Culross Global Management.

Iraj Ali

Iraj is a Managing Partner of Syncona Investment Management Ltd. Previously, he was an associate-principal at McKinsey & Company where he specialised in product launch. He has been involved in several major pharmaceutical launches across developed and emerging markets. Prior to joining McKinsey, Iraj held roles in scientific research: EMBO Research Scholar (UCSC), Drug Discovery Scientist (RiboTargets, Cambridge). Iraj has a PhD in Biochemistry from the University of Cambridge.

Toby Sykes

Toby is a Managing Partner of Syncona Investment Management Ltd. Previously he was a Managing Director at Essex Woodlands, a healthcare venture capital and growth equity company. Whilst at Essex Woodlands, Toby led the firm's pharmaceuticals practice, and was responsible for investments in Europe and Latin America. He was involved in a number of investments, including EUSA Pharma (sold to Jazz Pharma), Molecular Partners (SWX:MOLN) and Healthcare Brands International (sold to Meda). Previously, Toby was a Director of Business Development at Cephalon. He has a PhD in Development Biology from King's College London.

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.

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).

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.

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.

Successfully managing risk is vital for the delivery of our strategy and is embedded in all our processes.

The Company's risk appetite is set in the context of our strategy to invest in early-stage life science companies, many of which are developing highly innovative products. This involves significant risk and opportunity, particularly around the outcomes of clinical trials. The Company seeks to minimise other risks where it can, and in particular it has a low tolerance for financing risk with the aim to ensure that even under the most severe stress scenario, the Company is likely to meet its funding requirements. Our fund investments are key in minimising funding risk. They are not invested in the life science sector or in early stage investments and have greater liquidity, mitigating risk for the Company as a whole.

The Company has continued to evolve its risk management process during the year, to take account of the increased investment in life science companies and the stage of those companies. We have also updated them to take account of the change in the Investment Manager during the year.

Understanding and managing risks is a key part of our process. The principal risks and the processes through which the Company aims to manage them are outlined on pages 43 to 47. We rely on having highly experienced personnel to support and manage issues as they arise, together with effective financial management processes.

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

Ongoing monitoring by the Board is undertaken through a process which seeks to:

- Review the risks faced by the Company and the controls in place to address those risks, and record those;
- Identify and report changes in the risk environment;
- Identify and report changes in the operational controls, and consider any further mitigation;
- Identify and report on the effectiveness of controls, and any errors or override of controls that arise.

The Investment Manager is responsible for day-to-day operation and oversight of the 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.

Principal risks and uncertainties

The principal risks that the Board has identified are set out in the table below, 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.

Life science portfolio

Unchanged Increased Decreased

Description	Impact	Mitigation	Associated KPIs
Risk in making new investments			
The Company invests in and builds life science businesses. In many cases these are at a very early stage, potentially before there is any clinical evidence of effectiveness or commercially viable way to deliver the technology. Evaluating such opportunities is inherently uncertain.	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.	The Investment Manager employs highly experienced personnel who have considerable experience of building and developing early-stage life science businesses and 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 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.	

Life science portfolio continued

Unchanged | Increased | Decreased

Description	Impact	Mitigation	Associated KPIs
General, commercial, technological and clinical risks			
The Company's life science investments are exposed to a wide range of general, commercial, technological and clinical risks. In particular: – Negative results from, or adverse events in, clinical trials – 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 This risk has increased as a result of positive developments within portfolio companies, in particular that a number of them began clinical trials during the past year.	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. In particular, clinical studies and other tests to assess the commercial viability of a product are typically expensive, complex and time-consuming, and have uncertain outcomes. The Company has three portfolio companies conducting clinical trials, with multiple clinical trials ongoing. If a portfolio company fails to complete or experiences delays in completing tests for any of its product candidates, it may not be able to obtain regulatory approval or commercialise its product candidates on a timely basis, or at all. Significant delays in any of the clinical studies to support the appropriate regulatory approvals could significantly impact the amount of capital required for the portfolio company to achieve final regulatory approval, which in turn may impact the value of such portfolio company. A critical failure in any stage of a clinical testing programme may necessitate a termination of the project and a loss of the Company's investment.	The Investment Manager employs highly experienced personnel who have 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. In addition, the Investment Manager's team can assist the management teams of the portfolio companies with arranging specialist advice, for example, communication advice to support them dealing with issues or any likely issues. 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. In order to diversify the risk associated with any one clinical study, portfolio companies will seek to have multiple trials in different indications.	NAV Growth Depth and progression of clinical pipeline

Description	Impact	Mitigation	Associated KPIs
Dominance of portfolio by a few larger investments and/or sector focus			
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 on specific sub-sectors on a quarterly basis. The Investment Manager employs highly experienced personnel who have considerable experience of building and developing early-stage life science businesses. The Investment Manager's personnel work closely with portfolio companies, taking non-executive and at times executive roles on portfolio companies' boards, monitoring progress and ensuring familiarity with issues and risks. At 31 March 2018, the Company's three largest investments in its life science portfolio were valued at £396.4 million, representing 37.5 per cent of the net asset value of the Company.	NAV Growth Depth and progression of clinical pipeline
Market risk – realising investment portfolio companies			
Instability in equity and debt markets and/or the market's appetite for investment in life science companies could result in an unattractive pricing for life science companies, either in public markets or through sales to financial or strategic acquirers.	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 Investment Manager, alongside each portfolio company management team, is focused on ensuring that portfolio companies have robust business models. These are expected to be attractive to strategic acquirers and public market investors, even in challenging market conditions. In addition, the Company seeks to ensure that it has sufficient liquidity to fund its portfolio companies through the cycle. It can therefore avoid being a 'forced seller' should market conditions be less attractive at any point in time.	NAV Growth Depth and progression of clinical pipeline
Market risk – political and economic uncertainty may negatively impact the Company's ability to achieve its strategic objectives			
Political and economic uncertainty, including impacts from the EU referendum or similar scenarios, could have several potential impacts, including changes to the labour market available to the Investment Manager and underlying portfolio companies, or regulatory environment in which the Company and its investment portfolio companies operate.	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 the plan; or to the ability to profitably commercialise new products.	The Investment Manager monitors these developments, with the help of professional advisers, as appropriate, to ensure it is prepared for any potential impacts.	

Fund investments

Unchanged Increased Decreased

Description	Impact	Mitigation	Associated KPIs
Investment risk			
The Company's fund investments are exposed to the risk that they fail to perform in line with their objectives if inappropriately invested or markets move adversely. The fund investments have significant indirect exposure to risks through the underlying portfolios. Due to the lack of transparency in many of the underlying assets, it is difficult to quantify or hedge the impact of these risks on the portfolio. These risks will include equity market, interest, foreign exchange and other market risks, which may be magnified by significant gearing in the underlying funds.	Any underperformance of the fund investments will have an impact on net asset value of the Company and the Company's ability to access required liquidity.	The Investment Manager employs highly experienced personnel who have considerable experience in investing in capital markets. The Investment Manager performs due diligence on potential new investments, including an assessment of investment risk and, after the investment is made, post investment monitoring of their performance. The Board reviews reports from the Investment Manager at each quarterly Board meeting, paying particular attention to the constitution of the portfolio, the performance and volatility of underlying investments and the liquidity forecast prepared by the Investment Manager.	NAV Growth Liquidity profile

Operational

Description	Impact	Mitigation	Associated KPIs
Failure to attract or retain key personnel			
The expertise, due diligence, risk management skills and integrity of the staff at the Company's Investment Manager are key to the success of the Company. The industries in which the Investment Manager operates are 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.	

Description	Impact	Mitigation	Associated KPIs
Financing risk			
Financing risk and the inability to match funding to the timing of investments by the Investment Manager.	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, in some cases, result in the Investment Manager having to seek funding for companies in the life science portfolio from third-party investors, thereby diluting the Company's ownership of the portfolio company. In extreme cases, it may result in the portfolio company being forced to sell off its assets or cease its development, impacting the value of the investment.	The Company has a strong liquidity position and ensures that it has sufficient liquidity to fund its early-stage investment programme. The Investment Manager maintains detailed financing and capital allocation models on an ongoing basis that contain appropriate stress testing, which are reviewed on a regular basis and notified to the Board. The investment parameters for our fund investments focus on ensuring liquidity and capital preservation.	Liquidity profile
Systems and controls			
The potential loss of operation of core systems or sensitive data leading to damage and disruption to the Investment Manager or Administrator's business.	Disruption of the business of the Investment Manager or Administrator.	Systems and controls procedures are developed and reviewed regularly and the Board receives reports annually from the Investment Manager and Administrator on their internal controls.	

Legal and regulatory

Description	Impact	Mitigation	Associated KPIs
Changes in law and regulations may adversely affect the Company			
The Company is subject to laws and regulations of national and local governments. In particular, the Company is subject to, and is required to comply with, regulations that apply to a premium listed company on the London Stock Exchange; other EU and UK requirements that apply to funds marketed in the EU; and regulations applicable to registered closed-ended collective investment schemes domiciled in Guernsey, as well as other requirements. The legislative and policy framework is subject to ongoing change.	Changes in legislation and government policy may adversely impact the ability of the Investment Manager 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.	

Corporate social responsibility

As a business we seek to have consideration of all of our stakeholders at all times.

A unique commitment to supporting charity

Since the original establishment of BACIT in 2012, we have taken a unique approach to supporting charity by donating a percentage of net asset value each year. From the change of investment strategy in 2016 we have donated 0.3 per cent of NAV each year, with a guarantee that the donation will be at least £4.75 million in respect of the financial years ending in 2017 and 2018.

The donation totals £4.75 million for this financial year. Since 2012, that takes total donations to charity to £22.8 million, a record that we are very proud of.

Half of the annual donation goes to the Institute of Cancer Research, an important body doing exciting work to understand and treat cancers. A significant part of Syncona's own life science investments are focused on diagnosing and treating cancer, and we are delighted to be supporting the ICR's wider work in the field.

The remainder of the donation goes to The Syncona Foundation, which uses it to support a range of charities, many working in healthcare-related fields. This support is meaningful to many of the charities; the case study opposite describes the impact for Child Bereavement UK.

We are pleased to continue the close association with The Syncona Foundation and to work with them to maximise the benefit achieved from the money we donate. We know that, for many charities, certainty of funding over a number of years can be as vital as the donation itself, as it allows them to make longer-term plans and commitments. We have therefore agreed with The Syncona Foundation that we will extend the minimum donation for a further year (to cover the 2019 financial year). This will allow The Syncona Foundation to give more clarity about the future to the charities it works with, allowing them to plan ahead and get the best outcomes from the support.

