Scaling for growth

SYNCONA LIMITED
ANNUAL REPORT AND ACCOUNTS 2023

2023 PERFORMANCE

Earlier this financial year, we set out an ambitious plan to organically scale the business to £5 billion of net assets within 10 years. At the heart of this is improving shareholder returns. Growing the asset base will allow us to operate our model at scale, driving balance sheet efficiency and enabling enhanced risk-adjusted returns.

Navigating our companies through the clinical pathway to late-stage where we believe significant value can be accessed is particularly important in the current environment. In the short term, however, it is important that our strategy addresses the near-term challenges from the macroeconomic environment where there have been dramatic changes to the cost and access to capital. We have undertaken a thorough review of the portfolio focusing our portfolio companies' pipelines on the most promising advanced assets, widening financing syndicates and executing on strategic transactions. We believe these steps balance the need to focus Syncona's capital on the assets with the potential to drive attractive risk-adjusted returns, reach late-stage development and deliver near-term growth. We will continue to grow the portfolio through the addition of the next wave of cutting-edge biotech companies which will drive the forefront of the industry in the future.

Whilst we expect conditions to improve over the medium term with valuations already improving for late-stage assets, we have taken decisive action across the portfolio to navigate the current period, take advantage of these conditions where possible and build a wave of new companies to drive longer term sustainable growth.

However, the action taken across the portfolio, coupled with the challenging market environment has contributed to a reduction in net assets, with our listed companies' share prices declining and SwanBio being partially written down.

More broadly, however, we have seen positive progress across the portfolio with 16 clinical data read-outs, seven financings, and a further three post-period end, including one significant pharma investment. Syncona's portfolio is increasingly diversified with a number of near-term value drivers, particularly from our late clinical stage companies.

I am also pleased with the changes we have made to our organisational structure and the corresponding expansion of the team. The proactive approach we have taken to portfolio management combined with these improvements will provide increased resilience in the current market conditions as well as a platform to drive growth. We believe our focus on building companies to late-stage development alongside our balance sheet strength will ultimately enable us to deliver strong risk-adjusted returns for our shareholders over the long term, driving transformational impact for patients.

FINANCIAL HIGHLIGHTS

£1.3bn

Net Asset Value (NAV) (186.5p[1,2] per share)
(2022: £1.3bn; 194.4p per share)

(4.1)%

NAV return[1]
(2022: 0.3%)

£604.6m

Life science portfolio valuation
(2022: £524.9m)

£650.1m

Capital pool[3]
(2022: £784.9m)

£177.2m

Capital deployment[1]
(2022: £123.2m)

1. Alternative performance measure, please refer to page 140.
2. Fully diluted, please refer to note 14 in the financial statements on page 122.
3. Please see glossary on page 138 for definition.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

SHAREHOLDER INFORMATION

Our vision is to unlock the potential from truly innovative science to transform patients' lives

Our strategy is to create, build and scale companies around exceptional science to create a diversified portfolio of 20-25 globally leading life science businesses, across development stage, modality and therapeutic areas, for the benefit of all our stakeholders. We focus on developing treatments for patients by working in close partnership with world-class academic founders and management teams. Our capital pool underpins our strategy, enabling us to take a long-term view as we look to improve the lives of patients with no or poor treatment options, build sustainable life science companies and deliver strong risk-adjusted returns to shareholders.

Chris Hollowood
Chief Executive Officer
Syncona Investment Management Limited

Create → Build → Scale

Our strategy, team and balance sheet position us to take advantage of a compelling market opportunity centred on delivering products to late-stage development.

What sets us apart

A highly skilled team, an increasingly diversified portfolio, a permanent capital structure combined with a long-term approach and commitment to responsible investing.

P44

A multi-disciplinary team with a strong track record

Our multi-disciplinary team has a technical skill-set with deep scientific, investment and operational expertise. We have significant experience in managing risk and reward in a specialised asset class. To date our four exits have generated proceeds of £948 million, a 4.3x multiple of cost.

170

Years of life science and investing experience in the investment team

P36

Our capital pool

We have a balance sheet structure which provides us with the flexibility to fund our companies from foundation to late-stage development – connecting science with its full value potential. Whilst we will bring in co-investors alongside us to diversify financial risk, our ability to fund over the long term helps to attract the best academics, founders, executives and financing syndicate partners. It also helps provide a strong negotiating position for financing rounds or M&A.

£650.1m

In the capital pool

P48

A commitment to making a positive impact and responsible investing

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

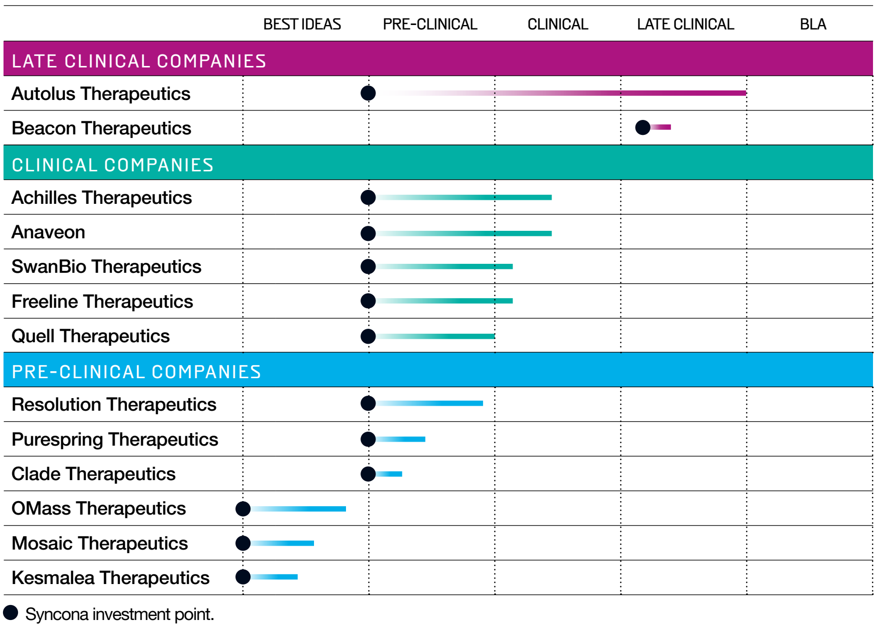
P26

Our strategic portfolio

Our strategic portfolio is made up of 13 leading life science companies, all built with product-focused strategies where we believe there is an opportunity to make a difference to the lives of patients.

7/13

Portfolio companies at clinical stage



Our roadmap to organically grow net assets to £5 billion by 2032

This year we outlined our plan to scale Syncona over the next 10 years, setting out our new long-term targets. Our ambition to organically grow net assets to £5 billion by 2032 reflects the potential returns available from a maturing and expanded portfolio.

P18

A long-term strategy

Our strategy is to create a diversified portfolio of 20-25 leading life science businesses. We believe that significant value in our asset class can be accessed by delivering companies to late-stage development.

Building global leaders today

22
Syncona portfolio companies since 2012 foundation

13
Number of companies in the portfolio today

14
Clinical trials across Syncona portfolio

10-year rolling targets

3
New companies created p.a.

20-25
Portfolio of leading life science companies

3-5
Companies in which we retain a significant ownership position to late-stage development

Our ambition by 2032

£5bn
net assets
Delivered through our long-term growth targets

P10

A differentiated value creation model

We create, build and scale companies that can make a real difference in people's lives by providing transformational treatments in areas of high unmet medical need.

£1.1bn
Deployed since 2012

Create
companies around exceptional science

Build
our companies by taking a hands-on partnership approach

Scale
our companies over the long term, leveraging our capital pool and relationships with strategic co-investors

A year of strategic evolution in challenging market conditions

Melanie Gee
Chair
Syncona Limited

The last year has seen a series of significant economic and geopolitical events, including the Russia and Ukraine conflict, that have led to a very challenging global economic environment. We have seen increased inflation with Central Banks weighing up difficult decisions on raising interest rates and significant valuation moves across several sectors leading to increased volatility across global markets. The widespread economic uncertainty has had a substantial impact on the biotech space and we have seen a dramatic change to both valuations and the cost of capital in the sector in which we operate. We have seen the impact of this macro backdrop on our listed holdings and have also seen challenging financing conditions across the market for early-stage biotech companies.

It is against this backdrop that Syncona initiated a review of its strategy, conducted by the Syncona team in partnership with the Board, announcing our evolved approach at our Interim Results last November. We believe the changes we are in the process of implementing will enable the Company to increase its resilience to challenging market conditions, help our portfolio companies to navigate their complex, high-risk development pathways successfully, grow the portfolio to provide better diversification and thereby improve shareholder returns over time. The team have made a good start embedding these changes and the Board looks forward to seeing further progress in the coming financial year.

FINANCIAL PERFORMANCE

Syncona ended the year with net assets of £1,254.7 million or 186.5p per share, a (4.1)% return in the year (31 March 2022: net assets of £1,309.8 million, NAV per share of 194.4p, 0.3% return). Performance has been driven by the continued share price declines of our listed holdings which partially reflected the wider market backdrop for biotech companies and the write down of our valuation of SwanBio, which outweighed the positive impact of foreign exchange and uplifts elsewhere in the portfolio. The Syncona team have been actively working to maximise value across our portfolio, focusing on navigating our companies through their clinical pathway to late-stage development, where we believe the most significant value can be accessed, and ensuring capital discipline to enable them to deliver on their missions to get products to patients.

DECISIVE ACTION ACROSS THE PORTFOLIO WITH CONTINUED FOCUS ON CLINICAL ASSETS; MAINTAINING DISCIPLINED CAPITAL ALLOCATION AGAINST A CHALLENGING MARKET BACKDROP

In the context of the current environment, Syncona's balance sheet is of critical strategic importance. The Syncona Investment Committee has continued to take a disciplined approach to capital allocation across the portfolio, whilst ensuring that where companies are delivering on key milestones and maintaining a clear path to take products to patients, we are able to continue to support them. We have been focusing our capital where we believe there is a differentiated opportunity to fund companies to milestones close to late-stage development and where recently we have seen valuations start to recover.

The Syncona team has also been quick to respond to opportunities that have been presented by the current market environment, and the Board has been pleased to see that our balance sheet has enabled us to add four new companies to the portfolio in this financial year, in line with our evolved strategy. These included one late-stage asset (AGTC-501), which we believe has exciting potential for both patients and shareholders over the long term.

STRATEGY EVOLUTION

Our strategy evolution includes a number of enhancements to our processes and, importantly an updated set of long-term targets. We have looked closely at how to optimise our approach to financing our companies and also at improving the way we manage our companies through the development cycle, particularly as they navigate the clinical pathway. Reducing the impact of our cash holding for shareholders has been a core focus for the Board this year, and we are pleased that the Syncona team has committed to a target of expanding the life science portfolio by creating three new companies per year, having historically created one to two companies on an annual basis. We believe an expanded and diversified portfolio, where we reach a portfolio size of 20-25 companies, which sits alongside a capital pool that provides three years of financing will help to deliver our growth ambitions whilst minimising the impact of cash on the return shareholders experience.

As part of this work, we also recognised the impact that proceeds from realisations may have on balance sheet efficiency and longer-term performance. We anticipate that shareholder returns will continue to be predominantly driven by long-term capital appreciation. However, if, in the event of realisations, our capital pool increases significantly in excess of our three year forward capital deployment guidance, and subject to an assessment of investment opportunities at the time, the Board would look at returning capital to shareholders.

SYNCONA TEAM EVOLUTION

To support the expansion of the portfolio and the management of mature portfolio companies as they scale through the clinic, the Board, in partnership with the Syncona Leadership Team, has reviewed the Company's organisational structure, to enable the delivery of the Company's long-term growth targets. We have been pleased to see the expansion of the senior investment team, alongside the implementation of the evolved operational model. We believe these changes will support the delivery of a sustainable portfolio, reduce volatility and improve shareholder returns.

OUTLOOK

The Board is disappointed by Syncona's share price performance and where it is trading relative to NAV. We continue to monitor it closely, whilst focusing on supporting the team to drive our evolved strategy and deliver on our stated NAV ambition. The team has made good progress on executing our evolved strategy and our long-term targets are clear. We are looking to deliver an expanded portfolio of 20-25 companies by 2032, and to hold three to five companies with significant shareholdings to late-stage development to enable our shareholders to participate in the significant value creation in our sector.

The UK life science landscape remains exciting and provides a rich set of opportunities. The UK Government's support for the sector is encouraging and the team are actively engaged in discussions with them across a range of important initiatives, most critically around how to attract more capital to the sector. We look forward to seeing the impact of these initiatives.

As I look forward more broadly, I am confident that the evolution of both our strategy and the Syncona team, alongside the clear action taken in the portfolio to support companies to navigate the current market backdrop, will help the Company deliver for all of our stakeholders over the long term.

Finally, I would like to take the opportunity to thank the Syncona team, the portfolio company management teams and my Board colleagues for their hard work and dedication this year.

Melanie Gee
Chair
Syncona Limited
14 June 2023

SECTION 172 STATEMENT

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

Section 172 requires directors to have regard to the long-term consequences of their decisions, the interests of key company stakeholders, the impact of the company's activities on the community and the environment, the desirability of maintaining a reputation for high standards of business conduct, and fair treatment between the members of the company, against a backdrop of the company's overall strategy and business model.

As a Guernsey company that legislation does not directly apply to Syncona, but the Board recognises the importance of these issues.

As described in the Corporate governance report (pages 76 to 79), Syncona is an investment company and has appointed its subsidiary Syncona Investment Management Limited (SIML) as Investment Manager, and delegated responsibility for managing the investment portfolio to it.

Accordingly, the Board is not directly involved in management of the investment portfolio, other than in respect of very large decisions (such as the Gyroscope sale in the previous year) but sets strategy and oversees the activities of the Syncona team. The Board's consideration of the section 172 matters therefore mostly takes place in the context of setting strategy and oversight, with individual decisions being relatively infrequent.

LONG-TERM DECISION-MAKING

The Board is responsible for setting the Company's purpose, Investment Policy, strategic objectives and risk appetite. Our purpose is to invest to extend and enhance human life. We do this by creating, building and scaling companies to turn exceptional science into transformational treatments for patients in areas of high unmet need.

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

MATERIAL DECISIONS MADE P42 AND 43
OUR PURPOSE AND STRATEGY P18 AND 19
RISK MANAGEMENT P66 TO 68
CORPORATE GOVERNANCE REPORT P76 TO 79

OUR KEY STAKEHOLDERS

Positive relationships with our stakeholders are important to the success of our business and in maintaining our reputation and the Board reviews how it and the Syncona team engage with these stakeholders on an ongoing basis. Our key stakeholders include our patients, shareholders, the Syncona team and portfolio companies. How the interests of each of these key stakeholders, including our shareholders, our people, our patients, the scientific research community and the government and the wider community, are taken into account in the business and by the Board is described in more detail on pages 40 to 43. For further information relating to our impact on the environment, please see pages 48 to 61.

As an investment company, our suppliers are limited: other than SIML, they are principally our Administrator and Custodian, and professional service providers. Accordingly, we have not included suppliers as a key stakeholder on pages 40 to 43.

ENGAGING WITH OUR STAKEHOLDERS P40 TO 41
SUSTAINABILITY REVIEW P48 TO 61

MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT

The Board is responsible for monitoring the culture, values and reputation of the business. During the year the Board reviewed the steps taken by the Syncona team to ensure that our processes and ways of working are aligned with the Company's purpose and values. The Board also monitors the implementation of our sustainability framework, which sets out how we will act as a responsible investor.

CORPORATE GOVERNANCE REPORT P76 TO 79
SUSTAINABILITY REVIEW P48 TO 61

Scaling for growth

Navigating our companies through the clinical pathway to late-stage where we believe significant value can be accessed is particularly important in the current environment."

Chris Hollowood
Chief Executive Officer
Syncona Investment Management Limited

4
New companies added to portfolio

16
Clinical data read-outs across the portfolio

This year Syncona has implemented a range of key strategic initiatives which we believe will position ourselves to deliver our long-term growth ambitions. These strategic changes at Syncona have been executed alongside decisive actions taken to re-focus certain portfolio companies' clinical pipelines around the highest value potential programmes. We have also sought to take advantage of the market conditions where possible creating the next wave of leading biotech companies.

NAV PERFORMANCE DRIVEN BY THE DECLINE IN SHARE PRICES OF LISTED COMPANIES AND THE PARTIAL WRITE-DOWN IN VALUE OF SWANBIO

In terms of financial performance, we ended the year with net assets of £1,254.7 million or 186.5p per share, a (4.1)% return in the year (31 March 2022: net assets of £1,309.8 million, NAV per share of 194.4p, NAV return of 0.3%). Performance has been driven by both declines in the value of our listed holdings as well as the partial write-down of SwanBio, which were partially offset by the positive impact of foreign exchange and uplifts elsewhere in the portfolio.

We recognise that the share prices of Syncona's listed holdings have continued to weigh on performance, and that this has been impacted by the current macro conditions as well as specific company issues. The Syncona team has worked closely with the management teams at these portfolio companies to ensure they remain funded to deliver their next key milestones and are focused on delivering value from their clinical stage programmes.

The Company has written down its holding in SwanBio to £58.2 million, a £51.0 million decline in value during the year. We continue to believe in the potential impact of gene therapy to treat patients with Adrenomyeloneuropathy (AMN) . SwanBio's management team has taken the strategic decision to restructure the pipeline and have chosen to focus on its lead programme. As part of our valuation process, we have recognised that the company is now driving forward one programme, rather than a pipeline of programmes. We will work closely with the company as it generates data from its initial dose cohort. The financing environment has been challenging for early-stage companies and SwanBio has not executed a third-party financing to date. We are, therefore, working on a range of financing and strategic options for the company in parallel.

OUR STRATEGY

Our strategy is underpinned by four key drivers

1 Team and track record

A multi-disciplinary team with significant expertise and a strong track record in creating and building leading life science companies.

35

Number of Syncona team members

2 Capital

Maintain a capital pool structure to provide us with flexibility to fund our companies over the long term.

£650.1m

Capital pool

3 Portfolio

We have access to exceptional science coming out of leading universities and our network enabling us to build a diversified portfolio of high-growth companies in areas of high unmet medical need.

13

Companies in the portfolio

4 Risk-adjusted returns

We seek to deliver strong risk-adjusted returns through our differentiated model and financing approach which optimises our capital allocation so that we effectively manage risk and reward.

22%

IRR and 1.5x multiple on cost across whole portfolio since 2012[3]

OUR PURPOSE AND STRATEGY P18

Across the rest of the private portfolio, our companies are making strong operational and clinical progress, whilst also leveraging strategic opportunities to bring in further financing in order to help realise their ambitions in a challenging environment. Overall, the portfolio has diversified and matured over the year and now includes seven clinical stage companies where there have been 16 clinical data read-outs, whilst we have also seen five clinical trial initiations, two companies enter the clinic and seven financings completed.

FOCUSING PORTFOLIO COMPANY CLINICAL PIPELINE ON LATE-STAGE ASSETS AND ATTRACTING STRATEGIC SOURCES OF FUNDING

Navigating our companies through the clinical pathway to late-stage where we believe significant value can be accessed is particularly important in the current environment. Across the portfolio, we have been able to support our companies as they execute on a number of opportunities to ensure the companies are able to deliver on their plans prudently and are positioned to achieve key milestones. Similar to the difficult decision we have taken at SwanBio, at Freeline, we have worked with the management team to streamline its pipeline of programmes, executing the sale of its manufacturing facility and focusing on its Gaucher programme where it has a potential first mover advantage. At Autolus, we participated in a $163.9 million financing, with the company now funded into 2025 as it approaches the filing of a BLA with the US Food and Drug Administration (FDA) for its lead obe-cel therapy later in 2023, a key milestone.

Despite the difficult financing environment for public and private companies, we have seen the completion of the sale of Neogene to AstraZeneca for up to $320.0 million (£261.2 million)[1]. The sale of Neogene is the fourth sale of a Syncona portfolio company over the last four years, generating total potential sale proceeds of up to £1.2 billion[2], with upfront proceeds alone generating a 4.3x return on capital invested. Outside of M&A, our portfolio also continues to attract

1. FX rate taken at date of transaction closing.
2. Since 2012, includes potential full receipt of milestones from sales of Gyroscope and Neogene.
3. Includes sales of Blue Earth, Nightstar, Gyroscope, and Neogene closures of 14MG and Azeria. All IRR and multiple on cost figures are calculated on a gross basis, reflects original Syncona Partners capital invested where applicable.

interest from both pharma and strategic investors, underlined by the post-period end collaboration and exclusive option and license agreement Quell has entered into with AstraZeneca, for which it will receive $85 million upfront, predominantly in cash alongside equity, and the additional £10.0 million commitment from British Patient Capital into OMass Therapeutics (OMass) in its expanded Series B financing.

BALANCE SHEET AND SYNCONA EXPERTISE IS IMPORTANT IN NAVIGATING THE CURRENT MARKET BACKDROP

£394.3 million has been committed to the portfolio during the year by Syncona and third parties, with Syncona committing £176.9 million[1]. Our balance sheet has been more important than ever in the current environment enabling us to protect our positions where companies are making strong progress and also take advantage of current market valuations to access late-stage assets that can be operated on our model. It has always been critical to our long-term approach but in an environment where there is a greater scarcity of capital, we are able to support companies with products that have huge potential for patients and continue to progress these through the development pathway to ensure they achieve their missions. The team continue to take a disciplined approach to capital allocation across the portfolio, rigorously balancing the risk and reward potential of each investment decision and ensuring investment into companies that have made the necessary decisions to drive capital efficiency into their operations to deliver our return targets.

SCALING THE BUSINESS TO DELIVER LONG-TERM GROWTH AND VALUE FOR SHAREHOLDERS

A key part of our strategy evolution is our plan to increase the rate of new company creation to three per year, having previously founded one to two companies a year. We believe this will enable increased potential for growth from the life science portfolio, providing greater optionality to optimise capital allocation, and helping us to build an expanded portfolio of 20-25 companies. Growing the life science portfolio whilst maintaining a runway of three years of capital will mean that over time our capital pool becomes a smaller proportion of overall NAV, driving balance sheet efficiency.

AN EVOLVED MODEL

Leveraging a highly experienced team with a wide range of expertise throughout the clinical pathway

Portfolio companies

Syncona Executive and Advisory Group

LISA BRIGHT
Experienced commercial leader with a focus on launching innovative medicines

KEN GALBRAITH
Experienced biotech executive; Chair/CEO of multiple quoted companies

MARKUS JOHN
Experienced clinician and former Franchise Head, Immunology and Ophthalmology at Roche

GWENAELLE PEMBERTON
Regulatory expert with over 30 years' experience in global regulatory strategy in biopharma

JOHN TSAI
Experienced clinical leader and former CMO of Novartis

The Group in action

Autolus

Lisa Bright
has worked with the company on its commercial strategy, as it approaches commercial launch of its lead obe-cel therapy

beacon therapeutics

Gwenaelle Pemberton
has been heavily involved in developing the company's regulatory strategy

1. Syncona has invested £177.2 million in the year into its portfolio and new opportunities. Uncalled commitments at 31 March 2023 were £87.6 million.

Overall, we are aiming to grow NAV to £5.0 billion by 2032, delivering an IRR of 15% over the cycle, whilst aiming to deliver top quartile returns from the life science portfolio. This target reflects the continued returns potentially available from a maturing and expanded portfolio as our companies progress through the development cycle.

DIFFERENTIATED COMPANY CREATION MODEL, BALANCE SHEET AND STRATEGIC APPROACH TO DELIVERING VALUE HAS SUPPORTED PORTFOLIO EXPANSION AND DIVERSIFICATION

We are delighted to have made a strong start to delivering on our new 10-year rolling targets this year, adding four new companies to the portfolio including a late-stage asset, which provides further diversification. The breadth of our approach to company creation exemplifies our multi-disciplinary expertise and differentiated model. The team has created an ophthalmic gene therapy company, Beacon, based around two pre-clinical assets, one of which is in-licensed from the University of Oxford. Beacon has now been combined with AGTC, previously a NASDAQ listed company with a late-stage asset which was acquired by Syncona during the year, creating a combined company with a diverse pipeline of assets in an area where Syncona has significant expertise. As part of the transaction, Syncona is set to benefit from any future commercialisation of the company's lead AGTC-501 asset via a "deferred consideration" which provides the right to a mid-single digit percentage of future income from sales and licensing.

Incorporating royalties (or similar structures) into our investments has the potential to offer Syncona future income streams aligned with our strategic approach to creating value for our shareholders. We were also pleased during the year to add two cutting edge companies in the small molecule space in Mosaic and Kesmalea.

EVOLVING OUR TEAM AND OPERATIONAL MODEL TO DELIVER OUR UPDATED LONG-TERM GROWTH AMBITIONS

To continue to deliver on our 10-year rolling targets, we have evolved and expanded our senior team. Roel Bulthuis has joined as Managing Partner and Head of Investments, bringing over 20 years of life science venture capital, business development and investment banking experience, and Ed Hodgkin was promoted to Managing Partner, with Elisa Petris and Magdalena Jonikas promoted to Lead Partner. We were also pleased post-period end to welcome John Tsai and Ken Galbraith to Syncona as Executive Partners. Both bring significant experience in clinical and commercial roles, with John Tsai joining Syncona from Novartis, where he was President, Global Development and CMO, and Ken Galbraith bringing over 30 years as a senior biotech leader, including as CEO of four companies.

We have also evolved our operational model to enable the efficiency needed to scale and support our growth ambitions and to improve the clinical execution of our companies as they navigate complex development pathways to bring innovative drugs through to late-stage. We have formed a discrete Launch Team within Syncona to support our new portfolio companies in becoming operational. Our new Executive and Advisory Group has also been formed to provide functional expertise, particularly through the mid- and late-stage of clinical development, to support our portfolio companies to pre-empt potential clinical and operational issues and course correct when challenges arise.

VALUATIONS FOR LATE-STAGE ASSETS IMPROVING, WHILST LIFE SCIENCE RESEARCH BASE REMAINS EXCITING FOR SOURCING LEADING SCIENCE

The financing environment for biotech companies has been acutely challenging over the last 12 months. However, valuations are starting to recover for later-stage clinical assets, as investors focus on good science validated by clinical data. This market dynamic validates a core principle of our strategy to build companies that are focused on delivering products to patients and we believe our companies are well positioned to progress to clinical stage with our ongoing support. Alongside the improving market conditions, we are seeing for late-stage companies, pharma companies are increasingly active in the M&A space, and we are seeing assets with strong clinical data being acquired at attractive multiples, another core tenet of our strategy. As our portfolio matures, we believe it is well positioned to take advantage of these evolving dynamics.

Moving to our pipeline of new opportunities, our core sourcing approach remains focused on identifying exciting science generated by world-class academics at universities both here in the UK and on a global basis. We continue to see a rich pipeline of ground-breaking science around which to create new companies across a range of therapeutic areas, leveraging our model and relationships with world-class academics. Our team has a strong track record in picking great science which has the potential to have a meaningful impact for patients, and we are excited by the potential of our platform to create and build more great companies based on this strong opportunity set.

WELL POSITIONED TO NAVIGATE THE CURRENT MARKET CONDITIONS; PORTFOLIO INCREASINGLY DIVERSIFIED WITH POTENTIAL FOR NEAR-TERM INFLECTION POINTS AND LONG-TERM GROWTH

Our portfolio is increasingly diversified with seven clinical stage companies including two late-stage clinical companies, Autolus and Beacon, that have key clinical and regulatory milestones in the next 12 months and are well positioned to deliver value. To achieve our long-term ambitions, we have worked hard to build and invest in our platform this year to scale the business to deliver on the significant opportunity that lies ahead.

The opportunity to build the best globally leading life science companies here in the UK is exciting for patients and all of our stakeholders. We believe our evolved ambition, talented team and ambitious target to grow NAV to £5.0 billion will deliver strong risk-adjusted returns for shareholders over the long term.

Chris Hollowood
Chief Executive Officer
Syncona Investment Management Limited
14 June 2023

A differentiated approach

HOW WE SELECT OUR INVESTMENTS

We take a proactive approach to sourcing science with a focus on how it could translate to products that can deliver transformational efficacy for patients in areas of high unmet need. We then apply our rigorous due diligence process.

OUR INVESTMENT PROCESS P20

WHAT SETS US APART

A differentiated platform investing in a globally significant scientific research base:

- A multi-disciplinary team with a strong track record
- Our capital pool
- A commitment to making a positive impact and responsible investing
- Our strategic portfolio
- A long-term strategy

OUR CORE ACTIVITIES

Our create, build, scale model is our differentiated approach to building globally competitive life science companies.

Opportunities based on exceptional science which has the potential to have a transformational impact for patients

Create

new businesses in partnership with leading academics working on exceptional science.

Build

out our newly created companies through a hands-on partnership approach.

We ambitiously scale our companies at key stages of the investment cycle...

UNDERPINNED BY OUR

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

Scale

our businesses over the long term, bringing in co-investors to diversify financial risk, whilst retaining the flexibility to fund them to late-stage development; maximising their ambition.

VALUE CREATED

The value we create is on behalf of our eight stakeholder groups, who are all key to our ongoing success.

For our shareholders
it means generating attractive and sustainable returns by providing access to a diversified portfolio of highly innovative companies.

For our people
it means creating an environment where everyone can flourish.

For our portfolio companies
it means providing expertise, support and funding to enable them to achieve their ambitions.

For the scientific research community
it means translating exceptional science into a commercial product.

Strong risk-adjusted returns generated by creating a portfolio of companies with the potential to reach late-stage development

For patient groups
it means developing transformational treatments in areas of high unmet need.

For our co-investors
it means growing partnerships, building long-term relationships and enhancing their returns.

For the Syncona Foundation and its supported charities
it means providing sustainable funding so it can deliver on its objectives.

For the government and the wider community
it means building sustainable life science businesses.

Reinvested in the portfolio

PROCEEDS FROM REALISATIONS

Returned to shareholders

Learn more about our Capital Return Policy

FINANCIAL OVERVIEW P36

CAPITAL POOL

...whilst maintaining a disciplined approach to capital allocation across the portfolio.

We

"At Syncona, we seek to combine world-class science with world-class leaders to create globally leading life science companies. Beacon is a perfect example of this."

Michael Kyriakides
Investment Partner

1 in 22,000
Men commonly thought to have XLRP[1]

£96m
Series A financing

1. Research suggests that 50-70% of patients have a mutation in the RPGR gene; this is the group targeted by the Beacon therapy (iovs.arvojournals.org/article.aspx?articleid=2125553).

CASE STUDY

Beacon Therapeutics

Creating a late-stage gene therapy company where Syncona has unique expertise to drive value for shareholders and impact for patients.

The team has created a new leading ophthalmic gene therapy company, Beacon, by acquiring Applied Genetic Technologies Corporation (AGTC), previously a NASDAQ listed company with a late-stage asset, and combining it with two exciting pre-clinical programmes. With a purpose to restore and improve the vision of patients with a range of prevalent and rare retinal diseases that result in blindness, Beacon's pipeline has an established scientific foundation that combines a late-stage development candidate to treat X-linked retinitis pigmentosa (XLRP) with two pre-clinical programmes, one targeting dry age-related macular degeneration (AMD) and another in-licensed from the University of Oxford targeting cone-rod dystrophy (CRD). Beacon also has access to a target generation technology platform that will identify, screen and search secreted proteins in the ophthalmology space.

PORTFOLIO REVIEW P26

SPOTLIGHT ON SUSTAINABILITY

The impact of products for patients is at the centre of our investment process, with Beacon's late-stage asset in XLRP having significant potential for delivering impact in an area of high unmet need. AGTC had a strong set of established sustainability principles which we have successfully carried over to Beacon, and we look forward to working closely with Beacon over the next 12 months to further build upon these strong foundations.

Sourcing world-class science

- Syncona had been following AGTC for a number of years, having had experience in XLRP through its previous investment in Nightstar Therapeutics, a retinal gene therapy company which it sold to Biogen in 2018 for $877 million, a 4.5x return
- Syncona acquired a Phase II clinical asset in XLRP in November 2022 when it completed its acquisition of AGTC for an initial $23.3 million upfront investment
- Syncona identified the potential of AGTC's lead asset, AGTC-501, and could see an innovative approach to the clinical and regulatory pathway for the drug which could lead to it continuing its progress towards patients

Partnering with leading academics

- Syncona has a strong relationship with Professor Robert MacLaren, Professor of Ophthalmology at the University of Oxford. He was a co-founder of Nightstar Therapeutics and also served on the Scientific Advisory Board of Gyroscope Therapeutics. Professor MacLaren will act as a Scientific Adviser to Beacon as well as join the company's Board as a Director
- We have also leveraged our broader relationship with the University of Oxford to identify and then in-license a pre-clinical programme targeting CRD

Selecting products with commercial potential which can be taken to market

- Beacon's one clinical and two pre-clinical programmes are all targeting diseases which are underserved by current treatments and result in blindness, a devastating condition for patients
- We had seen strong data from AGTC-501, demonstrating the potential for the drug, and saw a differentiated opportunity to create a company with a late-stage asset on the Syncona model
- Combining AGTC-501 with highly innovative pre-clinical assets has created an exciting and diversified platform company with the potential for near-term commercialisation

Making long-term decisions consistent with a company taking a product to approval independently

- Syncona worked closely alongside OMass, helping the team think through target identification
- OMass announced its pipeline in 2021 with a focus on immunological and rare diseases
- The company has invested in its R&D and clinical capabilities, moving in 2023 to a new 16,000 sq foot mixed-use space at the new Oxford ARC campus with a laboratory space specifically designed for OMass' scientific and technical requirements

Attracting the best management teams

- OMass is led by CEO Rosamond (Ros) Deegan, who joined the company in May 2019 and has significant experience across senior operational and commercial roles at both private and listed biotechs, including a track record in business development and both public and private financings
- Ros works alongside a strong management team, including Chief Scientific Officer Ali Jazayeri, former Chief Technology Officer at Heptares Therapeutics and an experienced leader in therapeutics drug development

Focusing on execution through people and access to capital

- The team at OMass has continued to grow, with headcount almost doubling over the last two years as a broad range of experienced personnel have joined the business to help it drive towards delivering on its scientific and operational milestones
- OMass has a strong syndicate of investors, led by Syncona alongside Oxford Science Enterprises, Oxford University, GV, Northpond, Sanofi Ventures and British Patient Capital (BPC)
- The company has raised £128.5 million to date, including an expanded £85.5 million Series B financing which included an additional £10 million investment from BPC, announced in May 2023

We provide expert insight across a range of specialisms including regulatory, commercial and clinical, ensuring that our portfolio companies have access to the resources and expertise they need to succeed."

Magdalena Jonikas
Lead Partner

CASE STUDY

OMass Therapeutics

OMass uses novel biochemistry techniques, native mass spectrometry and custom chemistry to deliver novel medicines against highly validated but inadequately drugged targets, with a focus on immunological and rare diseases.

PORTFOLIO REVIEW P32

Its platform is based on work originated in the laboratory of Professor Dame Carol Robinson at Oxford University, and was originally spun out of Oxford as a research and consultancy business before being re-launched in 2018 as a therapeutics business following the Syncona-led Series A financing. Since this, Syncona has been working closely with OMass as it develops as a business, guiding it through pre-clinical development and a Series B financing.

SPOTLIGHT ON SUSTAINABILITY

OMass has made significant progress in developing its approach to sustainability. It has already built a strong reporting framework across environmental, social and governance areas, and has worked very closely with Syncona as it has developed its thinking in this area. In particular, the company has shown a strong commitment to limiting its environmental footprint, implementing operational changes to limit emissions and reporting its Scope 1 to 3 emissions to Syncona for the last two years.

build

globally leading, diverse life science companies by leveraging our expertise and track record to drive success

32%
Uplift to Syncona's holding value from OMass Series B financing in 2022

5
Programmes in OMass pipeline

$85m
Received upfront in cash and equity investment from AstraZeneca through a licensing agreement in June 2023

£164.8m
In capital raised[1]

We

AstraZeneca's recent collaboration with Quell is excellent validation of its platform and technology. We are proud Quell has attracted a strong partner to support the development of its high potential Treg cell therapies."

Elisa Petris
Lead Partner

CASE STUDY

Quell Therapeutics

Quell Therapeutics was founded with the aim of developing engineered T regulatory (Treg) cell therapies.

Tregs are a subset of T cells with the potential to downregulate the immune system. Quell was founded by Syncona in 2019 having brought together six prominent immunological experts from King's College London, University College London and Hannover Medical School, with the company on track to be the first company to potentially present data in the engineered Treg field in the liver transplant setting. Guided by Syncona, Quell has been making strong progress as it heads towards the clinic later this year, successfully completing a Series B financing and signing a licensing agreement with AstraZeneca.

PORTFOLIO REVIEW P30

SPOTLIGHT ON SUSTAINABILITY

Quell has shown a strong commitment to sustainability reporting. The company clearly recognises the importance of diversity and inclusion by establishing an Equal Opportunities Policy. It has also worked alongside Syncona to develop its environmental reporting, providing Scope 1 to 3 emissions to Syncona for the last two years.

1. At 31 March 2023.

Leveraging our balance sheet to invest through the cycle

- Quell was created by Syncona, following the team identifying Treg cells as an area of interest in late 2017
- Syncona led Quell's £35.0 million Series A financing in 2019 with a £34.0 million commitment
- In 2021 Syncona provided another £25.3 million in financing in an expanded Series A, with the level of funding raised at this point being the largest ever amount of funding committed to a stand-alone Treg company

Attracting world-class investor syndicates to our portfolios

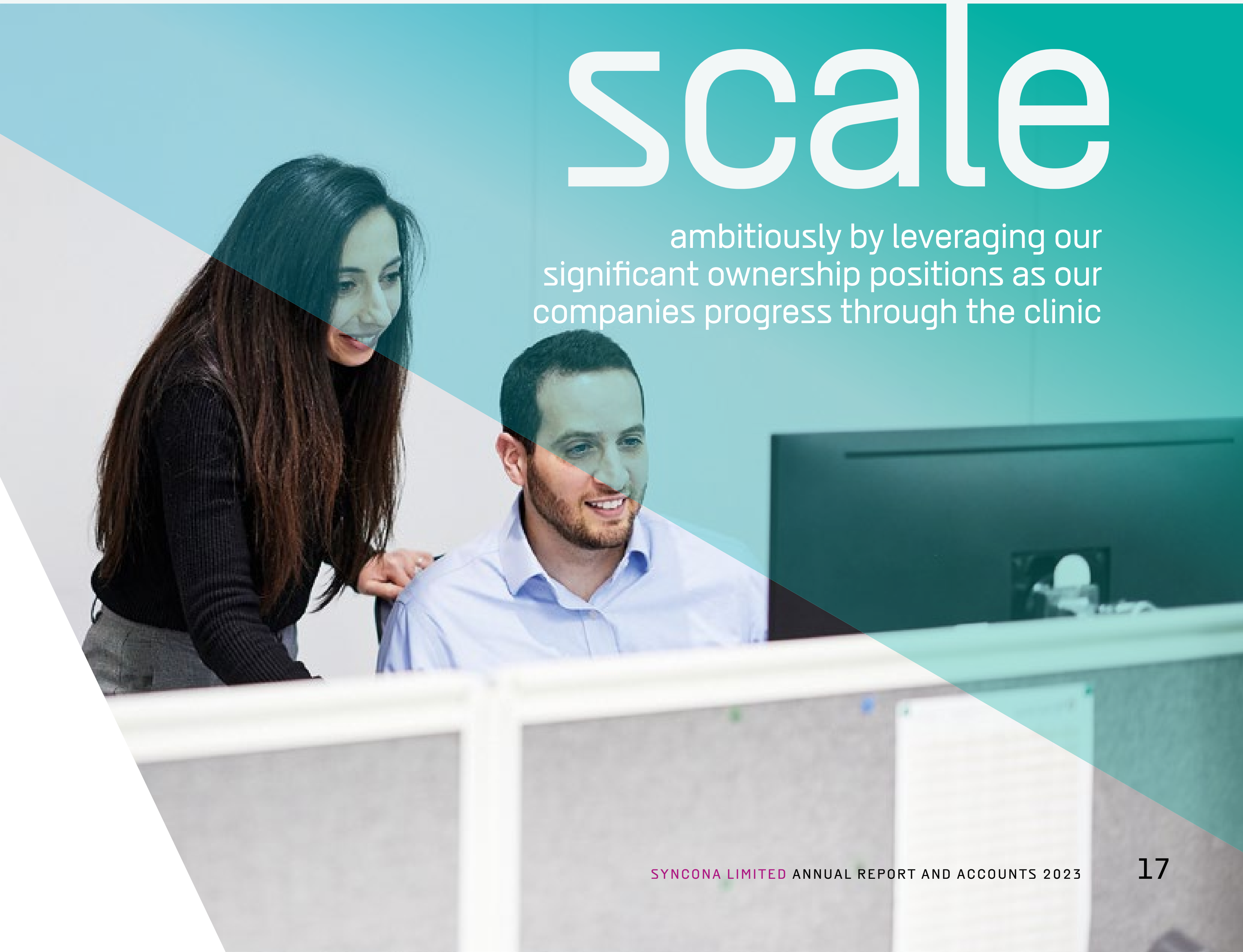
- Quell was able to attract a top tier syndicate of investors to its Series B financing in 2021, with Jeito Capital, Ridgeback Capital, SV Health Investors, Fidelity, British Patient Capital (BPC) and others participating in a £117 million financing
- Syncona committed £19 million as part of the Series B, which took place at a 41% uplift to Syncona's previous holding value for Quell
- The success of this financing underlined the market view on the potential of Tregs, with Syncona benefitting from its early mover advantage in spotting the technology's potential

Building portfolio companies with product-focused strategies which are attractive to pharma partners

- In June 2023, Quell announced that it had signed an option and license agreement with AstraZeneca to develop, manufacture and commercialise engineered Treg cell therapies for autoimmune diseases, for which it received $85 million in upfront and equity payments
- Quell could also potentially be eligible to receive over $2 billion in further development and commercialisation milestones, plus potential tiered royalties
- This agreement underlines the continued value of Syncona portfolio companies to pharma investors. It will enable Quell to leverage AstraZeneca's expertise and capability in driving its products through the development pathway

scale

ambitiously by leveraging our significant ownership positions as our companies progress through the clinic



Our purpose is to invest to extend and enhance human life. We do this by creating, building and scaling companies to turn exceptional science into transformational treatments for patients in areas of high unmet need.

THE DRIVERS TO ACHIEVE OUR PURPOSE AND STRATEGY	HOW HAVE WE PERFORMED IN 2023?
1 Team and track record A multi-disciplinary team with significant expertise and a strong track record in creating and building leading life science companies.	• Evolved Leadership Team, with Martin Murphy moving to Chair of SIML and Chris Hollowood becoming CEO • Expanded and re-structured investment team, with Ed Hodgkin being promoted to Managing Partner and Elisa Petris and Magdalena Jonikas being promoted to Lead Partner • Roel Bulthuis also joined post-period end as Managing Partner and Head of Investments • John Tsai and Ken Galbraith joined post-period end as Executive Partners • Launch and Executive and Advisory functions launched and operational • Team has worked closely with portfolio companies to focus on delivering against key milestones with capital discipline
2 Capital Maintain a capital pool structure to provide us with flexibility to fund our companies over the long term.	• £177.2 million of capital deployed into exciting new opportunities and to support our existing portfolio • £394.3 million has been committed to the portfolio during the year by Syncona and third parties, with Syncona committing £176.9 million • Introduction of new Capital Return Policy to ensure balance sheet efficiency in the event of realisations • Addition of three low-volatility, highly liquid, multi-asset funds and mandates to capital pool to manage inflationary risk
3 Portfolio We have access to exceptional science coming out of leading universities and our network enabling us to build a diversified portfolio of high-growth companies in areas of high unmet medical need.	• Portfolio of 13 companies, with the addition of four new companies to the portfolio during the year, with three created by Syncona • Acquisition of AGTC, subsequently combined with new portfolio company Beacon to create a new Syncona ophthalmic gene therapy company • Addition of small molecule drug discovery platforms Mosaic and Kesmalea • 16 clinical data read-outs during the year with seven companies now at clinical stage
4 Risk-adjusted returns We seek to deliver strong risk-adjusted returns through our differentiated model and financing approach which optimises our capital allocation so that we effectively manage risk and reward.	• Updated 10-year targets and set a long-term growth target to organically grow net assets to £5 billion by 2032 • NAV return of (4.1)% and life science portfolio return of (14.3)%[1] during the year against a challenging market backdrop with performance impacted by decline in share prices of listed company holdings and the write down of our holding in SwanBio • Sale of Neogene to AstraZeneca for up to $320.0 million, the fourth sale of a Syncona portfolio company since foundation

1. Alternative performance measure, please refer to page 140.

KEY PERFORMANCE INDICATORS P38

Our strategy is to create, build and scale companies around exceptional science to create a diversified portfolio of 20-25 globally leading life science businesses, across development stage, modality and therapeutic areas, for the benefit of all our stakeholders.

HOW DO WE MEASURE PROGRESS?

RELEVANT KPIS

- Targeting a portfolio of 20-25 companies, creating 3 new companies a year, with a goal of delivering 3-5 companies to late-stage development over a rolling 10-year basis
- Access to capital, aim to maintain 3 years of financing runway
- NAV growth
- Progress in de-risking pre-clinical and early-stage clinical companies
- People in the Syncona team
- Portfolio progress to patient impact

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- NAV growth
- Portfolio progress to patient impact

Achieving our long-term objectives

£5bn

Net assets by 2032

10-YEAR ROLLING TARGETS

3
New companies created p.a.

20-25
Portfolio of leading life science companies

3-5
Companies in which we retain a significant ownership position to late-stage development

Creating new companies and a long-term funding approach

Company creation for us starts by talking to leading academics developing highly innovative science and IP.

Our team's background in basic science, clinical development and commercialisation enables a holistic understanding of the opportunity and enables us to bring the commercial vision to form a company that can take a product to market and patients.

We take a proactive approach to seeking out scientists from leading universities and then conduct rigorous due diligence to identify the range of key risks and opportunities.

We ask ourselves the following key questions:

IC

DISCIPLINED ALLOCATION OF CAPITAL

Q

IS THE COMPANY SOLVING A PROBLEM WHERE THERE IS A HIGH UNMET NEED FOR PATIENTS?

Central to all investment decisions is the impact a potential treatment can have on the lives of patients with a devastating disease. The team looks carefully at the disease setting and evaluates the current standard of care to ensure that the product being developed will have a transformational impact.

Q

ARE THE SCIENCE AND ACADEMIC FOUNDERS GLOBALLY LEADING?

Syncona focuses on highly innovative science and we seek to work with globally leading academics in the space, leveraging our network in the UK and overseas. We take the time to get to know, understand and align around a vision for the company. We share their passion for translating and commercialising their technology.

Q

CAN A BIOTECHNOLOGY COMPANY CREDIBLY TAKE THE PRODUCT TO MARKET?

Syncona's thesis is that significant value can be accessed in life science investment at late-stage development and product approval. We therefore seek to build companies that can deliver products to market and where we can remain a significant shareholder. This means we look at potential products that can treat defined patient segments/target markets, where there is opportunity for accelerated development and regulatory pathways which enable a faster route to market.

Q

CAN THE SCIENCE BE TRANSLATED INTO A COMMERCIAL LEAD PROGRAMME THAT WILL MEET OUR REQUIRED RETURN TARGET AND IS THERE PIPELINE POTENTIAL?

An important filter for the team is to look at whether there is a clear lead programme for the product that has the potential to deliver a strong risk-adjusted return for shareholders. This means our team assesses the total addressable markets, potential pricing, the competitive environment and the standard of care in the disease for the lead programme, applying a broad range of expertise, benchmarks and experience.

HANDS ON...

Once an opportunity has been identified and invested in...

