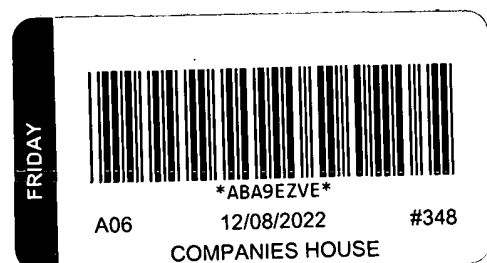


Registered number  
08767670

**Syncona Discovery Limited**  
**Annual Report and Financial Statements**  
**For the year ended 31 March 2022**



**Syncona Discovery Limited**  
**Report and financial statements**  
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**Syncona Discovery Limited**  
**Company Information for the year ended 31 March 2022**

**Directors**

Martin Murphy

Rolf Soderstrom (Appointed effective from 01/08/2021)

John Bradshaw (Resigned effective from 31/07/2021)

**Independent auditor**

Deloitte LLP

Regency Court,

Glategny Esplanade,

St. Peter Port,

Guernsey, GY1 3HW

**Registered office**

8 Bloomsbury Street,

London,

WC1B 3SR

**Registered number**

08767670

**Syncona Discovery Limited**  
**Directors' Report for the year ended 31 March 2022**

The Directors present their report and audited financial statements for the year ended 31 March 2022.

In preparing their report, the Directors have taken advantage of the exemption for small companies in accordance with section 415(A) of the Companies Act 2006. As a result Syncona Discovery Limited (the "Company") has taken the exemption not to produce a strategic report.

**Principal activities**

The business purpose of the Company is to invest in "The Cancer Research Technologies Pioneer Fund LP" ("The CRT Pioneer Fund"). The CRT Pioneer Fund is managed by Sixth Element Capital and invests in oncology focused assets.

**Results for the year**

The Company made a Loss of £9,228,966 (2021: Loss of £5,149,185) during the year ended 31 March 2022. On 31 March 2022, the Company paid no dividend during the year ended 31 March 2022 (2021: £0). The Company will hold the investment in The CRT Pioneer Fund in accordance with the terms of the associated agreements. It is not anticipated that the Company will make investments into other entities.

**Going Concern**

The Directors, have reviewed the cash flow, projected income and expenses over the next 12 months and based on the assessment of the Company's financial position, having considered the impact of COVID-19, believe that the Company has the ability to continue in operational existence for 12 months following the approval of the financial statements. Thus, it continues to adopt the going concern basis of accounting in preparing the annual financial statements. As explained in Note 14 to the financial statements, the Company has an undrawn commitment to the CRT Pioneer Fund of £3,423,530. The Directors of the Company are satisfied that Syncona Investments LP Incorporated (the Company's immediate parent) will provide support to the Company in satisfying these commitments and other obligations for the foreseeable future.

Further details regarding the adoption of the going concern basis can be found in Note 1 of the financial statements.

**Future developments**

The Directors expect the general level of activity to remain consistent with the year ended 31 March 2022 over the forthcoming year. Details of significant events since the statement of financial position date are contained in Note 17 to the financial statements.

**Financial risk management objectives and policies**

The principal risk to which the Company is exposed is investment risk. The Company is exposed to the effects on its investment in the CRT Pioneer Fund of market risk, liquidity risk and credit risk. The Company was not exposed to credit risk at the period end because it did not have any other material credit-risk-bearing assets. Please see Note 16 for further details.

**Supplier payment policy**

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction and to ensure that suppliers are made aware of the terms of payment.

**Capital structure**

Details of the authorised and issued share capital are shown in Note 9 to the financial statements. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

**Directors**

The Directors of the Company who served during the year and to the date of this report are set out below:

Martin Murphy  
Rolf Soderstrom (Appointed effective from 01/08/2021)  
John Bradshaw (Resigned effective from 31/07/2021)

**Syncona Discovery Limited**  
**Directors' Report for the year ended 31 March 2022**

**Directors' Report (continued):**

There were no Directors for whom remuneration was paid during the year. There were no Directors for whom retirement benefits are accruing under a money purchase or defined benefit scheme. There were no Directors who exercised share options during the year or became entitled to shares under a long-term incentive scheme.

**Political and charitable donations**

The Company made no political or charitable donations during the year (2021: nil).