£22.8m

support to charity since 2012

Our wider approach

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.

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. A breakdown by gender as an average over the 12-month period to 31 March 2018 is as follows:

Team gender breakdown

Male	61%
Female	39%

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 2018.

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.

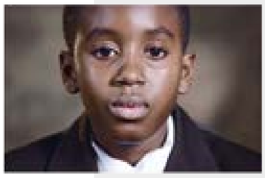
Environment

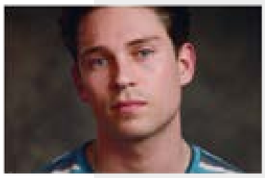
Syncona is committed to operating its business in an environmentally responsible and sustainable manner. Syncona believes its direct environmental impact to be relatively low, with the investment team being based at the Investment Manager's head office in London and limited energy intensive activities carried out. For the year ended 31 March 2018, we estimate our CO_2 emissions in the building to be 50 tonnes.

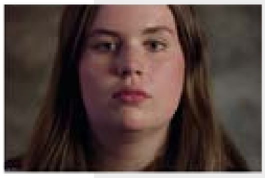
Case *study*

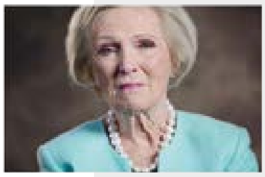
Child Bereavement UK
REBUILDING LIVES TOGETHER

childbereavementuk.org









We support children when a parent, or someone else important to them, has died, and also support parents who have experienced the death of their baby or child. We also offer support before a death, when someone is not expected to live.

We are the largest, specialist child bereavement charity, with services and projects in more than 20 locations across the UK, helping more than 1,000 families each year.

We are the leading provider of child bereavement training, training around 10,000 professionals each year.

We are the only child bereavement charity accredited by the NHS England Information Standard. Our support information is read by more than 60,000 people online each year and our helpline receives more than 600 calls and emails each month.

In the last five years, we have supported more than 4,000 schools.

Syncona helps us achieve our vision

- Syncona has been Child Bereavement UK's single largest unrestricted supporter – at the start of this year it represented 30 per cent of our committed unrestricted income.
- Syncona's commitment over four years has given us the confidence to invest to grow. Since first supporting Child Bereavement UK, income has nearly doubled from c. £1.6 million to c. £3 million.
- We have launched new services in Cheshire, East London and Glasgow. Services in Cumbria, West London and Milton Keynes have more than doubled in size.
- Unrestricted funding given by Syncona allows us to play a key role in responding to emergencies.

We have made an impact but only scratched the surface. Over the next three years we plan to:

- Launch three new services in areas of need.
- Train 40,000 professionals, including teachers, doctors and emergency services.
- Extend our reach to 20 per cent of schools in the UK.

Testimonials – The impact of our support when a child dies

Dawn received support with her husband, Mark, following the death of their four-year-old son, Henry, from cancer in 2013.

"After Henry died, life was absolutely horrific. All I ever wanted was to be a mummy and my world had gone. We've had the most amazing support; if it wasn't for Child Bereavement UK, I don't think I would be here today. They saved my life because they made me realise I have the strength and courage to carry on every day. The couples counselling with Mark saved our marriage. I never ever thought that Mark would go to counselling. How very wrong was I. Don't judge, give it a try and you never know, it could save your life just like it saved mine, and saved our marriage."

Call our helpline
0800 02 888 40

Jeremy Tigue
Chairman

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

A major focus for the Board during this year has been to recruit new Directors, to reflect the shift of the Company's strategy to life sciences and to continue to refresh its membership.

We have made good progress and I am pleased to welcome Rob Hutchinson and Gian Piero Reverberi to the Board from 1 November 2017 and 1 April 2018 respectively. Rob brings strong accounting and valuation experience and (from 1 April 2018) has taken over as Chair of the Audit Committee. Gian Piero brings a wealth of life science commercial experience and his insight will be very valuable as the Company's portfolio increasingly shifts towards life sciences.

With these new appointments in place, the Board has also appointed Nick Moss as Senior Independent Director from 1 April 2018 (having stepped down as Chair of the Audit Committee at the end of the financial year). The Senior Independent Director is an important communication route for any shareholder issues, and I'm pleased to welcome Nick to this role.

During the year, Peter Hames stepped down as a Director at the AGM. Peter had been a Director of the Company from the Company's initial listing on the London Stock Exchange in 2012 and we thank him for his service.

All of the Board are Non-Executive Directors and profiles of each, including length of service, are on pages 52 and 53. Of the Directors, all but Thomas Henderson and Nigel Keen are considered to be independent. Thomas 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 Thomas and Nigel bring valuable skills to the Board, in particular Thomas's strong connections with shareholders and The Syncona Foundation, and Nigel's long-standing involvement with the Syncona life science business.

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 Audit Committee also now 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
Peter Hames[1]	0/2	1/1	–	–
Thomas Henderson	4/4	–	–	–
Rob Hutchinson[2]	2/2	2/2	–	–
Nigel Keen	4/4	–	–	–
Nick Moss	4/4	3/3	2/2	2/2
Ellen Strahlman[3]	4/4	1/1	2/2	2/2

1 Resigned from the Board on 8 September 2017.
2 Appointed to the Board and Audit Committee on 1 November 2017.
3 Appointed to the Audit Committee on 1 January 2018.

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.

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)
- Nick Moss
- Ellen Strahlman

Read more on page 54

Audit Committee

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

Members
- Nick Moss (Chair until 31 March 2018)
- Rob Hutchinson (from 1 November 2017; Chair from 1 April 2018)
- Peter Hames (until 8 September 2017)
- Ellen Strahlman (from 1 January 2018)

Read more on page 56

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)
- Ellen Strahlman
- Jeremy Tigue

Read more on page 59

During the year, the Board has reviewed the matters reserved to it and the responsibilities of a number of its Committees.

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

Communication with shareholders is given a high priority by the Board. During the year, 89 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 took the opportunity to speak to shareholders and shareholder advisers following our 2017 Annual General Meeting. At the AGM, 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 and that resulting in an increase in the percentage shareholding of Wellcome Ventures, was opposed by 22 per cent of those voting on it. The feedback received was constructive and was shared with the rest of the Board. The Board continues to believe that it is valuable to shareholders for the Board to have flexibility to repurchase its shares, but recognises the 'creeping control' concerns of shareholders and would give very careful consideration to that issue if it were to use the repurchase authority.

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 54 to 65. 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 for the following:

- As set out in this report, the Board established a Remuneration Committee with effect from 7 September 2017 and appointed a Senior Independent Director from 1 April 2018.
- 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.

Jeremy Tigue
Chairman

14 June 2018

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 Standard Life 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

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 August 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, a new 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. Nigel is also the Chairman of the AIM-listed medical device company Deltex Medical Group plc and was previously 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 in England and Wales and a Fellow of the Institute of Engineering and Technology.

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 ('CMO') 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 was reconstituted by the Board on 7 September 2017. The Committee's members in the year and from that date were:

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

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**.

Dear fellow shareholder

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

This has been a very active year for the Nomination Committee, with two new appointments to the Board (the second taking effect just after the end of the year) and a considerable amount of time spent on succession planning and the future shape of the Board. This was a key activity for the Board, following the change of investment policy at the end of 2016, and we have made good progress over the year.

New appointments

At the start of the year we identified a need to recruit further life science and financial expertise to the Board. During the year we have carried out a formal process to recruit two new Directors to meet those requirements, supported in each case by our retained executive search consultant Odgers Berndtson (who only act for the Company in that role).

We welcomed Rob Hutchinson to the Board from 1 November 2017. Rob brings strong accounting and valuation experience having led KPMG's Channel Islands 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. The valuation of the life science portfolio is a critical element of the Company's financial reporting and Rob's experience helps to ensure the Board can address the challenges involved. Rob joined the Audit Committee on appointment and from 1 April 2018 has taken over as Chair of the Audit Committee.

We were also delighted to identify Gian Piero Reverberi who has joined the Board from 1 April 2018. Gian Piero's experience in the commercialisation of novel therapies will bring additional insight to the Board in assessing the opportunities and risks as the life science portfolio evolves and individual companies move closer to having products on-market.

Following appointment, each of the new Directors has received a comprehensive induction which involved 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. We will use the new Directors' feedback on the induction process to ensure we provide the right support to Directors and continue to improve the induction in future.

Performance evaluation, training and advice

The Board undertook an evaluation of its own performance in early 2018. Given the changes to the Board in the year, we chose to carry out an internally facilitated process, which involved completion of a questionnaire, and was followed-up by one-to-one discussions between me and each Director. The process included reviewing the Board's strengths and weaknesses, and suggestions for improvement, as well as a review of each Director's individual performance, contribution and commitment to the Company and any training requirements. The Board (other than me) also evaluated my performance.

The process was generally positive and the Board is satisfied that it has a good balance of skills and experience, and that no individual or group of individuals is or has been in a position to dominate decision-making. A number of areas have been identified for further consideration and this will be taken forward over the coming Board meetings. The Nomination Committee takes account of the performance evaluation in considering the future evolution of the Board.

Our next evaluation of the Board's performance is due in early 2019, by which time the current Board should be well-established. We therefore anticipate that the 2019 review will be externally facilitated and we will report on it next year.

In June 2017 I became Chair of ICG Enterprise Trust plc, a listed investment company where I have been a Director since 2008. The appointment was discussed with the Board, who were satisfied that it would not affect my ability to commit sufficient time to carry out my role as Chairman of the Company.

The Directors have access to the advice and services of a Company Secretary, Northern Trust International Fund Administration 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.

Succession planning

During the year, the Nomination Committee also carried out an exercise to consider the future evolution of the Board, which proved very valuable. We believe there is a need to continue to refresh the Board, to bring in additional experience, and so we anticipate continuing to recruit further Directors in the coming years.

In addition, our review considered the three Directors who were appointed at the time of the IPO, and so will reach six years' service later this year – myself, Thomas Henderson and Nick Moss. The Nomination Committee believes that each of us continues to bring valuable skills to the Board and accordingly have recommended that each is proposed for re-appointment as a Director at the upcoming AGM. We anticipate that the recruitment of further new Directors will bring natural transition points over the next few years.

Our approach to diversity

During the year the Nomination Committee has also reviewed and updated the Board's diversity policy. 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 which 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. We intend to achieve at least 25 per cent female representation on the Board by 2020.

We were pleased to add two Directors to the Board this year with diverse skills, experience and background. Our Board composition continues to evolve and we will seek to add further diversity and experience as part of that process.