ENABLES QUICK AND EFFECTIVE OPERATIONALISATION OF START-UP COMPANY

LT

Underpinned by our disciplined investment approach

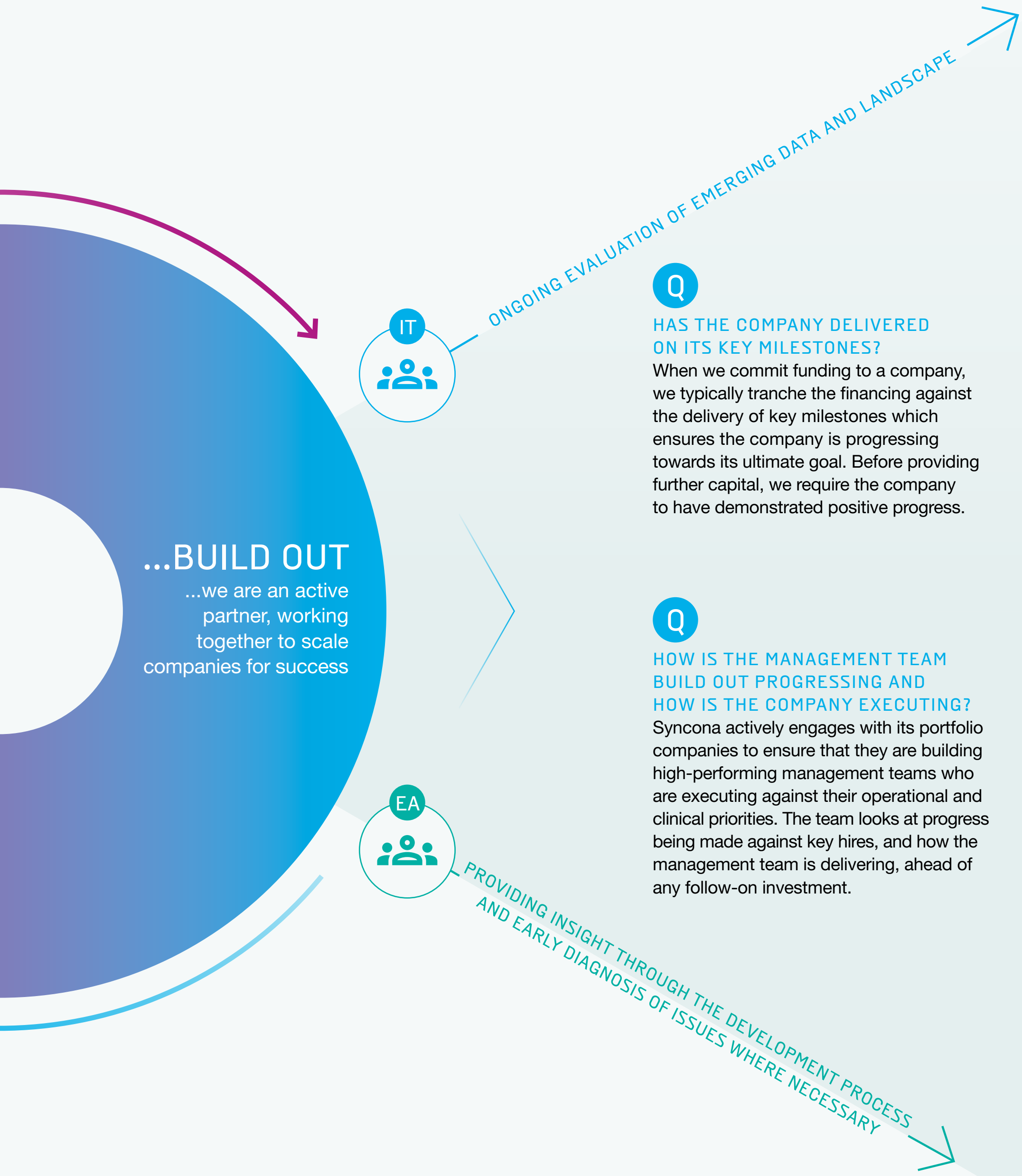
Investment Committee assessment of capital invested across the portfolio to ensure it remains diversified and well balanced

Assess probability of success for the product's approval, taking into account benchmarks if relevant or appropriate

Write business plan and develop strategy for building out team and operational capability

Synconaʼs differentiated approach to company creation provides us with a proprietary pipeline of opportunities.

IC INVESTMENT COMMITTEE
IT INVESTMENT TEAM
LT LAUNCH TEAM
EA EXECUTIVE AND ADVISORY TEAM



Q HAS THE COMPANY DELIVERED ON ITS KEY MILESTONES?

When we commit funding to a company, we typically tranche the financing against the delivery of key milestones which ensures the company is progressing towards its ultimate goal. Before providing further capital, we require the company to have demonstrated positive progress.

Q HAVE ANY FURTHER RISKS EMERGED AND DOES INVESTMENT OF FURTHER CAPITAL MEET OUR RETURNS CRITERIA?

Before providing further funding, the Syncona team does a rigorous analysis of emerging data from its portfolio companies and a review of changes to the competitive environment. Our approach to managing risks is fully integrated with our Responsible Investment Policy, with sustainability risks actively monitored by the investment team.

Q HOW IS THE MANAGEMENT TEAM BUILD OUT PROGRESSING AND HOW IS THE COMPANY EXECUTING?

Syncona actively engages with its portfolio companies to ensure that they are building high-performing management teams who are executing against their operational and clinical priorities. The team looks at progress being made against key hires, and how the management team is delivering, ahead of any follow-on investment.

Q DOES FURTHER INVESTMENT MEET OUR CAPITAL ALLOCATION FRAMEWORK AND ALIGN WITH OVERALL PORTFOLIO DIVERSIFICATION?

As well as a rigorous bottom-up analysis, we look at capital allocation from a top-down perspective. The team looks at the current allocations to the portfolio, future requirements over a three-year period and total capital available in our capital pool, allied with a review of where the weight of capital sits relative to the potential risk/reward.

Analyse competitive landscape

Assess the long-term capital requirements, key risks and value inflection points

Undertake rigorous returns analysis

Analyse all academic literature and data available

A world-class scientific research base provides a rich set of opportunities

UK life science opportunity

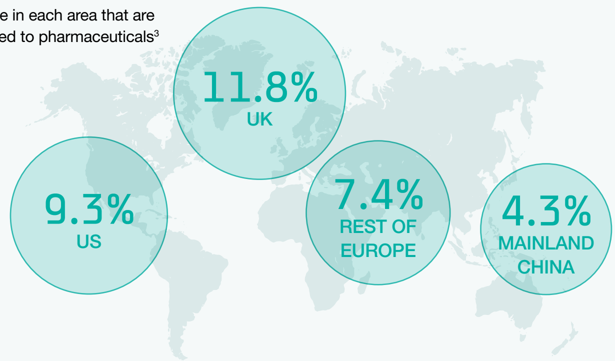
A globally significant research base with one of the world's richest concentrations of life science research universities

4
Out of the top 10 medical research universities

>£85bn
GDP contribution to the UK economy

>260,000
Jobs are supported by the UK life science sector

A HIGH PROPORTION OF INVENTIONS MADE IN THE UK ARE RELATED TO PHARMACEUTICALS



- The UK's academic institutions are a source of world-class science and are experts at translational research; four of the world's top 10 life sciences and medicine universities are in the UK[1]
- The UK life science sector supports over 260,000 jobs and contributes more than £85 billion annually in GDP[2]
- Crucial for the development of the UK's life science sector will be building on its existing academic and research base by creating significant pools of scale-up capital which can fund biotech companies through the eight to 10-year development cycle
- The UK displays a higher rate of pharmaceutical invention than international comparators

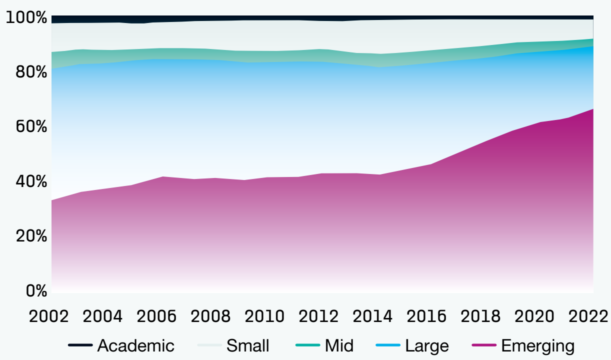
1. topuniversities.com/university-rankings/university-subject-rankings/2022/life-sciences-medicine.
2. bidwells.co.uk/globalassets/science--tech/ls2030/life-sciences-2030-report.pdf; page 4.
3. biotechfinance.org/wp-content/uploads/2023/04/BIA-Finance-report-27.02.23.pdf; page 32. Percentage calculated based on all inventions published in each area 2010-2021.

Innovation driving growth

Biotech companies have been the driving force in translating medicines into commercial products in recent years

- The era of precision medicine has meant that we now have a better understanding of what drives diseases and how we can treat them
- A supportive regulatory environment and our ability to target patient populations has reduced the capital necessary to progress medicines through the development cycle
- There remains a significant opportunity to leverage the power of genetics and increased access to data to identify exciting targets
- Biotech companies are at the forefront of leveraging these advances in science and technology to bring products towards approval
- Artificial intelligence is also becoming a mainstream technology in healthcare, increasingly playing a pivotal role in de-risking the drug development process with algorithms enabling fast and precise target identification

SHARE OF PHASE I TO REGULATORY SUBMISSION PIPELINE BY BIOPHARMA COMPANY SEGMENT, 2002-2022[4]

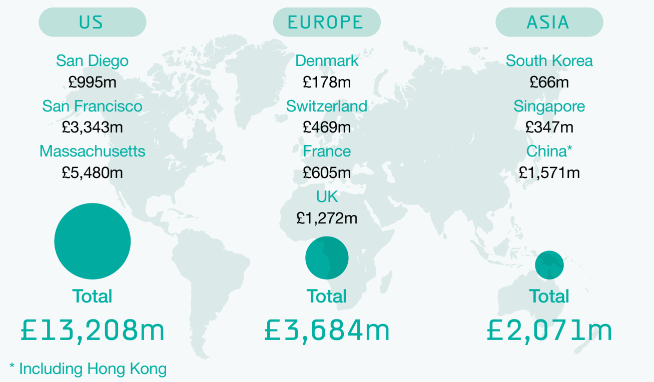


2/3
Emerging biopharmas are now responsible for two-thirds of the global R&D pipeline[4]

>50%
By 2026, biotech drugs will account for more than half of the top 100 selling medicines[5]

4. iqvia.com/insights/the-iqvia-institute/reports/global-trends-in-r-and-d-2023; page 21.
5. info.evaluate.com/rs/607-YGS-364/images/JN%2346%20World%20Preview%20Report_Final_06-10_HR_no_crops.pdf; page 18.

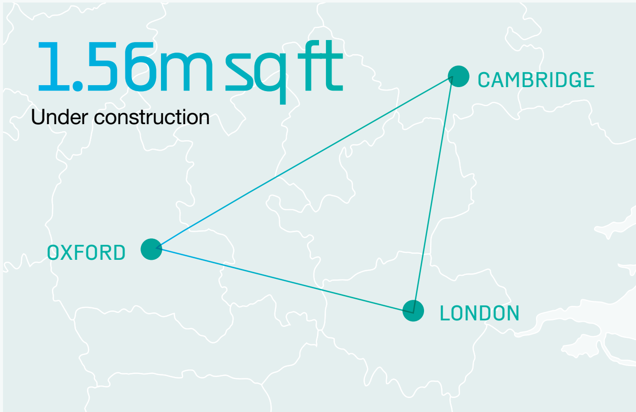
INTERNATIONAL VC FINANCING



FUNDING IN THE UK

- 2022 was a challenging year for the UK biotech market as it was impacted by the broader macro environment. There was a 60% fall in the level of total fundraising, including venture capital (VC) and other sources, in the UK life sciences and biotech sector in 2022 at £1,785 million raised, down from £4,506 million in 2021 – a record year[6]
- Although the UK VC financing maintains its pre-eminent position in Europe, access to scale-up capital remains a major hurdle for high-growth life science businesses, and it continues to lag behind the US

THE GOLDEN TRIANGLE: A LEADING LIFE SCIENCE CLUSTER



THE GOLDEN TRIANGLE

- The 'golden triangle' of London, Oxford and Cambridge is one of the world's leading clusters for life sciences, having received 80% of the life science VC funding in the UK, but it is struggling with readily available lab space as a result of very high demand.[7] However, there is 1.56 million sq foot of life sciences space under construction in the golden triangle, of which 504,300 sq foot is already pre-let[8]
- Readily available lab space needs to become a core part of the life sciences ecosystem to ensure that globally significant life science companies operate and scale here in the UK

6. biotechfinance.org/wp-content/uploads/2023/04/BIA-Finance-report-27.02.23.pdf. Note the map above is solely VC funding.
7. cbre.co.uk/insights/reports/trends-that-transcend-the-us-uk-life-sciences-industry; page 8.
8. cushmanwakefield.com/en/united-kingdom/insights/life-sciences-golden-triangle-report; page 1.

Challenging financing conditions in the year, with recovery in valuations for late-stage assets

Pharma is increasingly looking to outsource discovery, with late-stage deals fuelling the recovery in M&A

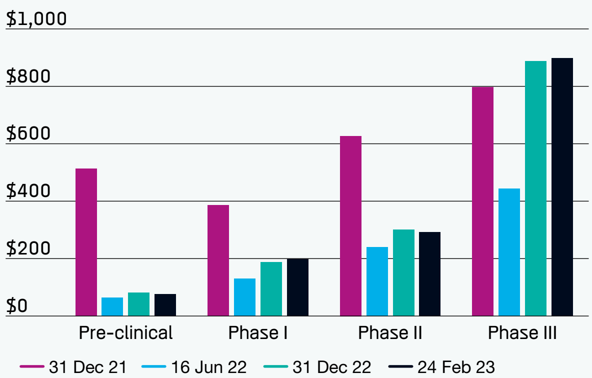
CHALLENGING PUBLIC AND PRIVATE MARKET BACKDROP FOR BIOTECHS

- Listed biotech throughout the year had challenges with S&P's XBI index dropping 26% during 2022 and IPO issuance dropping to $2.4 billion from $29 billion in 2021[9]
- Private financings were also impacted, with overall US biotech and pharma VC deal activity down 25% in 2022[10]

COMMERCIAL AND LATE-STAGE BIOTECHS HAVE SEEN THE STRONGEST RECOVERY IN VALUATIONS AND ARE ATTRACTIVE TARGETS FOR M&A

- Whilst M&A continues to be suppressed against the record levels of 2021, later-stage assets are attractive, with all eight public acquisitions in Q1 2023 involving biotechs with Phase II or later candidates, five of which were commercial-stage[11]
- This outlook has also been reflected in the public markets, with the average Enterprise Value of US listed companies with Phase III assets in Q1 2023 having recovered to 2021 levels[12]
- With financing challenges for pre-clinical companies remaining, the importance of focusing on commercial opportunity remains clear

AVERAGE ENTERPRISE VALUE OF A BIOTECH LISTED ON US EXCHANGES BY STAGE OF DEVELOPMENT[12]



9. mizuhogroup.com/americas/insights/2023/1/equity-capital-markets--healthcare-2022-year-in-review-copy.html.
10. forvis.com/article/2023/04/funding-strategies-trends-medtech-biotech-startups.
11. William Blair, The Quarterly Rx: Q1 2023 U.S. Biopharma Recap; page 22.
12. CapitalQ and Torreya analysis.

Modality precision is the new precision in medicine

The Syncona perspective

Chris Hollowood
CEO of SIML shares his perspective on the future of the scientific landscape

> Syncona has always been focused on finding high science that delivers transformative impact in areas of high unmet medical need."

The past decade has seen the development of new modalities that have caused a paradigm shift in drug development. Syncona was an early investor in precision medicine and led the creation of a number of new companies, particularly in the cell and gene therapy space. However, our attraction to these modalities was not the novelty for its own sake, but rather the power and precision with which they allowed access to validated targets and the impact they could have on some devastating diseases. For instance, cell therapy has allowed scientists to utilise the potential of CD19 for novel immune therapies in oncology. Meanwhile gene therapy has allowed in-situ enzyme replacement therapy for monogenic (single gene) disorders – the highest form of target validation – unlocking previously hard-to-treat parts of the body, for example the central nervous system.

Syncona has always been focused on finding high science that delivers transformative impact in areas of high unmet medical need. The question of which modality to use has always been dependent for us on the specific biology and clinical setting – whatever shape or form that was to come in. Rather than make the modality fit the target, we take the target and explore which modality offers the most effective way to reach it. It just so happened that advances in cell and gene therapy offered us numerous opportunities to reach novel targets.

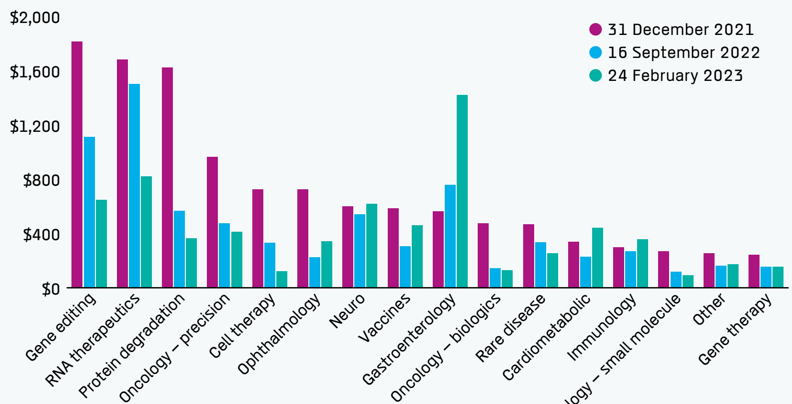
As we move forward into the second decade of Syncona's growth, we continue to look for high-quality science that shines a light on novel targets. We are of the view that the diversity of modalities now available after the expansion of the last decade brings new levels of precision to drug development where the power of a novel target paired with the best modality can drive even greater benefit for patients – but also jeopardy where calling the pairing wrong in a world of increasingly narrow IP leaves companies vulnerable to disruption. We are already seeing this and over the past year, for instance, we announced new companies in small molecules (Mosaic) and protein degradation (Kesmalea), as well as in gene therapy (Beacon).

The new modalities that entered the fray over the past decade include cell and gene therapy, gene editing, and protein degradation. We've also witnessed a renaissance of others, such as oligonucleotides and antibody-drug conjugates.

Looking ahead, there is no obvious new disruptive modality imminently on the horizon. We will see incremental improvements in the suite of technologies already in play, and they will continue to be developed and fine-tuned, but it's hard to imagine a totally new entrant over the next few years of quite the same disruptive power to those of the last decade.

In this respect, the next decade will see the industry return to 'business as usual'. The fundamental point of drug development has always been to discover a target that can be modulated to treat a horrible disease. Now, we have at our disposal a vast armoury of modalities to launch at these targets, more than at any other time in history, so simply being the first mover against a given target

AVERAGE ENTERPRISE VALUE OF US BIOTECHS BY FIELD[1]



- Valuations within Third Wave therapeutic fields have been more severely impacted by the macro environment
- There has been a narrowing in the range of valuations between modalities
- Investors focused on assets which are delivering clinical data and are moving to late-stage regardless of modality

1. CapitalIQ and Torreya analysis.

won't be enough. Instead, life sciences companies will find that, as IP narrows, they will need to achieve more than one first of 'firsts': starting with the right modality, for the right target, and in the right indication.

Crucially, this marrying up of modality with disease and target will be the barrier to entry that also ensures commercial success. We are already seeing this dynamic with the rotation of investment away from modality/platform companies towards therapeutic areas of interest (see graph on page 24).

This holistic, modality-precision approach is precisely what Syncona was set up to follow. Our team is structured to dissect a new piece of science from scratch and then create a company around how best to deliver a therapy for it.

Our investments in cell and gene therapy, for example, go through the same method. Gyroscope is a good example of this. It was founded around the premise that a one-time therapy would address the issue patients with dry age-related macular degeneration faced – needing regular intravitreal injections for a disease that is asymptomatic in the early phase and where adherence to treatment was a real issue. Permanent expression would deliver greater efficacy and the early data corroborating this premise is what compelled Novartis to acquire the company.

We continue to remain committed to cell and gene therapy, as we look to reap the rewards of our early mover advantage. We will also be looking to evolve and expand their application, for example by moving gene therapy into larger diseases just as we did with Gyroscope. But this is in the context of only when it is the right modality and disease to target.

OUT WITH THE OLD AND IN WITH THE NEW

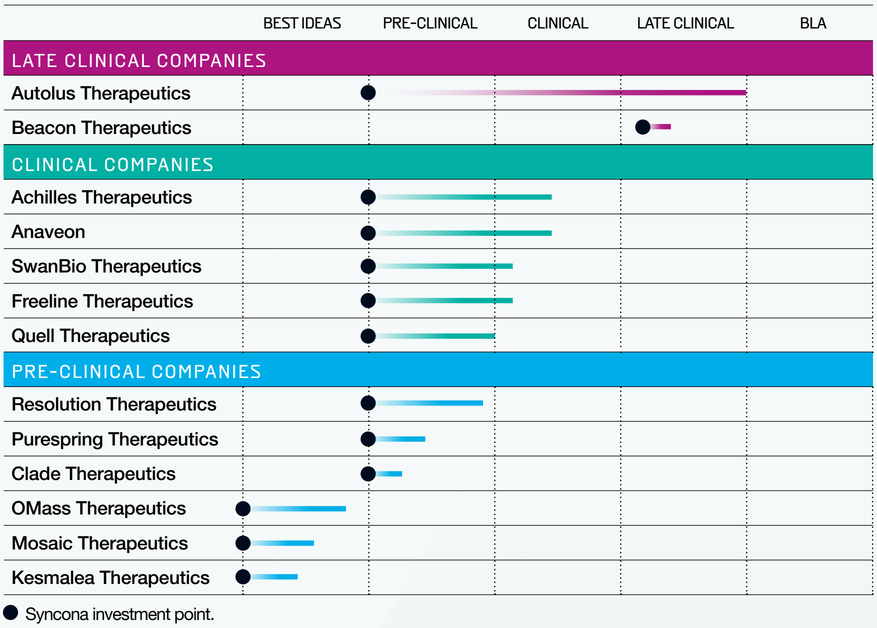
We appear to be moving out of a decade dominated by new modalities and entering a world where the sheer volume of data and the number of modalities provide an incredible set of opportunities for our sector to leverage. Our ability to sequence genes quickly and cost effectively, coupled with our deeper understanding of genetics as a driver for many diseases and conditions, is also allowing researchers to understand which approach is most effective for a given disease.

Deciphering all this, reducing it to practice and allocating capital to it is going to be incredibly complex, but it presents a huge opportunity. Syncona's robust, nimble and modality-agnostic model places us at the forefront of this trend and will spur our growth over the next decade. Only a few groups are set up with the analytical horsepower paired with the commercial vision to succeed. I believe Syncona is one of these groups.

Our strategic portfolio

Our life science portfolio was valued at £604.6 million at 31 March 2023 (31 March 2022: £524.9 million), delivering a (14.3)% return during the year.

Our strategic portfolio[1] of 13 companies is diversified across modality and therapeutic area, with seven companies at the clinical stage and the remainder of the portfolio at pre-clinical stage. Alongside the potential milestone payments or deferred consideration from potential products, the life science portfolio also includes investments, which are non-core where we typically do not hold Board seats or engage actively but they still provide optionality to deliver returns for our shareholders.



Read more overleaf

1. Please see glossary on page 138 for definition.

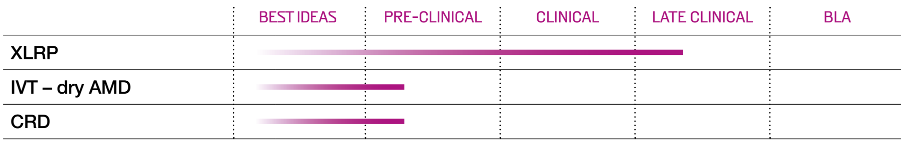
Late clinical companies

8.8%
Of NAV

£110m
Valuation

beacon therapeutics

Late clinical



Syncona view

Beacon represents a significant opportunity for Syncona to apply its domain knowledge in retinal gene therapy to a late-stage clinical asset in XLRP, where Syncona already has prior expertise from its ownership of Nightstar Therapeutics (Nightstar), which had an asset looking to treat the disease. Syncona has leveraged its network to establish a world-class leadership team, with decades of gene therapy and ophthalmic experience. We believe that the platform potential of Beacon is incredibly exciting and has the potential to drive near-term value for our shareholders.

4.8%
Of NAV

65%
Shareholding

Board seats	2
Date of founding	2023
Date of Syncona investment	2022
Syncona capital invested	£60.0m
Number of employees	80
Uncalled commitment	£15.0m
Total capital raised	£96.0m
Syncona valuation	£60.0m[1]
Key competitors	MeiraGTx, Novartis, Apellis, IvericBio

Next key milestones (as at 31 March 2023)	
XLRP	12-month data from the Phase II trial in XLRP expected in H2 CY2023

- Syncona acquired a late-stage asset in AGTC and combined it with Beacon and its two exciting pre-clinical programmes, including one from the University of Oxford, creating a leading ophthalmic gene therapy company.
- Syncona has committed £75.0 million of a £96.0 million Series A financing, with the new company becoming Syncona's third ophthalmic gene therapy company, having previously created Nightstar and Gyroscope Therapeutics (Gyroscope) – two of Syncona's most successful exits.
- Builds on late-stage pipeline and operations of AGTC alongside exciting pre-clinical programmes in dry age-related macular degeneration (AMD), and an additional programme from the University of Oxford in cone-rod dystrophy (CRD).
- As part of the transaction, Syncona is set to benefit from any future commercialisation of the lead asset AGTC-501 via a "deferred consideration" which provides the right to a mid-single digit percentage of future income from sales and licensing.
- Beacon benefitting from experienced leadership of CEO David Fellows (ex Nightstar), CMO Dr Nadia Waheed (ex Gyroscope) and gene therapy expert Dr Abraham Scaria as Chief Scientific Officer.

Beacon is a clinical-stage company focused on the development and commercialisation of AAV-based gene therapies for the treatment of rare and debilitating diseases with an initial focus on inherited ophthalmic diseases. Syncona believes that the eye is a very attractive target for AAV gene therapy.

Lead programme: Beacon is progressing its lead candidate, AGTC-501, in XLRP through a Phase II trial. There are no approved treatments for XLRP, and the programme has orphan drug designations from both the FDA and the European Commission, with 12-month data from the trial expected in H2 CY2023. AGTC-501 has a strong body of clinical evidence having demonstrated meaningful efficacy and a good safety profile in its recent Phase I/II HORIZON trial.

Commercial: Following the acquisition of AGTC, Syncona made significant progress during the year in re-setting focus on the company's lead AGTC-501 asset and re-defining its clinical and manufacturing plan to prepare for a commercial roll out. Syncona also restructured the team and company's facilities, adding expertise in key areas across the business in order to drive delivery against its refined clinical plan. This significant amount of work carried out by Syncona team during the year has provided a solid platform for Beacon as it now progresses its expanded pipeline.

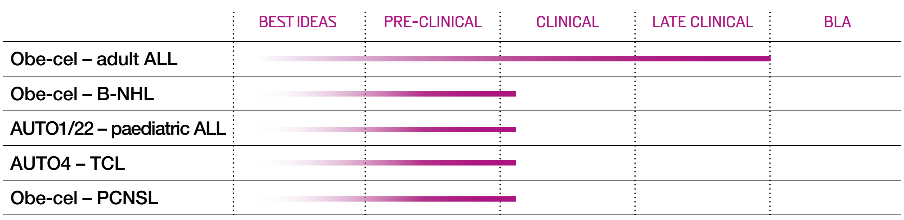
Pipeline programmes: Beacon has in-licensed an exciting pre-clinical programme from the University of Oxford, targeting CRD. Beacon's second pre-clinical programme is in dry AMD. Professor Robert MacLaren, who was a co-founder of Nightstar and served on the Scientific Advisory Board of Gyroscope, will act as a Scientific Advisor to Beacon, with a focus on the CRD programme, and has also joined the Board as a non-executive director.

People: The company is led by CEO David Fellows, who previously served as CEO of Nightstar. Former Gyroscope executive Nadia Waheed has also joined the company as CMO, along with Dr Abraham Scaria as CSO. Syncona's CEO Chris Hollowood acts as Chair of the company's Board with Syncona Lead Partner Elisa Petris also serving as a Director, with the company now able to leverage an experienced leadership team who have a broad level of expertise across ophthalmic diseases.

1. Syncona also has the right to a mid-single digit percentage of AGTC-501 sales and licensing, which is valued on a risk-adjusted discounted basis at £15.9 million.

Autolus

Late clinical



Syncona view

Autolus has reported encouraging clinical data to date, underlining the potential of its lead therapy, obe-cel, as a drug which can deliver meaningful impact for patients with relapsed/refractory (r/r) adult acute lymphoblastic leukaemia (ALL). The company continues to deliver against its operational milestones as it approaches the planned filing of its BLA with the FDA later in CY2023 and prepares for the commercial launch of obe-cel, a longstanding goal, which is an important milestone for the business. From a valuation perspective, Autolus' share price continues to be impacted by difficult market conditions however we believe the company has made positive operational progress and are supportive of the business as it progresses to its BLA filing.

4.0% Of NAV

18% Shareholding

Board seats	1
Date of founding	2014
Date of Syncona investment	2014
Syncona capital invested	£147.0m
Number of employees	400+
Uncalled commitment	–
Total capital raised	£837.7m
Syncona valuation	£50.0m
Key competitors	Gilead, Novartis, Fate Therapeutics, Johnson & Johnson

Next key milestones (as at 31 March 2023)	
Obe-cel – adult ALL	Further follow up data from pivotal FELIX study in obe-cel in r/r adult ALL expected in H2 CY2023
Obe-cel – B-NHL and CLL	Further data expected in CY2023
AUTO1/22 – paediatric ALL	Further data expected in CY2023
AUTO4 in peripheral T cell lymphoma	Further data expected in CY2023

- Announced that the FELIX pivotal study of lead therapy obe-cel in r/r adult ALL had met its primary endpoint; clinical data presented supports the encouraging safety profile of the drug.
- Additional data announced at the American Society of Clinical Oncology (ASCO) and the European Haematology Association (EHA) conferences post-period end, further underlining the potential of the drug to drive meaningful impact for patients.
- Share price continues to be impacted by challenging market environment.
- Autolus funded into CY2025 with $343.4 million at 31 March 2023 following the recent financing, in addition to the $70 million received in non-dilutive funds from Blackstone for the achievement of development and manufacturing milestones.

Autolus is developing next generation programmed T cell therapies for the treatment of cancer with a clinical pipeline targeting haematological malignancies and solid tumours. Syncona believes that the company's lead therapy, obe-cel in r/r adult ALL, has the potential to have a meaningful impact for patients suffering from ALL whilst also having a very positive safety profile in a last line setting.

Lead programme: Obe-cel reached an important milestone during the year, with Autolus announcing in December 2022 that it had met its primary endpoint in the pivotal FELIX trial. The data released was consistent with data already presented in the ALLCAR19 academic study, with a 70% overall remission rate (ORR), meeting the primary endpoint for the trial, based on a pre-planned interim analysis of 50 patients, as verified by an independent data monitoring committee. Additional data released post-period at the ASCO and EHA conferences in June further underlined the strong safety profile of the drug, with an increase in response rates. The company expects to release further follow up data from the study at the American Society of Haematology (ASH) meeting in late 2023. Syncona believes further data read-outs have the potential to underline obe-cel's durability profile, which, at the latest data point from the ALLCAR19 study, showed that 35% of adult relapsed/refractory B-ALL patients treated with obe-cel had sustained complete remissions between 24 and 47 months without any need for additional anti-leukaemia therapy. With data from competitor programmes showing challenges with durability and toxicity, obe-cel has potential to be differentiated, delivering impact for patients suffering from a devastating disease.

Scaling for commercial roll out: The company has also made significant progress in developing its manufacturing and commercial roll out capabilities. Post-period end, the company opened its Nucleus facility in Stevenage, a 70,000 sq. foot advanced manufacturing facility which will support the commercial launch of obe-cel, with an initial capacity of up to 2,000 batches per year with room to expand if needed. The Nucleus is the first of its kind in the UK and provides a specialist manufacturing capability for the supply of personalised cell therapy products. Autolus also announced post-period end that it had selected Cardinal Health as its US Commercial Distribution Partner, enabling distribution capabilities required to commercialise a CAR T-cell therapy in the US. These significant operational milestones will help to support obe-cel's launch, enabling Autolus to launch the product at a scale which serves global demand in r/r adult ALL.

Pipeline programmes: Autolus also continues to make progress in its broader pipeline, releasing further data in CY2023 from its studies of AUTO1/22 in paediatric ALL, AUTO4 in T cell lymphoma, and obe-cel in relapsed/refractory B cell non-Hodgkin's lymphoma (B-NHL) and chronic lymphocytic leukaemia (CLL). The data reported thus far not only continues to underline the strength of Autolus' technology and platform, but the encouraging data from the ALLCAR extension study of obe-cel also supports the safety profile of its lead product candidate in additional haematological indications. Further data read-outs are expected from all of these programmes later in CY2023.

Licensing agreements: The company has also made progress in developing its commercial pipeline, announcing partnerships during the year allowing Bristol Myers Squibb and Cabaletta Bio use of Autolus' proprietary RQR8 safety switch. These agreements further underline the commercial potential of the company's technology, with Moderna also exercising an option during the year to license Autolus' proprietary binders against an undisclosed immune-oncology target.

People: At an executive level, the company has announced that Chief Financial Officer (CFO) Dr Lucinda Crabtree will be leaving to join MorphoSys as CFO. A search is underway for her replacement, and she will remain with Autolus until Q3 CY2023 to ensure a smooth transition.

Clinical companies

18.5%
Of NAV

£231.8m
Valuation

Syncona view

Syncona continues to be encouraged by the progress at Anaveon. The company continues to show strong momentum as it delivers against its milestones, with clinical data released during the year underlining the potential of its ANV419 therapy to address issues seen elsewhere in the use of Interleukin 2 (IL-2) in solid tumours. We believe Anaveon is well positioned to deliver on its goal of becoming the best-in-class therapy in the IL-2 space.

5.1%
Of NAV

38%
Shareholding

Board seats	2 (including Chair)
Date of founding	2017
Date of Syncona investment	2019
Syncona capital invested	£39.9m
Number of employees	25+
Uncalled commitment	£12.4m
Total capital raised	£121.5m
Syncona valuation	£64.2m
Key competitors	Roche, Sanofi, Alkermes, Sotio, Medicenna

Next key milestones (as at 31 March 2023)	
ANV419 – multiple tumour types	Further data from dose-finding study expected in H2 CY2023
ANV419 – metastatic melanoma	Initial data expected in CY2024
ANV419 – multiple myeloma	Initial data expected in CY2024

ANAVEON

Clinical

	BEST IDEAS	PRE-CLINICAL	CLINICAL	LATE CLINICAL	BLA
ANV419 – metastatic melanoma					
ANV419 – multiple myeloma					
ANV419 – multiple tumour types					

Company focus: Developing a selective IL-2 receptor agonist, a type of protein that could enhance a patient's immune system to respond therapeutically to cancer.

Financing stage: Remains funded to deliver on upcoming milestones following CHF110 million (£90 million) Series B financing in December 2021.

Clinical update: Published encouraging data from the Phase I/II dose-finding trial in ANV419; company has now initiated two further Phase I/II trials of the drug in metastatic melanoma and multiple myeloma. Further data from the Phase I/II dose-finding study in solid tumours is expected in H2 CY2023, whilst initial data from the Phase I/II studies in melanoma and myeloma is expected in CY2024.

People: Dr Gary Phillips joined as Chief Business Officer (CBO), bringing 30 years of healthcare leadership across a variety of commercial roles, and Dr Eduard Gasal joined as Chief Medical Officer (CMO), having previously held senior clinical roles at Amgen, Novartis and Innovent Biologics.

SwanBio THERAPEUTICS

Clinical

	BEST IDEAS	PRE-CLINICAL	CLINICAL	LATE CLINICAL	BLA
SBT101 – Adrenomyeloneuropathy (AMN)					

Syncona view

Syncona continues to believe in the potential of gene therapy to impact patients with AMN. The company has taken the decision to restructure its pipeline to focus on its lead programme and to reflect this Syncona has written down its holding in SwanBio to £58.2 million, a £51.0 million decline in value during the year. Syncona invested £30.6 million during the year in the company, including £6.5 million later in the period and a further $12.0 million post-period end to enable the company to generate safety data from the initial dose cohort of the SBT101 programme. In parallel, given that the financing environment for early-stage companies remains challenging and SwanBio has not executed a third-party financing to date, Syncona will be working with the company to explore all strategic and financing options.

4.7% Of NAV

80% Shareholding

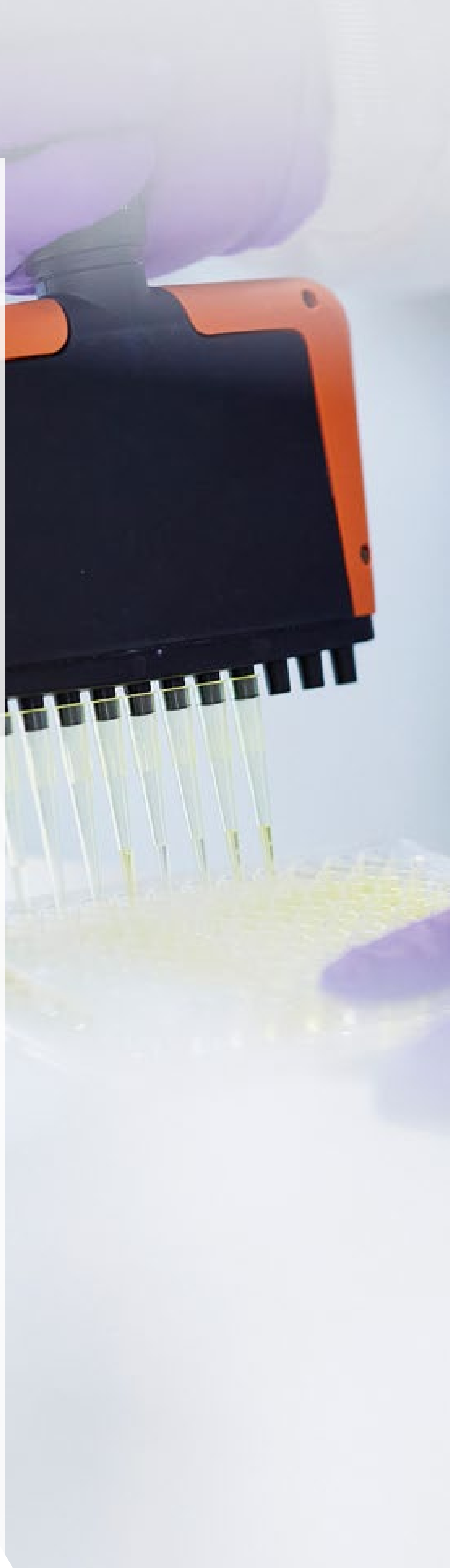
Board seats	2 (including Chair)
Date of founding	2018
Date of Syncona investment	2018
Syncona capital invested	£105.7m
Number of employees	30+
Uncalled commitment	–
Total capital raised	£110.4m
Syncona valuation	£58.2m
Key competitors	SwanBio's broader peer group includes: Voyager, Taysha, Passage Bio, Lilly, Alcyone, Novartis, Neurogene

Next key milestones (as at 31 March 2023)	
SBT101 – Adrenomyeloneuropathy (AMN)	Expects to have dosed the initial dose cohort in its Phase I/II AMN programme in H2 CY2023

Company focus: Developing gene therapies to target neurological disorders; lead SBT101 programme is targeting the treatment of AMN, a genetic neuro-degenerative disease affecting the spine for which there are currently no approved treatments.

Financing stage: Additional $12.0 million of financing committed post-period end by Syncona to support dosing of the first cohort of patients in the company's Phase I/II clinical trial of SBT101.

Clinical update: Post-period end the company successfully dosed its first patient in its Phase I/II clinical trial of SBT101, an important milestone for the business. The company expects to complete dosing the low dose cohort in H2 CY2023.



Clinical companies continued

Quell Tx

Clinical

	BEST IDEAS	PRE-CLINICAL	CLINICAL	LATE CLINICAL	BLA
QEL-001 – Liver transplant					

Board seats	2 (including Chair)
Date of founding	2019
Date of Syncona investment	2019
Syncona capital invested	£61.4m
Number of employees	130+
Uncalled commitment	£2.8m
Total capital raised	£164.8m
Syncona valuation	£86.7m
Key competitors	Sangamo, Sonoma, Kyverna, GentiBio, Mozart Therapeutics, Abata

Syncona view

We have seen excellent validation for Quell's technology and platform through the collaboration with AstraZeneca announced post-period end, where Quell received $85 million upfront, comprising a cash payment predominantly and an equity investment, to develop, manufacture and commercialise autologous T-regulatory cell therapies for two autoimmune disease indications. This agreement further underlines the continued interest in Syncona portfolio companies from pharma and provides validation for the Syncona model for building globally competitive businesses. Quell expects to dose its first patients in its lead programme in liver transplantation in H2 CY2023. We will continue to work alongside the company's management team as it delivers against its upcoming operational and clinical milestones.

6.9% Of NAV

37% Shareholding

FREELINE

Clinical

	BEST IDEAS	PRE-CLINICAL	CLINICAL	LATE CLINICAL	BLA
FLT201 – Gaucher disease Type 1					

Syncona view

Freeline's share price has been impacted by market sentiment and the re-prioritisation of its clinical pipeline. Freeline has taken the decision to prioritise the development of its FLT201 Gaucher programme, which Syncona believes has the potential to deliver long-term value. The management team has executed on a series of operational and clinical actions to extend its cash runway. It has implemented a reduction in its workforce and sold its German chemistry, manufacturing and controls subsidiary. With a refocused clinical pipeline and extended cash runway, we believe the company can deliver data from FLT201 later in the year, building on the positive pre-clinical data we have seen to date.

1.1% Of NAV

49% Shareholding

Board seats	1 (Chair)
Date of founding	2015
Date of Syncona investment	2015
Syncona capital invested	£183.1m
Number of employees	90
Uncalled commitment	–
Total capital raised	£372.8m
Syncona valuation	£14.1m
Key competitors	Avrobio, Eli Lilly

Next key milestones (as at 31 March 2023)	
FLT201 – Gaucher disease Type 1	Initial data expected in H2 CY2023

Company focus: Clinical delivery in Gaucher disease.

Financing stage: Listed on NASDAQ with cash runway to Q2 CY2024.

Clinical update: Announced its decision to pause development of the FLT190 Fabry programme following an assessment of the company's current financial position and strategic priorities. Based on highly encouraging pre-clinical data, Freeline believes its FLT201 programme in Gaucher disease has the potential to be its greatest value driver and a first- and best-in-class therapy in its setting. The company expects to release initial data from the FLT201 programme in H2 CY2023.

Commercial update: Along with its decision to pause development of FLT190, the company also announced a reduction of its workforce by nearly 30%, with these changes extending the company's cash runway to Q2 CY2024. The company also sold its German chemistry, manufacturing and controls (CMC) subsidiary and related intellectual property for $25 million, subject to purchase price adjustments.

People update: Paul Schneider joined as CFO in May 2022 and has since also joined the company's Board, bringing more than 20 years' experience in leadership roles in biopharmaceutical companies. Co-founder Professor Amit Nathwani has retired from the Board and will remain engaged with the company as a clinical and scientific advisor.

Next key milestones (as at 31 March 2023)	
QEL-001 – liver transplant	Expect to dose first patient in H2 CY2023

Company focus: Developing engineered T-regulatory (Treg) cell therapies to treat a range of conditions such as solid organ transplant rejection, autoimmune and inflammatory diseases.

Financing stage: Raised $156 million in a Series B financing in November 2021.

Clinical update: Expects to dose its first patient in its Phase I/II lead programme targeting liver transplant in H2 CY2023.

Commercial update: Post-period end Quell entered into a collaboration, exclusive option and license agreement with AstraZeneca to develop, manufacture and commercialise autologous, engineered T-regulatory cell therapies for two autoimmune disease indications, providing excellent validation for Quell's technologies and capabilities. As part of the collaboration, Quell received $85 million upfront, comprising a predominant cash payment and an equity investment, with potential payments of over $2 billion contingent on successfully reaching development and commercial milestones, plus tiered royalties.

Following the agreement, Syncona's ownership stake in Quell is 33.7%, whilst our valuation for the company remains unchanged at £86.7 million.

People update: Appointed Dr Luke Devey as CMO. Dr Devey has over 15 years of clinical experience and brings significant translational and scientific expertise to the Quell executive team, most recently at Janssen Immunology where he was Vice President of Translational Science.

ACHILLES THERAPEUTICS

Clinical

	BEST IDEAS	PRE-CLINICAL	CLINICAL	LATE CLINICAL	BLA
cNeT[1] – melanoma					
cNeT – non-small cell lung cancer					

Syncona view

Syncona continues to engage with Achilles Therapeutics (Achilles) as it progresses its lead programmes in advanced non-small cell lung cancer (NSCLC) and recurrent or metastatic melanoma. The company is well funded with a cash runway to mid-CY2025. Whilst we were pleased to see further data released from its lead programmes during the period, we are looking to review the next data updates to demonstrate that robust manufacturing can translate into clinical efficacy for the company's products.

0.7% Of NAV

27% Shareholding

Board seats	–
Date of founding	2016
Date of Syncona investment	2016
Syncona capital invested	£60.7m
Number of employees	240+
Uncalled commitment	–
Total capital raised	£308.7m
Syncona valuation	£8.6m
Key competitors	Gritstone, Iovance, InstilBio, Turnstone Biologics

Next key milestones (as at 31 March 2023)	
cNeT – melanoma	Further update from ongoing Phase I/IIa trials of cNeT therapy in Q4 CY2023
cNeT – non-small cell lung cancer	Further update from ongoing Phase I/IIa trials of cNeT therapy in Q4 CY2023

Company focus: Developing precision T cell therapies targeting clonal neoantigens to treat solid tumours.

Financing stage: Listed on NASDAQ with cash runway to mid-CY2025.

Clinical update: Presented data in its Phase I/IIa trials in advanced NSCLC and recurrent or metastatic melanoma with 16 patients dosed across the two trials to date, additional clinical and translational science data expected in Q4 2023. Whilst Syncona was pleased to see the data underlining the safety profile of Achilles' product and a partial durable response, it is critical that the company can demonstrate that robust manufacturing can translate into clinical efficacy for the company's products. Post-period end the company announced that its new AI application had been integrated into its PELEUS™ bioinformatics platform, supporting the potential of the platform in other modalities such as cancer vaccines.

People update: James Taylor joined the company as CBO, bringing over 25 years of deal making experience across pharmaceutical and biotech companies.

1. Clonal neoantigen-reactive T cell.

Pre-clinical companies

10.9%
Of NAV

£137.4m
Valuation

OMass Therapeutics

Pre-clinical

3.5% Of NAV

31% Shareholding

Board seats	2
Date of founding	2016
Date of Syncona investment	2018
Syncona capital invested	£35.4m
Number of employees	50+
Uncalled commitment	£6.0m
Total capital raised	£128.5m
Syncona valuation	£43.7m
Key competitor	Crinetics

Company focus: Developing small molecule drugs to treat rare diseases and immunological conditions.

Financing stage: Raised £75.5 million in a Series B financing in April 2022, with additional £10 million investment from British Patient Capital post-period end announced in May 2023.

Development update: Announced a joint publication in Nature Chemistry with co-founder Professor Dame Carol Robinson's team at Oxford University, underlining some of the key benefits of OMass' OdyssION™ platform in searching for new drugs against inadequately drugged and previously intractable targets.

Commercial update: Post-period end the company announced its move to a new purpose-built 16,000 sq. foot mixed-use facility at the ARC Oxford campus, helping it to prepare for its next phase of growth and enabling further collaboration as it expands its team.

People update: Announced the appointment of Dr Jon Roffey as Vice President, Head of Medicinal Chemistry, who brings over 20 years of drug discovery experience across biotech and pharmaceuticals, including taking multiple candidate drugs into late-stage clinical development. Post-period end the company also announced the expansion of its Leadership Team with the arrival of Dr Winfried Barchet as Vice President of Immunology, who brings more than 15 years of experience across drug discovery and translational research, whilst Jim Geraghty joined as Chairman of its Board of Directors, bringing over 35 years of strategic experience including more than 25 years as a senior executive at biotechnology companies developing and commercialising innovative therapies.

purespring

Pre-clinical

2.8% Of NAV

84% Shareholding

Board seats	2 (including Chair)
Date of founding	2020
Date of Syncona investment	2020
Syncona capital invested	£35.1m
Number of employees	40+
Uncalled commitment	£9.9m
Total capital raised	£45.0m
Syncona valuation	£35.1m
Key competitors	Novartis, Calliditas, Reata, Sanofi, Travere, Omeros, Alexion, Apellis

Company focus: Purespring Therapeutics (Purespring) is developing gene therapies for the treatment of chronic renal diseases which are currently poorly served by existing treatments.

Financing stage: Raised £45 million in a Series A financing in 2020.

Development update: Continuing to develop its pre-clinical pipeline and proprietary platform.

