SILENCE THERAPEUTICS

Delivering precision engineered medicines

ANNUAL REPORT 2020

CONTENTS

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silence-therapeutics.com

Welcome

Our vision is to transform peoples' lives around the world by silencing diseases through our precision engineered medicines and driving positive change for the communities around us.

WHO WE ARE

We are pioneers in RNAi therapeutics with know-how accumulated over two decades. Silence is proud to be a global and diverse company from our locations to our culture and expertise spanning across bioinformatics to drug discovery and clinical development.

WHAT WE DO

We are developing a deep pipeline of innovative siRNA therapies – in-house and with our partners – for diseases with a genetic basis. The depth and versatility of our mRNAi GOLD™ platform gives us the opportunity to address a wide range of conditions in virtually any therapeutic area.

OUR TECHNOLOGY

Our mRNAi GOLD™ platform leverages a naturally occurring process in the body, RNAi, to create medicines that precisely target and 'silence' disease-associated genes in the liver. This platform is well validated with multiple clinical studies ongoing and broad strategic collaborations in place.

Read more about our business on pages 6 to 8

OPERATIONAL HIGHLIGHTS

- Advanced both wholly owned product candidates, SLN360 for cardiovascular disease due to high Lipoprotein(a), or Lp(a), levels and SLN124 for thalassaemia and myelodysplastic syndrome (MDS)
  - > SLN360 received approval of an investigational new drug application (IND) by the FDA and we initiated the APOLLO Phase 1 study in people with high Lp(a) levels
  - > SLN124 was granted by the FDA rare paediatric disease designation for thalassaemia and orphan drug designations for MDS and thalassaemia
  - > Initiated the GEMINI Phase 1 study of SLN124 in healthy volunteers
- Secured significant collaboration with AstraZeneca to discover and develop siRNA therapeutics for up to 10 targets in cardiovascular, renal, metabolic and respiratory diseases
  - > Upfront cash payment of $20m received and another $40m due in the first half of 2021
  - > Deal economics include up to $400m in milestone payments and royalties for each programme
- Expanded RNAi collaboration with Mallinckrodt plc for complement-mediated diseases with Mallinckrodt exercising options to license two additional complement protein targets from us, bringing the total to the maximum three programmes envisaged in the collaboration deal
- Commenced a technology evaluation with Takeda to explore the potential of using our mRNAi GOLD™ platform against a novel, undisclosed and proprietary target
- Appointed Dr. Giles Campion as Executive Director, Dr. Marie Wikström Lindholm as Senior Vice President, Molecular Design, Dr. Eric Floyd as Senior Vice President, Head of Global Regulatory Affairs and Quality Assurance and Dr. Barbara Ruskin as Senior Vice President, General Counsel and Chief Patent Officer
- Launched a Scientific Advisory Board comprising world-leading scientists and clinicians to support the optimisation of our mRNAi GOLD™ platform and guide development strategies for SLN360 and SLN124
- Completed U.S. listing and our American Depository Shares (ADSs) began trading on the Nasdaq Capital Market (Nasdaq) under the symbol 'SLN' on 8 September 2020
- Appointed Mark Rothera as our President, Chief Executive Officer and Board member

FINANCIAL HIGHLIGHTS

Financial highlights for the year ended 31 December 2020

Cash and cash equivalents and term deposits

£37.4m

2019: £33.5m

Net cash outflow from operating activities

£10.8m

2019: £1.7m inflow

Loss after tax

£32.5m

2019: £19.6m

- The cash flow from operating activities was £10.8m outflow (2019: £1.7m inflow) against an operating loss of £35.8m (2019: £22.7m). 2020 included receipts of $20m upfront from AstraZeneca, $2.0m in milestones from Mallinckrodt, and a $2.0m upfront from Takeda
- 2020 loss was higher primarily due to increased research and development spend in relation to our SLN360 and SLN124 proprietary programmes, as well as general and administrative expenses mainly relating to the Nasdaq listing

POST PERIOD HIGHLIGHTS

Total available resources at 31 December 2020

£97.5m*

- Appointed Dr. Michael H. Davidson, a leading expert in lipidology and cardiovascular clinical trials, to our Board of Directors as Non-Executive Director, and Craig Tooman to our Executive Leadership Team as Chief Financial Officer
- Completed an oversubscribed $45m (c. £33m) private placement led by top-tier US institutional healthcare funds
- Initiated dosing in the APOLLO Phase 1 study of SLN360 in people with high Lp(a) levels
- Initiated work with Mallinckrodt on the third complement target which triggered a $2.0m research milestone payment to us
- Completed enrolment in the GEMINI Phase 1 study of SLN124 in healthy volunteers
- Initiated the GEMINI II Phase 1b study of SLN124 in people with thalassaemia and MDS

* Total available resources at 31 December 2020 is a non-statutory measure and is calculated based on the year end cash and deposits balance of £37.4m, plus the £29.3m ($40m) receivable from AstraZeneca due in the first half of 2021, plus net proceeds of £30.8m from the February 2021 PIPE capital raise.

Chairman's statement

Iain Ross
Chairman

> Most importantly, our priority in the current situation has been to ensure the well-being and safety of our employees, patients, and partners, whilst conscientiously safeguarding the interests of you, our shareholders.

Dear shareholder,

That was the year that was…

As I write this, we are still in the midst of the COVID-19 pandemic. No business has been left untouched by the impact of the virus, and at Silence Therapeutics, we have effectively taken all necessary steps to reduce the potential negative impact on our business. Most importantly, our priority in the current situation has been to ensure the well-being and safety of our employees, patients, and partners, whilst conscientiously safeguarding the interests of you, our shareholders. Accordingly, we have taken the necessary precautions and we will continue to monitor the spread of the virus and implement subsequent actions carefully so the business is in its strongest possible position to maximise the opportunity when the international vaccination programmes are rolled out and restrictions are finally lifted. During the period under review our employees have done an amazing job to maintain the integrity of our business despite the unprecedented conditions.

The pace has quickened…

In last year's annual report, I made it clear I thought that "Silence had come of age". This was clearly demonstrated in the second half of 2019 and throughout 2020, and I can confirm the pace has quickened. We have made significant progress across all facets of the business as outlined in this year's CEO's report. Notably, our R&D organisation and capabilities have been significantly strengthened and the development of our potentially world-class clinical assets progressed. Independently and together with our business partners, we have ongoing clinical trials and clinical trials planned to start. However, we recognise that global measures against COVID-19 and the need to prioritise healthcare resources have undoubtedly affected the timelines of these studies. As a result, we have put in place contingency measures and, although the timing of the initial results from clinical studies may be affected, we remain confident that in 2021 we are well placed to expediently progress our wholly owned SLN360 and SLN124 programmes and our partnered programmes and achieve significant clinical milestones.

During the year we have concluded additional pivotal partnering agreements with big pharma including AstraZeneca, and also with biotech and academic groups and thereby not only accessed capabilities and assets but also considerably strengthened our balance sheet by securing further non-dilutive funding. In parallel, as we have achieved further clinical and regulatory milestones for each of our wholly owned programmes, there has been a growing excitement amongst researchers, clinicians, patient groups and further potential partners.

A competent and cohesive team is now in place…

During the year we opened our office in New York, listed on Nasdaq and made further key management appointments across the organisation. In September 2020 we appointed our new CEO, Mark Rothera, who brings the experience we need to capitalise on the progress to date and to build the business going forward. Despite the backcloth of COVID-19, in 2020 Silence Therapeutics was designated a Great Place to Work®[1] in both the UK and Germany, which is further testament to our management and employees with their high level of competence and commitment.

Governance…

We remain committed to high standards of governance and continue to comply with the regulatory standards required of an AIM listed and Nasdaq foreign private issuer ("FPI") company. Also, we are committed to an effective control environment to maintain high standards throughout the Company. In addition to appointing our new CEO, during the year we invited Dr Giles Campion, Head of R&D and CMO to join the Board as an Executive Director to ensure R&D remains at the front and centre of our thinking. Post period we further strengthened the Board with the appointment of Dr Michael Davidson as Non-Executive Director. Michael brings relevant clinical experience in the cardiovascular sector and also an extensive background in the US biotech sector.

Outlook – it is now about execution…

This past year has not been without its challenges, but with the continued support of our major shareholders and the dedication of a highly resilient and focused management team, I am confident that, by executing on our strategy in relation to our pipeline delivery, portfolio focus, geographic expansion and commercial goals, we now have the momentum and ability to deliver on our ambitious targets for 2021 and beyond.

On behalf of the business, I want to extend our thanks to all our stakeholders, shareholders, partners and suppliers, who have supported the business over the past year. As a final word, I would like to share my sincere thanks to our employees for their hard work and commitment in 2020. With their dedication and determination, we have navigated a transformational journey, and during the COVID-19 era, which has enabled us to achieve our goals for the Company while setting a foundation to deliver long-term advantage. I am proud of their achievements and look forward to working with them on the next stage of our journey in 2021.

Iain Ross
Chairman

[1] Companies must meet Great Place to Work® criteria and pass the Trust Index employee survey in order to get Great Place to Work-Certified.

Chief Executive Officer's review

Mark Rothera
Chief Executive Officer

Alongside advancing our wholly owned pipeline, developing high-value collaborations is a core part of our strategy and we made great strides with this in 2020.

Dear shareholder,

2020 was a transformational year for Silence, highlighted by remarkable scientific and corporate progress. After 20 years of developing our science in the field of RNAi, we enter 2021 as a clinical-stage company with three Phase 1 data readouts anticipated this year. Since joining the Company in September 2020, I have been immensely impressed with our innovative science, unparalleled know-how and the dedication of our team. I believe Silence is poised for substantial growth and our team is focused on strong execution with a clear near-term path to value creation.

Exceptional progress...

Silence is showing rapid progress towards realising our potential, with several important milestone achievements in 2020, and this progress has continued at pace in 2021. In 2020, we made significant progress with our proprietary mRNAi GOLD™ (GalNAc OLigonucleotide Discovery) platform, advancing both wholly owned candidates, SLN360 for the high and prevalent unmet need in reducing cardiovascular risk due to high lipoprotein(a) – Lp(a) – levels and SLN124 for rare iron loading anaemia conditions thalassaemia and myelodysplastic syndrome (MDS).

In the year, SLN360 received approval of an investigational new drug application (IND) from the FDA and we initiated the APOLLO Phase 1 study in people with high Lp(a), a genetically determined independent cardiovascular risk factor affecting up to 20% of the world's population. We also made significant progress with SLN124, which was granted rare paediatric disease designation for thalassaemia and orphan drug designation for MDS and adults with thalassaemia by the FDA. In the year, we were also pleased to initiate the GEMINI Phase 1 study of SLN124 in up to 24 healthy volunteers. Both assets are now in the clinic with three Phase 1 data readouts anticipated in 2021.

Alongside advancing our wholly owned pipeline, developing high-value collaborations is a core part of our strategy and we made great strides with this in 2020. This included a landmark deal with AstraZeneca for up to 10 programmes, a technology evaluation deal with Takeda for a first programme as well as deepening our collaboration with Mallinckrodt for complement-mediated diseases with Mallinckrodt exercising options on all three programmes covered by the agreement. Collectively these partnerships represent up to 14 programmes and economics of up to $6bn in potential milestones plus royalties.

The completion of our Nasdaq listing in September marked a significant step in our efforts to position ourselves more globally and gives us access to an important pool of capital, US biotech investors. Financially, we ended the year with a strong cash position of £37.4m, driven by payments received from our collaborations, particularly the $20m upfront from AstraZeneca. Combined with the capital raise we completed in February 2021 and payment due from AstraZeneca in the first half of 2021, we have a proforma cash balance of £97.5m.

Read more about our business on pages 6 to 8

The right people...

You can have the best science and technology in the world, but it does not matter if you do not have the right people and culture in place to execute your strategy. At Silence, I believe we have both. We have exceptional experience at every level, including a research and discovery team that has been operating now for 20 years in the RNAi field. In the year, we strengthened our executive leadership team, including appointments such as Dr. Giles Campion as Executive Director, Dr. Eric Floyd as Senior Vice President, Head of Global Regulatory Affairs and Quality Assurance, Dr. Barbara Ruskin as Senior Vice President, General Counsel and Chief Patent Officer and Dr. Marie Wikström Lindholm as Senior Vice President, Molecular Design. We also introduced a Scientific Advisory Board comprising world-leading scientists and clinicians to support the optimisation of our mRNAi GOLD™ platform and guide development strategies for SLN360 and SLN124. This momentum has continued into 2021 as we have appointed leading lipidology and cardiovascular clinical trial expert, Dr. Michael Davidson, to our Board of Directors and Craig Tooman, an experienced US public biotech company CFO to our leadership team.

Chief Executive Officer's review (continued)

CASH AND CASH EQUIVALENTS AND TERM-DEPOSITS

£37.4m

2019: £33.5m

A clear path to value creation...

It has taken a number of years for the RNA field to mature, and we have enjoyed watching it soar over the past year, highlighted by the FDA approval of two mRNA-based vaccines for COVID-19. There is more awareness and increasing appreciation for the potential benefits of mRNA-based therapeutics and I believe that Silence is well positioned to capitalise on this attractive market.

Over the years, Silence has built substantial know-how and expertise in the science of RNAi, which has given rise to our mRNAi GOLD™ platform that is now in the clinic. Since I joined Silence, we have conducted a detailed strategic business review and identified three core components of our strategy going forward – all based on our mRNAi GOLD™ platform.

Firstly, we must rapidly and effectively execute on our clinical programmes. We view SLN360 as a key strategic asset as this is a programme with blockbuster potential that we own outright. We're hopeful that the strong pre-clinical profile will translate well into the clinic and expect to report data from the ongoing APOLLO Phase 1 study of SLN360 in people with high Lp(a) in the second half of this year. Our plan is to rapidly advance SLN360 in the clinic, positioning ourselves to initiate phase 2 studies in the second half of 2022 while creating more value for the asset and options for the future. With SLN124, we expect data from the ongoing GEMINI Phase 1 study in healthy volunteers in the first half of this year. This study is important because we expect it to validate our preclinical findings that administering SLN124 effectively reduces iron overload by increasing hepcidin levels and it will be the first in-human data from our mRNAi GOLD™ platform. In parallel, we are evaluating SLN124 in the GEMINI II Phase 1b study in people with thalassaemia and MDS and intend to report interim data from the single-ascending dose portion in the second half of this year.

Next, we must ensure that we fully unleash the potential of our mRNAi GOLD™ platform. There are around 14,000 genes expressed in the liver and only around 1% of those genes are currently being targeted by an RNAi programme. To address this untapped opportunity, we are taking a two-pronged approach to target selection – pursuing both best-in-class and first-in-class opportunities that are focused in areas of significant unmet need with clear commercial opportunity. We intend to accelerate our discovery efforts to enable two to three INDs per year starting in 2023, including wholly owned plus partnership programmes.

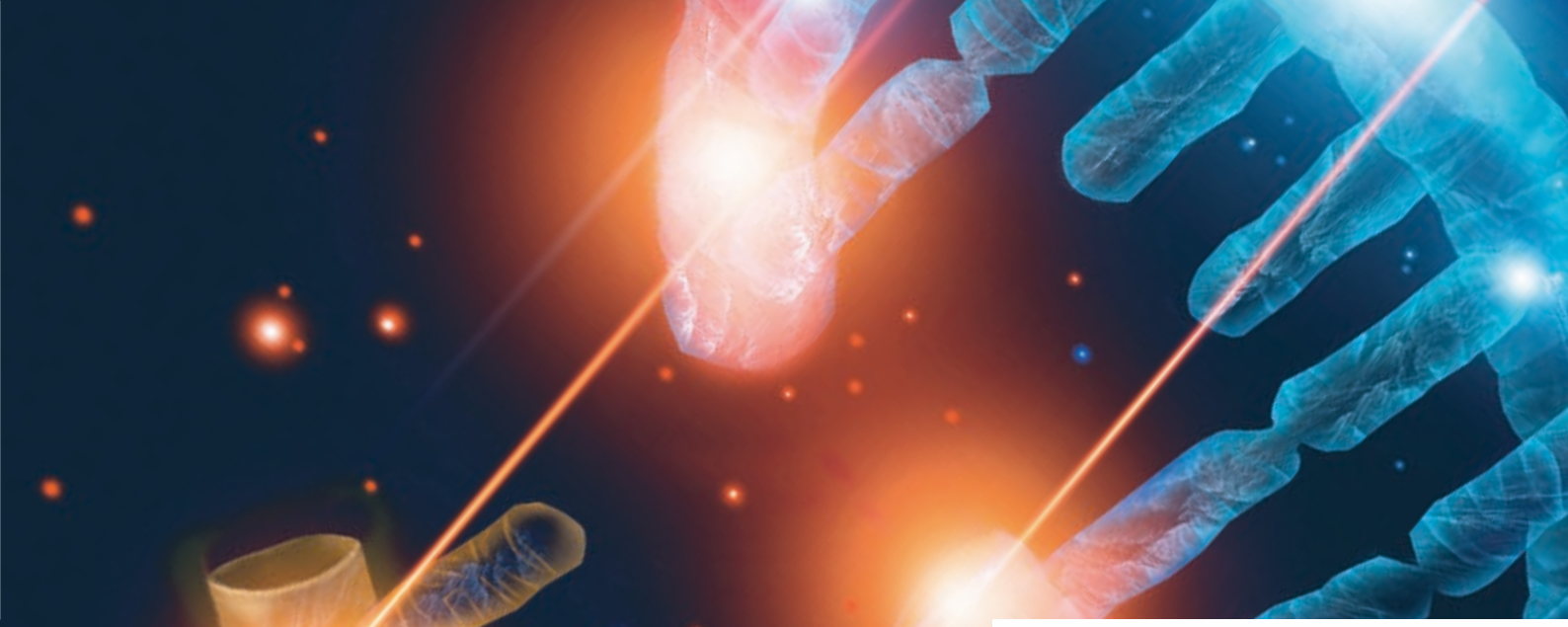
Finally, we will continue with our hybrid business model, building our wholly owned pipeline while developing partnership programmes that allow us to do more with our mRNAi GOLD™ platform. This hybrid approach creates a balance to rapidly grow our pipeline while enabling us to finance our endeavours largely through non-dilutive capital from partnership programmes. We believe this is especially worthwhile given the unusually high probability of success this modality has shown in the clinic amongst RNAi players.

Looking ahead...

I believe that this is our moment. We have deep scientific know-how in the RNAi field, two wholly owned programmes advancing in the clinic, validating partnerships, and a platform technology that is really at the beginning of what it can do. Importantly, we have the right team to drive execution. Our goal now is to effectively accelerate this development and position Silence as a leading global RNAi business.

We are truly motivated by our purpose to transform peoples' lives around the world through our precision engineered medicines and driving positive change for the communities around us. I look forward to keeping you updated on our progress.

Mark Rothera
Chief Executive Officer



How RNAi works

Our mRNAi GOLD™ is a platform for precision engineered therapies designed to accurately target and 'silence' specific disease-associated genes in liver cells by using the body's natural process of RNA interference (RNAi).

RNAi involves the use of short interfering RNAs (siRNAs) to break down messenger RNA (mRNA), molecules that carry the genetic instructions used to create specific proteins that have particular functions in the body. When mRNA is created from mutated genes, or the body makes too much of a certain mRNA, it affects the production of its corresponding protein, triggering an unwanted effect and/or causing disease.

By temporarily blocking or 'silencing' a specific gene's message, our technology halts or reverses the progress of disease by targeting the underlying disease source rather than the symptoms it causes.

Our mRNAi GOLD™ platform delivers gene silencing medicine to targeted liver cells in the body by combining siRNA molecules with chemical "address tags" called GalNAc, a naturally occurring sugar that attaches specifically to liver cells. These RNAi molecules can then enter liver cells and 'silence' targeted, disease-associated genes expressed in the liver.

Natural

Harnesses natural cellular mechanisms present in every cell in the human body

Durable

Long-lasting gene knockdown is possible

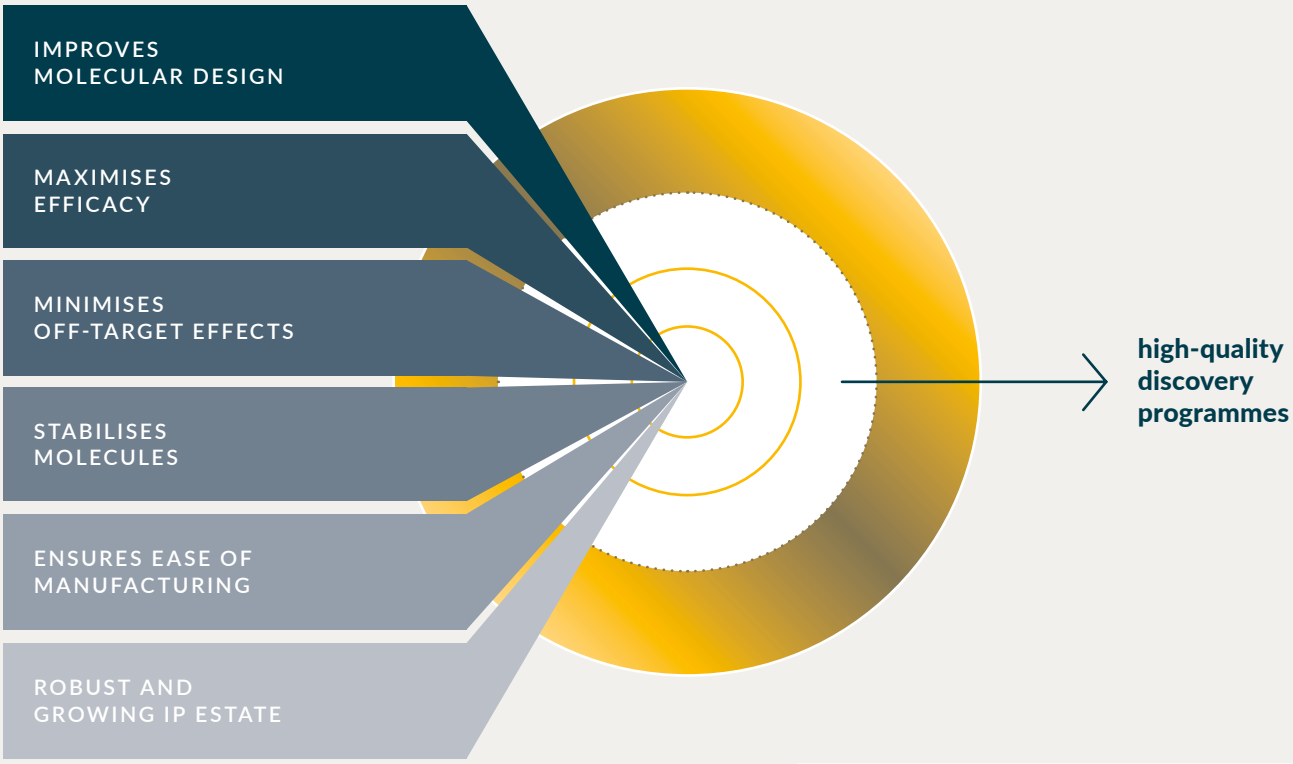
Precise

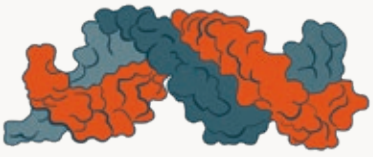
siRNA designed to bind only to target sequence

Our strategy

We are leveraging a hybrid business model based on our mRNAi GOLD™ platform to rapidly advance a growing pipeline of wholly owned programmes and partnership programmes for diseases with a genetic basis.

Our mRNAi GOLD™ platform: precision engineered therapies





Our mRNAi GOLD™ platform considers all elements of siRNA, linker and ligand design

siRNA molecule
- We have developed chemical modification patterns that enhance stability and improve activity

Linker
- We have developed proprietary linkers, enabling the attachment of targeting ligands to the siRNA molecule

GalNAc ligand
- We attach the GalNAc ligand to our siRNA molecule at one or more different sites for highly targeted delivery to specific liver cells

Intellectual property

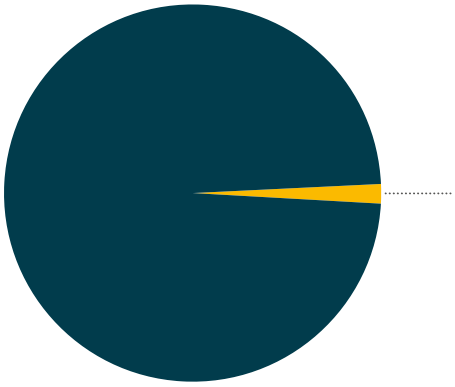
We have a robust and growing intellectual property estate covering our mRNAi GOLD™ platform, including all aspects of siRNA modification, delivery, construct design, specific drug products and their uses.

The depth and versatility of our liver-targeting technology gives us the opportunity to address a wide range of conditions in virtually any therapeutic area. Our mRNAi GOLD™ platform is well validated with multiple clinical studies ongoing and broad strategic collaborations in place.