**Disclosure of information to auditors**

Each Director in office at the date of approving this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware;
- and each Director has taken all the steps that ought to have been taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**Auditor**

Deloitte LLP has indicated its willingness to be appointed as auditors and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

**Directors' responsibilities statement**

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

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS102 the Financial Reporting Standard applicable in the UK and the Republic of Ireland. Under Company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report has been prepared in accordance with the provisions in Part 15 of the Companies Act 2006 applicable to companies entitled to use the small companies exemption.

The report was approved by the Board of Directors on 12 July 2022 and signed on its behalf by:



Rolf Soderstrom  
Director

**Syncona Discovery Limited****Independent auditor's report to the members of Syncona Discovery Limited  
Report on the audit of the financial statements****Opinion**

In our opinion the financial statements of Syncona Discovery Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of financial position;
- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

**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 Company 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**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.

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 Company'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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**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.

## **Syncona Discovery Limited**

### **Independent auditor's report to the members of Syncona Discovery Limited Report on the audit of the financial statements**

#### **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 Company'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 Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **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.*

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- determining the fair value of the unlisted Life science investments, which are early-stage businesses typically with limited products in development and / or production, involves significant management judgement. 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 to apply the policies, discount rates and/or probability of success rates that are consistent with the rest of the Syncona Ltd group. In addition to the judgement inherent in the valuation of these investments, management may seek to manipulate the valuation of the Life Science Investments to influence key performance indicators. As such there is an incentive to overstate investment valuation and we identified this as a potential area for fraud. To address this, we analysed the valuations performed by Sixth Element Capital LLP and management's expert (together "independent advisors"), and challenged the rationale for adopting a valuation approach different to that used by the independent advisors: inspected the latest financial information, investor reports, and other external information sources to assess whether there has been any indication of a change in fair value; and challenged management's assumptions over the appropriateness of the valuation methodology used, and whether other valuation methods may have been more appropriate, including comparison to independent valuations performed by management's expert.

**Syncona Discovery Limited****Independent auditor's report to the members of Syncona Discovery Limited  
Report on the audit of the financial statements**

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

**Report on other legal and regulatory requirements****Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Marc Cleeve, FCA (Senior statutory auditor)  
Deloitte LLP  
St Peter Port, Guernsey  
12 July 2022




**Syncona Discovery Limited**  
**Statement of Financial Position**  
**as at 31 March 2022**

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Investments	6	28,183,492	37,819,767
<b>Current assets</b>			
Cash at bank and in hand		3,473,307	1,238,750
<b>Total current assets</b>		<u>3,473,307</u>	<u>1,238,750</u>
<b>Creditors: amounts falling due within one year</b>	7	(12,420)	(16,920)
<b>Net current assets</b>		3,460,887	1,221,830
<b>Total assets less current liabilities</b>		<u>31,644,379</u>	<u>39,041,597</u>
<b>Net Assets</b>		<u>31,644,379</u>	<u>39,041,597</u>
<b>Capital and reserves</b>			
Share capital/premium	9	44,318,074	42,486,326
Retained earnings		(12,673,695)	(3,444,729)
<b>Total shareholder's funds</b>		<u>31,644,379</u>	<u>39,041,597</u>

The notes on pages 11 to 18 form an integral part of these financial statements.

The report was approved by the Board of Directors on 12 July 2022 and signed on its behalf by:

Rolf Soderstrom  
Director



12 July 2022

Registration number 8767670

**Syncona Discovery Limited**  
**Statement of Comprehensive Income**  
**for the year ended 31 March 2022**

	Notes	2022 £	2021 £
<b>Other Income</b>	2	4,876	775
Administrative expenses	3	(22,540)	(16,920)
Bank Charges		<u>(1,021)</u>	<u>(773)</u>
<b>Gross Loss</b>		<u>(18,685)</u>	<u>(16,918)</u>
<b>Operating Loss</b>		<u>(18,685)</u>	<u>(16,918)</u>
Unrealised Loss on financial assets at fair value through Profit or Loss	6	(9,210,281)	(5,132,267)
<b>Loss on ordinary activities before taxation</b>		<u>(9,228,966)</u>	<u>(5,149,185)</u>
Tax credit on Profit on ordinary activities	8	-	-
<b>Loss for the financial year</b>		<u><u>(9,228,966)</u></u>	<u><u>(5,149,185)</u></u>

The notes on pages 11 to 18 form an integral part of these financial statements.

All amounts relate to continuing operations.