People update: Purespring CEO Richard Francis became CEO of Teva Pharmaceutical Industries in January 2023, with Chief Development Officer (CDO) Julian Hanak moving to the role of CEO. Richard will remain actively involved with the business as a member of the Board. Purespring also strengthened its Leadership Team with the appointment of Dr Alice Brown as Chief Scientific Officer (CSO), who brings more than a decade of experience working in advanced therapies across both large pharma and early-stage biotech.

CLADE THERAPEUTICS

Pre-clinical

1.9% Of NAV

22% Shareholding

Board seats	1
Date of founding	2021
Date of Syncona investment	2021
Syncona capital invested	£23.2m
Number of employees	50+
Uncalled commitment	–
Total capital raised	£67.3m
Syncona valuation	£24.3m
Key competitors	CRISPR, Bristol Myers Squibb, Gilead, Century, Allogene, Legend Biotech, Notch, Sana, Gilead

Company focus: Clade Therapeutics (Clade) is developing scalable next-generation iPSC derived medicines.

Financing stage: Raised $87 million in a Series A financing in August 2021.

Development update: Continuing to develop its pre-clinical pipeline whilst building out its manufacturing footprint under the leadership of CEO Chad Cowan (co-founder of Sana Biotechnology and CRISPR Therapeutics) and CBO Jim Glasheen (co-founder of Atalanta Therapeutics).

Resolution Therapeutics

Pre-clinical

1.8% Of NAV

81% Shareholding

Board seats	3 (including Chair)
Date of founding	2020
Date of Syncona investment	2018
Syncona capital invested	£23.0m
Number of employees	60+
Uncalled commitment	£14.9m
Total capital raised	£37.9m
Syncona valuation	£23.0m
Key competitors	Carisma, Shoreline

Company focus: Resolution Therapeutics (Resolution) is developing macrophage cell therapies to treat diseases characterised by life-threatening inflammatory organ damage.

Financing stage: Raised a further £10.0 million from Syncona in an extension of its £26.6 million Series A financing in April 2022.

Commercial update: Announced research collaborations with panCELLA and CCRM, as it looks to progress its allogeneic programme and further develop its manufacturing capabilities.

People update: Post-period end the company has appointed Dr Clifford A. Brass as CMO. Most recently Dr Brass was Vice President, Head of Clinical Sciences for Hepatology, Gastroenterology and Transplantation in Global Drug Development at Novartis, and has over 25 years of experience in the pharmaceutical industry. Resolution has also strengthened its Board with the appointment of Syncona Commercial Adviser Lisa Bright as Chair and Altavant Sciences CEO Dr Bill Symonds as a non-executive director.

Pre-clinical companies continued

MOSAICTX

Pre-clinical

0.6% Of NAV

52% Shareholding

Board seats	2 (including Chair)
Date of founding	2020
Date of Syncona investment	2022
Syncona capital invested	£7.3m
Number of employees	10+
Uncalled commitment	£9.2m
Total capital raised	£22.5m
Syncona valuation	£7.3m
Key competitors	IDEAYA

Company focus: Oncology therapeutics company focusing on drug development against genetically informed targets.

Financing stage: £22.5 million Series A announced in April 2023, led by Syncona with a £16.5 million commitment.

People update: Company is led by CEO Brian Gladsden, a global leader in cancer therapeutics with 25 years of experience in biopharmaceuticals, most recently at Novartis Oncology, where he was Senior Vice President and a member of the Worldwide Leadership Team. Syncona CEO Chris Hollowood has been appointed Chair of the company's Board with Lead Partner Magdalena Jonikas also a director.

Kesmalea Therapeutics

Pre-clinical

0.3% Of NAV

58% Shareholding

Board seats	1
Date of founding	2020
Date of Syncona investment	2022
Syncona capital invested	£4.0m
Number of employees	3
Uncalled commitment	£12.0m
Total capital raised	£20.0m
Syncona valuation	£4.0m
Key competitors	Arvinas, Kymera

Company focus: An opportunity to create a new generation of small molecule oral drugs addressing diseases through modulating protein homeostasis.

Financing stage: £20.0 million Series A financing led by Syncona with a £16.0 million commitment.

People update: Company is Chaired by Dr Clive Dix, CEO of C4X Discovery and former Chair of the UK Vaccine Taskforce. Company founder Dr Harry Finch, the co-inventor of GSK's Serevent™, is a Director of the company alongside Syncona Lead Partner Magdalena Jonikas.

Milestones and deferred considerations

5.6%

Of NAV

Syncona has rights to potential milestone payments related to the sale of Gyroscope to Novartis. Alongside these, as part of Syncona's acquisition of AGTC, the Company has the potential to benefit from any future commercialisation of the lead asset AGTC-501 via a "deferred consideration" which provides the right to a mid-single digit percentage of future income from sales and licensing. These potential milestones and deferred consideration are valued on a discounted risk-adjusted basis at £70.4 million.

Syncona investments

4.4%

Of NAV

Syncona has £55.0 million of value in its investments, typically where we do not hold Board seats or manage the investment actively alongside executive teams. Our assets held within our investments are CRT Pioneer Fund, Forcefield Therapeutics, Biomodal (formerly Cambridge Epigenetix), and Adaptimmune.

Key updates during the period from these investments include:

- Our largest investment is CRT Pioneer Fund, which invests in early-stage drug discovery projects with a focus on oncology. The fund was written up by £8.8 million in the year, predominantly driven by a change in valuation for its HSF1 inhibitor asset, which has been licensed to Nuvectis and has now initiated a Phase Ib study.
- Syncona has written off its $1 million investment in Tier 1 Bio, following a lack of adequate progress in initial target discovery which led to the company deciding to close down.

Company valuations

Company	31 March 2022 (£m)	Net investment in the period (£m)	Valuation change (£m)	FX movement (£m)	31 March 2023 (£m)	% of Group NAV	Valuation basis[1,2,3]	Fully diluted ownership stake (%)	Focus area
Strategic portfolio companies									
Late clinical									
Beacon	–	60.0	–	–	60.0	4.8%	PRI	65.3	Gene therapy
Autolus	62.0	23.0	(38.7)	3.7	50.0	4.0%	Quoted	17.9	Cell therapy
Clinical									
Quell	81.4	–	–	5.3	86.7	6.9%	PRI	36.7	Cell therapy
Anaveon	59.8	–	–	4.4	64.2	5.1%	PRI	38.0	Biologics
SwanBio	75.1	30.6	(51.0)	3.5	58.2	4.7%	Adjusted cost	79.9	Gene therapy
Freeline	32.3	–	(20.3)	2.1	14.1	1.1%	Quoted	49.2	Gene therapy
Achilles	24.8	–	(17.8)	1.6	8.6	0.7%	Quoted	27.1	Cell therapy
Pre-clinical									
OMass	34.7	9.0	–	–	43.7	3.5%	PRI	30.7	Small molecules
Purespring	18.5	16.6	–	–	35.1	2.8%	Cost	84.0	Gene therapy
Neogene	14.5	(17.4)	2.1	0.8	–	–	Sold	–	Cell therapy
Clade	11.4	12.4	–	0.5	24.3	1.9%	Cost	22.4	Cell therapy
Resolution	10.4	12.6	–	–	23.0	1.8%	Cost	81.1	Cell therapy
Mosaic	–	7.3	–	–	7.3	0.6%	Cost	52.4	Small molecules
Kesmalea	–	4.0	–	–	4.0	0.3%	Cost	57.5	Small molecules
Portfolio milestones and deferred consideration									
Gyroscope milestone payments[4]	49.8	–	1.4	3.3	54.5	4.3%	DCF	–	Gene therapy
Beacon deferred consideration	–	–	15.9	–	15.9	1.3%	DCF	–	Gene therapy
Syncona investments									
CRT Pioneer Fund	28.2	(4.2)	8.8	–	32.8	2.6%	Adj third party	64.1	Oncology
Biomodal[5]	17.3	–	–	1.2	18.5	1.5%	PRI	5.5	Epigenetics
Forcefield	2.5	–	–	–	2.5	0.2%	Cost	93.2	Biologics
Adaptimmune	2.2	–	(1.1)	0.1	1.2	0.1%	Quoted	0.8	Cell therapy
Tier 1 Bio	–	0.8	(0.8)	–	–	–	Written off	–	Biologics
Total life science portfolio	**524.9**	**154.7**	**(101.5)**	**26.5**	**604.6**	**48.2%**			
Capital pool	**784.9**	**(175.2)**	**14.4**	**26.0**	**650.1**	**51.8%**			
TOTAL	**1,309.8**	**(20.5)**	**(87.1)**	**52.5**	**1,254.7**	**100%**			

1. Primary input to fair value.
2. The basis of valuation is stated to be 'Cost', this means the primary input to fair value is capital invested (cost) which is then calibrated in accordance with our Valuation Policy.
3. The basis of valuation is stated to be 'PRI', this means the primary input to fair value is price of recent investment which is then calibrated in accordance with our Valuation Policy.
4. Syncona's risk-adjusted and discounted valuation of the milestone payments from the sale of Gyroscope Therapeutics.
5. Formerly CEGX.

A strategic and disciplined approach to capital allocation

We take a robust and prudent approach to valuation, managing our balance sheet and our costs with a continued focus on optimising returns for our shareholders."

Rolf Soderstrom
Chief Financial Officer
Syncona Investment Management Limited

NAV PERFORMANCE

Overall NAV performance is down in the year driven by a decline in value of our listed holdings and the partial write-down of our holding in SwanBio which was partially offset by positive foreign exchange movements on our US dollar assets, both within our life science portfolio and balance sheet, alongside uplifts from some of our smaller investments and potential deferred considerations and future milestone payments.

VALUATION APPROACH

At the year end, our life science portfolio comprised listed holdings (12%), private companies either valued at Price of Recent Investment (PRI) (45%), or on the basis of capital invested (Calibrated Cost) (26%). In addition, we have the right to potential milestone payments related to the sale of Gyroscope and a deferred consideration for our right to a mid-single digit percentage of future income from AGTC-501 sales and licensing. These potential income streams are valued on a risk-adjusted discounted basis in line with our Valuation Policy and together represent 12% of the portfolio[1].

Given the public market valuation reductions in the year and the challenging macroeconomic market conditions impacting the financing environment for early-stage companies, in line with our usual process we have carried out year-end private portfolio valuations against a backdrop of heightened valuation uncertainty. We have carried out a rigorous review of each of our portfolio companies to ensure the robustness of the valuations, including taking account of the input provided by our external valuation adviser on our five largest private holdings.

Regarding SwanBio, despite inbound investor interest, the business was not able to execute a third-party financing. The company's management team determined it was necessary to restructure its pipeline to focus solely on SBT101 to drive cost efficiency and allocate capital to its most promising and most advanced asset. Whilst Syncona is continuing to work with the company on progressing SBT101 and its future financing and strategic options, this change to its investment thesis triggered a revisit of our valuation of the company and subsequent write off of the value attributed to the pipeline programmes no longer being progressed. This has been treated as an adjusting post balance sheet event, the details of which are set out in note 21 of the financial statements. The remainder of our private portfolio companies are funded to deliver their key milestones.

OPTIMISING CAPITAL EFFICIENCY

As part of a wider strategy review, we have looked at how to improve returns for shareholders. Our aim is that returns will be predominantly driven by long-term capital appreciation and growing the value of the life science portfolio remains our core focus.

To support our strategy execution, we aim to maintain around three years of financing runway. We seek to leverage our capital to deliver returns to shareholders. During the financial year our portfolio companies brought in £394.3 million of capital commitments of which Syncona contributed £176.9 million. Over the next 12 months, we expect to deploy between £150 million to £200 million across our portfolio and new companies and we have already seen further examples of high-quality external financings in the first quarter of the current financial year.

To optimise capital efficiency, if in the future, due to cash inflows from realisations, our capital pool increases significantly in excess of our expected three-year capital deployment and potential investment opportunities, the Board would look at returning capital to shareholders.

INVESTING TODAY TO BUILD FOR THE FUTURE

Growing our team to deliver on our growth plans means a modest increase to our cost base. Syncona is a self-managed vehicle and SIML costs are managed prudently by the Leadership Team within an annual budget approved by the Board. We take a disciplined approach to costs. SIML Management Fees for FY2022/3 were £12.1 million (0.96% of NAV[2]; an increase of £1.4 million on FY2021/2). This increase is due to a number of factors including the addition of senior hires to deliver a growing portfolio and salary increases across the team to reflect the inflationary environment. Total costs to Syncona Limited during the year, which incorporates fees paid to SIML, ongoing operating costs of the Company, the charitable donation and costs associated with the long-term incentive scheme, were £22.4 million (1.8% of NAV) (FY2021/2: £24.2 million). The decrease in the year was primarily a result of changes to the valuation of the long-term incentive scheme. To deliver on our evolved strategy, we will be making selective incremental investments in further expanding the team over the next one to two years and whilst there will be associated costs with these hires, we expect these to be appropriate for the scale of our business and aligned with our prudent approach to managing our cost base.

Rolf Soderstrom
Chief Financial Officer
Syncona Investment Management Limited
14 June 2023

1. Additional 5% of value within the life science portfolio is the CRT Pioneer Fund which is valued based on an adjusted third party valuation.
2. Using NAV at 31 March 2023.

Supporting our portfolio companies as they scale

Our strategic capital pool

Our balance sheet is a strategic and competitive advantage; it gives us flexibility to bring in specialist institutional investors at the right time and price

CAPITAL POOL MANAGEMENT

Syncona's capital pool of £650.1 million is central to the delivery of our strategy of building life science companies of scale over the long term. The mandate for our capital is focused on liquidity and capital preservation. We aim to keep between 12 and 24 months of funding in cash and Treasury Bills. During the year, in response to the inflationary environment, we allocated our longer duration capital to a number of low volatility, highly liquid, multi-asset funds or mandates, managed by Schroders, Kempen and M&G with portfolio mandates to deliver core CPI return over the mid-term.

We also hold 25% of our capital pool in US dollar linked funds and assets to provide a natural hedge against expected short-term US$ cashflows. The depreciation of Sterling against the US dollar and other foreign currencies has resulted in a £26.0 million gain, which when combined with the returns from our funds, resulted in an overall return within our capital pool of 5.5% in the year. We continually monitor our capital pool based on our objectives and market conditions.

CAPITAL POOL COMPOSITION

Net cash	£69.7m
T-bills	£285.0m
Multi-manager funds	£261.6m
Legacy funds	£33.8m

Capital Return Policy

- Syncona anticipates that shareholder returns will predominantly be driven by long-term capital appreciation.
- To support our strategy, we aim to maintain 3 years of financing runway to fund our portfolio and our target of three new companies per annum.
- If, in the event of realisations, the Company's capital pool increases significantly in excess of three year forward capital deployment guidance, and subject to an assessment of investment opportunities at the time, the Board would look to return capital to shareholders.
- We will consider all forms of distribution mechanisms for capital returns, taking into account various factors including the market conditions at the time.

Funding our portfolio and new opportunities

Capital pool remains a differentiator in a challenging market environment

Late clinical companies
Clinical companies
Pre-clinical companies

APR 22 — OMass: £75.5m Series B financing; £15.0m commitment from Syncona[1]

MAY 22 — SwanBio: $56.0m Series B financing; $54.0m commitment from Syncona

SEP 22 — Kesmalea: £20.0m Series A financing; £16.0m commitment from Syncona

OCT 22 — Mosaic TX: £22.5m Series A financing; £16.5m commitment from Syncona

NOV 22 — agtc: $23.3m acquisition of AGTC

DEC 22 — Autolus: Raised $163.9m; $28.0m investment from Syncona

DEC 22 — beacon therapeutics: £96.0m Series A financing; £75.0m commitment from Syncona

MAR 23 — SwanBio: £6.5m CLN from Syncona[2]

£394.3m raised by the portfolio with £176.9m committed by Syncona

- £83.0m invested into late stage assets (Autolus and Beacon)
- £11.3m invested into early-stage Series A (Kesmalea and Mosaic)
- £81.2m into existing portfolio companies to support delivery of key milestones
- Further £87.6m of uncalled commitments from Syncona expected to be deployed in 12-18 months

Syncona capital deployment guidance for FY2023/4 is £150-200m

1. £10m additional investment from BPC announced May 2023.
2. Additional $12m invested post-period end.

How we measure our performance

We measure our performance against a number of financial and non-financial key performance indicators (KPIs) that are aligned to our strategic priorities. During the year we evolved our strategy, which has led to a number of minor changes to how we report against the KPIs set out below, including in some of the metrics that we use to track progress. We expect next year to report against an updated set of KPIs which are reflective of our updated business strategy and ambitious 10-year growth targets.

1 Targeting a portfolio of 20-25 companies, creating 3 new companies a year, with a goal of delivering 3-5 companies to late-stage development over a rolling 10-year basis

RATIONALE

By creating three new companies per annum we aim to expand the portfolio to 20-25 companies, diversified across clinical stage and therapeutic area.

HOW WE MEASURE PROGRESS

- Average number of companies added to the portfolio over the last three years
- Critical senior hires achieved at company launch
- Capital deployed
- Portfolio size
- % of portfolio at different clinical stage and value

2023 HIGHLIGHTS

- Portfolio of 13 companies diversified across therapeutic area and development stage
- Four new companies added to the portfolio
- £177.2 million of capital deployed during the year, with £83.0 million into late clinical investments
- Industry leaders Brian Gladsden and David Fellows appointed as CEOs of new portfolio companies Mosaic and Beacon
- An average number of 3 portfolio companies have been added to the portfolio over the last three years

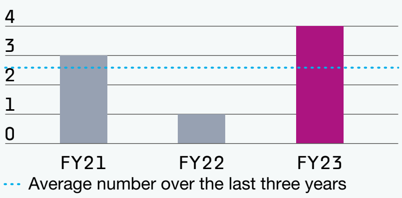
RELEVANT STRATEGIC DRIVERS

1 2 3 4

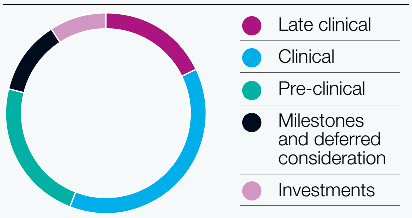
RELEVANT RISKS

A B C D

NUMBER OF NEW PORTFOLIO COMPANIES



PORTFOLIO BY CLINICAL STAGE % OF LS NAV



2 Access to capital, aim to maintain 3 years of financing runway

RATIONALE

A deep pool of capital underpins our strategy, enabling us to take a long-term view and support our portfolio companies as they scale, remaining a significant shareholder through to late-stage development.

HOW WE MEASURE PROGRESS

- Years of capital available
- Aggregate capital raised across Syncona and its portfolio companies

2023 HIGHLIGHTS

- £177.2 million deployed in the year
- £650.1 million capital pool at 31 March 2023
- Sale of Neogene to AstraZeneca for up to $320.0 million, with total proceeds to Syncona of up to £21.9 million, including £15.3 million in upfront proceeds[1]
- £394.3 million raised across the portfolio, with £176.9 million committed by Syncona
- 3.7 years of available capital to fund new and existing portfolio companies[2]

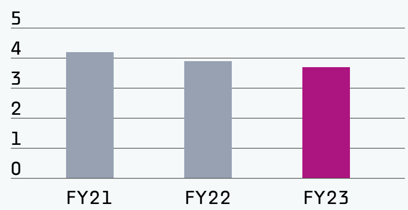
RELEVANT STRATEGIC DRIVERS

1 2 3 4

RELEVANT RISKS

A B C D

YEARS OF AVAILABLE CAPITAL



1. FX rate taken at receipt of funds.
2. Capital pool divided by mid-point of capital deployment guidance.

3 NAV growth

RATIONALE

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

HOW WE MEASURE PROGRESS

- NAV return: 1, 3 and 5-year basis
- Life science portfolio return: 1, 3 and 5-year basis

2023 HIGHLIGHTS

- Net assets of £1.3 billion
- (4.1)% NAV return per share in the year
- (14.3)% return from the life science portfolio in the year with performance impacted by a decline in share prices of listed holdings and the write down of SwanBio

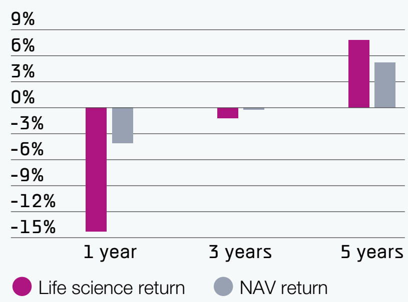
RELEVANT STRATEGIC DRIVERS

1 2 3 4

RELEVANT RISKS

A B C D

NAV PER SHARE/PORTFOLIO RETURN



OUR PURPOSE AND STRATEGY P18 RISK MANAGEMENT P66

OUR STRATEGIC DRIVERS

1 Team and track record
2 Capital
3 Portfolio
4 Risk-adjusted returns

OUR RISKS

A Portfolio companies
- Scientific theses fail
- Clinical development doesn't deliver a commercially viable product
- Portfolio concentration risk to platform technology
- Concentration risk and binary outcomes

B Access to capital
- Not having capital to invest
- Private/public markets don't value or fund our companies when we wish to access them
- Capital pool losses or illiquidity

C People
- Reliance on small Syncona team
- Systems and controls failures
- Unable to build high-quality team/team culture
- Unable to execute business plans

D Macroeconomic environment
- Macroeconomic environment has a negative impact on sentiment for portfolio companies and Syncona business model

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

RATIONALE

A measurement of progress of our portfolio companies through the clinical pathway.

HOW WE MEASURE PROGRESS
- Clinical stage companies
- Number of clinical trials commenced in the year

2023 HIGHLIGHTS
- Seven portfolio companies at clinical stage
- Five clinical trials commenced in the year
- 16 data read-outs across the portfolio

14
Clinical trials across the portfolio

2
Companies entered the clinic in the year

RELEVANT STRATEGIC DRIVERS

1 2 3

RELEVANT RISKS

A B C D

5 People in the Syncona team

RATIONALE

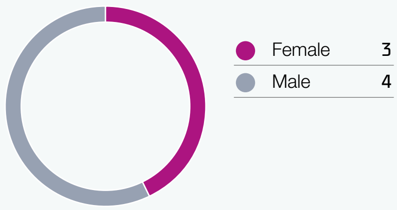
The Syncona team is differentiated by its people and the quality of the team's expertise is critical to the success of the Company. We are also focused on ensuring that we create an inclusive and supportive environment for our people to thrive whilst delivering our strategy.

HOW WE MEASURE PROGRESS
- Employee Engagement Survey
- Progress against our diversity and inclusion framework
- Key hires to the Syncona team

2023 HIGHLIGHTS
- Launch of first Employee Engagement Survey
- Developed first diversity and inclusion framework
- Updated family friendly policy framework
- Became a supporter of Level 20, a not-for-profit organisation dedicated to improving gender diversity in European private equity, post-period end
- Key changes to the structure of the Syncona investment team with Ed Hodgkin promoted to Managing Partner and Elisa Petris and Magdalena Jonikas becoming Lead Partners. Roel Bulthuis joined post-period end as Managing Partner and Head of Investments

92%
Response rate to first Employee Engagement Survey

SYNCONA LEADERSHIP TEAM



RELEVANT STRATEGIC DRIVERS

1

RELEVANT RISKS

C

6 Portfolio progress to patient impact

RATIONALE

A measurement of our progress in delivering transformational treatments to patients.

HOW WE MEASURE PROGRESS
- Number of pivotal studies initiated by companies where Syncona has been a significant shareholder
- Number of products to be approved by the EMA or FDA by companies where Syncona has been a significant shareholder
- Patients benefitting from Syncona products
- Number of companies in pivotal trial

2023 HIGHLIGHTS
- Autolus' obe-cel reached its primary endpoint in its pivotal FELIX trial, in advance of filing a BLA with the US FDA in 2023
- Addition of late-stage clinical asset to the portfolio in Beacon's lead programme in XLRP, with Phase II data expected in H2 CY2023
- 250+ patients in clinical trials

3
Programmes taken to pivotal trial: Axumin (Blue Earth), Choroideremia (Nightstar) and AUTO1 (obe-cel) (Autolus)[1]

1
Approved product (Axumin; Blue Earth)

1
Company in pivotal trial (Autolus, obe-cel)

RELEVANT STRATEGIC DRIVERS

1 2 3 4

RELEVANT RISKS

A B C D

1. To date.

Making a positive impact

Our shareholders

WHY DO WE ENGAGE?
The Board recognises the critical importance of understanding, and aligning to, the expectations of our shareholders. Our long-term goal is to deliver both impact for patients and returns for shareholders.

HOW DO WE ENGAGE?
Regular dialogue with shareholders through a range of different channels helps us to understand their short and long-term views.

Regular communication with shareholders is maintained through individual and group meetings hosted by IR and members of the Leadership Team, particularly following the publication of interim and full-year results.

The Chair seeks to engage with key shareholders and investor groups each year via written correspondence and in-person meetings.

HOW DOES THIS IMPACT ON BOARD ACTIVITIES?
Shareholder relations activities are reported at each Board meeting and considered as part of strategy and other discussions.

Shareholder perspectives and effectiveness of ongoing engagement is regularly considered by the Board.

The Board will conduct an investor perception study in FY2023/4.

Our people

WHY DO WE ENGAGE?
Our people drive the long-term success of the Company. The nature of the work that we do means that multi-disciplinary expertise and experience is required.

Ensuring that our people are recruited, retained and fully engaged with the Company's strategy is key to our success and a key risk for us – included within our risk process.

Engagement also reinforces the Board's commitment to a positive culture and helps people feel engaged with the Company's strategy and vision.

HOW DO WE ENGAGE?
Managing our team is a core part of the Leadership Team's role. During the year the team carried out Syncona's first Employee Engagement Survey. Outputs of the survey have been analysed, with key priority areas identified for integration into process change.

The Board designated an employee engagement director – Gian Piero Reverberi. He provides a direct contact point between the Board and the wider team, with activities being refreshed in 2023.

HOW DOES THIS IMPACT ON BOARD ACTIVITIES?
Future plans for team development a key part of September's strategy session.

Discussions on senior hires and leavers form part of the Board's review of Syncona's team budget.

The Board was provided with an overview of the outputs from the Employee Engagement Survey and the plans for integrating these into ongoing process changes.

The Remuneration Committee considers cross-team incentivisation through the LTIP incentive scheme.

Our portfolio companies

WHY DO WE ENGAGE?
As a company builder who takes a hands-on approach to managing our portfolio companies, we believe ongoing engagement through the development cycle adds value to our companies and supports their management team. This can be through the team's experience, our broader network or capital.

Our approach to portfolio engagement also provides us with more regular and better visibility on portfolio company practices, progress and culture, which in turn informs the way in which we are able to provide support.

HOW DO WE ENGAGE?
Support and oversight of portfolio companies is a core part of the Syncona team's role.

There is generally a close relationship with one or more Syncona team members in regular contact with the portfolio company's senior team to support their business and clinical strategies and drive long-term value, including taking board seats to promote high-quality governance.

The oversight includes monitoring against our sustainability expectations.

HOW DOES THIS IMPACT ON BOARD ACTIVITIES?
Regular reporting from the Syncona team to the Board, with senior members of the investment team regularly presenting to the Board on progress at key portfolio companies as well as potential upcoming investments.

The scientific research community

WHY DO WE ENGAGE?
We source exceptional science from the scientific research community, creating a company around it that we believe can develop a product and drive returns for shareholders and impact patients.

Translating exceptional science to a commercial product is a complex and challenging progress requiring varying expertise. We offer the scientific community the commercial perspective.

HOW DO WE ENGAGE?
Regular contact by the Syncona team with universities and other institutions across the UK and more broadly.

HOW DOES THIS IMPACT ON BOARD ACTIVITIES?
Core responsibility for this relationship rests with the Syncona team, with the Board being updated on the status of certain key academic relationships via updates received on the Syncona investment pipeline.

£1.1bn
Invested in our life science portfolio since 2012

35
Members of the Syncona team

£177.2m
Capital deployment

3
Companies launched in the year from UK-based academics

SUSTAINABILITY REVIEW P48   OUR VALUE CREATION MODEL P10

Patient groups

WHY DO WE ENGAGE?
Our strategy is often to focus on small (orphan) diseases that can be taken to market by a small biotech company. Access to relevant patient groups is critical to enable clinical trials.

HOW DO WE ENGAGE?
Engagement is typically by portfolio companies, although at the point of founding we are likely to have carried out extensive research which may involve speaking to key patient advocates for relevant diseases.

Under our Responsible Investment Policy we set expectations for portfolio companies around conduct of research and access to medicines.

HOW DOES THIS IMPACT ON BOARD ACTIVITIES?
Board reviewed and updated Sustainability and Responsible Investment Policies in March 2023, which reflect patient access in a number of areas.

Our co-investors

WHY DO WE ENGAGE?
Our strategy is to maintain significant ownership positions in the companies we create through the lifecycle.

However, an important part of our financing and risk management approach is to bring in co-investors to provide the capital, network and expertise which will help our companies scale ambitiously and deliver on their vision.

Our companies often conduct syndicated financings (syndicated or strategic syndicated) and good relationships with high-quality co-investors are important, particularly in a capital constrained environment. Our companies also seek to enter business development partnerships with pharma companies, and again good relationships with these are important.

HOW DO WE ENGAGE?
Ongoing contact and relationships between the Syncona team and leading life science investors, generalist investors with an interest in the space and pharma companies.

HOW DOES THIS IMPACT ON BOARD ACTIVITIES?
Largely managed at a Syncona team level, although this forms part of the wider capital strategy which is discussed with the Board.

The Syncona Foundation and its supported charities

WHY DO WE ENGAGE?
We believe it is important to have a positive impact on the wider community.

HOW DO WE ENGAGE?
Trustees of the Foundation are asked to present annually to the Board.

The relationship with the charities principally sits with the Foundation and a member of the Syncona team attends trustee meetings as an observer.

HOW DOES THIS IMPACT ON BOARD ACTIVITIES?
The Board is invited to attend charity presentations each quarter.

The Board discusses the relationship with the Foundation each year to ensure it remains relevant and appropriate to Syncona.

Government and the wider community

WHY DO WE ENGAGE?
We must maintain our licence to operate. More broadly, we believe that Syncona's purpose is positive and want to share that with key stakeholders and the wider community, and ensure we understand any issues or concerns they have.

HOW DO WE ENGAGE?
Public-facing communications through our website and other communications and sustainability reporting each year.

Given the recent focus from the UK Government on the life science sector, Syncona has increasingly engaged them on the issues which are most critical in the space.

HOW DOES THIS IMPACT ON BOARD ACTIVITIES?
Opportunities for engagement with government are reported to the Board within ongoing reporting from the IR and Corporate Affairs team.

The Board receives a formal update on Syncona's progress in delivering against its Sustainability Policy twice a year.

7
Companies at clinical stage

£217.4m
Of capital committed to the portfolio from third-party investors in the year

£45.2m
Total donations to charities since 2012

5.5
Gross tCO_2e per full time employee[1]

1. Using market-based approach for SIML emissions. Excludes portfolio companies.

Material decisions made

We factor the potential impact our decisions could have on stakeholders into Boardroom discussions.

1 Evolving our strategy

During the year, the Syncona Board and Syncona team conducted a review of our strategy, focusing on how to optimise returns for our shareholders and scale the Company for growth

CONTEXT

As part of the Company's annual strategy review, the Syncona team reviewed our approach, focusing on what has worked well but critically on what lessons we have learnt to enable us to evolve our strategy to address and improve the way we operate and deliver our objectives. The changes have focused on optimising our approach to financing our companies and improving the way we manage our companies through the development cycle, particularly as they navigate the clinical pathway. We have also looked at how to reduce the impact of our cash holding for shareholders and are committed to expanding the life science portfolio.

OUR PURPOSE AND STRATEGY P18

BOARD CONSIDERATIONS

The Board considered how the proposed changes to the Company's strategy would optimise returns for shareholders. The Board was confident that the headline change to expand the life science portfolio, whilst keeping cash at the minimum level required to run the strategy, would mean that shareholders experienced improved returns. The changes to the financing approach also have the opportunity to provide increased NAV uplifts and improve the risk profile of the portfolio.

OUTCOME

An evolved strategy focused on building an expanded portfolio of 20-25 companies with three new companies added on average per annum with the over-arching target to scale the Company's NAV to be £5 billion by 2032. Within the target of £5 billion net assets is the goal that the life science portfolio will constitute a larger proportion of NAV.

KEY STAKEHOLDERS CONSIDERED

- Our shareholders
- Our people
- Our portfolio companies
- The scientific research community
- Our co-investors
- Patient groups

2 Developing our team structure

Reviewed the Company's organisational structure to enable the business to scale

CONTEXT

To deliver our evolved strategy and increase the cadence at which we create companies and scale companies in the portfolio, the Board recognised the importance of developing the team structure to deliver on the new long-term targets.

BOARD CONSIDERATIONS

The Board considered how to best leverage the most senior investors to focus on capital allocation decisions, portfolio management and new opportunities – this is the key to driving shareholder value and returns and therefore central to the Board's thinking.

The Board also considered expanding the team to deliver on the ambitious long-term targets and was supportive of building out the Syncona team. The Board endorsed the focus on adding senior investment experience, developing key corporate functions and adding experienced hires to support the process for optimising the launch of our portfolio companies and improving the build-out of the companies, particularly at critical junctures.

OUTCOME

A new team structure with Martin Murphy moving to the Executive Chair role at SIML and Chris Hollowood moving into the CEO role, alongside a number of promotions, including Ed Hodgkin to Managing Partner and Magdalena Jonikas and Elisa Petris to Lead Partner. Post-period end, Roel Bulthuis joined as Managing Partner and Head of Investments.

The Syncona team has established 'Launch' and 'Executive and Advisory' functions to improve the process the team undertakes for setting up a company and ensuring that the team can effectively course correct as critical issues arise.

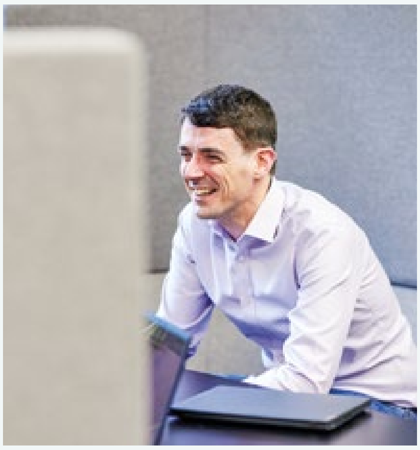
KEY STAKEHOLDERS CONSIDERED

- Our shareholders
- Our people

OUR PEOPLE AND CULTURE P44

3 Commissioning an Employee Engagement Survey

Our people are vital to the delivery of our strategy and during the year we conducted an Employee Engagement Survey to see what was important to them and what we could do better



CONTEXT

As the Syncona team has grown and the operating model has changed, we commissioned our first Employee Engagement Survey to find out if the employee experience aligns with the environment and culture we aspire to at Syncona. The survey was undertaken in December 2022 with a 92% participation rate.

SUSTAINABILITY REVIEW P48

BOARD CONSIDERATIONS

The Board was provided with an overview of the outputs from the Employee Engagement Survey by the Chief Human Resources Officer, along with initial Leadership Team plans for integrating these into ongoing process changes.

OUTCOME

Outputs of the survey have been analysed by working groups across the business, with key priority areas identified for integration into process change in the Syncona team.

KEY STAKEHOLDERS CONSIDERED

- Our people

92%
Response to Employee Engagement Survey

4 Adding a new late-stage asset to the portfolio

Syncona acquired a late-stage asset approaching a pivotal study with the potential to drive a transformational impact for patients with a devastating disease

CONTEXT

Fundamental to each investment Syncona makes is the potential impact of the technology to deliver a transformational impact for patients in an area of high unmet medical need.

During the year Syncona acquired a late-stage asset in AGTC's lead retinal gene therapy for XLRP, subsequently combining it with pre-clinical stage programmes for the treatment of dry AMD and CRD to form Beacon Therapeutics.

BOARD CONSIDERATIONS

The Board was engaged throughout the acquisition of AGTC by the Investment Committee and senior members of the investment team. The impact of a potential treatment for patients with patients suffering from XLRP was clear and the Board was confident in the potential of the company to deliver for all of our stakeholders.

OUTCOME

Syncona completed its acquisition of AGTC in November 2022, with Beacon's Series A financing closing in March 2023[1]. Syncona will now be able to leverage its expertise in retinal gene therapy to drive Beacon's lead XLRP programme through its Phase II trial and closer towards becoming a marketed product for patients.

1. Announced June 2023.

KEY STAKEHOLDERS CONSIDERED

- Patient groups
- Our shareholders
- Our portfolio companies

PORTFOLIO REVIEW P26

A highly skilled, multi-disciplinary team

Syncona is differentiated by its people, who identify innovative technology and take a commercial approach to building businesses capable of delivering transformational treatments to patients and investing through the lifecycle.

A TEAM WITH A DIFFERENTIATED SKILL SET

Our highly experienced team members have a wide range of skills. Our life sciences investment team members have a deep technical scientific background, supplemented by strong commercial experience ranging from venture capital investment to pharmaceutical launch. This skill set has resulted in a strong network in life science, enabling the best talent to be attracted at the level of Syncona's portfolio companies. Alongside our investment team sits a highly skilled corporate function with strong operating capability.

10+
Portfolio companies where we have held operational roles

16
Board seats at portfolio companies

BUILDING FOR THE FUTURE

SIML operating model evolved and team expanded to deliver strategy

Executive and Advisory Group
Expert advice and support

INVESTMENT COMMITTEE

CHAIR
Sources world-class investment opportunities

CEO
Sources world-class investment opportunities and responsible for delivery of strategy

Managing Partners
- Lead the investment team
- Utilise own networks to bring opportunities to Syncona
- Provide operational expertise to support deal decisions

Lead Partners
- Utilise own networks to bring opportunities to Syncona
- Lead deal teams during investment process, supported by the investment team

Leadership Team
Incorporates experience from across the business and responsible for the operational delivery of Syncona's strategic priorities

LEVERAGING OUR INVESTMENT TEAM

Over the last year, the Leadership Team and the Board have looked closely at how to better leverage the investment team to deliver our long-term growth targets and also improve the execution through the clinic at our portfolio companies. The Syncona team has established two new functions: the Launch Team and the Executive and Advisory Group.

The Launch Team, which has finance, legal, HR and operational expertise, is to ensure our companies operationalise effectively and at pace in line with best practice. Whilst the Executive and Advisory Group enables us to access a range of commercial, regulatory clinical and leadership experience which is critical to bring to bear through the company's development cycle, better enabling us to diagnose issues and subsequently lead the execution of the required change of course.

A THRIVING CULTURE

Syncona has a strong cultural identity which underpins its strategy and a clear set of values which are at the heart of all that the Company does to deliver for its stakeholders. Over the next year, following the Employee Engagement Survey, the business is working to deliver on a number of actions and initiatives and, as part of this, we will review our values to ensure that they continue to align with what is important to our people, our purpose and the delivery of our strategy.

OUR VALUES

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

EXCELLENCE

- We continually strive for the best outcome for all of Syncona's stakeholders
- We have high expectations of ourselves and each other; we act with integrity
- We work with the best people to deliver our goals

ENTREPRENEURIAL

- We actively engage with the external world and work to create its future
- We are curious and creative to bring about the change we seek to make
- We take risks in a competitive world and face them with bravery, determination and urgency

TEAMWORK

- We seek to give and receive constructive feedback
- We are collaborative and transparent, valuing our diverse talents and perspectives
- We admit our mistakes and perpetually seek to improve

DATA DRIVEN

- We are relentless in searching out all of the data
- We ensure our hypotheses and decisions are firmly grounded in the data
- We are intellectually honest and provide open and constructive challenge

LEADERSHIP

- We see what needs to be done and take responsibility for doing it
- We take personal ownership for delivering Syncona's mission
- We think independently; we are not bound by precedent
- We are trusted and empowered to progress our own development
- We have drive, resilience and persistence

CORPORATE GOVERNANCE REPORT P76

A multi-disciplinary team with a differentiated skill set

INVESTMENT COMMITTEE

MARTIN MURPHY
CHAIR, SIML

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

PORTFOLIO COMPANY AFFILIATION
- Quell Therapeutics (Chair)
- Anaveon (Chair)
- Clade Therapeutics (Board)
- Autolus (Board)
- Resolution Therapeutics (Board)

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

CHRIS HOLLOWOOD
CHIEF EXECUTIVE OFFICER, SIML

HIGHLIGHTS
- Scientific, commercial, company creation and investment expertise
- 21 years in venture capital
- PhD in Organic Chemistry

PORTFOLIO COMPANY AFFILIATION
- Freeline Therapeutics (Chair)
- SwanBio Therapeutics (Chair)
- Purespring Therapeutics (Chair)
- Beacon Therapeutics (Chair)
- Mosaic Therapeutics (Chair)

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

The Syncona team

Syncona's multi-disciplinary team has deep scientific, operational, commercial and investment expertise enabling us to maximise value through the lifecycle of a company. Our people have extensive experience working alongside global key opinion leaders and appointing and advising leading management teams.

Our senior investment team, made up of Chris Hollowood, Martin Murphy, Roel Bulthuis, Ed Hodgkin, Elisa Petris and Magdalena Jonikas, have 125 years of experience in life science investment. This team lead the creation of new companies, whilst the Investment Committee drives capital allocation decisions across the portfolio.

The Syncona Leadership Team, which incorporates experience from the Investment, Finance, Legal, HR, Investor Relations, and Executive and Advisory teams, is responsible for the operational delivery of Syncona's strategy and drives day-to-day delivery against Syncona's strategic priorities.

BROAD AND DIVERSE EXPERTISE

Investment and Executive and Advisory teams	15
Corporate functions	20

SENIOR INVESTMENT TEAM

ROEL BULTHUIS

MANAGING PARTNER AND HEAD OF INVESTMENTS

HIGHLIGHTS

- 20 years' experience across life sciences venture capital
- MSc in Biopharmaceutical Sciences from Leiden University
- MBA from Helsinki School of Economics

Roel is a Managing Partner at Syncona, where he manages the investment team and utilises more than 20 years of life science venture capital, business development and investment banking experience to help Syncona deliver value through the investment cycle. He joined Syncona from Inkef Capital, an Amsterdam-based venture capital firm focused on life science investments.

EDWARD HODGKIN

MANAGING PARTNER

HIGHLIGHTS

- 32 years' experience as a life sciences company builder
- Degree and DPhil in Chemistry from the University of Oxford
- Former Chairman of the BIA

PORTFOLIO COMPANY AFFILIATION

- OMass Therapeutics (Board)
- Resolution Therapeutics (CEO)

Edward is a Managing Partner at Syncona. He is currently CEO of Resolution Therapeutics and Director of OMass Therapeutics[1], and was previously the first CEO and a board member of Autolus Therapeutics (NASDAQ: AUTL). Within the Syncona life science team, he is involved in creation of new businesses and then fills executive roles within those companies to make them operational.

1. Post-period end Edward transitioned from Chair to a Non-Executive Director.

ELISA PETRIS

LEAD PARTNER

HIGHLIGHTS

- 15 years' experience in life sciences investing
- PhD in Molecular Biology from Imperial College
- MBA from London Business School

PORTFOLIO COMPANY AFFILIATION

- Quell Therapeutics (Board)
- Beacon Therapeutics (Board)

Elisa is a Lead Partner at Syncona. She is a Director on the Board of Quell Therapeutics and Beacon Therapeutics, and was previously on the Board of former portfolio company Blue Earth Diagnostics. She was closely involved in the foundation of Quell, Blue Earth and Achilles (where she formerly served on the Board), including their operational and strategic set-up.

MAGDALENA JONIKAS

LEAD PARTNER

HIGHLIGHTS

- 12 years' experience in life sciences investing
- PhD in Bioengineering from Stanford University
- Postdoctoral fellow in Harvard Medical School's Computational Health Informatics Programme

PORTFOLIO COMPANY AFFILIATION

- OMass Therapeutics (Board)
- Kesmalea Therapeutics (Board)
- Mosaic Therapeutics (Board)

Magdalena is a Lead Partner at Syncona. She is a Director at OMass Therapeutics, Kesmalea Therapeutics and Mosaic Therapeutics. She previously worked at McKinsey & Company, where she specialised in pharmaceuticals R&D, portfolio management, and business development and licensing.

Delivering a sustainable positive

> We believe our sustainability agenda is important in ensuring our business and our portfolio companies are able to deliver on our shared mission – to get products to patients who really need them."

Chris Hollowood
Chief Executive Officer
Syncona Investment Management Limited

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

We aim to have effective governance, a strong business culture, clear values and positive engagement with our wider stakeholders and society through our work in the life science industry and our support for charity.

We are actively engaged with our portfolio companies as they seek to build sustainable businesses.

NZAM
Signatory[1]

1st
D&I Framework developed

1. Net Zero Asset Managers initiative.

Embedding our sustainability pillars throughout our investment process

OUR INVESTMENT PROCESS P20

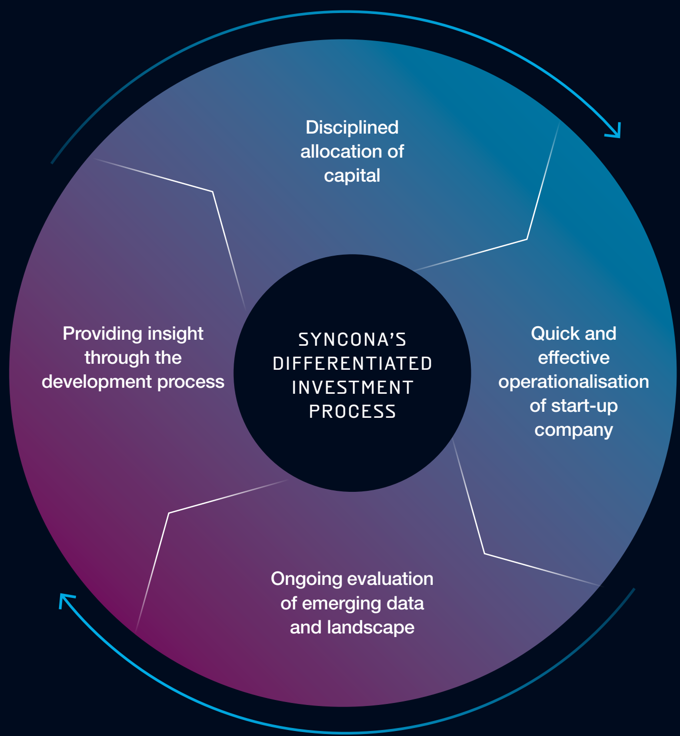
Our Sustainability Policy outlines our goals and commitment to being a sustainable and responsible business. This is built around four core pillars:

1. Our social impact
READ MORE P52

2. Responsible investor and partner
READ MORE P54

3. Inspiring and empowering our people
READ MORE P56

4. Responsible and ethical business
READ MORE P58



impact

VIEW MORE
synconaltd.com/sustainability

FIND OUT MORE
Sustainability Report 2023

Strong progress against our sustainability pillars

OUR 2023 PROGRESS

PROGRESS IN THE YEAR

ALIGNMENT TO SDGS

1 Our social impact

We seek to make a positive social impact through extending and enhancing human life.

Obe-cel
Autolus' lead therapy meets primary endpoint in pivotal FELIX trial

1,200+
Jobs supported by Syncona and its portfolio companies, including over 1,000 in the UK

18
Active clinical trial sites in the UK

£4.6m
Donated to charity

2 Responsible investor and partner

We create, build and scale sustainable life science companies, supporting them through their lifecycle.

3
Portfolio CEOs signed up to European Biotech Social Pact or US equivalent

11
Portfolio companies reporting Scope 1 to 3 carbon emissions to Syncona

4
New companies added in full alignment with Responsible Investment Policy

3 Inspiring and empowering our people

We are differentiated by our people, who are highly motivated by Syncona's purpose and values.

Top 10
Firm in the FTSE 250 for appointing women to Board and leadership positions in the FTSE Women Leaders Review

1st
D&I Framework developed

Launched
First Employee Engagement Survey across the Company

4 Responsible and ethical business

Our business operates responsibly and ethically, in line with our values and with clear accountability.