We believe the opportunity for our mRNAi GOLD™ platform is substantial

Existing siRNA programmes have only scratched the surface of the liver target space

- Only ~1% of genes expressed in the liver have been targeted by publicly known siRNAs
- Opportunity to identify new GalNAc mRNAi drugs targeting many of the remaining 99% (~14,000) of liver-expressed genes



Maximising output through our mRNAi GOLD™ platform

- **High-quality target identification** using translational genomics
- **Lower attrition rates** in discovery enabled by machine learning
- **GalNAc strategic partnerships** to enhance pipeline opportunities (e.g. target selection)

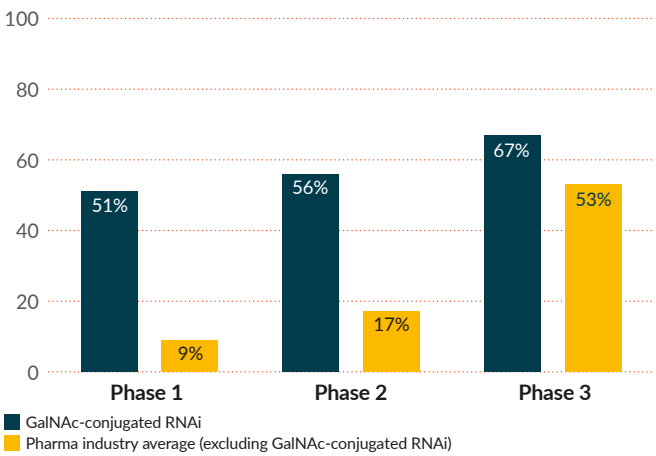
TARGETING

2–3 INDs/yr

FROM 2023 THROUGH OUR PROPRIETARY AND PARTNERED GALNAC PROGRAMMES

Early-stage GalNAc-conjugated RNAi programmes have a much greater likelihood of approval vs industry average

Likelihood of approval from current phase: GalNAc RNAi vs others



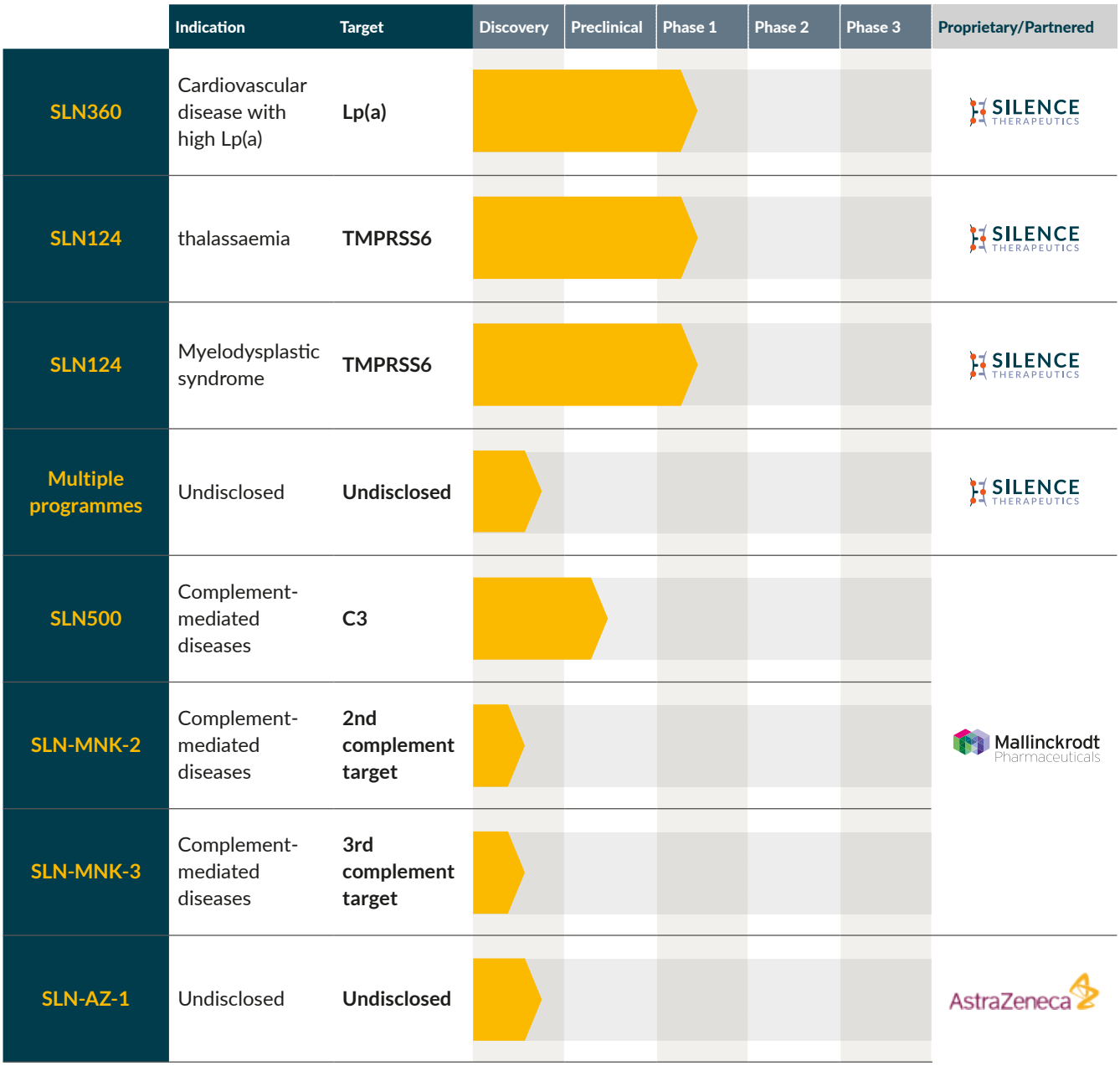
Note: Phase success is defined as the movement of the programme to the next phase, not an evaluation of whether endpoints were met. GalNAc-conjugated RNAi includes both GalNAc-conjugated siRNA and GalNAc-conjugated ASO.

Source: Pharmapremia, Informa Pharma Custom Intelligence analysis.

Our pipeline

Our mRNAi GOLD™ pipeline targets

We are committed to advancing our pipeline as efficiently as possible to potentially address the needs of patients who have limited or inadequate treatment options. Our wholly owned pipeline is currently focused in three therapeutic areas of high unmet need: haematology, cardiovascular disease, and rare diseases.



SLN360

for cardiovascular disease due to high lipoprotein(a)

Lipoprotein(a) or Lp(a) is an independent risk factor for cardiovascular disease

Lp(a) is a particle made by the liver, which consists of cholesterol, fats and proteins. Most people have some Lp(a) in their body, but up to 20% of individuals worldwide have high levels of Lp(a), because of a specific gene variation in their DNA. Most people are unaware if they have high Lp(a). People living with high Lp(a) have a higher risk of developing early heart disease, heart attacks and strokes. Most standard cholesterol tests do not currently include screening for Lp(a). Current medicines that are used to lower other lipid levels in the blood do not have a meaningful effect on Lp(a) and are less effective overall in people with high levels of Lp(a).

Targeting Lp(a) with SLN360 has the potential to address major unmet need in cardiovascular disease.

Cardiovascular risk significantly increases with high Lp(a)

Substantial risk of CV event at Lp(a) ~90 mg/dL

Event	Increased risk
Heart attack[1]	2–3x
Aortic stenosis[3]	2–3x
Heart failure[4]	1.6–1.8x
Ischaemic stroke[5]	1.2–1.6x
Mortality[6]	1.2–1.7x

780 million worldwide with >90 mg/dL Lp(a)

Lp(a) level:	>50 mg/dL	>90 mg/dL
Prevalence[6]	~20%	~10%
USA	66m	33m
EU	103m	51m
Globally	1,560m	780m

Note: Populations: USA 328.2 million, EU 513.5 million (incl. UK), Global 7,800 million.

1 Kamstrup et al. Circulation. 2008;117:176, Kamstrup et al. JAMA. 2009;301(22):2331.
2 Kamstrup et al. J Am Coll Cardiol. 2014;63(5):470.
3 Kamstrup et al. JACC Heart Fail. 2016;4(1):78.
4 Langsted et al. J Am Coll Cardiol. 2019;74(1):54.
5 Langsted et al. Eur Heart J. 2019;40(33):2760, Arsenault et al. JAMA Netw Open. 2020;3(2):e200129.
6 Varvel et al Arterioscler Thromb Vasc Biol. 2016;36:2239, Tsimikas et al. Atherosclerosis. 2020;300:1, Nordestgaard et al. Eur Heart J. 2010;31:2844.

SLN360 (continued)
for cardiovascular disease due to high lipoprotein(a)

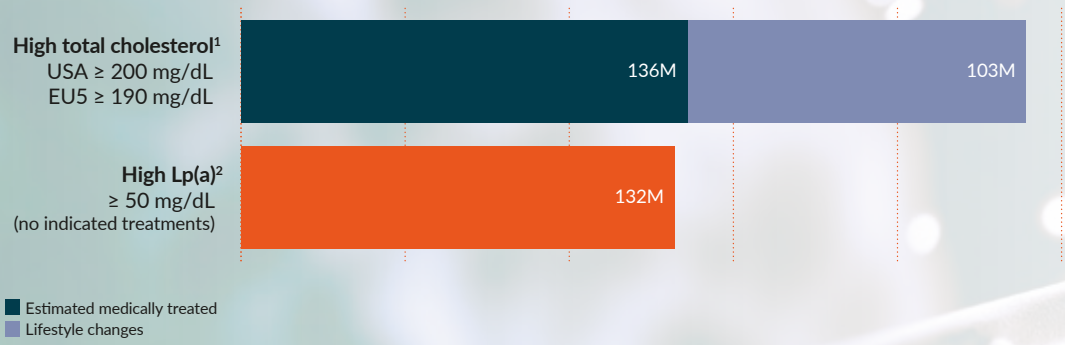
Lp(a)-lowering drugs present a similar opportunity to cholesterol-lowering drugs, which had over $30bn in sales at peak.

High cholesterol vs. high Lp(a) in cardiovascular disease

High cholesterol: Modifiable risk factor	High Lp(a): Genetic risk factor
Some patients require medical treatment: lifestyle changes can have a positive impact	**Most patients will require medical treatment:** lifestyle changes have no effect on Lp(a) levels

Similar medically treated population

Patients with high total cholesterol vs high Lp(a)
USA + EU5 markets[1,2,3]



Blockbuster potential

Sales of cholesterol-lowering drugs peaked at over $30bn[3,4]

Lipitor® (atorvastatin)	Crestor® (rosuvastatin)	Zocor® (simvastatin)
$12.9B	$7.0B	$5.2B
PEAK SALES	PEAK SALES	PEAK SALES

1 Datamonitor Healthcare | Informa 2018.
2 Varvel et al Arterioscler Thromb Vasc Biol. 2016;36:2239, Tsimikas et al. Atherosclerosis. 2020;300:1, Nordestgaard et al. Eur Heart J. 2010;31:2844.
3 Biomedtracker, Internal Analysis.
4 Kidd, J., Nat Rev Drug Discov. 2006;5(10):813.

About SLN360

Our wholly owned lead product candidate, SLN360, aims to 'silence' LPA, a gene that tells the body to make a specific protein that is only found in Lp(a). By directly targeting and silencing the LPA gene within the liver, SLN360 is designed to lower levels of Lp(a), which in turn is expected to lower the risk of premature cardiovascular disease.

In preclinical studies, SLN360 has demonstrated potent and sustained reduction of Lp(a) levels in in vitro and animal models and was not associated with any adverse or off-target effects.[1]

We are evaluating SLN360 in the APOLLO Phase 1 clinical programme in people with high levels of Lp(a).

APOLLO Phase 1 clinical programme

The APOLLO Phase 1 clinical programme is a global, randomised, double-blind, placebo controlled single-ascending dose and multiple-ascending dose study of SLN360 in up to 88 participants. It aims to investigate the safety, tolerability, pharmacodynamic and pharmacokinetic response of SLN360 in people with high Lp(a) levels of approximately ≥ 60 mg/dL.

We initiated the single-ascending dose portion of the APOLLO study in the second half of 2020 and anticipate data in the second half of 2021.[2]

1. Rider D, et al. Preclinical Safety Assessment of SLN360, A Novel Short Interfering Ribonucleic Acid Targeting LPA, presented at the American Heart Association (AHA) Scientific Sessions, November 2020.
2. All programmes are at potential risk of delay due to COVID-19.

SLN124
for iron loading anaemias

SLN124 aims to temporarily ‘silence’ *TMPRSS6*, a gene that prevents the liver from producing a particular hormone that controls iron levels in the body – hepcidin.

Myelodysplastic syndrome (MDS) and thalassaemia

MDS and thalassaemia are both rare diseases that prevent a person from producing enough healthy red blood cells. Low levels of healthy red blood cells, known as anaemia, result in less oxygen being delivered to different parts of the body. This can cause symptoms such as excessive tiredness and weakness. It can also lead to other serious health problems, such as heart disease. People living with MDS or thalassaemia can also store too much iron in their bodies, leading to a phenomenon called ‘iron overload’, which damages organs such as the heart and liver.

Both conditions are typically treated with regular blood transfusions, which add to the problem of iron overload. Iron chelation therapy removes excess iron from the body using special medicines. While it helps reduce the amount of iron in the blood for people with MDS or thalassaemia, it does not treat the underlying cause of the condition or stop it from progressing. There is therefore a need for therapies that directly address the biological drivers of disease.

About SLN124

SLN124 aims to temporarily ‘silence’ *TMPRSS6*, a gene that prevents the liver from producing a particular hormone that controls iron levels in the body – hepcidin. As hepcidin increases, it is hoped that iron levels in the blood will decrease, which could in turn allow more healthy red blood cells to be produced, thereby improving anaemia.

In the animal studies, SLN124 has shown positive effects on improving levels of red blood cells and reducing harmful iron levels.

We are evaluating SLN124 in Phase 1 studies in healthy volunteers and adults with thalassaemia and MDS. SLN124 has orphan drug designation for both conditions and rare pediatric disease designation for thalassaemia.

SLN124 (continued)
for iron loading anaemias

GEMINI Phase 1 study

GEMINI is a randomised, double-blind, placebo controlled, single-ascending dose study of SLN124 in healthy volunteers. The study aims to investigate the safety, tolerability, pharmacokinetic and pharmacodynamic response of SLN124 in up to 24 participants.

We initiated the GEMINI study in the second half of 2020 and expect data in the first half of 2021.[1]

GEMINI II Phase 1b study

GEMINI II is a global, randomised, single-blind, placebo controlled single-ascending and multiple-ascending dose study in up to 112 participants. It aims to investigate the safety, tolerability, pharmacokinetic and pharmacodynamic response of SLN124 in people with thalassaemia and MDS.

We initiated GEMINI II in the first half of 2021 and anticipate interim data from the single-ascending dose portion of the study in the second half of 2021.[1]

1. All programmes are at potential risk of delay due to COVID-19.

Collaborations

Our partnership programmes further expand the potential of our pipeline and provide up to $6bn in potential milestones plus royalties.

Company	Programme
AstraZeneca	**AstraZeneca:** signed major deal to discover, develop and commercialise siRNA therapeutics for cardiovascular, renal, metabolic and respiratory diseases in March 2020 • Upfront cash payment of $20m and equity investment of $20m received; another $40m cash payment due in the first half of 2021 • Up to $4bn in potential milestone and option payments plus tiered royalties for a total of ten targets • AstraZeneca to cover preclinical, CMC, clinical development and commercialisation costs
Mallinckrodt Pharmaceuticals	**Mallinckrodt:** expanded RNAi collaboration for complement-mediated diseases in July 2020 • Upfront cash payment of $20m and equity investment of $5m • Up to $2bn in potential milestones plus royalties for 3 targets • Exercised option to license all 3 complement targets
Takeda	**Takeda:** Commenced technology evaluation in January 2020 to explore the potential of using our platform to generate siRNA molecules against a novel, undisclosed target

Financial review

Craig Tooman
Chief Financial Officer

We ended the year in a strong financial position with £37.4m in cash, cash equivalents and term deposits. In addition, we received net proceeds of £30.8m post year-end in a capital raise and will receive £29.3m ($40m) from AstraZeneca in the first half of 2021. In total, this gives us £97.5m on a proforma basis, and sufficient resources to deliver clinical data using our mRNAi GOLD™ platform in 2021.

Revenue
Revenue recognised for 2020 increased to £5.5m (2019: £0.2m), driven by partial recognition of upfront, milestone payments, and recharges relating to the collaboration with Mallinckrodt, AstraZeneca and Takeda as well as royalty income from Alnylam Pharmaceuticals. The balance of the upfront, milestone and recharge amounts will be recognised as revenue in future years over the period which services are provided.

Research and development expenditure
Research and development spend in the year increased by £6.9m to £20.2m (2019: £13.3m), primarily driven by an increase in third party and personnel costs needed to support the advancement of both SLN360 and SLN124 into clinical studies as well as new partnership programmes with AstraZeneca, Takeda and Mallinckrodt.

Administrative expenses
General and administration expenses increased by £4.4m to £14.0m for 2020 (2019: £9.6m), primarily driven by additional finance and legal costs associated with the Nasdaq listing in September 2020.

Other (losses)/gains
The Group recognised an expense of £3.4m for 2020 (2019: £nil) mainly due to £4.9m of foreign exchange losses resulting from revaluation of foreign currency denominated monetary items, offset by a £1.5m gain on the fair value of derivative forward contract.

Finance and other income
The Group recognised income of £0.1m for 2020 (2019: £0.02m) in respect of bank interest receivable.

Finance and other expenses
The Group recognised an expense of £0.3m for 2020 (2019: £0.2m) mainly due to a foreign exchange losses resulting from revaluation of foreign currency denominated monetary items.

Taxation
Taxation for 2020 amounted to a credit of £3.5m compared to £3.3m for 2019, primarily reflecting the increase in our R&D expenses. During the year, the Group received a research and development tax credit of £3.0m in the UK in respect of R&D expenditure in 2019. The Group recognised a £3.5m credit in the profit and loss account and £3.5m current tax asset in relation to 2020 research and development tax credits.

The increase in the credit amount was primarily attributable to our increased expenditure on research and development.

Liquidity, cash and cash equivalents and term deposits
The Group's cash and cash equivalents and term deposit at year end totalled £37.4m (2019: £33.5m).

The cash flow from operating activities was £10.8m outflow (2019: £1.7m inflow) against an operating loss of £35.8m (2019: £22.7m). 2020 included receipts of $20m upfront from AstraZeneca, $2.0m in milestones from Mallinckrodt Pharmaceuticals, and a $2.0m upfront from Takeda.

The Directors have reviewed the working capital requirements of the Group and Company for the twelve months from signing these financial statements and are confident that these can be met from existing funds, which also takes into account the $45.0m raised in February 2021 and the $40.0m due from AstraZeneca in the first half of 2021.

Other balance sheet items
Current trade and other payables increased by £1.3m to £8.2m at the end of 2020 (2019: £6.9m). This was driven by increased contract research organisation (CRO) costs due to ramp up in activities associated with our SLN360 and SLN124 clinical development programmes.

Craig Tooman
Chief Financial Officer
30 March 2021

Principal risks

We constantly monitor and assess the overall risk of doing business in the biopharmaceutical industry and the particular risks associated with our current activities and corporate profile.

Principal Risks	Impacts	Mitigating Activities
Clinical and Regulatory	It is possible that the Company's drugs may not be approved for clinical or regulatory reasons. The Company depends on CROs to support with clinical trials and contract manufacturing organisations (CMOs) to manufacture drug product for its clinical trials. If CROs or CMOs do not deliver as planned, there may be delays in conducting drug development activities, as well as increased costs. Following the departure of the United Kingdom from the European Union on 31 January 2020 (commonly referred to as 'Brexit'), the regulatory framework covering the development of pharmaceutical products continued to be derived from the European Union directives and regulations for the duration of the transition period ending on 31 December 2020. Following this transition period (and further negotiations between the UK and the EU), new rules took effect from 1 January 2021 which could materially impact the future regulatory regime which applies to product candidates in the United Kingdom, although the impact is uncertain.	New targets are rigorously assessed with regard to factors that may make any drug less likely to be approved, including, but not limited to, dosing and toxicology. The Company utilises innovation to lower dosing and minimise safety risks. CROs and CMOs are selected based on track record and experience, and the Company performs independent quality checks of their work. The Company has a subsidiary in Germany, which can be used for regulatory purposes in future, if needed.
Technology Innovation	The Company has a relatively low technology innovation spend compared to its larger competitors. There is a risk that competitors will be quicker to develop new technologies and to address novel gene targets earlier than Silence.	The Company continues to prioritise innovation and is actively conducting research to sustain a competitive edge. In tandem with these efforts, we monitor patent filings and data in the field to identify areas of science where Silence can excel.
Research Practices	There is a risk from failure to appropriately conduct ethical and sound research. Scientific misconduct could result in reputational or IP damage and opportunity costs.	This macro risk is addressed through ensuring that rigorous internal controls are in place, such as systematic review of research data by appropriately senior scientists.
Intellectual Property	The Company has a robust existing patent portfolio. Other companies may challenge the validity/infringement position of that portfolio as their products approach the market. The Company may incur substantial costs in defending this portfolio from such challenges.	In managing the patent portfolio, the Company continually seeks to strengthen the existing IP position via patent filings, including divisions and continuations, combined with external legal opinions.
Key Talent	In the competitive, niche market in which the Company operates, the expertise and experience of its key people can have an enormous impact on business results. Poor recognition, incentivisation and a lack of succession planning could undermine the Company's success.	The Company appreciates the high level of contributions made by its key talent. It offers stimulating, cutting-edge work, and a competitive reward structure, including share options that vest over a number of years.
Financing	Progressing a drug via clinical trials is expensive. The Company may not be able to raise additional funds that will be needed to support its drug development programmes, and additional funds raised could cause dilution to existing shareholders.	The Company will seek to secure risk sharing partnerships or out-licensing deals at appropriate stages depending on the product risk and investment profile. Additionally, contact is maintained with major shareholders to understand their views regarding the raising of equity.
Information Protection	Research activities or IP may be compromised if information is obtained by those not authorised to see it: whether through cyber breaches or inappropriate disclosure of gene targets or other price-sensitive information.	We have robust processes to manage information internally, and our IT system is constantly updated and monitored. Information is reviewed and scrutinised prior to public release.

Corporate Social Responsibility

We are committed to having a positive impact on the world, beyond the development of gene silencing medicines. That's why we've made it a central part of our corporate vision – to drive positive change for the communities around us.

We aim to achieve this by focusing on three key areas:

Environment

Offsetting the carbon emissions under our direct control, with the ultimate goal of becoming carbon net neutral in the coming years

Healthcare

Raising awareness and fundraising for our healthcare charity and patient group partners

Education

Encouraging the future generation of scientists who will deliver tomorrow's medical breakthroughs

2020 achievements:

Environmental initiatives:

- In 2020, Silence started measuring its global carbon footprint to assess which are the main areas of focus for action. In addition to a reduce, reuse, recycle approach, we offset over 2,100 tonnes of CO_2 in 2020, which accounts for over 100% of the carbon emissions under our direct control
- When selecting CO_2 offsetting schemes we have chosen certified projects which address the Sustainable Development Goals of the United Nations. Selected projects include borehole regeneration in Uganda, fuel efficient cookstoves in Darfur, a solar project power in the Philippines, a deforestation project in Brazil and a geothermal power project in Indonesia
- We also implemented a number of initiatives during 2020 to reduce our impact on the environment – this included subsidised public transport, enhanced transparency on airline emissions, and changes to minimise waste disposal and promote recycling

Healthcare initiatives:

- Silence works closely with healthcare charities, supporting them through charitable donations and to increase disease awareness
- During 2020 employees from across the Company took part in the MDS Awareness Walk, raising money for the MDS Foundation to support its important work with MDS patients and their families

COVID-19:

- Silence reacted quickly to the COVID-19 pandemic, repurposing some of our equipment to produce critical reagents for PCR diagnostic kits which were in short supply. These reagents were supplied to TIB Molbiol on a cost only basis and all proceeds were donated to charity

Resources and relationships

We draw on a range of different resources and relationships to drive our business forward and, ultimately, deliver value to our shareholders.

Financial resources

The year-end cash, cash equivalents and term deposits of £37.4 million will support continued development of the Company's mRNAi GOLD™ platform. In February 2021, $45m of equity was raised and a further $40m upfront cash payment is due from AstraZeneca in the first half of 2021.

Stock information

The Company is listed on AIM and Nasdaq with the ticker SLN. The percentage of AIM securities that is not in public hands was 57.7% at 31 December 2020.

Physical resources

We are based at three sites: our headquarters in the UK, our laboratories (R&D) in Germany and corporate office in the US. Our R&D not only houses state-of-the-art equipment but is located in the heart of one of the largest biomedical research facilities in Europe.

Our patent estate

We recognise that IP is a complex matter; our dedicated in-house Chief Patent Officer ensures that our patent portfolio is maintained and prosecuted in the most effective manner. As of March 2021, we solely owned 30 granted patents and have 106 pending patent applications. We expect our patent portfolio to continue to expand and mature over the next few years.

Our people

With our emphasis on highly specific research, we depend on teams of skilled individuals working collaboratively. By its innovative nature, gene silencing attracts some of the smartest graduates and most experienced professionals in the field, who are passionate in their pursuit of novel therapies to successfully treat serious diseases. We work hard to create a working environment that encourages creativity, rewards commitment and is recognised as being a great place for the brightest minds to work. Our people and their knowledge of our platform encapsulate unique know-how that forms an integral part of our intellectual property.

The Company supports the UN Universal Declaration of Human Rights and recognises the obligation to promote universal respect for and observance of human rights and fundamental freedoms for all, without distinction. The Company complies with all applicable human rights laws.

Our partnerships and relationships

We maintain a network of partnerships and key relationships, including those with:

Academia and key opinion leaders

A significant portion of the technical expertise in and around RNA and sophisticated models of disease sits within academia. We work hand-in-glove with the leading experts, ensuring that we gain access to the latest thinking at an early stage and are therefore able to help direct it towards commercially viable outcomes.

Industry

Our goal is to harness the commercial discipline and practical expertise found within the biopharma industry. To this end, we build relationships with industry organisations and with other companies in our sector. As is the case with academia, our interactions with industry are founded on mutual trust and respect.

Pharma and biopharma

We recognise that it is often advantageous to join forces with a larger pharmaceutical or specialist biopharma company to progress a specific programme, or to out-license certain applications of our IP or to co-develop novel technology. Our deals with Mallinckrodt and AstraZeneca are examples of this, and we are committed to remaining alert to the exploitation of such opportunities.

Clinicians

Because some of our work is in the field of rare and orphan diseases, the number of patients able to take part in clinical trials is often limited. We communicate regularly with clinicians to ensure that we are able to access the appropriate patient groups and build an understanding of their needs and concerns.

Regulators

It is important to investors as well as to patients that timelines between concept and marketed drug are as short as possible. We engage with regulators, both directly and via industry bodies, to ensure that they understand the challenges we face and the platform nature of our technology, while we maximise the likelihood of success of our candidates by following their guidance.

Defined goals

In the day to day management of the business, we have an Executive Leadership Team that operates below Board level with defined functional goals and monthly reporting against key indices.

Each year, the Board approves detailed corporate goals which are cascaded throughout the business to departments and individuals. The Executive Leadership Team meets weekly and considers progress on these goals, reporting regularly to the Board. In addition to corporate goals, individuals receive challenging personal goals.

We have reviewed our remuneration and benefit practices against benchmarked data in the UK and Europe and, where necessary, have implemented adjustments against the data. We have enhanced our incentive provisions based on goal achievement, to ensure that our remuneration package remains competitive and attractive.