There are no items meeting the definition of "other comprehensive income" recognised in the year. As such the loss for the year is the "total comprehensive loss" as defined by FRS 102.

**Syncona Discovery Limited**  
**Statement of Changes in Equity**  
**for the year ended 31 March 2022**

	<b>Note</b>	<b>Share capital/premium £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
At 1 April 2021		42,486,326	(3,444,729)	39,041,597
Loss for the year		-	(9,228,966)	(9,228,966)
Issue of share capital	11	1,831,748	-	1,831,748
Balance at 31 March 2022		<u>44,318,074</u>	<u>(12,673,695)</u>	<u>31,644,379</u>

		<b>Share capital/premium £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
At 1 April 2020		38,318,844	1,704,456	40,023,300
Loss for the year		-	(5,149,185)	(5,149,185)
Issue of share capital	11	4,167,482	-	4,167,482
Balance at 31 March 2021		<u>42,486,326</u>	<u>(3,444,729)</u>	<u>39,041,597</u>

The notes on pages 11 to 18 form an integral part of these financial statements.

**Syncona Discovery Limited**  
**Statement of Cash Flow**  
**for the year ended 31 March 2022**

	Notes	2022 £	2021 £
<b>Cash flows from operating activities</b>			
Loss for the period		(9,228,966)	(5,149,185)
Adjustments for:			
Movement in Unrealised Loss on investment		9,210,281	5,132,267
Decrease in debtors		-	15,450
(Increase)/Decrease in creditors		(4,500)	1,470
<b>Net Cash from operations</b>		<u>(23,185)</u>	<u>2</u>
Net cash (used)/generated from operating activities		<u>(23,185)</u>	<u>2</u>
<b>Investing activities</b>			
Payments to the CRT Pioneer Fund	6	(1,464,734)	(2,405,336)
Capital repayments received		1,890,728	1,238,748
<b>Cash (used)/generated in investing activities</b>		<u>425,994</u>	<u>(1,166,588)</u>
<b>Financing activities</b>			
Proceeds from issue of shares	9	1,831,748	2,405,336
<b>Cash generated by financing activities</b>		<u>1,831,748</u>	<u>2,405,336</u>
<b>Net cash generated</b>			
Cash generated by operating activities		(23,185)	2
Cash used in investing activities		425,994	(1,166,588)
Cash generated by financing activities		1,831,748	2,405,336
Net cash generated		<u>2,234,557</u>	<u>1,238,750</u>
Cash and cash equivalents at the beginning of the year		<u>1,238,750</u>	<u>-</u>
Cash and cash equivalents at the end of the year		<u>3,473,307</u>	<u>1,238,750</u>
Cash and cash equivalents comprise:			
Cash at bank		<u>3,473,307</u>	<u>1,238,750</u>

The notes on pages 11 to 18 form an integral part of these financial statements.

**Syncona Discovery Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2022**

**1 Accounting policies**

Syncona Discovery Limited ("the Company") is a private Company, limited by shares, incorporated in the United Kingdom, registration number 8767670. The registered office is 8 Bloomsbury Street, London, WC1B 3SR.

The financial statements are prepared in accordance with FRS102: The Financial Reporting Standard applicable in the UK and Republic of Ireland. There were no departures from that standard. The particular accounting policies adopted are described below.

***Basis of preparation***

The financial statements are prepared on a going concern basis under the historical cost convention modified for investments held at fair value; and in accordance with the Companies Act 2006 and FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. All income and expenditure is recognised in the financial statements on an accruals basis.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

***Going Concern***

The Directors, have reviewed the cash flow, projected income and expenses over the next 12 months and based on the assessment of the Company's financial position, having considered the impact of COVID-19, believe that the Company has the ability to continue in operational existence for 12 months following the approval of the financial statements. Thus, it continues to adopt the going concern basis of accounting in preparing the annual financial statements. As explained in Note 14 to the financial statements, the Company has an undrawn commitment to the CRT Pioneer Fund of £3,423,530. The Directors of the Company are satisfied that Syncona Investments LP Incorporated will and is able to continue to support the Company in satisfying these commitments for the foreseeable future.

***Key judgements, estimates and assumptions***

In applying Company policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Directors' judgments, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made and are based on historical experience and other factors that are considered to be applicable.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

***Sources of estimation uncertainty***

The Company's investment consists of an investment in the CRT Pioneer fund which is classified at fair value through Profit or Loss and are valued accordingly.