NZAM
Signatory[1]

5.5
Gross tCO_2e per full time employee[2]

Published
Full portfolio carbon footprint

1. Net Zero Asset Managers initiative.
2. Using market-based approach for SIML emissions. Excludes portfolio companies.

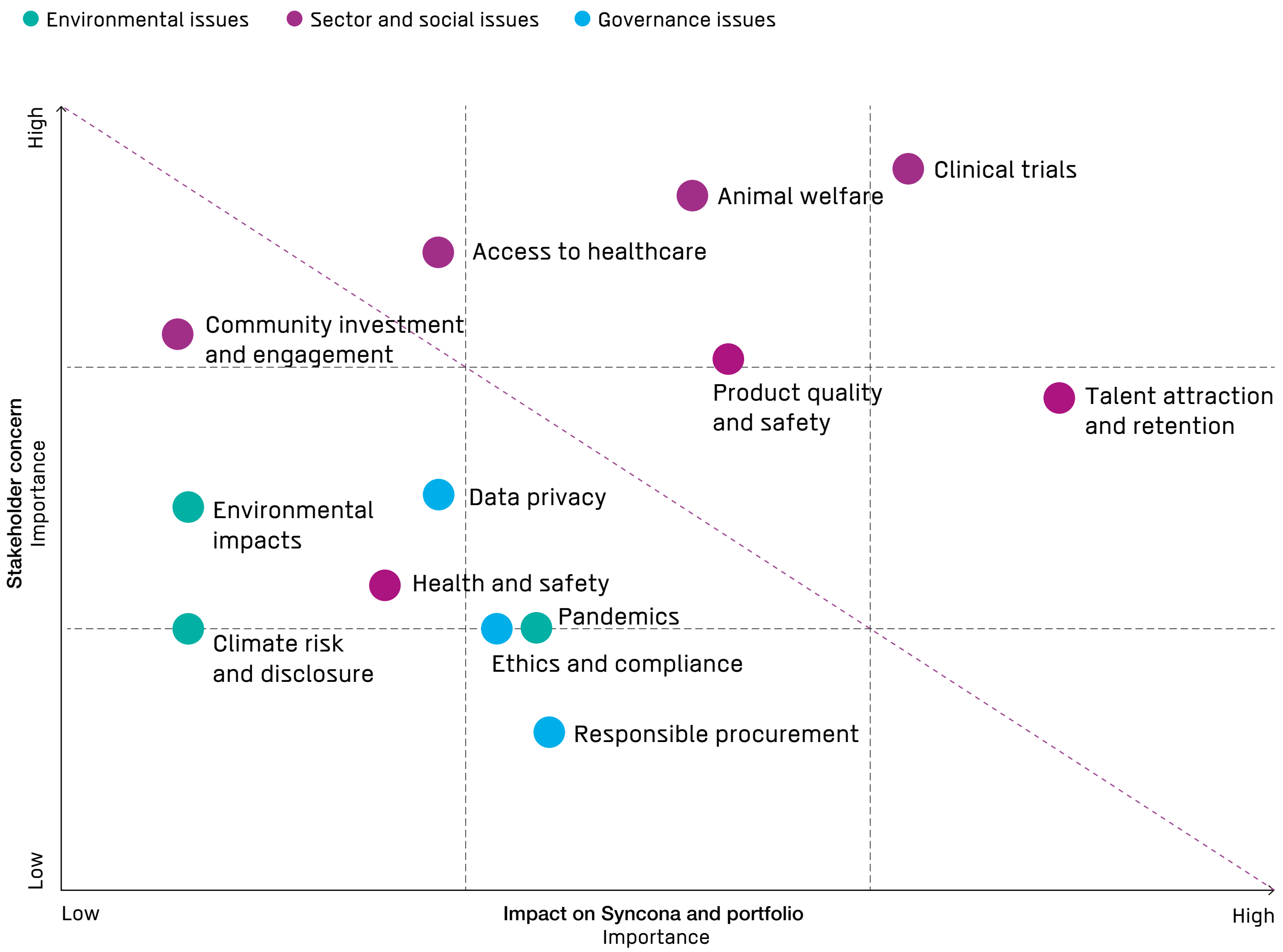
Our material sustainability issues

VIEW MORE
synconaltd.com/sustainability

Syncona first conducted a comprehensive sustainability materiality analysis in 2020, which included views from a range of stakeholders, including leadership teams at our portfolio companies, shareholders, key charitable partners, sustainability experts and biotech industry experts. Following this, we agreed our sustainability priority areas, which are now integrated into the Syncona Sustainability Policy and Responsible Investment Policy.

The materiality matrix is not a static document, and will evolve as the views of our stakeholders and our own business and portfolio change. We seek to understand these on an ongoing basis, supported by the work of the Syncona Sustainability Committee in horizon scanning for changes to expectations. We believe that the materiality matrix remains appropriate without any changes in 2022/3.

OUR MATERIALITY MATRIX



1

Our social impact

Our purpose is to invest to extend and enhance human life.

Autolus

8,400

New cases of ALL diagnosed per year across the US and EU[1]

Beacon

1 in 22,000

People commonly thought to have XLRP[2]

Delivering patient impact

At Syncona, our purpose is to invest to extend and enhance human life. We do this by creating, building and scaling companies to turn exceptional science into transformational treatments for patients in areas of high unmet need.

We have a portfolio of 13 companies, seven of which are at clinical stage. This includes Beacon, which was added to the portfolio during the year, and is currently running a late-stage study in XLRP. With no currently approved therapy for XLRP, this is another example of an indication where we are developing treatments which have the potential to have a meaningful impact for patients.

Our most clinically advanced company, Autolus, reported during the year that the pivotal trial of its lead therapy, obe-cel in relapsed/refractory (r/r) adult Acute Lymphoblastic Leukaemia (ALL), had met its primary endpoint at an interim analysis, alongside publishing data which underlined the efficacy and safety profile of the drug. With Autolus approaching the filing of a Biologics Licensing Application (BLA) with the US Food and Drug Administration (FDA) later in 2023, and 8,400 new cases of ALL diagnosed per year[1], obe-cel has real potential to have a significant impact for patients suffering from a devastating disease.

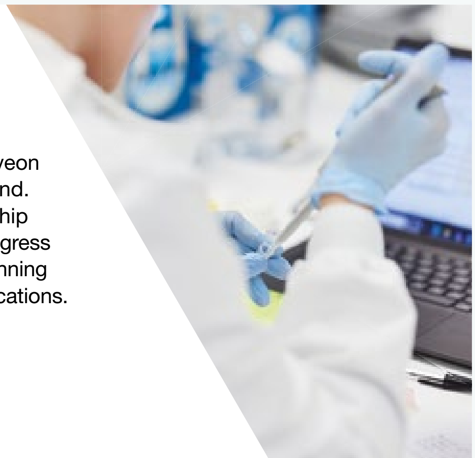
We were also pleased during the year to see significant progress at another Syncona clinical stage company, Anaveon. On page 12 of our Sustainability Report you can see a case study on progress at the company, which is at an exciting moment in its development.

BUILDING GLOBAL LEADERS

Delivering transformational treatments to patients in areas of high unmet need

Syncona led the Series A financing in Anaveon in 2019, alongside the Novartis Venture Fund. The Syncona team has worked in partnership with the Anaveon management team to progress the company from pre-clinical studies to running multiple clinical trials across a range of indications.

ANAVEON



FIND OUT MORE
Sustainability Report 2023

1. SEER and EUCAN estimates (respectively) for US and EU.
2. Research suggests that 50-70% of patients have a mutation in the RPGR gene; this is the group targeted by the Beacon therapy (iovs.arvojournals.org/article.aspx?articleid=2125553).

Supporting UK life science

The UK has a thriving life sciences industry and world-class research infrastructure, with four of the top 10 life sciences and medicine universities in the world situated in this country.[3] This forward-thinking sector fuses science, innovation and technology to help solve the global healthcare challenges of our time, making valuable contributions to patients worldwide.

Whilst the industry has ambition and a rich source of cutting-edge science from leading universities, access to scale-up capital remains a major hurdle for high-growth life science businesses. As a leading life science company builder we feel passionately about this issue.

We actively seek to engage in relevant initiatives that we believe will support the life science industry in the UK and globally, through working groups, advocacy and engagement in consultations, and participating in a wide range of industry conferences and events. We look forward to continuing to play our role in ensuring the UK life science sector is best positioned to realise its growth potential from translating the UK's world-class research base into transformational treatments for patients.

We have a key role in supporting UK life sciences by creating UK-based leading biotech companies. These companies provide skilled jobs for people in the sector, across scientific, clinical, commercial and manufacturing roles.

On page 13 of our Sustainability Report, you can see a case study of portfolio company Autolus, and the important work it has been doing as it prepares to file a BLA with the US FDA later in 2023 for its lead therapy obe-cel.

12
Conference speaking engagements by the Syncona team during the year

1,200+
Jobs supported by Syncona portfolio companies, including over 1,000 in the UK

CHAMPIONING THE UK

Three priorities for making the UK a life sciences superpower

At Syncona we are supportive of the UK Government's stated aim to make the UK a life sciences superpower. We believe that many of the key elements are already in place, given the strong foundation that is already present in this country for academic and scientific leadership. However, we believe there are a number of areas where there is room for improvement, in order for the UK to challenge the dominance of the US as a place to identify leading science and build sustainable biotech companies for the long term. In our mind, there are three clear priorities...

1. Scale-up capital
2. Attract talent
3. Continued innovation from the regulator

Solutions to these issues will help ensure that companies commit themselves to the UK with a critical mass of capital, expertise, know-how and talent; helping attract further investment and building a stronger, more sustainable life sciences industry for the future.

3. topuniversities.com/university-rankings/university-subject-rankings/2023/life-sciences-medicine.

2

Responsible investor and partner

An active partner for our portfolio companies.

Our approach to responsible investing

Syncona continues to make progress in embedding its approach to responsible investment across our portfolio.

In the two years since we first launched our Responsible Investment Policy, we continue to be pleased with the engagement that we have seen across our portfolio.

We believe that engaging with our portfolio companies on sustainability issues will improve company performance and by instilling our core principles at company foundation we will set our companies up with strong cultures and position them for long-term success. We look to embed and monitor sustainability issues throughout our investment process and we believe this is an important tool in managing risk and driving value in our companies.

ENGAGING EARLY WITH OUR PORTFOLIO TO UNDERSTAND THEIR SUSTAINABILITY PRIORITIES

At Syncona we work in partnership with our portfolio companies to set them up with clear approaches to important issues. Having now developed our own Sustainability Policy we have developed a broad level of institutional knowledge in this area. We recognise that progress in sustainability reporting can be gradual, and we are committed to working with our portfolio as they formulate their own strategies, providing support in areas where there can be a high initial resource requirement.

With sustainability factors incorporated into our initial screen of investments, investment memos and deal terms, we engage with companies on sustainability and ensure they are aware of our expectations.

With the development of the Syncona company Launch Team, we aim to embed these processes further from an earlier stage, ensuring that we are providing companies with expertise on sustainability as they are building their operations and footprint. We believe this is the best way for a company to develop a sustainable and long-term approach to integrating sustainability into their business and strategic priorities.

WORKING ALONGSIDE OUR PORTFOLIO TO DEVELOP THEIR REPORTING FRAMEWORK

We view ourselves as a partner to our portfolio companies as they develop their sustainability priorities and reporting. This year, we have increased the number of our private portfolio reporting environmental data to us from nine to eleven, including a number of companies within our early-stage portfolio.

This underlines the importance of close collaboration between investors and their portfolio companies in improving reporting in what is a constantly evolving space. It has been pleasing to see such strong engagement from our portfolio on this issue.

Overall, we have made great progress in integrating our approach to responsible investment across our business and portfolio. Within what has been a challenging market environment for biotech, we rightly continue to ensure sustainability is on the agenda in our interactions with our portfolio.

THE ROLE OF THE SUSTAINABILITY COMMITTEE

Syncona's Sustainability Committee includes representatives from across the business, including finance, IR, legal, HR, the investment team, and the new Launch Team. Its role is to advise the business on Syncona's Sustainability Policy, and to oversee its integration into the ongoing roles and activities of the investment team and broader business whilst identifying areas where the business can improve its approach.

FIND OUT MORE
Sustainability Report 2023

Tracking progress across our portfolio

Throughout the year we have continued to make progress in introducing new portfolio companies to our Responsible Investment Policy, as well as seeing progress across our portfolio companies in our sustainability reporting.

Portfolio companies are expected to report against these KPIs on an annual basis. Below is a summary of our requirements for each pillar and progress made against these during the year.[1]

1. COMPLIANCE AND GOVERNANCE

Throughout the year Syncona has engaged with its portfolio companies to review their compliance and governance policies and help them to improve these where necessary.

10/12

Companies with anti-fraud, bribery and corruption policies[1]

2. ACCESS TO MEDICINES

Syncona is committed to making medicines accessible by working with its portfolio companies.

Companies where executives have signed up to the European Biotech Social Pact in the financial year

ANAVEON

purespring

OMass THERAPEUTICS

3. ANIMAL WELFARE

Syncona is committed to high standards of ethical care across all aspects of our business. We expect companies to adhere to the '3Rs' set of standards when using animals in their research activities.

100%

Compliance with 3Rs across portfolio[1]

4. GOOD R&D PRACTICE

Syncona believes that our portfolio companies should meet high standards in how they carry out the clinical development process.

100%

Companies have Standard Operating Procedures[1]

5. DIVERSITY AND INCLUSION

Syncona is committed to being an advocate for D&I. We expect our companies to build a strong culture, a diverse and inclusive team and high-quality relationships.

8/12

Portfolio companies with a D&I Policy[1,2]

6. ENVIRONMENTAL IMPACT

Syncona has an aspiration to be net zero throughout its value chain (including portfolio companies) by 2050.

11/12

Companies reported environmental data[1]

1. Mosaic did not provide Syncona with full sustainability reporting this year, having been launched and appointing its management team post-period end. We have therefore focused our reporting on the 12 portfolio companies who were able to provide us with data this financial year.
2. Whilst 4/12 companies do not yet have policies in place, we have been pleased in our discussions with leadership teams to see the importance that they place on the issue and expect this to improve in the coming year.

3

Inspiring and empowering our people

Our highly motivated people are attracted to our platform and the opportunity to improve the lives of patients and their families.

D&I

Framework launched

Developing our people strategy

"The last 12 months have been an exciting time for Syncona. During the year we announced our strategy to deliver growth over the next decade and critical to the delivery of our ambitious targets will be our people, organisational structure and, of course, culture."

Fiona Langton-Smith
Chief Human Resources Officer
Syncona Investment Management Limited

ENHANCING ORGANISATIONAL STRUCTURE AND BUILDING DEPTH ACROSS THE BUSINESS

To support the expansion of our portfolio and to enable the delivery of three new companies per annum, a key principle has been that we need to leverage our people better. This has meant some changes to how the team is structured, with Chris Hollowood becoming CEO of SIML. Chris has been with Syncona for 10 years and has played a pivotal role in building the portfolio and driving the team's culture and success. As CEO, Chris will lead the delivery of our growth plans and manage the team, whilst continuing to have an important role in company creation and management. We also announced that Martin Murphy has become Chair of SIML, and he will focus his time on sourcing new opportunities, alongside managing portfolio companies, remaining as a member of the Investment Committee. This is a natural next step for the Company and one which has bedded in well. We have also promoted Ed Hodgkin to the role of Managing Partner, whilst Magdalena Jonikas and Elisa Petris have taken up the role of Lead Partners.

These partners have taken on the primary role in driving the creation of new companies with Magdalena leading on both Kesmalea and Mosaic in this financial year. The creation of a senior investment team has meant adding additional expertise and we have been delighted to announce the appointment of Roel Bulthuis as Managing Partner and Head of Investments. Roel brings over 20 years of life science venture capital, business development and investment banking experience and we are already seeing the impact of his experience and strong sense of purpose.

We have also looked to ensure that we have embedded our new Leadership Team, which is made up of representatives from across the business, with senior leaders from the investment, finance, human resources, IR, legal, and executive and advisory teams. The breadth of this team ensures that senior leaders from across the business are taking a multi-functional approach to driving our strategy.

BUILDING AN OPERATIONAL MODEL TO SCALE AND IMPROVE PORTFOLIO EXECUTION

To drive our team's ability to deliver an expanded portfolio and better leverage our senior investors, we have also created a multi-functional portfolio company 'Launch Team'. This team has been created to drive and support the creation and development of new companies, using Syncona best practices. The Launch Team will help our portfolio companies in becoming operational, allowing our investment partners to focus their time on the strategic aspects of a new portfolio company and working on the next wave of company creations. Members of the Launch Team have already been supporting new portfolio company launches, making key functional contributions to Mosaic, Kesmalea and Beacon.

A critical learning from the last 10 years of Syncona has been the importance of portfolio company execution as they drive their products through the clinic. Syncona's hands-on operational model is important in helping our management teams navigate this pathway and to complement our own team's expertise, our developing Executive and Advisory Team will add significant operational, regulatory and clinical expertise to the team, helping us to build further sustainability into our model.

FIND OUT MORE
Sustainability Report 2023

EMBEDDING A STRONG CULTURE

I passionately believe that culture drives strategy. Syncona has a clear identity and set of values but I believe it is important to regularly check in with the team and understand what is important to them and what we can do better. Given the growth of the Syncona team and the change in operating model, this year we launched our first annual Employee Engagement Survey, which was an important exercise that allowed people to express themselves freely. The feedback from it generated a number of key themes, which the Leadership Team are seeking to address going forward, and I look forward to reporting back on these and the progress we make against them in the next financial year.

DIVERSITY AND INCLUSION

We believe that diversity optimises our decision-making and thereby gives us a competitive advantage, and whilst the team has always passionately believed in the importance of a diversity of perspectives, this year we formalised our approach. This exercise included identifying our four key areas of focus: women in leadership, family support, global talent and socioeconomic development. Whilst Syncona recognises that it has a good level of female representation at senior levels within the business, it is committed to further empowering female leaders by providing access to mentorship, coaching programmes and, most importantly, peer access support. In June 2023, to help us on our D&I journey, we were incredibly pleased to become a supporter of Level 20, a not-for-profit organisation with a mission to encourage greater representation of women in the private equity industry. Our new D&I Framework is also aligned with our existing charitable partnerships, including our work with the Windsor Fellowship, and our close engagement with Syncona Foundation charity Generating Genius.

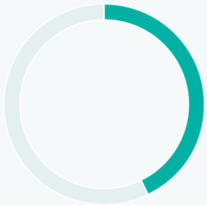
We have made strong progress expanding the team, evolving our operating model and understanding our culture. I am excited to embed the changes we've made over the coming year.

Fiona Langton-Smith
Chief Human Resources Officer
Syncona Investment Management Limited
14 June 2023

SYNCONA LIMITED BOARD 31 MARCH 2023

Female	4
Male	3

SIML LEADERSHIP TEAM 31 MARCH 2023

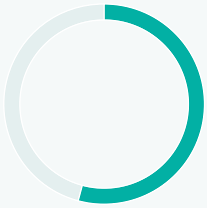


Female	3
Male	4

SIML BOARD 31 MARCH 2023

Female	0
Male	3

SIML TEAM 31 MARCH 2023



Female	19
Male	16

DRIVING OUR D&I FORWARD

Our Diversity and Inclusion Framework

At Syncona we believe that diversity of perspectives optimises our decision-making and thereby gives us a competitive advantage.

We employ individuals with varying backgrounds and views and actively seek to include their experiences and views when working together and developing our environment.

We have listened to our people to understand what matters to them.

OUR D&I FRAMEWORK IS BUILT AROUND FOUR KEY AREAS:

1 Women in leadership

- Increase representation of women at Board, lead investor and senior leadership levels
- Empower women in leadership roles by providing access to mentorship, coaching programmes and, most importantly, peer access support
- Encourage participation in global leadership network groups focused on connecting and supporting women executive leaders, such as Level 20

2 Family support

- A large proportion of Syncona's workforce are parents or carers
- We believe parents will be an important part of our workforce for years to come and want to ensure our culture supports them in being able to deliver their best work

3 Global talent

- To maintain our world-class reputation we are increasingly aware of the need to access global talent
- We are committed to accessing talent across the globe to enrich our thinking and to ensure we have the strongest workforce possible

4 Socioeconomic breadth

- We are committed to hiring people from a broad range of socioeconomic backgrounds
- We believe that as with all diversity, this strengthens our thinking, and therefore our competitive advantage
- We are committed to increasing socioeconomic diversity in the life science industry

4

Responsible and ethical business

We aim to have a robust set of policies, internal controls and management processes covering all of the areas for our business to operate responsibly and ethically.

Standards of conduct and behaviour

Syncona has in place a robust set of policies, internal controls and management processes covering all areas of our business. Many of these primarily apply to SIML, the Investment Manager, which is regulated by the FCA. SIML is subject to the FCA's compliance requirements, including the Conduct Rules that apply to employees. Training is provided to all employees each year, and to new joiners. All employees must confirm in writing every six months that they have complied with the policies.

KEY POLICIES

Anti-fraud, Bribery and Corruption Policy
Syncona adopts a zero tolerance approach to fraud and corruption. All employees, contractors and those providing services for or on behalf of Syncona are required to act at all times with integrity and to safeguard the resources for which they are responsible. The business is committed to the promotion of an anti-fraud and corruption culture.

Political and charitable contributions
All political or charitable contributions by Syncona must be approved by the Syncona Board. As part of this, it is important to ensure there is no potential conflict of interest or other relationships that may be perceived as being affected by the contributions.

Gifts and inducements
The Gifts and Hospitality Policy provides that employees may not offer or accept gifts or hospitality which seek to influence, support or reward any business act or are provided in consideration of any potential further business.

Financial crime and anti-money laundering
SIML has anti-money laundering procedures in place. As SIML has a single, listed client in Syncona, the main focus of the controls is on carrying out appropriate due diligence on the investee company for new investments and any key individuals with significant control or influence.

Conflicts of interest
SIML maintains a Conflicts of Interest Policy to support employees in identifying any actual or potential conflicts and managing them to minimise the risk that a conflict could compromise or be perceived to compromise the judgement of the parties.

Inside information
An Inside Information Policy is maintained and each member of the Syncona team is responsible for notifying any relevant information that they become aware of. The policy is supplemented by policies relating to personal account dealing.

Sustainability
Syncona's Sustainability Policy establishes the foundation for integrating environmental, social and governance risks and opportunities into our business. Syncona also has in place a Climate Ambition Statement.

Modern slavery and ethical procurement
Syncona has zero tolerance for modern slavery and human trafficking. Syncona publishes an annual Modern Slavery Statement to set out how it furthers this goal and has policies in place to tackle modern slavery and human trafficking throughout its supply chain, recognising that the nature of our business and suppliers results in a relatively low risk of modern slavery issues arising. Syncona's approach to modern slavery and human trafficking risks in our supply chain sits within our wider approach to procurement, where ethical considerations such as carbon footprint and regulatory compliance also form a key part of due diligence and ongoing monitoring.

Syncona also aims to address any modern slavery and human trafficking risk in the Syncona portfolio companies through our responsible investment process. For further information on the Responsible Investment Policy, please see pages 54 and 55.

Health and safety
The team is principally office-based, based at a site in London, UK and a site in Basel, Switzerland, and engages in low-risk activities. As an employer, SIML is committed to maintaining and improving effective health and safety management throughout the business, in line with applicable legislation.

Data protection and information security
Syncona maintains a Data Protection Policy in line with legal requirements. The business is committed to protecting the confidentiality and integrity of personal data that we hold and this is a key responsibility that we take seriously at all times. The policy is supported by appropriate privacy notices that are made available to employees and other third parties whose information we hold. Syncona does not expect to hold significant amounts of personal data.

Syncona also maintains an Information Security Policy, which sets out our commitment to maintaining the security and confidentiality of any sensitive/confidential information, including any personal data, and only using that information for the appropriate purposes.

Approach to taxation

Syncona's approach to taxation is built on the following principles:

- As a collective investment scheme, Syncona seeks to prevent investors from suffering double taxation on their investment returns, that is once at the level of Syncona and then again in the hands of the investors. In other words, we aim for investors in Syncona to not pay more tax than they would have incurred if they had been able to invest directly in Syncona's underlying portfolio of investments.
- Fee income arising from commercial activity will be taxable in the jurisdiction in which the managing or advising entity is based. SIML is based in the UK and is liable to pay corporation tax in the UK.
- To act lawfully and with integrity, including complying with all statutory obligations and disclosure requirements, and maintain open and constructive relationships with tax authorities worldwide.
- Where tax laws require interpretation or where tax regulations or codes are ambiguous or untested, Syncona takes reasonable steps to determine their applicability, including seeking tax advice where necessary, and with due regard to fair outcomes for our relevant stakeholders.

Whistleblowing

Syncona maintains a Whistleblowing Policy, which is a key part of creating a working environment that meets the highest standards of openness and accountability. Employees are encouraged to raise any concerns about malpractice in the workplace at the earliest possible stage. Concerns should normally be raised with an employee's line manager. Where this is not appropriate the issue may be referred to the Compliance Officer or any of the senior members of the team. Alternatively, any concerns can be raised with the Chair of the Syncona Audit Committee. Our policies are clear that there should be no fear of reprisal or victimisation or harassment for whistleblowing.

FIND OUT MORE
Sustainability Report 2023

4

Responsible and ethical business continued

Minimising our environmental impact

REPORTING ON OUR ENVIRONMENTAL IMPACT

This section includes our Streamlined Energy and Carbon Reporting (SECR). Although the Company is not subject to the laws of England and Wales, its reporting has been prepared in line with the relevant English legislation as set out below. The reporting period is Syncona's financial year, the 12 months to 31 March 2023.

SYNCONA'S CLIMATE AMBITION STATEMENT

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

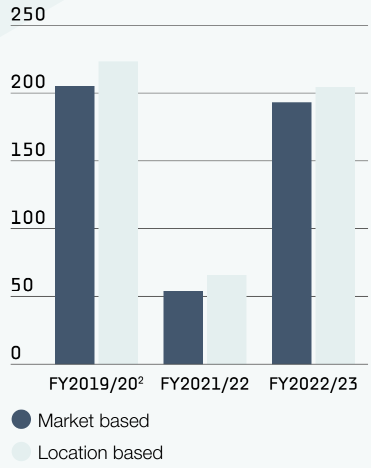
OUR DIRECT FOOTPRINT

Given the relatively small nature of our operations, with one primary office location and around 35 employees, our environmental impacts are relatively small. Our clearest direct impact (Scope 1 and 2) comes from the energy we use in our headquarters, of which the electricity is powered by renewable energy. Our office space also has a zero to landfill waste policy (Scope 3).

METHODOLOGY FOR SECR REPORTING AND PERFORMANCE

We have employed the services of a specialist adviser, Accenture, to quantify the greenhouse gas (GHG) emissions associated with the Company's emissions for FY2022/3. Syncona's FY2022/3 SECR location-based footprint is equivalent to 203.8 tCO_2e[1], with the largest portion being made up of emissions relating to business travel via air at 174.4 tCO_2e. Syncona's market-based footprint, which takes into account the green energy used by its head office, amounts to 192.6 tCO_2e.

OUR EMISSIONS[1]



Relative to the FY2021/2 financial year we have seen an increase in our overall emissions, primarily driven by the easing of COVID-19 restrictions and subsequent increase in business travel. Syncona's emissions remain lower than FY2019/20, the last year before the impact of COVID-19, with Company headcount having increased since then by 25%.

The methodology used to calculate the GHG emissions is in accordance with the requirements of the following standards:

- World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol (revised version)
- Defra's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019)
- UK office emissions have been calculated using the Defra 2022 issue of the conversion factor repository

Following an operational control approach to defining our organisational boundary, our calculated GHG emissions from business activities fall within the reporting period of April 2022 to March 2023, using the reporting period of April 2021 to March 2022 for comparison. We do not classify portfolio company emissions as being within our organisational boundary for the purposes of SECR reporting. Whilst Accenture have endeavoured to obtain accurate and complete data wherever possible, where there have been data gaps, they have used reasonable estimations such as annualisation of actual data, use of expenditure data as a proxy and typical office consumption benchmarks where data was not available for the preparation of this report. The emissions reported by Syncona are UK-based only, given that is the Company's primary office location.

TOTAL ENERGY USE

The total energy use for the Company for FY2022/3 was 68,775 kWh, compared to 61,834 kWh in FY2021/2.

INTENSITY RATIO

As well as reporting its absolute emissions, the Company also follows the SECR requirement of reporting its emissions through the publishing of an intensity metric. In doing so, it reports a metric of tonnes of CO_2 equivalent per employee. This is the most appropriate metric given that the majority of emissions result from the operations of Syncona Investment Management Limited and the day-to-day activities of its employees.

The employee intensity metric has been calculated from the emissions for Scope 1, 2 and 3 to give a ratio per employee covering all of Syncona's activities. For FY2022/3 this amounted to 5.5 tonnes of CO_2 equivalent per employee using a market-based approach, and 5.8 tonnes of CO_2 equivalent per employee using a location-based approach. This compares to FY2021/2 figures of 1.7 tonnes of CO_2 equivalent per employee using a market-based approach, and 2.1 tonnes of CO_2 equivalent per employee using a location-based approach.

ENERGY EFFICIENCY INITIATIVES

Syncona has clear guidance for business travel which is followed by its team in order to ensure environmental impacts are considered. The following principles act as guidance for travel by team members:

1. Tonnes of CO_2 equivalent.
2. FY2019/20 chosen as a comparative year due to the fact it was the last financial year before the impact of COVID-19.

- all flight travel to be carefully considered, encouraging employees to substitute air travel with rail travel where possible;
- Syncona's business travel provider includes associated emissions data for each mode of transport and this should be a consideration for the travel booker;
- considering practical arrangements for meetings, for example arranging several meetings within one trip, holding meetings by video call or meeting at a more closely located office;
- clarity for employees that there are higher emissions associated with business-class and long-haul travel; and
- encouraging employees to use hotels and taxi firms with lower carbon emissions.

Syncona continually monitors adherence with its travel policy and its alignment with its net zero aspiration.

OUR FULL ENVIRONMENTAL FOOTPRINT

In FY2022/3, Syncona made a commitment to publish its full portfolio carbon footprint for the first time. This incorporates its enhanced Scope 3 footprint, including category 1 emissions (purchased goods and services) and category 15 (investments). In doing so Syncona has engaged with 11 of its portfolio companies to collect data which has enabled a more accurate projection of Syncona's overall footprint[3].

	Global emissions (FY2022/3)
Scope 1-3 emissions as reported for SECR (limited Scope 3)	
Market based	192.6
Location based	203.8
Scope 3 category 1 (purchased goods and services)	
Total emissions, excluding paper and water supply (included in SECR report)	501.6
Scope 3 category 15 (investments)[4]	
Total emissions	17,207.3
Total (market based)	**17,901.5**
Total (location based)	**17,912.6**

The publishing of this data underlines Syncona's strong commitment to transparency in its environmental reporting. Moving forward, the Company will continue to work closely with its portfolio companies to track their environmental footprints and has an aspiration to continue providing portfolio-wide environmental data in order to enable long-term benchmarking and analysis.

GHG emissions (tCO_2e) and associated energy consumption (kWh) for FY2022/3

	Emissions source	Global emissions tCO_2e 2022	Global emissions tCO_2e 2023	Percentage change (%)
Scope 1	Natural gas	0.7	**0.7**	+4%
Total Scope 1		0.7	**0.7**	+4%
Scope 2	Electricity (market based)	–	**–**	0%
	Electricity (location based)	11.8	**11.2**	-5%
Total Scope 2 (market based)		–	**–**	0%
Scope 3	Electricity transmission and distribution	4.4	**3.9**	-10%
	Natural gas well-to-tank	0.1	**0.1**	+4%
	Employee cars	0.6	**2.2**	+264%
	Business flights	43.0	**174.4**	+308%
	International rail	0.1	**0.03**	-66%
	Domestic rail	0.3	**0.9**	+163%
	Public transport	2.1	**1.6**	-23%
	Employee commuting	2.4	**8.5**	+253%
	Paper	0.1	**0.1**	0%
	Waste and recycling	0.1	**0.1**	-0.06%
	Water	0.04	**0.1**	+76%
Total Scope 3		53.2	**191.9**	+261%
Total (market based)[1]		53.9	**192.6**	+257%
Total (location based)[1]		65.7	**203.8**	+210%
Total energy usage (kWh)[2]		61,834	**68,775**	+11%
Normaliser	tCO_2e per FTE (market based)	1.7	**5.5**	+217%
	tCO_2e per FTE (location based)	2.1	**5.8**	+176%

1. Market-based emissions account for the type of electricity that a company purchases. In the case of Syncona, market-based emissions are lower than location-based because it uses a green electricity provider at its headquarters.
2. Energy reporting includes kWh from Scope 1, Scope 2 and Scope 3 employee cars only (as required by the SECR regulation).

SYNCONA AND NET ZERO

Syncona has an aspiration to become net zero throughout its full value chain (including portfolio companies) by 2050, aligning the Company and its portfolio of investments with the 2015 Paris Goals. In order to support this goal, Syncona has become a signatory to the Net Zero Asset Managers (NZAM) initiative, fulfilling a commitment that was set in its FY2021/2 Annual Report. The NZAM initiative is a growing collective of leading asset managers, including over 300 signatories holding nearly $59 trillion of AUM. The aim of the initiative is to bring together asset managers committed to supporting the goal of reaching net zero GHG emissions by 2050 or sooner, in line with the Paris Goals. Given the limited operational emissions reported at the Syncona-level, it believes that the greatest impact it can have in supporting its net zero aspiration is by working alongside its portfolio companies to reduce their emissions. As part of our model to work closely alongside our portfolio companies to support them in their operations, we believe that NZAM is the appropriate framework for Syncona as we look to manage our overall footprint.

By signing up to NZAM, Syncona has underlined its commitment to managing its portfolio in a responsible manner which is aligned with net zero. Having become a signatory to NZAM, Syncona will be required in the next 12 months to set a target for the proportion of its assets to be managed in line with the attainment of net zero emissions by 2050 or sooner, as well as interim targets for 2030. To achieve this, Syncona will be working with its portfolio companies to develop strategies to reduce their emissions, enabling them to move towards a net zero pathway.

OFFSETTING OUR CARBON EMISSIONS

Syncona has continued its programme of purchasing carbon credits to offset the direct emissions resulting from the Company's operations. It has purchased carbon credits for the FY2021/2 and FY2022/3 reporting years, through purchasing offsets from the Forestal el Arriero project. This project supports carbon emissions removal through afforestation and is registered under Verra's Verified Carbon Standard (VCS) – the world's most widely used greenhouse gas (GHG) crediting programme. We intend to continue to review best practice in using carbon credits to align with our net zero aspiration.

3. Syncona has endeavoured to obtain accurate and complete data wherever possible, and when not available we've asked Accenture to provide reasonable estimates.
4. Includes Scope 1 to 3 data from portfolio companies, including category 1 (purchased goods and services).

Climate-related financial disclosures report

Our approach to climate-related financial disclosures

We understand that climate change represents a systemic risk to our societies and economies. We agree with the signatories to the 2015 Paris Agreement that our collective approach needs to limit climate change to within a 1.5 degree Celsius global temperature increase by the end of the 21st century. There is scientific consensus among the world's leading climate scientists that limiting human-caused global warming requires reaching net zero CO_2 emissions by 2050 at the latest.

We create and build companies to deliver transformational treatments to patients in areas of high unmet need. As such, we indirectly bear the potential transition and physical risks to which the portfolio companies and other investments are exposed. In addition, we also benefit the most from any potential opportunities which are associated with the transition to a low-carbon economy that the portfolio companies are able to take advantage of.

In 2020 Syncona undertook a comprehensive materiality review to understand the sustainability issues most material to the business, including climate risk and disclosure (see page 51). In 2022, the Syncona team performed a scenario analysis to assess the physical and transition risks that Syncona might be exposed to. The results of these analyses have led us to believe that our business, and the portfolio companies in which we invest, are not materially exposed to climate change and that neither the risks nor opportunities (individually or collectively) materially impact our strategy or viability, or financial results, either in the short or longer term.

We are, however, committed to making an impact where possible and using our influence to ensure that our portfolio companies are addressing the challenges of climate change – we have chosen to address the climate-related issues in our business within our wider sustainability framework.

Although the Company is not required to provide a Task Force on Climate-related Financial Disclosures (TCFD) disclosure as the legislation does not currently apply to it, we are voluntarily providing climate-related financial disclosures consistent with all of the recommendations and recommended disclosures of the TCFD, including the Additional Guidance, to illustrate our commitment to climate-related issues given their increasing importance to our stakeholders.

Syncona Limited

- Approves and oversees implementation of climate-related policies
- Considers, monitors and oversees the Syncona team's management of climate-related risks
- Publishes Scope 1 to 3 emissions
- Reports against the TCFD

Syncona team

- Oversees and manages the implementation of climate-related policies and procedures in portfolio companies
- Assesses and manages any portfolio company limate-related issues

Portfolio companies

- Implement climate-related policies and procedures in line with Syncona guidelines, values and expectations
- Report to SIML on any material climate-related issues

Progress this year

- Post-period end we became a signatory to the Net Zero Asset Managers (NZAM) initiative. Committing to NZAM supports our ultimate ambition to become net zero across all of our assets by 2050, and we plan to set out targets in line with NZAM's requirements in the next 12 months. As part of this, we have been reviewing our current portfolio's emissions – see the emissions reporting for FY2022/3 on pages 60 and 61 – and will be working with portfolio companies on strategies to align them with a net zero pathway.

2050

Our ultimate ambition is to become net zero across all of our assets by 2050

- We have provided fuller carbon reporting for FY2022/3 by including more emission categories, covering our own operational emissions and purchased goods and services, following our alignment with a full Scope 1 to 3 methodology and environmental reporting for our portfolio companies; see pages 60 and 61 for further information.
- We have increased the number of portfolio companies who directly provide us with environmental data.
- Active engagement with new portfolio companies on sustainability matters. For our new portfolio companies, Kesmalea Therapeutics, Mosaic Therapeutics and Beacon Therapeutics, we are actively engaging with them on sustainability matters, including putting in place policies in line with our expectations and principles.

Plans for FY2023/4

- We are an existing signatory to the Principles for Responsible Investment and will be reporting against those principles for the first time this coming year, which includes reporting around sustainability issues.
- We will continue to progress our aspiration to be net zero throughout our full value chain (including our portfolio companies) by 2050, including through our work as a signatory to NZAM.
- We will set clear interim targets for 2030 for the proportion of our assets under management which are to be managed in line with net zero and publish these within 12 months of our becoming a signatory to NZAM.

Governance

Our sustainability governance framework

SUSTAINABILITY REVIEW P48

Governance of climate-related issues is addressed within our wider framework for governance of sustainability issues.

SYNCONA LIMITED BOARD

- Approves Sustainability Policy and Responsible Investment Policy
- Oversees implementation of the Sustainability Policy, including oversight of any targets set
- Considers risks facing the Company from sustainability issues as part of its role in the risk management process
- Oversees monitoring of risks arising from sustainability issues as part of wider process of monitoring of risk management and internal controls

SYNCONA LIMITED AUDIT COMMITTEE

- Reviews scope and effectiveness of internal controls and risk management systems
- Reviews and assesses risks and associated frameworks to manage and mitigate such risks

Reports to on a biannual basis

Reports to on an annual basis

SYNCONA TEAM

LEADERSHIP TEAM

- Overall responsibility for implementation of Sustainability Policy
- Manages integration of Syncona approach to sustainability across portfolio

INVESTMENT COMMITTEE

- Implements the Responsible Investment Policy
- Assesses and manages sustainability risks in the portfolio

SUSTAINABILITY COMMITTEE

- Advises on Sustainability Policy
- Oversees the integration of the Sustainability Policy into the ongoing roles and activities of the investment team and broader business
- Identifies areas where business can improve its approach

The table above sets out our sustainability governance structure, which includes climate-related issues. Given our judgement that climate-related risks do not represent a material risk to our business, they are addressed as part of our wider consideration of sustainability issues and not separately.

The table describes the main areas where the Board considers sustainability issues. Syncona is an investment company and, as further described in the Corporate governance report on pages 76 to 79, the Board is not directly involved in management of the investment portfolio, which is delegated to the Syncona team.

Within the Syncona team, the Sustainability Committee acts as a cross-functional group to coordinate the implementation of our sustainability policies, horizon-scan for sustainability developments or changes in risks, and support and advise the business on sustainability issues, including climate-related issues. See our Sustainability Report for further information on the Committee.

A key focus for the Sustainability Committee this year has been to increase the number of our portfolio companies where we are able to directly gather environmental data, as well as carrying out extensive preparatory work in advance of us signing up to NZAM. The Committee has also led a desktop review of our climate-related risks and opportunities under a number of scenarios (see overleaf).

The Sustainability Committee is also responsible for coordinating reporting through the Leadership Team and onwards to the Board. Regular reporting covers our progress against the commitments in our policy and targets and KPIs, including climate-related targets (when set). The Board also receives reports on the results of the desktop climate scenario analysis that was carried out and the risks to the business.

Strategy

Our business is focused on a single investment strategy in a single industry of pre-revenue generating life science investments which are predominantly concentrated in the UK, Western Europe and the US. See pages 18 to 21 for further information on our strategy and investment process.

As reported last year, in FY2021/2 we undertook a climate scenario analysis with support from Avieco (now Accenture), an external consulting firm, to consider the potential impact that certain physical and transitional climate-related risks and opportunities could have on our business and portfolio companies, in a range of different climate scenarios and on a short, medium and long-term time horizon. This work drew on support across the business and from our portfolio companies.

This year, the Sustainability Committee conducted a desktop review of the FY2021/2 climate scenario analysis, including a horizon-scanning exercise for any new potential risks and opportunities, building on the work done last year with Accenture. The Sustainability Committee reviewed the specific climate scenarios and time horizons that were selected for FY2021/2. It was concluded that the scenarios are still internally consistent, logical and based on explicit assumptions and constraints that present plausible future development paths. Indeed, no new or further risks or opportunities were identified this year and the Sustainability Committee concluded that the climate scenario analysis remained representative of the risks and opportunities faced by our business.

Climate scenarios

To analyse potential impact we selected three climate scenarios from the Network for Greening the Financial Systems: 'Net Zero 2050' (which assumes orderly progress towards net zero in 2050 and is aligned with the 2015 Paris Agreement scenario of 1.5 degrees Celsius), 'Divergent Net Zero' (which also assumes that net zero is reached by 2050, but with a much less orderly path to it and therefore higher transition costs), and 'Current Policies' (which assumes a 3 degrees Celsius or greater increase in global temperatures from baseline). We believe that these scenarios reflect a core range of potential outcomes that allow us to analyse impacts on our business.

Time horizons

For the purpose of this exercise, and acknowledging that climate-related issues tend to manifest themselves over the medium to long term, we have characterised our short, medium and long-term time horizons as 0-5 years, 5-15 years and 15-30 years respectively. We believe these are reflective of the lifecycle of the portfolio companies that we invest in; company creation and drug development can take between 10-15 years and a granted patent for a therapy could last for around 20 years.

Risk evaluation

Through the risk identification process, we identified four potential risks and one potential opportunity for evaluation by the business. As an investment business, materiality is principally driven by the impact on the value of our portfolio companies, and our ability and the cost of accessing capital to deliver our strategy. Given the dynamic nature of our portfolio (see below) and the data available, our assessment was qualitative rather than driven by specific financial thresholds.

We assessed the potential impact on our business and likelihood of such risk or opportunity occurring for each time horizon and climate scenario in order to determine a numerical score of potential materiality on our business. Physical risks were assessed taking account of physical locations of facilities and desktop analysis of supply chains (principally of our portfolio companies), combined with publicly available data on vulnerability of different locations/logistics routes, and the value of our investment in each portfolio company. We also sought to consider the likely evolution of the businesses of our companies, though that is challenging both because our companies typically change significantly as they proceed through clinical development, and also because our portfolio is itself dynamic and subject to change. We assessed the transition risks by analysing internal data and publicly available data to look at the impact of sustainability factors on cost of capital.

We only operate in a single sector and so sectoral analysis was not relevant to us. Geographic variations were taken into account in respect of physical risks as described above, but given the dynamic nature of our portfolio our overall assessment was carried out on a global basis.

It remains our view that neither the risks nor opportunities (individually or collectively) materially impact our strategy or viability, or financial results, either in the short or longer term. Accordingly, we do not consider there should be any impact to our financial results. However, we intend to keep the risks and opportunities under review. For that reason, climate-related issues are not a material input in our planning, but we take account of the identified mitigation actions where relevant.

Description of risk or opportunity	Impact on our business and our response	Scenario where this has highest impact	Time horizon
Extreme weather events (physical): climate change could disrupt portfolio company manufacturing and other facilities, as a result of storms, flooding etc.	Low impact given the relatively small footprint of our portfolio companies, which are typically in clinical development. However, we can recommend mitigation through site choice and physical mitigation steps.	Current Policies	Medium term: 5–15 years
Logistics and supply chain disruption (physical): climate change could cause chronic and acute upstream and downstream disruption to portfolio companies using supply chains and transport links as a result of rising sea levels, hurricanes and other weather events, particularly as they move towards larger clinical trials and manufacturing products.	Low impact currently though may increase in the future as companies develop. Mitigation actions could include recommending that climate-related risks are integrated into supply chain management and resilience assessments.	Current Policies	Medium term: 5–15 years
Impact of not achieving net zero (transitional): there could be increased costs or negative business impacts (such as increased stewardship from investors or voting action) associated with achieving net zero in a short timeframe for both Syncona and its portfolio companies.	Low impact given we are working towards a net zero strategy and due to the nature of our business and our portfolio companies.	Divergent Net Zero	Short term: 0–5 years
Increased cost of capital (transitional): Syncona may face increased costs of capital or be constrained in raising capital in the public market if investors perceive us as high risk from a climate perspective.	Low impact due to our low emissions and our wider sustainability focus. Mitigation could include providing further sustainability data reporting, aligned with emerging global standards on sustainability issues, to seek to maintain investor confidence in our approach to these issues.	Divergent Net Zero	Medium term: 5–15 years
Opportunity to address new health issues (products and services): for example, climate change may result in an increase in melanoma and respiratory issues.	Low impact and not a current focus for our business. We typically seek to build stand-alone biotech companies that have the ability to take products to market, and believe it is less likely there will be relevant opportunities on this business model. However, we will keep this on our radar.	Current Policies	Medium term: 5–15 years

Risk management

Identification of climate-related risks	Assessment of climate-related risks	Management of climate-related risks
• Detailed identification exercise as part of climate scenario analysis in FY2021/2. • Ongoing horizon scanning of sustainability issues by Sustainability Committee.	• Scenario analysis by Sustainability Committee.	• Within the Syncona team, managed by Investment Committee and Leadership Team as part of wider management of sustainability issues. • Feeds into wider risk management process overseen by Audit Committee and Board.

As described above, during the year the Sustainability Committee carried out a desktop review of the climate scenario analysis that was supported by Avieco in FY2021/2, including a horizon-scanning exercise to determine whether there were any new potential risks or opportunities that were relevant to our business. We concluded that none of these risks (individually or collectively) materially impact our strategy or viability, or financial results, either in the short or longer term, and accordingly climate-related risks have not been included as a principal risk of the business.

Accordingly, we address risk management of climate-related risks alongside other sustainability issues and as part of our wider risk management process. Within the Syncona team, the Sustainability Committee takes a lead on horizon-scanning for sustainability developments or changes in risks, including climate-related issues. This then acts as an input into the wider risk management process, both within the Syncona team and at Board and Audit Committee, as set out in the risk management section of this Annual Report on pages 66 to 68.

As we have done this year, we expect that the Sustainability Committee will continue to keep the scenario analysis under review with external support where this is helpful. We will continue to monitor climate-related risks and should any of these become a material or principal risk, we will embed these within our existing risk management processes.

The Investment Committee is responsible for considering sustainability issues in Syncona investment transactions. Once an investment is made the investment team is responsible for encouraging the portfolio company to meet our sustainability requirements, reporting to the team's quarterly review meeting where the entire investment team carries out an in-depth review of all portfolio companies. Further details of how we engage with our portfolio companies are set out in the responsible investor and partner section of our Sustainability Report, on pages 17 to 28.

The Leadership Team is responsible for considering sustainability issues within Syncona's own business and operations.

Metrics and targets

As mentioned above, as we believe that climate-related risks do not represent a material risk to our business, we have taken a proportionate approach in our reporting. We therefore use the metrics and targets described within this section to assess and manage risks and opportunities that may become material to the business.

Metrics applicable to Syncona and our portfolio companies

- Our principal metric is our carbon footprint. We have included full carbon footprint reporting, incorporating both Syncona operations and our portfolio, on pages 60 and 61 of this Annual Report, and page 38 of the Sustainability Report. The environmental pages of our Annual Report also include our full SECR reporting, which provides details of our emissions at an operational level.
- The number of portfolio companies who directly provide us with environmental data.
- Our progress in delivering our sustainability policies, including those relating to climate, and these form an element of annual performance reviews for individual Syncona team members which impacts on the discretionary bonus for the Syncona team.