Jeremy Tigue
Chair, Nomination Committee

14 June 2018

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
Nick Moss (Chair)	3/3
Peter Hames (until 8 September 2017)	1/1
Rob Hutchinson (from 1 November 2017)	2/2
Ellen Strahlman (from 1 January 2018)	1/1

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 52 and 53. 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 take up the role as Chair of the Audit Committee from 1 April 2018, and to present the Audit Committee's report for the past financial year, setting out the Committee's structure, duties and evaluations during the year. Nick Moss was Chair of the Audit Committee throughout the financial year and I would like to thank him for leading the Committee through a period of significant change.

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 £25,000. 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 2017 for the current financial year. David Becker is the lead audit partner and opinion signatory, and has been the lead audit partner for five financial years; accordingly, a new lead audit partner will be appointed later this 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 £483.7 million (2017: £204.8 million) through Syncona Holdings Limited, and £30.8 million (2017: £21.8 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, 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 at 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.

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 fund investments. This is represented by a capital interest in Syncona Investments LP Incorporated ('the LP'), which is valued at £576.2 million (2017: £690.7 million) in the Consolidated Statement of Financial Position.

The LP acts as the investment vehicle through which the Group holds its portfolio of fund 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 investment portfolio of the LP at year end is £465.1 million (2017: £582.8 million) and represents 80.7 per cent (2017: 84.4 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 fund 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 fund 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 Payment ('IFRS 2'). The fair value of awards of MES made in the year ended 31 March 2018 was £12k (31 March 2017: £648k) and the liability related to the cash settled element of the LTIP at 31 March 2018 was £5.4 million (31 March 2017: £46k).

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, Investment Advisor 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 2016/17 Audit Quality Inspection Report.

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 2018 £'000	31 March 2017 £'000
Audit services		
Audit services	34	33
Audit fee for Syncona Group companies	95	72
Reporting Accountant Services[1]	–	105
Non-audit services		
Interim review	20	15
FCA review	7	–
Tax services	–	6

1 Accounting services in connection with the December 2016 transaction.

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

With the changes in Investment Manager, and the significant expansion of the life science portfolio during the year, the Committee carried out a full review of the Company's system of internal control. This aims to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information for publication is reliable, including financial operational, compliance and risk management.

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 42 to 47.

The significant risks are summarised in the Group's risk assessment matrix which is regularly reviewed by the Audit Committee. During the year, the risk assessment matrix was updated to reflect the changes in Investment Manager 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.

The Committee has also reviewed the Company's processes in light of the newly introduced corporate criminal offence of failing to prevent the facilitation of tax evasion. The Company has zero tolerance for the criminal facilitation of tax evasion. The Committee will continue to review such risks relating to tax.

Conclusion and recommendation

After discussing with the Investment Manager and Independent Auditor, and assessing the significant Financial Statement matters listed on page 57, 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

14 June 2018

Directors' remuneration report

Nick Moss
Chair, Remuneration Committee

Remuneration Committee members and structure

The Committee was constituted by the Board on 7 September 2017. The Committee's members in the period were:

	Meetings attended
Nick Moss (Chair)	2/2
Ellen Strahlman	2/2
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 2017 to 31 March 2018.

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 62.

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.

Directors' fees

During the financial year the Remuneration Committee carried out a review of the fees paid to the Non-Executive Directors, including consulting the Company's retained executive search consultant Odgers Berndtson, and benchmarking with other comparable FTSE 350 companies. The Remuneration Committee took into account the need to recruit further high-quality Non-Executive Directors, particularly given the increased complexity of the Company's investments as it invests greater amounts into life science investments.

Following that review, the Board approved an increase in fees with effect from 1 October 2017. Details of the previous and revised fees are set out below.

	Until 30 September 2017 Fee per annum	From 1 October 2017 Fee per annum
Chairman	£40,000	£100,000
Senior Independent Director	n/a	£5,000 additional fee
Chair of Audit Committee	£30,000	£60,000
Director	£25,000	£45,000
Member of Audit Committee (other than Chair)	n/a	£5,000 additional fee

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

Nigel Keen is Chairman of the Investment Manager and receives a fee of £125,000 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 overleaf 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 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 2018, the fees for Directors were as follows:

	31 March 2018 £'000	31 March 2017 £'000
Jeremy Tigue (Chairman)[1]	70	10
Arabella Cecil[2]	–	–
Peter Hames[3]	11	25
Thomas Henderson	–	–
Rob Hutchinson[4]	21	–
Nigel Keen[5,6]	35	7
Colin Maltby[7]	–	8
Nick Moss[8]	45	30
Ellen Strahlman[5]	37	7
Total	**219**	**87**

1 Jeremy Tigue waived his right to Directors' fees until 31 December 2016.
2 Arabella Cecil resigned from the Board on 19 December 2016.
3 Peter Hames resigned from the Board on 8 September 2017.
4 Rob Hutchinson was appointed to the Board on 1 November 2017.
5 Nigel Keen and Ellen Strahlman were appointed to the Board on 19 December 2016.
6 Fees paid to Imperialise Limited, a company controlled by Nigel Keen.
7 Colin Maltby resigned from the Board on 31 July 2016.
8 Fees paid to Equiom Management Services Limited.

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 2018 £'000	For the year ended 31 March 2017 £'000	Difference
Total Directors' pay[1]	219	87	132
Dividends	15,143	8,463	6,680
Directors' pay as a % of distributions to shareholders	1.4	1.0	0.4

1 Including Directors' fees.

Results of the voting at the 2017 AGM

At the 2017 AGM, shareholders approved the remuneration report that was published in the 2017 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	413,716,998	100	0	0	641	33,115
Approval of the Directors' Remuneration Policy	413,716,998	100	0	0	641	33,115

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 31 July 2018.

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 2018 are shown in the table below.

	Ordinary Shares	
	31 March 2018	31 March 2017
Jeremy Tigue (Chairman)	473,561	467,307
Peter Hames[1]	94,709	93,459
Thomas Henderson[2]	9,042,400	12,042,400
Rob Hutchinson	23,140	–
Nigel Keen	–	–
Nick Moss	20,092	20,092
Ellen Strahlman	110,888	–

1 Peter Hames resigned from the Board on 8 September 2017.
2 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 2018.

Nick Moss
Chair, Remuneration Committee

14 June 2018

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 business strategy and shareholder returns. When conducting the annual salary review for all employees, account is taken of the external market and individual performance.

Base salary

Base salaries are based on market data provided by the Company's independent advisers. Base salaries are reviewed annually on 1 April.

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 for employees of the Investment Manager. 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. Holders are able to realise 25 per cent of their vested MES annually after the publication of the Company's Annual Report provided that the Net Asset Value of the life science portfolio has grown by at least 15 per cent from the date of issue of the MES concerned. 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. Information about awards made under the Syncona Long-Term Incentive Plan is set out in note 13.

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 2018, 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 4,620,436, or 0.7 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.

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 2018, 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 was outsourced, until 12 December 2017, to BACIT UK Limited and since that date to its subsidiary Syncona Investment Management Limited. Its company secretarial and administrative functions are outsourced to Northern Trust International Fund Administration Services (Guernsey) Limited. Further details on the Company's investment activities and Investment Manager are described in more detail below.

The Company's investment objective is to achieve superior long-term capital appreciation from its investments. An expanded investment objective and policy were approved by shareholders at the Extraordinary General Meeting held on 14 December 2016. A copy of the investment policy is set out in the box overleaf.

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.

Until 12 December 2017, BACIT UK Limited acted as the Company's investment manager and Syncona Investment Management Limited provided advice in relation to the Company's life science portfolio.

From 12 December 2017 to 31 March 2018, BACIT UK Limited acted as sub-delegated manager to the Investment Manager. That arrangement has now been terminated, as set out in the announcement to shareholders dated 9 March 2018, which is available on the Company's website.

The Company pays the Investment Manager an annual fee equal to expenses incurred in managing the investment portfolio, up to a maximum amount. That maximum was 1 per cent per annum of the Company's NAV until 31 March 2018, and has been increased to 1.1 per cent per annum of the Company's NAV from 1 April 2018 to reflect the termination of the sub-delegation to BACIT UK Limited and that the Investment Manager will now manage the fund investments itself. 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 52 and 53. Details of the Directors' shareholdings are included in the Directors' remuneration report on page 59.

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 2018, the Company had 659,952,090 nil paid Ordinary Shares in issue. No shares were held in treasury. The total number of voting rights at 31 March 2018 was 659,952,090. 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 13 June 2018, 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	243,461,685	36.9%

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 76. During the year ended 31 March 2018, the Company declared a dividend of £15.1 million (31 March 2017: £8.5 million) relating to the year ended 31 March 2017. The dividend was comprised of £12.4 million (31 March 2017: £6.7 million) cash and a scrip dividend of £2.7 million (31 March 2017: £1.8 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 £1,055.8 million (31 March 2017: £895.2 million) of which 31.4 per cent (31 March 2017: 43.1 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 £72.0 million (31 March 2017: £108.0 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 2021. The period selected was considered appropriate as it covers a period over which a majority of current uncalled commitments are expected to be called.

Investment Objective and Policy

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

- life science businesses (including private and quoted companies) and single 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 of 15 per cent per annum over the long term.

The Company is not required to allocate a specific percentage of its assets to Life Science Investments or Fund Investments although, over time, 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 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 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 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, measured at the time of investment:

- no more than 25 per cent of the Company's gross assets may be invested in any single Life Science Investment; 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.

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, but for the foreseeable future, the Company intends to hold at least 15 Fund Investments.

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 (defined for these purposes as event-driven, merger arbitrage, convertible arbitrage, emerging markets, fixed income, credit, distressed, macro, multi-strategy, relative value and systematic strategies); and
- no more than 80 per cent of the Company's gross assets may be invested in any single asset class (defined for these purposes as long-only equity funds, long-only fixed income and credit funds, hedge funds, private equity funds and real estate funds, infrastructure funds and other asset classes not included in any of the foregoing).

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.

Where feasible, the Company will endeavour (but is not required) to make Fund Investments in cases where the relevant investment manager provides investment capacity on a 'gross return' basis, meaning that the Company does not bear the impact of management or performance fees on the relevant investment. This may be achieved by the relevant manager or fund agreeing with the Company not to charge management or performance fees, by

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 43 to 47. The Directors have also reviewed the Company's current financial position and its internal models for liquidity and investment pipeline in a number of stressed scenarios.

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.

rebating or donating back to the Company any management or performance fees charged or otherwise arranging for the Company to be directly or indirectly compensated so as effectively to increase its investment return on the relevant investment by the amount of any such fees. Depending on their specific terms, arrangements under which the Company receives a rebate, donation or other retrocession, compensation or payment in respect of fees payable in relation to an investment may mean that the investment returns actually received by the Company are not identical to those that would have been received had no fees been charged. However, any such differences are not expected to be material.

