6 July 2017

Syncona Limited

Final Results for the Year Ended 31 March 2017

Transformative year and strong performance across the business

- Net assets at year end of £895.2m, 136.0p per share, a total return of 12.5%[1]
- Successful completion of the acquisition of Syncona Partners by BACIT in December 2016
  - Investment policy expanded and name change from BACIT to Syncona
  - Acquisition of portfolio of life science investments and investment team from the Wellcome Trust
  - £357.1m of shares issued including £169.6m of new capital raised from new and existing investors
- Evolution to concentrate on creating, investing in and building global leaders in life science
- Dividend of 2.3p declared (2016: 2.2p)

Delivering a differentiated strategy to drive value creation

- *Disciplined capital allocation* from a productively deployed, evergreen long-term funding base
- *Focused and selective investment strategy* led by an expert team with a proven track record
- *Building globally competitive healthcare businesses* through a deep partnership approach with significant financial, operational, commercial and scientific support

Strong performance across our investment portfolio

- Life science portfolio value increased £24.9m (12.4%) to £226.6m since acquisition in December 2016, driven by significant strategic and commercial progress in Blue Earth Diagnostics
- Funds portfolio valued at £582.4m, a net total return of 11.8%; a 44.8% total return since inception in 2012 or 8.8% per annum

Outlook - continued strong performance and positive progress

Syncona's life science portfolio is progressing on plan to deliver strong strategic progress over the next year. Key milestones include:

- Blue Earth, our PET imaging agent company, will commence sales of Axumin in Europe and continue its positive commercial trajectory in the US
- NightstaRx, our gene therapy company targeting inherited forms of blindness, completed a US$45 million Series C fundraising in June and will initiate a pivotal Phase III trial in choroideremia and progress its Phase I/II trials for X-Linked Retinitis Pigmentosa
- Autolus, our T cell immunotherapy company focused on the treatment of cancer, will commence three clinical trials in Multiple Myeloma, Non-Hodgkin's Lymphoma and T Cell Lymphoma

With a strong pipeline of opportunities and continued progress towards key milestones in our existing portfolio, Syncona expects to invest approximately £75 million - £150 million in new and existing life science investments this financial year. The level of investment will be driven by the quality of the opportunities and Syncona's disciplined capital allocation strategy.

Syncona's funds portfolio is well positioned to continue to generate attractive risk adjusted returns through the cycle. Given Syncona's changed investment parameters, the portfolio is transitioning to focus on more liquid assets with an even greater emphasis on containing volatility.

Martin Murphy, CEO of life science, said: *"This has been an exciting year as we combined two like-minded teams and began the transition to focus on creating, investing in and building globally leading companies which are capable of delivering transformational treatments for patients. The achievement of this objective will enable us to deliver superior returns for our shareholders.*

"Over the past five years Syncona has built deep capabilities in the gene therapy, cell therapy and advanced diagnostics sectors. These are specialist and innovative areas where we see significant growth and the opportunity

[1] Including 2.2p dividend paid in August 2016

to make a real difference for patients. Looking ahead we see a strong pipeline of potential new investment opportunities and the outlook for our first full year as a combined business is very positive.

"I would like to thank the Wellcome Trust and Cancer Research UK, our partners in the December transaction, shareholders in Syncona and two of the premium funders in the life science research space. Syncona would not exist today without their vision and ongoing support. I would also like to thank Syncona shareholders for their support as we begin the evolution of our business"

Tom Henderson, CEO of fund investment, said: *"Our funds portfolio has continued to build on its strong performance to date and now underpins our life science investment programme. We are delighted to continue our commitment to make a substantial contribution to charity of £4.75 million this year, half of which will go to The Institute of Cancer Research. The strength of our team and our innovative structure mean we are well placed to deliver growth and value progression for shareholders."*

[ENDS]

Enquiries

Syncona Limited Tel: +44 (0) 20 7611 2031
Siobhan Weaver

Tulchan Communications Tel: +44 (0) 207 353 4200
Martin Robinson
Lisa Jarrett-Kerr

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

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

About Syncona:

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

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

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

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

Chairman's statement

I am pleased to report on a year of strong performance and significant strategic progress. Over the 12 months NAV per share increased by 12.5 per cent[2] on a total return basis, and towards the end of the year we began the evolution of the Company's investment strategy to one focused on investing in and building global leaders in healthcare, underpinned and funded by our leading funds portfolio.

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

A transformative transaction

In December 2016, shareholders approved the expansion of the Company's investment policy and the acquisition from the Wellcome Trust of Syncona Partners, a portfolio of life science investments, together with its highly respected investment management team, led by Martin Murphy. As part of the transaction, the Company also acquired Cancer Research UK's interest in the CRT Pioneer Fund.

BACIT was created in 2012 to provide attractive returns for shareholders and a growing income stream for cancer research, through significant annual donations to The Institute of Cancer Research and other charities. In the same year, Wellcome set up Syncona Partners with long-term, expert capital to create and invest in sustainable life science businesses created from highly-innovative academic science.

The Company now has assets of £895.2 million (2016: £472.2 million). The combination of BACIT and Syncona's expertise and investment portfolios has created an innovative and efficient evergreen capital structure with a successful funds portfolio providing capital for compelling investment opportunities in life science.

Performance

The results for the year are the first milestone for our strategy, with NAV per share increasing to 136.0p from 122.8p. Performance has been driven by the continued progress in the funds portfolio and an increase in the valuation of Blue Earth Diagnostics, which commenced sales of Axumin in the United States during the year and more recently has received approval from the European Medicines Agency for the sale of Axumin in Europe.

Since the inception of BACIT in October 2012, the annualised NAV per share total return has been 8.9 per cent.

Dividend and charitable donations

We recognise that a reliable source of growing dividends is an important part of shareholder total return over both the short and the longer terms.

Accordingly, the Board has declared a final dividend of 2.3p per share, a 4.5 per cent increase on the previous year (2016: 2.2p). We are also pleased to be making significant charitable donations for the year of £4.75 million (2016: £4.75 million), taking the total since inception to £18.1 million.

Board

Nigel Keen and Ellen Strahlman joined the Board in December 2016. Both Nigel and Ellen bring extensive expertise in the life science sector and on behalf of the Board, I welcome them. At the same time, Arabella Cecil stepped down from the Board, although she remains the Chief Investment Officer of our funds portfolio team. In addition, Colin Maltby retired from the Board in July 2016 and Peter Hames, who has been a Board member since the Company listed in 2012, will step down as a Director at the forthcoming AGM.

I am very grateful to all my colleagues for their contribution and support, and in particular would like to thank those who have stepped down or will be stepping down from the Board this year for their invaluable contributions.

With the combination of the BACIT and Syncona businesses, the composition of the Board is evolving and we have engaged an executive search consultant to assist in the appointment of two new Directors to the Board in due course.

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[2] Including 2.2p dividend paid in August 2016

Shareholders

We are very grateful to all our shareholders for their continued support. In particular, I would like to welcome our new shareholders, including Wellcome and Cancer Research UK, whose vision and support made the new strategy possible.

The future

We expect there to be a number of milestones in our existing life science portfolio in the coming year and we have a good pipeline of investment opportunities. Our funds portfolio provides a deep pool of capital to fund these and future opportunities, while continuing to target attractive returns for shareholders.

We have a strong management team, a unique capital structure and a host of investment opportunities. The future is very exciting.

Jeremy Tigue
5 July 2017

Report from CEO of Syncona Investment Management Limited

This has been a transformative year for our business. Since being founded in 2012, Syncona has taken a long-term view, creating and working alongside innovative life science companies with the ambition of taking their products to market. In doing so we have sought to access the significant value creation achievable by backing our investments to the point of successful commercialisation.

In December 2016 the combination of Syncona Partners with BACIT Limited under a new structure represented a significant move, bringing together two market leaders within their respective fields. Together, the combination offered the prospect of delivering a step change in the achievement of both Syncona's and BACIT's original visions.

As a combined business our objective is to deliver superior shareholder returns by maximising the value available from the delivery of transformational treatments to patients, targeting a 15 per cent net IRR return through the cycle. We do this by employing a disciplined approach to capital allocation and executing a focused and selective investment strategy, enabling us to build global leaders in healthcare.

A differentiated model

There are two key characteristics that we believe differentiate Syncona.

Firstly, we are focused on building businesses with the ambition of delivering products to market.Furthermore, by aiming to maintain significant stakes in these businesses all the way to market and by instilling a deep partnership approach from the outset, we can build globally competitive companies capable of long-term success.