We have considered other cross-industry climate-related metrics and targets as detailed in the TCFD Additional Guidance, including reporting on weighted average carbon intensity. We do not believe that such metrics and targets are appropriate or meaningful for our business at this stage given our single investment strategy focused on pre-revenue single industry businesses, however we continue to keep these under review.

Targets applicable to Syncona and our portfolio companies and our transition plans

To date we have not set any specific climate-related targets, as we evaluate how best to address these issues. As stated above, it is our ambition to be net zero throughout our full value chain (including our portfolio companies) by 2050.

The majority of our climate impact is within our investment portfolio and as part of becoming a signatory to NZAM, over the next year we will set clear interim targets for 2030 for the proportion of our assets under management which are to be managed in line with net zero.

As we do not have any specific climate-related targets, we do not currently have a formal transition plan. However, we have begun work internally to consider what steps this might include:

- Syncona operations are already relatively low intensity, and in particular we have already adopted 100% renewable electricity supply to our primary office through green energy tariffs.
- We are encouraging our existing companies to implement strategies to reduce their carbon emissions where possible, particularly in relation to electricity supply.

For our portfolio companies, while we are long-term investors, the nature of our investments means that the period from today to either 2030 or 2050 is likely to see significant change in our investment portfolio, as companies succeed or fail, and enter or leave the portfolio. We continue to remain focused on developing a meaningful transition plan that accommodates that change in a proportionate way, and we are considering what processes are most appropriate.

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

Our strategy of creating, building and scaling a portfolio of companies, turning exceptional science into transformational treatments, involves significant risk and opportunity.

We create early-stage life science businesses prior to clinical proof of concept, and build them through scientific and operational development, clinical trials, approval and potentially commercialisation. This involves high execution risk given the nature of drug discovery and development is capital intensive, and requires significant funding from us or third-party investors. It is therefore key to our business that our risk appetite is clearly defined and that we have robust processes to manage risk.

Our risk management framework enables the business to protect value, helping us to identify opportunities and minimise threats to the delivery of our strategic and operational objectives.

The framework is designed to ensure that existing or emerging risks are identified, assessed and managed, and are reported to relevant stakeholders in a timely manner to inform and support decision-making. This process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. Our process aims to mitigate the significant risks faced by Syncona in accordance with our risk appetite. It is recognised that no risk management process can provide absolute assurance against material misstatement and loss.

At the Board meeting in March 2023, the Board completed its year-end assessment of risks. This followed the Audit Committee's formal assessment of risk and internal controls in February 2023, which was supported by a detailed risk assessment by the Syncona Leadership Team. The Board believes that it has taken all reasonable steps to satisfy itself that the risk management process is effective and fit for purpose. No material control weaknesses or deficiencies were identified as part of this review.

GOVERNANCE FRAMEWORK FOR RISK

Our governance framework for risk is set out below. The Board owns and oversees the process, ensures a robust assessment of principal risks, and defines risk appetite. Under delegation from the Board, the Audit Committee oversees and monitors the risk framework, and assesses the ongoing operation and effectiveness of our internal control environment to manage the principal risks we face. This review process provides a focus to drive continuous improvement in our risk processes.

The Syncona Leadership Team is responsible for day-to-day operation and oversight of the risk framework and implementation of any actions. Different groups, including the Investment Committee, Valuation Committee, Liquidity Management Committee and Sustainability Committee, together with the Investment Team through partner meetings and quarterly business reviews, identify new risks, and lead or input into different risks, and these are then collated into the risk register and reported to the Board and Audit Committee.

Our governance framework for risk

SYNCONA LIMITED BOARD

- Oversees the process
- Defines risk appetite
- Ensures a robust assessment of principal risks
- Considers key strategic risks and potential future risks
- Receives quarterly risk reports
- Approves the viability statement

SYNCONA LIMITED AUDIT COMMITTEE

- Oversees and monitors the risk framework
- Reviews risk register to ensure it properly captures the principal risks identified by the Board
- Oversees the framework for identifying risks (including emerging risks)
- Reviews the ongoing operation and effectiveness of our control environment to manage the principal risks faced
- Oversees the implementation of agreed actions by the Syncona team

SIML BOARD SUPPORTED BY THE SYNCONA LEADERSHIP TEAM

- Responsible for the day-to-day operations of the risk management framework
- Designs the systems
- Reviews the risks each quarter
- Implements and updates controls and mitigations
- Reviews the quarterly risk reports

RISK REPORT | **RISK REGISTER**

ACTIVE DAY-TO-DAY MANAGEMENT

INVESTMENT COMMITTEE
- Approves investment transactions taking account of key risks identified
- Assesses plans to manage risks in the portfolio

VALUATION COMMITTEE
- Approves the valuation of the life science investments

LIQUIDITY MANAGEMENT COMMITTEE
- Approves investment of the capital pool in line with agreed parameters
- Monitors macro environment

SUSTAINABILITY COMMITTEE
- Oversees integration of Sustainability Policy into ongoing roles and activities of the investment team and broader business
- Horizon-scanning for changes to sustainability risks

QUARTERLY BUSINESS REVIEWS
- Reviews progress of each life science portfolio company each quarter
- Assesses progress in managing key risks to investment case

PARTNER MEETINGS
- Reviews potential opportunities and makes proposals to the Investment Committee

PEOPLE AND ORGANISATIONAL TEAM
- Responsible for organisational culture within Syncona and portfolio companies
- Monitors recruitment markets, key hires and compensation
- Monitors industry relationships

CAPITAL MANAGEMENT TEAM
- Reviews and proposes capital allocation requirements
- Monitors and assesses potential capital sources and availability

PRINCIPAL RISKS

Not all the risks identified as part of our risk management processes are considered to be principal risks. The principal risks reported in the following section are those risks that the Board believes to be the most important and which could cause Syncona's results to differ materially from expected or historical results, or to significantly impact our strategy. Not all of these risks are within the control of the Group and other factors besides those listed may affect the Group's performance. As with all businesses operating in a dynamic environment, some risks may not yet be known whilst other low-level risks could become material in the future. All risks are given a risk score based on likelihood of occurrence and impact if it were to occur, and this is monitored throughout the year. In addition, each risk is assigned a risk appetite that the Board is willing to accept. The correlation between the risk score and risk appetite for each risk is also monitored throughout the year.

Emerging risks

Emerging risks are new risks which have the potential to crystallise at some point in the future but are unlikely to impact the business during the next year. The potential future impact of such risks is often more uncertain. They may begin to evolve rapidly or simply not materialise. We monitor our business activities and external and internal environments for new, emerging risks and changes to risks, ensuring that these are managed appropriately. This process is fully embedded within the overall risk management framework.

Areas to be kept under review include:

- Sustainability issues
- Legal and regulatory changes
- Changes to the competitive environment for people and life science businesses
- New competing platform technologies
- The longer-term risks of changes to US pharmaceutical pricing
- The potential long-term impact of Brexit on the UK bioscience research environment or wider business environment
- The potential for tax changes in the UK that impact its attractiveness in recruiting from a global talent pool
- Future 'black swan' events such as climate change, pandemics, terrorism and cyber-threats

Risk appetite

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

Our risk appetite is set out on page 68 with a brief description of the rationale in each case.

HOW OUR RISKS HAVE EVOLVED SINCE THE 2022 ANNUAL REPORT

We have reviewed our risks in light of changes to the internal and external environment, in particular our updated strategy, economic uncertainty, inflation, rising interest rates, availability of capital, erratic capital markets, changing value of sterling, a tightening labour market, and the current political situation including the Russia-Ukraine conflict. Following this review we have changed the categories under which each risk is considered as we believe these categories more appropriately reflect how we think about the business and manage the risks. The new categories are: Portfolio company risks, Access to capital, People, and Macroeconomic environment.

The challenging macroeconomic environment has been discussed at length throughout the year. Whilst we seek to mitigate the macroeconomic risk by managing capital allocation and actively managing our capital pool, investor sentiment remains cautious about early-stage biotech. To reflect this we have added a new principal risk: 'Macroeconomic environment has negative impact on sentiment for portfolio companies and Syncona business model'.

The updated strategy identified ways in which we can mitigate and diversify a number of our principal risks.

We are managing our portfolio company risk by scaling our business. With increased scale we can reduce concentration risk, increase the cadence of exits, hold assets for longer, and drive a more efficient balance sheet with a scalable investment process, all of which should drive NAV appreciation, shareholder returns and access to capital.

We have already made progress on managing the people risk both at the Syncona level and the portfolio level and this will remain a key area of focus going forward. During 2023 the SIML CEO transition was announced and implemented, the Investment, Launch, and Executive and Advisory teams have been built out and the Corporate teams have been strengthened.

We are managing our capital risk through a tiered approach to investment, considering different capital sources at the portfolio level, managing liquidity and return within defined volatility and concentration limits, and have implemented a capital policy focusing on driving balance sheet efficiency. External advisers are used to evaluate the markets and providers, and funds are currently spread across multiple banks, government bonds, and three fund managers with differentiated diversified investment strategies.

APPROACH TO DISCLOSING PORTFOLIO COMPANY INFORMATION

Our model is to create companies around world-leading science, bringing the commercial vision and strategy, building the team and infrastructure and providing scaled funding.

When we create or invest in a portfolio company, or when a portfolio company completes an external financing or other transaction, we may announce that transaction. Our decision on whether (and when) to announce a transaction depends on a number of factors including the commercial preferences of the portfolio company. We would make an announcement where we consider that a transaction is material to our shareholders' understanding of our portfolio, whether as a result of the amount of the commitment, any change in valuation or otherwise.

In addition, our portfolio companies are regularly progressing clinical trials. These trials represent both a significant opportunity and risk for each company, and may be material for Syncona.

In many cases, data from clinical trials is only available at the end of the trial. However, a number of our portfolio companies carry out open label trials, which are clinical studies in which both the researchers and the patients are aware of the drug being given. In some cases, the number of patients in a trial may be relatively small. Data is generated as each patient is dosed with the drug in a trial and is collected over time as results of the treatment are analysed and, in the early stages of these studies, dose-ranging studies are completed. Because of the trial design, clinical data in open label trials is received by our portfolio companies on a frequent basis. Individual data points need to be treated with caution, and it is typically only when all or substantially all of the data from a trial is available and can be analysed that meaningful conclusions can be drawn from that data about the prospect of success or otherwise of the trial.

In particular it is highly possible that early developments (positive or negative) in a trial can be overtaken by later analysis with further data as the trial progresses.

We would expect to announce our assessment of the results of a trial at the point we conclude on the data available to us that it has succeeded or failed, unless we conclude it is not material to our shareholders' understanding of our portfolio. We would not generally expect to announce our assessment of interim clinical data in an ongoing trial, other than in the situation where the portfolio company announces interim clinical trial data, in which case we will generally issue a simultaneous announcement unless we believe the data is not materially different from previously announced data.

In all cases we will comply with our legal obligations, under the Market Abuse Regulation or otherwise, in determining what information to announce.

The table below shows the direction of travel of the risks and risk appetite as a result of the updated strategy, macroeconomic conditions and other internal and external factors. It also shows the related strategic drivers for each risk. More detail of the changes and what we have done to address them is shown on pages 69 to 74.

OUR STRATEGIC DRIVERS

1 Team and track record
2 Capital
3 Portfolio
4 Risk-adjusted returns

DIRECTION OF TRAVEL

– Unchanged
↑ Increased
↓ Decreased
N New risk

	Relevant strategic driver	Direction of travel	Appetite	Rationale
PORTFOLIO COMPANY RISKS				
Scientific theses fail	1 3	–	Medium	These risks are core to our business model, but we seek to de-risk them as far as possible at an early stage when the value at risk is typically lower.
Clinical development doesn't deliver a commercially viable product	1 3	↓	High	These risks are core to our business model; while we manage these intensely, the stage of development is typically capital-intensive and requires significant funding.
Portfolio concentration risk to platform technology	1 3	↓	Medium	Strong domain expertise is core to our business model. While systemic issues could potentially have a major impact, we believe our deep understanding significantly mitigates the risk that these arise.
Concentration risk and binary outcomes	1 3	↑	Medium	We want to minimise this risk but recognise the challenges of a portfolio with significant value and risk in each investment.
ACCESS TO CAPITAL				
Not having capital to invest	2 4	↑	Low	We want to minimise this risk, although balance that with the cost of holding capital to achieve this.
Private/public markets don't value or fund our companies when we wish to access them	2 4	↑	Medium	We are exposed to this risk when we need to bring in third-party capital, but manage it particularly through our wider access to capital.
Capital pool losses or illiquidity	2 4	↑	Low	We manage the capital pool to limit the likelihood of loss (absolute or real value).
PEOPLE				
Reliance on small Syncona team	1	↓	Low	We want to minimise this risk but recognise the constraints of our small, focused team and model.
Systems and controls failures	1	–	Averse	Our aim is to eliminate the risk of control failures as far as possible and to actively manage any residual risks.
Unable to build high-quality team/team culture	1 3	↓	Low	We want to minimise this risk but recognise the challenges of recruiting and integrating global high-quality staff with highly specialised skills.
Unable to execute business plans	1 2 3	–	Medium	We want to minimise this risk but recognise many external factors may impact the execution of business plans.
MACROECONOMIC ENVIRONMENT				
Macroeconomic environment has a negative impact on sentiment for portfolio companies and Syncona business model	2 4	N	N/A	We have no ability to influence the macroeconomic environment, however we ensure we monitor and prepare appropriately and actively manage the risks above relative to the environment.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks that the Board has identified are set out in the following pages, along with the potential impact, key controls and what we have done during the year to manage the risks. Further information on financial risk management is set out in note 18 to the Consolidated Financial Statements.

A Portfolio company risks

Scientific theses fail

We invest in scientific ideas that we believe have the potential to be treatments for a range of diseases, but where there may be no or little substantial evidence of clinical effectiveness or ability to deliver the technology in a commercially viable way. Material capital may need to be invested to resolve these uncertainties.

RELEVANT STRATEGIC DRIVERS

1 3

YEAR-ON-YEAR CHANGE

IMPACTS

- Financial loss and reputational impact from failure of investment.

KEY CONTROLS

- Extensive due diligence process, resulting in identification of key risks and clear operational plan to mitigate these.
- Tranching of investment to minimise capital exposed until key de-risking steps are completed (particularly fundamental biological uncertainty). Consideration of syndicating investments.
- Syncona team works closely with new companies to ensure focus on key risks and high-quality operational build-out. Team members may take operating roles where appropriate.
- Robust oversight by Syncona team, including formal review at our quarterly business review and ongoing monitoring through Board roles.

WHAT HAS HAPPENED IN THE YEAR?

- Continued to seek to de-risk scientific theses in our early-stage companies.
- Significant capital raised by portfolio companies to support de-risking scientific theses.
- The build out of the Executive and Advisory Group including experienced subject matter experts during the year enables specialist advice which aids the identification and resolution of issues at an early stage and ongoing support to assist in managing the operational challenges of drug discovery and development.

Clinical development doesn't deliver a commercially viable product

Success for our companies depends on delivering a commercially viable target product profile through clinical development. This can be affected by trial data not showing required efficacy or adverse safety events. It can also be affected by progress of competitors, IP rights, the company's ability to gain regulatory approval for and credibly market the product, potential pricing and ability to manufacture cost-effectively.

RELEVANT STRATEGIC DRIVERS

1 3

YEAR-ON-YEAR CHANGE

IMPACTS

- Material impact on valuation, given capital required to take products through clinical development.
- Material harm to one or more individuals, and potential reputational issues for Syncona.

KEY CONTROLS

- Build products in areas with significant unmet need and that show substantial and differentiated efficacy and therefore will potentially have less competition and more pricing power.
- Focus, oversight and support from the Syncona team on recruiting dedicated specialist clinical teams in each portfolio company to manage trials effectively, maximise likelihood of success, and with a clear understanding of the requirements of regulators.
- Investment process considers strength of IP or regulatory exclusivity protection and this is then operationalised by each company.
- Investment process considers manufacturing as a key issue from inception of each company, rather than leaving to later stage, and this is then operationalised.
- Company business plans seek to have multiple products in different indications so that failure in one does not damage all value of company. Consideration of syndicating investments.
- At portfolio level, building a portfolio with multiple companies at clinical/later stages, to enable us to absorb failures.
- Clinical trials policy requires reporting of significant trial issues to Syncona team and to Board in serious cases.

WHAT HAS HAPPENED IN THE YEAR?

- 16 clinical data read-outs during the financial year with our most clinically advanced company, Autolus, approaching a meaningful milestone as it plans to file a BLA with the US FDA in H2 CY2023.
- The acquisition of AGTC added a clinical stage company to the portfolio thereby diluting this risk.
- The build out of the Executive and Advisory Group during the year brings specialist knowledge to Syncona which reduces this risk.

A Portfolio company risks continued

Portfolio concentration risk to platform technology

The Syncona team brings strong domain experience in cell and gene therapy, and a substantial part of the portfolio is in these areas. Systemic issues (whether scientific, clinical, regulatory or commercial) may emerge that affect these technologies.

RELEVANT STRATEGIC DRIVERS

1 3

YEAR-ON-YEAR CHANGE

↓

IMPACTS

- Material impact on valuation.
- Impact on reputation of Syncona resulting from failure of technology we are strongly identified with.

KEY CONTROLS

- Team pays close attention to scientific, clinical, regulatory or commercial developments in the field.
- Where there are genuine risks, identified and managed through diligence and investment process.

WHAT HAS HAPPENED IN THE YEAR?

- Ongoing monitoring of developments in cell and gene therapy.
- In addition, we invest across a range of modalities and therefore we adopt multiple approaches alongside increasing portfolio target size which reduces the potential impact of this risk.

Concentration risk and binary outcomes

The Company's investment strategy is to invest in a concentrated portfolio of early-stage life science businesses where it is necessary to accept very significant and often binary risks. It is expected that some things will succeed (and potentially result in substantial returns) but others will fail (potentially resulting in substantial loss of value). This is likely to result in a volatile return profile.

RELEVANT STRATEGIC DRIVERS

1 3

YEAR-ON-YEAR CHANGE

↑

IMPACTS

- Loss of shareholder support, potentially reducing ability to raise new equity when required.
- Reputation risk from perceived failure of business model.

KEY CONTROLS

- Board provides strong oversight drawing on a range of relevant experience, including life science, FTSE and investment company expertise. Board has clear understanding of strategy and risk.
- Transparent communication from Syncona team to Board about portfolio opportunities and risks including upside and downside valuation cases.
- Clear communication to shareholders of the opportunities and risks of the strategy. Provide information to shareholders about portfolio companies to assist them in understanding portfolio value and risks.
- Building diversified portfolio with multiple companies and products at clinical/later stages. Consideration of syndicating investments.
- Willing to sell investments at/above fair value, prior to approval, which removes binary risks.

WHAT HAS HAPPENED IN THE YEAR?

- This is an inherent risk due to the nature of the business model, however as the portfolio matures, the binary and concentration risk profile changes.
- Scientific risk will reduce over time as the clinical development pathway develops.
- Financial exposure risk increases as our investment in individual assets increases.
- As we grow, concentration risk should reduce as we increase the number of new companies we are starting and individual investment relative to NAV should become more diluted.
- The acquisition of AGTC during the year has diversified the risk of having primarily early-stage life science businesses.

B Access to capital

Not having capital to invest

Early-stage life science businesses are very capital intensive, and delivering our strategy will require us to have access to substantial capital.

RELEVANT STRATEGIC DRIVERS: 2 4

YEAR-ON-YEAR CHANGE: ↑

IMPACTS

- Dilution of stake in portfolio companies with loss of potential upside.
- Loss of control of portfolio companies resulting in poorer strategic execution.
- Inability for portfolio companies to deliver their business plans due to financing constraints.

KEY CONTROLS

- Syncona team monitoring capital allocation on an ongoing basis with a three-year forward outlook, with transparent reporting to the Board.
- Seek to maintain capital pool of three years' financing requirements, although noting this risks being a significant drag on overall returns.
- Maximise potential to raise new equity through developing institutional shareholder base.
- Ongoing consideration of alternative or additional capital raising structures (e.g. side funds; operating company vs investment company; use of debt).
- Ongoing consideration of syndication strategy at portfolio company level, to maximise value and minimise dilution when external capital is brought in. Clarity of funding options: solo hold and partner approaches.
- Ongoing consideration of exits.

WHAT HAS HAPPENED IN THE YEAR?

- Whilst this is not an immediate risk as we have a strong balance sheet with over three years of capital available, we are seeing the impact of current negative market sentiment in our portfolio syndications and across the broader market place.
- As the portfolio matures, capital requirements will increase. However, more mature assets attract higher valuations so our ability to realise value will increase.
- Increasing the quantum and cadence of investment will drive better capital efficiency and an increasingly mature portfolio which can be realised over time.
- For new investments, we have invested alongside strategic co-investors, maintaining the core Syncona model whilst diversifying financial risk.
- We have introduced a Capital Return Policy focusing on driving balance sheet efficiency by balancing reinvestment with capital returns.
- During the financial year our portfolio companies brought in £394.3 million of capital commitments of which Syncona contributed £176.9 million.

Private/public markets don't value or fund our companies when we wish to access them

Our capital allocation strategy includes considering bringing third-party capital into our portfolio companies, at the right stage of development. In addition we may consider exit opportunities either on the public markets or through private sales.

RELEVANT STRATEGIC DRIVERS: 2 4

YEAR-ON-YEAR CHANGE: ↑

IMPACTS

- Syncona is required to invest further capital, leading to greater exposure to individual companies than desired and less ability to support other companies.
- Inability for portfolio companies to deliver their business plans due to financing constraints.
- Exit opportunities may be less attractive, with impact on availability of capital.
- Reputation risk from failed transactions.

KEY CONTROLS

- Maintain access to significant capital, to reduce risk of being forced to syndicate/forced seller.
- Focus, oversight and support from the Syncona team on financing plan for each company, with support to the company to develop its financing story at an early stage.

WHAT HAS HAPPENED IN THE YEAR?

- Macroeconomic headwinds have continued to impact sentiment in the biotech sector, with particular impact on public markets for early-stage biotech companies.
- During the year we have increased the level of scenario planning and modelling we perform to ensure we monitor our ability to invest at a higher than planned level into our companies if necessary. We have also increased the frequency of our internal meetings to discuss the capital landscape, the potential sources of capital and the timing of capital required.
- During the financial year our portfolio companies brought in £394.3 million of capital commitments of which Syncona contributed £176.9 million.

B Access to capital continued

Capital pool losses or illiquidity

The capital pool is exposed to the risk of loss or illiquidity.

RELEVANT STRATEGIC DRIVERS

2 4

YEAR-ON-YEAR CHANGE

↑

IMPACTS

- Loss of capital (or reduction in the value of capital due to inflation).
- Inability to finance life science investments.
- Reputation risk from losses in non-core area.
- Counterparty bank or fund fails and we are unable to recover the money held by them.

KEY CONTROLS

- Protection against risk and liquidity are key characteristics; return is a focus to avoid loss of real value, but a secondary consideration.
- Risk parameters monitored monthly by Syncona team, with enhanced review on a quarterly basis.
- External adviser (Barnett Waddingham) engaged to carry out quarterly and annual reviews of capital pool against chosen parameters.
- Cash balances are held at multiple investment grade or equivalent banks and limited to three months' forward funding requirements.
- Near-term funding is held in UK and US treasuries.
- Longer-term funding is held across low volatility, highly liquid, multi-asset funds or mandates.

WHAT HAS HAPPENED IN THE YEAR?

- This risk has increased primarily due to high inflation currently being experienced alongside volatile capital markets. As a result, more active management of the capital pool is in place.
- Risk is being managed through a tiered approach to investment. We are managing liquidity and return within defined volatility and concentration limits. External advisers are used to evaluate the markets and providers, and funds are currently spread across multiple banks, government bonds, and three fund managers with differentiated diversified investment strategies.
- Macroeconomic and fund performance is reviewed regularly by the Liquidity Management Committee and reported quarterly to the SIML and Syncona Limited Boards.

C People

Reliance on small Syncona team

The execution of the Company's strategy is dependent on a small number of key individuals with specialised expertise. This is at risk if the team does not succeed in retaining skilled personnel or is unable to recruit new personnel with relevant skills.

RELEVANT STRATEGIC DRIVERS

1

YEAR-ON-YEAR CHANGE

↓

IMPACTS

- Poorer oversight of portfolio companies, risk of loss of value from poor strategic/operational decisions.
- Insufficient resource to take advantage of investment opportunities.
- Loss of licence to operate if insufficient resource or processes mean we fail to meet stakeholder expectations.

KEY CONTROLS

- Market benchmarking of remuneration for staff.
- Provision of long-term incentive scheme to incentivise and retain staff.
- Ongoing recruitment to strengthen team and deepen resilience.
- Focus on investment team development to provide internal succession from next tier of leaders, with process supported by Chief Human Resources Officer.
- Process development within corporate functions to reduce single point risks.
- Building high-quality teams within portfolio companies that can operate at a high strategic level.

WHAT HAS HAPPENED IN THE YEAR?

- Part of the evolved strategy is an increased focus on people and capabilities. During the year the SIML CEO transition was announced and implemented. The Investment, Launch and Executive and Advisory teams have been built out and the Corporate teams have been strengthened.

Systems and controls failures

We rely on a series of systems and controls to ensure proper control of assets, record-keeping and reporting, and operation of Syncona's business.

RELEVANT STRATEGIC DRIVERS

1

YEAR-ON-YEAR CHANGE

IMPACTS

- Risk of loss of assets.
- Inability to properly oversee Syncona team.
- Inaccurate reporting to shareholders.
- Syncona team unable to carry out its functions properly.
- Breach of legal or regulatory requirements.
- Reputation risk, loss of confidence from shareholders and other stakeholders.

KEY CONTROLS

- Systems and control procedures are reviewed regularly by Syncona team, with input from specialist external advisers where appropriate.
- Certain systems have been outsourced to the Administrator who provides independent assurance of its own systems.
- Annual review of the effectiveness of systems and controls carried out by the Audit Committee.
- Anti-fraud, bribery and corruption controls.
- Anti-money laundering controls.
- Whistleblowing arrangements.

WHAT HAS HAPPENED IN THE YEAR?

- Ongoing compliance reviews and reviews of key processes performed during the year to assess quality, identify efficiencies and ensure compliance.

Unable to build high-quality team/team culture

Portfolio companies are reliant on recruiting highly specialised, high-quality staff to deliver their strategies. This can be challenging given a limited pool of people with the necessary skills in the UK/Europe. In addition, these are fast-growing companies and establishing a high-quality culture from the outset is key.

RELEVANT STRATEGIC DRIVERS

1 3

YEAR-ON-YEAR CHANGE

IMPACTS

- Ultimately, failure to deliver key elements of operational plans resulting in material loss of value.

KEY CONTROLS

- Seek to build high-quality teams in portfolio companies. This can begin before an investment is made.
- Ensure executive team aims to build a high-quality culture from the outset, and monitor and support its effectiveness.
- Build strong portfolio company boards (including representatives from our team and experienced non-execs) to provide effective oversight and support.
- Support from our team, including taking operational roles where necessary, and facilitating access to support from across the portfolio where appropriate, or external consultant resource from our networks.

WHAT HAS HAPPENED IN THE YEAR?

- The build out of the Executive and Advisory Group to include experienced subject matter experts during the year enables the provision of specialist advice thereby differentiating a Syncona portfolio company.
- As we move further through the clinical pathway with our companies and execute on our strategy our track record will continue to strengthen which will attract high-quality people.

C People continued

Unable to execute business plans

Portfolio company business plans may be impacted by a number of external factors, including access to patients, delivery by suppliers and the wider business environment (including factors such as COVID-19).

RELEVANT STRATEGIC DRIVERS

1 2 3

YEAR-ON-YEAR CHANGE

−

IMPACTS

- Ultimately, failure to deliver key elements of operational plans resulting in material loss of value.

KEY CONTROLS

- Seek to build high-quality teams in portfolio companies. This can begin before an investment is made. Where possible these should include resilience to deal with unexpected external factors, though companies will also be focused on maximising value from capital invested.
- Seek to maintain capital buffers to cope with unanticipated issues before cash out.
- Oversight of key external factors/relationships that are important to delivering business plan.
- Sharing of knowledge (where appropriate) across portfolio to support companies in managing external factors.

WHAT HAS HAPPENED IN THE YEAR?

- The build out of the Executive and Advisory Group including experienced subject matter experts during the year enables specialist advice which aids the identification and resolution of issues at an early stage and ongoing support to assist in managing the operational challenges of drug discovery and development.
- During the year we have increased the level of scenario planning and modelling we perform to ensure we monitor our ability to invest at a higher than planned level into our companies if necessary, enabling us to support our portfolio companies through execution challenges as appropriate.
- We have also increased the frequency of our internal meetings to discuss the capital landscape, the potential sources of capital and the timing of capital required.

D Macroeconomic environment

Macroeconomic environment has a negative impact on sentiment for portfolio companies and Syncona business model

The challenging macroeconomic environment results in investors being highly risk averse.

RELEVANT STRATEGIC DRIVERS

2 4

YEAR-ON-YEAR CHANGE

N

IMPACTS

- Investors are focusing on existing portfolios rather than investing in early-stage biotech companies, therefore Syncona may be required to invest further capital, leading to greater exposure to individual companies than desired and less ability to support other companies.
- Inability for portfolio companies to deliver their business plans due to financing constraints.
- For Syncona, exit opportunities may be less attractive, with impact on availability of capital to fund portfolio companies.
- A reduction in demand for the Company's shares would impact the performance of the Company's share price.
- Failure to deliver strategy.

KEY CONTROLS

- Ongoing consideration of syndication strategy at portfolio company level alongside potential partnership and licensing agreements to extend portfolio companies' cash runways, maximise value and minimise dilution when external capital is brought in.
- Syncona team monitor capital allocation on an ongoing basis with a three-year forward outlook, with transparent reporting to the Board.
- Seek to maintain capital pool of three years' financing requirements, although noting this risks being a significant drag on overall returns.
- Regular engagement with shareholders and analysts.
- Maximise potential for Syncona to raise new equity through developing institutional shareholder base.
- Ongoing consideration of alternative or additional capital raising structures (e.g. side funds; operating company vs investment company; use of debt).
- Ongoing consideration of exits.
- Seek to maintain capital buffers to cope with unanticipated issues before cash out.
- Maintain access to significant capital, to reduce risk of being forced to syndicate/forced seller.

WHAT HAS HAPPENED IN THE YEAR?

- We have focused capital allocation on clinical opportunities across the portfolio, maintaining disciplined approach against a challenging market backdrop.
- We have continued to monitor capital requirements across the entire portfolio closely, ensuring we consider all options with regards to future financing, including exit options.
- We have increased the level of scenario planning and modelling we perform to ensure we monitor our ability to invest at a higher than planned level into our companies if necessary. We have also increased the frequency of our internal meetings to discuss the capital landscape, the potential sources of capital and the timing of capital required.
- We have increased engagement with investors and analysts.
- We have implemented more active management of the capital pool. This involves managing risk through a tiered approach to investment, and managing liquidity and return, within defined volatility and concentration limits. External advisers are used to evaluate the markets and providers and funds are currently spread across multiple banks, government bonds, and three fund managers with differentiated diversified investment strategies.
- Macroeconomic and fund performance is reviewed regularly by the Syncona team, the Liquidity Management Committee and reported quarterly to the SIML and Syncona Limited Boards.

VIABILITY STATEMENT

The Directors have assessed the prospects of the Company, considering its ability to continue in operation and meet its liabilities as they fall due over the period to 31 March 2026. The period selected was considered appropriate as:

- it covers a period over which a majority of current uncalled commitments are expected to be called;
- the Directors believe this to be a reasonable period of time for the life science investments to make meaningful progress on the journey towards fulfilling their long-term potential; and
- the Directors have a reasonable confidence over this horizon.

The Company's strategy is well documented (see pages 18 and 19) and includes longer-term targets of creating three new companies per year, developing a portfolio of 20-25 globally leading healthcare businesses and taking three to five companies to late-stage development over a rolling 10-year basis.

The Company does not generate income on a regular basis and relies on its capital pool or realisations to fund its investments. The Company has stated its desire to hold three years of capital. However, the level of the capital pool will vary over time dependent on asset realisations, anticipated investments and access to other forms of capital. The Company has the ability to manage its capital consumption by varying the number of investments it makes, the level of capital commitment allocated to each investment, the level of syndication and the ability to realise assets. The portfolio is actively managed on this basis.

Key factors affecting the Company's prospects over the assessment period are reflected in the principal risks set out on pages 69 to 74. These include the ability to access capital; failure of material investment assets; and people risks. The table of principal risks sets out the key controls for these risks.

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

THE ASSESSMENT PROCESS AND KEY ASSUMPTIONS

The assessment is carried out by the Syncona Finance team with input from the wider business, including the SIML CEO, challenged and reviewed by the Audit Committee, and approved by the Board.

The Company's viability testing considers a base case and a number of stress scenarios. The base case reflects current and future investments assuming preferred investment levels. The table below gives an overview of the scenarios modelled and the mapping to the relevant principal risks, with the overarching risk being that the Company has insufficient access to cash to fund the life science companies and its own liabilities.

Scenario	Principal risk mapping
1. Base case: growth plan Preferred funding pattern for existing portfolio and three new companies per year over the next three years.	• Not having capital to invest • Private/public markets don't value or fund our companies when we need to access them • Capital pool losses or illiquidity
2. Defend the existing portfolio Sources of external funding for our portfolio companies are not available so Syncona has to participate pro-rata in future funding rounds. New company set-ups are deprioritised and/or some existing company financings are scaled back in this scenario.	• Not having capital to invest • Private/public markets don't value or fund our companies when we need to access them • Capital pool losses or illiquidity • Unable to execute business plans • Macroeconomic environment has negative impact on sentiment
3. Protect the capital pool Actively manage investment choices to ensure the current capital pool extends beyond three years. The base case growth plan can be achieved for the existing portfolio but new company set-ups would need to be reduced and/or some existing company financings would be scaled back.	• Not having capital to invest • Private/public markets don't value or fund our companies when we need to access them • Capital pool losses or illiquidity • Unable to execute business plans
4. Reverse stress test An assessment to determine what would be required to deploy all of Syncona's capital pool in 12 months indicates that all upcoming financing rounds of portfolio companies would have to be funded in full by only Syncona for this to happen, which is considered highly unlikely.	• Not having capital to invest • Private/public markets don't value or fund our companies when we need to access them • Macroeconomic environment has negative impact on sentiment

The reverse stress test case is highly unlikely given the active management of the portfolio and the various levers available to the Company.

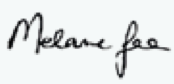
Our viability testing also considers the impact of material life science investment failures; these do not change the Company's access to cash and so do not directly negatively impact the outcome of the viability testing but could have other negative impacts on the Company. In addition, we assess how additional capital can be generated should it be needed, whether through the sale of existing investments, receipt of milestone payments, raising equity financing in the public markets or other private options.

The Company seeks to maintain a liquid capital pool sufficient to provide three years' funding for the life science portfolio plus its expenses. As at 31 March 2023, Syncona had a net capital pool of £650.1 million, of which £622.1 million is accessible within 12 months, and expects that investment into the life science portfolio will be £150 million-£200 million in the current financial year. This year it was £177.2 million. Our analysis shows that, while there may be a significant impact on the Group's reported performance in the short term under the tested scenarios, the resilience and quality of our balance sheet is such that solvency is maintained and our business remains viable.

VIABILITY STATEMENT

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

The Company's Strategic Report is set out on pages 1 to 75 and was approved by the Board on 14 June 2023.



Melanie Gee
Chair
Syncona Limited

Corporate governance report

At the 2022/23 Strategy day the Board re-affirmed our fundamental model of creating companies around world-leading science."

Melanie Gee
Chair
Syncona Limited

This Corporate governance report, together with the reports on pages 82 to 95, provides a summary of the system of governance adopted by the Company in the year ended 31 March 2023 and how the Company has applied the principles and reported against the provisions of the UK Corporate Governance Code.

ROLE OF THE BOARD

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

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

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

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

Our corporate governance structure

THE BOARD

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

COMMITTEES OF THE BOARD

NOMINATION AND GOVERNANCE COMMITTEE

Responsibilities

- Reviews Board composition and oversees succession planning.
- Recommends Board re-elections, and appointments to Board Committees.
- Oversees succession planning for the CEO and Chair of the Investment Manager.
- Supports the Chair in carrying out the Board evaluation each year.
- Reviews compliance with the UK Corporate Governance Code.

Members

- Melanie Gee (Chair)
- Virginia Holmes
- Rob Hutchinson
- Kemal Malik
- Gian Piero Reverberi

READ MORE P82

AUDIT COMMITTEE

Responsibilities

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

Members

- Rob Hutchinson (Chair)
- Julie Cherrington
- Virginia Holmes
- Kemal Malik
- Gian Piero Reverberi

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REMUNERATION COMMITTEE

Responsibilities

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

Members

- Gian Piero Reverberi (Chair)
- Cristina Csimma
- Melanie Gee
- Virginia Holmes
- Rob Hutchinson

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

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

THE INVESTMENT MANAGER

- Manages Syncona's investment portfolio in line with the Investment Policy and the long-term sustainable success of the Company.
- Ensures the culture of the business is in accordance with the purpose, Investment Policy, strategy and values approved by the Board.
- Ensures appropriate resources are available to manage the investment portfolio and support the Syncona business.
- Reports to the Board on portfolio performance.
- Monitors risks and reports to the Board; makes recommendations in relation to risk appetite.
- Proposes and implements risk and control processes and reports on these to the Board.
- Engages with stakeholders in line with the approach agreed by the Board.
- Implements the Syncona Sustainability Policy.
- Ensures compliance with regulatory obligations of an investment manager.

COMPOSITION AND MEETINGS

All of the Board are Non-Executive Directors and profiles of each, including length of service, are on pages 80 and 81. During the year there were no changes to the Board. All Directors are considered to be independent.

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

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

During the year Board meetings were held in-person with Committee meetings using a mixture of remote and in-person formats, reflecting the most effective use of time.

STRATEGY AND RISK

At the Board's Strategy day in September, we reflected on what had been achieved in Syncona's first decade, and our plans for the next 10 years. The Board re-affirmed our fundamental model of creating companies around world-leading science and our commercial strategy, building the team and infrastructure, and providing scaled funding when the risk is appropriate. We also agreed our ambition to organically grow net assets to £5 billion by 2032, and the enhanced strategy to do that including targeting the creation of three new companies a year as we work towards a portfolio of 20 to 25 companies, as more fully described in the Chair's introduction to the Annual Report.

At all times the Board is focused on ensuring that governance supports robust oversight of strategy execution by the Investment Manager's team, particularly given the very significant and often binary risks of loss within our investments (with the potential for substantial returns).

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

Following the Strategy day the Board reviewed the KPIs used to assess the performance of our business, to ensure these were aligned with our ambition and the Investment Manager's operating model. Updated KPIs reflecting this discussion will be reported in next year's Annual Report.

THE SYNCONA TEAM

A key development in the year was the change to the Investment Manager's leadership, with Chris Hollowood taking on the role of CEO of the Investment Manager, and Martin Murphy remaining Chair of the Investment Manager and a member of its Investment Committee. These changes were approved by the Board after careful consideration of succession options, working with support from specialist recruitment and leadership advisers. The Board considered that these changes were right to provide the Company with the leadership and resources it needs to deliver the enhanced strategy over the next 10 years. The Board also discussed other changes to the Investment Manager's operating model and resources to support it to deliver the strategy.

The Board recognises the importance of ensuring that the Company's culture (and the culture of the Syncona team) is aligned with its purpose and strategy. This is particularly important at a time of change in the leadership of the Investment Manager, as we seek to scale the business and operating model to deliver our 10-year ambitions. During the year the Investment Manager carried out an Employee Engagement Survey, the results of which were considered by the Board at its March meeting. Key themes included significant pride in Syncona's work and purpose and the potential for patient impact, and strong respect for team members. A number of areas have been identified for further work, including ensuring everyone felt able to challenge, clearer development and career progression, and supporting cross-function teamwork. The Investment Manager's leadership team is taking forward a series of actions to address the issues and these will be monitored by the Board over the next year.

BOARD ATTENDANCE 2022/23

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

	Board meetings	Audit Committee meetings	Nomination and Governance Committee meetings	Remuneration Committee meetings
Melanie Gee (Chair)	8/8	–	4/4	5/5
Julie Cherrington	8/8	3/3	–	–
Cristina Csimma	8/8	–	–	4/4
Virginia Holmes	7/8[1]	5/5	4/4	5/5
Rob Hutchinson	8/8	5/5	4/4	5/5
Kemal Malik	8/8	5/5	2/2	–
Gian Piero Reverberi	8/8	5/5	4/4	5/5

1. Virginia Holmes was unable to attend an ad hoc Board meeting in February 2023 due to illness.

Gian Piero Reverberi is the designated Director for engagement with the team of the Investment Manager. In that capacity Gian Piero has been engaged with the outcomes of the Employee Engagement Survey, and a series of follow-up meetings with the team are to be scheduled over the coming year which will support the Board in its oversight. The Board also engages with the Syncona team in other ways, and further details are set out on pages 40 to 43.

Alongside Board engagement with the Investment Manager's team, there is a Whistleblowing Policy in place which includes provision for any issues to be notified (where appropriate) to the Chair of the Audit Committee.

OTHER STAKEHOLDERS

The Board also holds responsibility for overseeing the effective engagement with other stakeholders to ensure that their interests are considered, and reviews this every year. As part of its review this year the Board noted the increased focus of the Syncona team on access to capital for our portfolio companies, in the face of more challenging financing markets for early-stage life science businesses, and agreed that it should increase its focus on the investors and partners who are the most likely third-party source of that capital and treat them as a key stakeholder. The Board also considered how it should best seek to engage with patient groups, and agreed this was best done through its engagement with portfolio companies that typically have those direct relationships. Further details around engagement with stakeholders are set out on pages 40 to 43.

The Board recognises the wider economic concerns affecting stakeholders, particularly in relation to cost of living and inflationary pressures. Given the current status of the portfolio companies, the Board does not consider these are material issues affecting our key stakeholders at this present time, but expects to keep this under review.

ENGAGEMENT WITH SHAREHOLDERS

The Board is focused on understanding the views of shareholders so these can be taken into account in decision-making. The Board considers feedback and shareholder views collated by the investor relations team and our advisers at every Board meeting. During the year and after the interim results were announced, the Chair again took the opportunity to meet directly with a number of our key shareholders, to directly hear their perspectives and communicate these to the Board. Topics discussed included market conditions for early-stage life companies, the management transition within the Investment Manager, and implementation of the strategy. The feedback was supportive of our long-term strategy and the Investment Manager's team in executing this.

More broadly, the Company organises a comprehensive investor relations programme, where members of the Investment Manager's team meet with existing and potential investors following the publication of the annual and interim results, and as required during the year. As part of this programme, 49 presentations were made to shareholders and potential shareholders by senior members of the Investment Manager's team during the year. Members of the Board, particularly the Chair, Senior Independent Director and Chair of each of the Committees, are also available to meet shareholders on any issues that arise.

SUSTAINABILITY

The Company has adopted a formal Sustainability Policy and Responsible Investment Policy, which are overseen by the Board, with regular reports from the Investment Manager on implementation. During the year the Board reviewed the policies and updated them, principally to extend the Responsible Investment Policy to describe how this applies to our capital pool and other life science investments.

The Board believes that the Company's core activities, of investing in businesses that seek to develop treatments that will make a difference to the lives of patients and their families, are the most significant way in which the Company can seek to make a positive contribution to society. Given these are at the centre of what the Company does, the Board has decided to integrate its consideration of sustainability issues within its normal governance processes.

Further details of sustainability matters, including our approach to governance, are set out on pages 48 to 61.

TRAINING AND ADVICE

The Company provides an extensive induction process for new Directors, including briefings from a significant portion of the Investment Manager's team and discussions with the Chair and chairs of each of the Board's Committees. In addition, consideration is given to whether any additional training would be helpful to the Board, taking account of feedback from Directors as part of the Board evaluation or otherwise.

UK CORPORATE GOVERNANCE CODE COMPLIANCE STATEMENT

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

- The role of the Chief Executive Officer: there is no Chief Executive Officer of the Company, and responsibility for management of the investment portfolio is delegated to the Investment Manager.
- Executive Directors' remuneration: this is not relevant as the Company has no Executive Directors.

A diverse Board taking a long-term view

BOARD TENURE	
0-2 years	29%
2-4 years	57%
4-6 years	14%
6+	0%

BOARD GENDER DIVERSITY

57% Female

43% Male

BOARD ETHNIC DIVERSITY

14% Person of colour

MELANIE GEE
Chair

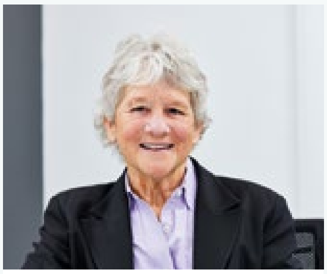
DATE OF APPOINTMENT
1 January 2020 as Chair
(4 June 2019 as Director)

COMMITTEE MEMBERSHIP
N R

BIOGRAPHY
Melanie Gee is Chair and originally joined the Board as a Non-Executive Director in June 2019. Melanie has over 30 years of financial advisory experience in executive positions in investment banking, advising clients across a broad range of sectors and geographies. She is a Senior Adviser at Lazard & Co Ltd, having joined as a managing director in 2008. Before that, Melanie spent 25 years with SG Warburg & Co Ltd and then UBS. Melanie also has extensive non-executive experience, with more than a decade as a Non-Executive Director at FTSE 100 and 250 companies. Until October 2021 she was a Non-Executive Director at abrdn plc, where she sat on the Nomination and Governance and Audit Committees and was the Non-Executive Director with responsibility for bringing the employee voice into the boardroom. She was also previously a Non-Executive Director at The Weir Group PLC and Drax Group PLC.

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

CURRENT POSITIONS
- Senior Adviser, Lazard & Co Ltd
- Chair of Grosvenor Property UK
- Sits on advisory groups for two private family offices



JULIE CHERRINGTON
Non-Executive Director

DATE OF APPOINTMENT
1 February 2022

COMMITTEE MEMBERSHIP
A

BIOGRAPHY
Dr Julie Cherrington is an experienced life science executive with a strong track record in bringing drugs into the clinic and through to commercialisation, and particular expertise in the oncology setting. She is also an accomplished company builder and has previously served as President and Chief Executive Officer at several biotechnology companies in the US West Coast, Canada and Australia. Julie holds a BS in biology and an MS in microbiology from the University of California, Davis. She earned a PhD in microbiology and immunology from the University of Minnesota and Stanford University. She completed a postdoctoral fellowship at the University of California, San Francisco.

IMPORTANCE OF CONTRIBUTION
Julie brings extensive understanding of the US regulatory and clinical development environment. Her experience of bringing drugs through the clinic and to commercialisation in the US will help the Syncona Board to understand the strategic needs of the business in North America and beyond.

CURRENT POSITIONS
- Chair of Actym Therapeutics
- Non-Executive Director of Mirati Therapeutics (NASDAQ: MRTX)
- Venture Partner at Brandon Capital
- Non-Executive Director of a number of other early-stage private life science companies

CRISTINA CSIMMA
Non-Executive Director

DATE OF APPOINTMENT
1 February 2022

COMMITTEE MEMBERSHIP
R

BIOGRAPHY
Dr Cristina Csimma has 30 years' experience in drug development, new company formation, value creation and strategic guidance across a broad range of therapeutic areas. She also brings significant expertise in venture capital and the US biotech capital market environment. Previously, Cristina was the Executive Chair of the Board of Directors of Forendo Pharma and Exonics Therapeutics, and a Board Director of Juniper Pharma, Seneca BioPharma, Vtesse, and Cydan, where she was also the founding President and CEO. She has served as Board Director of T1D Exchange and on a number of National Institutes of Health and other non-profit advisory committees. Cristina holds a Doctor of Pharmacy and a Bachelor of Science from Massachusetts College of Pharmacy, as well as a Master of Health Professions from Northeastern University.

IMPORTANCE OF CONTRIBUTION
Cristina has significant experience across a variety of biotechnology companies throughout their lifecycles. In particular, her expertise covers drug development, company building and capital raising, particularly in the US, which is a key market for Syncona's portfolio.