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 Investments portfolio which would result in exposure to tobacco companies exceeding 1 per cent of the aggregate value of the Fund Investments portfolio from time to time.

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 Management Team 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.

Annual General Meeting
The AGM will be held at Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL on 31 July 2018 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. At the time of the change of the Company's investment strategy in 2016, it was agreed that the donation in respect of the financial years ending in 2017 and 2018 would be at least £4.75 million, and accordingly the total amount donated this year will be that amount.

Thomas Henderson and (from 1 April 2018) 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 page 48.

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

14 June 2018

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 14 June 2018 and is signed on its behalf by:

Jeremy Tigue
Chairman

14 June 2018

Rob Hutchinson
Non-Executive Director

14 June 2018

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:

- **give a true and fair view of the state of the Group's affairs as at 31 March 2018 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 of Syncona Limited (the 'parent company') and its subsidiary (the 'Group') 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 23.

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 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.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – Valuation of 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 £21.1 million which was determined on the basis of 2% of total net assets attributable to holders of Ordinary Shares ('NAV').
Scoping	Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level, encompassing all subsidiaries. The Group engagement team carried out audit work on each of the underlying subsidiaries executed at levels of materiality applicable to each subsidiary, which in all instances was lower than Group materiality.
Significant changes in our approach	As a result of the positive performance of the life science investments the cash settled portion of the LTIP liability has increased to £5.4 million in March 2018 (2017: £46k). As such we consider the Valuation of the LTIP Liability to be a new key audit matter for the audit of the year ended 31 March 2018. We no longer consider the following to be key audit matters in the current year: – IFRS 10 Investment Entity Exemption to Consolidation – in the prior year, following the expansion of the investment policy through the acquisition of life science investments, there was a requirement to re-assess the status of Syncona Limited as an investment entity as defined under IFRS 10. There has been no change in investment policy or the structure of the Group since the 31 March 2017 audit. – Valuation of fund investments – since the prior year, the composition of the fund investments has changed to become more liquid and less volatile resulting in a lower risk of inaccurate valuation.

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 42-47 that describe the principal risks and explain how they are being managed or mitigated; – the Directors' confirmation on page 42 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 64 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.

Valuation of Life Science Investments	
Key audit matter description	The Group holds life science investments with a fair value of £483.7 million through Syncona Portfolio Limited ('SPL') held by Syncona Holdings Limited, and £30.8 million through Syncona Discovery Limited held by Syncona Investments LP Incorporated ('life science investments'). 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 IAS 39 Financial Instruments: Recognition and Measurement ('IAS 39'). 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. In accordance with the accounting policy on page 80, investments are generally valued either at cost, price of recent investment ('PRI'), quoted prices or through other valuation techniques: – Cost – Where a life science investment has been made recently it is valued on a cost basis unless there is objective evidence that there has been a movement in fair value since the investment was made. – PRI – Fair value estimates, which are based entirely on observable market data, are of greater reliability than those based on assumptions and, accordingly, where there has been a recent investment by a third party, the price of that investment generally provides a basis of the valuation, unless there is objective evidence there has been a movement in fair value since the investment was made. – Quoted prices – Where a life science investment has completed an Initial Public offering and therefore IFRS 13 and IPEV guidelines require that the investments be valued using the listed price per share. – Other valuation techniques – Where it is not appropriate to value an investment on a cost or PRI basis, or there is objective evidence that a movement in fair value has occurred since a relevant transaction, then the Directors employ one of the alternative methodologies set out in the IPEV Valuation Guidelines. Such alternative methodologies used are a discounted cash flow ('DCF') approach or adjusted third party whereby Syncona adjust a third party's investment valuation with the Syncona company-wide discount rate. As described in note 3, in cases where Syncona is the sole institutional investor and substantive clinical data is not available, life science investments shall be valued at cost or PRI. Once 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 the valuation was prepared by the Investment Advisor, 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 as described above, any reward under the LTIP is dependent on the valuation of the life science investments. As such there is an incentive for SIML to manipulate investment valuation in order to trigger a pay-out under the LTIP. Details of the life science investments balance are disclosed in notes 4, 11 and 20 and the accounting policies relating to them are disclosed in note 2 and Audit Committee Report on page 57.
How the scope of our audit responded to the key audit matter	In order to test the underlying life science investments as at 31 March 2018 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, as well as the scope of their work; and – Reviewed the valuations performed by the independent advisor, and challenged the Directors to understand circumstances where a different approach was adopted in the context of the Group's valuation policy. 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 ensure that conditions did not exist at the balance sheet date that would suggest that the year end fair value was materially misstated. For investments where quoted price is determined to be the best approximation of fair value in accordance with IFRS 13 we performed the following procedures: – Independently confirmed the prices of all listed investments using our Bloomberg and Datastream price feed, as well as reviewing trading volumes during the year to assess liquidity; and – For investments where the Group owns a significant holding, we assessed the liquidity of the investment and evaluated whether the requirements of IFRS 13 are met when evaluating the Fair Value. 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: – Challenged the Directors to understand the rationale where DCF modelling is used, in order to assess whether this is a reasonable valuation basis. – Inspected the valuation model used, and challenged the key inputs used in the model using our valuations expert. The most significant input that was challenged was the discount rate. This included benchmarking against broader market practice and sensitivity analysis on the inputs to the model.
Key observations	We concluded that the valuations were within a reasonable range and the methodology applied was appropriate in all material respects.

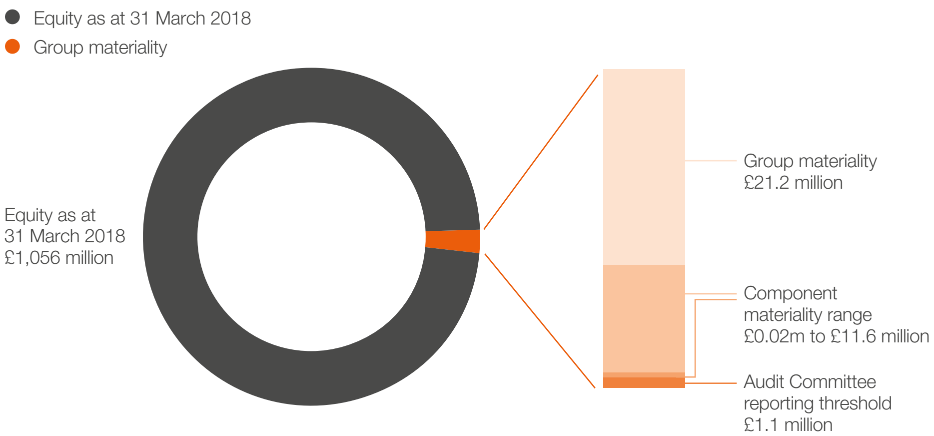
Valuation of the Long-Term Incentive Plan ('LTIP') Liability	
Key audit matter description	Members of the management team of Syncona Investment Management Limited ('SIML') are entitled to participate in a LTIP. Syncona Holdings Limited may award Management Equity Shares ('MES') to employees of SIML. 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 2018 was £12k (31 March 2017: £648k) and the carrying amount of the cash element of the liability arising for the year ended 31 March 2018 was £5.4 million (31 March 2017: £46k). 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 page 57.
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 2018 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; and – We have reviewed the disclosures in the notes to the financial statements for the LTIP to assess whether they meet the requirements of the IFRS 2 and adequately disclose all material terms of the plan. – 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 Liability at 31 March 2018 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	£21.1 million (2017: £17.2 million)
Basis for determining materiality	2% of NAV as at 31 March 2018 (2017: 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 £1,056 million as at 31 March 2018 (2017: £895 million).



We agreed with the Audit Committee that we would report all audit differences in excess of £1.1 million (2017: £861k), 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 level, encompassing all subsidiaries.

The Group audit engagement team carried out statutory audit work directly on each of the underlying subsidiaries executed at levels of materiality applicable to each subsidiary, which in all instances was lower than Group materiality and is capped at £11.6 million. The audit of all of the subsidiaries of the Group has achieved a 100% coverage of the net assets of Syncona Limited.

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.

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.

Use of our report

This report is made solely to the company's members, as a body, in accordance with 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.

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 – adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or – the financial statements are not in agreement with the accounting records and returns.	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 six years, covering the period ending 25 October 2012 to the year ending 31 March 2018.

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).

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

14 June 2018

Group portfolio statement
As at 31 March 2018

	Fair value £'000	% of Group NAV 2018
Life science portfolio		
Life science companies		
Blue Earth Diagnostics Limited	186,828	**17.6**
Nightstar Therapeutics plc	124,492	**11.8**
Autolus Limited	85,117	**8.1**
Freeline Therapeutics Limited	36,000	**3.4**
Companies of less than 1% of NAV	51,299	**4.9**
Total Life Science Companies[1]	483,736	**45.8**
CRT Pioneer Fund[2]	30,807	**2.9**
Total life science portfolio[3]	**514,543**	**48.7**
Fund Investments		
Equity hedge funds		
Polar UK Absolute Equity	36,862	**3.5**
Maga Smaller Companies UCITS	31,680	**3.0**
Polygon European Equity Opportunity	31,570	**3.0**
AKO Global UCITS	29,035	**2.8**
Portland Hill	24,036	**2.3**
Sagil Latin American Opportunities	18,775	**1.8**
Doric Asia Pacific	14,718	**1.4**
Man GLG Pan-European Growth	12,966	**1.2**
Funds of less than 1% of NAV	14,563	**1.4**
	214,205	**20.4**
Equity funds		
The SFP Value Realisation	37,719	**3.6**
Polar Capital Japan Alpha	31,412	**2.9**
Majedie UK Focus	25,460	**2.4**
Majedie UK Equity	23,245	**2.2**
	117,836	**11.1**
Fixed income and credit funds		
Polygon Convertible Opportunity	18,575	**1.8**
WyeTree RETRO	16,837	**1.6**
CG Portfolio Dollar	16,070	**1.6**
Funds of less than 1% of NAV	16,261	**1.5**
	67,743	**6.5**
Global macro funds		
Sinfonietta	24,550	**2.3**
	24,550	**2.3**
Other strategies		
Permira V	21,941	**2.1**
Infracapital Partners II	15,142	**1.4**
Funds of less than 1% of NAV	2,174	**0.2**
	39,257	**3.7**
Open forward currency contracts	1,511	**0.1**
Total Fund Investments[2]	**465,102**	**44.1**
Other net assets		
Cash and cash equivalents[4]	85,182	**8.1**
Charitable donations	(4,752)	**(0.5)**
Other assets and liabilities	(4,312)	**(0.4)**
Total other net assets	**76,118**	**7.2**
Total Net Asset Value of the Group	**1,055,763**	**100.0**

Valuation basis	Percentage of the investment portfolio
Cost	7%
Price of recent investment	10%
Discounted cash flow	19%
Quoted	14%
Third party	50%
CRT Pioneer Fund	3%
Fund investments	47%

1 The fair value of Syncona Holdings Limited amounting to £488,347,516 is comprised of investments in life science companies of £483,736,053, other net assets of £689,232 in Syncona Holdings Limited, other net assets of £1,449,330 in Syncona Portfolio Limited and investment in Syncona Investment Management Limited of £2,472,901.