We set our portfolio companies up to compete on a world stage, putting in place a long-term commercial strategy and leading management teams. We continue to take a hands-on role throughout their development, providing financial, operational, commercial and scientific input as they mature. As a result, we aim to have a focused portfolio of very high quality businesses in areas where we can bring to bear our unique expertise. To date, this has driven our position of strength in gene therapy, cell therapy and advanced diagnostics. Our overriding aim is that each of our portfolio companies is provided with the best possible chance of long-term success because of Syncona's deep involvement. We believe this hands on approach creates greater value, both at the point of delivering products to market and throughout the development cycle.

Secondly, we have a business model consistent with the achievement of our strategy.

Our combination with BACIT provides a deep pool of long-term capital which is productively deployed in a wide range of asset classes by our leading funds investment team, delivering attractive returns to shareholders on an ongoing basis.

This innovative structure means we are not a forced seller of any of our businesses as we have the depth of capital to support them over the long-term. When we invest on day one, we know we have the ability, should we choose, to invest through the cycle and maximise the upside. Importantly, we are under no pressure to invest capital. This enables us to wait for the right, highest quality opportunities from any source and at any stage, whether that is further investment in our existing portfolio or investment in new opportunities.

An exceptional team

The vision we have set out requires a strong and expert team. Our life science team members have advanced scientific qualifications and an established track record of investing in and commercialising academic science. In our funds business, we have an excellent and highly experienced team who have strong relationships with some of the world's premier fund managers.

A successful year for our life science companies

There was significant momentum in our life science portfolio companies this year as they achieved a number of milestones and progressed positively towards their commercialisation plans.

It was very exciting to see Blue Earth Diagnostics, a molecular imaging diagnostics business which we set up in 2014 as a spin out from GE Healthcare, become the first Syncona-founded company to reach 'on market' status, securing approval for its product Axumin in the United States. Blue Earth commenced sales of Axumin in August 2016. We are very pleased with how the initial launch period has progressed and optimistic about the opportunities for the business going forward. Blue Earth also secured a positive opinion from the Committee for Medicinal

Products for Human Use recommending Axumin for approval in Europe in March. This was followed post year end with formal European Medicines Agency approval in May.

Nightstar, our gene therapy company for inherited retinal dystrophies, also made significant progress this year, progressing its Phase II clinical trials in its lead programme of late stage choroideremia and commencing a Phase I/II clinical trial for X-Linked Retinitis Pigmentosa.

We also saw very strong progression towards clinical studies in our portfolio companies Autolus and Freeline, and worked to assemble a team to launch our portfolio company Gyroscope.

A promising outlook

This is an exceptional time to be investing in and building innovative life science companies. The quality and ambition of the individuals and ideas we see exceed those witnessed historically. This is a positive sign for our industry and, more importantly, for patients seeking transformational new therapies and diagnostic approaches.

We have a current portfolio of seven high quality life science businesses which have progressed positively this year and each has a clear path for value creation. Next year we expect to see Blue Earth begin sales of Axumin in Europe and continue its positive commercial trajectory in the United States. We also expect Nightstar to commence a pivotal clinical trial in choroideremia, Autolus to enter clinical trials for three programmes, and to see our four developing portfolio companies deliver further progress.

We continue to see a strong pipeline of new investment opportunities and look forward to being able to add to our portfolio in due course. New investment activity will be driven by the quality of the opportunities and our current expectation is that we will invest between approximately £75 million - £150 million in new and existing life science investments this financial year.

I would like to acknowledge the BACIT team who have embraced our team and business this year. We are looking forward to working with them in the years to come. I would also like to thank Wellcome and Cancer Research UK, our partners in the December transaction, shareholders in the new vehicle and two of the premium funders in the life science research space. Syncona would not exist without their vision and ongoing support.

Finally, I would like to thank the Syncona shareholders for their support this year as we begin the evolution of our business.

We are looking forward to the first full year as a combined business. We believe that our track record, expertise, scale, capital and long-term view leave us well positioned to achieve our ambition: to build global leaders in life science and deliver transformational treatments to patients.

Martin Murphy, CEO, Syncona Investment Management Limited
5 July 2017

Finance review

In December 2016, the Company expanded its investment policy to allow it to make life science investments alongside its existing commitment to the CRT Pioneer Fund and portfolio of fund investments.

As part of this expansion, the Company acquired a portfolio of life science investments from the Wellcome Trust for £176.9 million, together with Cancer Research UK's interest in the CRT Pioneer Fund for £10.6 million. At the same time, the Company raised an additional £169.6 million of capital from new and existing investors, including a further £142.4 million from Wellcome and £16.8 million from Cancer Research UK. In total, £357.1 million of new ordinary shares were issued at a price of 131.15p, a 1.35 per cent premium to NAV per share at the time.

The Company's core focus is to invest in and build global leaders in life science, with its investment programme funded and underpinned by its funds portfolio. At the year end, 65 per cent (£582.4 million) of the Company's investment portfolio was invested in its funds portfolio, with the life science investments valued at £226.6 million (25 per cent of the investment portfolio) and the remainder held in other assets, of which cash is £86.3 million.

As the investment portfolio evolves, we would expect the weighting of the funds portfolio to reduce, in line with new and follow-on investments made in life science companies.

Performance

At the year end, the Company had net assets of £895.2 million, or 136.0p per share (2016: £472.2 million – 122.8p per share), reporting a total return of 12.5 per cent[3] over the 12 months with performance driven by both the funds and the life science portfolios, with the latter benefiting from the £24.9 million write up of Blue Earth Diagnostics.

Valuation policy

The Company maintains a prudent valuation approach to all investments. The funds portfolio is valued by reference to third-party pricing. For the life science portfolio, the valuation of investments is conducted in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Further details on the Company's valuation policy can be found in note 2.

Valuation basis	**Percentage of the investment portfolio**
Third party	75%
Discounted cash flow	13%
Price of recent investment	9%
Cost	3%

Cash flows and liquidity

At 31 March 2017, the Company had available cash resources of £86.3 million[4]. During the 12 months, net investment into new and existing funds portfolio investments was £58.0 million and a follow-on investment of £4.0 million in Blue Earth Diagnostics.

Syncona has a strong capital base with significant cash balances and liquidity in the funds portfolio. Whilst the absolute level of drawdowns from our cash and liquidity resources will be dependent on our investment pipeline, our current expectation is that the Company will invest between £75 million and £150 million in new and existing life science investments over the next 12 months.

[3] Including 2.2p dividend paid in August 2016

[4] £0.1m at the Company level and £86.2m in the Partnership

Liquidity profile	
Cash	£86.3m
< 1 month	£161.7m
1-3 months	£137.5m
3-12 months	£237.3m
> 12 months	£45.9m

Expenses

Our ongoing charges ratio for the year was 0.72 per cent (2016: 0.28 per cent)[5]. The ongoing charges ratio includes charges paid to the Investment Manager and the Investment Advisor, including a charge of £0.1 million (2016: Nil) associated with the Syncona Long Term Incentive Plan, which was approved by shareholders in December 2016.

Charitable donations

Total charitable donations of £4.75 million were made in the year (2016: £4.75 million), split equally between The Institute of Cancer Research and The BACIT Foundation (for onward distribution to the nominated charities). Including these donations, since launch the Company has made charitable donations of more than £18.1 million.

As part of the transaction in December 2016, the Company committed to maintain the level of charitable donations at a minimum of £4.75 million for the financial years to March 2017 and 2018. Further details of the Company's charitable donations can be found in the Corporate Social Responsibility Statement in the the Annual Report and Accounts.

Dividend

The Company has declared a dividend of 2.3p for the 12 months to 31 March 2017. This compares to a dividend of 2.2p for the previous year, a 4.5 per cent increase. The dividend will be paid on 23 August 2017 and will be paid as a scrip dividend, unless shareholders elect to receive the dividend in cash. The ex-dividend date will be 20 July 2017 and the record date 21 July 2017.

Uncalled commitments

Uncalled commitments stood at £108.0 million at the year end, of which £50.1 million relate to milestone payments associated with the life science portfolio. These payments are linked to the relevant investee company achieving key strategic and development goals over the next 24 months.

	Uncalled Commitment
Life Science Portfolio:	
Milestone payments to portfolio companies	£50.1m
CRT Pioneer Fund	£30.3m
Fund Portfolio	£27.6m
TOTAL	**£108.0m**

[5] The ongoing charges ratio includes expenses from all wholly owned group companies in addition to the expenses in the Group's consolidated statement of comprehensive income divided by average NAV for the year

Foreign exchange

At the year end, none of the Company's foreign exchange exposure in its life science portfolio was hedged. Within the funds portfolio, £322.3 million of the funds portfolio was denominated in US Dollars, of which 62.5 per cent was hedged and £79.9 million was denominated in Euros of which 94.4 per cent was hedged. At the year end, the unrealised gain on the associated forward contracts was £0.4 million.