Companies Act 2006, S.172 compliance

The Company is required to provide information on how the Directors have performed their duty under section 172 of the Companies Act 2006 to promote its success, including how the interests of its stakeholders have been taken into account in Board discussions and decision-making ; stakeholders include:

- Investors – The interests of its shareholders have been taken into account on a fair basis. This is described in further detail in the Corporate Governance Report on page 23 and 25. The Company has a frequent and transparent dialogue with its investors throughout the year. Meetings take the form of roadshows, investor conferences and one on one dialogue as required.
- Regulators – Good dialogue is maintained with regulatory agencies and the Board ensure our clinical trials are designed appropriately to allow the maximum potential for our products in development.
- Suppliers – The Company's supply chain is crucial to the project work that is being undertaken; policies are in place to identify suppliers with the right profile and capabilities. Good relationships are kept with suppliers ; high standards are expected in product and service, and the Company reciprocates by paying on a prompt basis, within agreed terms. We meet with our significant suppliers regularly, monitoring the quality of products and services on a constant basis to ensure that there is no negative impact or delays on our research programs. This ensures that the Company's and our significant suppliers' interests are aligned.
- Employees – The Board has a good relationship with the Company's employees. The Board maintains productive interactions with employees. Appropriate remuneration and incentive schemes are maintained to align employees' objectives with those of the Company. As a result, the Company has a high staff retention rate. More detail on how the board takes into account the interests of employees can be found in the Remuneration Committee report on pages 29 and 38.
- Community & Environment – Policies are being formulated with emphasis on matters like carbon footprint, for example holding virtual meetings where possible rather than travelling between our sites in the UK, Germany and US. Diversity in the workplace is actively encouraged. The Company has policies on anti-slavery and anti-bribery which are actively promoted.
- Customers – Our business model currently relies on a small number of very high-profile customers with whom we invest for the long term.

The Board focuses on maintaining high standards of business conduct. The Company operates Codes of Business Conduct and Ethics and provides mechanisms for whistle blowing and complaints.

The Directors continue to review and improve on the Company's engagement with its stakeholders.

The strategic report has been approved by the Board and is signed on its behalf by:

Mark Rothera
Chief Executive Officer
30 March 2021

Board of Directors

Our Board is formed of eight accomplished members, comprising two Executive and six Non-Executive Directors. Together, they bring highly valuable experience across a variety of relevant disciplines to effectively execute our business plan.

Iain Ross
Chairman
APPOINTED April 2019

Iain Ross has over 40 years' experience in the international life sciences and technology sectors and has held significant roles in multi-national companies including Sandoz, Hoffman La Roche, Reed Business Publishing and Celltech Group plc. He has completed multiple financing transactions, and has over 30 years' experience in cross- border management as a chairman and CEO. He has led and participated in seven Initial Public Offerings (IPOs) and has direct experience of M&A transactions in Europe, the USA and the Pacific Rim. Currently he is non-executive chairman of Redx Pharma plc (LSE) and Kazia Therapeutics Limited (ASX & Nasdaq), and was responsible for leading the turnaround of both these companies before appointing new executive management. In addition he is a non-executive director of Palla Pharma Limited (ASX) and advises a number of private companies in the biotechnology sector. He is a qualified Chartered Director and former Vice Chairman of the Council of Royal Holloway, London University.

AREAS OF EXPERTISE

Corporate strategy, M&A, business development and governance

CURRENT EXTERNAL ROLES

Kazia Therapeutics Limited, Redx Pharma plc and Palla Pharma Limited

Mark Rothera
Executive Director
APPOINTED September 2020

Mark Rothera joined as our President, CEO and Board member in September 2020. He has three decades of experience in the biopharmaceutical industry including driving the transition of multiple emerging biotech companies from the R&D stage to commercialisation. During his career, he has focused on bringing novel therapies to patients and has launched seven orphan drugs globally. Mark previously served as CEO of Orchard Therapeutics, where he oversaw its transformation from a small UK-based privately held company with two clinical-stage programmes into a leading gene therapy company with several clinical-stage programmes and full integrated capabilities. Prior to that, Mark served as chief commercial officer of PTC Therapeutics, where he successfully launched two rare disease therapies and helped lead the company's transition from a private, US-based R&D biotech to a public company with global commercial footprint. His previous roles include serving as head of the EMEA region for Shire Human Genetics and commercial director for the EMEA region for Chiron/PathoGeneis. Mark currently serves on the board of Genpharm.

AREAS OF EXPERTISE

Leadership, global commercialisation, strategy, business development, biotech build

CURRENT EXTERNAL ROLES

Genpharm

Giles Campion
Executive Director
APPOINTED May 2020

Giles Campion, M.D. is our Head of R&D and Chief Medical Officer, having joined Silence in June 2019. He is an expert in translational medicine and a highly experienced biotech and pharmaceutical professional across many therapeutic areas, most recently in orphan neuromuscular disorders. He has held senior global research and development roles in several large pharmaceutical, diagnostics and biotech companies, including responsibilities at the board level. Dr. Campion served as chief medical officer for Albumedix Ltd from January 2017 to July 2018. He previously served as group vice president, neuromuscular franchise at BioMarin Pharmaceutical Inc., or BioMarin, from February 2015 to March 2016, following BioMarin's acquisition of Prosensa Holding N.V., or Prosensa. Dr. Campion served as chief medical officer and senior vice president of research and development at Prosensa from 2009 until its acquisition by BioMarin. Dr. Campion has also served as medical adviser to MyoTherix Inc and is a co-founder of PepGen Ltd. Dr. Campion holds bachelor's and doctorate degrees in medicine from the University of Bristol and is listed on the General Medical Council (UK) Specialist Register (Rheumatology).

AREAS OF EXPERTISE

Pharmaceutical research and development, rare disease development, translational medicine

CURRENT EXTERNAL ROLES

Co-founder of PepGen Ltd

Dave Lemus
Non-Executive Director
APPOINTED June 2018

Dave Lemus is currently the chief executive officer of Ironshore Pharmaceuticals Inc. and also serves on the board of directors of Sorrento Therapeutics, Inc. and Biohealth Innovation, Inc. Previously, Mr Lemus had stepped down from Medigene AG's board of directors to serve as the company's chief operating officer and chief financial officer and, preceding this position, served as chief executive officer of Sigma Tau Pharmaceuticals, Inc. Prior to this, he was chief financial officer and executive VP of MorphoSys AG for more than 13 years, taking the company public in Germany's first biotechnology initial public offering. Mr Lemus received an M.S. from the Massachusetts Institute of Technology and received a B.S. from the University of Maryland. Mr Lemus is a Certified Public Accountant in the USA.

AREAS OF EXPERTISE

Drug commercialisation, strategic partnerships, financing and transactions

CURRENT EXTERNAL ROLES

CEO Ironshore Pharmaceuticals Inc, non-executive director of Sorrento Therapeutics Inc., non-executive director of BioHealth Innovation Inc.

Alistair Gray
Senior Independent Non-Executive Director
APPOINTED November 2015

Alistair Gray currently serves as non-executive director/chair of the Edrington Group's Employee Benefit Trust and of the Scottish Enterprise's Pension Trustee Board and Clyde Bergemann Pension Scheme. Mr Gray is also a founder and director of Renaissance & Company, a strategic management consultancy firm. Mr Gray previously held senior management positions with Unilever and John Wood Group PLC, and he also chaired the Audit and Remuneration committees of AorTech International PLC and Highland Distillers PLC. Mr Gray entered strategic management consulting at Arthur Young (now EY) Management Consultants and PA Consulting Group, where he served as a director for over ten years. Mr Gray also served as a Fellow of the Institute of Directors and Institute of Consultants. He graduated from the University of Edinburgh in Mathematics and Economics, following this with a management accounting qualification.

AREAS OF EXPERTISE

Strategic management, organisation performance and governance

CURRENT EXTERNAL ROLES

Non-executive director/chair of the Edrington Group's Employee Benefit Trust, Scottish Enterprise's Pension Trustee Board and Clyde Bergemann Pension Scheme. Founder/director of Renaissance & Company. He is a member of the faculty of Strathclyde Business School and Visiting Professor at the University's Design Manufacturing and Engineering Management department. He is also a Visiting Professor at Loughborough University London and the University of Stirling.

Michael Davidson, MD
Non-Executive Director
APPOINTED January 2021

Michael H. Davidson, M.D., FACC, FNLA, is Professor of Medicine and Director of the Lipid Clinic at the University of Chicago. He also serves as chief executive officer of NewAmsterdam Pharma. Dr. Davidson is a leading expert in the field of lipidology. He has conducted over 1,000 clinical trials, published more than 350 medical journal articles and written three books on lipidology. His research background encompasses both pharmaceutical and nutritional clinical trials including extensive research on statins, novel lipid-lowering drugs, and omega-3 fatty acids. Dr. Davidson founded the Chicago Center for Clinical Research, which became the largest investigator site in the USA and was acquired by Pharmaceutical Product Development in 1996. Additionally, he founded Omthera Pharmaceuticals in 2008, which was acquired by AstraZeneca in 2013 for $440 miliion, and most recently, he was founding CEO/CSO of Corvidia Therapeutics, which was acquired by Novo Nordisk for up to $2.1bn in 2020. Dr. Davidson is board-certified in internal medicine, cardiology, and clinical lipidology. He was president (2010–2011) of the National Lipid Association, named as one of The Best Doctors in America for the past 15 years and 'Father of the Year' by the American Diabetes Association, 2010.

AREAS OF EXPERTISE

Lipidology and clinical development

CURRENT EXTERNAL ROLES

NewAmsterdam Pharma B.V., Inositec AG, Sonogene LLC, Caladrius Biosciences, Inc and PHP Precision Med

James Ede-Golightly
Non-Executive Director
APPOINTED April 2019

James Ede-Golightly is currently chairman of Oxehealth Ltd, East Balkan Properties Plc and Oxford Advanced Surfaces Ltd. Among other directorships, Mr Ede-Golightly is non-executive director of Sarossa plc and Serendipity Capital Ltd and has extensive experience as a non-executive director of AIM-quoted companies with international business interests. Mr Ede-Golightly was a founder of ORA Capital Partners in 2006, having previously worked as an analyst at Merrill Lynch Investment Managers and Commerzbank. Mr Ede-Golightly is a CFA Charterholder and holds an M.A. degree in economics from Cambridge University. In 2012, he was awarded New Chartered Director of the Year by the Institute of Directors.

AREAS OF EXPERTISE

Investment and corporate finance

CURRENT EXTERNAL ROLES

DeepMatter Group plc, Dunheved Limited, East Balkan Properties plc, Gulfsands Petroleum plc, Oxehealth Limited, Oxford Advanced Surfaces Limited, Sarossa plc, and Serendipity Capital Limited

Dr. Steven Romano
Non-Executive Director
APPOINTED July 2019

Steven Romano, M.D. is a board-certified psychiatrist and pharmaceutical executive with 25 years of research and development experience across a wide range of therapeutic and disease areas. Dr. Romano currently serves as executive vice president and chief scientific officer at Mallinckrodt plc, where he has responsibility for research and development, and regulatory and medical affairs. Prior to joining Mallinckrodt, Dr. Romano spent 16 years at Pfizer, Inc. where he held a series of senior research and development and medical roles of increasing responsibility, culminating in his most recent position as SVP, Head, Global Medicines Development, Global Innovative Pharmaceuticals Business. Dr. Romano received his M.D. from the University of Missouri-Columbia School of Medicine and graduated from Washington University in St. Louis with a bachelor's degree in biology and English literature.

AREAS OF EXPERTISE

Research and development, regulatory, and medical affairs

CURRENT EXTERNAL ROLES

EVP and chief scientific officer at Mallinckrodt Pharmaceuticals

Corporate Governance report

Iain Ross
Chairman

"The Directors remain committed to maintaining high standards of transparency, ethics and corporate governance."

What corporate governance standards does the Company follow?

In July 2018, the Board approved the application of The Quoted Companies Alliance (QCA) Corporate Governance Code (2018 edition) (the QCA Code) and the Company has continued to comply through the reporting period. The QCA Code is a practical, outcome-oriented approach to corporate governance that is tailored for small and mid-size quoted companies in the UK. The Board views this as an appropriate corporate governance framework for Silence Therapeutics plc and consideration has been given below to each of the ten principles set out in the QCA Code.

How frequently does the Board meet?

The Board holds four scheduled meetings per year, aligned with quarterly management reporting; regular monthly Board update calls and additional meetings and Board calls when circumstances and urgent business dictate. In the 12-month period under review, there were 16 meetings. The high number of Board meetings was driven by the introduction of regular monthly Board update calls so as to keep Board members fully updated on business developments. There were also a number of Board and executive changes in the year which required the Board to convene.

Type of meeting	Number of meetings
Board	16
Audit and Risk Committee	6
Remuneration Committee	5
Nomination Committee	2

All Board and Committee meetings were fully attended by the relevant Directors throughout the year either in person or virtually. All Directors receive the agenda and Board papers in advance of Board meetings to enable them to make an effective contribution. Between Board meetings, the Chairman maintains regular informal contact with Non-Executive Directors. The Board continues to meet on a regular basis in order to review progress and agree strategy.

The Board reviews the strategy and at each meeting evaluates the progress of the Company towards achieving its annual objectives. It also analyses the risk of potential activities and monitors financial progress against budget.

How does the Board apply the ten principles set out in the QCA Code?

1. Establish a strategy and business model which promote long-term value for shareholders

The Board has a clear strategy, which is set out in the Chairman's statement on page 2.

To support the execution of this strategy, the Board performs the following key tasks:

- setting the Company's values and standards;
- approval of long-term objectives and strategy;
- approval of revenue, expense and capital budgets and plans;
- approval for therapeutic candidate progression through key development and clinical stages;
- oversight of operations ensuring that adequate systems of internal controls and risk management are in place, ensuring maintenance of accounting and other records, and compliance with statutory and regulatory obligations;

Board structure

Following the appointment of Mark Rothera in September 2020 and the post period appointment of Dr. Michael Davidson in January 2021, the Board Committee memberships are as follows:

Audit and Risk Committee	Remuneration Committee	Nomination Committee
Dave Lemus (Chair)	James Ede-Golightly (Chair)	Iain Ross (Chair)
Alistair Gray	Dr. Michael Davidson	Mark Rothera
James Ede-Golightly	Dave Lemus	Alistair Gray
Dr. Michael Davidson	Dr. Steven Romano	Dr. Steven Romano

- review of performance in light of strategy and budgets ensuring that any necessary corrective actions are taken;
- review progress towards and consider options and terms of business development and corporate collaboration and development deals;
- approval of the annual report and financial statements, half year results, material contracts and major projects; changes to structure, size and composition of the Board;
- determining remuneration policy for the Directors and approval of the remuneration of the Non-Executive Directors; and
- approval of communications with shareholders and the market.

2. Seek to understand and meet shareholder needs and expectations

Contact with major shareholders has been principally maintained by the CEO and the Chairman (Executive Chairman during the period when there was no CEO) during the reporting period, and they have ensured that their views are communicated to the Board as a whole. The Board believes that appropriate steps have been taken during the reporting period to ensure that the members of the Board, and in particular the Non-Executive Directors, develop an understanding of the views of major shareholders about the Company.

We are holding our Annual General Meeting on 15 June 2021. A Notice of Annual General Meeting will be issued in due course and will be available on our website. Separate resolutions will be provided on each issue so that they can be given proper consideration. Proxy votes are counted and the level of proxies lodged on each resolution reported after it has been dealt with by a show of hands.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board considers the Company's ability to help patients and their caregivers to be highly important and critical to the long-term success of Silence. For more information on how the Company's lead drug candidates, SLN124 and SLN360, can help patients, refer to pages 9 to 13. For information on engagement with wider stakeholders, refer to Resources and relationships on page 18.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

A Risk Register is maintained for regular review by the Audit and Risk Committee and the Board. Principal risks are set out on page 16 where mitigating activities are also explained.

Additionally, the Audit and Risk Committee report on pages 26 and 27 sets out how risks are reviewed.

5. Maintain the Board as a well-functioning, balanced team led by the Chairman

Currently the Board has a majority of Non-Executive Directors, consisting of two Executive and six Non-Executive Directors. The Board's composition is geared towards its current stage of development and priorities.

The Nomination Committee was chaired by the Senior Independent Non-Executive Director Alistair Gray during the period whilst Iain Ross was Executive Chairman.

On 14 September 2020 Mark Rothera was appointed as CEO. Details of each of the Directors' experience and background are given in their biographies on pages 20 and 21.

The Chairman is responsible for leading the Board and ensuring its effectiveness, and is responsible for the operational management of the Company and implementation of Board strategy and policy.

The Board delegates certain activities to the Committees, with terms of reference which are available on the Company website (www.silence-therapeutics.com). Membership of all three Board Committees comprises a Non-Executive Chair and at least two other Non-Executive Directors. All of the Board Committees are authorised to obtain, at the Company's expense, professional advice on any matter within their terms of reference and to have access to sufficient resources in order to carry out their duties.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board has delegated the tasks of reviewing Board composition, searching for appropriate candidates and making recommendations to the Board on candidates to be appointed as Directors, to the Nomination Committee.

The Nomination Committee chair was re-assumed by the Chairman of the Company, following on from Senior Independent Non-Executive Director, Alistair Gray who had chaired the Nomination Committee temporarily.

The main duties of the Nomination Committee are set out in its terms of reference and include:

- regularly reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board compared to its current position and making recommendations to the Board with regard to any changes;
- determining the qualities and experience required of the Company's Executive and Non-Executive Directors and identifying suitable candidates, assisted where appropriate by recruitment consultants;

Corporate Governance report (continued)

- formulating plans for succession for both Executive and Non-Executive Directors and in particular for the key roles of Chair and Chief Executive Officer;
- assessing the re-appointment of any Non-Executive Director at the conclusion of their specified term of office, having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required; and
- assessing the re-election by shareholders of any Director, having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board.

In September 2020 the Company appointed Mark Rothera as CEO, taking over from Iain Ross who had been interim Executive Chairman whilst the search for a new CEO was being conducted. Giles Campion was appointed as Executive Director in May 2020 and has served as Head of R&D and Chief Medical Officer since June 2019.

With regard to the re-election of Directors, the Company is governed by its Articles of Association (the Articles).

Under the Articles, the Board has the power to appoint a Director during the year, but any person so appointed must stand for election at the next Annual General Meeting. Any Director who has been a Director at each preceding three Annual General Meetings and has not been re-appointed since must retire from office at the next Annual General Meeting.

The Director is then eligible to stand for re-appointment by the shareholders. Mark Rothera and Dr. Michael Davidson will stand for election at the 2021 Annual General Meeting, having been appointed since the last Annual General Meeting. In addition, Giles Campion will stand for re-election.

The annual performance evaluation for 2020 resulted in recommendations, which are being implemented by the Board, to allocate more time at Board meetings to consider business development and opportunities to grow the business.

Silence is committed to diversity in all aspects of its mission and activities and at all levels of the organisation, including its Board of Directors. The Board understands the value in having directors of diverse gender, race and ethnicity, along with varied skills, perspectives and experiences. We are constantly looking for opportunities to improve our diversity and inclusion practices.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Silence Therapeutics plc Board remains mindful that it needs to continually monitor and identify ways in which it might improve its performance and recognises that board evaluation is a useful tool for enhancing a board's effectiveness.

Under normal circumstances alongside the formal annual evaluation, the Chairman would routinely assess the performance of the Board and its members and discuss any problems or shortcomings with the relevant Directors. However, as Iain Ross fulfilled the role of Interim Executive Chairman for the greater part of 2020, Alistair Gray, the Senior Independent Non-Executive Director, worked with the Chairman to ensure that this year's process was appropriate and recommendations independently validated. In addition, with the appointment of two new Executive Directors – namely Dr Giles Campion in mid-2020 and Mark Rothera as CEO in the latter part of the year, the Senior Independent Non-Executive Director held additional discussions with the two new executive directors.

The Chairman is responsible for the annual performance assessment of the CEO and this will revert to being the case in 2021, recognising Mark Rothera's appointment was with effect from 14 September 2020. Normally the CEO reviews the performance of the CFO, but for 2020, the Interim Executive Chairman carried out mid-year reviews of all members of the management team. A new CFO was appointed in January 2021 and accordingly the CEO will assess the new CFO's performance in the normal way at the end of 2021. Any performance-related remuneration is determined by the Remuneration Committee and recommended to the Board.

The Directors, led by the Senior Independent Non-Executive Director, are responsible for evaluating the Chairman's performance.

In conducting the formal annual evaluation, the Board undertakes a rigorous assessment of its own performance, balance of skills, experience, independence, diversity (including gender diversity) and other factors relevant to its effectiveness (and also that of its Committees) and the performance of its individual Directors. In late 2020 the Board undertook a formal evaluation of its performance. In conducting this review, the Chairman undertook a formal discussion with each of the other Directors regarding the performance of the Board, its Committees and the other Directors' own individual contribution and performance.

In preparation, the Chairman and the Senior Independent Non-Executive Director solicited the views of the other Directors, including the completion by each Director of confidential questionnaires in respect of the Board, the Audit and Remuneration Committees and one specifically relating to the performance of the Chairman. All questionnaires were returned to the Chairman and Senior Non-Executive Director for review, with the exception of that relating to the Chairman's performance being returned directly to the Senior Independent Director.

Following the reviews, the Chairman and the Senior Independent Non-Executive Director shared their observations with the other Directors. These individual evaluations aimed to confirm that each Director continues both to contribute effectively and to demonstrate commitment to the role (including the allocation of necessary time for preparation and attendance at Board and Committee meetings and any other duties).

The performance of the Chairman (in both his Interim Executive and Non-Executive roles) was reviewed through a separate exercise conducted on behalf of the Board by the Senior Independent Non-Executive Director.

The results of the 2020 review were satisfactory overall, but a number of actions emerged which can be summarised as follows:

- **Strategy and contingency planning** – as the Company expands its development pipeline, in-house capabilities and corresponding operational infrastructure, both in Europe and USA, it was agreed that there should be more emphasis at Board meetings on strategic discussions and risk analysis and in addition that the Annual Strategy session for Board Directors should be expanded to include external and professional input. Also, and in light of the recent COVID-19 pandemic and the ramifications thereof, it was agreed that in such circumstances the Board and its Committees should pro-actively consider, review and assess contingency scenarios on a regular basis.
- **Succession planning** – as the Company expands it was agreed that the Board needs to formalise its approach to Board and management succession planning in terms of skills, geography and diversity. The Chairman is committed to lead this initiative in liaison with the CEO.

- **Non-Executive Directors ongoing training and development and interaction with senior management** – these issues were identified as a result of last year's Board review; however, because of the COVID-19 pandemic it has not been possible to address fully these issues. Accordingly, and recognising that three new Directors have been appointed in the last six months, when restrictions allow a concerted effort, led by the Chairman and the Senior Independent Non-Executive Director, will be implemented to introduce a more structured approach to the induction and broader development of Directors and interaction with the senior management on a more frequent basis to enhance their knowledge and understanding of the business as it evolves.

The Nomination Committee is responsible for succession planning and making recommendations to the Board in this respect, as set out above.

8. Promote a corporate culture that is based on ethical values and behaviours

Ethical values and behaviours are important to the Company, and the policies to implement this are explained on page 17. More information can be found on the Corporate Responsibility web page on the Company website.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board is supported by the Committees, explained above, in the task of maintaining governance processes and structures. Furthermore, the following governance matters support good decision-making by the Board.

Internal Controls and Risk Management

The Company has in place a system of internal financial controls commensurate with its current size and activities, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. These procedures include the preparation of management accounts, forecast variance analysis, controls in place for one-off accounting items and other ad hoc reports. Risks throughout the Company are considered and reviewed on a regular basis. Risks are identified and mitigating actions put into place as appropriate. Principal risks and uncertainties identified are set out in the strategic report on page 16.

Internal control and risk management procedures can only provide reasonable and not absolute assurance against material misstatement. A material weakness was identified in the F-1 registration statement in September 2020; action is being taken to address this.

Financial and Business Reporting

The Board seeks to present a balanced and understandable assessment of the Company's position and prospects in all half year, full year and price-sensitive reports and other information required to be presented by statute. The Board receives a number of reports to enable it to monitor and clearly understand the Company's financial position. The Company maintains a Disclosure Policy to enhance the process for ensuring that price-sensitive information is identified effectively and all communications with the market are released in accordance with expected timescales.

Conflicts of Interest

Under the Articles of Association, the Directors may authorise any actual or potential conflict of interest a Director may have and may impose any conditions on the Director that are felt to be appropriate. Directors are not able to vote in respect of any contract, arrangement or transaction in which they have a material interest and they are not counted in the quorum. A process has been developed to identify any of the Directors' potential or actual conflicts of interest.

This includes declaring any new conflicts before the start of each Board meeting.

Board Advice

All the Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures and applicable regulations under the Company's Articles of Association or otherwise are complied with. Each Director is entitled, if necessary, to seek independent professional advice at the Company's expense. The Company maintains Directors' and officers' liability insurance.

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Contact with major shareholders is principally maintained by the Chairman and CEO, and additionally the Senior Independent Non-Executive Director is available to discuss governance and other matters directly with major shareholders, both private and institutional.

The Company uses its corporate website (www.silence-therapeutics.com) to communicate with institutional shareholders and private investors, and the website also contains the latest announcements, press releases, published financial information, current projects and other information about the Company. The annual report which includes the financial statements is a key communication document and is available on the Company's website. Furthermore, the Company maintains its consideration of each of the ten QCA Code principles on its website.

Iain Ross
Chairman
30 March 2021

Audit and Risk Committee report

Dave Lemus
Chair of the Audit
and Risk Committee

Commensurate with Silence's recent Nasdaq listing, allowing substantially greater investor access will be the Committee's heightened focus on all aspects related to Company financings, internal controls and additional financial reporting requirements."

Who are the members and who do they interact with?

Dave Lemus is Chair of the Audit and Risk Committee.

Dave currently also serves as audit committee chair of Sorrento Therapeutics, Inc. (Nasdaq: SRNE) and previously served on multiple public and private company boards as a non-executive board member in his more than 20 years of experience in the biopharmaceutical industry. Additionally, he is currently the CEO of Ironshore Pharmaceuticals, Inc., and has been previously a CEO, COO and CFO in several public and private companies in the U.S and in Europe. Dave is also a Certified Public Accountant in the USA.

In addition to Dave, the members of the Committee comprise Alistair Gray, James Ede-Golightly and Dr. Michael Davidson. The Committee met five times during 2020, including prior to results announcements.