2 The fair value of the investment in Syncona Investments LP Incorporated amounting to £576,174,499 is comprised of the investment in the fund investments of £465,102,003 (including the open forward currency contracts of £1,511,499), the investment in the CRT Pioneer Fund of £30,807,446, cash of £78,712,400 and other net assets of £1,552,650.

3 The life science portfolio of £514,543,499 consists of life science investments totalling £483,736,053 held by Syncona Holdings Limited and the CRT Pioneer Fund of £30,807,446 held by Syncona Investments LP Incorporated.

4 Total cash held by the Group is £85,182,499. Of this amount £981,053 is held by Syncona Limited, and £78,712,400, £2,472,015 and £3,017,031 are held by Syncona Investments LP Incorporated, Syncona Portfolio Limited and Syncona Investment Management Limited respectively. Cash held by Syncona Investments LP Incorporated, Syncona Portfolio Limited and Syncona Investment Management Limited is not shown in Syncona Limited's Consolidated Statement of Financial Position.

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

Consolidated statement of comprehensive income

For the year to 31 March 2018

		2018			2017		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment income							
Other income	7	**28,747**	**–**	**28,747**	14,561	–	14,561
Total investment income		**28,747**	**–**	**28,747**	14,561	–	14,561
Net gains on financial assets at fair value through profit or loss	8	**–**	**167,694**	**167,694**	–	71,375	71,375
Total gains		**–**	**167,694**	**167,694**	–	71,375	71,375
Expenses							
Charitable donation	9	**4,752**	**–**	**4,752**	4,752	–	4,752
General expenses	10	**18,858**	**–**	**18,858**	3,893	–	3,893
Total expenses		**23,610**		**23,610**	8,645	–	8,645
Profit for the year		**5,137**	**167,694**	**172,831**	5,916	71,375	77,291
Earnings per Ordinary Share	15	**0.78p**	**25.43p**	**26.21p**	1.28p	15.44p	16.72p

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 2018

	Notes	2018 £'000	2017 £'000
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	11	**1,064,521**	896,469
Current assets			
Bank and cash deposits		**981**	105
Trade and other receivables	12	**5,445**	4,772
Total assets		**1,070,947**	901,346
LIABILITIES AND EQUITY			
Non-current liabilities			
Share based payments	13	**4,450**	46
Current liabilities			
Share based payments	13	**943**	–
Payables	14	**9,791**	6,062
Total liabilities		**15,184**	6,108
EQUITY			
Share capital	15	**763,016**	760,327
Distributable capital reserves		**292,747**	134,911
Total equity		**1,055,763**	895,238
Total liabilities and equity		**1,070,947**	901,346
Total net assets attributable to holders of Ordinary Shares		**1,055,763**	895,238
Number of Ordinary Shares in Issue	15	**659,952,090**	658,387,407
Net assets attributable to holders of Ordinary Shares (per share)	15	**£1.60**	£1.36
Diluted Shares (per share)	15	**£1.59**	£1.36

The audited Consolidated Financial Statements on pages 76 to 102 were approved on 14 June 2018 and signed on behalf of the Board of Directors by:

Jeremy Tigue
Chairman

Nick Moss
Non-Executive Director

Consolidated statement of changes in net assets attributable to holders of Ordinary Shares

	Notes	Share capital £'000	Capital reserves £'000	Revenue reserves £'000	Total £'000
As at 31 March 2016		406,208	66,037	–	472,245
Total comprehensive income for the year		–	71,375	5,916	77,291
Transactions with shareholders:					
Share based payments		–	–	46	46
Scrip dividend shares issued during the year		1,801	–	–	1,801
Distributions		–	(2,501)	(5,962)	(8,463)
Issuance of shares		357,054	–	–	357,054
Share issue costs		(4,736)	–	–	(4,736)
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:					
Share based payments		–	–	148	148
Scrip dividend shares issued during the year	15	2,689	–	–	2,689
Distributions	16	–	(9,858)	(5,285)	(15,143)
As at 31 March 2018		**763,016**	**292,747**	**–**	**1,055,763**

Consolidated statement of cash flows
For the year to 31 March 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Profit for the year		**172,831**	77,291
Adjusted for:			
Gains on financial assets at fair value through profit or loss	8	**(167,694)**	(71,375)
Operating cash flows before movements in working capital		**5,137**	5,916
(Increase)/decrease in other receivables		**(673)**	23
Increase in other payables		**3,729**	1,177
Net cash generated from operating activities		**8,193**	7,116
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss		**(114,133)**	(169,235)
Return of capital contribution		**119,270**	4,000
Net cash generated from/(used in) investing activities		**5,137**	(165,235)
Cash flows from financing activities			
Issuance of shares		**–**	169,581
Share issue costs		**–**	(4,736)
Distributions	16	**(12,454)**	(6,662)
Net cash (used in)/generated from financing activities		**(12,454)**	158,183
Net increase in cash and cash equivalents		**876**	64
Cash and cash equivalents at beginning of year		**105**	41
Cash and cash equivalents at end of year		**981**	105
Supplemental disclosure of non-cash investing and financing activities:			
Investments purchased by issue of shares		**–**	(187,473)
Issue of shares	15	**2,689**	189,274
Scrip dividend shares issued during the year	15	**(2,689)**	(1,801)
Net non-cash investing and financing activities		**–**	–

Cash held by the Company and its subsidiaries other than its portfolio companies ('Syncona Group companies') is disclosed in the Group portfolio statement on page 74.

Notes to the consolidated financial statements
For the year ended 31 March 2018

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.

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

The Company makes its life science investments through Syncona Holdings Limited (the 'Holding Company'). The Company makes its fund investments through Syncona Investments LP Incorporated (the 'Partnership'). 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 64 to 65.

2. Accounting policies

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:

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, which comprise standards and interpretations approved by the International Accounting Standards Board 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 £1,055.8 million (31 March 2017: £895.2 million) of which 31.4 per cent (31 March 2017: 43.1 per cent) are readily realisable within three months in normal market conditions, and uncalled commitments to underlying investments and funds amounting to £72.0 million (31 March 2017: £108.0 million). Accordingly, the Company has adequate financial resources to continue in operational existence for 12 months following the approval of the 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 IAS 39 'Financial Instruments: Recognition and Measurement'. Syncona Investments LP Incorporated and Syncona Holdings Limited both meet the definition of Investment Entities as described in note 3.

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.

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace.

Financial liabilities are classified as other financial liabilities.

Financial assets at fair value through profit or loss ('investments')
Investments purchased are 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 is determined at the time of the purchase and is re-evaluated on a regular basis.

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, shown in the Consolidated Statement of Financial Position approximate the fair values due to the short-term nature of these loans and receivables. The Group did not hold any loans throughout the year.

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.

Other financial liabilities
Other financial liabilities include all other financial liabilities other than those designated as 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. Accordingly, the valuation methodology used most commonly by the Group is the Price of Recent Investment ('PRI').

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

- Cost – Where an investment has been made recently it is valued on a cost basis unless there is objective evidence that it 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 or, where the Group considers that cost is no longer relevant, the Group carries out an enhanced assessment based on comparable companies, transactions and milestone analysis.
- PRI – The Group considers that fair value estimates, which are based entirely on observable market data, are of greater reliability than those based on assumptions and, accordingly, where there has been any recent investment by third parties, the price of that investment generally provides a basis of the valuation. The length of period for which it remains appropriate to use the price of recent investment depends on the specific circumstances of the investment and the stability of the external environment.
- Marketable quoted securities – Any investments which are marketable securities quoted on an investment exchange are valued at the relevant bid price at the close of business on the relevant date.
- Other valuation techniques – Where the life science investment management team is unable to value an investment on a cost or PRI basis, or there is objective evidence that a change in fair value has occurred since a relevant transaction, then it employs one of the alternative methodologies set out in the IPEVC Valuation Guidelines such as DCF or price-earnings multiples. 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, as described above, the DCF methodology will generally 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 where other metrics are considered less reliable.
- 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 including 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 we identified and requested it to perform within an agreed limited scope. The investments covered in the review were Achilles Therapeutics Limited, Autolus Limited, Blue Earth Diagnostics Limited, Freeline Therapeutics Limited and Gyroscope Limited.

  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 and limited by the information reviewed did not involve an audit, review, compilation or any other form of verification, examination or attestation under generally accepted auditing standards and was based in 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 one element of and 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 management is ultimately responsible.

2. Accounting policies (continued)

Fair value – fund investments

Investments in underlying funds – The Group's 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 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 method of valuation to be used if it considers that such method of valuation better reflects value generally or in particular markets or market conditions and is in accordance with good accounting practice. In the event that a price or valuation estimate accepted by the Group or by the Investment Manager in relation to an underlying fund subsequently proves to be incorrect or varies from the final published price by an immaterial amount, no retrospective adjustment to any previously announced Net Asset Value or Net Asset Value per Share will be made.

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.

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 Syncona Holdings Limited 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 per cent of their vested MES to the Company each year. The price is determined using a formula stipulated in the Articles of Association ('Articles') of Syncona Holdings Limited.

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 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 'Share based payments' 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 for the companies as a whole, as provided by 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 equal to the fair value at that date, spread over the vesting period, with an amount credited to the share based payments reserve in respect of the equity-settled proportion and to non-current liabilities in respect of the cash-settled proportion (see below). In its own financial statements, the Company records a capital contribution to the Holding Company equal to the aggregate amount.

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 non-current liability in the Company. 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 charged to the Consolidated Statement of Comprehensive Income in capital. All other expenses are charged to the Statement of Comprehensive Income in revenue. 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.

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 9 – Financial instruments: Classification and measurement (effective accounting periods starting on or after 1 January 2018)

IFRS 15 – Revenue from Contracts with Customers (effective accounting periods starting on or after 1 January 2018)

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

IFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. Material financial instruments have been reviewed and it is not anticipated that there will be a material impact on the Group Financial Statements.