Post balance sheet events

Since the year end, Syncona has invested $12.5 million (£9.8 million) in the $45.0 million Nightstar Series C investment round and written up its holding in Nightstar to £69.7 million[6], a £20.3 million[7] or 3.1p per share uplift to the proforma valuation[8] of the company at 31 March 2017. Including this follow-on investment in Nightstar, Syncona has invested £26.2 million in four follow-on investments in its life science portfolio[9] since the year end.

John Bradshaw, Chief Financial Officer, Syncona Investment Management Limited
5 July 2017

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[6] Based on third party funding round and at 27 June 2017 foreign exchange rates

[7] Based on third party funding round and at 27 June 2017 foreign exchange rates

[8] Comprising 31 March 2017 valuation of £34.2m, completion of Series B funding of £5.4m and Series C financing investment of US$12.5m (£9.8m), based on third party funding round and at 27 June 2017 foreign exchange rates

[9] As at 30 June 2017

Investment Manager's Report – funds portfolio review

Our portfolio seeks to deliver attractive risk-adjusted returns and aims to capture 70 per cent of the upswing of the FTSE All Share (Total Return), whilst limiting the downside to 40% of the fall of the index through the cycle, with significantly less volatility. It has successfully delivered on this approach since inception, having captured 82.9 per cent of the index's performance and in the 10 worst months in the period when the index fell a total of 34.2 per cent, the portfolio declined by only 8.0 per cent.

The funds portfolio continued to build on its strong performance to date, generating a net total return of 11.8 per cent over the 12 months. Since inception, the portfolio has delivered a net total return of 44.8 per cent, with annualised returns of 8.8 per cent, and low annualised volatility of 5.7 per cent.

At 31 March 2017, the funds portfolio was valued at £582.4 million and was invested in 37 funds across 25 underlying managers. The net total return of 11.8 per cent was driven by a broad cross section of underlying funds. In particular the portfolio benefitted from its exposure to equities, as the majority of the underlying managers in these strategies successfully navigated through the significant volatility and market disruptions triggered by a rapid revaluation of miners and resource companies early in the year, the EU referendum in the UK in June and the elections in the US in November 2016.

Portfolio construction – a focus on risk adjusted returns

We seek to invest with 'best in class' managers across a broad selection of strategies. Portfolio construction is driven by managers' skill sets, and the degree to which these deliver performance that has a low correlation to equity markets, rather than top-down weightings determined by economic or financial market measures. Our overriding objective is to build a portfolio that generates absolute returns through macro-economic and financial market cycles and to date the portfolio has delivered this.

Top 10 underlying funds	£m invested	% of the funds portfolio	% of NAV
Polygon European Equity Opportunity Fund	£41.8m	7.2%	4.7%
Polar Capital Japan Alpha Fund	£36.6m	6.3%	4.1%
Parity Value Fund	£34.7m	6.0%	3.9%
The SFP Value Realisation Fund	£33.0m	5.7%	3.7%
Majedie UK Equity Fund	£32.2m	5.5%	3.6%
Maga Smaller Companies Fund	£29.1m	5.0%	3.3%
SW Mitchell European Fund	£27.2m	4.7%	3.0%
Sinfonietta Fund	£26.0m	4.5%	2.9%
Tower Master Fund	£24.5m	4.2%	2.7%
Polygon Convertible Opportunity Fund	£22.6m	3.9%	2.5%

The expansion of the Company's investment policy during the year changed the parameters within which the funds portfolio operates. Our overriding objective and focus on generating attractive risk-adjusted returns through the cycle remain unchanged. However, now that capital may be called and generated by the life science portfolio, investments will typically be more liquid and have a less volatile profile. We have begun the process of transitioning the portfolio to reflect these changed parameters and recent investments have predominantly been in hedged listed equities. In the short term, this transition has resulted in the number of investments in the portfolio increasing but, over the next five years, we will be transitioning the portfolio to concentrate on 15-20 leading managers across a more focused range of strategies and geographies.

Fund strategy

We aim to limit the portfolio's sensitivity to market dislocations, and to that end at 31 March 2017 60.1 per cent of assets were allocated to hedge funds. These funds have modest historical correlation to equity markets, but at any given time may adjust exposure to the markets, depending on outlook and sentiment. The remainder of the portfolio is weighted towards assets with a long only bias, predominantly in asset classes and geographies where hedging is either not practical or not economic.

Foreign exchange

The Company is exposed to currencies within the underlying funds, but continues to hedge out substantially all exposure to Euro denominated share classes.

However, unhedged US Dollar exposure acquired by investing in US Dollar denominated share classes has been a part of portfolio construction since inception: the US Dollar's inverse relationship to risk assets in times of market stress has, to date, dampened the volatility of returns, and historically when equities sell off around the world, the US Dollar tends to strengthen. Exposure to US Dollar denominated share classes peaked at almost 60% in early 2015. Since March 2016 we have reduced the portfolio's exposure to the US Dollar in a series of risk reduction exercises, so that at 31 March 2017, 20.7 per cent of the value of the funds portfolio was invested in unhedged US Dollar denominated share classes. As we report in Sterling, this had a positive influence on performance at the year end.

Currency denomination of investments	**%**
Euro (hedged)	14
Sterling	30
US$	35
US$ (unhedged)	21

Geographical focus

Europe remains the portfolio's largest exposure, accounting for 33.7% of assets, with Global funds the next largest weighting.

Geographic focus	**%**
Europe	34
Japan	12
Asia-Pacific (ex Japan)	7
Global	13
Emerging markets	10
UK	9
US	6
Europe & US	9

Exposure to equity markets

To date we have elected not to use macro overlays on the portfolio, but have instead relied on the underlying managers to risk-adjust their exposures according to the environment. Hedge fund managers have more levers at their disposal than long-biased managers, and we expect them to generate results which are substantially protected from market cycles.

During the year, our underlying managers' outlook and relative confidence in equities improved, and as a result, the portfolio ended the year 57.0 per cent[10] net long in equity equivalents. This is at the top of the 37.0 to 57.0 per cent range since inception and compares to 48.0 per cent at 31 March 2016.

[10] To estimate the Portfolio's sensitivity to equity markets underlying funds' positions are converted into 'equity equivalents' and then aggregated.

Portfolio strategies

Strategy	£m value	% of the funds portfolio	% of NAV
Equity hedge funds	£222.3	38.2	24.8
Equity funds	£140.4	24.1	15.7
Fixed income and credit funds	£87.9	15.1	9.8
Global macro funds	£76.8	13.2	8.6
Other strategies	£34.5	5.9	3.9
Commodity funds	£20.6	3.5	2.3

Equity hedge funds
The portfolio's exposure to equity hedge funds is geographically broadly spread. As mentioned above, the underlying managers in this strategy seek to protect their funds from market and global macro events over which they have no control. Accordingly, while our view on the underlying asset class plays an important part in any investment decision, the underlying managers' skill set in generating uncorrelated returns is a core focus.

In aggregate, investments in this strategy continued to contribute to positive performance, reporting an aggregate gross total return of 14.0 per cent in the year, as managers successfully pre-empted numerous challenges triggered by a number of geo-political, currency and sector specific dislocations, including the rapid rerating of the mining sector in early 2016, the EU referendum in the UK in June 2016 and the elections in the US towards the end of the year.

Equity funds
Equity fund managers have few places to hide in a crisis. We expect our underlying equity managers to outperform their respective benchmarks; nonetheless, we recognise the volatility that those benchmarks bring to the portfolio. We seek to mitigate this through manager selection and the sizing of positions.

Against a backdrop of rising equity markets, the underlying funds in this strategy reported a gross total return of 31.9 per cent and as a group outperformed their respective benchmarks, most of them significantly. Japanese and UK equities account for the bulk of investments under this strategy. Japanese investments are held in share classes where the currency is hedged into Sterling or US Dollars. Ongoing corporate governance reforms in Japan continued to drive the unwinding of cross shareholdings, and an increase in dividend pay-outs and share buybacks. These dynamics, combined with continued buying under the Bank of Japan's Quantitative Easing programme, and the Government Pension Investment Plan, have resulted in equities moving closer to fair value. Notwithstanding that, we share the underlying managers' views that Japanese equities remain undervalued. In the UK, markets continued to report strong returns, as equities benefited from the depreciation of Sterling against all major currencies and short term concerns around the EU referendum receded as the year progressed. The balance of funds in this strategy is invested in Russian and Global equities.