What does the Audit and Risk Committee do?

- Monitors the integrity of the Company's financial and narrative reporting
- Monitors risk
- Reviews accounting policies and key estimates and judgements
- Reviews the appropriateness and completeness of the internal controls
- Makes recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditors
- Meets with the external auditors, ensuring that they report to it on all relevant matters to enable the Committee to carry out its oversight responsibilities

How does the Committee monitor the Company's financial reporting?

The Committee monitors the integrity of the Company's financial statements, preliminary announcements and any other formal announcements relating to the Company's financial performance.

In 2020, the Committee reviewed the 2019 preliminary announcement, the 2019 annual report, the 2020 interim announcement and the Nasdaq listing documents.

The Committee reviews and challenges where necessary any changes to, and the consistency of, accounting policies, advising whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements (notably in respect of the impairment of investments in subsidiaries), taking into account the views of the external auditors, the going concern assumption and all material information presented with the financial statements.

What does the Committee do to review risks?

To assess the appropriateness and completeness of internal controls, the Committee reviews the detailed risk matrix which identifies high level control issues classified as critical under the Company's risk matrix that require, or are subject to, remedial action. The Committee considers whether the necessary actions are being taken to remedy any significant failings or weaknesses.

Is there an internal audit function?

At present the Company does not have an internal audit function. Given the recent Nasdaq listing, the Company will need to be compliant with additional Sarbanes-Oxley requirements over a period of time; this will initially be achieved by in-house initiatives supported by external specialists. However, the Committee will review the need for an internal audit function at least annually.

With the Nasdaq listing, the Committee has a new responsibility to review the system of internal financial control and compliance with the US Sarbanes-Oxley Act 2002.

In 2020 BDO were appointed as implementation consultants to assist with the setting up of ICFR (internal controls over financial reporting); the end objective being the building up of evidence and controls not only from an internal control perspective but to allow management to attest over the ICFR as required under the Sarbanes-Oxley Act 2002.

Who are the external auditors and how long have they been appointed?

PricewaterhouseCoopers LLP were appointed as the external auditors in 2014.

The Committee ensures that at least every ten years the audit services contract is put out to tender and oversees the selection process. Having reviewed the auditors' independence and performance, the Committee is recommending that PricewaterhouseCoopers LLP be re-appointed as the Company's auditors at the next Annual General Meeting.

How does the Audit and Risk Committee assess the effectiveness of the external audit process?

The Committee oversees the relationship with the external auditors, including approval of their remuneration, approval of their terms of engagement, annual assessment of their independence and objectivity, taking into account relevant professional and regulatory requirements, and the relationship with the auditors, as a whole, including the provision of any non-audit services. The breakdown of fees between audit and non-audit services is provided in note 5 to the financial statements.

The auditors prepare an Audit Plan for the audit of the full year financial statements, which was presented to the Committee and discussed in December 2020. The Audit Plan sets out the scope of the audit, areas to be targeted and the audit timetable. Following the audit, the auditors present their findings to the Committee for discussion.

Review of Accounting and Financial Reporting Matters and Matters of Significance and Judgement

The Committee received reports from management and the external auditor setting out the significant accounting and financial reporting matters and judgements applicable to the following key areas.

Following discussion and challenge, the Committee reviewed management's conclusions on certain significant Company accounting policies, which included but were not limited to:

R&D costs related to CROs and associated accruals and prepayments
In determining the R&D expense in relation to contract research organisations (CROs) we have estimated the total percentage of completion of each contract to date and included consideration of future costs to be incurred. These estimates have also been used in determining accruals and prepayments at the year end.

Accounting for the agreements with AstraZeneca UK Limited (equity investment and research collaboration agreement)
The AstraZeneca contract comprises multiple licence and R&D services elements. In determining revenue to be recognised in respect of each contractual element, the judgement has been made to treat licence and R&D services elements as a single performance obligation on the basis that they are not separable. Across the entirety of the contract there are multiple performance obligations based on contractually agreed targets.

When spreading upfront consideration across each of the performance obligations, we have determined that the most appropriate basis is to spread upfront amounts evenly across each performance obligation. This is based on our current estimation of how future targets will be delivered.

Carrying value of the investment in Silence Therapeutics GmbH (to parent company)
Different methodologies can be used to determine the carrying value of this investment. In determining the carrying value of Silence Therapeutics plc's investment in Silence Therapeutics GmbH we have assessed it as being based on its estimated 'value in use' (which utilises an NPV methodology). In doing this we have had to estimate the value and timing of future milestone cash inflows, which is however a standard industry practice.

Dave Lemus
Chair of the Audit and Risk Committee
30 March 2021

Remuneration Committee report

James Ede-Golightly
Chair of the Remuneration Committee

Having the right team to execute on an internationally competitive strategy in the fast-moving field of RNAi is a key priority for the Board and the Company."

Dear shareholder,

On behalf of the Remuneration Committee, I am pleased to present our Directors' remuneration report for the year ended 31 December 2020.

Having the right team to execute on an internationally competitive strategy in the fast-moving field of RNAi is a key issue for the Board and the Company. Iain Ross served as our Executive Chairman up until mid-September 2020 and during this period the Company successfully secured major business development deals, advanced both wholly owned programmes, SLN360 and SLN124, towards the clinic and secured a dual listing on Nasdaq.

After a world-wide search process, we were delighted to appoint Mark Rothera in September 2020 as President, CEO and Board Member. Mark Rothera brings with him three decades of experience in the biopharmaceutical industry including driving the transition of multiple emerging biotech companies from R&D stage to commercialisation. Following Mark Rothera's appointment Iain Ross, who had served as Executive Chairman in 2020, returned to his role of Non-Executive Chairman.

In June 2020, and in recognition of the need to keep R&D front and centre of the business, Giles Campion was made a Board Executive Director, whilst retaining his existing role of Head of R&D and CMO. In October 2020, we initiated a search for a U.S. based Chief Financial Officer following the resignation of Rob Quinn and as part of our strategy to build a leading global RNAi business. Craig Tooman was appointed CFO post year end on 6 January 2021 and immediately played a key role in securing an oversubscribed $45m private placement led by top-tier U.S. institutional healthcare funds in February 2021.

Craig Tooman has more than 30 years of financial, operational and M&A experience. On 6 January 2021 we were also delighted to appoint Dr. Michael Davidson as NED. Dr. Davidson is a Professor of Medicine and Director of the Lipid Clinic at the University of Chicago and brings with him extensive experience in cardiovascular clinical trials, which we believe will be instrumental in guiding our development strategies for the SLN360 programme.

We continue to deliver a remuneration programme that rewards both achievement of short-term goals and fulfilment of our longer-term objectives, linked with the ultimate exploitation of our platform and its application in generating novel RNAi medicines. We recognise the need to retain and motivate Executive Directors and the senior management team and the need to avoid making remuneration decisions solely based on shorter-term volatility. Accordingly, we include two performance- based elements in our remuneration programme: a shorter-term annual bonus programme, with payment amounts based on the previous year's achievement against pre-set goals for that year; and a longer-term equity-based programme of share options, vesting over three years and directed towards the achievement of substantial, longer-term strategic objectives.
The short-term programme and the long- term incentive programme are providing a balance designed to incentivise Executive Directors and senior management to work toward achievement of the corporate strategy.

During the year, share options were awarded to Mark Rothera and Iain Ross (1,800,000 and 500,000 share options respectively), vesting dates for these options are detailed later in this report.

While permitted within the QCA Code (the Code), Non-Executive Directors do not normally participate in the performance- related remuneration or have a significant participation in a Company share option scheme. An exception was made in 2020 in light of the substantial contribution of the Executive Chairman in performance of executive responsibilities. In accordance with the Code, the Remuneration Committee has aligned its policies with a long-term focus on Company strategy and risk management, having regard for the views of shareholders. In light of the transition to a more Nasdaq-focused company, the intention in due course is to adopt a new compensation strategy for NEDs that includes share options, in order to attract and retain top international talent.

This remuneration policy has the intention of ensuring that Silence is in line with Biotech industry best practices.

James Ede-Golightly
Chair of the Remuneration Committee
30 March 2021

Directors' Remuneration Policy

This part of the remuneration report sets out the Directors' remuneration policy.

The remuneration policy will be put forward for approval by shareholders in a binding vote at the forthcoming AGM on 15 June 2021. If approved, it is intended that the remuneration policy will take effect from the date of approval and apply for a maximum period of three years (or until a revised policy is approved by shareholders).

Silence's remuneration policy has been designed to align to the Company's strategy and business model and to reflect the Committee's remuneration philosophy, as summarised below.

Philosophy: Support value creation for shareholders over the longer term and create alignment with shareholders

	Fixed Remuneration			Variable Remuneration	
Element	Base Salary	Benefits	Pension	Annual Bonus	LTIP
How it is influenced by the remuneration philosophy.	Assessed with reference to industry compensation benchmarks.	Assessed with reference to industry compensation benchmarks.	Assessed with reference to industry compensation benchmarks.	Set considering industry benchmarking data and consistent with positions held. Determined by stretch corporate and individual targets that support Silence's annual goals and its overall strategy.	The more significant element of the package linked to longer-term share performance. Under the Silence Therapeutics plc 2018 employee LTIP, share options can be issued with performance criteria under this scheme.

In developing its policy, the Committee has regard to the policy for remuneration of employees across the Company. The Directors' remuneration policy was set considering the pay and conditions for other employees and the Committee does not engage in a wider consultation with employees on the policy. Remuneration across the Company is implemented in the following ways:

- All employees are rewarded with a remuneration package that includes certain key benefits such as life assurance, private medical insurance, access to pension benefits (or cash in lieu), and eligibility to receive a bonus. Certain employees are invited to participate in Silence's share options scheme. Internal reviews are carried out to ensure that levels of remuneration for all key employees are up to date and competitive within the sector.
- The bonus scheme for our Executive Director and employees is designed to reward performance, and all individuals work towards challenging corporate and individual goals.
- In setting the remuneration policy for Directors, the pay and conditions of other employees are taken into account, including any base salary increases awarded. The Committee is provided with data on the remuneration structure for management level tiers below the level of Executive Director and uses this information to ensure consistency of approach throughout the Company. The views of shareholders expressed in respect of directors' remuneration were considered when formulating the directors' remuneration policy. It is the Committee's intention to consult with shareholders in advance of making any material future changes to remuneration arrangements for Executive Directors.

The remuneration of senior executives below Board level is reviewed by the Committee on an annual basis.

The remuneration packages of these executives are broadly consistent with the policy outlined above, with the overall impact of the role and the individual being considered as well as relevant market comparative data, save that lower bonus percentages and lower share option opportunities are applicable.

Remuneration Committee report (continued)

Remuneration policy table

Executive Directors

Purpose and Link to Strategy	Operation	Maximum Opportunity	Performance Metrics
Base Salary			
To attract and retain executives of the highest calibre who are capable of delivering the Company's strategic objectives, reflecting the individual's experience and role within the Company. Base salary is designed to provide an appropriate level of fixed income to avoid an over-reliance on variable pay elements that could encourage excessive risk taking.	The Committee aims to set base salary at levels that are broadly aligned with the mid-points for equivalent roles in comparable companies in the UK, adjusted to reflect Company size and complexity. Salaries are normally reviewed annually, and changes are generally effective from 1 January. The annual salary review of the Executive Directors takes into consideration a number of factors, including: • business performance; • salary increases awarded to the overall employee population; • skills and experience of the individual over time; • scope of the individual's responsibilities; • changes in the size and complexity of the Company; • market competitiveness and UK, European and US market practice; and • the underlying rate of inflation.	Executive Director level salaries are determined considering industry benchmarking data. Base salary increases are awarded at the discretion of the Committee; however, salary increases will normally be no greater than the inflationary pay rises awarded to the wider workforce. Executive Director level salaries are approved by the Board in line with corporate performance and are consistent with positions held.	No formal metrics, although any increases take account of Company performance and Executive Director appraisal against objectives. No claw-back will be applied in relation to salaries.
Benefits			
Benefits in kind offered to Executive Directors are provided on a market-competitive basis, to assist with their recruitment and retention.	The Company aims to offer benefits that are in line with market practice.	The value of each benefit is not predetermined and is based upon the taxable value to the individual.	Not performance related. No claw-back will be applied in relation to benefits.
Pensions			
The Company aims to provide market- competitive retirement benefits, as a retention tool and to reward sustained contribution.	The Company operates a defined contribution scheme and all employees, including Executive Directors, are invited to participate. Cash payments in lieu of pension contributions may be made.	Employee contributions are matched two-fold by employer contributions up to a maximum employer contribution of 10%. Employees may contribute more than 5% themselves, but the Company will not provide any further employer contributions above this level.	Not performance related. No claw-back will be applied in relation to pensions.

Executive Directors

Purpose and Link to Strategy	Operation	Maximum Opportunity	Performance Metrics
Annual Performance Bonus			
An annual cash bonus rewards the achievement of objectives that support the Company's corporate goals and delivery of the business strategy.	Objectives are agreed with the Committee, and the Board, at the start of each financial year although the Committee retains the discretion to amend objectives during the year if it considers that objectives are no longer appropriate. Different performance measures and weightings may be used each year, as agreed with the Committee, to take into account changes in the business strategy. Bonuses are paid at the discretion of the Committee. The Committee considers overall corporate performance and individual performance when determining the final bonus amount to be awarded and the Committee may adjust any formulaic outcomes accordingly. Bonuses are normally paid in cash (but may be paid in the form of an equity award) typically in January or February.	Annual cash bonuses are limited to a target of 60% of base salary for the Executive Directors. Executive Director level bonuses are approved by the Board in line with corporate performance and are consistent with positions held. The Board can exercise discretion in setting contractual bonus rates for new Executive Directors above 60%, with discretion exercised with respect to total compensation.	Corporate goals typically include development of pipeline and platform, partnering successes, revenue generation, strengthening of intellectual property and control of cash expenditure, although the Committee has the discretion to set other targets. Individual goals set specific, measurable and are linked to the Company's longer-term strategy. Under the rules of the scheme, the Committee can claw back up to 100% of the bonus awarded in the event of material misstatement of the Company's financial results, an error in assessing the performance conditions to which an award is subject or for any other matter which it deems relevant. There is no claw-back time limit in the policy.
Long Term Incentive Plan (LTIP)			
The Remuneration Committee believes that a key component of the overall remuneration package is the provision of equity awards to senior executives through an LTIP, which is designed to develop a culture which encourages strong corporate performance on an absolute and relative basis to align with shareholder interests.	LTIP awards granted to Executive Directors have typically taken the form of nominal cost options vesting according to performance conditions measured over at least three years, although different forms of awards may also be granted in accordance with the LTIP rules.	Aggregate options outstanding will vest at up to a maximum of 300% of annual salary within a single financial year. Executive Director level LTIP awards are approved by the Board in line and are consistent with positions held. The Board can exercise discretion in setting contractual LTIP awards for new Executive Directors above 250% of annual salary with discretion exercised with respect to total compensation.	Vesting of LTIP awards is generally subject to continued employment and may also be subject to the achievement of performance conditions aligned with the Company's strategic plan. Measures, their weightings and the period over which performance is tested will be determined by the Committee. The Board has the discretion to utilise differing types of performance criteria, measures and performance periods for future option grants, should it believe they are more relevant. The Committee may adjust the formulaic LTIP outcome to ensure it takes account of any major changes to the Company (e.g. as a result of M&A activity) and is a fair reflection of the underlying financial performance of the Company over the performance period. Further details, including the performance targets attached to the LTIP in respect of each year, will be disclosed in the relevant Annual Report on Remuneration. Awards will be subject to claw-back where there has been a misstatement of the Company's financial results, lack of protection of the Company's intellectual property, an error in assessing the performance conditions to which an award is subject or for any other matter which the Committee deems relevant. There is a two-year claw back time limit in the policy.

Remuneration Committee report (continued)

Chair and Non-Executive Directors

Purpose and Link to Strategy	Operation	Maximum opportunity	Performance Metrics
Cash fees			
Set at a level that is sufficient to attract and retain high calibre non-executives who contribute to the business.	The Chair and the Non-Executive Directors receive fees paid in cash. Furthermore, in addition to fees for his Non-Executive Chair role, Iain Ross was paid through a consultancy company for services provided from January – May 2020 as Executive Chairman. In June 2020, Iain Ross signed an employment agreement which was effective until 1 month after the new CEO appointment in mid-September at which point, he returned to his position as Non-Executive Chairman. Fees are paid monthly and reviewed annually.	When reviewing fee levels, account is taken of market movements in the fees of Non-Executive Directors, Board Committee responsibilities and ongoing time commitments.	Not performance related. No claw-back applies in relation to fees.
Benefits			
Set at a level that is sufficient to attract and retain high calibre non-executives who contribute to the business.	Since 1 January 2018 Non-Executive Directors do not receive any benefits in connection with their roles other than Company life insurance and reimbursement of travel costs for attendance at Board meetings. This may be reviewed in the future.	When reviewing benefits, account is taken of market movements in the fees of Non-Executive Directors, Board Committee responsibilities and ongoing time commitments.	Not performance related. No claw-back applies in relation to benefits.
Equity-based awards			
Set a level that is sufficient to attract and retain high calibre non-executives who contribute to the business.	With the exception of Iain Ross (details of which are presented in the Executive Directors' share options table on page 37), the Non-Executive Directors do not currently participate in any performance-related incentive schemes. The Non-Executive Directors may be offered the opportunity to participate in the Silence Therapeutics plc 2018 Non-Employee LTIP in the form of non-performance restricted stock units or other equity awards under the terms of such plan with careful consideration being made with respect to ensuring their independence.	When reviewing equity-based awards, account is taken of market movements in the fees of Non-Executive Directors, Board Committee responsibilities and ongoing time commitments.	Not performance related. Claw-back applies in relation to equity-based awards.

Other remuneration policies

Termination and loss of office payments

The Company's policy on remuneration for Executive Directors who leave the Company is consistent with general market practice and is set out below. The Committee will exercise its discretion when determining amounts that should be paid to leavers, considering the facts and circumstances of each case. When calculating termination payments, the Committee will consider a variety of factors, including individual and Company performance, the length of service of the Executive Directors in question and, where appropriate, the obligation for the Executive Directors to mitigate loss. In the event of a change of control and ownership, the Committee may exercise its discretion to provide for additional remuneration and/or benefits for Executive Directors who leave the Company in connection with such change of control, and will take into account all relevant circumstances when making any such determination.

In the case of a 'good leaver', the following policy will normally apply:

- notice period of six months unless contractually longer, and pension and contractual benefits, or payment in lieu of notice;
- statutory redundancy payments will be made, as appropriate;
- Executive Directors have no entitlement to a bonus payment in the event that they cease to be employed by the Company; however, they may be considered for a pro-rated award by the Committee in good leaver circumstances;
- any share-based entitlements granted to an Executive Director under the Company's share and individual share contracts or share option plans will be determined based upon the relevant individual share option contracts or plan rules, and performance conditions or hurdles; and
- the Committee may also provide for the leaver to be reimbursed for a reasonable level of legal fees in connection with a settlement agreement, to be paid in ex gratia amounts in settlement of claims and in respect of other ancillary matters such as amounts in respect of outplacement services, relocation, and health benefits (continuation or cash in lieu).

Executive Directors' service contracts

It is the Company's policy that Executive Directors should have contracts with an indefinite term and which provide for a maximum period of 12 months' notice.

The Executive Directors may accept outside appointments, with prior Board approval, provided that these opportunities do not negatively impact on their ability to fulfil their duties to the Company. Whether any related fees are retained by the individual or are remitted to the Company will be considered on a case-by-case basis.

Non-Executive Directors' terms of engagement

All Non-Executive Directors, including the Chair, have specific terms of engagement which may be terminated on not less than three months' notice by either party.

The remuneration of Non-Executive Directors is determined by the Board within the limits set by the Articles and based on a review of fees paid to Non-Executive Directors of similar companies.

A Board evaluation has been performed and the results of this exercise confirmed that all Non-Executive Directors were independent.

Remuneration for new appointments

Where it is necessary to recruit or replace an Executive Director, the Committee has determined that the new Executive Director will receive a compensation package in accordance with the provisions of the Policy.

In setting base salaries for new Executive Directors, the Committee will consider the existing salary package of the new Director and the individual's level of experience.

In setting the annual performance bonus, the Committee may wish to set different performance metrics (to those of other Executive Directors) in the first year of appointment. Where it is appropriate to offer a below-median salary on initial appointment, the Committee will have the discretion to allow phased salary increases over a period of time for a newly appointed Director, even though this may involve increases in excess of inflation and the increases awarded to the wider workforce.

The Committee wishes to retain the ability to make buy out awards to a new Executive Director to facilitate the recruitment process. The amount of any such award would not exceed the expected value being forfeited and, to the extent possible, would mirror the form of payment, timing and degree of conditionality. Where awards are granted subject to performance conditions, these would be relevant to Silence Therapeutics plc. Any such award would only be made in exceptional circumstances and shareholders would be informed of any such payments at the time of appointment. Share-based awards would be made under the LTIP.

In respect of internal appointments, any commitments entered into in respect of a prior role, including variable pay elements, may be allowed to pay out according to their prior terms.

For external and internal appointments, the Committee may consider it appropriate to pay reasonable relocation or incidental expenses, including reasonable legal expenses. Tax equalisation may be considered if a Director is adversely affected by taxation due to their employment or engagement with the Company.

The terms of appointment for a Non- Executive Director would be in accordance with the remuneration policy for Non-Executive Directors as set out in the policy table.

Remuneration Committee (the Committee)

Governance

In its decision-making process, the Committee takes account of information from both internal and independent sources and Radford Data & Analytics (Radford) surveys. Radford were appointed as remuneration consultants by the Committee based on their expertise in the field. Radford advises the Committee on all aspects of senior executive remuneration. Radford has kept the Committee up to date on remuneration trends and corporate governance best practice. Radford does not have any other connection with the Company and is considered to be independent by the Committee. During the year ended 31 December 2020, fees charged by Radford amounted to approximately £10k and this was charged on a flat fee basis.

The current members of the Committee are James Ede-Golightly, Alistair Gray, Dave Lemus and Steven Romano. James Ede-Golightly, Alistair Gray, and Dave Lemus are deemed to be independent. Stephen Romano is Executive Vice President and Chief Scientific Officer at Mallinckrodt plc, a company which had a 6% shareholding in Silence at 31 December 2020.

Remuneration Committee report (continued)

The Company's Head of HR provides updates to the Committee, as required, to ensure that the Committee is fully informed about pay and performance issues throughout the Company. The Committee takes these factors into account when determining the remuneration of the Executive Directors and senior executives.

No Executive Director or employee can participate in any discussion directly relating to their own personal conditions of service or remuneration.

No conflicts of interest have arisen during the year and none of the members of the Committee has any personal financial interest in the matters discussed, other than as option holders. The fees of the Non-Executive Directors are approved by the Board on the joint recommendation of the Committee and the Chief Executive Officer.

Director	Meetings attended
James Ede-Golightly	5
Alistair Gray	5
Dave Lemus	5
Steven Romano	5

The Committee met five times in 2020.

Role

The Committee's principal function is to support the Company's strategy by ensuring that those individuals responsible for delivering the strategy are appropriately incentivised through the operation of the Company's remuneration policy.

In determining the Company's current policy, and in constructing the remuneration arrangements for Executive Directors and senior employees, the Board, advised by the Committee, aims to provide remuneration packages that are competitive and designed to attract, retain and motivate Executive Directors and senior employees of the highest calibre, and align incentives with shareholder interest.

The Committee is responsible for:

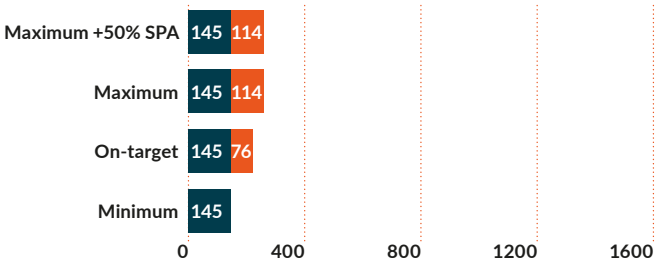
- setting a remuneration policy that is designed to promote the long-term success of the Company;
- ensuring that the remuneration of the Executive Directors and other senior executives reflects both their individual performance and their contribution to the overall Company results;
- determining the terms of employment and remuneration of the Executive Directors and Senior Executives, including recruitment and retention terms;
- approving the design and performance targets of any annual incentive schemes that include the Executive Directors and senior executives;
- approving the design and performance targets, where applicable, of all share incentive plans requiring shareholder approval;
- rigorously assessing the appropriateness and subsequent achievement of the performance targets related to any share incentive plans;
- recommending to the Board the fees to be paid to the Chair (the Chair is excluded from this process);
- gathering and analysing appropriate data from comparator companies in the biotech sector; and
- the selection and appointment of the external advisers to the Committee to provide independent remuneration advice where necessary.

Pay-for-performance scenario analysis

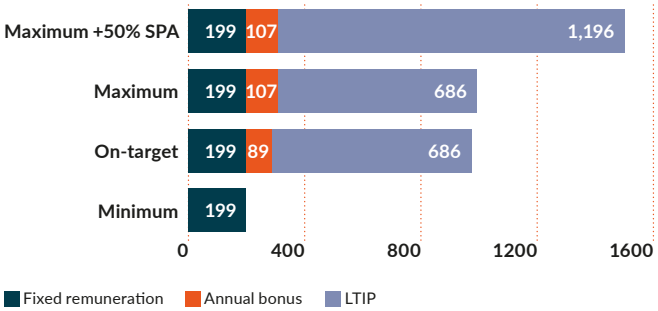
The charts below provide an estimate of the potential future reward opportunities for the Executive Directors, and the potential split between different elements of remuneration under four different performance scenarios: 'Maximum + 50% share price growth', 'Maximum', 'On target' and 'Minimum'.

Potential reward opportunities are based on the forward-looking policy, applied to annualised 2020 base salaries and incentive opportunities. Note that the LTIP awards granted in a year will not normally vest until the third anniversary of the date of grant, and the projected value of the "Maximum", "On target" and "Minimum" scenarios excludes the impact of share price movement. The "Maximum + 50% SPA" scenario shows the projected impact of a 50% share price appreciation (SPA).

Mark Rothera



Giles Campion



Amounts are shown in thousands (GBP).