IFRS 15 'Revenue from Contracts with Customers' was published in May 2016 and specifies how and when to recognise revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. Material revenue streams have been reviewed and it is not anticipated that there will be a material impact on timing of recognition or gross up for principal/agent considerations.

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 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. Material leases have been reviewed and it is not anticipated that there will be a material impact on the Group's financial statements.

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

3. Significant accounting judgements, estimates and assumptions

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.

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 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 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. Accordingly, the valuation methodology used most commonly by the Group is the Price of Recent Investment ('PRI').

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 at Cost or PRI. Once substantial clinical data has been generated the Group will use input from an independent valuations adviser to assist in the determination of fair value. What constitutes substantial data is a matter of judgement and will vary depending on the specifics of each investment. It is expected that moving from a Cost or PRI basis to another valuation technique would have a significant impact on the valuation, however it is not possible to provide meaningful sensitivity at this stage.

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.

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.

Assessment as investment entity

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.

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.

Estimates and assumptions

The Group's investments consist of its investments in the Holding Company and the Partnership, both of which are classified as 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 adviser in its determination of the fair value of investments. It is expected that using input from an independent valuation adviser may have an impact on the valuation, however it is not possible to provide meaningful sensitivity at this stage.

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 as set out above.

4. Operating segments

The Group is made up of two main components, the 'life science portfolio' and the 'fund 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 fund investments. The life science portfolio and the fund 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 74.

Fund 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.

Details of the underlying assets are shown in the Group portfolio statement on pages 74 and 75.

Information about reporting segments

The following provides detailed information for the Group's two reportable segments for the year ended 31 March 2018:

As at 31 March 2018	Life science portfolio £'000	Fund 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

As at 31 March 2017	Life science portfolio £'000	Fund investments £'000	Unallocated[1] £'000	Total £'000
Revenue	–	–	14,561	14,561
Capital growth	24,801	46,574	–	71,375
Expenses	–	–	(8,645)	(8,645)
Net assets	226,554	582,371	86,313	895,238

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 pages 74 to 75. The capital growth can be agreed to the Statement of Comprehensive Income on page 76.

5. Investment in subsidiaries and associates

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

Directly owned subsidiaries

Subsidiary	Principal place of business	Principal activity	% 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	90%
Gyroscope Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	82%
Orbit Biomedical Limited	UK	Syncona Portfolio Limited	Surgical Devices	80%
Freeline Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	78%
SwanBio Limited	UK	Syncona Portfolio Limited	Gene therapy	66%

Indirect associates	Principal place of business	Immediate parent	Principal activity	% interest[1]
Achilles Therapeutics Limited	UK	Syncona Portfolio Limited	Cell therapy	49%
Nightstar Therapeutics plc	UK	Syncona Portfolio Limited	Gene therapy	42%
Autolus Limited	UK	Syncona Portfolio Limited	Cell therapy	41%
Cambridge Epigenetix Limited	UK	Syncona Portfolio Limited	Advanced diagnostics	14%

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 2017: £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.

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 £28,746,812 (31 March 2017: £14,561,043) of which £4,757,729 (31 March 2017: £4,755,378) remained receivable at 31 March 2018. The receivable reflects the charitable donation of the Group.

8. Net gains/(losses) 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	2018 £'000	2017 £'000
Net gains/(losses) from:			
The Holding Company	8.a	**162,933**	24,801
The Partnership	8.b	**4,761**	46,574
		167,694	71,375

8.a Movements in the Holding Company:

	2018 £'000	2017 £'000
Residual income from liquidated subsidiaries	**726**	–
Expenses	**(44)**	(36)
Net expense of Syncona Portfolio Limited	**(52)**	–
Foreign currency losses on life science investments	**(435)**	–
Movement in unrealised gains on life science investments at fair value through profit or loss	**162,738**	24,837
Net gains on financial assets at fair value through profit or loss	**162,933**	24,801

8.b Movements in the Partnership:

	2018 £'000	2017 £'000
Investment income	**1,821**	1,333
Rebates and donations	**2,355**	2,035
Expenses	**(236)**	(303)
Realised gains on financial assets at fair value through profit or loss	**43,670**	7,324
Movement in unrealised (losses)/gains on financial assets at fair value through profit or loss	**(26,744)**	72,143
Gains/(losses) on forward currency contracts	**20,370**	(23,368)
Gains on foreign currency	**(7,728)**	1,971
Gains on financial assets at fair value through profit or loss	**33,508**	61,135
Distributions	**(28,747)**	(14,561)
Net gains on financial assets at fair value through profit or loss	**4,761**	46,574

9. Charitable donations

The Group has an obligation to make a donation to charity of 0.3% of the total NAV of the Company calculated on a monthly basis. For the years ending 31 March 2017, 31 March 2018 and 31 March 2019 the Group has agreed that the charitable donations will not be less than £4,751,608. Any amount paid in excess of 0.3% of the total NAV of the Group in those years will be recovered by reducing the charitable donations in subsequent years if the NAV of the Group rises above £1,583,869,333. Half of the donation is made to The Institute of Cancer Research ('ICR') and the other half to The Syncona Foundation. The Syncona Foundation grants those funds to charities in proportions determined each year by shareholders of the Group.

During the year, accrued charitable donations amounted to £4,751,608 (31 March 2017: £4,751,608). As at 31 March 2018, £4,751,608 (31 March 2017: £4,751,608) remained payable.

10. General expenses

	2018 £'000	2017 £'000
Directors' fees	**219**	87
Auditor's remuneration	**34**	33
Share based payments	**5,494**	92
Termination expense	**3,800**	–
Other expenses	**9,311**	3,681
	18,858	3,893

Auditor's remuneration includes audit fees in relation to the Group of £34,351 (31 March 2017: £33,350). Total audit fees paid by the Group and the Syncona Group companies for the year ended 31 March 2018 totalled £128,923 (31 March 2017: £105,750). Additional fees paid to the auditor were: £20,000 which relates to work performed at the interim review (31 March 2017: £15,000) and other non-audit fees of £6,500 (31 March 2017: £110,650).

The Management Expense Contribution, payable by the Group to BACIT, was calculated as 0.19 per cent of NAV per annum. 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 discussed in note 17. During the year ended 31 March 2018, fees of £1,826,719 (31 March 2017: £1,093,533) were charged by BACIT to the Group and £155,933 (31 March 2017: £488,010) remained payable at the year end.

Other expenses include fees paid to the Investment Manager of £7,604,364. See note 17 for further details.

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

11. Financial assets at fair value through profit or loss

	Note	2018 £'000	2017 £'000
The Holding Company	11.a	**488,347**	205,787
The Partnership	11.b	**576,174**	690,682
		1,064,521	896,469

11.a The net assets of the Holding Company:

	2018 £'000	2017 £'000
Cost of the Holding Company's investments at the start of the year	**180,479**	–
Purchases during the year	**120,091**	180,479
Realised gain on transfer of assets	**24,940**	–
Cost of the Holding Company's investments at the end of the year	**325,510**	180,479
Net unrealised gains on investments at the end of the year	**162,148**	24,837
Fair value of the Holding Company's investments at the end of the year	**487,658**	205,316
Other net current assets	**689**	471
Financial assets at fair value through profit or loss at the end of the year	**488,347**	205,787

The realised gain 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:

	2018 £'000	2017 £'000
Cost of the Partnership's investments at the start of the year	**460,046**	388,412
Purchases during the year	**95,524**	136,197
Sales during the year	**(209,070)**	(60,804)
Return of capital	**(13,177)**	(11,083)
Net realised gains on disposals during the year	**43,670**	7,324
Cost of the Partnership's investments at the end of the year	**376,993**	460,046
Net unrealised gains on investments at the end of the year	**117,405**	144,149
Fair value of the Partnership's investments at the end of the year	**494,398**	604,195
Open forward currency contracts	**1,511**	437
Cash and cash equivalents	**78,712**	86,204
Other net current assets/(liabilities)	**1,553**	(154)
Financial assets at fair value through profit or loss at the end of the year	**576,174**	690,682

12. Trade and other receivables

	2018 £'000	2017 £'000
Investment income receivable	**4,758**	4,755
Prepayments	**687**	17
	5,445	4,772

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:

	2018 £'000	2017 £'000
Charge relating to issue of new MES	4	92
Charge relating to previously issued MES	292	–
Charge related to revaluation of the liability for cash settled share awards	5,199	–
Total	5,494	92

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

	2018 £'000	2017 £'000
Share based payments – current	943	–
Share based payments – non-current	4,450	46
Total	5,393	46

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 2018 was £11,776 (31 March 2017: £648,000). This represents 557,639 new MES issued (31 March 2017: 27,785,324).

The number of MES outstanding are shown below:

	2018 £'000	2017 £'000
Outstanding at start of the year	27,785,324	–
Awarded in the year	557,639	27,785,324
Lapsed	(678,054)	–
Outstanding at end of the year	27,664,909	27,785,324
Weighted average remaining contractual life of outstanding MES, years	2.75	3.74
Vested MES at the year end	6,781,629	–
Realisable MES at the year end	1,695,407	–

At 31 March 2018, if all MES were realised the number of shares issued in the Company as a result would be 4,620,436 (31 March 2017: 1,087,495).

14. Payables

	2018 £'000	2017 £'000
Charitable donations payable	4,752	4,752
Management fees payable	852	952
Termination expense payable	3,800	–
Other payables	387	358
	9,791	6,062

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.

	2018 £'000	2017 £'000
Ordinary share capital		
Balance at the start of the year	**760,327**	406,208
Issued during the year	**–**	357,054
Scrip dividend shares issued during the year	**2,689**	1,801
Share issue costs	**–**	(4,736)
Balance at the end of the year	**763,016**	760,327

	2018 Shares	2017 Shares
Ordinary share capital		
Balance at the start of the year	**658,387,407**	384,665,158
Issued during the year	**–**	272,248,622
Scrip dividend shares issued during the year	**1,564,683**	1,473,627
Balance at the end of the year	**659,952,090**	658,387,407

In December 2016, the Group acquired a portfolio of life science investments for £176,899,998 (134,883,720 Ordinary Shares), together with interest in the CRT Pioneer Fund for £10,572,360 (8,061,273 Ordinary Shares). At the same time, the Company raised £169,581,708 (129,303,629 Ordinary Shares) in new capital from new and existing investors. In total, £357,054,066 (272,248,622 Ordinary Shares) in new Ordinary Shares were issued at a price of 131.15p, a 1.35% premium to NAV per share at the time.