The key source of estimation uncertainty is the valuation of the investment in the CRT Pioneer Fund.

The CRT Pioneer Fund is invested in early-stage life science projects and companies. A market value can be difficult to determine for assets of this nature. The Company values its interest in the CRT Pioneer Fund by reference to the valuation provided by the manager of that fund, adjusted to reflect the Company's view on certain of the key valuation inputs. The difference between these two valuations gives rise to a 48% reduction to the value reported by the manager of CRT Pioneer Fund which is included in note 13. These assumptions could result in outcomes that would otherwise require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. The sensitivity of underlying assets to changes in discount rates or probabilities of success is deemed by management to be 15%.

The sensitivity takes into consideration the difference between the CRT Pioneer Fund valuation and the Company's own valuation of the investments held within the CRT Pioneer fund. The difference between these 2 valuations gives rise to a 48% difference which is therefore used as the sensitivity benchmark.

***Critical accounting judgement***

At 31 March 2022 the Company owns a 64.11% partnership interest of the CRT Pioneer Fund. Despite holding a majority stake in the fund the Company does not control CRT Pioneer Fund as Sixth Element Capital LLP manage the fund and make all decisions regarding the fund. As the Company does not control the CRT Pioneer Fund it is not consolidated into the Company's accounts but accounted for as a financial instrument. The Company does not have the ability to appoint a different investment manager. The Company has no influence over the fund which is an investment by the Company, which why it is not accounted for as an investment in associate.

**Syncona Discovery Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2022**

***Cash and cash equivalents***

Cash and cash equivalents are comprised of cash at hand and in bank.

***Expenditure***

Administration expenditure is accounted for on an accruals basis.

***Financial instruments***

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

The Company invests in the CRT Pioneer Fund which then invests in drug development and medical innovation projects or companies. These investments are expected to be in the research and development stage.

Investments are initially measured at fair value (which is normally the transaction price excluding transaction costs). These are then subsequently measured at fair value through Profit or Loss. The Board expects to value these investments using valuation techniques which are in line with the International Private Equity and Venture Capital ("IPEVC") guidelines.

***Taxation***

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date that are expected to apply to the reversal of the timing difference.

***Other Income***

Other income relates to income received from Syncona Investments LP Incorporated, which is used when the Company has insufficient funds to pay for Miscellaneous expenses. Other income is recognised when the significant risks and rewards are considered to have been transferred to the buyer.

<b>2 Analysis of Other income</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
By activity:		
Other income relating to bank charges	1,021	775
Other income	3,855	-
Total of other income	<u>4,876</u>	<u>775</u>

**Syncona Discovery Limited**  
**Notes to the Financial Statements**  
**for the year ended 31 March 2022**

**3 Profit on ordinary activities before taxation**

This is stated after charging:

	2022	2021
	£	£
Audit fee	10,000	9,000
Accountancy fee	12,540	7,920
Total	<u>22,540</u>	<u>16,920</u>

**4 Employee information**

The Company had no employees (2021: nil).

**5 Remuneration of Directors**

There were no Directors for whom remuneration was paid during the year. There were no Directors for whom retirement benefits are accruing under a money purchase or defined benefit scheme. There were no Directors who exercised share options during the year or became entitled to shares under a long-term incentive scheme.

**6 Investments**

	2022	2021
	£	£
<b>Cost</b>		
Cost at 1 April	38,191,527	35,262,793
Additions	1,464,734	4,167,482
Distributions	(1,890,728)	(1,238,748)
Cost at 31 March	37,765,533	38,191,527
Cumulative unrealised gain on financial assets at fair value through Profit or Loss	(9,582,041)	(371,760)
Fair Value at 31 March	<u>28,183,492</u>	<u>37,819,767</u>
Movement in unrealised (Loss)/Gain	<u>(9,210,281)</u>	<u>(5,132,267)</u>

The unrealised loss for the year was £9,210,281 (2021: unrealised loss of £5,132,267)

During the year, a distribution by the CRT Pioneer Fund was made. The distribution was allocated to the CRT Pioneer Fund's members according to their interest and was treated as a return of capital. An amount of £1,464,734 (2021: £2,405,336) was settled directly in cash payments. The Company directly settled additions totalling £1,097,721, whilst the immediate parent, Syncona Investments LP Incorporated, transferred £367,013 (2021: £1,757,146) on behalf of the Company. Shares were issued by the Company to fund its investment in the CRT Pioneer Fund.