The LTIP award amounts shown above relate to share options vesting during the year using the Company's AIM closing price at the end of the quarter in which the award vested less associated exercise price. None of the share options awarded to Mark Rothera in 2020 vested in the year.

Mark Rothera was appointed Director (Chief Executive Officer) on 14 September 2020; his remuneration in the above table is for the period from 14 September to 31 December 2020. Mark Rothera's 'on-target' bonus of £76k represents 60% of his salary of £127k for 2020. Total fixed remuneration of £145k comprised salary of £127k and benefits of £18k. Maximum bonus potential for 2020 was £114k representing 150% of the 'on-target' amount. For Mark Rothera, 100% of his annual bonus was by reference to corporate goals.

Giles Campion was appointed as a Director (Executive Vice President, Head of R&D and CMO) on 9 June 2020, his remuneration in the above table is for the period from 9 June to 31 December 2020. Giles Campion's 'on-target' bonus of £89k represents 50% of his Director's salary of £178k for 2020. Total fixed remuneration of £199k comprised salary of £178k, benefits of £3k and pension of £18k. Maximum bonus potential for 2020 was £107k representing 120% of the 'on-target' amount. For Giles Campion, 50% of his annual bonus was by reference to corporate goals and 50% by reference to individual goals.

Annual report on remuneration

This section of the remuneration report provides details of how our remuneration policy was implemented during the financial year ended 31 December 2020, and how it will be implemented during the year ending 31 December 2021.

This report splits certain information into that for Executive Directors and that for Non-Executive Directors. Iain Ross served as both an Executive and a Non-Executive Director during the financial year ended 31 December 2020. He was a Non-Executive Director on 31 December 2020 and disclosures in respect of him have therefore been included in the sections relevant to Non-Executive Directors save where they relate to remuneration applicable only to Executive Directors (such as annual bonus).

Audited information

Directors' remuneration – financial year ended 31 December 2020

The total remuneration of the individual Directors who served during the period is shown below. Total remuneration is the sum of emoluments for the period in service as a director plus Company pension contributions, and the value of long-term incentive awards vesting by reference to performance in the twelve months to 31 December 2020.

Directors' Remuneration – financial year ended 31 December 2020

		Basic salary[a]	Benefits[b]	Bonus[c]	LTIP[d]	Pension[e]	Total remuneration	Total fixed remuneration	Total variable remuneration
	Year	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Executive Directors									
Mark Rothera[1&4]	2020	127	18	76	–	–	221	145	76
	2019	–	–	–	–	–	–	–	–
Giles Campion[2]	2020	178	3	98	686	18	983	199	784
	2019	–	–	–	–	–	–	–	–
Non-Executive Directors									
Iain Ross[3]	2020	282	3	155	762	14	1,216	299	917
	2019	91	1	–	–	–	92	92	–
Alistair Gray	2020	45	–	–	–	–	45	45	–
	2019	40	13	–	1	–	54	53	1
Dave Lemus	2020	45	–	–	–	–	45	45	–
	2019	40	2	–	1	–	43	42	1
James Ede-Golightly	2020	45	–	–	–	–	45	45	–
	2019	27	–	–	–	–	27	27	–
Dr Steven Romano	2020	45	–	–	–	–	45	45	–
	2019	17	–	–	–	–	17	17	–

1. Appointed as a Director (Chief Executive Officer) on 14 September 2020. Remuneration amounts disclosed reflect the period during which Mark Rothera was in office.
2. Appointed as a Director (Executive Vice President, Head of R&D and CMO) on 9 June 2020. Remuneration amounts disclosed reflect the period during which Giles Campion was in office. £2k was paid in respect of private medical insurance during 2020 following his appointment as a member of the Board.
3. Following the resignation of the CEO on 16 December 2019, Iain Ross, the non-executive Chairman, was appointed Interim Executive Chairman on 17 December 2019. In recognition of the additional responsibility and in addition to his monthly Chairman/Director fees of £10,000 per month Mr Ross was paid an additional remuneration of £15,000 per month invoiced through his consultancy firm Gladstone Consultancy Partnership for the period 1 January – 31 May 2020. On 1 June and in the absence of a permanent CEO appointment, Mr Ross agreed to sign an employment contract immediately terminable 1 month following the appointment of a new CEO. Accordingly, for the period 1 June – 14 October 2020 Mr Ross was paid £30,000 per month plus benefits including a contribution to pension and private healthcare insurance. On 14 September 2020 Mr Ross reverted to his role as Non-executive Chairman and from 1 month after this date reverted to his monthly fees of £10,000 per month. On signing the employment agreement effective 1 June 2020 Mr Ross was paid a one-off bonus of £75k in recognition of his achievements during the period 17 December 2019 – 31 May 2020. Upon completion of his time as Interim Executive Chairman Mr Ross was paid a further one-off bonus of £80k in recognition of his achievements during the period.
4. Mark Rothera received an annual allowance of £8k in 2020 and a one-off payment of £10k in respect of legal fees.

Notes to the remuneration table

(a) This is the amount earned in respect of the financial period.
(b) This is the taxable value of benefits paid or payable in respect of the financial period. For Non-Executive Directors, the taxable benefits comprise travel costs (and the gross-up for associated income tax and employees' National Insurance Contributions which will be settled on behalf of the Non-Executive Directors) for attendance at Board meetings.
(c) This is the total bonus earned under the annual bonus scheme in respect of the financial year (despite being paid in the following financial year, following determination of final outcomes).
(d) The amount shown relates to the market value of the LTIP awards vesting during the year using the Company's AIM closing price at the end of the quarter in which the award vested less associated exercise price. The amount of these awards attributable to share price appreciation was £418k and £431k for each of Giles Campion and Iain Ross respectively, calculated as the difference between the AIM closing price at the end of the quarter in which the award vested and the associated exercise price.
(e) The amount shown relates to Company contributions to the defined contribution scheme, plus any cash in lieu.

Remuneration Committee report (continued)

Annual performance bonus – 2020

In 2020, all employees were eligible for an annual discretionary cash bonus, whereby performance objectives are established at the beginning of the financial year by reference to suitably challenging corporate goals.

In relation to the Directors, Mark Rothera's bonus was fixed at 60% of salary for 2020. Giles Campion's on-target bonus for 2020 was 50% of salary, with a maximum potential of 60%. Iain Ross was paid a one-off bonus of £75k in respect of services rendered 17 December 2019 – 31 May 2020. Upon completion of his time as Interim Executive Chairman Mr Ross was paid a further one-off bonus of £80k in respect of services rendered during the remainder of his time in this Executive role.

For all other staff (other than the Executive Directors and Non-Executive Directors) the maximum bonus opportunities ranged from 8% to 40% of salary, depending on grade. Bonus payments are not pensionable.

For 2020 for all staff (other than the Executive Directors and Non-Executive Directors) 50% of the annual bonus was by reference to corporate goals, and 50% to individual goals. In the future, the Committee expects the percentage attributable to individual goals to increase for employees (excluding the Executive Directors).

In 2020, for Mark Rothera 100% of his annual bonus was by reference to corporate goals. For Giles Campion 50% of his annual bonus was by reference to corporate goals, and 50% to individual goals. The achievement against the scorecard of corporate goals was as follows:

	Target	Weighting %	**2020 achievement %**
Pipeline	Achieve planned targets for the development of specified existing and new SLN assets and extra hepatic research partnership milestone	35.0	**35.0**
Finance	Maintain a cash runway, secure additional funding and adherence to budget	25.0	**15.0**
Business development/Corporate development	Secure high value business development deal	25.0	**25.0**
Build a professional, compliant, scalable and high performing organisation	Project management culture, build capabilities to deliver strategic objectives and build/automate business processes	7.5	**7.5**
Investor relations/Communications	Based on investor relations and capital market activities	7.5	**6.0**
Sub-total		100.0	**88.5**
Application of discretionary additional targets (as described below)		–	**11.5**
Total		100.0	**100.0**

Achievement against objectives is given careful consideration by the Committee prior to finalisation. The Committee exercised discretion in its assessment of the performance for 2020 by additionally recognising the successful Nasdaq listing in September 2020 and Silence's response to the COVID pandemic. In doing so it adjusted the overall scorecard achievement in respect of the Nasdaq listing and COVID response by 5.0% and 6.5% respectively as shown in the table above.

The Committee reviewed the formulaic outcome of the scorecard and concluded that the scorecard outcome, as shown above, reflected the performance of the Executive Directors in the year. The resulting annual bonus awards under the Policy, i.e. bonus awards of up to 100% of salary payable in cash, are as follows:

	Bonus scorecard Outcome £000s	% of salary	Maximum opportunity Cash amount £000s	% of salary
Mark Rothera[1]	76	60%	76	60%
Giles Campion[2]	98	55%	107	60%

1. Appointed as a Director (Chief Executive Officer) on 14 September 2020. Mark Rothera's bonus was fixed for 2020 at 60% of salary.
2. Appointed as a Director of the Company on 9 June 2020.

Scheme interests

During the year ended 31 December 2020, the Executive Directors were awarded conditional share awards under the LTIP scheme, details of the which are summarised in the table below. LTIP awards were granted under the Silence Therapeutics plc 2018 Non-Employee Long Term Incentive Plan or the Silence Therapeutics plc 2018 Employee Long Term Incentive Plan as applicable.

Scheme interests
Executive Directors' share awards

Individual	Date of grant	At Jan 1 2020	Awarded	At Dec 31 2020	Exercise price (Pence)	Gain on exercises during the year (£000s)	Earliest date of exercise	Last date of exercise
Iain Ross	06/10/2019	250,000	–	250,000	60.00	–	06/01/2020	06/10/2029
	06/10/2019	250,000	–	250,000	190.00	–	06/01/2020	06/10/2029
	21/05/2020	–	150,000	150,000	5.00	–	25/04/2022	20/05/2030
	21/05/2020	–	350,000	350,000	440.00	–	21/08/2020	20/05/2030
Mark Rothera	14/09/2020	–	1,800,000	1,800,000	468.00	–	14/09/2021	14/09/2030
Giles Campion	03/06/2019	200,000	–	200,000	5.00	–	02/06/2022	02/06/2029
	06/10/2019	15,000	–	15,000	183.00	–	06/10/2022	06/10/2029
	06/10/2019	228,083	–	228,083	60.00	–	06/01/2020	06/10/2029
	06/10/2019	456,917	–	456,917	190.00	–	06/01/2020	06/10/2029

Scheme interests awarded in 2020

	Date of grant	Number awarded	Exercise price	Face value (£000s)	Vesting schedule
Iain Ross	21/05/2020	150,000	5.00	76,350	Note 1
	21/05/2020	350,000	440.00	25,900	Note 1
Mark Rothera	14/09/2020	1,800,000	468.00	82,800	Note 2

1. Iain Ross' share options granted in May 2020 vest over three years with a one year cliff and equal quarterly instalments thereafter subject to the meeting of specified performance conditions based on share price targets. 50,000 were related to the Nasdaq listing and vested as soon as the share price remained over £4.40 for 30 calendar days.
2. Mark Rothera was granted 1,800,000 share options in September 2020, 450,000 of which vest on 14 September 2021 with the remaining 1,350,000 vesting in 12 equal quarterly tranches of 112,500 each between September 2020 and June 2023. These awards are not subject to any performance conditions.

Directors' interests in shares at 31 December 2020

			Options			
Director	Total shares owned outright plus vested options	Shares owned outright	Percentage of issued share capital	Vested but not exercised	Unvested but subject to performance	Unvested and not subjected to performance[1]
Current Directors						
Mark Rothera	17,100	17,100	0.02%	–	–	1,800,000
Giles Campion	243,277	14,945	0.02%	228,332	352,056	319,612
Iain Ross	316,617	54,443	0.07%	262,174	173,080	564,746
Alistair Gray	9,903	9,903	0.01%	–	–	–
Dave Lemus	6,876	6,876	0.01%	–	–	–
James Ede-Golightly	3,000	3,000	0.00%	–	–	–
Dr. Steven Romano	14,500	14,500	0.02%	–	–	–

1. Options unvested and not subject to performance exclude those options that will only vest if a floor condition is met.

Remuneration Committee report (continued)

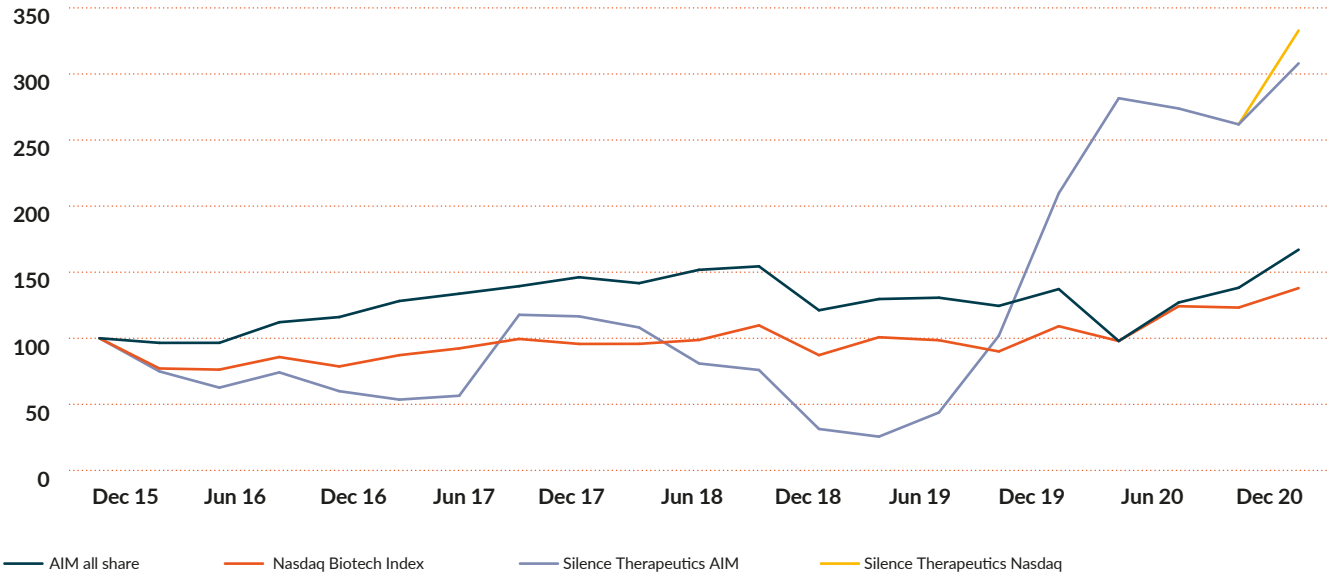
Unaudited information

Performance graph and table

The following graph shows Silence's cumulative Total Shareholder Return (TSR) over the last five financial years relative to the FTSE AIM All Share Index and the Nasdaq Biotech Index. These two indices were chosen due to Silence's listing on both exchanges and the sector in which it operates. For the period from December 2015 to August 2020 Silence Therapeutics plc data relates to AIM TSR, and from September 2020 (the month of the Silence's listing on Nasdaq) the data relates to Nasdaq TSR (as show by the separate line).

TSR is defined as the return on investment obtained from holding a company's shares over a period. It includes dividends paid, the change in capital value of the shares and any other payment made to or by shareholders within the period.

Source: Investec



Aligning Pay with Performance

CEO remuneration compared with annual growth in TSR:

The total 2020 remuneration figure for the CEO (Mark Rothera) is shown in the table below, along with the value of bonuses paid in respect of the year, and LTIP vesting, as a percentage of the maximum opportunity. As this is the first year reported since listing on Nasdaq and therefore the first year for which this disclosure is required, it is not possible to provide meaningful comparative data. However, full disclosure of the year on year movement will be provided in future remuneration reports.

	Mark Rothera £000s
Total remuneration	221
Actual bonus as a % of the maximum	67%
Actual share award vesting as % of the maximum	n/a

Percentage change in remuneration of the Directors and employees

Set out below is the change over the prior period in base salary, benefits, pension and annual performance bonus for the CEO, for all the directors and the Company's employees. Only directors in office during any part of the 2020 year have been included below. The percentage change for Mark Rothera will be disclosed from next year.

	Salary % change 2019 vs 2020	Benefits % change 2019 vs 2020	Bonus % change 2019 vs 2020
Iain Ross	See note 1	–100%	See note 3
Alistair Gray	13%	–100%	See note 3
Dave Lemus	13%	–100%	See note 3
James Ede-Golightly	13%	See note 2	See note 3
Dr. Steven Romano	13%	See note 2	See note 3
All employees excl. Directors	4%	3%	4%

1. In 2019 Iain Ross was appointed as a Director (Non-Executive Chairman) on 25 April 2019. He was subsequently appointed as Executive Chairman on 17 December 2019. Base salary includes additional remuneration of £9k (exclusive of VAT) relating to duties undertaken in December 2019 as Executive Chairman. This amount was billed by Iain Ross' consultancy company (Gladstone Consulting Partnership) in January 2020. Iain Ross will continue to be paid £15k (exclusive of VAT) on a monthly basis until one month following the appointment of a new CEO. In 2020, in recognition of the additional executive responsibilities and in addition to his monthly Chairman/Director fees of £10k per month Mr Ross was paid an additional remuneration of £15k per month invoiced through his consultancy firm Gladstone Consultancy Partnership for the period 1 January to – 31 May 2020. In the absence of a permanent CEO

appointment, on 1 June Mr Ross signed an employment contract immediately terminable one month following the appointment of a new CEO. For the period 1 June – 14 October 2020 Mr Ross was paid £30k per month plus benefits including a contribution to pension and private healthcare insurance of £2.5k. On 14 September 2020 Mr Ross reverted to his role as Non-executive Chairman and from one month after this date reverted to his monthly fees of £10k per month. On signing the employment agreement effective 1 June 2020 Mr Ross was paid a one-off bonus of £75k in respect of services rendered 17 December 2019 – 31 May 2020. Upon completion of his time as Interim Executive Chairman Mr Ross was paid a further one-off bonus of £80k in respect of services rendered during the remainder of his time in this Executive role.

2. Alistair Gray and Dave Lemus received no benefits in 2020. James Ede-Golighty and Dr Steven Romano received no benefits in either 2019 or 2020.
3. Iain Ross was not entitled to a bonus in respect of 2019. Alistair Gray, Dave Lemus, James Ede-Golightly and Dr Stephen Romano were not entitled to bonuses in respect of either 2019 or 2020.

Relative importance of spend on pay

Total revenue and research and development expenditure have been selected as comparators for the employee costs as these two financial measures are strong indicators of the activity within the Company and of its performance.

	2019 £000	**2020 £000**	Change £000
Total employee remuneration (£000s)	7,198	**12,079**	68%
Average number of employees	46	**65**	41%
Revenue (£000s)	244	**5,479**	2145%
Research and development expenditure (£000s)	13,336	**20,209**	52%

No dividends distributions or share buyback transactions occurred in either 2020 or 2019.

Statement of Implementation of Policy in 2021

Base salary: The January 2021 target base salary increase was 3% for all eligible employees, being those that had joined the business prior to 1 October 2020. There was no change in Mark Rothera's base salary and a 5% increase in base salary for Giles Campion.

Pension and benefits: In 2021, Executive Directors are eligible for the same benefits as provided to all senior employees. The Executive Directors are each entitled to the maximum employer pension contribution of 10% of their respective base salary which is paid into a defined contribution pension scheme / paid in cash in lieu of pension contributions.

Annual performance bonus: For 2021, the Executive Directors' annual cash bonus target payouts will be 60% and 50%. of annual base salary for Mark Rothera and Giles Campion respectively with maximum payouts of 90% and 60% respectively. The Committee considers overall corporate performance and individual performance when determining the final bonus amount to be awarded to an Executive Director. Performance will be tested against targets set by the Committee at the start of the year and will comprise 100% corporate goals for Mark Rothera and 50% corporate and 50% individual goals for Giles Campion. The Company's 2021 corporate objectives are weighted as follows:

The following tables sets out the Company's performance objectives for 2021.

Objective		Weighting
1	SLN124 milestone delivery	15%
2	SLN360 milestone delivery	25%
3	Manufacturing processes	10%
4	Systems Improvement	5%
5	New GalNAc target identification	10%
6	Achievement of financial targets	10%
7	New business development deals	10%
8	Secure additional funding	15%
TOTAL		**100%**

Specific targets are commercially sensitive and therefore are not disclosed in advance. However, full details of the targets and performance against them will be disclosed when they are no longer considered commercially sensitive.

The Chairman and NEDs will continue to be paid their current level of fees, but consideration is being given to the introduction of NED LTIPs in lieu of reduced fees.

Payments for loss of office (audited information)

There was no loss of office payments in 2020.

Payments to past Directors (audited information)

David Horn-Solomon ceased to be a Director on 17 December 2019. During 2020 he was paid the following amounts, each of which was accrued for in 2019: holiday pay in respect of the year ended 31 December 2019 of £16k, pay in lieu of notice of £187k, tax reimbursements of £25k and accommodation benefits of £65k.

James Ede-Golightly
Chair of the Remuneration Committee
30 March 2021

Directors' report

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2020.

Principal activities

The Company has full control and ownership of the following subsidiaries:

- Silence Therapeutics GmbH
- Silence Therapeutics (London) Ltd
- Innopeg Ltd
- Silence Therapeutics Inc.

The Company, Silence Therapeutics GmbH, Silence Therapeutics (London) Ltd, Innopeg Ltd, and Silence Therapeutics Inc. are collectively referred to as the 'Group'.

The principal activity of the Group is focused on the discovery, delivery and development of RNA therapeutics.

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

Review of the business and future developments

The strategic report describes research and development activity during the year as well as outlining future planned developments. Details of the financial performance, including comments on the cash position and research and development expenditure, are given in the financial review. Principal risks and uncertainties are given in the strategic report.

Health, safety and environment

The Directors are committed to ensuring the highest standards of health and safety, both for their employees and for the communities within which the Group operates and also minimising the impact of the Group's operations on the environment; see the detailed statement in the Corporate Social Responsibility section of the strategic report.

Employees

The Directors are committed to continuing involvement and communication with employees on matters affecting both employees and the Group. Management conducts regular meetings with all employees on site.

Political and charitable contributions

The Group did not make any political donations or incurred any political expenditure during the year (2019: £nil). The Group made total charitable donations of £49k during the year (2019: £25k).

Research and development

In 2020, the Group spent £20.2m on research and development (2019: £13.3m). See the Financial review on page 15 for more information.

Subsequent events

The Group appointed Dr. Michael H. Davidson, a leading expert in lipidology and cardiovascular clinical trials, to our Board of Directors as Non-Executive Director, and Craig Tooman to our Executive Leadership Team as Chief Financial Officer.

The Group completed an oversubscribed $45m private placement led by top-tier US institutional healthcare funds.

Financial risk management

A description of financial risk management is set out in note 29 to the financial statements.

Results and dividends

The Group recorded a loss for the year before taxation of £36.0m (2019: £22.9m). The loss after tax for the year was £32.5m (2019: £19.6m). Further details are given in the financial review. The Group is not yet in a position to pay a dividend and the loss for both periods has been added to accumulated losses.

Indemnification of Directors

Qualifying third party indemnity provisions (as defined in the Companies Act 2006) are in force for the benefit of Directors and former Directors who held office during 2020 and up to the signing of the annual report.

Directors

The Directors who served at any time during the year or since the year end were:

Director	Job title
Iain Ross	Chairman
Mark Rothera (appointed as a Director: 14 September 2020)	Chief Executive Officer
Giles Campion (appointed as a Director: 9 June 2020)	Executive Director
Alistair Gray	Non–Executive
Dave Lemus	Non–Executive
James Ede-Golightly	Non–Executive
Dr. Steven Romano	Non–Executive

The interests of the Directors in the share options of the Company are set out in the Directors' remuneration report.

Directors' report (continued)

Substantial interests

At 31 December 2020 the Company had been informed of the following substantial interests of over 3% in the issued share capital of the Company:

Shareholder	Number of shares	Percentage of issued share capital
Richard Griffiths	18,637,085	23.8%
Robert Keith	12,307,924	15.7%
Lombard Odier Asset Management	9,466,673	12.1%
Robert Quested	8,874,417	11.3%
Societe Generale	7,782,237	9.9%
Mallinckrodt	5,062,167	6.5%

Going concern

Based on the Directors' current forecasts and plans and, considering the cash, cash equivalents and term deposit at 31 December 2020, together with the unconditional cash receipt in May 2021 under the AstraZeneca plc agreement and the $45m of new equity raised in February 2021, the Directors are confident that the Group has sufficient funding for the foreseeable future and at least one year from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

This report was approved by the Board of Directors and signed on its behalf by:

Mark Rothera
Chief Executive Officer
30 March 2021

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with international accounting standards conformity with the requirements of the Companies Act 2006 and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each Director in office at the date the directors' report is approved:

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

Mark Rothera
Chief Executive Officer
30 March 2021

Independent auditors' report to the members of Silence Therapeutics plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Silence Therapeutics plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2020 (the "Annual Report "), which comprise: the consolidated and company balance sheets as at 31 December 2020; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- The scope of our work covered all of the Group's operating units being Silence Therapeutics plc, Silence Therapeutics GmbH and Silence Therapeutics Inc.
- Our scope provided us with coverage of 99.7% of the Group's loss before tax and 98.2% of the Group's net assets.

- Accounting for the collaboration agreement with AstraZeneca (group and parent).
- Revenue recognition under the Mallinckrodt collaboration agreement (group and parent).
- Accounting for research and development expenditure (group and parent).
- Risks posed by COVID-19 (group and parent).
- Carrying value of the investment in Silence Therapeutics GmbH (parent).