Fixed income and credit funds
Overall spreads generally tightened during the year, providing a tailwind for the long-biased elements of this strategy. However, there was considerable volatility in European credit markets, particularly following the UK's decision to leave the EU. Despite this, all five funds in this group made a positive contribution to progress during the year. Four of the funds are ungeared, one of which is a fixed term fund that will return capital to investors in the next 12 months. The fund that does use gearing posted the fourth consecutive year of above benchmark returns.

Global macro funds
The underlying managers in this strategy invest long-short in equities, fixed income and forex. They endeavour to capture major market mispricing and have a history of exploiting pricing bubbles. An active backdrop comprising the maturing of the economic cycle and Quantitative Easing, rising inflation, and mercurial political climates dominated during the year. While this might have been expected to provide plenty of opportunity, the environment proved challenging to monetise for macro managers. In this context, the underlying portfolio managers successfully preserved capital and ended the year ahead in actual and relative terms against their index.

Other strategies
5.9 per cent of the portfolio is invested in Other Strategies, which includes private equity and credit, and infrastructure. The commitments to our infrastructure and private equity funds were made in 2013 and 2014, and to

private credit in 2016. Our infrastructure and private equity funds are now substantially invested and starting to generate strong returns driven by positive performance from underlying investments and realisations..

Commodity funds

The portfolio has a small allocation to globally-traded soft and industrial commodities, as well as energy, and all investments made are long-short. Following three years of strong and uncorrelated returns, this was a challenging year for managers in the space as historically dependable indicators proved unreliable.

Commentary on markets after the Year End

Since the year end, asset prices have continued to rise with many capital markets reaching all-time highs, despite the backdrop of record debt levels, continued political uncertainty and a decline in US leading indicators.

Looking across the markets that our underlying managers invest in, we are encouraged by the beginnings of a genuine recovery in parts of Europe. However, we are now eight years into the second-longest bull market of recent times and as we look forward, the balance of probabilities is that progress from here will be harder. At the year end, the portfolio had a 60 per cent weighting to hedge funds, and this exposure is expected to increase as we continue to allocate to managers who have long track records of generating returns that are uncorrelated to equity markets.

Outlook

The portfolio is now in its fifth year and continues to deliver attractive risk-adjusted returns and we are confident in our underlying managers' ability to continue to generate attractive returns through the cycle.

The portfolio is evolving into a more focused and liquid pool of assets, with an even greater emphasis on containing volatility. This reflects the changed parameters of our investment mandate and liquidity requirements. We look forward to working alongside our new Syncona team members to deliver superior returns for shareholders in the years to come.

Thanks

The majority of the portfolio's underlying managers provide the Company with access to their funds gross of any management and performance fees. This has, in turn, allowed the Company to make significant charitable donations to The Institute of Cancer Research and The BACIT Foundation[11] over the last four years which, as the Chairman has described, continue. We remain deeply grateful for the continued support and generosity of our underlying managers, without whom none of this would have been possible.

BACIT (UK) Ltd
5 July 2017

[11] For onward distribution to nominated charities

Investment Advisor's Report – Life Science Portfolio Review

At 31 March 2017, the Syncona life science portfolio consisted of seven companies and was valued at £226.6 million. These span therapeutics and diagnostics and are concentrated around the core expertise Syncona has built in the emerging next generation of life science technologies, such as engineered cell therapy and gene therapy, where Syncona is now an established leader. These technologies have the potential to deliver dramatic efficacy and are expected to underpin the healthcare products of the future, significantly improving the lives of patients suffering from devastating conditions such as cancer and blindness.

Portfolio performance:

The portfolio generated a 12.4 per cent total return in the period since acquisition in December 2016. The increase was driven by a write up in the Company's investment in Blue Earth Diagnostics from £83.5 million to £108.4 million. This was the result of strong progress in the United States and a positive opinion by the Committee for Medicinal Products for Human Use (CHMP) on Blue Earth's product, Axumin, recommending it be approved for sale and marketing in Europe.

Life science portfolio as at 31 March 2017

Company	£m value	Syncona stake	% of life science portfolio	% of NAV	Valuation basis
Blue Earth Diagnostics	£108.4	90%	47.9%	12.1%	DCF
NightstaRx[12]	£34.2	55%	15.1%	3.8%	PRI
Autolus	£31.2	37%	13.8%	3.5%	PRI
Freeline Therapeutics	£18.0	74%	7.9%	2.0%	Cost
Achilles Therapeutics	£2.8	66%	1.2%	0.3%	Cost
Gyroscope Therapeutics	£5.0	78%	2.2%	0.6%	Cost
CEGX	£5.2	12%	2.3%	0.6%	PRI
CRT Pioneer Fund	£21.8	64%	9.6%	2.4%	Third-party

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

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

Established companies:

Blue Earth Diagnostics:

Blue Earth was established by Syncona in 2014 when Axumin, then in clinical development, was licenced from GE Healthcare. The management team at the time joined the new venture to build a world leading imaging company, developing molecular imaging technologies to reliably inform diagnosis and treatment decisions. Axumin is a positron emission tomography (PET) imaging agent with the potential to significantly improve diagnosis in a number of different cancer settings. Its first indication is for PET imaging in men with suspected prostate cancer recurrence based on elevated blood prostate specific antigen (PSA) levels following prior treatment. Over time, Blue Earth is seeking to expand Axumin's approved indications to other areas such as glioma and breast cancer.

This year was transformative for Blue Earth as it became Syncona's first company to deliver a product to market when Axumin received regulatory approval in the United States, a significant achievement at a relatively early point in Syncona's existence. This was achieved just two years after Blue Earth was formed and 18 months ahead of plan, illustrating the benefits of our focused investment strategy which often targets opportunities that can benefit from an expedited route to market. During the year, Blue Earth achieved pricing reimbursement across the US from

[12] Following Nightstar's Series C financing in June, Syncona's holding in Nightstar is valued at £69.7m and its fully diluted ownership is 46%.

The Centers for Medicare and Medicaid Services at a price of $3,950. The reimbursement decisions came in significantly ahead of plan and mean that healthcare providers in the US can now use Axumin with confidence of payment. The company also signed an agreement with Siemens PETNET to be the manufacturer, distributor and sales partner in the United States, where they are the leading manufacturer and distributor of PET imaging agents. Working in partnership with Siemens, Blue Earth delivered a prompt and successful commercial launch in the United States initiating in August 2016.

Early sales data has been very encouraging and the commercial launch is on plan, with approximately 200 units of Axumin sold during an initial soft launch in the fourth quarter of 2016. This increased significantly to over 800 units in the first quarter of 2017. While cautious on the interpretation of early sales data, these figures give us grounds for optimism for the continued growth of Axumin in the United States.

During the year Blue Earth also received a positive opinion from the CHMP recommending that the European Medical Authority grant Axumin marketing authorisation in the European Union. This, combined with the positive progress delivered in the United States, resulted in Syncona's investment in Blue Earth being written up from £83.5 million to £108.4 million.

Subsequent to year end, in May 2017, Blue Earth secured formal approval from the European Medicines Agency, allowing it to be sold in the European Union as well as in Iceland, Liechtenstein and Norway. In anticipation of a commercial roll-out in Europe in 2018, Blue Earth also entered into a marketing and distribution agreement with Advanced Accelerator Applications (Nasdaq: AAAP), an international specialist in Molecular Nuclear Medicine, to supply and distribute Axumin in France, Germany, Spain, Italy and Portugal.

Over the next year Blue Earth will seek to further increase United States manufacturing sites, weekly production and its commercial team, which is expected to increase its coverage of the US market from the current 50 per cent. Blue Earth expects to begin a roll-out of European sales in 2018 and to continue its positive commercial trajectory in the United States.

Maturing companies:

Nightstar:

Nightstar utilises gene therapy to develop products for inherited forms of blindness and is pursuing a pipeline of products. Its lead product is for choroideremia, a progressive blinding condition for which there are no alternative therapies. During the year Nightstar significantly progressed its phase II trials for choroideremia and held a successful end of phase II meeting with the Food and Drug Administration in the United States. A pivotal trial in this programme is expected to commence within 12 months.

In March 2017 Nightstar also commenced clinical testing of a second product to treat X-linked Retinitis Pigmentosa, another progressive blinding condition for which there are no available therapies.