CURRENT POSITIONS
- Chair of Caraway Therapeutics
- Non-Executive Director of Palisade Bio (NASDAQ: PALI)
- Non-Executive Director of Aceragen, Inc. (NASDAQ: ACGN)

COMMITTEE MEMBERSHIP

A Audit
N Nomination and Governance
R Remuneration Committee
● Chair

VIRGINIA HOLMES

Senior Independent Director

DATE OF APPOINTMENT

1 January 2021

COMMITTEE MEMBERSHIP

A N R

BIOGRAPHY

Virginia Holmes has an extensive knowledge of the financial services industry, including both investment management and banking. She was previously Chief Executive of AXA Investment Managers UK and held a number of senior leadership roles over more than a decade at Barclays Bank Group. Virginia brings a wide range of non-executive director experience of UK listed companies. She is also a current and past chair and trustee of a number of pension funds and a founder director of the Investor Forum.

IMPORTANCE OF CONTRIBUTION

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

CURRENT POSITIONS

- Chair of Unilever UK Pension Fund
- Non-Executive Director of European Opportunities Trust plc
- Non-Executive Director of Intermediate Capital Group plc
- Non-Executive Director of Murray International Trust plc

ROB HUTCHINSON

Non-Executive Director

DATE OF APPOINTMENT

1 November 2017

COMMITTEE MEMBERSHIP

A N R

BIOGRAPHY

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

IMPORTANCE OF CONTRIBUTION

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

CURRENT POSITIONS

- Non-Executive Director of Ravenscroft Holdings
- Non-Executive Director of Pantheon group entities based in Guernsey

KEMAL MALIK

Non-Executive Director

DATE OF APPOINTMENT

15 June 2020

COMMITTEE MEMBERSHIP

A N

BIOGRAPHY

Kemal Malik joined the Board in June 2020. He has 30 years of experience in global pharmaceutical research and development. He has been responsible for bringing many innovative medicines through R&D to successful commercialisation. From 2014 to 2019 he was a member of the Board of Management of Bayer AG, responsible for innovation across the Bayer group. He was also responsible for Bayer LEAPS, the organisational unit responsible for strategic venturing in areas of disruptive breakthrough innovation. Prior to his appointment to the Bayer Board he was Head of Global Development and Chief Medical Officer at Bayer Healthcare for 10 years and was previously a Non-Executive Director at Acceleron Pharma, a Boston-based biopharmaceutical company. Kemal began his career in the pharmaceutical industry at Bristol Myers Squibb with responsibilities in medical affairs, clinical development and new product commercialisation. Kemal qualified in medicine at Charing Cross and Westminster Medical School (Imperial College) and is a Member of the Royal College of Physicians.

IMPORTANCE OF CONTRIBUTION

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

CURRENT POSITIONS

- Scientific Adviser to Atomwise
- Trustee of Our Future Health

GIAN PIERO REVERBERI

Non-Executive Director
Director responsible for engagement with team

DATE OF APPOINTMENT

1 April 2018

COMMITTEE MEMBERSHIP

R A N

BIOGRAPHY

Gian Piero Reverberi is a senior healthcare executive at Ferring Pharmaceuticals, a leader in the areas of reproductive medicine and maternal health, gastroenterology and urology. Prior to this Gian Piero was Senior Vice President and Chief Commercial Officer at Vanda Pharmaceuticals, a specialty pharmaceutical company focused on novel therapies to address high-unmet medical needs. He also spent 10 years at Shire, where he served as Senior Vice President International Specialty Pharma, with responsibility for EMEA, Canada, Asia Pacific and Latin America. He started his pharmaceutical career at Eli Lilly in the US and Italy, where he had responsibilities including finance, business development, sales and business unit leadership.

IMPORTANCE OF CONTRIBUTION

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

CURRENT POSITIONS

- Senior Vice President Europe, Canada and Latin America at Ferring Pharmaceuticals

Defining the shape of the Board

The Committee's members in the year were as per the table below:

MEETINGS ATTENDED	
Melanie Gee (Chair)	4/4
Virginia Holmes	4/4
Rob Hutchinson	4/4
Kemal Malik (appointed to the Committee on 1 July 2022)	2/2
Gian Piero Reverberi	4/4

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

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

The Committee will continue to evaluate Board membership in line with its succession planning process, and any changes to the needs of the Company."

Melanie Gee
Chair of the Committee

I am pleased to present the work of the Nomination and Governance Committee in the year ended 31 March 2023.

ROLE OF THE COMMITTEE

The Committee's role is to:

- review the Board's structure, size and composition (including the skills, knowledge, diversity and experience) and make recommendations to the Board accordingly;
- identify and nominate, for the approval of the Board, candidates to fill Board vacancies and for putting in place succession plans for Directors;
- have an advisory role to the Board regarding the re-election and election of Directors at the Company's AGM and, where appropriate, considering any issues relating to any Director's continuation in office;
- oversee succession planning for the CEO and Chair of the Investment Manager;
- support the Chair in carrying out the Board evaluation each year;
- make recommendations for the membership of Board sub-committees and boards of subsidiaries (other than portfolio companies); and
- review the Company's compliance with the UK Corporate Governance Code.

The Committee's Terms of Reference were revised earlier this year to add responsibility for succession planning for the CEO and Chair of the Investment Manager, and the Committee reviewed its performance against them this year. The current version is available on the Company's website synconaltd.com.

SUCCESSION PLANNING

A key part of the Committee's role is to plan for Board succession. The Committee seeks to do this using a number of tools. At the core of its approach is a skills matrix which identifies the skill sets needed on the Board and against which each of the Directors are asked to evaluate themselves. Our core skill sets focus around life sciences and private investing, overlaid with the governance and other skills required by the board of a listed company, reflecting the Board's feedback through the annual evaluation process over recent years.

In addition to the skills matrix, the Committee has also approved a Board Diversity Policy (set out on page 85). Diversity covers a range of aspects, including personal characteristics such as gender or race, ways of thinking or geographical location and experience. The policy seeks to ensure that the Board, and its Committees, bring a broad strategic perspective, based on an inclusive culture that recognises and values the advantages of a diverse range of people.

Further considerations in Board succession planning include identifying individuals to take on key Board roles such as Committee chairs and considering the arrangements if a Director becomes unexpectedly unavailable. Finally, the Committee considers the performance of each Director, length of service on the Board and their future intentions around continuing to be a Director, and the overall mix of lengths of service of the Board as a whole.

Taken together, these items allow the Committee to define the desired shape of the Board and to recruit against it. As a wholly non-executive Board, internal succession planning for the Board is not relevant to the Company. Recruitment is carried out using external search consultants who are provided with a brief of desired characteristics for candidates. Our search consultants are required to include a diverse range of candidates bringing the desired skill sets in preparing their long list.

The Committee re-evaluates Board succession planning annually, taking account of any feedback from the Board evaluation to ensure it has a clear outlook on the actions it should take.

The Committee's responsibilities were expanded during the year to add responsibility for succession planning for the CEO and Chair of the Investment Manager. As described in the Corporate governance report, the Board itself considered the changes to those roles that took place this year. The Committee intends to give further consideration to longer-term succession planning arrangements for these roles.

BOARD COMPOSITION

There were no changes to Board composition in the year, which was in line with the Committee's expectations at the beginning of the year, and has allowed the Board a period to consolidate relationships following a period of significant Board change. The Committee is satisfied that the Board continues to bring the relevant skills needed by the Board.

In addition, we believe that the Board brings a diverse range of characteristics and perspectives in line with our Board Diversity Policy. The tables on page 85 provide further details of diversity of the Board and the leadership team of the Investment Manager, as at 31 March 2023. The data was collected using a self-assessment questionnaire reflecting the categories set out in the table, which each of the relevant individuals was requested to complete. The Company has met the following targets on Board diversity as at that date:

i. At least 40% of the individuals on the Board are women.

ii. At least one of the following senior positions on the Board is held by a woman: (A) the Chair or (B) the Senior Independent Director (as the Company is an investment company and does not have Executive Directors, the role of Chief Executive or Chief Financial Officer is not relevant to it).

iii. At least one individual on the Board is from a minority ethnic background.

There are no changes to the Board since 31 March 2023 that affect these targets.

The Committee formally considered the contribution of each Board member and whether they each devote sufficient time to fulfil their respective duties and responsibilities effectively. The Committee is satisfied with the level of commitment and contribution offered to the performance of the Board and recommended to the Board that each of the Board members be recommended for re-election to the Board at the Company's AGM on 1 August 2023.

During the year the Committee, led by the Senior Independent Director, considered my reappointment as Chair of the Company for a second three-year term. I was pleased to receive the support of my colleagues to be reappointed from 1 January 2023.

The Committee also reviewed other Board roles including Committee memberships, and recommended a number of changes in those roles to the Board, which were approved. This review included considering the diversity of each Committee. The Committee is satisfied that each of the Audit Committee, Remuneration Committee and Nomination and Governance Committee has the skill sets and diversity required to carry out its role. The Committee also considered arrangements in the event of a Director becoming unexpectedly unavailable.

The Committee has now begun to consider future Board recruitment. Rob Hutchinson will reach six years on the Board later this year and, while the Committee has recommended that he is reappointed for a third three-year term, the Committee anticipates that it will in due course begin a search for an additional Director with accounting and valuation experience, who could potentially take on the role of Chair of the Audit Committee when Rob Hutchinson retires. In addition, the Committee will continue to evaluate Board membership in line with its succession planning process, and any changes to the needs of the Company.

BOARD EVALUATION

As described in the Corporate governance report, the Board is focused on ensuring that governance supports robust oversight of strategy execution by the Investment Manager's team, given the Company's business model. Board evaluation is a key element for the Board to monitor whether it is delivering that.

As set out in the Committee's report last year, in 2021/22 the Committee agreed that an in-depth externally facilitated evaluation would be carried out in 2022/3, once the new Board composition had become more established. In line with that, the evaluation was externally facilitated by Ffion Hague, founder of Independent Board Evaluation, who has no other connection with the Company.

A comprehensive brief was given to the assessment team by the Chair and the Investment Manager's General Counsel in spring 2023. The lead evaluator observed main Board and Committee meetings in March and support materials for briefing purposes were provided by the Company.

Subsequently, detailed interviews were conducted with every Board member. All participants were interviewed for 1½ hours according to a set agenda, tailored for the Board. In addition, senior members of the Investment Manager's team were interviewed. Draft conclusions were discussed with the Chair, and a report on the main Board and Committees was subsequently discussed with the Board at meetings on 5 and 13 June 2023 with Ffion Hague present. The conclusions of that discussion are recorded in the minutes of the meetings. In addition, the Chair received a report with feedback on individual Directors' performance as an input to the regular annual performance review process, and the Senior Independent Director received a report with feedback on the Chair's performance.

The outcome of the review was positive, while noting that the Board was still in transition after the changes of the past two years. Key points included:

- The Board itself has a fair and consistent view of its own effectiveness. Directors commented positively on Board culture, with full encouragement to speak up, and mutual respect between Board members and the team of the Investment Manager.
- Board members agree that the Board should focus on strategy, oversight of the business and top talent, directing the Board's focus to mitigating the volatility of the years ahead.
- In light of the evolved strategy, the Board wanted to review and update metrics and KPIs to ensure continued effective oversight of the business, something which was supported by the senior team of the Investment Manager.

There was also strong confidence from the Board in the performance of all three Board Committees and no major issues were raised with regard to their performance.

A number of recommendations were made to reflect these points, including:

- Continue to focus the Board agenda, to maximise the time to review business performance and to debate major issues.
- Ensure the updated KPIs and risk metrics continue to support the Board to focus on portfolio-wide issues and the most material risks.

The Board is supportive of these recommendations and intends to take them forward over the next year.

Alongside the Board evaluation, Virginia Holmes as Senior Independent Director led the appraisal of the Chair's performance, taking account of the feedback from Directors. The Board was satisfied that the Chair was providing effective leadership for the Board, supporting it to work together effectively and maintain its focus on key strategic issues for the business.

The Committee has also revisited the key feedback from the 2021/22 evaluation to ensure this has been acted upon:

- Develop the Board's engagement and focus on key stakeholders, including the impact of what we do on patients. The Board discussed this during the year and agreed further steps in relation to its engagement with stakeholders, as set out in the Corporate governance report.
- Continue to support the Investment Manager's team as they scale the business, ensuring that the culture of Syncona supports effective strategy execution. This has been a core activity for the Board during the year as it considered the evolved strategy and changes to the Investment Manager's leadership team and operating model. Further details are also set out in the Corporate governance report and in the Chair's introduction to the Annual Report.

DIRECTOR SHAREHOLDING REQUIREMENTS

During the year, the Committee considered whether to introduce a minimum shareholding guideline for Directors. This review took account of views of shareholder groups and a review of market practice.

Following the review, the Committee adopted guidance for Directors that encourages them to acquire and hold shares in the Company at an appropriate level. However, the Committee recognised that each Director's individual situation is different and therefore the decision is one for each Director.

COMMITTEE EVALUATION AND EFFECTIVENESS

During the year, the Committee completed its annual review of effectiveness, and concluded that it had performed its responsibilities effectively. The Committee also considered the findings of the externally facilitated Board evaluation as it related to the Committee.

While the Committee does not consider that there are any matters within its responsibilities on which it should consult with shareholders, the Committee Chair is available to respond to any questions on matters not addressed in this report.

Melanie Gee
Chair of the Committee
14 June 2023

BOARD DIVERSITY POLICY (ADOPTED JUNE 2022)

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

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

Due regard is given to this when identifying and selecting candidates for Board appointments, to achieve a Board that reflects diversity in the broadest sense by embracing different perspectives and dynamics, including different skills, industry experience, background, race, sexual orientation and gender.

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

The Board intends:

- to have at least 40% female representation on the Board, as part of a broadly gender balanced Board;
- that at least one of the Chair or the Senior Independent Director should be female; and
- to have at least one person of colour[1] on the Board.

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

DATA ON DIVERSITY OF THE BOARD AND EXECUTIVE MANAGEMENT

For reporting purposes we have treated the leadership team of the Investment Manager as executive management, although they are not employees of the Company.

GENDER

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair and SID)	Number in executive management	Percentage of executive management
Men	3	43%	0	4	57%
Women	4	57%	2	3	43%
Not specified / preferred not to say	–	–	–	–	–

ETHNIC BACKGROUND

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair and SID)	Number in executive management	Percentage of executive management
White British or other White (including minority white groups)	6	86%	2	7	100%
Mixed / multiple ethnic groups	–	–	–	–	–
Asian / Asian British	1	14%	–	–	–
Black / African / Caribbean / Black British	–	–	–	–	–
Other ethnic group (including Arab)	–	–	–	–	–
Not specified / preferred not to say	–	–	–	–	–

Robust oversight of valuation and risk

The Committee's members in the year were as per the table below:

MEETINGS ATTENDED	
Rob Hutchinson (Chair)	5/5
Julie Cherrington (appointed to the Committee on 1 July 2022)	3/3
Virginia Holmes	5/5
Kemal Malik	5/5
Gian Piero Reverberi	5/5

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

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

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

> The valuation of the life science portfolio is a critical element in the Company's reporting, given the concentration of that portfolio and the range of potential values of these investments."

Rob Hutchinson
Chair of the Committee

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

ROLE OF THE COMMITTEE

The role of the Committee includes:

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

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

SIGNIFICANT FINANCIAL STATEMENT MATTERS

A. Valuation of life science portfolio

In the year, the Group continued to deploy significant capital into its portfolio of life science investments and also completed the sale of Neogene. In total, the Group holds a life science portfolio with a fair value of £604.6 million (2022: £524.9 million) through Syncona Portfolio Limited (a wholly owned subsidiary of Syncona Holdings Limited), £32.8 million (2022: £28.2 million) in respect of the CRT Pioneer Fund through Syncona Discovery Limited (a subsidiary of Syncona Investments LP Incorporated) and £54.5 million (2022: £49.8 million) attributable to milestone payments that may become payable to Syncona Portfolio Limited, subject to certain milestones, on the sale of former life science portfolio companies.

The valuation of the life science portfolio is a critical element in the Company's reporting, given the concentration of that portfolio and the range of potential values of these investments. As the value of the payout under the incentive scheme provided to employees of the Investment Manager is based upon the valuation of life science investments held through Syncona Holdings Limited, the Committee is aware of the potential risk that elevated life science valuations might inappropriately increase the payout under the scheme. Accordingly, this is an area that the Committee gives particular focus to and which it specifically requests the Independent Auditor to focus on as part of the audit and its work in this area is detailed in the Auditor's report on pages 100 to 105.

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

Details of the life science portfolio balance are disclosed in the Unaudited Group Portfolio Statement on page 106. The risk exists that the pricing and calibration methodology applied to the underlying investments in the life science portfolio does not reflect an exit price in accordance with IFRS 13 and IPEV guidelines.

Valuations are prepared by the Investment Manager in line with the Valuation Policy and a key part of the Committee's role is to ensure that the Investment Manager's judgements are challenged appropriately.

As part of this, the Committee discusses the appropriateness of the valuation methodology chosen by the Investment Manager in determining the fair value of unquoted investments, and challenges the Investment Manager on the process and assumptions it has used and the parameters around the calibration exercise, especially in relation to the effect milestones may have on the valuations. For particular investments the Committee instructs an independent valuation expert to provide their own view of the valuation to assist with this, and has a separate meeting with the valuation expert to discuss and understand those views, which in turn support the Committee's challenge of the Investment Manager. In the current year the Committee has particularly challenged the Investment Manager's change in valuation of the investment in SwanBio Therapeutics Limited that was triggered by the restructuring of that business, as described in note 21, including challenging the trigger, proposed valuation approach and resulting valuation. The Committee has also challenged whether public market valuation reductions in the year and the challenging macroeconomic market conditions impacting the financing environment for early-stage private companies should impact the Investment Manager's valuation of the unquoted companies within the life science portfolio. It has also taken input from the independent valuation expert on the wider cell therapy market and the appropriate weighted average cost of capital for early-stage life science companies.

The Committee also assesses the Independent Auditor's work on the valuation, in particular to understand how the Independent Auditor challenged the Investment Manager's key assumptions within the life science valuations. An example this year relates to the change in valuation of the investment in SwanBio, where the Committee discussed with the Independent Auditor how it had gained comfort over the Investment Manager's judgement.

Based on its review, the Committee considers the valuation of these investments to be reasonable and the Committee is satisfied that the Group has valued its interests in accordance with the approved Valuation Policy.

B. Incentive scheme

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

The Investment Manager uses a model originally prepared by PricewaterhouseCoopers LLP (PwC), and certain inputs provided by them, to value the incentive scheme in accordance with IFRS 2 Share based Payments ('IFRS 2'). The fair value of awards of MES made in the year ended 31 March 2023 was £2.5 million (31 March 2022: £2.9 million) and the liability related to the cash settled element at 31 March 2023 was £7.3 million (31 March 2022: £17.8 million).

Details of the incentive scheme are disclosed in the Report of the Remuneration Committee and in note 2, and the accounting policies and key judgements related to them are disclosed in note 2. The valuation of the incentive scheme in accordance with IFRS 2 does not affect its value to employees of the Investment Manager.

The Committee reviews the valuation and met with PwC during the year to discuss the methodology adopted in the model. The Committee challenges the Investment Manager on key judgements that have been made, such as key assumptions associated with the valuation methodology. The Committee also assesses the Independent Auditor's work on the value of the incentive scheme to confirm it is satisfied that the Independent Auditor has properly considered key assumptions. Based on those discussions, the Committee considers the accounting for the incentive scheme to be reasonable. The accounting for the incentive scheme is undertaken in accordance with the accounting policies disclosed in note 2 and is regularly reviewed by the Investment Manager and the Committee.

EFFECTIVENESS OF THE EXTERNAL AUDIT

Deloitte LLP ('Deloitte') has acted as the Independent Auditor from the date of the initial listing on the London Stock Exchange and was reappointed at the Company's Annual General Meeting (AGM) on 2 August 2022 for the current financial year. Marc Cleeve is the lead audit partner and opinion signatory.

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

The Committee is closely engaged with overseeing the Independent Auditor to ensure the effectiveness and independence of the audit. The Committee:

- reviewed and discussed the audit plan presented to the Committee before the start of the audit including any changes that might have an impact on the audit approach;
- discussed key elements of audit quality with the Independent Auditor, particularly around behaviours and mindset, relevant experience of the team, use of specialists and demonstration of scepticism and challenge;
- reviewed and discussed the audit findings report and challenged them on their process and conclusions, in particular around valuation methodologies, valuation components and valuation outcomes (see above for further details);
- monitored changes to audit personnel;
- sought feedback from the Investment Manager on the audit process, based on their ongoing monitoring of it, including factors that could affect audit quality and how any risks identified were addressed;
- reviewed the Independent Auditor's reporting against certain indicative audit quality indicators;
- reviewed and approved the terms of engagement during the year, including review of the scope and related fees;
- reviewed the non-audit services performed and fees charged by the Independent Auditor during the year;
- reviewed and discussed Deloitte's report on its own internal procedures, safeguarding measures and conclusion on its independence and objectivity, together with the results of the FRC's Audit Quality Inspection and Supervision Review of Deloitte for the 2021/2022 cycle of reviews;
- discussed if any relationships existed between the Independent Auditor and the Company (other than in the ordinary course of business) that would compromise independence; and
- had a private session with the Independent Auditor following the audit to discuss any issues raised by the Independent Auditor in respect of the Investment Manager and/or audit quality.

The Committee carried out an evaluation of the performance, independence and objectivity of the Independent Auditor taking account of all of these factors.

There were no significant adverse findings, or any issues faced in relation to the financial statements, from the evaluation this year and the Committee is satisfied that the audit process is effective and that the Independent Auditor is independent and objective.

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

	31 March 2023 £'000	31 March 2022 £'000
Audit services		
Audit services	**125.1**	98.0
Audit fee for Syncona Group companies	**142.7**	112.0
Non-audit services		
Interim review	**36.2**	30.0
CASS limited assurance report for SIML	**8.0**	8.0
Subscription for accounting research tool	**1.0**	1.0

In accordance with the non-audit services policy, non-audit services must be on the 'white list' included in the policy. Further, permitted non-audit services in excess of £15,000 require prior approval from the Committee before being undertaken by the Independent Auditor.

The Committee does not consider that the non-audit services provided are a threat to the objectivity and independence of the audit, taking into account that the fees were insignificant to the Group as a whole, representing 14.4% of the total audit fee, and when required a separate team was utilised.

The Committee has also produced and approved a policy on the recruitment of any employees by the Company or the Investment Manager that are associated with the Independent Auditor.

Although the Company, as a Guernsey company, is not subject to the Statutory Audit Services Order 2014, the Committee considers it appropriate to report in the manner set out in the Order. The Company has complied with the provisions of the Order in the financial year. As described in the Committee's report last year, the Committee carried out a competitive audit tender process during summer 2021 for the appointment of the Independent Auditor for the financial year ended 31 March 2023 onwards, and recommended Deloitte's reappointment.

The Committee remains satisfied with Deloitte's effectiveness and independence and accordingly considers it in the best interests of shareholders to complete a competitive tender process for the audit before the financial year ended 2033. Accordingly, the Company has complied with the requirements of the Order that audit work is tendered at least every 10 years and will comply with the requirement that the auditor is rotated at least every 20 years. Notwithstanding these plans, the Committee will continue to consider the tender of the audit annually depending on the Independent Auditor's performance and to ensure it meets the best interests of the shareholders.

The Committee has noted the recent publication of the FRC's 'Audit Committees and the External Audit: Minimum Standard' and intends to review its procedures in the coming year to ensure these are aligned.

RISK MANAGEMENT AND INTERNAL CONTROL

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

During the year the Committee carried out a review of the Company's principal risks, taking account of changes to the internal and external environment, including our updated strategy, economic uncertainty, inflation, rising interest rates, availability of capital, erratic capital markets, changing value of sterling, a tightening labour market, and the current political situation including the Russia-Ukraine conflict. The Committee noted the increased risk relating to access to capital, reflecting the current macroeconomic environment, and discussed the direction of travel of other risks.

Following the review by the Committee, and taking into account feedback from the Board, Committee and Investment Manager, the principal risks were recategorised under portfolio companies, access to capital, people, and macroeconomic environment, to better reflect how we think about the business and manage the risks. A new principal risk was also added to reflect the potential for the macroeconomic environment to impact on the Company's business model. Further details are given on pages 66 to 74.

As part of the effectiveness review, the Committee also reviewed the control framework, including an assessment of any fraud risks. The Company's system of internal control is designed to manage rather than to eliminate the risk of failure to achieve the objectives set out above, and by its nature can only provide reasonable and not absolute assurance against misstatement and loss. The controls are maintained and implemented on an ongoing basis by the Investment Manager, working with the Administrator. Key internal controls include the separate role of the Administrator in maintaining the financial records of the Group, and the Custodian in overseeing the investment assets; the existence of an Investment Committee, Valuation Committee and Liquidity Management Committee within the Investment Manager to approve investment decisions and capital allocation; and processes to determine and review valuations of investments. The controls review includes the risk events and breaches that occurred in the year and the actions taken in response to them. Following the review, the Committee believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed.

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

During the year the Committee further discussed the implementation of an Audit and Assurance Policy for the Group, and agreed to monitor developments, including proposed changes to the UK Corporate Governance Code and other steps being taken to implement the UK Government's reforms to audit and corporate governance.

During the year, the Committee reviewed its previous assessment that climate-related risks continue to not be material to the Group and that they could accordingly be addressed within the Group's existing risk management processes, and confirmed it remained appropriate. The Audit Committee intends to monitor this matter each year.

GOING CONCERN AND VIABILITY ASSESSMENT

The Committee assesses going concern and viability each year.

Given the Group's capital pool of £650.1 million, of which £629.4 million are liquid assets, the Committee does not consider any material uncertainties arise in relation to the Company's ability to continue as a going concern for the next 12 months.

The Committee also carefully reviewed the Investment Manager's view of the Company's viability for the three-year period ending 31 March 2026, including the rationale for assessing viability over a three-year period. The testing of viability involved the analysis of base case and severe combined stress projected forwards over this three-year period by reference to current investment assumptions. The Committee noted that the Company can manage its capital consumption by varying the number of investments it makes, the level of capital commitment allocated to each investment, the level of syndication and realising assets, and that the portfolio is actively managed on this basis. Following the review the Committee recommended that the Company make its viability statement as set out on page 75.

COMMITTEE EVALUATION AND EFFECTIVENESS

During the year, the Committee undertook its annual review of effectiveness against its Terms of Reference and concluded that it had performed its responsibilities effectively. The Committee also considered the findings of the externally facilitated Board evaluation as it related to the Committee.

During the year the Company received the FRC Corporate Reporting Review team's review of the 2022 Annual Report. The Committee was pleased that no questions or queries were raised, and has considered the matters identified by the review in the preparation of this Annual Report.

While the Committee does not consider that there are any matters within its responsibilities on which it should consult with shareholders, the Committee Chair attends each AGM and is otherwise available to respond to any questions on matters not addressed in this report.

CONCLUSION AND RECOMMENDATION

After discussing with the Investment Manager and Independent Auditor and assessing the Significant Financial Statement matters listed on page 87, the Committee is satisfied that the Consolidated Financial Statements appropriately address the critical judgements and key estimates in respect to the amounts reported and the disclosures. The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

The Committee further concludes, having carefully reviewed the Annual Report, and discussed with the Investment Manager and Independent Auditor, that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

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

The Committee confirms that it is satisfied that the Independent Auditor has fulfilled its responsibilities with diligence and has acted independently on the work undertaken on behalf of the Group. In considering the work that the Independent Auditor has undertaken this year, the Committee has recommended, and the Board has agreed to recommend to shareholders, that Deloitte be reappointed as the Independent Auditor for the next financial year. The reappointment is subject to shareholder approval at the 2023 AGM.

Rob Hutchinson
Chair of the Committee
14 June 2023

Overseeing our approach to remuneration

The Committee's members in the year were as per the table below:

MEETINGS ATTENDED	
Gian Piero Reverberi (Chair from 1 January 2022)	5/5
Cristina Csimma (appointed to the Committee on 1 July 2022)	4/4
Melanie Gee	5/5
Virginia Holmes	5/5
Rob Hutchinson	5/5

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

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

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

Gian Piero Reverberi
Chair of the Committee

I am pleased to introduce the remuneration report for the year ended 31 March 2023, which sets out the work performed by the Committee.

ROLE OF THE COMMITTEE

The Committee's role is to:

- approve the remuneration paid to the Chair of the Board;
- make recommendations to the Board on the remuneration of the other Directors;
- review the overall employee cost of the Investment Manager;
- oversee and operate the incentive scheme that provides long-term rewards to the staff of the Investment Manager; and
- set the Remuneration Policy and remuneration of the CEO and the Chair of the Investment Manager.

The Company has no Executive Directors and accordingly the Committee does not have any responsibilities for reviewing Executive Director remuneration.

The Committee's Terms of Reference were revised earlier this year to reflect the new responsibilities of the Committee and the updated version is available on the Company's website synconaltd.com.

The Committee retains PricewaterhouseCoopers LLP (PwC) to provide independent professional advice on remuneration issues.

During the year, PwC provided the Committee with an update on the remuneration landscape for listed companies, and also provided advice to support the Committee's work in reviewing the remuneration of the CEO and Chair of the Investment Manager. The Committee has reviewed the advice provided to it by PwC during the year and is satisfied that it has been objective and independent. The total fees of PwC for the advice during the year were £93,000 (excluding VAT) (2022: £22,500 (excluding VAT)). PwC also separately advise the Company and the Investment Manager on various matters, including the valuation, accounting treatment and process relating to the issue of awards under the incentive scheme, transaction due diligence and tax advice, tax compliance, and processes and controls, but do not have any other connection with the Company or individual Directors.

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS AND DIRECTOR FEES

A Remuneration Policy for Non-Executive Directors was approved by shareholders at the AGM on 28 July 2020. The Remuneration Policy can be found on page 94.

The Committee has reviewed the Remuneration Policy and concluded it remained appropriate for the Company. Given the scope of the Remuneration Policy no shareholder views were sought in this review, although any comments received from shareholders will be considered on an ongoing basis. Although the Company is not subject to the laws of England and Wales, it will submit the Remuneration Policy for approval by shareholders at its AGM on 1 August 2023.

The Committee will continue to review the Remuneration Policy annually to ensure that it remains appropriate.

As reported in the Committee's report last year, the Committee approved changes to the fees paid to the Chair of the Board and to Non-Executive Directors with effect from 1 April 2022 and the amounts included in this report include those changes. These changes were made to ensure the fees remain appropriate to recruit high-quality directors with appropriate skills and other attributes, and fairly remunerate them for the work performed, and took account of benchmarking against comparable peer groups, and the responsibilities undertaken by the Chair and Non-Executive Directors including time spent on the respective roles and the extent to which these have changed since 2017 as the Company's life science business has evolved.

REMUNERATION OF INVESTMENT MANAGER STAFF

The remuneration policy for, and remuneration of, the staff of the Investment Manager is determined by the Investment Manager, with the exception of awards under the incentive scheme, where the Committee is involved as set out in the next section, and the remuneration policy and remuneration of the Investment Manager's CEO and Chair, as described below.

During the year the Committee reviewed and approved the remuneration and objectives of the CEO of the Investment Manager. It then carried out a more substantive exercise to review the remuneration and objectives of the CEO and Chair of the Investment Manager as part of the Board's discussions of a potential change of leadership of the Investment Manager, as discussed in the Corporate governance report. PwC provided the Committee with advice and benchmarking data to support its work.

The Committee also reviews the overall employee cost of the Investment Manager on an annual basis. A summary of the Investment Manager's approach to remuneration is set out on page 95. The Committee is satisfied that the approach to remuneration and incentive scheme are appropriate to align the team of the Investment Manager with the Company's strategy.

The Committee considers how sustainability issues should impact remuneration policy. As described elsewhere in this Annual Report, the Board believes our core activities have the potential for transformational impact on patients and so the existing incentive structures already align the team with delivering a positive impact on society. In addition, part of the Syncona team's annual objectives relate to implementation of our wider sustainability policies and these feed into performance and bonus assessments. The Committee continues to monitor the appropriateness of further sustainability metrics for remuneration.

INCENTIVE SCHEME

The Committee is responsible for approving the making of awards under the incentive scheme that provides long-term rewards to the staff of the Investment Manager, and in which most of the staff of the Investment Manager participate. Further details of the scheme can be found in the summary of the Investment Manager's approach to remuneration on page 95.

As described in the Committee's report last year, the Committee now only approves individual awards for specific senior members of staff of the Investment Manager (the CEO and Chair) and has delegated authority to approve individual awards for other staff to the Investment Manager, within designated bands. In line with its normal practice the Committee approved awards in July 2022.

The Committee carried out a review of the terms and operation of the incentive scheme during the year. The Committee concluded that the incentive scheme remains fit for purpose, aligning the team of the Investment Manager with the Company's strategy by ensuring that a material part of individual compensation is directly tied to gains in the Company's life science portfolio, which is the key driver of shareholder returns, and that the staged realisation structure ensures that rewards are principally driven by long-term performance rather than short-term changes in valuation. The Committee agreed that employees should be able to participate in the incentive scheme through options as an alternative to being issued with Management Equity Shares (in line with certain existing provisions of the incentive scheme).

The Committee also noted that the last year in which awards can be made under the scheme is 2026, and anticipates that it will carry out a fuller review of the scheme before that time, to allow sufficient time for shareholder consultation and implementation.

COMMITTEE EVALUATION AND EFFECTIVENESS

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

While the Committee does not consider that there are any matters within its responsibilities on which it should consult with shareholders, the Committee Chair is available to respond to any questions on matters not addressed in this report.

REPORT ON IMPLEMENTATION OF THE REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

Although the Company is not subject to the laws of England and Wales, this report is prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, except that the Directors have chosen not to include a chart of Total Shareholder Return, which is required by paragraph 18 of Schedule 8, as they are voluntarily adopting the Regulations.

The Committee anticipates carrying out a routine review of the fees paid to the Chair and Non-Executive Directors during next year, to ensure they remain appropriate to recruit high-quality directors with appropriate skills and other attributes, and fairly remunerate them for the work performed. Other than that review, the Committee does not anticipate any significant change to the way in which the Remuneration Policy is implemented in the next financial year.

DIRECTORS' FEES

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

	Fee per annum
Chair	£125,000
Director	£50,000
Senior Independent Director	£10,000 additional fee
Chair of Audit Committee	£15,000 additional fee
Member of Audit Committee (other than Chair)	£5,000 additional fee
Chair of Remuneration Committee	£5,000 additional fee
Director of Guernsey subsidiary companies	£10,500 additional fee
Travel time allowance	£2,500 additional allowance for each meeting attended outside the Director's continent of residence

The fee paid to each Director is set out in the single total figure table on page 93.

None of the Directors has any entitlement to taxable benefits, pensions or pension-related benefits, medical or life insurance schemes, share options, long-term incentive plan, or performance related payments. No Director is entitled to any other monetary payment or assets of the Company except in their capacity (where applicable) as shareholders of the Company. Accordingly, the table on page 93 does not include columns for these items or their monetary equivalents.

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

RESULTS OF THE VOTING AT THE 2022 AGM

At the 2022 AGM, shareholders approved the remuneration report that was published in the 2022 Annual Report. The results for this vote are shown below:

Resolution	Votes for	% for	Votes against	% against	Withheld	Discretion
Approval of the Directors' remuneration report	463,065,971	99.68%	1,475,563	0.32%	28,620	0

An ordinary resolution for the approval of the annual remuneration report will be put to the shareholders at the Annual General Meeting to be held on 1 August 2023.

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

Non-Executive Directors are engaged under Letters of Appointment, copies of which are available for inspection at the Company's Registered Office. None of the Directors has a service contract with the Company and, accordingly, the Directors are not entitled to any compensation in the event of termination of their appointment or loss of office, other than the payment of any outstanding fees.

SINGLE TOTAL FIGURE TABLE (AUDITED INFORMATION)

For the year to 31 March 2023, the fees for Directors were as follows:

	For the year ended 31 March 2023 £'000	For the year ended 31 March 2022 £'000
Melanie Gee (Chair)	125	100
Julie Cherrington[1]	61	10
Cristina Csimma[1]	58	10
Thomas Henderson[2]	–	0
Virginia Holmes	65	53
Rob Hutchinson	76	63
Nigel Keen[3]	–	34
Kemal Malik	55	50
Nicholas Moss[4]	–	49
Gian Piero Reverberi	60	52
Total	499	419

1. Julie Cherrington and Cristina Csimma were appointed to the Board on 1 February 2022. Julie and Cristina are each resident in the USA and the amounts paid to them include payment of the travel time allowance for travel to Board meetings in the UK.
2. Thomas Henderson retired from the Board on 3 August 2021. Tom had waived his right to receive fees.
3. Fees paid to Imperialise Limited, a company controlled by Nigel Keen. Nigel retired from the Board on 31 December 2021. In addition, Nigel was the Chair of the Investment Manager and received a fee of £136,766 per annum, payable by the Investment Manager, in respect of his services to the Investment Manager. Nigel also retired as Chair of the Investment Manager on 31 December 2021; following his retirement he received a payment from the Investment Manager in April 2022 of £91,612 consisting of contractual notice pay and an ex gratia payment of £42,341.
4. Nicholas Moss retired from the Board on 31 December 2021.

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

RELATIVE IMPORTANCE OF SPEND ON PAY

The following table shows the proportion of the Company's Directors' fees relative to returns to shareholders. This table includes Directors only as the Company did not have any other staff. In line with previous announcements, the Company does not intend to declare a dividend in relation to the year ended 31 March 2023 or future years.

	For the year ended 31 March 2023 £'000	For the year ended 31 March 2022 £'000	Difference £'000
Total Directors' pay	499	419	80
Dividends	0	0	0
Directors' pay as a % of distributions to shareholders	N/A	N/A	–

STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTERESTS (AUDITED INFORMATION)

Neither the Company's Articles of Association nor the Directors' Letters of Appointment require a Director to own shares in the Company, although the Company encourages Directors to consider holding shares. The interests of the Directors and their connected persons in the equity securities of the Company at 31 March 2023 are shown in the table below:

	Ordinary Shares	
	31 March 2023	31 March 2022
Melanie Gee (Chair)	76,500	76,500
Julie Cherrington	–	–
Cristina Csimma	–	–
Virginia Holmes	38,000	38,000
Rob Hutchinson	94,827	94,827
Kemal Malik	11,475	11,475
Gian Piero Reverberi	50,000	50,000

Gian Piero Reverberi
Chair of the Committee
14 June 2023

REMUNERATION POLICY

This is the Remuneration Policy for the Non-Executive Directors of the Company which will be submitted for approval by shareholders at the Company's Annual General Meeting to be held on 1 August 2023.

The Remuneration Policy set out below will apply from the date of approval until it is next put to shareholders for approval, which will be at the Company's Annual General Meeting in 2026 or sooner if it is proposed to vary the Remuneration Policy. If it is not approved then the previous Remuneration Policy will continue to apply.

General

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

The Directors are non-executive and the aggregate fees payable in any year are restricted to a maximum amount determined in accordance with the Company's Articles of Incorporation (currently £1,000,000). The Board currently has no intention to appoint any Executive Directors who will be paid by the Company.

Non-Executive Directors

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

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

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

Table of Directors' remuneration components

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

Notes to the Table of Directors' remuneration components

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

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

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

There are no changes in the elements above relative to the previous Remuneration Policy.

REMUNERATION APPROACH OF THE INVESTMENT MANAGER

This section of the remuneration report gives brief details of the remuneration approach applied by the Investment Manager for its team. This approach applies to the entire team, although adjustments may be made for employees who live outside the UK to take account of local requirements.

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

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

Base salary

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

Pension

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

Annual bonus

A discretionary annual bonus may be awarded. An award will take into account two factors: the performance of the Investment Manager against its corporate objectives (which are in turn linked to delivery of strategy, in line with the Company's purpose and values) and the individual's performance. Bonus payments are not pensionable.

Other benefits

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

Incentive scheme

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

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

- MES entitle holders to share in approximately 13 per cent of the growth of the Net Asset Value of the life science portfolio (excluding the interest in the CRT Pioneer Fund but including the value of prior realisations from the life science portfolio) subject to certain adjustments.
- The growth is measured from the Net Asset Value at the most recent valuation point, which will generally be the value determined at the most recent financial year end, or if greater the total capital invested in the life science portfolio.
- For a MES to have value there must have been growth in the adjusted Net Asset Value of the life science portfolio of at least 15 or 30 per cent (depending on when the MES were issued) from the starting value.
- A limit applies to the maximum number of MES that can be issued at any time, defined by reference to the total capital invested in the life science portfolio.
- MES vest on a straight-line basis over a four-year period. Holders are able to realise 25 per cent of their vested MES annually after the publication of the Company's Annual Results.
- On realisation 50 per cent of the after-tax value is paid in the Company's Ordinary Shares (which must normally be held for at least 12 months) and the balance is realisable in a cash payment. In practice a tax rate of 28 per cent is assumed to apply to MES realisations, and so 36 per cent of the realisation value is paid in the Company's Ordinary Shares and the remaining 64 per cent of the realisation value is paid in cash.

The incentive scheme accordingly reflects the value generated in the life science portfolio over a number of years. Since December 2016 (when the incentive scheme was established), the adjusted Net Asset Value of the life science portfolio has increased by a total of £500 million, of which £729 million is a realised gain.

As an alternative, since the MES awards made in 2022 employees have been offered the alternative of being awarded nil cost options to acquire MES. These have the same economic characteristics as holding MES, but are expected to be taxed differently for UK taxpayers.

In the 12 months to 31 March 2023 the following payments were made as a result of realisations of MES:

- In July 2022, a cash payment of £9.1 million was made to MES holders (total since December 2016: £27.9 million).
- In July 2022, 2,595,736 Ordinary Shares were issued to MES holders (valued at £5.1 million at the time of issue); these shares are subject to a 12-month lock-up (total since December 2016: 7,267,761 shares valued at £15.8 million at the time of issue).
- At 31 March 2023: The total liability for the cash settled element of the incentive scheme for MES that have vested but not yet been realised determined in accordance with IFRS 2 was £7.3 million (see note 12). Of that amount, a maximum of £7.3 million can be realised at the next realisation date.
- The total number of Ordinary Shares in the Company that could potentially be issued under the incentive scheme was 3,487,581 (taking account of all MES, whether vested or not vested, and based on the share price at 31 March 2023 of £1.48/share), equal to 0.52 per cent of the number of Ordinary Shares in issue at that date. Of those shares, a maximum of 3,106,382 Ordinary Shares could be issued at the next realisation date (the actual number of shares that can be issued will depend on the share price at the time of realisation). The aggregate number of new Ordinary Shares which may be issued on the realisation of MES under the incentive scheme in any 10-year period may not exceed 10 per cent of the number of Ordinary Shares in issue from time to time.

Share interests

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

The Directors present their Annual Report and audited Consolidated Financial Statements for the year ended 31 March 2023, which have been prepared in accordance with The Companies (Guernsey) Law, 2008.

PRINCIPAL ACTIVITY

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

The Company is governed by an independent Board of Directors and has no employees. Management of its investments is contracted to its subsidiary Syncona Investment Management Limited, the Investment Manager. Its company secretarial and administrative functions are outsourced to Citco Fund Services (Guernsey) Limited, with further support and oversight provided by the Investment Manager. Further details on the Company's Investment Manager are given below.

The Company's investment objective is to achieve superior long-term capital appreciation from its investments. A copy of the Investment Policy can be found on page 98. This includes a non-material amendment made by the Board of Directors on 13 June 2023 to take effect on publication of this Annual Report.

INVESTMENT MANAGER

The investment portfolio is managed by the Investment Manager, which was appointed to that role on 12 December 2017. The Investment Manager is regulated by the Financial Conduct Authority as an Alternative Investment Fund Manager.

The Company pays the Investment Manager an annual fee equal to expenses incurred in managing the investment portfolio. The amount of the fee was previously limited to a maximum of 1.05 per cent per annum of the Company's NAV, but as previously announced the Company and the Investment Manager agreed to remove that limit in November 2022. In addition, the Company has in place an incentive scheme that provides long-term rewards to employees of the Investment Manager. Further details of the incentive scheme are set out in the Remuneration Committee report on page 95.

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

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

EXPENSES

Management fees paid to the Investment Manager in 2023 totalled £12.1 million (2022: £10.7 million); 0.93 per cent of NAV for the 12 months (2022: 0.82 per cent of NAV). The ongoing charges ratio, which includes the management fee, costs and reduction in value associated with the Company's incentive scheme and costs incurred in running the Company, was 0.88 per cent (2022: 0.48 per cent).

DIRECTORS

Biographical details of the current Directors of the Company are shown on pages 80 and 81. Details of the Directors' shareholdings are included in the Directors' remuneration report on page 93.

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

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

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

SHARE CAPITAL

As at 31 March 2023, the Company had 669,329,324 nil paid Ordinary Shares in issue. No shares were held in treasury. The total number of voting rights at 31 March 2023 was 669,329,324. The Ordinary Shares each have standard rights as to voting, dividends and payment on winding up and no special rights and obligations attaching to them. There are no material restrictions on transfers of shares. In addition, the Company has one Deferred Share in issue. This share has the right to payment of £1 on the liquidation of the Company, and a right to vote only if there are no other classes of voting shares of the Company in issue, but no other rights.

As at 31 March 2023, the Company had been notified of the following significant (5 per cent or more) direct or indirect holdings of securities in the Company:

Shareholder	Number of Ordinary Shares held	% of issued share capital held
The Wellcome Trust	**186,000,000**	**27.79**
Schroders plc	**33,488,292**	**5.00**
BlackRock, Inc	**34,677,487**	**5.18**

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

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

RESULTS AND DIVIDENDS

The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 107.

No dividend was declared in the year ending 31 March 2023 (31 March 2022: £0.00), and the Company does not intend to declare a dividend in relation to the year ended 31 March 2024 or in future years.

GOING CONCERN

The financial statements are prepared on a going concern basis. The net assets held by the Group and within investment entities controlled by the Group currently consist of securities and cash amounting to £1,254.7 million (31 March 2022: £1,309.8 million) of which £629.4 million (31 March 2022: £764.7 million) are readily realisable within three months in normal market conditions, and liabilities including uncalled commitments to underlying investments and funds amounting to £89.2 million (31 March 2022: £88.5 million).

Given the Group's capital pool of £650.1 million (31 March 2022: £784.9 million) the Directors consider that the Group has adequate financial resources to continue its operations, including existing commitments to its investments and planned additional capital expenditure, for 12 months following the approval of the financial statements. The Directors also continue to monitor the potential future impact of the war in Ukraine and the ever-changing macro environment, including inflationary pressures, on the Group. Hence, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

ANNUAL GENERAL MEETING

The AGM will be held at Frances House, Sir William Place, St Peter Port, Guernsey, GY1 1GX on 1 August 2023 at 10:30am. Details of the resolutions to be proposed at the AGM, together with explanations, appear in the Notice of Annual General Meeting sent to shareholders separately.

The Board remains committed to allowing shareholders the opportunity to engage with the Board, and if shareholders have any questions for the Board in advance of the AGM, these can be sent by email to contact@synconaltd.com. The Board will endeavour to answer key themes of these questions on the Company's website as soon as practical.

CHARITABLE DONATIONS

The Company has agreed with The Syncona Foundation that one-twelfth of 0.35 per cent of the total NAV of the Company at each month-end during the year will be donated annually by the Company to charity (subject to review each year), all of which is donated to The Syncona Foundation which in turn makes grants to selected charities. The Company expects to make the donation calculated by reference to the year ending 31 March 2023 during July 2023.

Further details of the Company's charitable donations are set out in the Sustainability Review in the Strategic Report on pages 48 to 61 and in the Company's separate Sustainability Report, available on its website.

STAKEHOLDERS, EMISSIONS AND OTHER MATTERS

For stakeholder information, see Engaging with our stakeholders section. For emissions reporting, see Strategic Report. For future developments, see Strategic Report and for post-balance sheet events, see note 21 of the Consolidated Financial Statements. For information regarding financial instruments, see note 17 of the Consolidated Financial Statements.

The Directors have considered the relevance of the risks of climate change and transition risks in the preparation of the Consolidated Financial Statements and confirm that the financial impact of climate-related matters, to the extent relevant to the Company, has been incorporated into the Consolidated Financial Statements.

The Directors have considered the impact of events in Russia and Ukraine in the preparation of the Consolidated Financial Statements and confirm that the financial impact of such matters, to the extent relevant to the Company, has been incorporated into the Consolidated Financial Statements.

OTHER INFORMATION

Under Listing Rule 9.8.4CR, a listed company must include all information required by LR 9.8.4R in a single identifiable location or a cross-reference table indicating where that information is set out.