- Overall group materiality: £1,357,168 (2019: £1,145,000) based on 3.8% of loss before tax.
- Overall company materiality: £1,215,000 (2019: £1,085,000) based on 5% of loss before tax, restricted by an allocation of group materiality.
- Performance materiality: £1,017,876 (group) and £911,250 (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in 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 in the Auditors' responsibilities for the audit of the financial statements section, 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.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to patent protection, data privacy, product safety and regulatory compliance, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results, misappropriation of cash and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and internal legal counsel including consideration of known or suspected instances of non-compliance with laws and regulations and fraud.
- Review of minutes of meeting with the Board of Directors.
- Obtaining direct confirmation from a sample of third party contract research organisations (CROs) that clinical trials are being performed on behalf of the company as part of confirming that the Company's cash was not being misappropriated for other purposes.
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and journals posted by senior management.
- Challenging assumptions made by management in their significant accounting estimates, in particular in relation to the recognition of revenue related to collaboration agreements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

Accounting for the collaboration agreement with AstraZeneca (Group and Company), Revenue recognition under the Mallinckrodt collaboration agreement (Group and Company) and Carrying value of the investment in Silence Therapeutics GmbH (Company) are new key audit matters this year. Accounting for the collaboration agreement with Mallinckrodt (Group and Company) , which was a key audit matter last year, is no longer included because of the fact that assessment of all the significant judgements and the accounting implication were completed last year which are not expected to change. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Accounting for the collaboration agreement with AstraZeneca (Group and Company) (Accuracy assertion) The Group entered into a collaboration agreement with AstraZeneca in March 2020. Under the agreement AstraZeneca obtained research services and an exclusive licence to certain of Silence's patents and knowhow (IP) for specific gene targets (up to ten targets). The agreement included a fixed consideration of $60m ($20m of which was paid immediately with the remaining $40m due within one year): on subsequent milestones being achieved, in relation to the reimbursement of FTE costs and for the recharge of direct costs associated with certain research activities. At the same time AstraZeneca entered into an investment agreement with the Group, subscribing for new ordinary shares in the Company for total consideration of $20m. The main areas of judgement were the assessment of the performance obligations included in the contract and the allocation of the upfront consideration between the performance obligations, including assessing whether any of the amounts received for the issue of ordinary shares related to the performance obligations.	We obtained and reviewed the collaboration and investment agreements and the associated accounting paper prepared by management. We agreed the upfront and subsequent receipts for milestones to bank statements. We also agreed the remaining $40m due from the initial fixed consideration to the contract and that it was non-refundable. We agree with management's conclusion that this should be recorded as receivable as at 31 December 2020. We assessed management's paper, with support from our technical experts, which set out the accounting for the collaboration agreement under IFRS 15 to ensure that the accounting treatment adopted was appropriate. Specifically, we: • Assessed the judgement that the licence for the gene target and the performance of related research and development activities associated to each asset are not distinct performance obligations and therefore that there are ten performance obligations in total (one for each target); • Assessed the allocation of the upfront receipt between the ten performance obligations, by holding discussions with management to understand how the contract was negotiated, considering similar multi-asset licensing deals in the industry and agreeing the amounts paid to supporting documentation; and • Assessed whether the amounts received for the ordinary shares represented their fair value by considering the market price at the time, along with other rights as part of the investment.

Independent auditors' report to the members of Silence Therapeutics plc (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition under the Mallinckrodt collaboration agreement (Group and Company) (Accuracy assertion) The Group entered into a collaboration agreement with Mallinckrodt in 2019. Under the agreement Mallinckrodt obtained research services and an exclusive licence to certain of Silence's patents and knowhow ("IP") for specific gene targets (up to three targets). The agreement included a fixed consideration of $20m (which was paid immediately), with further amounts due: on subsequent milestones being achieved, in relation to the reimbursement of FTE costs and for the recharge of direct costs associated with certain research activities. In 2019 it was concluded that the licence for the gene target and the performance of related research and development activities associated with each target were not distinct performance obligations and therefore that there were three performance obligations (one for each target). The transaction price was allocated to the performance obligations based on relative standalone selling price. In 2020 management performed a calculation to assess the amount of revenue that should be recognised in relation to the collaboration agreement, multiplying the transaction price by the percentage of completion of each specific project.	We tested the calculation methodology for appropriateness and accuracy. In relation to the transaction price: • we agreed the fixed element back to the original agreement; • we confirmed that the element of the transaction price related to milestones included only those milestones that had been received; and • we agreed that the total expected revenue from FTE and other recharges had been derived from the minutes of the latest Joint Steering Committee meetings with Mallinckrodt. For the FTE and other recharges made to date, we agreed back to invoices raised and, where relevant, to cash receipts. In relation to the percentage of completion calculation: • we obtained a listing of internal and external costs incurred to date and tested a sample of these costs back to supporting documentation, including invoices and, where relevant, cash payments; and • we obtained management's estimate of future internal and external costs and challenged the basis for their estimates. In doing so we confirmed that these costs had also been derived from the minutes of the latest Joint Steering Committee meetings with Mallinckrodt.
Accounting for research and development expenditure (Group and Company) (Accuracy assertion) The Group's research and development spend in the year amounted to £20.2m with accruals of £4.8m and prepayments of £3.9m recognised at the year end. A significant portion of the expense arises through the Group outsourcing research to third party research organisations. At the year-end management are required to calculate the costs recognised based on the progress of the research organisations contract versus the amounts billed to date. Due to the nature of the research it is often difficult to estimate the length of time a particular project is going to take. Outsourcing to research organisations restricts visibility and the ability to monitor the progression of a piece of research, or a project's stage of completion. As a result, it can be difficult for the Company to measure what costs have been incurred in relation to a project at a particular point in time and as such, based on billings received, whether project accruals and prepayments recorded are reasonably estimated. Our audit risk is focussed on whether the relevant expenditure has been appropriately included in the income statement and whether prepayments and accruals are appropriately calculated and recognised.	For all projects above £100k in value, we obtained management's calculations of the costs, accrual and prepayment position as at 31 December 2020, verifying the mathematical calculation used. For a sample of projects: • We obtained the underlying contracts and work plans and understood the basis on which the third party confirmation had been provided, and that management had recognised the appropriate costs; • We obtained confirmations from relevant internal project managers to test that the progress confirmed by the third party research organisations was in line with management's records; • We tested the status of projects by reading the internal minutes of meetings held between Silence and the research organisations (where available) to discuss the progress of the sampled projects and verified that there was no contradictory evidence available; and • We independently confirmed with the CROs for the three largest contracts by value to verify the authenticity of the external confirmations provided to us by management and to confirm the status of the project. For a sample of invoices listed in management's calculation, we tested back to the actual invoice and verified that the cost description in the invoice matched work streams included in management's schedule and were supported by the underlying third party statement of work. In addition, to test the completeness of accruals and prepayments, a selection of invoices was obtained from the accounts payable listing at year end and checked to see if these were included in project sheets to ensure completeness of the calculation. We also tested a selection of completed CRO contracts to the issuance of the final report and checked that no work expenditure had been incurred on contracts signed after the year end. We also performed look-back procedures to assess the outcome of prior year accruals. We found no material exceptions during our testing.

Key audit matter	How our audit addressed the key audit matter
Risks posed by COVID-19 (Group and Company) (All assertions) The Directors have considered the risks posed by COVID-19, as set out in the strategic report. Given the nature of the Group's operations, the risks are assessed as being in relation to the risk of delaying the commencement of clinical trials for SLN124 and SLN360.	We read the relevant disclosures in the annual report and checked their consistency with our knowledge of the business based on our audit. No exceptions were noted from our testing.
Carrying value of the investment in Silence Therapeutics GmbH (Company Valuation assertion) As at 31 December 2020 the parent company held an investment in its wholly owned subsidiary Silence Therapeutics GmbH ('GmbH') of £23.3m as well as a long-term receivable from GmbH of £13.6m. A provision of £14.3m had been recorded against the investment balance in previous years, resulting in a net investment in GmbH of £9.0m, plus the loan balance. Management have performed an impairment assessment on the net investment in accordance with IAS 36 (Impairment of assets) and recorded an impairment of £5.9m in the current year. Judgement is required in the impairment assessment, specifically in forecasting the timing and probability of future contractual milestone receipts.	We obtained management's impairment analysis and gained an understanding of the key assumptions and judgements underlying the assessment. We assessed the appropriateness of the methodology applied and tested the mathematical accuracy of the models, with no exceptions identified. We assessed the key assumptions, including the timing and probability of future milestones receipts by: • discussing the status of project with the project managers; • tracing the milestones to the original collaboration agreements; and • confirming that the timing of future receipts are consistent with our review of board minutes and project status meetings. We concluded management's recognised impairment in relation to investment carrying value is appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group has two main operating units (Silence Therapeutics plc and Silence Therapeutics GmbH) and we performed a full scope audit on each unit. The audit of both the units was performed by the group engagement team, with involvement of a team member based in Germany who assisted with certain aspects of the audit of Silence Therapeutics GmbH.

Our scope provided us with coverage of 99.7% of Group's loss before tax and 98.2% of Group's net assets.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Financial statements – group	Financial statements – company
Overall materiality	£1,357,168 (2019: £1,145,000).	£1,215,000 (2019: £1,085,000).
How we determined it	3.8% of loss before tax.	5% of loss before tax, restricted by an allocation of group materiality.
Rationale for benchmark applied	Although the Group is currently loss making its goal is to be a profit making business and therefore we applied a profit related benchmark.	Although the Company is currently loss making its goal is to be a profit making business and therefore we applied a profit related benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £810,000 and £1,215,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £1,017,876 for the group financial statements and £911,250 for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

Independent auditors' report to the members of Silence Therapeutics plc (continued)

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £67,858 (group audit) (2019: £57,000) and £60,750 (company audit) (2019: £46,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Challenging the underlying data and key assumptions used to make the going concern assessment, and evaluating the directors' plans for future actions in relation to their going concern assessment.

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 and 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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Remuneration Committee report to be audited has been properly prepared in accordance with the Companies Act 2006.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Remuneration Committee report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Sam Taylor (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
30 March 2021

Consolidated income statement

year ended 31 December 2020

	Note	Year ended 31 December 2020 £000s	2019 £000s
Revenue	3	**5,479**	244
Cost of sales		**(3,762)**	–
Gross (loss)/profit		**1,717**	244
Research and development costs		**(20,209)**	(13,336)
Administrative expenses		**(13,983)**	(9,642)
Other (losses)/gains – net	7	**(3,372)**	–
Operating loss	5	**(35,847)**	(22,734)
Finance and other expenses	8	**(323)**	(163)
Finance and other income	9	**129**	27
Loss for the year before taxation		**(36,041)**	(22,870)
Taxation	10	**3,494**	3,288
Loss for the year after taxation		**(32,547)**	(19,582)
Loss per ordinary equity share (basic and diluted)	11	**(39.8) pence**	(26.1) pence

Consolidated statement of comprehensive income
year ended 31 December 2020

	Note	Year ended 31 December 2020 £000s	2019 £000s
Loss for the year after taxation		**(32,547)**	(19,582)
Other comprehensive expense, net of tax:			
Items that may subsequently be reclassified to profit and loss:			
Foreign exchange differences arising on consolidation of foreign operations		**472**	(411)
Total other comprehensive income/(expense) for the year		**472**	(411)
Total comprehensive expense for the year		**(32,075)**	(19,993)

Consolidated balance sheet
at 31 December 2020

	Note	31 December 2020 £000s	2019 £000s
Non-current assets			
Property, plant and equipment	12	**1,127**	611
Goodwill	13	**8,125**	7,692
Other intangible assets	14	**17**	34
Financial assets at amortised cost	17	**303**	275
		9,572	8,612
Current assets			
Cash and cash equivalents	15	**27,449**	13,515
Derivative financial instrument	16	**1,492**	–
Financial assets at amortised cost – term deposit	17	**10,000**	20,000
Financial asset at amortised cost – other	17	**–**	1
R&D tax credit receivable	10	**3,536**	3,060
Other current assets	18	**4,616**	885
Trade receivables	19	**29,306**	4
		76,399	37,465
Non-current liabilities			
Contract liabilities	22	**(51,337)**	(15,515)
		(51,337)	(15,515)
Current liabilities			
Contract liabilities	22	**(17,042)**	(2,478)
Trade and other payables	20	**(8,192)**	(6,888)
Lease liability	21	**(341)**	(287)
		(25,575)	(9,653)
Net assets		**9,059**	20,909
Capital and reserves attributable to the owners of the parent			
Share capital	24	**4,165**	3,919
Capital reserves	26	**186,891**	167,243
Translation reserve		**2,218**	1,746
Accumulated losses		**(184,215)**	(151,999)
Total shareholders equity		**9,059**	20,909

The financial statements on pages 50 to 76 were approved by the Board on 30 March 2021 and signed on its behalf.

Mark Rothera
Chief Executive Officer
Company number: 02992058

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated statement of changes in equity

year ended 31 December 2020

	Note	Share capital £000s	Capital reserves £000s	Translation reserve £000s	Accumulated losses £000s	Total equity £000s
At 1 January 2019		3,554	163,121	2,157	(133,787)	35,045
Recognition of share-based payments		–	584	–	–	584
Options exercised in the year		–	(1,370)	–	1,370	–
Proceeds from shares issued		365	4,908	–	–	5,273
Transactions with owners recognised directly in equity		**365**	**4,122**	**–**	**1,370**	**5,857**
Loss for year		–	–	–	(19,582)	(19,582)
Other comprehensive expense						
Foreign exchange differences arising on consolidation of foreign operations		–	–	(411)	–	(411)
Total comprehensive expense for the year		–	–	(411)	(19,582)	(19,993)
At 31 December 2019		**3,919**	**167,243**	**1,746**	**(151,999)**	**20,909**
Recognition of share-based payments	26	–	4,395	–	–	4,395
Options exercised in the year	26	–	(331)	–	331	–
Proceeds from shares issued	24/26	246	15,584	–	–	15,830
Transactions with owners recognised directly in equity		**246**	**19,648**	**–**	**331**	**20,225**
Loss for year		–	–	–	(32,547)	(32,547)
Other comprehensive income						–
Foreign exchange differences arising on consolidation of foreign operations		–	–	472	–	472
Total comprehensive expense for the year		–	–	472	(32,547)	(32,075)
At 31 December 2020		**4,165**	**186,891**	**2,218**	**(184,215)**	**9,059**

Consolidated statement of cash flows

year ended 31 December 2020

	Year ended 31 December	
	2020 £000s	2019 £000s
Cash flow from operating activities		
Loss before tax	**(36,041)**	(22,870)
Depreciation charges	**476**	452
Amortisation charges	**20**	30
Charge for the year in respect of share-based payments	**4,395**	584
Net foreign exchange loss	**4,864**	–
Gain on derivative financial instrument	**(1,492)**	–
Finance and other expenses	**323**	163
Finance and other income	**(129)**	(27)
(Gain)/loss on disposal of property, plant and equipment	**(3)**	2
Revaluation of trade and other receivables related to contract liabilities	**(4,864)**	–
Increase in trade and other receivables	**(29,302)**	(4)
Increase in other current assets	**(3,731)**	(4)
Decrease in current financial assets at amortised cost – other	**1**	42
Increase in trade and other payables	**1,303**	3,058
Increase in contract liabilities	**50,386**	17,993
Cash spent on operations	**(13,794)**	(581)
R&D tax credits received	**3,018**	2,308
Net cash (outflow)/inflow from operating activities	**(10,776)**	1,727
Cash flow from investing activities		
Net redemption/(purchase) of financial assets at amortised cost – term deposits	**10,000**	(15,000)
Interest received/(paid)	**129**	(6)
Purchase of property, plant and equipment	**(511)**	(9)
Purchase of intangible assets	**(3)**	–
Proceeds from sale of property, plant and equipment	**3**	–
Net cash inflow/(outflow) from investing activities	**9,618**	(15,015)
Cash flow from financing activities		
Repayment of lease liabilities	**(402)**	–
Proceeds from issue of share capital	**15,830**	5,273
Net cash inflow from financing activities	**15,428**	5,273
Increase/(decrease) in cash and cash equivalents	**14,270**	(8,015)
Cash and cash equivalents at start of year	**13,515**	21,494
Effect of exchange rate fluctuations on cash and cash equivalents held	**(336)**	36
Cash and cash equivalents at end of year	**27,449**	13,515

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the consolidated financial statements
year ended 31 December 2020

1. General information

1.1 Group
Silence Therapeutics plc and its subsidiaries (together the 'Group') are primarily involved in the discovery, delivery and development of RNA therapeutics. Silence Therapeutics plc, a public company limited by shares registered in England and Wales, with company number 02992058, is the Group's ultimate parent Company. The Company's registered office is 27 Eastcastle Street, London, W1W 8DH and the principal place of business is 72 Hammersmith Road, London, W14 8TH.

2. Principal accounting policies

2.1 Basis of preparation
The consolidated financial statements have been prepared in accordance with IFRS (International Financial Reporting Standards) as issued by the IASB (International Accounting Standards Board). The consolidated financial statements have been prepared under the historical cost convention as modified by revaluation to fair value of the derivative financial instrument. The accounting policies set out below have, unless otherwise stated, been prepared consistently for all periods presented in these consolidated financial statements. The financial statements are prepared in sterling and presented to the nearest thousand pounds.

New and amended standards adopted by the Group
The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These include amendments to IAS1 'Presentation of financial statements' on classification of liabilities. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Basis of consolidation
The Consolidated financial statements consolidate those of the Company and its controlled subsidiary undertakings drawn up to 31 December 2020. The Group controls an entity when the Group is expected to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies into line with those used for reporting the operations of the Group. All intra Group transactions, balances, income and expenses are eliminated on consolidation.

2.3 Going concern
The 2020 coronavirus (COVID-19) pandemic became increasingly prevalent in Europe and the US where the Group's principal operations are conducted. Significant restrictions have now been imposed by the governments of those countries where the Group has operations, as well as the countries of external parties with which we conduct our business. In compliance with these restrictions, the Group and its employees have adapted to new working arrangements to ensure business continuity as far as is reasonably practicable in the short to medium term. This has so far proven to be effective, with Management maintaining a strong line of communication with all employees during this period.

The main risk posed to the Group by the pandemic is the potential slowing of Research & Development activities including possible knock-on delays in clinical trial data and sustained fixed costs during periods of relative inactivity. Whilst this would result in a lengthening of the Group's cash runway in the medium term, in the longer term these factors could limit the Group's ability to meet its corporate objectives. This risk is mitigated by the receipt by $60m of the unconditional upfront payments in respect of the AstraZeneca collaboration and the $45m from the private placement, both of which significantly increase the Group's baseline cash runway.

Based on the Directors' current forecasts and plans and, considering the cash, cash equivalents and term deposit at 31 December 2020; together with the unconditional cash receipt in May 2021 under the AstraZeneca plc agreement and the $45m of new equity raised in February 2021, the directors are confident that the Group has sufficient funding for the foreseeable future and at least one year from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 1 to 19.

2.4 Research and development
The Group recognises expenditure incurred in carrying out its research and development activities in line with management's best estimation of the stage of completion of each separately contracted study or activity. This includes the calculation of research and development accruals at each period to account for expenditure that has been incurred. This requires estimations of the full costs to complete each study or activity and also estimation of the current stage of completion. In all cases, the full cost of each study or activity is expensed by the time the final report or, where applicable, product, has been received. Further details on research and development can be found in note 2.11.

2. Principal accounting policies continued

2.5 Revenue recognition

The Group's revenue for the year ended 31 December 2020 consists of royalty income and revenue from collaboration agreements.

Royalty income

The Group's royalty income is generated by a settlement and licence agreement with Alnylam Inc. Under this contract, Alnylam. is obliged to pay royalties to the Group on the net sales of ONPATTRO™ in the European Union in a manner commensurate with the contractual terms. Invoices are raised in arrears on a quarterly basis based on sales information provided by Alnylam no later than 75 days after the quarter end.

The royalty exemption under IFRS 15 requires sales-based data. Royalty revenue is recognised based on the level of sales when the related sales occur.

Revenue from collaboration agreements

We have considered the Mallinckrodt and AstraZeneca contracts and assessed whether the research and development services and licence of the IP in respect of each target are distinct.

For both contracts we have concluded the license of the intellectual property and the R&D services are not distinct, as both Mallinckrodt and AstraZeneca cannot benefit from the intellectual property absent the R&D services, as those R&D services are used to discover and develop a drug candidate and to enhance the value in the underlying intellectual property, indicating that the two are highly interrelated. On this basis, we have concluded that there is a single performance obligation covering both the R&D services and the license of the intellectual property in respect of each target (i.e., one for the initial target and one for each additional optioned complement-mediated disease targets which represent material rights). We recognize revenue over the duration of the contract based on an input method based on cost to cost.

The contracts have multiple elements of consideration (some or all of the following), namely:

- Upfront payments (fixed);
- Subsequent milestone payments (variable);
- FTE costs rechargeable (variable);
- Recharges of direct costs for certain research activities (variable).

The Group's effort under the contracts continue throughout their entire duration. On this basis revenue is recognised over the contract period based on costs to completion.

Revenue has been calculated on the following ongoing basis for the year ended 31 December 2020:

- Actual FTE and direct costs incurred up to 31 December 2020 and forecast FTE and direct costs for the remainder of the contract are determined
- Actual costs incurred up until 31 December 2020 are calculated as a percentage of total contract costs (actual and forecast)
- This percentage is then multiplied by the consideration allocated to the performance obligation in question, thus calculating the cumulative revenue which is then used to calculate the revenue to be recognised in that six-month period. In the case of the FTE recharges and other direct cost recharges, the consideration that is multiplied includes all amounts to the end of the contract (including the forecast amounts). In the case of the upfront and milestones, the consideration that is multiplied is in relation to the upfront and completed milestones only. Consideration in relation to milestones not yet been achieved is excluded from the calculation.

Forecast costs are monitored each period, with monthly revenue recognised reflecting any changes in forecast or over/under spend in actuals.

Further details of the revenue amounts recognised in the year ended 31 December 2020 can be found in note 3.

2.6 Foreign currency translation

The consolidated financial statements are presented in sterling. The individual financial statements of each Group entity are prepared in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the year.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are translated into sterling using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the year unless individually significant to the Group at which point they are translated at spot rate. Exchange differences arising, if any, are recognised in equity.

2. Principal accounting policies continued

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.7 Defined contribution pension funds

The contributions payable to defined contribution retirement schemes are recognised as an expense in the period to which they relate. On the payment of the contribution the Group has no further liability.

2.8 Business combinations

There were no new business combinations as defined by IFRS 3 during 2019 or 2020.

Business combinations which occurred in and after 2010 were accounted for by applying the acquisition method described in IFRS 3 as at the acquisition date, which is the date on which control is transferred to the Group. In arriving at the cost of acquisition, the fair value of the shares issued by the Company is taken to be the bid price of those shares at the date of the issue. Where this figure exceeds the nominal value of the shares, the excess amount is treated as an addition to the merger reserve.

For acquisitions which occurred before 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

2.9 Property, plant and equipment

The Group hold no property assets other than leased property assets classified as right-of-use assets. See note 2.14 for further details.

All equipment and furniture is stated in the financial statements at its cost of acquisition less a provision for depreciation.

Depreciation is charged to write off the cost less estimated residual values of furniture and equipment on a straight-line basis over their estimated useful lives. All equipment and furniture is estimated to have a useful economic life of between three and ten years. Estimated useful economic lives and residual values are reviewed each year and amended if necessary.

2.10 Goodwill

Goodwill is stated at cost less any accumulated impairment losses; it is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows. Goodwill is not amortised but is tested for impairment annually, or sooner when an indication of impairment has been identified.
Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the date of acquisition. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.11 Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation
Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date.
Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Licences and software	10–15 years.

Capitalisation of research and development costs
Costs associated with research activities are treated as an expense in the period in which they are incurred.

Costs that are directly attributable to the development phase of an internal project will only be recognised as intangible assets provided they meet the following requirements:

- an asset is created that can be separately identified;
- the technical feasibility exists to complete the intangible asset so that it will be available for sale or use and the Group has the intention and ability to do so;
- it is probable that the asset created will generate future economic benefits either through internal use or sale;
- sufficient technical, financial and other resources are available for completion of the asset; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

2. Principal accounting policies continued

Careful judgement by management is applied when deciding whether recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date.

To date, no development costs have been capitalised in respect of the internal projects on the grounds that the costs to date are either for the research phase of the projects or, if relating to the development phase, then the work so far does not meet the recognition criteria set out above. In most cases recognition would not occur until regulatory approval.

2.12 Impairment testing of goodwill, other intangible assets and property, plant and equipment

At each balance sheet date non-financial assets are assessed to determine whether there is an indication that the asset or the asset's cash generating unit may be impaired. If there is such an indication the recoverable amount of the asset or asset's cash generating unit is compared to the carrying amount.

The recoverable amount of the asset or asset's cash generating unit is the higher of the fair value less costs to sell and value in use.

Impairment losses recognised for cash generating unit to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit.

2.13 Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

For the periods presented in these financial statements, financial assets were classified in the following categories: derivative financial instruments, and financial assets at amortised cost. Currently other categories of financial asset are not used. Management determines the classification of its financial assets at initial recognition.

The de-recognition of financial instruments occurs when the rights to receive cash flows from investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Derivative financial instruments

The Group uses forward contracts to manage exposure to risks from foreign exchange movements. Derivatives are initially recognised at fair value at the date that the contract is entered into and subsequently remeasured at each balance sheet date. The resulting gain or loss is recognised in the income statement.

Financial assets at amortised cost

Financial assets at amortised cost include trade receivables held in order to collect contractual cash flows, a term deposit held to collect solely payment of the principal and interest, and deposits on property operating leases and for the procurement of materials. These are measured at initial recognition at fair value plus, if appropriate, directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any impairment is assessed using the Expected Credit Losses (ECL) model.
The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. For assessing the recoverability of intercompany loans the Group applies IFRS 9's three stage ECL model in determining the recoverable amount. Any impairment is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. A financial liability is a contractual obligation to either deliver cash or another financial asset to another entity or to exchange a financial asset or financial liability with another entity, including obligations which may be settled using its equity instruments. An equity instrument is any contract that evidences a residual interest in the assets after deducting all of its liabilities.
The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities

At initial recognition, financial liabilities are measured at their fair value minus, if appropriate, any transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, all financial liabilities are measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Group are recorded as the proceeds received, net of direct issue costs.

2. Principal accounting policies continued

2.14 Leased assets

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets two key evaluations, which are whether:

- the contract contains an identifiable asset; and
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use.

Measurement and recognition

At lease commencement date, the Group recognises a right-of-use asset (as part of the appropriate underlying class of assets in property, plant and equipment) and a lease liability on the balance sheet.

The right-of-use asset is measured at cost. The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest.

The Group has elected to account for short-term leases (leases with a duration of less than 12 months) and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The interest payments for leases are recognised in the statement of cashflows under finance and other expenses.

Lease break clauses and extension options

When the Group has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help determine the lease term.

Similarly, when a break clause exists in the lease agreement, management must consider the likelihood of this option to curtail the lease being exercised. In respect of the Group's leased Berlin facility, £150k of potential lease payments have been excluded from the lease liabilities as it was assessed at 1 January 2019 that the break clause pertaining to the lease could reasonably be exercised at any point (as remains the case) – thus allowing continued exemption using the practical expedients referred to above.