For the movement in Shareholders' funds; please see note 11.

**7 Creditors: amounts falling due within one year**

	2022	2021
	£	£
Other creditors	-	7,920
Accruals	12,420	9,000
	<u>12,420</u>	<u>16,920</u>

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<b>8 Tax on Profit</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
The tax charge comprises:		
<b>Current tax on Profit</b>		
UK corporation tax	-	-
Adjustments in respect of prior years	-	-
<b>Total current tax</b>	<u>-</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
<b>Total deferred tax</b>	<u>-</u>	<u>-</u>
<b>Total tax credit on Profit</b>	<u><u>-</u></u>	<u><u>-</u></u>

The standard rate of tax applied to reported profit on ordinary activities is 19 per cent (2021: 19 per cent).

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of corporation tax to the Profit before tax is as follows:

<b>Profit before tax</b>	(9,228,966)	(5,149,185)
Tax on Profit at standard UK corporation tax rate of 19 per cent (2021: 19 per cent)	(1,753,504)	(978,345)
Effects of:		
Taxable income	(120,317)	(544,698)
Management expenses deductible	(187,386)	(753,670)
Tax losses surrendered for group relief	11,108	9,044
Adjustment to deferred tax charge in respect of previous years	1,259,659	-
Other tax adjustments	-	17,703
Adjustment due to difference in tax rate	-	-
Deferred tax asset/(liability) not recog	790,440	2,249,966
<b>Total tax charge / (credit)</b>	<u><u>-</u></u>	<u><u>-</u></u>

<b>Deferred taxation</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Deferred tax arising from revaluation of Investments at Fair Value through Profit or Loss		
At 1 April	-	-
Deferred tax credit in Statement of Comprehensive Income	-	-
<b>At 31 March</b>	<u><u>-</u></u>	<u><u>-</u></u>

The deferred tax asset is not recognised and represents losses carried forward. Deferred tax is not recognised on these losses because there is uncertainty on whether these losses will be utilised in the future.



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9 Called up share capital	Nominal value	2022	2021
Allotted, called up and fully paid:			
Ordinary shares	£1 each	<u>44,318,055</u>	<u>42,486,310</u>

During the year a further 1,831,745 (2021: 4,167,480), shares were allotted (May 367,013, August 174,691, November 174,691, January 748,337, February 367,013) for £1,831,748 (2021: £4,167,482). At the year end a total of 44,318,055 (2021: 42,486,310), shares had been allotted for £44,318,073 (2021: £42,486,326) There are no unallotted shares.

10 Share premium	2022 £	2021 £
At 1 April	16	14
Shares issued	2	2
At 31 March	<u>18</u>	<u>16</u>

Shares issued in the year totalled 1,831,745 shares with £1,831,748 consideration received (2021: £4,167,482).

Shares issued in the year relate to investments made by the immediate parent Syncona Investments LP Incorporated. The issue of shares is used to fund the commitments to the CRT Pioneer Fund.

Share premium relates to the excess in payments made as a result of the amounts invested calculated to the pence which are allocated to shares with a nominal value of £1.00.

11 Reconciliation of movements in shareholder's funds	2022 £	2021 £
At 1 April	39,041,597	40,023,300
(Loss) for the financial year	(9,228,966)	(5,149,185)
Shares issued	<u>1,831,748</u>	<u>4,167,482</u>
At 31 March	<u>31,644,379</u>	<u>39,041,597</u>

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**12 Related party transactions**

Syncona Investments LP Incorporated (the "Parent" in a limited partnership "Partnership") paid the cash consideration of £367,013 (2021: £1,762,146) in respect of its share subscriptions directly to the CRT Pioneer Fund on behalf of the Company.

At the year end the Company had two Directors. There were no fees paid to the Directors in the year.

**13 Fair value measurement**

FRS 102 requires the Company 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 FRS 102 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 judgment by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The Company's investment in the CRT Pioneer Fund is classified as a Level 3 investment, as this is not traded or available for redemption. The CRT Pioneer Fund is held at the valuation provided by the fund administrator adjusted to reflect the Company's standard discount rate and market standard probability of success rates. 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.