Subsequent to year end in June, Nightstar completed a US$45 million Series C financing round in which Syncona committed US$12.5 million. The funding round attracted leading international investors and resulted in a write up of Syncona's investment in Nightstar to £69.7 million[13], a £20.3 million[14] (3.1p per share) uplift to Syncona's proforma valuation of £49.4 million[15].

Nightstar also continued to build out its management team with the appointments of Greg Robinson as Chief Scientific Officer and, subsequent to the year end, Senthil Sundaram as Chief Financial Officer.

Autolus:

Autolus develops precision T cell therapies, leveraging industry leading intellectual property in cell programming that is being deployed to create advanced T cell products for a range of haematological (blood) and other cancers. Technologies in the space have recently been shown to have curative potential in haematological cancers. Autolus has a pipeline of Chimeric Antigen Receptor ('CAR') T cell therapies in development, and is moving to commence clinical trials in multiple myeloma, Non-Hodgkin's Lymphoma and T Cell Lymphoma.

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[13] Based on third party funding round and at 27 June 2017 foreign exchange rates

[14] Based on third party funding round and at 27 June 2017 foreign exchange rates

[15] Comprising 31 March 2017 valuation of £34.2m, completion of Series B funding of £5.4m and Series C financing investment of US$12.5m (£9.8m), based on third party funding round and at 27 June 2017 foreign exchange rates

Autolus is establishing a leading position in the manufacturing and delivery of these products to patients, securing a manufacturing suite at the Cell and Gene Therapy Catapult manufacturing centre in Stevenage. The site is in part funded by the UK Government and is dedicated to supporting the growth of the cell and gene therapy industry.

Autolus has built up a strong management team led by CEO Dr Christian Itin, with Dr Vijay Peddareddigari serving as Chief Medical Officer.

Developing companies:

Freeline, Gyroscope, Achilles and Cambridge Epigenetix (CEGX) are our developing companies. The businesses are focused on establishing and embedding the management, commercial and technical capabilities to develop their products through the full regulatory and development path. These companies span oncology, severe orphan disease disorders and blinding conditions and are largely built on the advanced therapeutic technologies in which Syncona has built a leadership position.

CRT Pioneer Fund:

The CRT Pioneer Fund is managed by Sixth Element Capital and invests in oncology focused assets. The fund has a pipeline agreement with Cancer Research UK under which it has a right of first review to certain Cancer Research UK funded drug discovery projects. At the year end, Syncona's investment in the fund was valued at £21.8 million, comprising a portfolio of 11 investments in early stage drug discovery opportunities.

Outlook:

Looking forward, we will continue to seek to optimise returns through our hands-on approach to driving the success of our investee companies. We have a clear set of performance criteria for our existing portfolio, with further funding for follow-on investment contingent on the achievement of the development and strategic milestones we have set.

We look forward to continuing to benefit from our strong relationships with the Wellcome Trust and Cancer Research UK to launch exciting new life science companies with the capability and ambition of taking ground-breaking products to patients. We will also continue to review new opportunities at all stages of the development cycle in the United Kingdom, Europe, and beyond where our capabilities make us the natural partner and investor. We will seek to add new investee companies to our portfolio where they meet our strategic goals and are as compelling as our current group.

Chris Hollowood, Chief Investment Officer, Syncona Investment Management Limited
5 July 2017

SYNCONA LIMITED

GROUP PORTFOLIO STATEMENT
As at 31 March 2017

	Fair Value £'000	% of Total NAV of Group 2017
Life Science Portfolio		
Life Science Companies		
Blue Earth Diagnostics Limited	108,415	12.1
NightstaRx Limited	34,167	3.8
Autolus Limited	31,200	3.5
Freeline Therapeutics Limited	18,000	2.0
Underlying Companies of less than 1% of NAV	12,948	1.5
Total Life Science Companies(1)	204,730	22.9
CRT Pioneer Fund(2)	21,824	2.4
Total Life Science Portfolio(3)	**226,554**	**25.3**
Funds Portfolio		
Equity Hedge Funds		
Polygon European Equity Opportunity *European event-driven equities (Long/Short)*	41,765	4.7
Maga Smaller Companies UCITS *European equities (Long/Short)*	29,145	3.3
The SW Mitchell European Fund *European equities (Long/Short)*	27,210	3.0
Tower Masterfund *South African listed equities (Long/Short)*	24,457	2.7
Portland Hill *Event-driven equity investments (Long/Short)*	21,646	2.4
Sagil Latin American Opportunities *Latin American equities (Long/Short)*	11,700	1.3
Man GLG Pan-European Growth *European high growth equities (mandate permits short)*	10,640	1.2
Doric Asia Pacific *Asia ex-Japan small caps (China, India, SE Asia, Korea) (Long/Short)*	10,606	1.2
Polar UK Absolute Equity *UK equities*	10,324	1.2
AKO Global UCITS *Fundamental equities (Long/Short)*	9,420	1.1
Underlying Funds of less than 1% of NAV	25,303	2.8
	222,216	24.8
Equity Funds		

Polar Capital Japan Alpha *Japanese large and mid-cap equities*	36,648	4.1
The SFP Value Realization *Small and mid-cap Japanese equities (mandate permits short)*	32,968	3.7
Majedie UK Equity *UK equities*	32,172	3.6
Russian Prosperity *Russian equities*	16,161	1.8
Majedie UK Focus *UK equities*	10,734	1.2
Underlying Funds of less than 1% of NAV	11,754	1.3
	140,437	15.7
Fixed Income and Credit Funds		
Polygon Convertible Opportunity *US and European convertible arbitrage*	22,565	2.5
CG Portfolio Dollar *US TIPs (inflation linked government bonds)*	18,331	2.1
WyeTree European Recovery *European residential mortgage-backed securities*	17,133	1.9
WyeTree RRETRO *US and EU subprime mortgage-backed securities*	17,095	1.9
Underlying Funds of less than 1% of NAV	12,747	1.4
	87,871	9.8
Global Macro Funds		
Parity Value *Discretionary global macro (Long/Short)*	34,683	3.9
Sinfonietta *Equities, rates, FX and commodities, with an Asian focus (Long/Short)*	26,013	2.9
Seia Global Macro *Discretionary global macro (Long/Short)*	16,094	1.8
	76,790	8.6
Other Strategies		
Permira V *Private equity, mid to large cap European buyouts*	19,948	2.2
Infracapital Partners II *Private investments in European infrastructure*	12,195	1.4
Underlying Funds of less than 1% of NAV	2,287	0.3
	34,430	3.9
Commodity Funds		
Cumulus *European, Australasian and US power; oil, natural gas, coal (Long/Short)*	10,746	1.2
The AlphaGen Long Short Agriculture *Global exchange traded agricultural commodities (Long/Short)*	9,881	1.1
	20,627	2.3

Total Funds Portfolio[(2)]	**582,371**	**65.1**
Investment in Subsidiaries[(1)]	586	0.1
Total Investment in Subsidiaries	**586**	**0.1**
Other Net Assets		
Cash and cash equivalents[(4)]	86,309	9.6
Distribution payable	(4,755)	(0.5)
Other assets and liabilities	4,173	0.4
Total Other Net Assets	**85,727**	**9.5**
Total Net Asset Value of the Group	**895,238**	**100.0**

(1) The fair value of Syncona Holdings Limited amounting to £205,316,388 is comprised of investments in life science companies of £204,730,449 and investment in subsidiaries of £585,939.

(2) The fair value of the investment in Syncona Investments LP Incorporated amounting to £604,195,511 is comprised of the investment in the funds portfolio of £582,371,973 and the investment in the CRT Pioneer Fund of £21,823,538. The CRT Pioneer Fund is 64.1% owned by the Group; however the Group has no control over the fund.

(3) The life science portfolio of £226,553,987 consists of life science investments totalling £204,730,449 held by Syncona Holdings Limited and the CRT Pioneer Fund of £21,823,538 held by Syncona Investments LP Incorporated.

(4) Cash is held by Syncona Investments LP Incorporated and therefore is not shown in Syncona Limited's Consolidated Statement of Financial Position.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	Revenue £'000	Capital £'000	2017 Total £'000
Investment income				
Other income		14,561	-	14,561
Total investment income		14,561	-	14,561
Net gains on financial assets at fair value through profit or loss	6	-	71,375	71,375
Total gains		-	71,375	71,375
Expenses				
Charitable donation	7	4,752	-	4,752
Management fees		2,774	-	2,774
General expenses		1,119	-	1,119
Total expenses		8,645	-	8,645
Profit for the year		5,916	71,375	77,291
Earnings per Ordinary Share	10	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.

The notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2016

	Notes	Revenue £'000	Capital £'000	2016 Total £'000
Investment income				
Other income		11,880	-	11,880
Total investment income		11,880	-	11,880
Net losses on financial assets at fair value through profit or loss	6	-	(6,857)	(6,857)
Total losses		-	(6,857)	(6,857)
Expenses				
Charitable donation	7	4,752	-	4,752
Management fees		226	-	226
General expenses		1,045	-	1,045
Total expenses		6,023	-	6,023
Profit/(loss) for the year		5,857	(6,857)	(1,000)
Earnings/(losses) per Ordinary Share	10	1.53p	(1.79)p	(0.26)p

The total column of this statement represents 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 notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

	Notes	2017 £'000	2016 £'000
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	8	896,469	472,294
Current assets			
Bank and cash deposits		105	41
Trade and other receivables		4,772	4,795
Total assets		901,346	477,130
LIABILITIES AND EQUITY			
Non-current liabilities			
Share based payment	9	46	-
Current liabilities			
Payables		6,062	4,885
Total liabilities		6,108	4,885
EQUITY			
Share capital account	10	760,327	406,208
Distributable capital reserves		134,911	66,037
Total equity		895,238	472,245
Total liabilities and equity		901,346	477,130
Total net assets attributable to holders of Ordinary Shares		895,238	472,245
Number of Ordinary Shares in issue	10	658,387,407	384,665,158
Net assets attributable to holders of Ordinary Shares (per share)	10	£1.36	£1.23

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

For the year ended 31 March 2017	Notes	Share capital account £'000	Capital reserves £'000	Revenue reserves £'000	Total £'000
Balance at the beginning of the year		406,208	66,037	-	472,245
Total comprehensive income for the year		-	71,375	5,916	77,291
Transactions with shareholders:					
Distributions	11	-	(2,501)	(5,962)	(8,463)
Issuance of shares	10	357,054	-	-	357,054
Scrip dividend issued during the year	10	1,801	-	-	1,801
Share issue costs	10	(4,736)	-	-	(4,736)
Share based payment	9	-	-	46	46
Balance at the end of the year		760,327	134,911	-	895,238

For the year ended 31 March 2016	Notes	Share capital account £'000	Capital reserves £'000	Revenue reserves £'000	Total £'000
Balance at the beginning of the year		403,987	75,077	-	479,064
Total comprehensive (loss)/income for the year		-	(6,857)	5,857	(1,000)
Transactions with shareholders:					
Distributions	11	-	(2,183)	(5,857)	(8,040)
Scrip dividend issued during the year	10	2,221	-	-	2,221
Balance at the end of the year		406,208	66,037	-	472,245

The notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit/(loss) for the year		77,291	(1,000)
Adjusted for:			
(Gains)/losses on financial assets at fair value through profit or loss		(71,375)	6,857
Operating cash flows before movements in working capital		5,916	5,857
Decrease/(increase) in other receivables		23	(357)
Increase in other payables		1,177	337
Net cash generated from operating activities		7,116	5,837
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss		(169,235)	-
Return of capital contribution		4,000	-
Net cash used in investing activities		(165,235)	-
Cash flows from financing activities			
Issuance of shares	10	169,581	-
Share issue costs	10	(4,736)	-
Distributions	11	(6,662)	(5,819)
Net cash generated from/(used in) financing activities		158,183	(5,819)
Net increase in cash and cash equivalents		64	18
Cash and cash equivalents at beginning of year		41	23
Cash and cash equivalents at end of year		105	41
Supplemental disclosure of non-cash investing and financing activities:			
Investments purchased by issue of shares	8	(187,473)	-
Scrip dividend issued during the year	10	(1,801)	(2,221)
Issue of shares	10	189,274	2,221
Net non-cash investing and financing activities		-	-

The notes form an integral part of these financial statements.

ABRIDGED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2017

1. GENERAL INFORMATION

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

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

The Company makes its funds investments through Syncona Investments LP Incorporated (the "Partnership"), in which the Company is the sole limited partner. The general partner of the Partnership is Syncona GP Limited (the "General Partner"), a wholly-owned subsidiary of the Company. It also invests in Syncona Discovery Limited, a wholly-owned subsidiary of the Partnership.

The Company makes its life science investments through Syncona Holdings Limited (the "Holding Company") (incorporated 24 November 2016) and Syncona Portfolio Limited (incorporated 24 November 2016). Syncona Portfolio Limited is a wholly-owned subsidiary of the Holding Company.

In addition, the Company has reconfigured its investment management arrangements by the recruitment of the Syncona Partner LLP's life science investment management team. The life science investment management team is employed by Syncona Investment Management Limited ("SIML"), an indirect UK subsidiary of the Company.

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

The investment objective and policy are set out in the Directors' Report.

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:

Preliminary announcement
The financial information contained in this preliminary announcement does not constitute full accounts as defined in the Companies (Guernsey) Law, 2008 and has been extracted from the statutory accounts for the year ended 31 March 2017. The auditors have issued an unqualified report on these statutory accounts. The Company expects to publish full financial statements that comply with IFRS in July 2017

This announcement has been prepared using recognition and measurement principles of IFRS as endorsed for use in the European Union (IFRS). This announcement does not contain sufficient information to comply with IFRS.

The same accounting and presentation policies were used in the preparation of the statutory accounts for the year ended 31 March 2016.

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 Company has an indefinite life. The Company's assets currently consist of securities and cash amounting to £895.2 million (31 March 2016: £460.4 million) of which 43.1 per cent (31 March 2016: 32.0 per cent) are readily realisable in three months in normal market conditions and the Company has liabilities including uncalled commitments to underlying investments and funds amounting to £114.1 million (31 March 2016: £7.9million). 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 Preliminary Announcement.

Basis of consolidation
Syncona GP Limited (the "General Partner") is consolidated in full from the date of acquisition, being the date on which the Company obtained control and will continue to be consolidated until such control ceases. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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 the 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, similar 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 – funds portfolio
Investments in underlying funds – The Group's investments in underlying funds are ordinarily valued using the values (whether final or estimated) as advised to BACIT (UK) Limited by the managers, general partners or administrators of the relevant underlying fund. The Group or BACIT (UK) Limited 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 BACIT (UK) Limited 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.

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.

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 the investment has been made recently it is valued on a cost basis unless there is objective evidence that a change in fair value has occurred 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 or transactions or 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.

- 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.

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 Partnership and the Holding Company, the Group has outstanding commitments to investments that are not recognised in the Consolidated Financial Statements. Refer to note 13 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 hurdle 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 of Syncona Holdings Limited (“Articles”).

The Group’s policy is to settle half of the proceeds (net of expected taxes) in Company shares which must normally 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 hurdle 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 payment 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 the Share Capital Account.

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.

The Partnership receives fee rebates and donations from its investments.

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 Statement of Comprehensive Income. Expenses directly attributable to the issuance of shares are charged against capital and recognised in the Consolidated Statement of Changes in Net Assets Attributable to Holders of Ordinary Shares.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and 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 adopted by the Group
The following amendments were applicable for the first time this year but had no material impact on the financial position or performance of the Group.

IFRS 10 (Amendments) – Consolidated Financial Statements (effective 1 January 2016)
IFRS 12 (Amendments) – Disclosure of Interests in Other Entities (effective 1 January 2016)
IAS 1 (Amendments) – Disclosure Initiative (effective 1 January 2016)
IAS 7 (Amendments) – Statement of Cash Flows (effective 1 January 2016)
IAS 27 (Amendments) – Separate Financial Statements (effective 1 January 2016)
IAS 28 (Amendments) – Investments in Associates and Joint Ventures (effective 1 January 2016)

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 1 January 2018)
IFRS 15 – Revenue from Contracts with Customers (effective 1 January 2018)
IFRS 16 – Leases (effective 1 January 2019)

The Group is currently in the process of evaluating the potential effect of these standards. The standards are not expected to have a significant impact on the financial statements of the Group.

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 the Directors to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities at the reporting date. However, uncertainties about these assumptions and estimates, in particular relating to the Partnership's private equity investments, the investment in the CRT Pioneer Fund and the Holding Company's 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:

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, as well as the currency in which it receives subscriptions from its investors. Dividends are paid to its investors in Sterling. The Directors believe that Sterling best represents the functional currency, although it has a significant exposure to other currencies.

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

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company meets the criteria as follows:

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

The Company's objective 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 Partnership and the Holding Company 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 fair value all subsidiaries that are themselves investment entities. As the Partnership and Holding Company 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 Partnership and the Holding Company, 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 Partnership's private equity investments, the investment in the CRT Pioneer Fund and the Holding Company's life science investments.