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

B. Capital reserves

Gains and losses from investments held during the year, including exchange differences, are recognised in 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:

	2018	2017
Earnings for the purposes of earnings per share	**£172,831,499**	£77,291,393
Basic weighted average number of shares	**659,356,224**	462,399,882
Basic revenue earnings per share	**0.78p**	1.28p
Basic capital earnings per share	**25.43p**	15.44p
Basic earnings per share	**26.21p**	16.72p
Diluted weighted average number of shares	**663,980,947**	463,487,377
Diluted revenue earnings per share	**0.77p**	1.28p
Diluted capital earnings per share	**25.26p**	15.40p
Diluted earnings per share	**26.03p**	16.68p

D. NAV per share

	2018	2017
Net assets for the purposes of NAV per share	**£1,055,763,499**	£895,238,499
Ordinary Shares in issue	**659,952,090**	658,387,407
NAV per share	**159.98p**	135.97p
Diluted number of shares	**664,572,526**	659,474,902
Diluted NAV per share	**158.86p**	135.75p

16. Distribution to shareholders

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

During the year ended 31 March 2018, the Company declared and paid a dividend of 2.3p per share amounting to £15,142,910 (31 March 2017: £8,462,633) relating to the year ended 31 March 2017 (31 March 2016). The dividend was comprised of £12,454,159 cash (31 March 2017: £6,662,132) and a scrip dividend of £2,688,751 (31 March 2017: £1,800,501).

See note 23 for details of the 2018 dividend.

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:

	2018 £'000	2017 £'000
Investments with control	**248,728**	131,415

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:

	2018 £'000	2017 £'000
Investments with significant influence	**226,025**	73,315

During the year SIML, an indirectly held subsidiary of the Company, charged the life science investments a total of £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. Throughout the year, BACIT charged the Group an annual fee of 0.19 per cent 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 2018 SIML was entitled to receive an annual fee of up to 1.00 per cent of NAV per annum. On 31 March 2018 the fee payable to SIML increased from that date to a maximum of 1.10 per cent of NAV per annum.

	2018 £'000	2017 £'000
Amounts paid to BACIT	**5,627**	1,094
Amounts paid to SIML	**5,778**	1,680

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.

Company Directors

At the year end the Company had six Directors, all of whom served in a Non-Executive capacity. The Directors Jeremy Tigue, Nick Moss and Rob Hutchinson also serve as Directors of the General Partner. Thomas Henderson is also a Director of BACIT.

Nigel Keen is Chairman of the Investment Manager and receives a fee of £125,000 per annum, payable by the Investment Manager, in respect of his services to the Investment Manager.

Peter Hames resigned as a Director on 8 September 2017 and Rob Hutchinson was appointed as a Director on 1 November 2017.

Directors' fees for the year to 31 March 2018, including outstanding Directors' fees at the end of the year, are set out below.

	2018 £'000	2017 £'000
Directors' fees for the year	**219**	87
Payable at end of year	**–**	38

For further details please refer to the remuneration report on page 59.

The Syncona Foundation

50 per cent of the charitable donations made by the Company are made 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 2018 was £2,375,804 (31 March 2017: £2,375,804).

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.

	2018 £'000	2017 £'000
Financial assets designated at fair value through profit or loss		
The Holding Company	**488,347**	205,787
The Partnership	**576,174**	690,682
Total financial assets designated at fair value through profit or loss	**1,064,521**	896,469
Financial assets designated at amortised cost		
Bank and cash deposits	**981**	105
Other financial assets	**4,758**	4,755
Total financial assets designated at amortised cost	**5,739**	4,860
Financial liabilities designated at amortised cost		
Share based payments	**(5,393)**	(46)
Other financial liabilities	**(9,791)**	(6,062)
Net financial assets	**1,055,076**	895,221

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.

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 IAS 39 – 'Financial Instruments: Recognition and Measurement'.

	2018 £'000	2017 £'000
Financial assets designated at fair value through profit or loss		
Listed investments	133,475	–
Unlisted investments	350,261	204,730
Investment in subsidiaries	2,472	586
Receivable	726	505
Total financial assets designated at fair value through profit or loss	486,934	205,821
Financial assets designated at amortised cost		
Other financial assets	1,450	–
Financial liabilities designated at amortised cost		
Other financial liabilities	(37)	(34)
Net financials assets of the Holding Company	488,347	205,787

The table below analyses the carrying amounts of the financial assets and liabilities held by the Partnership by category as defined in IAS 39 – 'Financial Instruments: Recognition and Measurement'.

	2018 £'000	2017 £'000
Financial assets designated at fair value through profit or loss		
Listed investments	166,677	161,590
Unlisted investments	327,721	442,605
Unrealised gains on open forward foreign currency contracts	1,511	437
Total financial assets designated at fair value through profit or loss	495,909	604,632
Financial assets designated at amortised cost		
Other financial assets	85,084	90,873
Financial liabilities designated at amortised cost		
Other financial liabilities	(4,819)	(4,823)
Net financial assets of the Partnership	576,174	690,682

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 per cent 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 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 loss or gain on the life science investments future income streams and the potential loss or gain on investments made in US Dollars by the Holding Company's underlying investments.

	2018 £'000	2017 £'000
10% increase	**21,186**	11,437
10% decrease	**(25,893)**	(13,980)

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	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%	–	0.2%	98.0%	**100.0%**

	Within 1 month £'000	1 to 3 months £'000	3 to 12 months £'000	Greater than 12 months £'000	2017 Total £'000
Financial assets at fair value through profit or loss	–	–	–	205,316	205,316
Receivables	–	108	–	397	505
Payables	(34)	–	–	–	(34)
Total	(34)	108	–	205,713	205,787
Percentage	–	–	–	100.0%	100.0%

19. Financial risk management and associated risks (continued)

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 2018 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 loss or gain 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 2018, the Partnership had two open forward foreign currency contracts (31 March 2017: three).

	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 31 March 2017				**1,511**

	Sell 000	Buy £'000	Mark to market equivalent £'000	2017 Unrealised (loss)/gain £'000
Sterling/Euro forward currency contract, settlement date 25 May 2017	€88,200	75,058	75,519	(461)
Sterling/USD forward currency contract, settlement date 14 September 2017	$7,000	5,600	5,575	25
Sterling/USD forward currency contract, settlement date 14 September 2017	$245,000	196,005	195,132	873
Total unrealised gains as at 31 March 2017				437

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	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**
Other financial liabilities	–	–	(4,819)	–	**(4,819)**
	77,347	(3,231)	499,874	2,184	**576,174**

	USD £'000	EUR £'000	GBP £'000	SEK £'000	2017 Total £'000
Financial assets at fair value through profit or loss	322,325	79,977	199,606	2,287	604,195
Bank and cash deposits	2,745	1,798	81,579	82	86,204
Trade and other receivables	340	13	4,316	–	4,669
Unrealised (losses)/gains on forward currency contracts	(200,707)	(75,519)	276,663	–	437
Other financial liabilities	–	–	(4,823)	–	(4,823)
	124,703	6,269	557,341	2,369	690,682

Foreign currency sensitivity analysis

The table below details the sensitivity of the Partnership's NAV to a 10 per cent 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.

	2018 USD £'000	2018 EUR £'000	2018 SEK £'000	2017 USD £'000	2017 EUR £'000	2017 SEK £'000
10% increase	**(23,038)**	**221**	**(199)**	(11,337)	(515)	(215)
10% decrease	**28,157**	**(271)**	**243**	13,856	628	263

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 effected 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. Northern Trust (Guernsey) Limited ('NTGL') acts as the principal banker to the Partnership, and as custodian of its assets. The securities held by NTGL as Custodian are held in trust and are registered in the name of Syncona Investments LP Incorporated. NTGL is a wholly owned subsidiary of The Northern Trust Corporation ('TNTC'). TNTC is publicly traded and a constituent of the S&P 500. As at 31 March 2018, TNTC has a credit rating of A+ (31 March 2017: A+) from Standard & Poor's and A2 (31 March 2017: A2) from Moody's. The credit risk associated with debtors is limited to any unrealised gains on open forward foreign currency contracts, as detailed above, and other receivables.

19. Financial risk management and associated risks (continued)

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 2018, no suspension from redemptions existed in any of the Partnership's underlying investments (31 March 2017: 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	2018[1] 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%**

	Within 1 month £'000	1 to 3 months £'000	3 to 12 months £'000	Greater than 12 months £'000	2017[1] Total £'000
Financial assets at fair value through profit or loss	161,664	137,494	237,344	67,693	604,195
Cash and cash equivalents	86,204	–	–	–	86,204
Trade and other receivables	4,669	–	–	–	4,669
Unrealised (losses)/gains on forward currency contracts	–	(461)	898	–	437
Payables	(68)	–		–	(68)
Distribution payable	–	–	(4,755)	–	(4,755)
Total	252,469	137,033	233,487	67,693	690,682
Percentage	36.6%	19.8%	33.8%	9.8%	100.0%

1 The liquidity tables above reflect the anticipated cash flows assuming notice was given to all underlying investments as at 31 March 2018 (31 March 2017). 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.

20. Fair value measurement

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

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

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

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

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

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

The following table presents the Group’s financial assets and liabilities by level within the valuation hierarchy as at 31 March 2018 and 31 March 2017:

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**

Assets	**Level 1 £’000**	**Level 2 £’000**	**Level 3 £’000**	**2017 Total £’000**
Financial assets at fair value through profit or loss:				
The Holding Company	–	–	205,787	205,787
The Partnership	–	690,682	–	690,682
Total assets	–	690,682	205,787	896,469

During the year ended 31 March 2018, the Partnership’s Level 3 assets increased to 17.4 per cent (31 March 2017: 9.9 per cent) and has therefore moved from Level 2 to Level 3. This resulted in a £690,682,450 increase in Partnership assets from Level 2 to Level 3.