For the purposes of LR 9.8.4CR, the information that is required to be disclosed by LR 9.8.4R can be found as per the below table:

Requirement	Location
Interest capitalised	• Not applicable
Unaudited financial information	• Not applicable
Long-term incentive schemes	• Audit Committee report • Remuneration Committee report
Waiver of emoluments / future emoluments by a director	• Not applicable
Non-pre-emptive issues of equity for cash	• Not applicable
Non-pre-emptive issues of equity for cash in relation to major subsidiary undertakings	• Not applicable
Information for unlisted major subsidiary undertaking	• Not applicable
Parent undertaking details	• Not applicable
Contract of significance	• Not applicable
Controlling shareholder provision of services	• Not applicable
Dividend waiver by shareholders	• Not applicable
Future dividend waiver by shareholders	• Not applicable
Agreements with controlling shareholders	• Not applicable

All the relevant information cross-referenced above is hereby incorporated by reference into this Directors' report.

AUDITOR

The Company is required to appoint auditors for each financial year of the Company, to hold office until the conclusion of the next general meeting at which accounts are presented. Our Independent Auditor, Deloitte LLP, has indicated their willingness to remain in office and resolutions to reappoint them for the year to 31 March 2024 and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

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

Signed on behalf of the Board:

Melanie Gee
Chair
Syncona Limited
14 June 2023

INVESTMENT POLICY[1]

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

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

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

Life Science Investments

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

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

The Company anticipates that, over time, its Life Science Investments portfolio will consist of around 20 to 25 life science opportunities, of which three to five are likely to become significant core holdings. The Company will invest further in its existing portfolio of Life Science Investments and will seek to create further opportunities by founding new businesses to commercialise academic science.

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

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

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

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

Capital Pool

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

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

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

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

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

Investment restrictions

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

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

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

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

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

1. Effective from the date of publication of this Annual Report. The prior policy has been amended to update the third paragraph under Life Science Investments to refer to a portfolio of 20 to 25 life science opportunities (previously 15 to 20 life science opportunities).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the Annual Report and audited Consolidated Financial Statements

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

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

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

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

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

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

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy; and
- the financial statements include information and details in the Chair's statement, the Strategic Report, the Corporate governance report, the Directors' report and the notes to the Consolidated Financial Statements, which provide a fair review of the information required by:

  a) DTR 4.1.8 of the Disclosure and Transparency Rules, being a fair review of the Company business and a description of the principal risks and uncertainties facing the Company; and

  b) DTR 4.1.11 of the Disclosure and Transparency Rules, being an indication of important events that have occurred since the end of the financial year and the likely future development of the Company.

This responsibility statement was approved by the Board of Directors on 14 June 2023 and is signed on its behalf by:

Melanie Gee
Chair
Syncona Limited
14 June 2023

Rob Hutchinson
Non-Executive Director
Syncona Limited
14 June 2023

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. Opinion

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

- **give a true and fair view of the state of the Group's affairs as at 31 March 2023 and of its loss for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.**

We have audited the financial statements which comprise:

- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Financial Position;
- the Consolidated Statement of Changes in Net Assets Attributable to Holders of Ordinary Shares;
- the Consolidated Statement of Cash Flows; and
- the related notes 1 to 21.

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

2. Basis for opinion

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

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group for the year are disclosed in note 9 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group.

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

3. Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Key judgements within the valuation of unquoted life science portfolio; and
- Valuation of the long-term incentive plan ('LTIP') liability.

Materiality

The materiality that we used in the current year was £25.1 million which was determined on the basis of 2% of net assets attributable to holders of ordinary shares ('NAV').

Scoping

The Group engagement team carried out audit work on the parent company, its subsidiary and the underlying entities in the investment holding structure, executed at levels of materiality applicable to each entity, which in all instances was lower than Group materiality.

Significant changes in our approach

There have been no significant changes in our audit approach.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Evaluating Management's going concern paper, identifying the assumptions applied in the going concern assessment and testing the mechanical accuracy of the underlying forecasts;
- Performing a retrospective review of previous assumptions and estimates to assess the accuracy of Management's historical forecasts;
- Performing sensitivity analysis on the key assumptions applied to understand those that could potentially give rise to a material uncertainty in respect of the use of the going concern basis;
- Checking consistency of the forecast assumptions applied in the going concern assessment with other forecasts, including investment funding and valuation assumptions;
- Assessing the liquidity position of the Group and the underlying entities in the investment holding structure by evaluating the impact of near term requests for capital from the portfolio of life science investments. This included scenarios where cash outflows are over and above commitments and anticipated deployment of funds into life science investments amounting to £150 million – £200 million, as well as forecast annual expenditure for the Group and entities in the investment holding structure;
- Considering the mitigating actions identified by Management as available responses to liquidity risks, principally the ability to realise assets held within the capital pool (Syncona Investments LP Incorporated), including UK treasury bills with an aggregate value at 31 March 2023 of £285.0 million. An additional £160.0 million is also held in daily traded funds managed externally which could be accessed if required; and
- Evaluating the disclosures made in relation to going concern within note 2.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

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

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

5.1. Key judgements within the valuation of unquoted life science investments

Key audit matter description

The Group holds unquoted life science investments with a fair value of £498.0 million through Syncona Portfolio Limited, a direct subsidiary of Syncona Holdings Limited, and £32.7 million through Syncona Discovery Limited, a direct subsidiary of Syncona Investments LP Incorporated ("life science investments"). The unquoted life science investments constitute 36.7% of the Group NAV. The life science portfolio includes "milestone payments" and "deferred consideration" related to cash flow entitlements due to Syncona Portfolio Limited from disposal and restructuring deals, with a reported fair value of £70.4 million (5.6% of the Group NAV).

The Group records its interests in Syncona Holdings Limited and Syncona Investments LP Incorporated at fair value. The amounts are based on the fair value of underlying unquoted life science investments and other assets and liabilities, and these are recorded in accordance with IFRS 9 Financial Instruments ("IFRS 9"). The underlying unquoted life science investments are recorded at fair value through profit and loss in accordance with IFRS 13 Fair Value Measurement ("IFRS 13") and International Private Equity and Venture Capital ("IPEV") guidelines.

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

The portfolio is valued at fair value either at a calibration of cost, price of recent investment ("PRI"), or through other valuation techniques:

- Calibrated Cost/PRI are used for investments recently made, or recent transactions with third parties where available. Judgement exists as to whether there is objective evidence of change in fair value, based on more recent financial, technical and other data.
- The CRT Pioneer Fund valuation (held through Syncona Discovery Limited) is based on the valuation provided by Sixth Element Capital LLP, the underlying Investment Manager using a Discounted Cash Flow ("DCF") for those investments. These investments are adjusted by Management to apply the policies, discount rates and/or probability of success rates that are consistent with the rest of the Group.
- A DCF is prepared for milestone payments and deferred consideration using the contractual and estimated cash flows, adjusted for probability of success rates and discounted to present value.

The valuation was prepared by the Investment Manager, Syncona Investment Management Limited ("SIML") and the Board also commissioned an independent advisor to provide an alternative valuation for certain investments.

In addition to the judgement inherent in the valuation of these investments, Management may seek to manipulate the valuation of the life science investments and milestone payments to influence key performance indicators. As such there is an incentive to misstate investment valuation and we identified this as a potential area for fraud.

Details of the life science investments balance and milestone payments are disclosed in notes 7, 17, 18 and 19 and the accounting policies relating to them are disclosed in note 2. Critical accounting judgements and key sources of estimation uncertainty are described in note 3 and Audit Committee Report on page 87.

How the scope of our audit responded to the key audit matter

In order to test the key judgements in the valuation of the underlying unquoted life science investments as at 31 March 2023 we performed the following procedures:

- Obtained an understanding of and tested relevant controls relating to the valuation process applied by SIML, and the monitoring and review by the Board;
- Evaluated the directors' methodologies, against the requirements of IFRS 13 and IPEV guidelines;
- Evaluated Management's assessment of the impact of the current economic headwinds on the underlying life science investments and subsequently the impact on the valuation of the investments;
- Assessed the market volatility in determining whether there has been a change in fair value of the underlying life science investments as a result;
- Evaluated the competence, capability and objectivity of the Group's independent advisor; and
- Analysed the valuations performed by the independent advisor, and challenged the directors' rationale for adopting a valuation approach different to that used by the independent advisor.

For investments where the calibration of cost or PRI are determined to be the best method to determine fair value in accordance with IFRS 13 we performed the following procedures:

- Obtained supporting documentation for amounts invested, to assess whether the cost recorded is accurate and to understand whether the use of calibrated cost/PRI is a reasonable valuation basis;
- Inspected the latest financial information, board meeting minutes, investor reports, and other external information sources to assess whether there has been any indication of a change in fair value since the latest funding round on an investment by investment basis;
- Searched for contradictory evidence in reports and information obtained from the portfolio companies (including information arising after the reporting period) to assess progress against technical milestones anticipated by the investment thesis in the last funding round;
- Compared exit price for any disposals with the last determined fair value and inspected post year end transactions/funding rounds to test for conditions that would suggest that the year-end fair value was materially misstated;
- Challenged Management's assumptions over the appropriateness of the valuation methodologies used, and whether other valuation methods may have been more appropriate, including comparison to independent valuations performed by Management's expert, benchmarking of M&A activity for early-stage life science and wider consultation with our life sciences and healthcare consulting team;
- Completed market based analysis in the context of share indices and price movements on the life science/biotech market to challenge Management's assertion that calibration of cost or PRI remains an appropriate basis without adjustment for certain investments;
- Reviewed open source information for any other contradictory evidence; and
- Assessed whether the disclosures made were in accordance with IFRS 13.

In respect of the milestone payments and deferred consideration, we performed the following additional procedures:

- Reviewed the accounting papers prepared by Management in consideration of relevant guidance to assess the appropriateness of the recognition and measurement policy adopted for the milestone payments and deferred consideration;
- Challenged Management on the valuation methodologies used in light of our understanding of general practice in the sector and through consultation with valuation specialists; and
- Challenged the assumptions adopted within the DCF model to estimate the fair value, including the probabilities of success and discount rate, with reference to published benchmarks and independently determined ranges.

Key observations
We concluded that the methodologies and assumptions applied by Management, in arriving at the fair value of the Group's unquoted life science portfolio were reasonable, and that the resulting valuations are appropriately stated.

5.2. Valuation of the long-term incentive plan ("LTIP") liability

Key audit matter description
Employees of Syncona Investment Management Limited ("SIML") are entitled to participate in an Incentive Scheme (the "LTIP") and Syncona Holdings Limited may award Management Equity Shares ("MES") to those employees. Awards entitle participants to share in the growth of the valuation of the life science investments, subject to a hurdle rate on invested capital being met. The fair value of awards of MES issued in the year ended 31 March 2023 was £2.5 million and the carrying amount of the cash element of the liability arising for the year ended 31 March 2023 was £7.3 million.

The Board commissioned an independent expert to value the LTIP in accordance with IFRS 2 Share-based Payment ("IFRS 2") and the model developed for this purpose has been utilised by Management for determining the 31 March 2023 LTIP value.

The risk therefore exists that the valuation of the LTIP liability and equity portions are not calculated accurately or that not all information relating to the valuation of the underlying life science investments relevant to its calculation is included, such that the amounts recognised by the Group are materially misstated.

This is a key audit matter due to the complexity of the valuation, requiring involvement of senior members of the audit team and support from valuation specialists to address the risk of material misstatement.

Details of the LTIP balances are disclosed in note 12 and the accounting policies relating to them are disclosed in note 2 and in the Audit Committee Report on page 87.

How the scope of our audit responded to the key audit matter
To respond to the key audit matter, we have performed the following audit procedures:

- We obtained an understanding of relevant controls relating to the valuation of the LTIP;
- We evaluated the competency, capability and objectivity of the Group's independent expert, who were engaged in the development of model assumptions;
- We reviewed the accounting considerations around the award date fair value and intrinsic value of the awards in the LTIP, to assess whether this has been accounted for appropriately;
- We challenged the assumptions and the model used in the calculation of the MES fair value including the evolution of the life science portfolio and the associated probabilities of success;
- Involving our modelling specialists we assessed the mechanical accuracy, design and structure of the model used to calculate the fair value of the LTIP;
- We performed procedures as noted in key audit matter 5.1 relating to key judgments in the valuation of unquoted life science investments, the valuation being a key input into the model; and
- We reviewed the disclosures in the notes to the financial statements for the LTIP to assess whether they meet the requirements of the IFRS 2.

Key observations
We conclude that the valuation of the LTIP liability at 31 March 2023 and the related disclosures are appropriate.

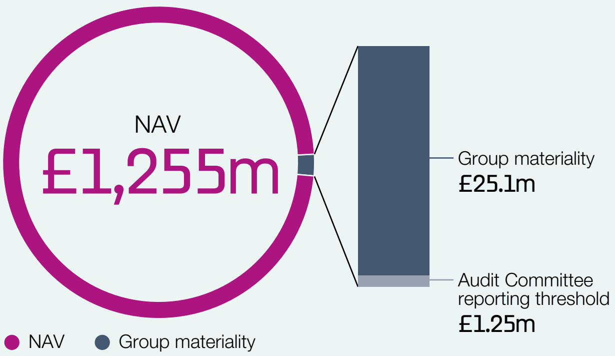
6. Our application of materiality

6.1. Materiality

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

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

Group materiality	£25.1 million (2022: £26.2 million)
Basis for determining materiality	2% (2022: 2%) of net asset value
Rationale for the benchmark applied	The Group's investment objective is to achieve superior long-term capital appreciation from its investments. We therefore evaluated the Group's NAV as the most appropriate benchmark as it is one of the principal considerations for members of the Group in assessing financial performance and represents total shareholders' interest.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2023 audit (2022: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the Group's overall control environment, including that of the administrator; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.25m (2022: £1.31m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component level.

The Group audit engagement team carried out audit work directly on the parent company and its consolidated subsidiary Syncona GP Limited executed at levels of materiality applicable to each entity (Syncona GP Ltd materiality was set at £0.2 million (2022: £0.2 million)).

7.2. Our consideration of the control

The Board of Directors delegates Management functions to Syncona Investment Management Limited as investment manager. As part of our risk assessment, we assessed the control environment in place at the investment manager, and obtained an understanding of the relevant controls, such as those in relation to our key audit matters and the financial reporting cycle. A third-party administrator maintains the books and records of the Group. In addition to the above, we also obtained an understanding of relevant controls at the administrator that are relevant to the business processes of the Group and parent company, including general IT controls. This included obtaining and reviewing the Assurance Report on Controls which documents the suitability of the design and operating effectiveness of controls. We further obtained a bridging letter from the investment manager detailing that there have not been any material changes to the internal control environment.

We have decided not to rely on controls as the Group does not perform significant automated processing of large volumes of data and the control environment is predominantly manual in nature.

7.3. Our consideration of climate-related risks

As part of our risk assessment, we have considered the potential impact of climate change on the Group's business and its financial statements. We have obtained an understanding of the process for identifying climate-related risks, the processes and controls in place, as well as the determination of any mitigating actions.

The Group continues to assess the potential impact of environmental, social and governance ("ESG") related risks, including climate change, as outlined on page 51 and within the TCFD Report on pages 62 to 65. The Directors have assessed that the Group, and the portfolio companies in which they invest, are not materially exposed to climate change and that neither the risks nor opportunities (individually or collectively) materially impact their strategy or viability, or financial results, including the valuation of the unquoted life science investments. This is disclosed in Note 3 to the financial statements.

We have assessed whether the risks identified by the entity are consistent with our understanding of the Group's business and evaluated whether appropriate disclosures have been made in the financial statements in this regard. The Directors have voluntarily adopted the Task Force for Climate Related Disclosures ("TCFD") and therefore we engaged with our ESG assurance specialists to assist with assessing disclosures in the TCFD Report to consider whether they are materially consistent with the guidelines.

8. Other information

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

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

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

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

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

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

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for the investment manager and directors' remuneration, bonus levels, performance targets and incentive scheme;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board on 6 February 2023;
- results of our enquiries of Management and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, modelling, life science and healthcare, and ESG specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area:

Key judgements within the valuation of unquoted life science investments.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies (Guernsey) Law, 2008, the Listing Rules and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's regulatory licences under The Protection of Investors (Bailiwick of Guernsey) Law, 2020.

11.2. Audit response to risks identified

As a result of performing the above, we identified key judgements within the valuation of unquoted life science investments as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains this matter in more detail and also describes the specific procedures we performed in response to this key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 97;
- the directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 75;

- the directors' statement on fair, balanced and understandable set out on page 99;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 67;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 88; and
- the section describing the work of the Audit Committee set out on page 86.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent company; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 22 September 2012 to audit the financial statements for the period from 14 August 2012 (date of incorporation) to 25 October 2012 and subsequent financial periods/years. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is twelve periods/years, covering the periods/years ending 25 October 2012 to 31 March 2023.

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

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

15. Use of our report

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

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Marc Cleeve, FCA
For and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey
14 June 2023

UNAUDITED GROUP PORTFOLIO STATEMENT
AS AT 31 MARCH 2023

	2023 Fair value £'000	2023 % of Group NAV £'000	2022 Fair value £'000	2022 % of Group NAV £'000
Life science portfolio				
Life science companies				
Quell Therapeutics Limited	**86,703**	**6.9**	81,416	6.2
Anaveon AG	**64,203**	**5.1**	59,818	4.6
Beacon Therapeutics Holdings Limited[1]	**60,000**	**4.8**	–	–
SwanBio Therapeutics Limited	**58,186**	**4.6**	75,103	5.7
Autolus Therapeutics plc	**50,004**	**4.0**	61,979	4.7
OMass Therapeutics Limited	**43,712**	**3.5**	34,712	2.7
Purespring Therapeutics Limited	**35,100**	**2.8**	18,500	1.4
Resolution Therapeutics Limited	**23,027**	**1.8**	10,388	0.8
Cambridge Epigenetix Limited	**18,472**	**1.5**	17,345	1.3
Freeline Therapeutics Holdings plc	**14,117**	**1.1**	32,277	2.5
Companies of less than 1% of the NAV	**47,972**	**3.8**	55,251	4.2
Total life science companies	**501,496**	**39.9**	446,889	34.1
Milestone payments	**54,516**	**4.3**	49,802	3.8
CRT Pioneer Fund	**32,727**	**2.6**	28,183	2.2
Deferred consideration	**15,882**	**1.3**	–	–
Total life science portfolio[2]	**604,621**	**48.1**	524,874	40.1
Capital pool investments				
Treasury bills	**284,960**	**22.7**	179,984	13.7
Credit investment funds	**101,566**	**8.1**	99,489	7.6
Multi-asset funds	**160,036**	**12.8**	–	–
Legacy funds	**33,001**	**2.7**	39,857	3.1
Total capital pool investments[3]	**579,563**	**46.3**	319,330	24.4
Other net assets				
Cash and cash equivalents[4]	**82,818**	**6.6**	485,223	37.0
Charitable donations	**(4,634)**	**(0.4)**	(4,250)	(0.3)
Other assets and liabilities	**(7,713)**	**(0.6)**	(15,336)	(1.2)
Total other net assets	**70,471**	**5.6**	465,637	35.5
Total NAV of the Group	**1,254,655**	**100.0**	1,309,841	100.0

1. As at 31 March 2023 the legal name for this investment was SPL 123 Limited. The entity was renamed Beacon Therapeutics Holdings Limited on 1 June 2023.
2. The life science portfolio of £604,619,696 (31 March 2022: £524,873,761) consists of life science investments totalling £517,377,259 (31 March 2022: £446,888,721), milestone payments on Gyroscope sale of £54,515,861 (31 March 2022: £49,801,548) held by Syncona Holdings Limited and CRT Pioneer Fund of £32,726,576 (31 March 2022: £28,183,492) held by Syncona Investments LP Incorporated.
3. Capital pool investments of £579,563,640 (31 March 2022: £319,330,598) are held by Syncona Investments LP Incorporated.
4. Cash amounting to £11,402 (31 March 2022: £275,902) is held by Syncona Limited. The remaining £82,806,203 (31 March 2022: £484,947,557) is held by its subsidiaries other than portfolio companies ('Syncona Group Companies'). Cash held by Syncona Group Companies other than Syncona GP Limited is not shown in Syncona Limited's Consolidated Statement of Financial Position since it is included within financial assets at fair value through profit or loss.

Assets held by the Group are held primarily through Syncona Holdings Limited and Syncona Investments LP Incorporated. See note 1 for a description of these entities.

The totals in the above table may differ slightly to the audited financial statements due to rounding differences.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

		2023			2022		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment income							
Other income	6	27,495	–	27,495	25,391	–	25,391
Total investment income		27,495	–	27,495	25,391	–	25,391
Net losses on financial assets at fair value through profit or loss	7	–	(67,286)	(67,286)	–	(6,698)	(6,698)
Total losses		–	(67,286)	(67,286)	–	(6,698)	(6,698)
Expenses							
Charitable donations	8	4,634	–	4,634	4,250	–	4,250
General expenses	9	11,593	–	11,593	5,605	–	5,605
Total expenses		16,227	–	16,227	9,855	–	9,855
(Loss)/profit for the year		11,268	(67,286)	(56,018)	15,536	(6,698)	8,838
(Loss)/profit after tax		11,268	(67,286)	(56,018)	15,536	(6,698)	8,838
Earnings/(loss) per Ordinary Share	14	1.69p	(10.07)p	(8.38)p	2.34p	(1.01)p	1.33p
Earnings/(loss) per Diluted Share	14	1.69p	(10.07)p	(8.38)p	2.31p	(1.00)p	1.31p

The total columns of this statement represent the Group's Consolidated Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The profit/(loss) for the year is equivalent to the 'total comprehensive income' as defined by International Accounting Standards (IAS) 1 'Presentation of Financial Statements'. There is no other comprehensive income as defined by IFRS.

All the items in the above statement are derived from continuing operations. The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023

	Notes	2023 £'000	2022 £'000
Assets			
Non-current assets:			
Financial assets at fair value through profit or loss	10	**1,258,258**	1,323,232
Current assets:			
Bank and cash deposits		**11**	276
Trade and other receivables	11	**10,143**	9,878
Total assets		**1,268,412**	1,333,386
Liabilities and equity			
Non-current liabilities:			
Share based payments	12	**–**	8,459
Current liabilities:			
Share based payments	12	**7,296**	9,388
Payables	13	**6,461**	5,698
Total liabilities		**13,757**	23,545
Equity			
Share capital	14	**767,999**	767,999
Capital reserves	14	**463,163**	530,449
Revenue reserves		**23,493**	11,393
Total equity		**1,254,655**	1,309,841
Total liabilities and equity		**1,268,412**	1,333,386
Total net assets attributable to holders of Ordinary Shares		**1,254,655**	1,309,841
Number of Ordinary Shares in issue	14	**669,329,324**	666,733,588
Net assets attributable to holders of Ordinary Shares (per share)	14	**£1.87**	£1.96
Diluted NAV (per share)	14	**£1.86**	£1.94

The audited Consolidated Financial Statements were approved on 14 June 2023 and signed on behalf of the Board of Directors by:

Melanie Gee
Chair
Syncona Limited

Rob Hutchinson
Non-Executive Director
Syncona Limited

The accompanying notes are an integral part of the financial statements.

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

FOR THE YEAR ENDED 31 MARCH 2023

	Share capital £'000	Capital reserves £'000	Revenue reserves £'000	Total £'000
As at 31 March 2021	**767,999**	**537,147**	**(4,857)**	**1,300,289**
Total comprehensive income for the year	–	(6,698)	15,536	8,838
Transactions with shareholders:				
Share based payments	–	–	714	714
As at 31 March 2022	**767,999**	**530,449**	**11,393**	**1,309,841**
Total comprehensive income for the year	–	(67,286)	11,268	(56,018)
Transactions with shareholders:				
Share based payments	–	–	832	832
As at 31 March 2023	**767,999**	**463,163**	**23,493**	**1,254,655**

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £'000	2022 £'000
Cash flows from operating activities			
(Loss)/profit for the year		(56,018)	8,838
Adjusted for:			
Losses on financial assets at fair value through profit or loss	7	67,286	6,698
Non-cash movement in share based provision		(12,031)	(15,764)
Operating cash flows before movements in working capital		(763)	(228)
(Increase)/decrease in other receivables		(265)	568
Increase/(decrease) in other payables		763	(78)
Net cash (used in)/generated from operating activities		(265)	262
Net (decrease)/increase in cash and cash equivalents		(265)	262
Cash and cash equivalents at beginning of the year		276	14
Cash and cash equivalents at end of the year		11	276

Cash held by the Company and Syncona Group Companies is disclosed in the Group Portfolio Statement.

The accompanying notes are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

1. GENERAL INFORMATION
Syncona Limited (the “Company”) is incorporated in Guernsey as a registered closed-ended investment company. The Company’s Ordinary Shares were listed on the Premium Segment of the London Stock Exchange on 26 October 2012 when it commenced its business.

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

Syncona Investment Management Limited (“SIML”), a subsidiary, was appointed as the Company’s Alternative Investment Fund Manager (“Investment Manager”).

The investment objective and policy is set out in the Directors’ Report on page 98.

2. ACCOUNTING POLICIES
The Group’s investments in life science companies, other investments within the life science portfolio and capital pool investments are held through the Holding Company and the Partnership, which are measured at fair value through profit or loss in accordance with the requirement of IFRS 10 “Consolidated Financial Statements”.

Statement of compliance
The Consolidated Financial Statements which give a true and fair view are prepared in accordance with IFRS as adopted by the European Union and are in compliance with The Companies (Guernsey) Law, 2008. The Consolidated Financial Statements were approved by the Board and authorised for issue on 14 June 2023.

Information reported to the Board (the Chief Operating Decision Maker (“CODM”)) for the purpose of allocating resources and monitoring performance of the Group’s overall strategy to found, build and fund companies in innovative areas of healthcare, consists of financial information reported at the Group level. The capital pool is fundamental to the delivery of the Group’s strategy and performance is reviewed by the CODM only to the extent this enables the allocation of those resources to support the Group’s investment in life science companies. There are no reconciling items between the results contained within this information and amounts reported in the financial statements. IFRS requires operating segments to be identified on the basis of the internal financial reports that are provided to the CODM, and as such the Directors present the results of the Group as a single operating segment.

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

Functional currency
The Group’s functional currency is Sterling (“£” or “GBP”). £ is the currency in which the Group measures its performance and reports its results. Ordinary Shares are denominated in £ and any dividends declared are paid in £. The Directors believe that £ best represents the functional currency, although the Group has significant exposure to other currencies as described in note 18.

Going concern
The financial statements are prepared on a going concern basis. The net assets held by the Group and within investment entities controlled by the Group currently consist of securities and cash amounting to £1,254.7 million (31 March 2022: £1,309.8 million) of which £629.4 million (31 March 2022: £764.7 million) are readily realisable within three months in normal market conditions, and liabilities including uncalled commitments to underlying investments and funds amounting to £89.2 million (31 March 2022: £88.5 million).

Given the Group’s capital pool of £650.1 million (31 March 2022: £784.9 million) the Directors consider that the Group has adequate financial resources to continue its operations, including existing commitments to its investments and planned additional capital expenditure, for 12 months following the approval of the financial statements. The Directors also continue to monitor the potential future impact of the war in Ukraine and the ever-changing macro environment, including inflationary pressures, on the Group. Hence, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

2. ACCOUNTING POLICIES CONTINUED

Basis of consolidation

The Group's Consolidated Financial Statements consist of the financial records of the Company and the General Partner.

The results of the General Partner during the year are consolidated in the Consolidated Statement of Comprehensive Income from the effective date of incorporation and are consolidated in full. The financial statements of the General Partner are prepared in accordance with United Kingdom ("UK") Accounting Standards under Financial Reporting Standard 101 "Reduced Disclosure Framework". Where necessary, adjustments are made to the financial statements of the General Partner to bring the accounting policies used in line with those used by the Group. During the years ended 31 March 2023 and 31 March 2022, 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 are held at fair value through profit or loss in accordance with IFRS 9 "Financial Instruments". The Company, the Partnership and the Holding Company meet the definition of investment entities. The General Partner does not meet the definition of an investment entity due to providing investment management related services to the Group, and is therefore consolidated.

New standards adopted by the Group

There are no standards, amendments to standards or interpretations that are effective for the annual period ending on 31 March 2023 that have a material effect on the Group's Consolidated Financial Statements.

Standards, amendments and interpretations not yet effective

There are a number of other standards, amendments and interpretations that are not yet effective and are not relevant to the Group as listed below. These are not discussed in detail as no material impact to the Group's Consolidated Financial Statements is expected.

- Amendments to IFRS 17: Insurance Contracts;
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
- Amendments to IAS 1: Non-current Liabilities with Covenants;
- Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors;
- Amendments to IAS 12: Income Taxes; and
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback.

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. On initial recognition, financial assets are recognised at fair value less transaction costs which are recognised in the statement of comprehensive income.

On subsequent measurement, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

Financial assets measured at amortised cost

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

As at 31 March 2023 and 31 March 2022, there are no financial assets measured at fair value through other comprehensive income.

Financial liabilities measured at amortised cost

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

Financial assets at fair value through profit or loss

The Group's investments in life science companies and capital pool investments are held through the Holding Company and the Partnership, respectively, which are measured at fair value through profit or loss in accordance with the requirement of IFRS 10. The Net Asset Value ("NAV") of the Holding Company and the Partnership represent the Group's assessment of the fair value of its directly held assets (see note 10) and have been determined on the basis of the policies adopted for underlying investments described below.

Fair value – investments in subsidiaries
The Group classified its investments in subsidiaries as investments at fair value through profit or loss in accordance with the requirements under IFRS 10.

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

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

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

- Cost at the transaction date is the primary input when determining fair value. Similarly, where there has been a recent investment in the unlisted company by third parties, the Price of Recent Investment ("PRI") is the primary input when determining fair value, although further judgement may be required to the extent that the instrument in which the recent investment was made is different from the instrument held by the Group.
- The length of period for which it remains appropriate to consider cost or the PRI as the primary input when determining fair value depends on the achievement of target milestones of the investment at the time of acquisition. An analysis of such milestones, which can be value maintaining or value enhancing, is undertaken at each valuation point and considers changes to the external environment, the suitability of the milestones and the current facts and circumstances. Where this calibration process shows there is objective evidence that an investment has been impaired or increased in value since the investment was made, such as observable data suggesting a change of the financial, technical or commercial performance of the underlying investment, the Group carries out an enhanced assessment which may use one or more of the alternative methodologies set out in the IPEV Valuation Guidelines.
- DCF involves estimating the fair value of an investment by calculating the present value of expected future cash flows, based on the most recent forecasts in respect of the underlying business. Given the significant uncertainties involved with producing reliable cash flow forecasts for seed, start-up and early-stage companies, the DCF methodology will more commonly be used in the event that a life science company is in the final stages of clinical testing prior to regulatory approval or has filed for regulatory approval. No investments were valued on a DCF basis as at 31 March 2023 and 31 March 2022.

Fair value – life science portfolio – milestone payments
Milestone payments which form part of the total consideration resulting from a business combination and are dependent on the meeting of future conditions are initially recognised at fair value through profit or loss. Subsequent measurement of milestone payments is at fair value through profit or loss. When estimating the fair value of the milestone payments the present value of expected future cash flows is calculated based on the known future cash flows and an estimate of the likelihood of meeting the stated conditions using publicly available information where possible.

Fair value – life science portfolio – deferred consideration
Financial assets resulting from an investment purchase entitling the Group to future income that has a price which is dependent on a non-financial variable not specific to a party in the contract ("deferred consideration") is measured on initial recognition at fair value. Subsequent measurement of the financial asset is at fair value through profit or loss. When estimating the fair value of the financial asset the present value of expected future cash flows is calculated using an income-based valuation approach and an estimate of the likelihood of meeting the stated conditions using publicly available information where possible.

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

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

2. ACCOUNTING POLICIES CONTINUED

Other financial liabilities

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

Offsetting of financial instruments

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

Derecognition of financial instruments

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

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

Impairment of financial assets

IFRS 9 requires the Group to record expected credit losses ("ECLs") on all financial assets held at amortised cost, all loans and trade receivables, either on a 12-month or lifetime basis. The Group only holds receivables with no financing component and which have maturities of less than 12 months at amortised cost and therefore has applied the simplified approach to recognise lifetime ECLs permitted by IFRS 9.

Commitments

Through its investment in the Holding Company and the Partnership, the Group has outstanding commitments to investments that are not recognised in the Consolidated Financial Statements. Refer to note 20 for further details.

Share based payments

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

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

The fair value of the MES at the time of the initial award is determined in accordance with IFRS 2 and taking into account the particular rights attached to the MES as described in the Articles. The fair value is measured using a probability-weighted expected returns methodology, which is an appropriate future-oriented approach when considering the fair value of shares that have no intrinsic value at the time of issue. The approach replicates that of a binomial option pricing model. The key assumptions used within the model are: NAV progression; discount rates ranging from 12% to 27% (31 March 2022: 12% to 30%); and probabilities of success that result in an average cumulative probability of success across the life science portfolio of 26% (31 March 2022: 32%). In this case, the expected future payout to the MES was made by reference to the expected evolution of the Holding Company's value, including expected dividends and other realisations which is then compared to the base line value. This is then discounted into present value terms adopting an appropriate discount rate. The "capital asset pricing methodology" was used when considering an appropriate discount rate to apply to the payout expected to accrue to the MES on realisation.

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

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

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

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

The movement in the share based payment provision of the Group is a non-cash fair value movement to the reported liability, rather than a working capital balance movement. This movement is recognised directly in the Consolidated Statement of Comprehensive Income.

Income
All income is accounted for in accordance with IFRS 15 "Revenue from Contracts with Customers" and is recognised in the Consolidated Statement of Comprehensive Income when the right to receive is established. Income is further discussed in note 6.

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

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

Translation of foreign currency
Items included in the Group's Consolidated Financial Statements are measured in £, which is the currency of the primary economic environment where the Group operates. The Group's assets are primarily denominated in £.

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

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

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

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's Consolidated Financial Statements requires judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses at the reporting date. The Directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosure on pages 62 to 65. There has been no material impact identified on the financial reporting judgements and estimates. In particular, the Directors have considered the impact of climate change on going concern and viability of the Group over the next three years and the valuation of the unquoted life science investments. However, uncertainties about these assumptions and estimates, in particular relating to underlying investments of private equity investments and the life science investments, could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Critical accounting judgements

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

Fair value – life science portfolio

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

In most cases, where the Group is the sole institutional investor and/or until such time as substantial clinical data has been generated, the primary valuation input is Cost or PRI, subject to adequate consideration being given to current facts and circumstances. This includes whether there is objective evidence that suggests the investment has been impaired or increased in value due to observable data, technical, or commercial performance.

Where considered appropriate, once substantial clinical data has been generated the Group will use input from independent valuation advisers to assist in the determination of fair value.

The key judgement relates to determining whether a Cost or PRI (Market) based approach is the most appropriate for determining fair value of the Group's investments in unlisted companies. In making this judgement, the Group highlights that the majority of its investments are early-stage businesses, typically with products in the discovery stage of drug development and pre-revenue generation. As a result, it considers that the determination of fair value should be based on what a market participant buyer would pay to acquire or develop a substitute asset with comparable scientific or commercial progression, adjusted for obsolescence (i.e. its current replacement cost). This technique is applied until such time that the life science investment is at a stage in its lifecycle where cash flow forecasts are more predictable, thus using an income-based approach provides a more reliable estimate of fair value.

However, there are also other methodologies that can be used to determine the fair value of investments in private companies, including the use of the DCF methodology. It is possible that the use of an alternative valuation methodology would result in a different fair value than that recorded by the Group.

When assessing the judgement, the Group's determination of the fair values of certain investments took into consideration multiple sources including Management and publicly available information and publications, as well as input from an independent review by L.E.K. Consulting LLP ("L.E.K.") in respect of Syncona's valuation of the following investments: Anaveon AG; OMass Therapeutics Limited; Beacon Therapeutics Holdings Limited (formally known as SPL 123 Limited); Quell Therapeutics Limited; and SwanBio Therapeutics Limited.

The review was limited to certain specific limited procedures which we identified and requested L.E.K. to perform within an agreed limited scope, and it was subject to assumptions which are forward-looking in nature and subjective judgements. Upon completion of the review within the parameters of the agreed procedures, L.E.K. estimated an independent range of fair values of those investments. The limited procedures carried out by L.E.K. did not involve an audit, review, compilation or any other form of verification, examination or attestation under generally accepted auditing standards and were based on the sources agreed in the limited scope only. Syncona Limited is responsible for determining the fair value of the investments, and the review performed by L.E.K. to assist Syncona is only one element of the enquiries and procedures in the process in making a determination of the fair value of those investments and for which the Directors of Syncona Limited are ultimately responsible.

Contingent consideration

During the year ended 31 March 2022, the investment in Gyroscope was sold to an external third party for consideration comprising upfront cash and cash to be paid in the future subject to certain milestones being met ("milestone payments"). Gyroscope was previously held as an investment at fair value through profit or loss by Syncona Portfolio Limited due to Syncona Portfolio Limited meeting the conditions of being an investment entity and holding its subsidiaries at fair value through profit or loss.

There is currently no prescriptive accounting standard for the seller where milestone payments which are contingent on a future event are agreed in a contract for the disposal of a subsidiary. Guidance available within IFRS 3 "Business Combinations" to the acquiring entity was therefore applied to the recognition and measurement of the milestone payments. IFRS 3 requires the acquirer to recognise any milestone payments dependent on uncertain events to be recognised as a financial liability at fair value through profit or loss in their financial statements. In accordance with available guidance and industry practice it was concluded that the milestone payments receivable following the sale of a subsidiary in a business combination are required to be recognised as a financial asset measured at fair value through profit or loss in the financial statements of Syncona Portfolio Limited. This forms part of the fair value of the Group's investment in the Holding Company.

Key sources of estimation uncertainty

The Group's investments consist of its investments in the Holding Company and the Partnership, both of which are classified at fair value through profit or loss and are valued accordingly, as disclosed in note 2.

The key sources of estimation uncertainty are the valuation of the Holding Company's investments in privately held life science companies and milestone payments on sale of a subsidiary, the Partnership's private equity investments and investment in the CRT Pioneer Fund, and the valuation of the share based payment liability.

The unquoted investments within the life science portfolio are very illiquid. Many of the companies are early-stage investments and privately owned. Accordingly, a market value can be difficult to determine. The primary inputs used by the Company to determine the fair value of investments in privately held life science companies are the cost of the capital invested and PRI, adjusted to reflect the achievement or otherwise of milestones or other factors. The accounting policy for all investments is described in note 2 and the fair value of all investments is described in note 19.

In determining a suitable range to sensitise the fair value of the unlisted life science portfolio, Management note the achievement or not of value-enhancing milestones as being a key source of estimation uncertainty. Such activities and resulting data emanating from the life science companies can be the key trigger for fair value changes and typically involve financing events which crystallise value at those points in time. The range of 10% (2022: 18%) identified by Management reflects their estimate of the range of reasonably possible valuations over the next financial year, taking into account the position of the portfolio as a whole. Key technical milestones considered by Management and that typically trigger value enhancement (or deterioration if not achieved) include the generation of substantial clinical data.

The Company has assessed the current impact of the war in Ukraine on the private life science companies and does not consider that any revaluations are required as a result; however, the final impact of the war is not yet certain and may have effects on the portfolio companies that have not been anticipated.

As at the year end, none (31 March 2022: 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.

Where investments held by the Partnership can be subscribed to, 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.

4. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

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

Direct interests in subsidiaries

Subsidiary	Principal place of business	Principal activity	2023 % interest[1]	2022 % interest[1]
Syncona GP Limited	Guernsey	General Partner	**100%**	100%
Syncona Holdings Limited	Guernsey	Portfolio management	**100%**	100%
Syncona Investments LP Incorporated	Guernsey	Portfolio management	**100%**	100%

1. Based on undiluted issued share capital and excluding the MES issued by Syncona Holdings Limited (see note 12).

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

4. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES CONTINUED

Indirect interests in subsidiaries and associates

Indirect subsidiaries	Principal place of business	Immediate parent	Principal activity	2023 % 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 IP Holdco (2) Limited	UK	Syncona Portfolio Limited	Portfolio management	**100%**
Syncona Investment Management Limited	UK	Syncona Holdings Limited	Portfolio management	**100%**
SIML Switzerland AG	Switzerland	SIML	Portfolio management	**100%**
Resolution Therapeutics Limited	UK	Syncona Portfolio Limited	Cell therapy	**85%**
SwanBio Therapeutics Limited	United States	Syncona Portfolio Limited	Gene therapy	**82%**
Purespring Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	**81%**
Forcefield Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	**76%**
SPL 123 Limited	UK	Syncona Portfolio Limited	Gene therapy	**70%**
Freeline Therapeutics Holdings plc	UK	Syncona Portfolio Limited	Gene therapy	**58%**
Mosaic Therapeutics Limited	UK	Syncona Portfolio Limited	Small molecule	**51%**

Indirect associates	Principal place of business	Immediate parent	Principal activity	2023 % interest[1]
Anaveon AG	Switzerland	Syncona Portfolio Limited	Biologics	**46%**
Quell Therapeutics Limited	UK	Syncona Portfolio Limited	Cell therapy	**44%**
Kesmalea Therapeutics Limited	UK	Syncona Portfolio Limited	Small molecule	**41%**
OMass Therapeutics Limited	UK	Syncona Portfolio Limited	Small molecule	**35%**
Azeria Therapeutics Limited	UK	Syncona Portfolio Limited	In voluntary liquidation	**34%**
Achilles Therapeutics plc	UK	Syncona Portfolio Limited	Cell therapy	**27%**

1. Based on undiluted issued share capital and excluding the MES issued by Syncona Holdings Limited (see note 12).

Indirect subsidiaries	Principal place of business	Immediate parent	Principal activity	2022 % 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%
SIML Switzerland AG	Switzerland	SIML	Portfolio management	100%
SwanBio Therapeutics Limited	United States	Syncona Portfolio Limited	Gene therapy	76%
Purespring Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	76%
Forcefield Therapeutics Limited	UK	Syncona Portfolio Limited	Gene therapy	76%
Resolution Therapeutic Limited	UK	Syncona Portfolio Limited	Cell therapy	73%
Freeline Therapeutics Holdings plc	UK	Syncona Portfolio Limited	Gene therapy	61%
OMass Therapeutics Limited	UK	Syncona Portfolio Limited	Small molecule	53%

Indirect associates	Principal place of business	Immediate parent	Principal activity	2022 % interest[1]
Quell Therapeutics Limited	UK	Syncona Portfolio Limited	Cell therapy	44%
Anaveon AG	Switzerland	Syncona Portfolio Limited	Biologics	41%
Azeria Therapeutics Limited	UK	Syncona Portfolio Limited	In voluntary liquidation	34%
Achilles Therapeutics plc	UK	Syncona Portfolio Limited	Cell therapy	27%
Autolus Therapeutics plc	UK	Syncona Portfolio Limited	Cell therapy	21%

1. Based on undiluted issued share capital and excluding the MES issued by Syncona Holdings Limited (see note 12).

5. TAXATION

The Company and the General Partner are exempt from taxation in Guernsey under the provisions of The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and have both paid an annual exemption fee of £1,200 (31 March 2022: £1,200).

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

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

6. INCOME

The Group's income relates to cash transfers from the Partnership which are used for paying costs and dividends of the Group.

During the year, income received from the Partnership amounted to £27,494,517 (31 March 2022: £25,390,625) of which £4,633,973 (31 March 2022: £4,249,836) remained receivable as at 31 March 2023. The receivable reflects the charitable donations of the Group. Refer to note 8.

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

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

	Note	2023 £'000	2022 £'000
Net (losses)/gains from:			
The Holding Company	7.a	(62,636)	22,019
The Partnership	7.b	(4,650)	(28,717)
Total		(67,286)	(6,698)

7.a Movements in the Holding Company

	2023 £'000	2022 £'000
Expenses	(97)	(90)
Movement in unrealised (loss)/gains on life science investments at fair value through profit or loss	(62,539)	22,109
Net (loss)/gains on financial assets at fair value through profit or loss	(62,636)	22,019

7.b Movements in the Partnership

	2023 £'000	2022 £'000
Investment income	106	23
Rebates and donations	81	409
Expenses	(342)	(229)
Realised gains on financial assets at fair value through profit or loss	13,933	13,716
Movement in unrealised gains/(losses) on financial assets at fair value through profit or loss	6,049	(19,185)
Gains on foreign currency	3,018	1,940
Gains/(losses) on financial assets at fair value through profit or loss	22,845	(3,326)
Distributions	(27,495)	(25,391)
Net losses on financial assets at fair value through profit or loss	(4,650)	(28,717)

8. CHARITABLE DONATIONS

For the year ending 31 March 2023, the Group has agreed to make a donation to charity of 0.35% of the total NAV of the Group calculated on a monthly basis, 0.35% (31 March 2022: 0.2%) to be donated to The Syncona Foundation and 0% (31 March 2022: 0.15%) to The Institute of Cancer Research, and these donations are made by the General Partner.

During the year, charitable donations expense amounted to £4,633,973 (31 March 2022: £4,249,836) of which £4,633,973 (31 March 2022: £4,249,836) remained payable as at 31 March 2023. Refer to note 13.

9. GENERAL EXPENSES

	Notes	2023 £'000	2022 £'000
Share based payments	12	**(2,968)**	(7,304)
Investment management fees	16	**12,121**	10,699
Directors' remuneration	16	**499**	419
Auditor's remuneration		**183**	141
Other expenses		**1,758**	1,650
Total		**11,593**	5,605

Auditor's remuneration includes audit fees in relation to the Group of £132,900 (31 March 2022: £105,000). Total audit fees paid by the Group and the Syncona Group Companies for the year ended 31 March 2023 totalled £134,900 (31 March 2022: £210,000). Additional fees paid to the auditor were £44,200 (31 March 2022: £38,000) which relates to work performed at the interim review of £36,200 (31 March 2022: £30,000) and other non-audit fees of £8,000 (31 March 2022: £8,000).

Further details of the share based payments can be found in note 12.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	2023 £'000	2022 £'000
The Holding Company	10.a	**919,958**	980,282
The Partnership	10.b	**338,300**	342,950
Total		**1,258,258**	1,323,232

The Holding Company and the Partnership are the only two investments held directly and as such the reconciliation of movement in investments has been presented separately for each below:

10.a The net assets of the Holding Company

	2023 £'000	2022 £'000
Cost of the Holding Company's investment at the start of the year	**494,810**	494,810
Purchases during the year	**–**	–
Cost of the Holding Company's investments at the end of the year	**494,810**	494,810
Net unrealised gains on investments at the end of the year	**429,757**	489,984
Fair value of the Holding Company's investments at the end of the year	**924,567**	984,794
Other net current liabilities	**(4,609)**	(4,512)
Financial assets at fair value through profit or loss at the end of the year	**919,958**	980,282

10.b The net assets of the Partnership

	2023 £'000	2022 £'000
Cost of the Partnership's investments at the start of the year	**334,834**	418,472
Purchases during the year	**1,848,806**	835,375
Sales during the year	**(1,589,269)**	(923,659)
Return of capital	**(10,551)**	(9,070)
Net realised gains on disposals during the year	**13,933**	13,716
Cost of the Partnership's investments at the end of the year	**597,753**	334,834
Net unrealised gains on investments at the end of the year	**22,196**	16,147
Fair value of the Partnership's investments at the end of the year	**619,949**	350,981
Cash and cash equivalents	**67,190**	475,786
Other net current liabilities	**(348,839)**	(483,817)
Financial assets at fair value through profit or loss at the end of the year	**338,300**	342,950

11. TRADE AND OTHER RECEIVABLES

	Notes	2023 £'000	2022 £'000
Due from related parties	16	**5,457**	5,462
Charitable donation receivable	16	**4,618**	4,250
Prepayments		**68**	166
Total		**10,143**	9,878

12. SHARE BASED PAYMENTS

Share based payments are associated with awards of MES in the Holding Company, relevant details of which are set out in note 2.

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

	2023 £'000	2022 £'000
Charge related to revaluation of the liability for cash settled share awards	**(2,968)**	(7,304)
Total	**(2,968)**	(7,304)

Other movements in the provision relating to realisations and granting of awards totalled £7,583,660 (31 March 2022: £7,189,892). Amounts recognised in the Consolidated Statement of Financial Position, representing the carrying amount of liabilities arising from share based payments transactions, are shown below:

	2023 £'000	2022 £'000
Share based payments – current	**7,296**	9,388
Share based payments – non-current	**–**	8,459
Total	**7,296**	17,847

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

The fair value of the MES is established using an externally developed model as set out in note 2. Vesting is subject only to the condition that employees must remain in employment at the vesting date. Each MES is entitled to share equally in value attributable to the Holding Company above the applicable base line value at the date of award, provided that the applicable hurdle value of 15% or 30% growth in the value of the Holding Company above the base line value at the date of award has been achieved.