2.15 Share-based payments

Historically the Group have issued equity settled share-based payments to certain employees (see note 25). Equity settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value so determined is expensed on a straight-line basis over the vesting period, based on the Group of the number of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

The value of the charge is adjusted to reflect expected and actual levels of award vesting, except where failure to vest is as a result of not meeting a market condition.

Cancellations of equity instruments are treated as an acceleration of the vesting period and any outstanding charge is reversed in full immediately.

Fair value is measured using a binomial pricing model or Monte Carlo model. The key assumptions used in the model have been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Any payment made to a counterparty on the cancellation or settlement of a grant of equity instruments (even if this occurs after the vesting date) should be accounted for as a repurchase of an equity interest (that is, as a deduction from equity). But, if the payment exceeds the fair value of the equity instruments repurchased (measured at the repurchase date), any such excess should be recognised as an expense.

2. Principal accounting policies continued

2.16 Equity

Share capital is determined using the nominal value of shares that have been issued.

The share premium account includes any premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from the share premium account, net of any related income tax benefits.

The merger reserve represents the difference between the nominal value and the market value at the date of issue of shares issued in connection with the acquisition by the Group of an interest in over 90% of the share capital of another company.

Equity settled share-based payments are credited to a share-based payment reserve as a component of equity until related options or warrants are exercised.

Foreign currency translation differences are included in the translation reserve.

Profit and loss account (deficit) includes all current and prior period results as disclosed in the income statement.

2.17 Taxation

Current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current tax liabilities are calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Tax receivable arises from the UK legislation regarding the treatment of certain qualifying research and development costs, allowing for the surrender of tax losses attributable to such costs in return for a tax rebate. Research and development tax credits are recognised when the receipt is probable.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2. Principal accounting policies continued

2.18 Critical accounting estimates and judgements and key sources of estimation uncertainty

In the process of applying the entity's accounting policies, management makes estimates and judgements that have an effect on the amounts recognised in the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The critical judgements concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Critical judgement

- Application of IFRS 15 in determining revenue from contracts with customers specifically:
  - The determination of the numbers of performance obligations. Judgement was required in determining whether the license and the R&D activities are distinct performance obligations or not. It is considered the license of the IP and the R&D activities are not distinct as the R&D services are essential to discover and develop a drug candidate and enhance the value in the underlying IP. In addition, the gene targets are highly specialised such that only the Group has the specialist knowledge to apply the IP to the specific target. On this basis, it has been concluded that there is only one single performance obligation covering both the R&D services and licences of the IP in respect of each target;
  - The allocation of the upfront payments between performance obligations (judgment). Mallinckrodt have paid the Group $20m and AstraZeneca have agreed to pay the Group $60m upfront under their respective contracts, which is considered to be the initial transaction price. A judgment was required in determining how this should be allocated across SLN500 and the additional optioned complement-mediated disease targets for Mallinckrodt; and across target options for AstraZeneca. It was concluded in 2019 that because the compounds are at similar stages of development, the $20 million amount should be allocated evenly, on the basis of a benchmarking exercise considering the standalone selling price per target of past deals announced to the market by comparable companies. It was similarly concluded in the year that the $60 million amount should be allocated evenly across the targets.
- The estimate of future costs to be incurred to determine percentage of completion of revenue contracts:
  - In determining the percentage of completion of the revenue projects, the Group estimated the total future costs expected to be incurred through the life of the contract and its ability to be reimbursed for these in line with the contractual terms of the arrangement and its revenue recognition policy as set out in Note 2.5. As all projects are at an early stage of their lifecycle we consider that any reasonably expected change in the estimate of costs to complete would not result in a material change in the revenue recognised to date.
- Estimated future recoverability of investments in subsidiaries
  - Group holds an investment balance with its subsidiary company. This is reviewed for impairment annually, with reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Estimates are made in respect of the carrying value as follows:
    - The investment assessment is performed using a value-in-use model under IAS 36;
    - Management has assessed that a reduction in milestone receipts in the model by 10% would result in an additional impairment of £405k.

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board. The chief operating decision maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Board. The Group has a single reportable segment (see note 4).

3. Revenue

Revenue from collaboration agreements for the year ended 31 December 2020 relates to the Research collaboration agreements the Group entered into with Mallinckrodt plc in July 2019, Takeda Pharmaceutical Company Limited in January 2020 and AstraZeneca plc in March 2020.

Revenue comprised £226k of royalty income (2019: £73k) and £5,253k of Research collaboration income (2019: £171k). Disaggregation of Revenue from Contracts with Customers is as follows:

	Year ended 31 December	
Revenue from contracts with customers	**2020 £000s**	2019 £000s
Research collaboration – Mallinckrodt plc	**3,817**	171
Research collaboration – Takeda Pharmaceutical Company Limited	**1,414**	–
Research collaboration – other	**22**	–
Research collaboration – total	**5,253**	171
Royalties	**226**	73
Total revenue from contracts with customers	**5,479**	244

Under our collaboration agreement with Mallinckrodt, we received an upfront cash payment of £16.4m ($20m) in 2019 and are eligible to receive specified development, regulatory and commercial milestone payments. We received a milestone payment of £1.5m or $2m (2019: £1.7m) during the year ended 31 December 2020. In addition to these payments, Mallinckrodt has agreed to fund some of our research personnel and preclinical development costs. We recognise the upfront payment, milestone payments, payments for personnel costs and other research funding payments over time, in accordance with IFRS 15. During the year ended 31 December 2020, we recognised a total of £3.8m in revenue under this agreement.

Under our collaboration agreement with Takeda, we received a milestone payment of £1.6m ($2m) during the year ended 31 December 2020. We recognise the milestone payments over time, in accordance with IFRS 15. During the year ended 31 December 2020, we recognised a total of £1.4m in revenue under this agreement.

Under our collaboration agreement with AstraZeneca, we received an upfront cash payment of £17.1 million ($20m) in 2020 with a further amount of £30.8 million ($40 million) due to be received in May 2021. We recognize the upfront payment and milestone payments over time, in accordance with IFRS 15. During the year ended 31 December 2020, we recognized a total of £22k in revenue under this agreement.

4. Segment reporting

In 2020, the Group operated in the specific technology field of RNA therapeutics.

Business segments

The Group has identified the Chief Executive Officer as the CODM. For the 12 months ended 31 December 2019 and 2020, the CODM determined that the Group had one business segment, the development of RNAi-based medicines. This is in line with reporting to senior management. The information used internally by the CODM is the same as that disclosed in the financial statements.

An analysis of the group's assets and revenues by location is shown below:

Non-current assets	UK £000s	Germany £000s	Total £000s
As at 31 December 2019	557	8,055	8,612
As at 31 December 2020	**689**	**8,883**	**9,572**
Revenue analysis for the year ended 31 December 2019			
Research collaboration	171	–	171
Royalties	–	73	73
	171	73	244
Revenue analysis for the year ended 31 December 2020			
Research collaboration	**5,253**	**–**	**5,253**
Royalties	**–**	**226**	**226**
	5,253	**226**	**5,479**

5. Operating loss

This is stated after charging/(crediting):

	Year ended 31 December	
	2020 £000s	2019 £000s
Depreciation of property, plant and equipment	**476**	452
Amortisation of intangibles	**20**	30
Share-based payments charge	**4,395**	584
(Gain)/loss on disposal of property, plant and equipment	**(3)**	2
Short lease payments on premises	**347**	374
Fees payable to the Company's auditors for the audit of the Company and the consolidation:		
– audit of these financial statements	**284**	105
– other assurance services	**431**	554

6. Directors and staff costs

Staff costs, including Directors' remuneration, during the year for the Group were as follows:

	Year ended 31 December	
	2020 £000s	2019 £000s
Wages and salaries	**6,656**	5,060
Social security costs	**827**	1,391
Other pension costs	**201**	163
Share-based payments charge	**4,395**	584
Total aggregate remuneration	**12,079**	7,198

Remuneration and share based payments detail for all Directors is presented in the Remuneration Committee report. See pages 35 to 37 for further details.

	Year ended 31 December	
	2020 Number	2019 Number
Research and development and related support services	**39**	30
Administration	**26**	16
Total average number of employees	**65**	46

7. Other (losses)/gains

	Year ended 31 December	
	2020 £000s	2019 £000s
Net foreign exchange losses	**(4,864)**	–
Net fair value gain on derivative	**1,492**	–
Total Other (losses)/gains	**(3,372)**	–

8. Finance and other expenses

	Year ended 31 December	
	2020 £000s	2019 £000s
Lease liability interest expense	**16**	33
Net foreign exchange losses	**307**	130
Total Finance and other expenses	**323**	163

9. Finance and other income

	Year ended 31 December	
	2020 £000s	2019 £000s
Bank interest receivable	**129**	27
Total Finance and other income	**129**	27

10. Taxation

The deferred tax charge in 2020 was £nil (2019: £nil). Reconciliation of current tax credit at standard rate of UK corporation tax to the current tax credit:

	Year ended 31 December	
	2020 £000s	2019 £000s
Loss before tax	**(36,041)**	(22,870)
Tax credit at the standard rate of UK corporation tax of 19% (2019: 19%)	**6,848**	4,345
Effect of overseas tax rate	**(85)**	5
Impact of unrelieved tax losses not recognised	**(6,763)**	(4,350)
Adjustment in respect of prior year	**(42)**	228
Research and development tax credit in respect of current year	**3,536**	3,060
	3,494	3,288

Estimated tax losses of £135.6m (2019: £112.6m) are available for relief against future profits.

The deferred tax asset not recognised in these financial statements on the estimated losses and the treatment of the equity settled share-based payments, net of any other temporary timing differences is detailed in note 23. During the year, the Group received a research and development tax credit of £3,018k (2019: £2,308k). The Group has accrued £3,536k (2019: £3,060k) recognising a current tax asset in respect of 2020 research and development tax credits.

The corporation tax main rate during 2020 was 19% (2019: 19%).

11. Loss per ordinary equity share (basic and diluted)

The calculation of the loss per share is based on the loss for the financial year after taxation of £32,547k (2019: loss of £19,582k) and on the weighted average of 81,772,124 (2019: 75,126,869) ordinary shares in issue during the year.

The options outstanding at 31 December 2020 and 31 December 2019 are considered to be anti-dilutive as the Group is loss-making.

12. Property, plant and equipment

	Equipment and furniture £000s	Right-of-use asset £000s	Total £000s
Cost			
At 1 January 2019	3,562	160	3,722
Additions	9	–	9
Disposals	(15)	–	(15)
Translation adjustment	(153)	–	(153)
At 31 December 2019	**3,403**	**160**	**3,563**
At 1 January 2020	3,403	160	3,563
Additions	511	456	967
Disposals	(2)	(160)	(162)
Translation adjustment	154	–	154
At 31 December 2020	**4,066**	**456**	**4,522**
Accumulated depreciation			
At 1 January 2019	2,641	–	2,641
Charge for the year	356	96	452
Eliminated on disposal	(13)	–	(13)
Translation adjustment	(128)	–	(128)
At 31 December 2019	2,856	96	2,952
At 1 January 2020	2,856	96	2,952
Charge for the year	291	185	476
Eliminated on disposal	(2)	(160)	(162)
Translation adjustment	129	–	129
At 31 December 2020	**3,274**	**121**	**3,395**
Net book value			
As at 31 December 2019	547	64	611
As at 31 December 2020	**792**	**335**	**1,127**

13. Goodwill

	31 December	
	2020 £000s	2019 £000s
Balance at start of year	**7,692**	8,127
Translation adjustment	**433**	(435)
Balance at end of year	**8,125**	7,692

The recoverable amount is based on fair value less cost of disposal.

The key assumptions used in the valuation models to determine the fair value less cost of disposal are as follows:

- Fair value has been determined as market capitalisation (share price x number of shares in issue) at 31 December 2020
- Disposal costs have been estimated to be minimal

Goodwill is assessed at a segment level. Management has assessed that the headroom in the valuation model used demonstrates that there is no reasonably possible change to a key assumption used in determining fair value less cost of disposal that would cause the carrying amount of goodwill to exceed its recoverable amount (market capitalisation at 31 December 2020 was £428,194,171, with share price not dropping significantly below its 31 December 2020 value at any point so far in 2021), and therefore a sensitivity analysis has not been presented.

14. Other intangible assets

	Licenses and software £000s	Total £000s
Cost		
At 1 January 2019	104	104
Additions	–	–
Disposals	–	–
Translation adjustment	(2)	(2)
At 31 December 2019	102	102
At 1 January 2020	102	102
Additions	3	3
Translation adjustment	2	2
At 31 December 2020	**107**	**107**
Accumulated depreciation		
At 1 January 2019	40	40
Charge for the year	30	30
Translation adjustment	(2)	(2)
At 31 December 2019	68	68
At 1 January 2020	68	68
Charge for the year	20	20
Translation adjustment	2	2
At 31 December 2020	**90**	**90**
Net book value		
As at 31 December 2019	34	34
As at 31 December 2020	**17**	**17**

The intangible assets included above have finite useful lives estimated to be of 10–15 years from the date of acquisition, over which period they are amortised or written down if they are considered to be impaired. Internally generated patent costs are only recorded where they are expected to lead directly to near-term revenues. These costs are amortised on a straight-line basis over 10–15 years, commencing from the date that the asset is available for use. The charge for amortisation is included in the research and development costs in the income statement.

15. Cash and cash equivalents

Cash at bank comprises balances held by the Group in current and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

	31 December	
	2020 £000s	2019 £000s
Cash at bank and in hand	**12,449**	13,515
Short-term bank deposits	**15,000**	–
Total Cash and cash equivalents	**27,449**	13,515

16. Derivative financial instruments

Derivative financial instruments relate to an open forward currency contract measured at fair value through the income statement. The fair value was calculated from data sourced from an independent financial market data provider using mid-market-end-of-day data as of Close of Business date as 31 December 2020.

	31 December	
	2020 £000s	2019 £000s
Derivatives carried at fair value	**1,492**	–

The fair value of the derivative is calculated based on level 2 inputs under IFRS 13.

The fair value of financial instruments that are not traded in active market, in the case an over-the-counter derivative, is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. As all significant inputs required to fair value an instrument are observable, this derivative financial instrument is included in level 2.

The specific valuation technique used to value this derivative has been the use the present value of future cash flows based on the forward exchange rate relative to its value based on the year-end exchange rate.

17. Financial assets at amortised cost

Non-current financial assets at amortised cost primarily relate to deposits for properties.

Current financial assets at amortised cost, other than trade receivables as disclosed in note 17, include £10m of six-month term fixed interest deposits (2019: £20m). The other current financial asset at amortised cost in 2019 was an advance payment for the former CEO which was subsequently deducted from his remuneration. No interest was charged on this amount.

	31 December	
	2020 £000s	2019 £000s
Current financial assets at amortised cost – term deposit	**10,000**	20,000
Current financial assets at amortised cost – other	**–**	1
Total current financial assets at amortised cost	**10,000**	20,001
Non-current financial assets at amortised cost	**303**	275
Total financial assets at amortised cost	**10,303**	20,276

18. Other current assets

	31 December	
	2020 £000s	2019 £000s
Prepayments	**3,940**	431
VAT receivable	**676**	454
Total other current assets	**4,616**	885

19. Trade receivables

	31 December	
	2020 £000s	2019 £000s
Trade receivables	**29,306**	4

The 2020 receivable balance relates to the upfront payment from AstraZeneca.

The Directors consider that the carrying amount of trade receivables approximates to their fair value.

No interest is charged on outstanding receivables. There were no overdue trade receivables balances.

The Group has applied an expected credit loss model to the balance and determined that £nil (2019: £nil) provision is required

20. Trade and other payables

	31 December	
	2020 £000s	2019 £000s
Trade payables	**2,285**	1,790
Social security and other taxes	**1,107**	362
Accruals and other payables	**4,800**	4,736
Total trade and other payables	**8,192**	6,888

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

21. Lease liability

	31 December	
	2020 £000s	2019 £000s
Lease liability	**341**	287
Total lease liability	**341**	287

In 2020 the lease liability recognised on the face of the balance sheet comprises of the Group's London office and New York office (terminating May 2021). The repayment of the principal portion of these lease liabilities for the year ended 31 December 2020 was £450k (2019: £nil).

There are 2 short leases relating to the Buch, Germany operation not included in the lease liability above. One is a 3-month rolling lease ending to March 2021 and the other is a 6-month rolling lease to April 2021, both automatically renew unless cancellation notice is given.

22. Contract liabilities

Contract liabilities comprise entirely deferred revenue in respect of the Mallinckrodt, Takeda and AstraZeneca plc Research collaborations.

	31 December	
	2020 £000s	2019 £000s
Contract liabilities:		
Current	**17,042**	2,478
Non-current	**51,337**	15,515
Total contract liabilities	**68,379**	17,993

	Current £000s	Non-current £000s	Total £000s
Contract liabilities:			
At 1 January 2020	2,478	15,515	17,993
Additions during year	19,779	35,822	55,601
Revenue unwound during year – from 2019	(1,048)	–	(1,048)
Revenue unwound during year – from current year	(4,167)	–	(4,167)
At 31 December 2020	**17,042**	**51,337**	**68,379**

23. Deferred tax

The following are the major deferred tax liabilities and assets in respect of trading losses recognised by the Group and Company:

	31 December	
	2020 £000s	2019 £000s
Deferred tax liability in respect of intangible assets	**25**	24
Deferred tax assets	**(25)**	(24)
Total deferred tax position	**–**	–

The company has recognised deferred tax assets of £25k to offset its deferred tax liability resulting from acquired intangible assets.

Due to the uncertainty of future profits, a deferred tax asset in respect of trading losses was not recognised at 31 December 2020 (2019: nil). The Group has the following unrecognised deferred tax assets as at 31 December 2020:

	31 December	
	2020 £000s	2019 £000s
Trading losses	**31,426**	20,214
Share based payments	**3,443**	2,024
Capital losses	**1,496**	2,874
Total unrecognised deferred tax asset	**36,365**	25,112

Deferred tax assets are recognised where it is probable that future taxable profit will be available to utilise losses. Due to the uncertainty of future capital gains, a deferred tax asset in respect of capital losses was not recognised at 31 December 2020 (2019: £nil).

24. Share capital

	31 December	
	2020 £000s	2019 £000s
Authorised, allotted, called up and fully paid ordinary shares, par value £0.05	**4,165**	3,919
	Number	Number
Number of shares in issue	**83,306,259**	78,370,265

The Group has only one class of share. All ordinary shares have equal voting rights and rank pari passu for the distribution of dividends.

Details of the shares issued during the current and previous year are as follows:

Number of shares in issue at 1 January 2019	71,069,933
Shares issued during the year	5,062,167
Options exercised at £0.05	581,101
Options exercised at £0.25	728,078
Options exercised at £1.00	40,000
Options exercised at £1.06	23,986
Options exercised at £1.10	200,000
Options exercised at £1.12	5,000
Options exercised at £1.17	500,000
Options exercised at £1.25	160,000
Number of shares in issue at 31 December 2019	78,370,265
Shares issued during the year	4,276,580
Options exercised at £0.05	496,666
Options exercised at £0.85	56,470
Options exercised at £1.00	60,000
Options exercised at £1.90	46,278
Number of shares in issue at 31 December 2020	**83,306,259**

At 31 December 2020, there were options outstanding over 6,756,594 (2019: 4,302,617) unissued ordinary shares. Details of the options outstanding are as follows:

Year of issue	Exercise price (£)	At 1 January 2020	Options granted	Options forfeited	Options expired	Options exercised	At 31 December 2020	Expiry date
2013	1.06	10,000					10,000	15/07/2023
2014	1.06	12,000					12,000	16/06/2024
2014	1.06	9,000					9,000	31/01/2021
2015	1.06	10,000					10,000	06/07/2025
2015	1.06	6,000					6,000	16/11/2025
2016	1.63	10,736					10,736	05/01/2026
2016	1.28	13,672					13,672	04/04/2026
2016	0.05	480,000				(480,000)	–	06/01/2021
2016	1.12	8,839					8,839	23/05/2026
2016	1.04	16,968					16,968	02/07/2026
2016	1.00	60,000				(60,000)	–	07/06/2020
2016	1.06	10,000					10,000	01/09/2026
2017	0.85	56,470				(56,470)	–	18/04/2027
2017	0.94	27,500					27,500	03/07/2027
2017	1.47	24,000					24,000	18/09/2027
2017	2.05	50,000					50,000	13/11/2027
2017	1.99	70,000					70,000	01/12/2027
2018	0.05	148,458		(7,760)			140,698	01/02/2028
2018	0.05	19,000					19,000	22/07/2028

24. Share capital continued

Year of issue	Exercise price (£)	At 1 January 2020	Options granted	Options forfeited	Options expired	Options exercised	At 31 December 2020	Expiry date
2018	0.05	8,200					8,200	12/08/2028
2018	0.05	19,000					19,000	02/09/2028
2018	0.05	22,068					22,068	30/09/2028
2018	0.05	23,625		(23,625)			–	15/01/2020
2018	0.05	14,800					14,800	14/10/2028
2019	0.05	9,075					9,075	02/01/2029
2019	0.05	10,206					10,206	13/01/2029
2019	0.05	100,000					100,000	16/04/2029
2019	0.05	200,000					200,000	02/06/2029
2019	0.05	30,000					30,000	03/09/2029
2019	0.05	150,000					150,000	30/09/2029
2019	0.05	23,000					23,000	03/11/2029
2019	0.05 – 1.90	2,650,000				(62,944)	2,587,056	06/10/2029
2020	0.05	–	47,407				47,407	23/02/2030
2020	0.05	–	10,000				10,000	30/01/2030
2020	0.05	–	5,500				5,500	09/03/2030
2020	0.05	–	13,000				13,000	29/03/2030
2020	0.05	–	9,000				9,000	02/03/2023
2020	1.90 – 4.07	–	360,000				360,000	15/03/2024
2020	0.05	–	16,200				16,200	30/04/2030
2020	0.05	–	32,600				32,600	10/05/2030
2020	0.05 – 4.40	–	500,000				500,000	20/05/2030
2020	0.05	–	13,000				13,000	25/05/2030
2020	0.05	–	19,000				19,000	31/05/2030
2020	0.05	–	8,740	(8,740)			–	30/06/2020
2020	0.05	–	42,800				42,800	14/06/2030
2020	0.05	–	20,000				20,000	30/06/2030
2020	0.05	–	16,000				16,000	19/07/2030
2020	0.05	–	12,400	(12,400)			–	23/10/2020
2020	0.05	–	23,600				23,600	12/07/2030
2020	0.05	–	10,340				10,340	19/07/2030
2020	0.05	–	72,000				72,000	05/07/2023
2020	0.05	–	44,000				44,000	02/08/2023
2020	0.05	–	11,500				11,500	02/08/2030
2020	0.05 – 4.68	–	1,813,000				1,813,000	14/09/2030
2020	0.05	–	18,000				18,000	05/10/2030
2020	0.05	–	9,600				9,600	07/09/2030
2020	0.05	–	10,400				10,400	03/11/2030
2020	0.05 – 4.37	–	15,119				15,119	01/10/2030
2020	4.16	–	1,250				1,250	05/10/2030
2020	3.45	–	3,710				3,710	02/11/2030
2020	4.41	4,308	4,308				4,308	09/11/2030
2020	4.55	1,846	1,846				1,846	16/11/2030
2020	4.26	1,596	1,596				1,596	23/11/2030
Total		**4,302,617**	**3,165,916**	**(52,525)**	**–**	**(659,414)**	**6,756,594**	

The market price of Company shares at the year-end was 514 pence (2019: 350 pence). During the year the minimum and maximum prices were 304.0 pence and 515.0 pence, respectively (2019: 41.0 pence and 610.0 pence).

25. Equity settled share-based payments

The Group has issued share options under the 2018 Long Term Incentive Plan (LTIP), 2018 Non-Employee Long Term Incentive Plan (Non-Employee LTIP), and individual share option contracts, open to all employees of the Group, as well as EMI shares (none of which remain outstanding at 31 December 2020). Under the LTIP, Non-Employee LTIP, individual contracts and schemes available, the options typically vest aafter 3 years, with the exception of some options granted to certain members of key management personnel. The vesting period for these options ranges from 3 to 33 months. The options usually lapse after one year following the employee leaving the Group.

	2020		2019	
	Number of shares 000s	**Weighted average exercise price Pence**	Number of shares 000s	Weighted average exercise price Pence
Options				
Outstanding at the beginning of the year	**4,302,617**	**102.46**	4,718,302	70.17
Granted during the year	**3,165,916**	**351.90**	4,722,281	129.40
Lapsed or forfeited during the year	**(52,525)**	**5.00**	(2,899,801)	105.32
Exercised during the year	**(659,414)**	**33.48**	(2,238,165)	57.51
Outstanding at the year end	**6,756,594**	**226.83**	4,302,617	102.46
Exercisable at the year end	**1,079,609**	**151.33**	647,215	31.96

The options outstanding at the year end have a weighted average remaining contractual life of 7.4 years (2019: 7.2 years). The weighted average share price at the time of exercise during the year was 435.19p (2019: 126.24p).

The Group granted 3,165,916 options during the year (2019:4,722,281). The fair value of options granted were calculated using a Binomial or Monte Carlo model and inputs into the model were as follows:

Inputs and assumptions for options granted in the year	**2020**	2019
Weighted average fair value at grant (pence)	**324.0**	118.6
Weighted average share price (pence)	**461.0**	175.9
Weight average hurdle price (pence)	**90.0**	218.6
Weighted average exercise price (pence)	**352.0**	129.4
Option life (years)	**10.0**	10.0
Expected volatility	**70%–72%**	50%–72%
Risk free rate	**0.19%–0.44%**	0.41%–1.32%
Expected dividend yield	**nil**	nil

The Group recognised total charges of £4,395k (2019: £584k) related to equity settled share-based payment transactions during the year.

Fair value of the grants has been calculated using volatility assumptions between 70.7% and 72%, based on the three year historical volatility as at the respective date of grant.

The Group does not bear any responsibility to settle any employee tax obligations that arise on the exercise of share options. The estimated employer tax obligation on outstanding options at the year-end was £491k (2019: £711k).