20. Fair value measurement (continued)

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

Asset type	Level	31 March 2018 £'000	31 March 2017 £'000	Valuation technique	Unobserved inputs	Key input	Reasonable possible shift +/-	Change in valuation £'000	Relationship of inputs to value
Listed investments	1	**133,475**	–	Publicly available share price at balance sheet date	–	–	–	–	–
Price of latest funding round (investment made less than 12 months ago)	2	**108,456**	–	Price of latest funding round	Observable inputs include recent valuation by independent third party investors. This price is not actively traded.				
Syncona Group companies	3	**2,472**	586	Net assets of Syncona Group companies	Unobservable inputs include management's assessment of the Syncona Group companies, uplift in fair value and calculations of any impairment. Syncona Group companies are valued at net assets with any necessary adjustments for fair value.				
					n/a	n/a	–	–	The greater the assessment of impairment, the lower the fair value
Price of latest funding round (investment made more than 12 months ago)	3	**54,977**	96,315	Price of latest funding round	Unobservable inputs include management's assessment of the performance of the investee company, uplift in fair value and calculations of any impairment. For further information on valuation methodology, see note 2. The main unobservable input relates to the adjustments in fair value:				
					n/a	n/a	–	–	The greater the assessment of impairment, the lower the fair value
Investments valued on discounted cash flow forecasts	3	**186,828**	108,415	Future earnings potential, discount for lack of marketability and time value of money	Unobservable inputs include management's assessment of the performance of the investee company and calculations of any impairment. For further information on valuation methodology, see note 2. The main unobservable input relates to assessment of the future performance of the investee:				
					Assessment of the future performance of the investee	Discount rate	2%	3,737	The greater the assessment of performance, the higher the fair value
						USD exchange rate	10%	18,683	
		486,208	**205,316**						

The following table presents the movements in Level 3 investments of the Holding Company for the year ended 31 March 2018:

	Life science investments £'000	Wholly owned Group companies £'000	2018 Total £'000	2017 Total £'000
Opening balance	204,730	586	**205,316**	–
Transfer from level 3	(70,545)	–	**(70,545)**	–
Purchases	35,207	2,146	**37,353**	180,479
Gain/(loss) on financial assets at fair value through profit or loss	72,413	(260)	**72,153**	24,837
Closing balance	241,805	2,472	**244,277**	205,316

The net gain 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 £72,152,873 (31 March 2017: £24,837,281).

During the year ending 31 March 2018, Nightstar Therapeutics plc became a listed investment and has therefore moved from Level 3 to Level 1. This resulted in £34,167,499 transferring from Level 3 to Level 1.

During the year ending 31 March 2018, Autolus Limited, and Cambridge Epigenetix Limited completed new funding rounds and have therefore moved from Level 3 to Level 2. This resulted in £36,378,947 transferring from Level 3 to Level 2.

The following table presents the Partnership's financial assets by level within the valuation hierarchy as at 31 March 2018:

Asset type	Level	31 March 2018 £'000	31 March 2017 £'000	Valuation technique	Unobserved inputs	Key input	Reasonable possible shift +/-	Change in valuation £'000	Relationship of inputs to value
Listed investments	1	**166,677**	157,332	Publicly available share price at balance sheet date	–	–	–	–	–
Listed investments	2	**–**	4,258	Publicly available share price at balance sheet date	Inputs include current publicly available share prices however as the investments are not regularly traded at this price.				
					Different fair value from date of last trade and the period end	n/a	–	–	The greater the value of latest trade, the greater the fair value
Forward contracts	2	**1,511**	437	Publicly available exchange rates at balance sheet date	Inputs include different exchange rates used at different banking institutions. IFRS 13 specifically defines forward contracts as level 2. Valuation is taken using publicly available exchange rates and calculating the asset value.				
					Different exchange rates at period end	n/a	–	–	The greater the GBP exchange rate, the greater the fair value
Unlisted fund investments	2	**241,396**	381,745	Valuation produced by fund administrator. Inputs into fund components are from observable inputs	Inputs include asset administrator's assessment of the performance of the underlying funds. Valuation is taken from the fund administrator who has based the fund's fair value on observable inputs of underlying assets.				
					n/a	n/a	10%	–	The greater the expectation for future profits, the greater the fair value
Long-term unlisted investments	3	**55,518**	39,036	Valuation produced by fund administrator	Inputs include asset administrator's assessment of the performance of the underlying funds. Valuation is provided by quarterly statements from each administrator. The administrator's valuation technique will use unobservable inputs, the main unobservable input relates to asset administrator's inputs into the valuation:				
					n/a	n/a	10%	–	The greater the expectation for future profits, the greater the fair value
CRT Pioneer Fund	3	**30,807**	21,824	Valuation produced by fund administrator	Inputs include asset manager's assessment of the performance of the underlying investee companies. Valuation is provided by quarterly statements from the manager. The valuation is based on cost of investments, price of latest round of investments and discounted future cash flows. The valuation by the manager is updated to comply with Syncona accounting methodology as seen in note 2. The main unobservable input relates to the asset manager's assessment of performance:				
					n/a	n/a	10%	–	The greater the expectation for future profits, the greater the fair value
		495,909	**604,632**						

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.

There were no transfers between levels during the year (31 March 2017: nil).

20. Fair value measurement (continued)

The following table presents the movements in Level 3 investments of the Partnership for the year ended 31 March 2018:

	CRT Pioneer Fund £'000	Fund investments £'000	2018 Total £'000	2017 Total £'000
Opening balance	21,824	39,036	**60,860**	37,249
Purchases	10,973	20,954	**31,927**	25,014
Return of capital	(1,990)	(11,187)	**(13,177)**	(11,083)
Gain on financial assets at fair value through profit or loss	–	6,715	**6,715**	9,680
Closing balance	30,807	55,518	**86,325**	60,860

The net gain 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 £6,714,678 (31 March 2017: £9,680,448 gain).

21. Commitments and contingencies

The Group had the following commitments as at 31 March 2018:

2018	Uncalled commitment £'000
Life science portfolio:	
Milestone payments to life science companies	47,105
CRT Pioneer Fund	19,338
Fund investments	5,575
Total	72,018

There were no contingent liabilities as at 31 March 2018 (31 March 2017: Nil).

22. Reconciliation of published NAV to accounting NAV prepared under IFRS

	2018 NAV £'000	2018 NAV per share £
Net assets reported to the London Stock Exchange	996,906	**1.51**
Increase in valuation of a life science investment	63,681	**0.10**
Increase in valuation of a late reporting fund	755	**–**
Adjustment to share based payments liability	(1,779)	**–**
Adjustment to accrued expenses	(3,800)	**(0.01)**
Net assets per Financial Statements	1,055,763	**1.60**

23. Subsequent events

These Consolidated Financial Statements were approved for issuance by the Board on 14 June 2018. Subsequent events have been evaluated until this date.

On 5 March 2018, Gian Piero Reverberi was appointed as Non-Executive Director with effect from 1 April 2018. Nick Moss was appointed as Senior Independent Director and Rob Hutchinson succeeded him as Chair of the Audit Committee with effect from 1 April 2018.

A scrip dividend for the year ended 31 March 2018 of 2.3 pence per Ordinary Share will be paid on 27 July 2018 to those shareholders on the register of members of the Company as at 22 June 2018.

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 2018.

Syncona Investment Management Limited ('SIML') was appointed the Company's Investment Manager on 12 December 2017. The figures below assume that SIML acted as the Investment Manager for the Company for the full financial year.

Amount of remuneration paid

The Investment Manager paid the following remuneration to staff in respect of the financial year ending on 31 March 2018 in relation to work on the Company.

	£m
Fixed remuneration	3.1
Variable remuneration	1.1
Total remuneration	4.2
Number of beneficiaries	24

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 2018	Gross leverage as 31 March 2018
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 94 to 98 and the principal risks and uncertainties on pages 43 to 47.

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 **synconaltd.com** (in the 'Investors' section). This has been updated during the year to record the change in the AIFM on 12 December 2017 and subsequent termination of a sub-delegation to BACIT UK Limited with effect from 31 March 2018. There have been no other material changes to this information requiring disclosure.

Report of the Depositary to the shareholders

Northern Trust (Guernsey) 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 and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (the 'AIFM Directive').

BACIT UK Limited acted as AIFM of the Company for the period 1 April 2017 to 12 December 2017. Syncona Investment Management Limited acted as AIFM of the Company for the period 12 December 2017 to 31 March 2018. We have enquired into the conduct of BACIT UK Limited and Syncona Investment Management Limited (respectively the 'AIFM') for the period they acted as the AIFM, in our capacity as Depositary to the Company.

This report, including the review provided below, has been prepared for and solely for the shareholders in the Company. We do not, in giving this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Our obligations as Depositary are stipulated in the relevant provisions of the AIFM Directive and the relevant sections of Commission Delegated Regulation (EU) No 231/2013 (collectively the 'AIFMD legislation').

Amongst these obligations is the requirement to enquire into the conduct of the AIFM and the Company and their delegates in each annual accounting period.

Our report shall state whether, in our view, the Company has been managed in that period in accordance with the AIFMD legislation. It is the overall responsibility of the AIFM to comply with these provisions. If the AIFM or their delegates have not so complied, we as the Depositary will state why this is the case and outline the steps which we have taken to rectify the situation.

The Depositary and its affiliates are or may be involved in other financial and professional activities which may on occasion cause a conflict of interest with its roles with respect to the Company. The Depositary will take reasonable care to ensure that the performance of its duties will not be impaired by any such involvement and that any conflicts which may arise will be resolved fairly and any transactions between the Depositary and its affiliates and the Company shall be carried out as if effected on normal commercial terms negotiated at arm's length and in the best interests of shareholders.

Basis of Depositary Review

The Depositary conducts such reviews as it, in its reasonable discretion, considers necessary in order to comply with its obligations and to ensure that, in all material respects, the Company 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 constitutional documentation and the appropriate regulations. Such reviews vary based on the type of Fund, the assets in which a Fund invests and the processes used, or experts required, in order to value such assets.

Review

In our view, the Company has been managed during the period, in all material respects:

(i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the constitutional document; and by the AIFMD legislation; and

(ii) otherwise in accordance with the provisions of the constitutional document and the AIFMD legislation.

For and on behalf of
Northern Trust (Guernsey) Limited

Company summary and e-communications for shareholders

The Company

Syncona Limited is a leading FTSE 250 healthcare 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.

With effect from the end of June 2018, the Company will no longer publish a monthly net asset value or factsheet.

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: **signalshares.com**

Should you require further information, please visit: **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.

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.

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.

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

General Partner
Syncona GP Limited.

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

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

Holding Company
Syncona Holdings Limited.

ICR
The Institute of Cancer Research.

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

Investment Manager
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.

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.

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.

The Syncona Foundation
The BACIT Foundation was established in 2012 and will shortly change its name to 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.

Advisers

Secretary, Administrator and registered office
Northern Trust International Fund Administration Services (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

Investment Manager
Syncona Investment Management Limited
215 Euston Road
London NW1 2BE

Depositary and Custodian
Northern Trust (Guernsey) Limited
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3DA

Bankers
Northern Trust (Guernsey) Limited
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3DA

Auditors
Deloitte LLP
Regency Court
Glategny Esplanade
St Peter Port
Guernsey GY1 3HW

Brokers
J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Numis Securities
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

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