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

Except for listed 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 life science portfolio is very illiquid. All the companies are currently early-stage investments and privately owned. Accordingly, a market value can be difficult to determine. The accounting policy for the life science portfolio is described in note 2 and the sensitivity of the carrying amount to the assumptions and estimates underlying the valuation including reasons for the sensitivity are described in the Annual Report.

4. OPERATING SEGMENTS

In December 2016 Syncona Limited (formerly BACIT Limited) acquired Syncona Partners LLP. The resulting Group is made up of two main components, the ‘life science portfolio’ and ‘funds portfolio’. The Board has considered the requirements of IFRS 8 ‘Operating Segments’, and is of the view that the Group’s activities form two segments under the standard, the ‘life science portfolio’ and the ‘funds portfolio’. The funds portfolio and life science portfolio are managed on a global basis and accordingly, no geographical disclosures are provided.

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

Life science portfolio
The substantial majority of the assets in the life science portfolio was acquired during the December 2016 transaction. The underlying investments in this segment are those whose activities focus on actively developing products to deliver transformational treatments for patients.

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

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

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

Information about reporting segments
The following provides detailed information for the Group’s two reportable segments for the year ended 31 March 2017:

2017	**Life science portfolio £'000**	**Funds portfolio £'000**	**Unallocated* £'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

2016	**Life science portfolio £'000**	**Funds portfolio £'000**	**Unallocated* £'000**	**Total £'000**
Revenue	-	-	11,880	11,880
Capital growth	4,761	(11,618)	-	(6,857)
Expenses	-	-	(6,023)	(6,023)
Net assets	9,606	450,812	11,876	472,294

*’Unallocated’ includes the dividends, donations and expenses for the year, which are not feasible to split by segment. The revenue is unrelated to either segment’s performance.

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

In the prior year the Group’s activities formed a single segment, namely the funds portfolio. Following the December 2016 transaction, the reporting segments have changed so the 2016 segments have been restated. The difference in the restatement relates to the CRT Pioneer Fund which was previously treated as a Fund Investment and deemed immaterial for disclosure. For the year ended 31 March 2017, the CRT Pioneer Fund is included in the life science portfolio as the underlying assets are developing products to deliver transformational treatments for patients.

5. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

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

Directly owned subsidiaries

Subsidiary	Country of incorporation	Principal activity	% interest[1]
Syncona GP Limited (formerly BACIT GP Limited)	Guernsey	General Partner	100%
Syncona Investments LP Incorporated (formerly BACIT Investments LP Incorporated)	Guernsey	Portfolio management	100%
Syncona Holdings Limited	Guernsey	Portfolio management	100%

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

Indirect interests in subsidiaries

Indirect subsidiaries	Country of incorporation	Immediate parent	Principal activity	% interest[1]
Syncona 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 Partners LLP	UK	Syncona Holdings Limited	Portfolio management	100%
Syncona Management LLP	UK	Syncona Holdings Limited	Portfolio management	100%
Syncona LLP	UK	Syncona Holdings Limited	Portfolio management	100%
Syncona Management Services Limited	UK	Syncona Management LLP	Portfolio management	100%
Blue Earth Diagnostics Limited	UK	Syncona Holdings Limited	Medical imaging	90%
Gyroscope Therapeutics Limited	UK	Syncona Holdings Limited	Gene therapy	78%
Freeline Therapeutics Limited	UK	Syncona Holdings Limited	Gene therapy	74%
NighstaRx Limited	UK	Syncona Holdings Limited	Gene therapy	60%

Indirect associates	Country of incorporation	Immediate parent	Principal activity	% interest[1]
Autolus Limited	UK	Syncona Holdings Limited	T-Cell Therapies	45%
Achilles Therapeutics Limited	UK	Syncona Holdings Limited	Immunotherapy	41%
Cambridge Epigenetics Limited	UK	Syncona Holdings Limited	Research tools	14%

[1.] Based on undiluted issued share capital.

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

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

		2017 £'000	2016 £'000
Net gains/(losses) from:			
Syncona Investments LP Incorporated	**6.a**	46,574	(6,857)
Syncona Holdings Limited	**6.b**	24,801	-
		71,375	(6,857)

6.a Movements in Syncona Investments LP Incorporated:

	2017 £'000	2016 £'000
Investment income	1,333	1,302
Rebates and donations	2,035	3,244
Expenses	(303)	(206)
Distributions	(14,561)	(11,880)
Realised gains on financial assets at fair value through profit or loss	11,135	6,724
Realised losses on financial assets at fair value through profit or loss	(3,811)	(3,178)
Movement in unrealised gains on financial assets at fair value through profit or loss	91,051	29,966
Movement in unrealised losses on financial assets at fair value through profit or loss	(18,908)	(33,250)
Gains on forward currency contracts	6,814	8,374
Losses on forward currency contracts	(30,182)	(8,440)
Gains on foreign currency	3,452	2,919
Losses on foreign currency	(1,481)	(2,432)
Net gains/(losses) on financial assets at fair value through profit or loss	46,574	(6,857)

6.b Movements in Syncona Holdings Limited for the period from 24 November 2016 (date of incorporation) to 31 March 2017:

	2017 £'000
Expenses	(36)
Movement in unrealised gains on life science investments at fair value through profit or loss	24,940
Movement in unrealised losses on wholly owned Group companies at fair value through profit or loss	(103)
Net gains on financial assets at fair value through profit or loss	24,801

7. CHARITABLE DONATIONS

In accordance with the Amended and Restated Framework Agreement dated 6 December 2016 and following shareholders' approval of the expansion of the Company's investment policy, the Group has an obligation to make a donation to charity, paid in arrears, of 0.3 per cent of the total NAV of the Company during the financial year. For the years ended 31 March 2017 and 31 March 2018 the Company has agreed that the charitable donations will not be less than £4,751,608. Any amount paid in excess of 0.3 per cent of the total NAV of the Company will be recovered by reducing the charitable donations in subsequent years. Half is donated to The Institute of Cancer Research ("ICR") and the other half to The BACIT Foundation. The BACIT Foundation grants those funds to charities proposed annually by The BACIT Foundation, in proportions determined each year by shareholders of the Company.

During the year, charitable donations amounted to £4,751,608 (31 March 2016: £4,751,608). As at 31 March 2017, £4,751,608 (31 March 2016: £4,751,608) remained payable.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		2017	2016
		£'000	£'000
Syncona Investments LP Incorporated	8.a	690,682	472,294
Syncona Holdings Limited	8.b	205,787	-
		896,469	472,294

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

During the year ended 31 March 2017, the Company issued 142,944,993 shares for the purchase of life science investments, the consideration for which amounted to £187,472,358.

8.a The net assets of the Partnership.

	2017	2016
	£'000	£'000
Cost of the Partnership's investments at the start of the year	388,412	380,977
Purchases during the year	136,197	63,450
Sales during the year	(60,804)	(58,986)
Return of capital	(11,083)	(575)
Net realised gains on disposals during the year	7,324	3,546
Cost of the Partnership's investments at the end of the year	460,046	388,412
Net unrealised gains on investments at the end of the year	144,149	72,006
Fair value of the Partnership's investments at the end of the year	604,195	460,418
Cash and cash equivalents	86,204	12,358
Other net current assets/(liabilities)	283	(482)
Net assets of the Partnership at the end of the year	690,682	472,294

8.b The net assets of the Holding Company.

	2017
	£'000
Cost of the Holding Company's investments at the start of the year	-
Purchases during the year	180,479
Cost of the Holding Company's investments at the end of the year	180,479
Net unrealised gains on investments at the end of the year	24,837
Fair value of the Holding Company's investments at the end of the year	205,316

Other net current assets	471
Net assets of the Holding Company	205,787

9. LONG TERM INCENTIVE PLAN

	2017	2016
	£'000	£'000
Share based payments	46	-

Share-based payments represent a liability associated with awards of Management Equity Shares ("MES") in the Holding Company, relevant details of which are set out in note 2. There were no share-based payments for the Company's shares during the year ending 31 March 2017.

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. In the year ending 31 March 2017 the charge to the Consolidated Statement of Comprehensive Income was £92,000 of which £46,000 is expected to be settled in shares and £46,000 is expected to be settled in cash.

The fair value of the MES is established via external valuation as set out in note 2. For the awards of MES made in the year ended 31 March 2017, the applicable hurdle value was 15 per cent growth in the value of the Holding Company above the value at the date of award. No further performance targets apply to the MES awards. Each MES is entitled to share equally in value attributable to the Holding Company above the applicable hurdle value.