Year ended 31 March 2022:

Security Description	Fair Value (£)	Valuation Methodology	Unobservable Inputs	Ranges
CRT Pioneer Fund	28,183,492	Adjusted fund administrator valuation	Valuation of underlying investments	+/-£13,528,076

Year ended 31 March 2021:

Security Description	Fair Value (£)	Valuation Methodology	Unobservable Inputs	Ranges
CRT Pioneer Fund	37,819,767	Adjusted fund administrator valuation	Valuation of underlying investments	+/-£8,698,546

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The following table presents the movements in Level 3 investments of the Company for the year ended 31 March 2022:

	2022	2021
	£	£
Opening balance	37,819,767	40,023,300
Called up capital	1,464,734	4,167,482
Return of capital	(1,890,728)	(1,238,748)
Movement in unrealised gain of financial assets at FVTPL	(9,210,281)	(5,132,267)
Closing balance	<u>28,183,492</u>	<u>37,819,767</u>

The increase in the cost of level 3 investments is due to investments made in the year, less the distribution as described in Note 6.

**14 Commitments**

The Company had the following commitments as at 31 March 2022:

Security description	Total Commitment	Drawn Commitment	Undrawn Commitment
	£	£	£
CRT Pioneer Fund	44,875,000	41,451,470	3,423,530

The Company had the following commitments as at 31 March 2021:

Security description	Total Commitment	Drawn Commitment	Undrawn Commitment
	£	£	£
CRT Pioneer Fund	44,875,000	39,986,735	4,888,265

**15 Ultimate controlling party**

The Company's Parent Company is Syncona Investments LP Incorporated, a limited partnership incorporated in Guernsey with a registered office of Arnold House, St Julian's Avenue, St. Peter Port, Guernsey, GY1 3RD. The Company's Ultimate Parent Company and ultimate controlling party is Syncona Limited which was incorporated in Guernsey and registered as a closed-ended investment company.

The Company's Ultimate Parent's financial statements are available from the London Stock Exchange and on the Company's website [www.synconaltd.com](http://www.synconaltd.com).

**16 Financial risk management and associated risks**

*Capital Risk Management*

The Company's objectives when managing capital include the safeguard of the Company'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 Company does not have externally-imposed capital requirements.

*Financial Risk Management*

The Company 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 company's policies for managing them are summarised below.

*Market price risk*

The Company's activities expose it primarily to the market price risk of changes in market prices through the investment in the CRT Pioneer Fund. It represents the potential gain or loss the Company may suffer through holding market positions in the face of price movements.

This is partially mitigated by the employment of highly experienced personnel and the performance of extensive due diligence prior to investment.

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A 48% increase or decrease in the market price of the CRT Pioneer Fund would result in an increase or decrease of +/-£13,528,076 (2021: +/-£8,698,546) in the value of the CRT Pioneer Fund.

*Foreign currency risk*

Foreign currency risk arises from fluctuations in the value of a foreign currency against a reporting currency. The Company's shares are denominated in Pound Sterling, its operating expenses are incurred in Sterling, and its investments in CRT Pioneer Fund are denominated in Sterling. The Company's functional and presentation currency is Sterling. The Company is not exposed to significant foreign currency risk as the Company does not have many transactions in foreign currencies.

*Interest rate risk*

Interest rate risk represents the uncertainty of investment return due to changes in the market rates of interest. The Company is not exposed to significant interest rate risk as the Company holds minimal cash and has no

*Credit Risk*

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Company. The Company has no third-party receivables, the only receivables in the Company relate to an intercompany receivable from the Partnership. The Company is not exposed to significant credit risk as the Company does not hold external receivables and there is a cash position as at 31 March 2022.

The company banks with Citco Bank Nederland N.V. which itself is not rated but holds assets with institutions with no lower than an A-2 credit rating, by S&P composition which means it has satisfactory capacity to meet its financial commitments.

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments in a reasonable timeframe or at a reasonable price. The largest risk relates to the CRT Pioneer Fund commitments of the Company. This is managed by the Partnership's liquid assets including cash balances. The Company is not exposed to significant liquidity risk as the Company is expected to receive funding from the Partnership to meet these commitments.

The directors have assessed the liquidity of the Partnership and are confident in its ability to provide funding to meet the Company's commitments as and when they fall due.

**17 Subsequent Events**

These financial statements were approved for issuance by the Board on 12 July 2022. Subsequent events have been evaluated until this date.

The Directors continue to monitor the Company's assets and strategy in light of the latest market events including inter alia, the war in Ukraine, inflationary and interest rate rises, and Covid-19 impacts. At the date of signing are not aware of any direct or immediate post year end impacts that materially affect the financial statements.