26. Capital reserves

The capital redemption reserve was created in 2012 following the reduction of nominal share capital to 0.1p per share. It is required under Section 733 of the Companies Act 2006, held to maintain the capital of the Company when shares are bought back and subsequently cancelled without court approval.

Due to the size of the deficit on the accumulated losses account, the Company has no distributable reserves.

The share premium account reflects the premium to nominal value paid on issuing shares less costs related to the issue. The merger reserve was created on issuance of shares relating to the acquisition of Silence Therapeutics GmbH.

The share-based payments reserve reflects the cost to issue share-based compensation, primarily employee share options.

26. Capital reserves continued

The share-based payments reserve reflects the cost to issue share-based compensation, primarily employee share options.

	Share premium account £000s	Merger reserve £000s	Share-based payment reserve £000s	Capital redemption reserve £000s	Total £000s
At 1 January 2019	**133,242**	**22,248**	**2,437**	**5,194**	**163,121**
Shares issued	3,767	–	–	–	3,767
On options in issue during the year	1,141	–	584	–	1,725
On options exercised during the year	–	–	(1,370)	–	(1,370)
Movement in the year	4,908	–	(786)	–	4,122
At 31 December 2019	**138,150**	**22,248**	**1,651**	**5,194**	**167,243**
Shares issued	15,396	–	–	–	15,396
On options in issue during the year	–	–	4,395	–	4,395
On options exercised during the year	188	–	(331)	–	(143)
Movement in the year	15,584	–	4,064	–	19,648
At 31 December 2020	**153,734**	**22,248**	**5,715**	**5,194**	**186,891**

27. Capital commitments and contingent liabilities

There were no capital commitments at 31 December 2020 (2019: £nil).

28. Commitments under short leases

At 31 December 2020, the Group had a gross commitment on its office rental and service charge at Robert-Rössle-Strasse 10, 13125 Berlin equal to £100k (2019: £100k) in the next year. No amounts are payable after more than one year.

In addition, the Group enters into contracts in the normal course of business with contract research organisations to assist in the performance of research and development activities and other services and products for operating purposes. These contracts generally provide for termination on notice, and therefore are cancellable contracts and not reflected in the disclosure above.

29. Financial instruments and risk management

The Group's financial instruments comprise primarily cash and other financial assets and various items such as receivables and trade payables which arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the Group's operations. The Group assesses counterparty risk on a regular basis. Board approval is required for adoption of any new financial instrument or counterparty. The primary focus of the treasury function is preservation of capital.

The Directors consider that the carrying amount of these financial instruments approximates to their fair value.

Financial assets by category
The categories of financial assets included in the balance sheet and the heading in which they are included are as follows. The measurement of financial assets is at amortised cost unless otherwise stated:

	31 December	
	2020 £000s	2019 £000s
Trade receivables	**29,306**	4
Cash and cash equivalents	**27,449**	13,515
Term deposits	**10,000**	20,000
Derivative financial instruments held at fair value	**1,492**	–
Other current assets at amortised cost	**–**	1
Non-current financial assets at amortised cost	**303**	275
	68,550	33,795

29. Financial instruments and risk management continued

Financial liabilities by category

	31 December	
	2020 £000s	2019 £000s
Trade and other payables	**7,085**	6,526
Lease liability	**341**	287
	7,426	6,813

All amounts are short-term.

Credit quality of financial assets (loans and receivables)
The maximum exposure to credit risk at the reporting date by class of financial asset was:

	31 December	
	2020 £000s	2019 £000s
Trade receivables	**29,306**	4
Financial assets at amortised cost – non-current	**303**	275
Financial assets at amortised cost – current	**–**	1
	29,609	280

Cash and cash equivalents and term deposits are not considered to be exposed to credit risk due to the fact they sit with banks with top credit ratings. The Group considers the possibility of significant loss in the event of non-performance by a financial counterparty to be unlikely.

The Group continually monitors the creditworthiness of its customers and at the reporting date no financial assets are credit impaired.

Capital management
The Group considers its capital to be equal to the sum of its total equity. The Group monitors its capital using a number of measures including cash flow projections, working capital ratios, the cost to achieve preclinical and clinical milestones and potential revenue from existing partnerships and ongoing licensing activities. The Group's objective when managing its capital is to ensure it obtains sufficient funding for continuing as a going concern. The Group funds its capital requirements through the issue of new shares to investors, milestone and research support payments received from existing licensing partners and potential new licensees.

Interest rate risk
The nature of the Group's activities and the basis of funding are such that the Group has significant liquid resources. The Group uses these resources to meet the cost of future research and development activities. Consequently, it seeks to minimise risk in the holding of its bank deposits while maintaining a reasonable rate of interest. The Group is not financially dependent on the income earned on these resources and therefore the risk of interest rate fluctuations is not significant to the business. Nonetheless, the Directors take steps to secure rates of interest which generate a return for the Group.

Credit and liquidity risk
Credit risk is managed on a Group basis. Funds are deposited with financial institutions with a credit rating equivalent to, or above, the main UK clearing banks. The Group's liquid resources are invested having regard to the timing of payments to be made in the ordinary course of the Group's activities. All financial liabilities are payable in the short term (between zero and three months) and the Group maintains adequate bank balances in either instant access or short-term deposits to meet those liabilities as they fall due.

The Group only enters into collaboration agreements with large, reputable companies and the creditworthiness of customers is monitored on an ongoing basis.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Expected loss rates are based on payment profiles of past receivables and the aging profiles of outstanding balances at the reporting period end date. At the year end there were no debts that were past due. It was therefore concluded on this basis that there were no expected credit losses for the trade receivables.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, but is not limited to, a failure to engage in a repayment plan with the Group.

Currency risk
The Group operates in a global market with revenue possibly arising in a number of different currencies, principally in US dollars, sterling or euros. The majority of the operating costs are incurred in euros with the rest predominantly in sterling. Additionally, to a lesser extent, a number of operating costs are incurred in US dollars. The Group makes use of forward contracts to reduce its exposure to foreign currency risk where the existence, timing and quantum of future cash inflows can be accurately predicted.

29. Financial instruments and risk management continued

Financial assets and liabilities denominated in euros and translated into sterling at the closing rate were:

	31 December	
	2020 £000s	2019 £000s
Financial assets	**467**	2,032
Financial liabilities	**(1,190)**	(2,672)
Net financial (liabilities)/assets	**(723)**	(640)

Financial assets and liabilities denominated in US dollars and translated into sterling at the closing rate were:

	31 December	
	2020 £000s	2019 £000s
Financial assets	**29,427**	1,691
Financial liabilities	**(2,123)**	(94)
Net financial (liabilities)/assets	**27,304**	1,597

The following table illustrates the sensitivity of the net result for the year and the reported financial assets of the Group in regard to the exchange rate for sterling against the euro.

During the year sterling rose by 6% against the euro. The table shows the impact of an additional weakening or strengthening of sterling against the euro by 20%.

	As reported £000s	**If sterling rose 20% £000s**	**If sterling fell 20% £000s**
2020			
Group result for the year	**(32,547)**	**(29,056)**	**(37,784)**
Euro denominated net financial liabilities	**(724)**	**(603)**	**(904)**
Total equity at 31 December 2020	**9,059**	**9,180**	**8,878**

	As reported £000s	If sterling rose 20% £000s	If sterling fell 20% £000s
2019			
Group result for the year	(19,582)	(18,645)	(21,257)
Euro denominated net financial liabilities	(640)	(533)	(800)
Total equity at 31 December 2019	20,909	18,879	23,995

The following table illustrates the sensitivity of the net result for the year and the reported financial assets of the Group in regards to the exchange rate for sterling against the US dollar.

During the year sterling rose by 4% against the US dollar. The table shows the impact of an additional weakening or strengthening of sterling against the US dollar by 20%.

	As reported £000s	**If sterling rose 20% £000s**	**If sterling fell 20% £000s**
2020			
Group result for the year	**(32,547)**	**(31,283)**	**(34,442)**
US dollar denominated net financial assets	**27,304**	**22,753**	**34,130**
Total equity at 31 December 2020	**9,059**	**4,508**	**15,885**

	As reported £000s	If sterling rose 20% £000s	If sterling fell 20% £000s
2019			
Group result for the year	(19,582)	(19,337)	(19,950)
US dollar denominated net financial assets	1,597	1,330	1,996
Total equity at 31 December 2019	20,909	20,643	21,308

30. Notes to the cash flow statement

Changes in liabilities arising from financing activities:

	1 January 2020 £000s	Cash flows from financing activities Repayments £000s	Non-cash flows New lease liabilities £000s	31 December 2020 £000s
Lease liabilities	287	(402)	456	341
Total liabilities from financing activities	287	(402)	456	341

31. Related party transactions

During the year the Group paid £75k (2019: £9k) to Gladstone Partners Limited, a company controlled by Director Iain Ross. The balance owed at the year-end was £nil (2019: £27k).

Details are presented in the Remuneration Committee report. See pages 35 to 39 for further details. Key management are considered to be Directors of the Group, whose remuneration is disclosed in the Remuneration Committee report.

32. Post balance sheet events

On 5 February 2021 Silence Therapeutics plc announced an oversubscribed private placement of 2,022,218 of the Company's American Depositary Shares (ADSs), each representing three ordinary shares of 5 pence each in the capital of the Company ("Ordinary Shares"), at a price of US $22.50 per ADS, with new and existing institutional and accredited investors (the "Private Placement"). The aggregate gross proceeds of the Private Placement were approximately US $45m (approximately £33m) before deducting placement agent fees and other expenses. The offering closed on 9 February 2021.

33. Group companies

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries, the address of the registered offices and effective percentages of equity owned as at 31 December 2020 are disclosed below.

All subsidiaries are wholly owned.

Name	Registered office address	Place of incorporation and operation	Principal technology area	Proportion of ownership interest
Silence Therapeutics GmbH	Robert-Rössle-Strasse 10, 13125 Berlin	Germany	RNA therapeutics	100%
Silence Therapeutics (London) Ltd	27 Eastcastle Street, London W1W 8DH	England	Dormant	100%
Innopeg Ltd	27 Eastcastle Street, London W1W 8DH	England	Dormant	100%
Silence Therapeutics Inc.	434 West 33rd Street, Office 814, New York, NY 10001	USA	RNA therapeutics	100%

Name	Exempt from audit	Exempt from filing financial statements
Silence Therapeutics GmbH	Yes	No
Silence Therapeutics (London) Ltd	Yes	No
Innopeg Ltd	Yes	No
Silence Therapeutics Inc.	Yes	No

Company balance sheet
at 31 December 2020

	Note	31 December 2020 £000s	2019 £000s
Non-current assets			
Property, plant and equipment	C.5	**387**	248
Other intangible assets		**17**	34
Investment in subsidiaries	C.6	**16,969**	21,596
Financial assets at amortised cost	C.9	**286**	275
		17,659	22,153
Current assets			
Cash and cash equivalents	C.7	**27,173**	12,980
Derivative financial instrument	C.8	**1,492**	–
Financial assets at amortised cost – term deposit	C.9	**10,000**	20,000
Financial asset at amortised cost – other	C.9	**–**	1
R&D tax credit receivable		**3,536**	3,060
Other current assets	C.10	**4,441**	791
Trade and other receivables	C.11	**29,409**	4
		76,051	36,836
Non-current liabilities			
Contract liabilities	C.14	**(51,337)**	(15,515)
		(51,337)	(15,515)
Current liabilities			
Contract liabilities	C.14	**(17,042)**	(2,478)
Trade and other payables	C.12	**(10,947)**	(8,348)
Lease liability	C.13	**(300)**	(287)
		(28,289)	(11,113)
Total assets less liabilities		**14,084**	32,361
Net assets		**14,084**	32,361
Capital and reserves attributable to the Company's equity holders			
Share capital		**4,165**	3,919
Capital reserves	C.15	**186,707**	167,059
Accumulated losses		**(176,788)**	(138,617)
Total equity		**14,084**	32,361

The Company made a loss of £(38,502)k in the year ended 31 December 2020 (2019: £(20,092)k).

The financial statements on pages 77 to 84 were approved by the Board on 30 March 2021 and signed on its behalf.

Mark Rothera
Chief Executive Officer
Company number: 02992058

The accompanying accounting policies and notes form an integral part of these financial statements.

Company statement of changes in equity

year ended 31 December 2020

	Note	Share capital £000s	Capital reserves £000s	Accumulated losses £000s	Total equity £000s
At 1 January 2019		3,554	162,937	(119,895)	46,596
Recognition of share-based payments		–	584	–	584
Lapse of vested options in the year		–	–	–	–
Options exercised in the year		–	(1,370)	1,370	–
Proceeds from shares issued		365	4,908	–	5,273
Transactions with owners recognised directly in equity		**365**	**4,122**	**1,370**	**5,857**
Loss for the year				(20,092)	(20,092)
At 31 December 2019		**3,919**	**167,059**	**(138,617)**	**32,361**
Recognition of share-based payments	C.15	–	4,395	–	4,395
Lapse of vested options in the year	C.15	–	–	–	–
Options exercised in the year	C.15	–	(331)	331	–
Proceeds from shares issued		246	15,584	–	15,830
Transactions with owners recognised directly in equity		**246**	**19,648**	**331**	**20,225**
Loss for the year				(38,502)	(38,502)
At 31 December 2020		**4,165**	**186,707**	**(176,788)**	**14,084**

Notes to the Company financial statements

Year ended 31 December 2020

C.1 General information

Silence Therapeutics plc (the Company), is a public company limited by shares registered in England and Wales, with company number 02992058. The Company's registered office is 27 Eastcastle Street, London, W1W 8DH.

C.2 Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the Company has undergone transition from reporting under IFRSs to FRS 101 'Reduced Disclosure Framework' for the year ended 31 December 2020. This transition is not considered to have a material effect on the financial statements.

As such, these financial statements are prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. This applies the recognition, measurement and presentation requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, but it makes amendments where necessary in order to comply with the Act and take advantage of the FRS 101 disclosure exemptions.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions in relation to:

- business combinations;
- share-based payment;
- financial instruments;
- fair value measurement;
- presentation of a cash flow statement;
- standards not yet effective;
- impairment of assets;
- related party transactions.

The financial statements have been prepared under the historical cost convention as modified by revaluation to fair value of the derivative financial instrument and on the going concern basis (see note 2 in the consolidated financial statements). The financial statements are prepared in sterling, which is also the functional currency of the Company, and presented to the nearest thousand pounds.

The principal accounting policies, which have been applied consistently, are as set out in note 2 of the consolidated financial statements except those that are Company specific and noted below.

Investments in subsidiaries

Investments in subsidiaries comprise shares in the subsidiaries and quasi-equity loans from the Company. Investments in shares of the subsidiaries are stated at cost less provisions for impairment in line with IAS 27 (Separate Financial Statements). Quasi-equity loans are stated at amortised cost, net of expected credit losses in line with IFRS 9 (Classification and Measurement of Financial Instruments).

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the entity's accounting policies, management makes estimates and judgements that have an effect on the amounts recognised in the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The critical judgements concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are those relating to the following:

- the application of IFRS 15 in determining revenue from contracts with customers, specifically:
  - the determination of the number of performance obligations (judgement);
  - the allocation of the upfront payments between the performance obligations (judgement);
  - the estimate of the future costs to be incurred;
- the carrying value of the investment in subsidiary undertakings as detailed in note C.6.

C.3 Income statement

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own income statement in these financial statements.

Notes to the Company financial statements (continued)
year ended 31 December 2020

C.4 Directors and staff costs

Staff costs, including Directors' remuneration, during the year for the Company were as follows:

	Year ended 31 December	
	2020 £000s	2019 £000s
Wages and salaries	**4,149**	3,040
Social security costs	**487**	1,111
Share-based payments charge	**4,395**	584
Other pension costs	**201**	163
	9,232	4,898

Remuneration detail for all Directors is presented in the Remuneration Committee report. See pages 35 to 37 for further details. The total remuneration of the highest paid Director was £1,216k (2019: 623k).

The monthly average number of employees of the Company was as follows:

	Year ended 31 December	
	2020 Number	2019 Number
Research and development and associated support services	**7**	3
Administration	**22**	18
Total average number of employees	**29**	21

C.5 Property, plant and equipment

	Equipment and furniture £000s	Right-of-use asset £000s	Total £000s
Cost			
At 1 January 2019	706	160	866
Additions	8	–	8
Disposals	(2)	–	(2)
At 31 December 2019	712	160	872
At 1 January 2020	712	160	872
Additions	9	346	355
Disposals	–	(160)	(160)
At 31 December 2020	**721**	**346**	**1,067**
Accumulated depreciation			
At 1 January 2019	386	–	386
Charge for the year	142	96	238
Eliminated on disposal	–	–	–
At 31 December 2019	528	96	624
At 1 January 2020	528	96	624
Charge for the year	109	107	216
Eliminated on disposal	–	(160)	(160)
At 31 December 2020	**637**	**43**	**680**
Net book value			
As at 31 December 2019	184	64	248
As at 31 December 2020	**84**	**303**	**387**

C.6 Investments in subsidiaries

Company	31 December 2020 £000s	2019 £000s
Investment in subsidiary undertakings	**16,969**	21,596

The investment in subsidiary undertakings is made up as follows:

	Investment at cost £000s	Quasi-equity loan £000s	Impairment provision (Investment) £000s	Impairment provision (Loan) £000s	Net total £000s
Shares and loans in subsidiary undertakings					
At 1 January 2019	23,495	35,390	(14,473)	(22,442)	21,970
Movement in the year	–	(374)	–	–	(374)
At 31 December 2019	23,495	35,016	(14,473)	(22,442)	21,596
Movement in the year	218	1,042	(5,887)	–	(4,627)
At 31 December 2020	**23,713**	**36,058**	**(20,360)**	**(22,442)**	**16,969**

Investments at cost total of £23.7m (2019: £23.4m) are analysed as follows:

- £23.3m (2019: £23.3m) relating to Silence Therapeutics GmbH.
- £0.2m movement in the 2020 year relates to investment in Silence Therapeutics Inc.
- The balance of the investments at cost of £0.2m (2019: £0.2m) relates to Innopeg Limited (2020: £63k; 2019 £63k) and Silence Therapeutics (London) Limited (2020: £142k, 2019: £142k).

Quasi-equity loans total of £36.1m (2019: £35.0m) are analysed as follows:

- At 31 December 2020, an interest-bearing unsecured loan of £13.6m (2019: £12.6m) was outstanding from Silence Therapeutics plc to Silence Therapeutics GmbH. The movement in the year includes a foreign exchange gain of £0.7m (2019: £0.7m), and accrued interest of £0.3m (2019: £0.3m).
- At 31 December 2020, a non-interest-bearing unsecured loan of £22.4m (2019: £22.4m) was outstanding from Silence Therapeutics plc to Silence Therapeutics (London) Ltd. This quasi-equity loan has been fully provided for.

Impairment provision totalling £42.8m (2019: 36.9m) is analysed as follows:

- £20.2m (£2019: 14.3m) relating to Silence Therapeutics GmbH. In 2020 an additional impairment provision of £5.9m was recorded against the £23.7m investment as the Directors reassessed the near-term future cash flows between Silence Therapeutics GmbH and the Company, and using a probability adjusted value in use basis and a discount rate of 13.9%, determined that an impairment arose. In accordance with IAS 36 Impairment of Assets, the carrying value of the net investment in Silence Therapeutics GmbH of £3.4m (£9.0m) has been assessed by comparing its carrying value to its recoverable amount. The recoverable amount is based on value in use. A discounted cash flow model has been used to make this assessment. Management has assessed that a reduction in milestone receipts in the model by 10% would result in an additional impairment of £405k.
- £0.2 million (2019: £0.2m) relating to the investments held in Silence Therapeutics (London) Ltd and Innopeg Ltd and they are not deemed to be recoverable.
- Silence Therapeutics plc has recorded an impairment provision against the quasi-equity loans in Silence Therapeutics (London) Ltd and Innopeg Ltd (2020: £22.4 million; 2019: 22.4 million) as they are not deemed to be recoverable.
- In considering the recoverability of the loan with Silence Therapeutics GmbH, management have applied an expected credit loss methodology under IFRS 9 and calculated that a provision of £30k is required (2019: £30k).

Subsidiary companies

The principal activity of all subsidiaries is the research and development of pharmaceutical products. All subsidiary companies are consolidated in the Group's financial statements:

Name	Registered office address	Place of incorporation and operation	Principal technology area	Proportion of ownership interest
Silence Therapeutics GmbH	Robert-Rössle-Strasse 10, 13125 Berlin, Germany	Germany	RNA therapeutics	100%
Silence Therapeutics (London) Ltd	27 Eastcastle Street, London, W1W 8DH	England	Dormant	100%
Innopeg Ltd	27 Eastcastle Street, London, W1W 8DH	England	Dormant	100%
Silence Therapeutics Inc.	434 West 33rd Street, Office 814, New York, NY 10001	USA	RNA therapeutics	100%

C.6 Investments in subsidiaries continued

Name	Exempt from audit	Exempt from filing financial statements
Silence Therapeutics GmbH	Yes	No
Silence Therapeutics (London) Ltd	Yes	No
Innopeg Ltd	Yes	No
Silence Therapeutics Inc.	Yes	No

C.7 Cash and cash equivalents

Cash at bank comprises balances held by the company in current and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

	31 December	
	2020 £000s	2019 £000s
Cash at bank and in hand	**12,173**	12,980
Short-term bank deposits	**15,000**	–
Total Cash and cash equivalents	**27,173**	12,980

C.8 Derivative financial instruments

Derivative financial instruments relate to an open forward currency contract measured at fair value through the income statement. The fair value was calculated from data sourced from an independent financial market data provider using mid-market-end-of-day data as of Close of Business date as 31 December 2021.

	31 December	
	2020 £000s	2019 £000s
Derivatives carried at fair value	**1,492**	–

C.9 Financial assets at amortised cost

Non-current financial assets at amortised cost primarily relate to deposits for properties.

Current financial assets at amortised cost include fixed interest £10,000k six-month term deposits (2019: £20,000k).

	31 December	
	2020 £000s	2019 £000s
Current financial assets at amortised cost – term deposit	**10,000**	20,000
Current financial assets at amortised cost – other	**–**	1
Total current financial assets at amortised cost	**10,000**	20,001
Non-current financial assets at amortised cost	**286**	275
Total financial assets at amortised cost	**10,286**	20,276

C.10 Other current assets

	31 December	
	2020 £000s	2019 £000s
Prepayments	**3,870**	390
VAT receivable	**571**	401
Total other current assets	**4,441**	791

C.11 Trade and other receivables

	31 December	
	2020 £000s	2019 £000s
Trade receivables	**29,306**	4
Amount receivable from subsidiary undertaking	**103**	–
Total trade and other receivables	**29,409**	4

The 2020 receivable balance relates to the upfront payment from AstraZeneca.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

No interest is charged on outstanding receivables. There were no overdue trade receivable balances.

The company has applied an expected credit loss model to the balance and determined that £nil (2019: £nil) provision is required.

C.12 Trade and other payables

	31 December	
	2020 £000s	2019 £000s
Trade payables	**2,162**	1,639
Amount payable to subsidiary undertaking	**3,604**	2,123
Social security and other taxes	**1,060**	312
Accruals and other payables	**4,120**	4,274
	10,947	8,348

Trade payables principally comprise amounts outstanding for trade purchases and continuing operating costs. The amount payable by the Company to a subsidiary undertaking is repayable within 12 months and does not incur interest.

Accruals and other payables primarily represent accrued expenses where an invoice has not been received yet. The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

C.13 Lease liability

	31 December	
	2020 £000s	2019 £000s
Lease liability	**300**	287
Total lease liability	**300**	287

Lease liability recognised on the face of the balance sheet comprises only a short lease for the Group's London office. The repayment of the principal portion of the lease liability for the year ended 31 December 2020 was £374k (2019: £nil).

C.14 Contract liabilities

Contract liabilities comprise entirely deferred revenue in respect of the Mallinckrodt, AstraZeneca and Takeda collaborations.

	31 December	
	2020 £000s	2019 £000s
Contract liabilities – current	**17,042**	2,478
Contract liabilities – non-current	**51,337**	15,515
	68,379	17,993

Notes to the Company financial statements (continued)
year ended 31 December 2020

C.15 Capital reserves

	Share premium account £000s	Merger reserve £000s	Share-based payment reserve £000s	Capital redemption reserve £000s	Total £000s
At 1 January 2019	133,242	22,064	2,437	5,194	162,937
Shares issued	3,767	–	–	–	3,767
On options in issue during the year	1,141	–	584	–	1,725
On vested options lapsed during the year	–	–	–	–	–
On options exercised during the year	–	–	(1,370)	–	(1,370)
Movement in the year	4,908	–	(786)	–	4,122
At 31 December 2019	138,150	22,064	1,651	5,194	167,059
Shares issued	15,396	–	–	–	15,396
On options in issue during the year	–	–	4,395	–	4,395
On vested options lapsed during the year	–	–	–	–	–
On options exercised during the year	188	–	(331)	–	(143)
Movement in the year	15,584	–	4,064	–	19,648
At 31 December 2020	**153,734**	**22,064**	**5,715**	**5,194**	**186,707**

The capital redemption reserve was created in 2012 following the reduction of nominal share capital to 0.1p per share. It is required under Section 733 of the Companies Act 2006, held to maintain the capital of the Company when shares are bought back and subsequently cancelled without court approval.

Due to the size of the deficit on the profit and loss account, the Company has no distributable reserves.

The share premium account reflects the premium to nominal value paid on issuing shares less costs related to the issue.

The merger reserve was created on issuance of shares relating to the acquisition of Silence Therapeutics GmbH.

The share-based payments reserve reflects the cost to issue share-based compensation, primarily employee share options.

C.16 Related party transactions

During the year the Group paid £75k (2019: £9k) to Gladstone Partners Limited, a company controlled by Director Iain Ross. The balance owed at the year end was £nil (2019: £27k).

Detail presented in the Remuneration Committee report. See pages 35 to 39 for further details.

C.17 Post balance sheet events

On 5 February 2021 Silence Therapeutics plc announced an oversubscribed private placement of 2,022,218 of the Company's American Depositary Shares (ADSs), each representing three ordinary shares of 5 pence each in the capital of the Company ("Ordinary Shares"), at a price of US $22.50 per ADS, with new and existing institutional and accredited investors (the "Private Placement"). The aggregate gross proceeds of the Private Placement were approximately US $45m (approximately £33m) before deducting placement agent fees and other expenses. The offering closed on 9 February 2021.

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