The fair value of awards made in the year ended 31 March 2017 was £648,000. An external valuation at 31 March 2017 confirmed that the fair value had not increased since the award date and therefore no adjustment is required to the fair value to reflect movements in the estimated cash-settled proportion.

MES awards vest 25 per cent per annum on the anniversary of grant. Participants are entitled to sell 25 per cent of vested MES to the Company each year (taking account of MES already sold). For the awards made in December 2016, accelerated vesting applies on cessation of employment in respect of one-third of the unvested awards, with any balance lapsing on cessation. Otherwise, unvested MES awards are forfeited on cessation of employment in the vesting period. Certain malus and clawback provisions apply to MES awards.

The following MES were held by participants:

Date of grant	MES awarded	MES vested at 31 March 2017	Holding Company hurdle	Vesting period
December 2016	26,304,603	-	£203.4 million	December 2016 - December 2020
March 2017	1,480,721	-	£203.4 million	March 2017 - March 2021

Number of ordinary shares in the Holding Company in issue at 31 March 2017: 176,986,208

Value of the Holding Company at 31 March 2017: £200.1 million

At 31 March 2017, if all MES were realised the number of shares issued would increase by 1,087,495.

10. SHARE CAPITAL ACCOUNT

A. Authorised Share Capital
The Company is authorised to issue an unlimited number of shares, which may have a par value or no par value. The shares can be issued as Ordinary Shares, C Shares or other such classes and in any currency at the discretion of the Board.

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

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

The Company also has the authority, subject to various terms as set out in its Articles and in accordance with The Companies (Guernsey) Law, 2008, to acquire up to 14.99 per cent of the Shares in issue. The Company intends to renew this authority annually.

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

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

	Ordinary Shares 2017 £'000	Ordinary Shares 2016 £'000
Deferred Share (1 Share issued at £1)	-	-
Ordinary Share Capital		
Balance at the start of the year	406,208	403,987
Issued during the year	357,054	-
Scrip dividends issued during the year	1,801	2,221
Share issue costs	(4,736)	-
Balance at the end of the year	760,327	406,208

Ordinary Share Capital	Ordinary Shares 2017 Shares	Ordinary Shares 2016 Shares
Balance at the start of the year	384,665,158	382,867,127
Issued during the year	272,248,622	-
Scrip dividends issued during the year	1,473,627	1,798,031
Balance at the end of the year	658,387,407	384,665,158

In December 2016, the Company expanded its investment policy to allow it to make life science investments alongside its existing commitment to the CRT Pioneer Fund and portfolio of fund investments.

As part of this expansion, the Company acquired a portfolio of life science investments from the Wellcome Trust for £176,899,998 (134,883,720 ordinary shares), together with Cancer Research UK's interest in the CRT Pioneer Fund for £10,572,360 (8,061,273 ordinary shares). At the same time, the Company raised an additional £169,581,708 (129,303,629 Ordinary Shares) in new capital from new and existing investors, including a further £142,400,001 (108,577,966 Ordinary Shares) from the Wellcome Trust and £16,802,227 (12,811,458 Ordinary Shares) from Cancer Research UK. In total, £357,054,066 (272,248,622 Ordinary Shares) in new Ordinary Shares were issued at price of 131.15p, a 1.35 per cent premium to NAV per share at the time.

B. Capital reserves

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

C. Basic earnings per share

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

	2017	2016
Earnings for the purposes of earnings per share	£77,291,393	(£999,950)
Weighted average number of shares	462,399,882	383,977,387
Revenue basic earnings/(loss) per share	1.28p	1.53p
Capital basic earnings/(loss) per share	15.44p	(1.79)p
Basic earnings/(loss) per share	16.72p	(0.26)p

D. NAV per share

	2017	2016
Net assets for the purposes of NAV per share	£895,238,499	£472,245,264
Ordinary shares in issue	658,387,407	384,665,158
NAV per share	135.97p	122.77p

11. DISTRIBUTION TO SHAREHOLDERS

The Company may pay a dividend at the discretion of the Board. Following the EGM in October 2013, each dividend paid by the Company will be in the form of scrip as a default, with a cash dividend alternative, under which shareholders may elect to receive cash in place of new Shares. Ordinary Shares issued pursuant to a scrip dividend will be issued at the applicable NAV per share. See note 26 for details of the 2017 dividend.

During the year ended 31 March 2017, the Company paid a dividend relating to the year ended 31 March 2016 of £8,462,633 (31 March 2016: £8,040,210). The dividend was comprised of £6,662,132 cash (31 March 2016: £5,819,108) and a scrip dividend of £1,800,501 (31 March 2016: £2,221,102).

12. RELATED PARTY TRANSACTIONS

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

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

The Company has six Non-Executive Directors. The Directors of the Company with the exception of Mr Keen and Ms Strahlman also serve as Directors of the General Partner. Mr Henderson is also a director of BACIT (UK) Limited.

For the year ended 31 March 2017, each Director is entitled to a fee of £25,000 (31 March 2016: £20,000) per annum, except for the Chairman who is entitled to receive a fee of £40,000 (31 March 2016: £30,000) per annum and the Chairman of the Audit Committee who is entitled to a fee of £30,000 (31 March 2016: £20,000) per annum. Until 31 December 2016, Mr Tigue had agreed to waive his right to receive his fee. Mr Henderson has agreed to continue waiving his fee. For further details please refer to the remuneration report.

Directors' fees for the year to 31 March 2017, including outstanding Directors' fees at the end of the year, are set out below.

	2017 £'000	2016 £'000
Directors' fees for the year	87	88
Payable at end of year	38	19

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

In accordance with the Company's Articles of Incorporation, 50 per cent of the charitable donations are made to The BACIT Foundation. The BACIT Foundation was incorporated in England and Wales on 17 May 2012 as a private company limited by guarantee, with exclusively charitable purposes and holds the Deferred Share in the Company. The amount paid to The BACIT Foundation during the year ended 31 March 2017, in respect of the year to 31 March 2016, was £2,375,804 (31 March 2016: in respect of the year to 31 March 2015, was £2,209,639).

BACIT (UK) Limited is the Company's Investment Manager. BACIT (UK) Limited is a wholly owned subsidiary of The BACIT Foundation. The operating expenses of the Investment Manager are covered by a Management Expense Contribution, payable by the Company to the Investment Manager, equal to 0.19 per cent of NAV per annum. The Group also directly bears certain expenses ("Sundry Expense Contribution") of the Investment Manager. During the year, £96,333 (31 March 2016: £47,515) of Sundry Expense Contribution was borne by the Company on behalf of BACIT (UK) Limited and £1,248 (31 March 2016: £2,448) remained payable as at 31 March 2017. Following the EGM held on 14 December 2016 and subject to receipt of the appropriate regulatory authorisations, SIML will become the Investment Manager of the Company. The Company pays SIML an annual fee of up to 1 per cent of NAV per annum.

13. COMMITMENTS

The Group had the following commitments as at 31 March 2017:

2017	**Uncalled Commitment £'000**
Life Science Portfolio:	
Milestone payments to life science companies	50,115
CRT Pioneer Fund	30,312
Funds Portfolio	27,548
TOTAL	107,975

There were no contingent liabilities as at 31 March 2017.

14. RECONCILIATION OF PUBLISHED NAV TO ACCOUNTING NAV PREPARED UNDER IFRS

	2017 NAV £'000	**2017 NAV per share (£)**
Net assets reported to the London Stock Exchange	894,673	1.36
Adjustment in value of financial assets at fair value through profit and loss:		
Increase in valuation of a late reporting fund investment	614	-
Adjustment to accrued expenses	(49)	-
Net assets per Financial Statements	895,238	1.36

15. SUBSEQUENT EVENTS

These Consolidated Financial Statements were approved for issuance by the Board on 5 July 2017. Subsequent events have been evaluated until this date.

Since the year end, Syncona has invested $12.5 million (£9.8 million) in the $45.0 million Nightstar Series C investment round and written up its holding in Nightstar to £69.7 million, a £20.3 million or 3.1p per share uplift to the proforma valuation of the company at 31 March 2017.

Including this follow-on investment in Nightstar, Syncona has invested £26.2 million in three follow-on investments in its life science portfolio since the 31 March 2017.

A scrip dividend for the year ended 31 March 2017 of 2.3 pence per Ordinary Share will be paid on 23 August 2017 to those shareholders on the register of members of the Company as at 21 July 2017.