The fair value of awards made in the year ended 31 March 2023 was £2,529,130 (31 March 2022: £2,883,500). This represents 9,367,155 new MES issued (31 March 2022: 8,238,571). An award was made on 15 July 2022 at 27p per MES.

12. SHARE BASED PAYMENTS CONTINUED

The number of MES outstanding are shown below:

	2023	2022
Outstanding at the start of the year	**42,282,122**	43,873,239
Issued	**9,367,155**	8,238,571
Realised	**(7,762,846)**	(7,253,638)
Lapsed	**(15,203)**	(2,576,050)
Outstanding at the end of the year	**43,871,228**	42,282,122
Weighted average remaining contractual life of outstanding MES, years	**1.29**	1.20
Vested MES as at the year end	**29,523,421**	31,293,486
Realisable MES as at the year end	**12,010,048**	11,478,050

13. PAYABLES

	2023 £'000	2022 £'000
Charitable donations payable	**4,634**	4,250
Management fees payable	**1,374**	1,048
Other payables	**453**	400
Total	**6,461**	5,698

14. SHARE CAPITAL

14.a Authorised share capital

The Company is authorised to issue an unlimited number of shares, which may have a par value or no par value. The Company is a closed-ended investment company with an unlimited life.

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

	2023 £'000	2022 £'000
Ordinary Share capital		
Balance at the start of the year	**767,999**	767,999
Balance at the end of the year	**767,999**	767,999

	2023 Shares	2022 Shares
Ordinary Share capital		
Balance at the start of the year	**666,733,588**	664,580,417
Share based payment shares issued during the year	**2,595,736**	2,153,171
Balance at the end of the year	**669,329,324**	666,733,588

The Company has issued one Deferred Share to The Syncona Foundation for £1.

14.b Capital and revenue reserves

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

14.c (Loss)/earnings per share

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

	2023	2022
(Loss)/earnings for the purposes of earnings per share	£(56,018,000)	£8,838,000
Basic weighted average number of shares	668,575,494	666,108,284
Basic revenue earnings per share	1.69p	2.34p
Basic capital (loss)/earnings per share	(10.07)p	(1.01)p
Basic earnings per share	(8.38)p	1.33p
Diluted weighted average number of shares	668,575,494	672,988,341
Diluted revenue earnings per share	1.69p	2.3p
Diluted capital (loss)/earnings per share	(10.07)p	(1.00)p
Diluted earnings per share	(8.38)p	1.31p

Potential Ordinary Shares shall be treated as dilutive when, and only when, their conversion to Ordinary Shares would decrease earnings per share or increase loss per share from continuing operations. Therefore at 31 March 2023 both basic and diluted EPS are consistent.

	2023	2022
Issued share capital at the start of the year	666,733,588	664,580,417
Weighted effect of share issues		
Share based payments	1,841,906	1,527,867
Potential share based payment share issues	3,487,581	6,880,057
Diluted weighted average number of shares	672,063,075	672,988,341

14.d NAV per share

	2023	2022
Net assets for the purposes of NAV per share	£1,254,654,716	£1,309,840,518
Ordinary Shares in issue	669,329,324	666,733,588
NAV per share	187.40p	196.50p
Diluted number of shares	672,816,905	673,613,645
Diluted NAV per share	186.50p	194.40p

As at 31 March 2023, if all MES were realised, the number of shares issued in the Company as a result would increase by 3,487,581 (31 March 2022: 6,880,057). The undiluted per share value of net assets attributable to holders of Ordinary Shares would fall from £1.87 to £1.86 (31 March 2022: £1.97 to £1.94) if these shares were issued.

15. DISTRIBUTION TO SHAREHOLDERS

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

During the year ended 31 March 2023, the Company did not declare or pay a dividend (31 March 2022: £Nil was paid in relation to the year ended 31 March 2021). The Directors believe that it is not appropriate for the Company to pay a dividend.

The Company is not declaring a 2023 dividend.

16. RELATED PARTY TRANSACTIONS

The Group has various related parties: life science investments held by the Holding Company, the Investment Manager, the Company's Directors and The Syncona Foundation.

Life science investments

The Group makes equity investments in some life science investments where it retains control. The Group has taken advantage of the investment entity exception as permitted by IFRS 10 and has not consolidated these investments, but does consider them to be related parties.

During the year, the total amount invested in life science investments which the Group controls was £127,143,441 (31 March 2022: £62,765,311).

The Group makes other equity investments where it does not have control but may have significant influence through its ability to participate in the financial and operating policies of these companies, therefore the Group considers them to be related parties. These amounts are unsecured, interest free, and repayable on demand.

During the year, the total amount invested in life science investments in which the Group has significant influence was £25,404,894 (31 March 2022: £46,592,768).

Commitments of milestone payments to the life science investments are disclosed in note 20.

During the year, SIML charged the life science investments a total of £215,094 in relation to Directors' fees (31 March 2022: £222,406).

Investment Manager

SIML, an indirectly held subsidiary of the Company, is the Investment Manager of the Group.

For the year ended 31 March 2023, SIML was entitled to receive reimbursement of reasonably incurred expenses as it relates to its investment management activities. In the year ended 31 March 2022 this was capped at 1.05% per annum of the Company's NAV. This cap was removed during the year effective from 1 April 2022.

	2023 £'000	2022 £'000
Amounts paid to SIML	**12,121**	10,699

Amounts owed to SIML in respect of management fees totalled £1,374,098 as at 31 March 2023 (31 March 2022: £1,047,525).

During the year, SIML received fees from the Group's portfolio companies of £864,632 (31 March 2022: £615,342).

Company Directors

As at the year end, the Company had seven Directors, all of whom served in a non-executive capacity. Rob Hutchinson also serves as a Director of the General Partner.

Directors' remuneration for the years ended 31 March 2023 and 31 March 2022, excluding expenses incurred, and outstanding Directors' remuneration as at the end of the year, are set out below:

	2023 £'000	2022 £'000
Directors' remuneration for the year	**499**	419
Payable at end of the year	**–**	–

Shares held by the Directors can be found in the Report of the Remuneration Committee. The directors of Syncona Limited together hold 0.04% (31 March 2022: 0.04%) of the Syncona Limited voting shares.

The Syncona Foundation

Charitable donations are made by the Company to The Syncona Foundation. The Syncona Foundation was incorporated in England and Wales on 17 May 2012 as a private company limited by guarantee, with exclusively charitable purposes, and holds the Deferred Share in the Company. The amount donated to The Syncona Foundation during the year ended 31 March 2023 was £2,428,478 (31 March 2022: £2,691,553).

Other related parties

As at 31 March 2023, the Company has a receivable from the Partnership, Holding Company and Syncona Portfolio Limited amounting to £15,438 (31 March 2022: £15,409), £5,426,437 (31 March 2022: £5,431,409) and £15,438 (31 March 2022: £15,409), respectively.

17. FINANCIAL INSTRUMENTS

In accordance with its investment objectives and policies, the Group holds financial instruments which at any one time may comprise the following:

- securities and investments held in accordance with the investment objectives and policies;
- cash and short-term receivables and payables arising directly from operations; and
- derivative instruments including forward currency contracts.

The financial instruments held by the Group are comprised principally of the investments in the Holding Company and the Partnership

Details of the Group's significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of its financial assets and liabilities are disclosed in note 2.

	2023 £'000	2022 £'000
Financial assets at fair value through profit or loss		
The Holding Company	**919,958**	980,282
The Partnership	**338,300**	342,950
Total financial assets at fair value through profit or loss	**1,258,258**	1,323,232
Financial assets measured at amortised cost		
Bank and cash deposits	**11**	276
Other financial assets	**10,143**	9,878
Total financial assets measured at amortised cost	**10,154**	10,154
Financial liabilities at fair value through profit or loss		
Provision for share based payments	**(7,296)**	(17,847)
Total financial liabilities at fair value through profit or loss	**(7,296)**	(17,847)
Financial liabilities measured at amortised cost		
Other financial liabilities	**(6,461)**	(5,698)
Total financial liabilities measured at amortised cost	**(6,461)**	(5,698)
Net financial assets	**1,254,655**	1,309,841

The financial instruments held by the Group's underlying investments are comprised principally of life science investments, hedge, equity, credit, long-term alternative investment funds, short-term UK treasury bills and cash.

The table below analyses the carrying amounts of the financial assets and liabilities held by the Holding Company by category as defined in IFRS 9 (see note 2).

	2023 £'000	2022 £'000
Financial assets at fair value through profit or loss		
Investment in subsidiaries	**924,567**	984,794
Total financial assets at fair value through profit or loss	**924,567**	984,794
Financial assets measured at amortised cost[1]		
Current assets	**847**	947
Financial liabilities measured at amortised cost[1]		
Current liabilities	**(5,456)**	(5,459)
Net financial assets of the Holding Company	**919,958**	980,282

1. Has a fair value which does not materially differ to amortised cost.

17. FINANCIAL INSTRUMENTS CONTINUED

The table below analyses the carrying amounts of the financial assets and liabilities held by the Partnership by category as defined in IFRS 9.

	2023 £'000	2022 £'000
Financial assets at fair value through profit or loss		
Listed investments	**445,141**	279,473
Unlisted investments	**134,422**	39,857
Investment in subsidiaries	**40,386**	31,651
Total financial assets at fair value through profit or loss	**619,949**	350,981
Financial assets measured at amortised cost[1]		
Current assets	**67,973**	476,586
Financial liabilities measured at amortised cost[1]		
Current liabilities	**(349,622)**	(484,617)
Net financial assets of the Partnership	**338,300**	342,950

1. Has a fair value which does not materially differ to amortised cost.

Capital risk management

The Group's objectives when managing capital include the safeguarding of the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group does not have externally imposed capital requirements.

The Group may incur indebtedness for the purpose of financing share repurchases or redemptions, making investments (including as bridge finance for investment obligations), satisfying working capital requirements or to assist in payment of the charitable donation, up to a maximum of 20% of the NAV at the point of obtaining debt. The Group may utilise gearing for investment purposes if, at the time of incurrence, it considers it prudent and desirable to do so in light of prevailing market conditions. There is no limitation on indebtedness being incurred at the level of the underlying investments.

18. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS

Financial risk management

The Group is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including market price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. These risks have existed throughout the year and the Group's policies for managing them are summarised below.

The risks below do not reflect the risks of the underlying investment portfolios of certain of the financial assets at fair value through profit or loss. The Group has significant indirect exposure to a number of risks through the underlying portfolios of the investment entities. There is no mechanism to control these risks without considerably prejudicing return objectives.

Due to the lack of transparency in certain underlying assets, in particular certain of those held by the Partnership, it is not possible to quantify or hedge the impact of these risks on the portfolio as each investment entity may have complex and changing risk dynamics that are not easily observable or predictable. These risks will include interest, foreign exchange and other market risks which are magnified by gearing in some, not many cases, resulting in increased liquidity and return risk.

Syncona Limited

Syncona Limited is exposed to financial risks through its investments in the Holding Company and the Partnership. The risks and policies for managing them are set out in the following sections.

The Holding Company

Market price risk

The Holding Company invests in early-stage life science companies that typically have limited products in development, and any problems encountered in development may have a damaging effect on that company's business and the value of the investment.

This is mitigated by the employment of highly experienced personnel, the performance of extensive due diligence prior to investment and ongoing performance monitoring.

Foreign currency risk

Foreign currency risk represents the potential losses or gains on the life science investments' future income streams and the potential losses or gains on investments made in United States Dollars ("USD") and Swiss Francs ("CHF") by the Holding Company's underlying investments.

The following tables present the Holding Company's assets and liabilities in their respective currencies, converted into the Group's functional currency.

	CHF £'000	USD £'000	GBP £'000	2023 Total £'000
Financial assets at fair value through profit or loss	64,203	310,625	549,739	**924,567**
Cash and cash equivalents	–	–	847	**847**
Payables[1]	–	–	(5,456)	**(5,456)**
Total	64,203	310,625	545,130	**919,958**

	CHF £'000	USD £'000	GBP £'000	2022 Total £'000
Financial assets at fair value through profit or loss	59,818	370,772	554,204	984,794
Cash and cash equivalents	–	–	297	297
Receivables	–	–	650	650
Payables[1]	–	–	(5,459)	(5,459)
Total	59,818	370,772	549,692	980,282

1. In which 99.44% (31 March 2022: 99.49%) is payable within the Group.

Foreign currency sensitivity analysis

The following table details the sensitivity of the Holding Company's NAV to a 10% change in the GBP exchange rate against the USD and CHF with all other variables held constant. The sensitivity analysis percentage represents the Investment Manager's assessment, based on the foreign exchange rate movements over the relevant period and of a reasonably possible change in foreign exchange rates.

	2023 USD £'000	2023 CHF £'000	2022 USD £'000	2022 CHF £'000
10% increase	**41,490**	**7,134**	35,663	6,646
10% decrease	**(33,946)**	**(5,837)**	(29,179)	(5,438)

Interest rate risk

Interest rate risk is negligible in the Holding Company as minimal cash and no debt is held.

Liquidity risk

Liquidity risk is the risk that the financial commitments made by the Holding Company are not able to be met as they fall due. The Holding Company holds minimal cash and has no access to debt and instead relies on liquidity from the Partnership. The liquidity risk associated with the Partnership is set out in the Partnership section.

18. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS CONTINUED

The table below details the Holding Company's liquidity analysis for its financial assets and liabilities.

	<12 months £'000	>12 months £'000	2023 Total £'000
Financial assets at fair value through profit or loss	–	924,567	**924,567**
Cash and cash equivalents	847	–	**847**
Receivables	–	–	**–**
Payables	(35)	(5,421)	**(5,456)**
Total	812	919,146	**919,958**
Percentage	0.1%	99.9%	**100.00%**

	<12 months £'000	>12 months £'000	2022 Total £'000
Financial assets at fair value through profit or loss	–	984,794	984,794
Cash and cash equivalents	297	–	297
Receivables	–	650	650
Payables	(37)	(5,422)	(5,459)
Total	260	980,022	980,282
Percentage	0.0%	100.0%	100.0%

The Partnership

Market price risk

The overall market price risk management of each of the fund holdings of the Partnership is primarily driven by their respective investment objectives. The Partnership's assets include investments in multi-asset funds and segregated portfolios which are actively managed by appointed investment managers with specific objectives to manage market risk. The Investment Manager assesses the risk in the Partnership's fund portfolio by monitoring exposures, liquidity, and concentrations of the underlying funds' investments, in the context of the historic and current volatility of their asset classes, and the Investment Manager's risk appetite. The maximum risk resulting from financial instruments is generally determined by the fair value of underlying funds. The overall market exposure as at 31 March 2023 and 31 March 2022 is shown in the Consolidated Statement of Financial Position.

The financial instruments are sensitive to market price risk; any increase or decrease in market price will have an equivalent effect on the market value of the financial instruments.

Foreign currency risk

Foreign currency risk represents the potential losses or gains the Partnership may suffer through holding foreign currency assets in the face of foreign exchange movements. The Partnership's treatment of currency transactions is set out in note 2 to the Consolidated Financial Statements under "Translation of foreign currency" and "Forward currency contracts". Currency risk exists in the underlying investments, the analysis of which is not feasible.

The investments of the Partnership are denominated in USD, Euro ("EUR") and GBP. The Partnership's functional and presentation currency is £; hence, the Consolidated Statement of Financial Position may be significantly affected by movements in the exchange rates between the foreign currencies previously mentioned. The Investment Manager may manage exposure to EUR and USD movements by using forward currency contracts to hedge exposure to investments in EUR and USD-denominated share classes.

The following tables present the Partnership's assets and liabilities in their respective currencies, converted into the Group's functional currency.

	USD £'000	EUR £'000	GBP £'000	2023 Total £'000
Financial assets at fair value through profit or loss	123,311	18,565	478,073	**619,949**
Cash and cash equivalents	40,519	27	26,644	**67,190**
Trade and other receivables	1	–	782	**783**
Payables[1]	(249,160)	–	(95,825)	**(344,985)**
Distributions payable	–	–	(4,637)	**(4,637)**
Total	(85,329)	18,592	405,037	**338,300**

1. In which 99.97% (31 March 2022: 99.18%) is payable within the Group.

	USD £'000	EUR £'000	GBP £'000	2022 Total £'000
Financial assets at fair value through profit or loss	3,899	27,418	319,664	350,981
Cash and cash equivalents	354,553	28	121,205	475,786
Trade and other receivables	2	–	798	800
Payables[1]	(334,998)	–	(145,369)	(480,367)
Distributions payable	–	–	(4,250)	(4,250)
Total	23,456	27,446	292,048	342,950

1. In which 99.97% (31 March 2022: 99.18%) is payable within the Group.

Foreign currency sensitivity analysis

The following table details the sensitivity of the Partnership's NAV to a 10% change in the GBP exchange rate against the USD and EUR with all other variables held constant. The sensitivity analysis percentage represents the Investment Manager's assessment, based on the foreign exchange rate movements over the relevant period and of a reasonably possible change in foreign exchange rates.

	2023 USD £'000	2023 EUR £'000	2022 USD £'000	2022 EUR £'000
10% increase	**(8,534)**	**1,592**	2,355	2,745
10% decrease	**8,534**	**(1,592)**	(2,355)	(2,745)

Interest rate risk

Interest receivable on bank deposits or payable on bank overdrafts is affected by fluctuations in interest rates, however the effect is not expected to be material. All cash balances receive interest at variable rates. Interest rate risk may exist in the Partnership's underlying investments, the analysis of which is impractical due to the lack of visibility over the underlying information required to perform this analysis within the Partnership's investments.

Credit risk

Credit risk in relation to listed securities transactions awaiting settlement is managed through the rules and procedures of the relevant stock exchanges. In particular, settlements for transactions in listed securities are affected by the credit risk of the Citco Custody (UK) Limited (the "Custodian") which acts as the custodian of the Partnership's assets, on a delivery against payment or receipt against payment basis. Transactions in unlisted securities are affected against binding subscription agreements. Credit risk may exist in the Partnership's underlying fund investments, the analysis of which is impractical due to the lack of visibility over the underlying information required to perform this analysis within the Partnership's investments.

The Partnership invests in short-term treasury bills and considers the associated credit risk to be negligible. The Partnership's financial assets are 46.5% (31 March 2022: 51.8%) short-term treasury bills.

The principal credit risks for the Partnership are in relation to deposits with banks. The securities held by the Custodian are held in trust and are registered in the name of the Partnership. Citco is "non-rated"; however, the Investment Manager takes comfort over the credit risk of Citco as they have proven to rank amongst the "Best in Class" and "Top rated" in the recognised industry survey, carrying a global presence and over 40 years of experience in the provision of custodian and other services to their clients and the hedge fund industry. The credit risk associated with debtors is limited to other receivables.

The Group's cash and cash equivalents are held with major financial institutions; the two largest ones hold 79% and 20% respectively (31 March 2022: 85% and 14% respectively).

Liquidity risk

The Partnership is exposed to the possibility that it may be unable to liquidate certain of its assets as it otherwise deems advisable as the Partnership's underlying funds or their managers may require minimum holding periods and restrictions on redemptions. Further, there may be suspension or delays in payment of redemption proceeds by underlying funds or holdbacks of redemption proceeds otherwise payable to the Partnership until after the applicable underlying fund's financial records have been audited. Therefore, the Partnership may hold receivables that may not be received by the Partnership for a significant period of time, may not accrue any interest and ultimately may not be paid to the Partnership. As at 31 March 2023, no (31 March 2022: Nil) suspension from redemptions existed in any of the Partnership's underlying investments.

The Partnership invests in short-term treasury bills and considers the associated liquidity risk to be negligible. The Partnership's financial assets are 46.5% (31 March 2022: 51.8%) short-term treasury bills.

18. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS CONTINUED

The table below details the Partnership's liquidity analysis for its financial assets and liabilities. The table has been drawn up based on the undiscounted net cash flows on the financial assets and liabilities that settle on a net basis and the undiscounted gross cash flows on those financial assets and liabilities that require gross settlement.

	Within 1 month £'000	>1 to 3 months £'000	>3 to 12 months £'000	>12 months £'000	2023[1] Total £'000
Financial assets at fair value through profit or loss	320,284	166,425	59,853	73,387	**619,949**
Cash and cash equivalents	67,190	–	–	–	**67,190**
Trade and other receivables	783	–	–	–	**783**
Payables	(344,985)	–	–	–	**(344,985)**
Distributions payable	–	(4,637)	–	–	**(4,637)**
Total	43,272	161,788	59,853	73,387	**338,300**
Percentage	12.8%	47.8%	17.7%	21.7%	**100.0%**

	Within 1 month £'000	>1 to 3 months £'000	>3 to 12 months £'000	>12 months £'000	2022[1] Total £'000
Financial assets at fair value through profit or loss	279,473	–	–	71,508	350,981
Cash and cash equivalents	475,786	–	–	–	475,786
Trade and other receivables	800	–	–	–	800
Payables	(480,367)	–	–	–	(480,367)
Distributions payable	–	(4,250)	–	–	(4,250)
Total	275,692	(4,250)	–	71,508	342,950
Percentage	80.3%	(1.2)%	0.0%	20.9%	100.0%

1. The liquidity tables above reflect the anticipated cash flows assuming notice was given to all underlying investments as at 31 March 2023 and 31 March 2022 and that all treasury bills are held to maturity. They include a provision for "audit hold back" which most hedge funds can apply to full redemptions and any other known restrictions the managers of the underlying funds may have placed on redemptions. Where there is currently no firm indication from the underlying manager on the expected timing of the receipt of redemption proceeds, the relevant amount is included in the ">12 months" category. The liquidity tables are therefore conservative estimates.

19. FAIR VALUE MEASUREMENT

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

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices) or other market corroborated inputs; and
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

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

The following table presents the Group's financial assets by level within the valuation hierarchy as at 31 March 2023 and 31 March 2022:

Assets	Level 1 £'000	Level 2 £'000	Level 3 £'000	2023 Total £'000
Financial assets at fair value through profit or loss				
The Holding Company	–	–	919,958	**919,958**
The Partnership	–	–	338,300	**338,300**
Total assets	–	–	1,258,258	**1,258,258**

Assets	Level 1 £'000	Level 2 £'000	Level 3 £'000	2022 Total £'000
Financial assets at fair value through profit or loss				
The Holding Company	–	–	980,282	980,282
The Partnership	–	–	342,950	342,950
Total assets	–	–	1,323,232	1,323,232

The investments in the Holding Company and the Partnership are classified as Level 3 investments due to the use of the adjusted NAV of the subsidiaries as a proxy for fair value, as detailed in note 2. The subsidiaries hold some investments valued using techniques with significant unobservable inputs as outlined in the sections that follow.

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

The following table presents the Holding Company's financial assets and liabilities by level within the valuation hierarchy as at 31 March 2023 and 31 March 2022:

Asset type	Level	31 March 2023 £'000	31 March 2022 £'000	Valuation technique	Significant unobservable inputs	Impact on valuation £'000
Listed investment	1	**73,943**	121,226	Publicly available share bid price as at statement of financial position date	N/A	N/A
SIML	3	**6,108**	5,822	Net assets of SIML	Carrying value of assets and liabilities determined in accordance with generally accepted accounting principles, without adjustment. A sensitivity of 5% (31 March 2022: 5%) of the NAV of SIML is applied.	+/- £305
Milestone payments resulting from sale of subsidiary	3	**54,516**	49,802	Discounted Cash Flow	The main unobservable inputs consist of the assigned probability of milestone success and the discount rate used.	PoS: +/- £6,447 Discount rate: £8,486
Deferred consideration	3	**15,882**	–	Discounted Cash Flow	The main unobservable inputs consist of the assigned probability of milestone success and the discount rate used.	PoS: +/- £10,963 Discount rate: £5,343
Calibrated PRI[1]	3	**427,552**	325,662	Calibrated PRI	The main unobservable input is the quantification of the progress investments make against internal financing and/or corporate milestones where appropriate. A reasonable shift in the fair value of the investment would be +/-10% (31 March 2022: +/-18%).	+/- £42,755
Cash[2]	N/A	**294**	543	Transaction price	N/A	N/A
Other net assets[3]	N/A	**346,272**	481,739	Transaction price	N/A	N/A
Total financial assets held at fair value through profit or loss		924,567	984,794			

1. Valuation made by reference to price of recent funding round unadjusted following adequate consideration of current facts and circumstances.
2. Cash and other net assets held within the Holding Company are primarily measured at amortised cost which is equivalent to their fair value.
3. Other net assets primarily consists of a receivable due from the Partnership totalling £344.9 million.

19. FAIR VALUE MEASUREMENT CONTINUED

The following table presents the movements in Level 3 investments of the Holding Company for the year ended 31 March 2023 and 31 March 2022:

	Life science investments £'000	Milestone payments £'000	SIML £'000	2023 Total £'000	2022 Total £'000
Opening balance	325,662	49,802	5,822	**381,286**	303,804
Purchases during the year	154,051	–	2,312	**156,363**	107,817
Sales during the year	(15,311)	–	–	**(15,311)**	(325,837)
(Losses)/gains on financial assets at fair value through profit or loss	(36,850)	20,596	(2,026)	**(18,280)**	295,502
Transfer from Level 3	–	–	–	**–**	–
Closing balance	427,552	70,398	6,108	**504,058**	381,286

The net loss for the year included in the Consolidated Statement of Comprehensive Income in respect of Level 3 investments in the Holding Company held as at the year end amounted to £18,280,000 (31 March 2022: £295,502,000).

During the year, there were no movements from Level 3 to Level 1 (31 March 2022: £Nil).

The following table presents the Partnership's financial assets and liabilities by level within the valuation hierarchy as at 31 March 2023 and 31 March 2022:

Asset type	Level	31 March 2023 £'000	31 March 2022 £'000	Valuation technique	Significant unobservable inputs	Impact on valuation £'000
UK treasury bills	1	**284,960**	179,984	Publicly available price as at statement of financial position date	N/A	N/A
Capital pool investment fund – Credit funds	2	**101,566**	99,489	Valuation produced by fund administrator. Inputs into fund components are from observable inputs	N/A	N/A
Capital pool investment fund – Multi-asset funds	2	**58,615**	–	Valuation produced by fund administrator. Inputs into fund components are from observable inputs	N/A	N/A
Capital pool investment fund – Multi-asset funds	3	**101,421**	–	Valuation produced by fund administrator	The main unobservable inputs include the assessment of the performance of the underlying assets by the fund administrator. A fair reasonable shift in the fair value of the instruments would be +/-5% (31 March 2022: N/A).	+/- £5,071
Legacy funds – Long-term unlisted investments	3	**33,001**	39,857	Valuation produced by fund administrator	The main unobservable inputs include the assessment of the performance of the underlying fund by the fund administrator. A reasonable possible shift in the fair value of the instruments would be +/-13% (31 March 2022: +/-10%).	+/- £4,290
CRT Pioneer Fund	3	**32,727**	28,183	Valuation produced by fund administrator and adjusted by management	Unobservable inputs include the fund manager's assessment of the performance of the underlying investments and adjustments made to this assessment to generate the deemed fair value. A reasonable possible shift in the fair value of the instruments would be +/-36% (31 March 2022: +/-48%).	+/- £11,782
Cash[1]	N/A	**74,863**	475,786	Transaction price	N/A	N/A
Other net liabilities[2]	N/A	**(348,853)**	(480,349)	Transaction price	N/A	N/A
Total financial assets held at fair value through profit or loss		**338,300**	342,950			

1. Cash and other net liabilities held within the Partnership are primarily measured at amortised cost which is equivalent to their fair value.
2. Other net liabilities primarily consists of a payable due to Syncona Portfolio Limited totalling £344.9 million.

During the year ended 31 March 2023, there were no movements from Level 1 to Level 2 (31 March 2022: £Nil).

Assets classified as Level 2 investments are primarily underlying funds fair-valued using the latest available NAV of each fund as reported by each fund's administrator, which are redeemable by the Group subject to necessary notice being given. Included within the Level 2 investments above are investments where the redemption notice period is greater than 90 days. Other assets within the Level 2 investments are daily traded credit funds priced using the latest market price equivalent to their NAV. Such investments have been classified as Level 2 because their value is based on observable inputs. The Group's liquidity analysis is detailed in note 18.

Assets classified as Level 3 long-term unlisted investments are underlying funds which are not traded or available for redemption. The fair value of these assets is derived from quarterly statements provided by each fund's administrator.

The following table presents the movements in Level 3 investments of the Partnership for the year ended 31 March 2023:

	Investment in subsidiary £'000	Capital pool investment £'000	2023 Total £'000	2022 Total £'000
Opening balance	31,651	39,857	**71,508**	82,844
Purchases	–	100,352	**100,352**	2,592
Return of capital	–	(10,551)	**(10,551)**	(9,070)
Gains/(losses) on financial assets at fair value	8,735	4,764	**13,499**	(4,858)
Closing balance	40,386	134,422	**174,808**	71,508

The net gains/losses for the year included in the Statement of Comprehensive Income in respect of Level 3 investments of the Partnership held as at the year end amounted to £13,499,000 gains (31 March 2022: £4,858,000 losses).

20. COMMITMENTS AND CONTINGENCIES

The Group had the following commitments as at 31 March 2023:

	2023 Uncalled commitment £'000	2022 Uncalled commitment £'000
Life science portfolio		
Milestone payments to life science companies	**85,143**	82,617
CRT Pioneer Fund	**2,499**	3,424
Capital pool investments	**1,585**	2,429
Total	**89,227**	88,470

There were no contingent liabilities as at 31 March 2023 (March 2022: Nil). The commitments are expected to fall due in the next 36 months.

21. SUBSEQUENT EVENTS

These Consolidated Financial Statements were approved for issuance by the Directors on 14 June 2023. Subsequent events have been evaluated until 14 June 2023.

Since the balance sheet date, share price movements resulted in an increase in value of the listed life science investments of £17.1 million as at 13 June 2023.

At 31 March 2023, SwanBio Therapeutics Limited ("SwanBio") was running fundraising processes to bring in external capital required to finance the company as a platform-based business and to progress the lead programme into clinical trials. Management had reasonable expectations based on investor activity that these fundraising processes would generate the additional external funding by early June 2023. Prior to the year end Syncona put in place two convertible loan notes to provide SwanBio ongoing funding to support the entire platform through to the end of June 2023, and beyond this, to support SBT101 to complete low dose cohort whilst it continues to pursue fundraising.

At the date these financial statements are approved, the fundraising processes continue to progress with no offers generated yet. Ongoing investor discussions led Syncona and SwanBio's management to believe that these processes were unlikely to generate additional capital by the end of June. Consequently, on 14 June 2023, SwanBio decided to restructure the programme pipeline to focus solely on its lead asset, SBT101. Management believes this provides further evidence that external capital access was constrained at the year end and has assessed and accounted its impact as an adjusting post-balance sheet event. The drawdown of the second convertible loan was conditional on this restructuring, in the absence of external fundraising, to fund the business through to the end of its low dose cohort to generate data and whilst it continues to look at financing and strategic options for the business.

21. SUBSEQUENT EVENTS CONTINUED

The restructuring of the programmes changed the investment thesis of SwanBio from a platform-based business (with four pipeline programmes) to a single asset business. This triggered Management to revisit the valuation of SwanBio and write off the value attributed to the programmes no longer being progressed.

SwanBio is valued using calibrated cost in line with the investment valuation policy as described in note 2. The change in investment thesis due to the restructuring has resulted in a reduction in the fair value of SwanBio from £109.9 million to £58.2 million at the year end. This was determined through assessing the value of SBT101 relative to the total valuation of SwanBio as a platform company attributed by Syncona previously at the Series B funding and applying this percentage to the total capital invested in the company, exclusive of any funding which was allocated specifically to SBT101. This has resulted in a calibration adjustment of 47% of cost being applied to the valuation of SwanBio.

SwanBio continues to make positive progress post-year end. This supports the judgement made by Management that value is maintained within the SBT101 programme.

AIFMD DISCLOSURES (UNAUDITED)

REPORT ON REMUNERATION AND QUANTITATIVE REMUNERATION DISCLOSURE

Under the Alternative Investment Fund Managers Directive ("AIFMD"), we are required to make disclosures relating to remuneration of staff working for the Investment Manager for the year to 31 March 2023.

AMOUNT OF REMUNERATION PAID

The Investment Manager paid the following remuneration to staff in respect of the financial year ending on 31 March 2023 in relation to work on the Company:

	£m
Total staff	
Fixed remuneration	6.4
Variable remuneration	15.8[1]
	22.2
Of which senior management and risk takers	12
Number of beneficiaries	39

1. Including historical payments from the Syncona LTIP Scheme.

LEVERAGE

The Group may employ leverage and borrow cash, up to a maximum of 20 per cent of the NAV at the time of incurrence, in accordance with its stated Investment Policy. The use of borrowings and leverage has attendant risks and can, in certain circumstances, substantially increase the adverse impact to which the Group's investment portfolio may be subject. For the purposes of this disclosure, leverage is any method by which the Group's exposure is increased, whether through borrowing of cash or securities, or leverage embedded in foreign exchange forward contracts or by any other means. The AIFMD requires that each leverage ratio be expressed as the ratio between a Group's exposure and its Net Asset Value, and prescribes two required methodologies, the gross methodology and the commitment methodology (as set out in AIFMD Level 2 Implementation Guidance), for calculating such exposure. Using the methodologies prescribed under the AIFMD, the leverage of the Group is detailed in the table below:

	Commitment leverage as at 31 March 2023	Gross leverage as at 31 March 2023
Leverage ratio	0%	0%

OTHER RISK DISCLOSURES

The risk disclosures relating to risk framework and risk profile of the Group are set out in note 18 to the Consolidated Financial Statements on pages 126 to 130 and the principal risks and uncertainties on pages 69 to 74.

PRE-INVESTMENT DISCLOSURES

The AIFMD requires certain information to be made available to investors in an Alternative Investment Fund ("AIF") before they invest and requires that material changes to this information be disclosed in the Annual Report of the AIF. A notice giving AIFMD Article 23 Disclosures, setting out information on the Group's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information, is available on the Group's website at synconaltd.com (in the Regulatory Publications section within Investors).

The notice predominantly gives information by reference to the AIF's most recent Annual Report and accordingly will be updated to refer to this document following its publication.

DEPOSITARY REPORT

Report of the Depositary to the shareholders

We, Citco Custody (UK) Limited, are the appointed Depositary to Syncona Limited (the "AIF") in accordance with the requirements of Article 36 and Articles 21(7), (8) and (9) of the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (the "AIFM Directive").

We have enquired into the conduct of Syncona Investment Management Limited (the "AIFM") and the AIF for the year ended 31 March 2023, in our capacity as Depositary to the AIF. This report, including the opinion, has been prepared for and solely for the shareholders in the AIF, in accordance with the stated Depositary requirements in the FCA Investment Fund Sourcebook. We do not, in giving our opinion, accept or assume responsibility for any other purposes or to any other person to whom this report is shown.

Responsibilities of the Depositary

Our duties and responsibilities are outlined in the FCA Investment Fund Sourcebook. One of those duties is to enquire into the conduct of the AIFM and the AIF in each annual accounting period and report thereon to the shareholders. Our report shall state whether, in our opinion, the AIF has been managed in that period in accordance with the provisions of the AIF's Memorandum and Articles of Association and the FCA Investment Fund Sourcebook. It is the overall responsibility of the AIFM and the AIF to comply with these provisions. If either the AIFM or the AIF has not so complied, we as Depositary must state why this is the case and outline the steps which we have taken to rectify the situation.

Basis of Depositary opinion

The Depositary conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties as outlined in the FCA Investment Fund Sourcebook and to ensure that, in all material respects, the AIF has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the AIF's constitutional documentation and the appropriate regulations.

Opinion

In our opinion, the AIF has been managed during the year, in all material respects:

i. in accordance with the limitations imposed on the investment and borrowing powers of the AIF by the constitutional document; and by the AIFMD legislation as prescribed in the FCA Investment Fund Sourcebook; and

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

COMPANY SUMMARY AND E-COMMUNICATIONS FOR SHAREHOLDERS

THE COMPANY

Syncona is a leading healthcare company focused on creating, building and scaling a portfolio of global leaders in life science.

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

INFORMATION FOR SHAREHOLDERS

The Stock Exchange code for the shares is SYNC.

The Company publishes updates with a full investment portfolio review as at 30 September and 31 March each year. The Company also publishes an interim management statement as at 30 June and 31 December each year.

REGISTRAR SERVICES AND E-COMMUNICATIONS FOR SHAREHOLDERS

In line with a large number of other listed companies, the Company uses its website as its default method of publication of shareholder communications. When shareholder communications are placed on the website, shareholders are notified either by email (where they have previously agreed to receive communications by such means) or otherwise by post. Postal communications with shareholders are mailed to the address held on the share register.

To receive shareholder notifications electronically in future, shareholders should register their details free on: signalshares.com, using the 'shareholder reference' printed on correspondence from the registrar and the shareholder's registered address.

Any notifications and enquiries relating to registered share holdings, including a change of address or other amendment, should be directed to Link Asset Services.

By phone
UK: 0371 664 0300.
From overseas: +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate.

Open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

By email
shareholder.services@linkgroup.co.uk

By post
Link Group Shareholder Services, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL

Should you require further information, please visit: synconaltd.com.

Email: contact@synconaltd.com

GLOSSARY

AAV
Adeno-associated virus – a non-enveloped virus that can be engineered to deliver DNA to target cells.

ALL
Acute lymphocytic leukaemia – a cancer of the bone marrow and blood in which the body makes abnormal white blood cells.

BLA
Biologics License Application.

B-NHL
B cell non-Hodgkin's lymphoma.

CAGR
Compound Annual Growth Rate.

CAPITAL DEPLOYED/DEPLOYMENT
Follow-on investment in our portfolio companies and investment in new companies during the year. See alternative performance measures on page 140.

CAPITAL POOL
Capital pool investments plus cash less other net liabilities.
See alternative performance measures on page 140.

CAPITAL POOL INVESTMENTS
The underlying investments consist of cash and cash equivalents, including short-term treasury bills, listed fund investments and legacy fixed-term funds.

CAPITAL POOL INVESTMENTS RETURN
See alternative performance measures on page 140.

CAR T-CELL THERAPY
Chimeric antigen receptor T cell therapy – a type of immunotherapy which reprogrammes a patient's own immune cells to fight cancer.

CELL THERAPY
A therapy which introduces new, healthy cells into a patient's body, to replace those which are diseased or missing.

CLINICAL STAGE
Screened and enrolled first patient into a clinical trial.

CLL
Chronic lymphocytic leukaemia.

CNS
Central nervous system – a part of the body's nervous system comprised of the brain and spinal cord.

COMPANIES LAW
Companies (Guernsey) Law 2008.

COMPANY
Syncona Limited.

CRT PIONEER FUND
The Cancer Research Technologies Pioneer Fund LP. The CRT Pioneer Fund is managed by Sixth Element Capital and invests in oncology focused assets.

D&I
Diversity and inclusion.

FABRY DISEASE
A rare genetic disease resulting from a deficiency of the enzyme alpha-galactosidase A, leading to dysfunctional lipid metabolism and abnormal glycolipid deposits.

GAUCHER DISEASE
A genetic disorder in which a fatty substance called glucosylceramide accumulates in macrophages in certain organs due to the lack of functional GCase enzyme.

GENERAL PARTNER
Syncona GP Limited.

GENE THERAPY
A therapy which seeks to modify or manipulate the expression of a gene in order to treat or cure disease.

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

ICR
The Institute of Cancer Research.

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

INVESTMENT MANAGER
Syncona Investment Management Limited.

IPSC TECHNOLOGY
Induced pluripotent stem cells are a type of pluripotent stem cell which can be generated directly from mature cells (such as those of the skin or blood).

IRR
Internal Rate of Return.

LATE CLINICAL
Has advanced past Phase II clinical trials.

LEUKAEMIA
Broad term for cancers of the blood cells.

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

LIFE SCIENCE PORTFOLIO RETURN
See alternative performance measures on page 140.

LYMPHOCYTES
Specialised white blood cells that help to fight infection.

LYMPHOMA
A type of cancer that affects lymphocytes and lymphocyte producing cells in the body.

MACROPHAGES
A form of white blood cell and the principal phagocytic (cell engulfing) components of the immune system.

MANAGEMENT
The management team of Syncona Investment Management Limited.

MASS SPECTROMETRY
A technique used by which chemical substances are identified by the sorting of gaseous ions in electric fields according to their mass-to-charge ratios.

MELANOMA
A serious form of skin cancer that begins in cells known as melanocytes.

MES
Management Equity Shares.

MRNA
Messenger ribonucleic acid.

MYELOMA
A type of bone marrow cancer.

NET ASSET VALUE, NET ASSETS OR NAV
Net Asset Value ("NAV") is a measure of the value of the Company, being its assets – principally investments made in other companies and cash and cash equivalents held – minus any liabilities.

NAV PER SHARE
See alternative performance measures on page 140.

NAV RETURN
See alternative performance measures on page 140.

NSCLC
Non-small cell lung cancer – the most common form of lung cancer.

NZAM
The Net Zero Asset Managers initiative is an international group of asset managers who are committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner.

ONGOING CHARGES RATIO
See alternative performance measures on page 140.

PARTNERSHIP
Syncona Investments LP Incorporated.

PRE-CLINICAL
Not yet entered clinical trials.

RETURN
A Simple Rate of Return is the method used for return calculations.

SIML
Syncona Investment Management Limited.

STRATEGIC PORTFOLIO
Portfolio of core life science companies where Syncona has significant shareholdings.

SYNCONA GROUP COMPANIES
The Company and its subsidiaries other than those companies within the life science portfolio.

SYNCONA TEAM
The team of SIML, the Company's Investment Manager.

T CELL
A type of lymphocyte white blood cell, which forms part of the immune system and develops from stem cells in the bone marrow.

TCFD
The Task Force on Climate-related Financial Disclosures. First published in 2017, the TCFD recommendations act as a framework for assessing the physical and transition risks companies are exposed to from climate change and the transition to a green economy.

THE SYNCONA FOUNDATION
The Foundation distributes funds to a range of charities, principally those involved in the areas of life science and healthcare.

THIRD WAVE THERAPIES
Advanced biologics and genetic medicines such as gene therapy and cell therapy, and DNA/RNA medicines.

UN PRI
The United Nations Principles for Responsible Investment is a network of investors, who commit to working to promote sustainable investment.

VALUATION POLICY
The Group's investments in life science companies are, in the case of quoted companies, valued based on bid prices in an active market as at the reporting date. In the case of the Group's investments in unlisted companies, the fair value is determined in accordance with the International Private Equity and Venture Capital (IPEV) Valuation Guidelines. These may include the use of recent arm's length transactions (Price of Recent Investment or PRI), Discounted Cash Flow (DCF) analysis and earnings multiples as valuation techniques. Wherever possible, the Group uses valuation techniques which make maximum use of market-based inputs.

CAPITAL DEPLOYED

With reference to the life science portfolio valuation table on page 35. This is calculated as follows:

	2023	2022
A. Net investment in the period	**£154.7m**	£(203.0)m
B. Proceeds from sales	**£17.4m**	£325.8m
C. CRT Pioneer Fund distributions	**£5.1m**	£0.4m
Total capital deployed (A+B+C)	**£177.2m**	£123.2m

CAPITAL POOL

With reference to the life science portfolio valuation table on page 35. This is calculated as follows:

	2023	2022
A. Cash	**£82.8m**	£485.2m
B. Other assets and liabilities	**£(12.3)m**	£(19.7)m
C. Net cash (A+B)	**£70.5m**	£465.5m
D. UK and US Treasury bills	**£285.0m**	£180.0m
E. Credit investment funds	**£101.6m**	£99.5m
F. Multi-asset funds	**£160.0m**	–
G. Legacy funds	**£33.0m**	£39.9m
Total Capital Pool (C+D+E+F+G)	**£650.1m**	£784.9m

CAPITAL POOL RETURN

Gross Capital Pool return for 2023 is 5.5 per cent (2022: 1.6 per cent). Any small differences in calculation may be due to rounding of inputs. This is calculated as follows:

	2023	2022
Opening Capital Pool	**£784.9m**	£578.2m
Add back net liabilities not included in Gross Capital Pool	**£19.6m**	£38.9m
Less SIML cash	**£(8.2)m**	£(7.5)m
A. Opening Gross Capital Pool	**£796.3m**	£609.6m
Life science net investments and ongoing costs	**£(185.5)m**	£177.0m
B. Valuation movement	**£44.3m**	£9.7m
Closing Gross Capital Pool	**£655.1m**	£796.3m
Capital Pool return (B/A)	**5.5%**	1.6%

	2023	2022
Closing Gross Capital Pool	**£655.1m**	£796.3m
Add back SIML cash	**£7.3m**	£8.2m
Less net liabilities not included in Gross Capital Pool	**£(12.3)m**	£(19.6)m
Total Capital Pool	**£650.1m**	£784.9m

LIFE SCIENCE PORTFOLIO RETURN

Gross life science portfolio return for 2023 is (14.3) per cent (2022: 0.8 per cent). This is calculated as follows:

	2023	2022
A. Opening life science portfolio	**£524.9m**	£722.1m
Net investment in the period	**£154.7m**	£(203.0)m
B. Valuation movement	**£(75.0)m**	£5.9m
Closing life science portfolio	**£604.6m**	£524.9m
Life science portfolio return (B/A)	**(14.3)%**	(0.80)%

NAV PER SHARE

NAV takes account of dividends payable on the ex-dividend date. This is calculated as follows:

	2023	2022
A. NAV for the purposes of NAV per share	**£1,254,654,716**	£1,309,840,518
B. Ordinary Shares in issue (note 14)	**669,329,324**	666,733,588
C. Dilutive shares	**3,487,581**	6,880,057
D. Fully diluted number of shares (B+C)	**672,816,905**	673,613,645
NAV per share (A/D)	**186.5p**	194.4p

NAV RETURN

NAV return is a measure of how the NAV per share has performed over a period, considering both capital returns and dividends paid to shareholders. NAV return is calculated as the increase in NAV between the beginning and end of the period, plus any dividends paid to shareholders in the year. This is calculated as follows:

	2023	2022
A. Opening NAV per fully diluted share (note 14)	**194.4p**	193.9p
B. Closing NAV per fully diluted share (note 14)	**186.5p**	194.4p
C. Movement (B-A)	**(7.9)p**	0.5p
D. Dividend paid in the year (note 15)	**0.0p**	0.0p
E. Total movement (B+C-A)	**(7.9)p**	0.5p
NAV return (E/A)	**(4.06)%**	0.3%

ONGOING CHARGES RATIO

The ongoing charges ratio for 2023 is 0.88 per cent (2022: 0.48 per cent). Any small differences in calculation may be due to rounding of inputs. This is calculated as follows:

	2023	2022
Management fee	**£12.1m**	£10.7m
Directors' remuneration	**£0.5m**	£0.4m
Auditor's remuneration	**£0.3m**	£0.2m
Other ongoing expenses	**£1.8m**	£1.8m
Share based payment expense	**£(3.0m)**	£(7.3m)
A. Total ongoing expenses	**£11.7m**	£5.8m
B. Average NAV	**£1,320.5m**	£1,215.0m
Ongoing charges ratio (A/B)	**0.88%**	0.48%

ADVISERS

SECRETARY, ADMINISTRATOR AND REGISTERED OFFICE
Citco Fund Services (Guernsey) Limited
Frances House, PO Box 273, Sir William Place, St Peter Port, Guernsey GY1 3RD

INVESTMENT MANAGER
Syncona Investment Management Limited
2nd floor, 8 Bloomsbury Street, London WC1B 3SR, United Kingdom

DEPOSITARY AND CUSTODIAN
Citco Custody (UK) Limited
7 Albemarle Street, London W1S 4HQ, United Kingdom

AUDITORS
Deloitte LLP
PO Box 137, Regency Court, Glategny Esplanade, St Peter Port, Guernsey GY1 3HW

BROKERS
Goldman Sachs
Plumtree Court, 25 Shoe Lane, London EC4A 4AU, United Kingdom

Numis Securities
45 Gresham Street, London EC2V 7BF, United Kingdom

NOTES

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SYNCONA

SYNCONA LIMITED
Frances House
PO Box 273
Sir William Place
St. Peter Port
Guernsey GY1 3RD

investorrelations@synconaltd.com