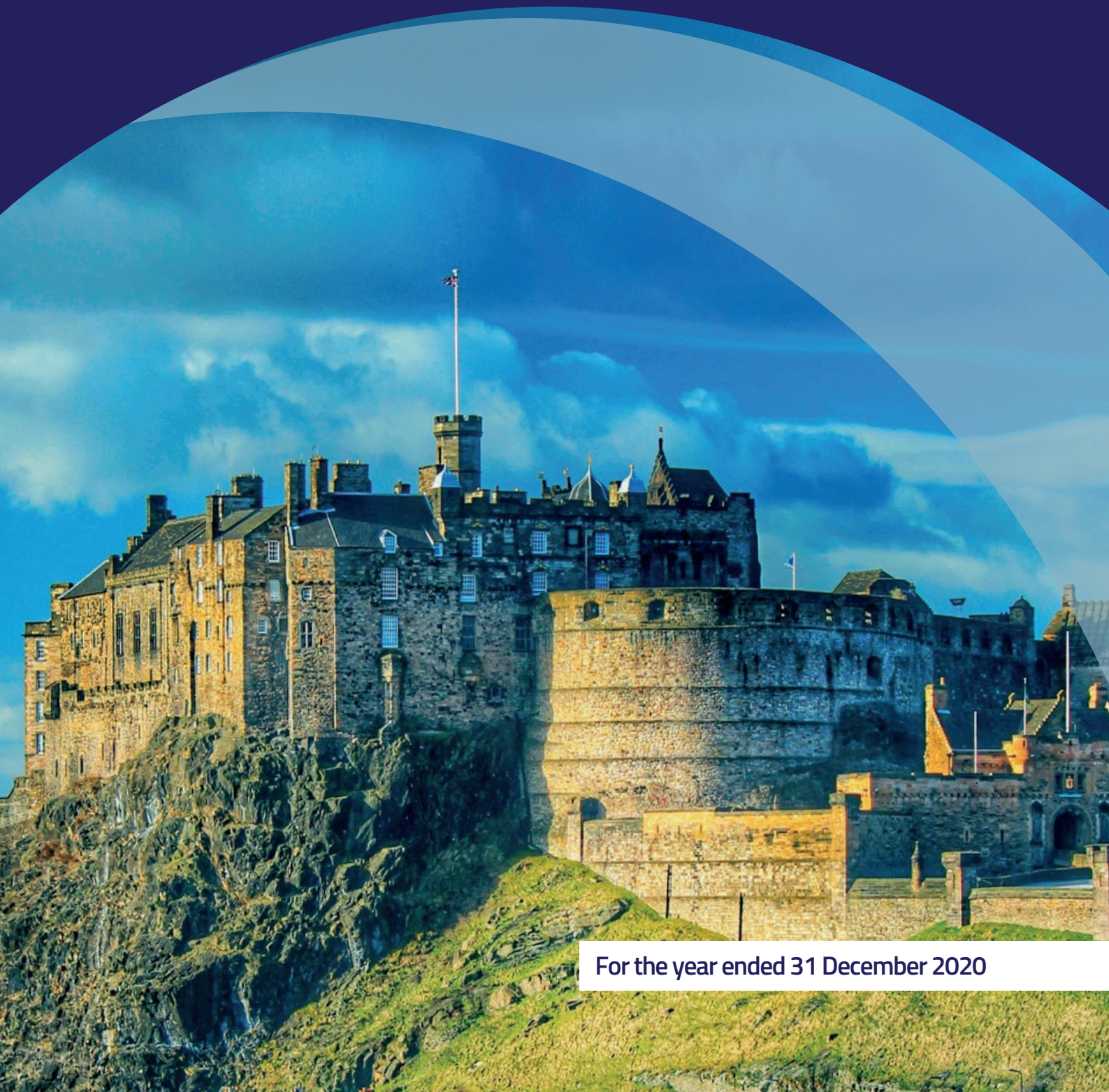
NUCANA

2020

2020 Annual Report



For the year ended 31 December 2020

NUCANA

a new era in oncology

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strategic report

introduction

NuCana was incorporated under the laws of England and Wales in 1997 under the name Biomed (UK) Limited and commenced operations in 2008. On 28 April 2008, we changed our name to NuCana BioMed Limited. On 29 August 2017, we re-registered as a public limited company and changed our name to NuCana plc. On 2 October 2017, we completed our initial public offering of American Depositary Shares, or ADSs, on the Nasdaq Global Select Market. Our ADSs are traded under the symbol "NCNA". NuCana plc on behalf of itself and its subsidiaries, NuCana, Inc. and NuCana Biomed Trustee Company Limited (which may be referred to as "the Group", "we", "us" or "our"), is required to produce a strategic report complying with the requirements of the Companies Act 2006.

overview

We are a clinical-stage biopharmaceutical group focused on significantly improving treatment outcomes for cancer patients by applying our ProTide™ technology to transform some of the most widely prescribed chemotherapy agents, nucleoside analogs, into more effective and safer medicines. While these conventional agents remain part of the standard of care for the treatment of many solid and haematological tumours, their efficacy is limited by cancer cell resistance mechanisms and they are often poorly tolerated. Utilising our proprietary technology, we are developing new medicines, ProTides, designed to overcome key cancer resistance mechanisms and generate much higher concentrations of anti-cancer metabolites in cancer cells. Our most advanced ProTide candidates, Acelarin® and NUC-3373, are new chemical entities derived from the nucleoside analogs gemcitabine and 5-fluorouracil, respectively, two widely used chemotherapy agents. Acelarin is currently being evaluated in a Phase 3 clinical study in patients with biliary tract cancer. In May 2021, the Phase 3 clinical study for patients with metastatic pancreatic cancer for which enrolment had been suspended was closed. NUC-3373 is currently in a Phase 1 clinical study in patients with advanced solid tumours and a Phase 1b clinical study in patients with advanced colorectal cancer. Our third clinical-stage ProTide, NUC-7738, is a transformation of a novel nucleoside analog (3'-deoxyadenosine) that has never been successfully developed or approved as a chemotherapy but which has shown potent anti-cancer activity in preclinical studies. We are evaluating NUC-7738 in a Phase 1 clinical study in patients with advanced solid tumours. We have retained worldwide rights to these lead product candidates as well as our preclinical product candidates, all of which we refer to as ProTides.

Acelarin, our most advanced product candidate, is a potential first-in-class ProTide that has been evaluated in over 400 patients. Acelarin is a ProTide transformation of gemcitabine that we believe could replace gemcitabine in certain cancer indications and have utility across a range of other cancers. In a Phase 1 dose-ranging study in 49 evaluable patients with advanced metastatic solid tumours, Acelarin was well tolerated, achieved a 78% disease control rate and was associated with intracellular levels of active anti-cancer metabolite over 200 times higher than those reported for gemcitabine. A subset of 14 evaluable patients with relapsed/refractory gynaecological cancers achieved a 93% disease control rate. In a Phase 1b dose-ranging study in 23 evaluable patients with recurrent ovarian cancer, Acelarin was combined with carboplatin and achieved a 96% disease control rate. Based on these disease control rates and the tolerability profile observed in the ovarian cancer patient population, a Phase 1b study of Acelarin was conducted in patients with locally advanced or metastatic biliary tract cancers to determine the optimal dose in combination with cisplatin. The final results of this study (ABC-08) have been published in The Oncologist. In 16 evaluable patients, the overall response rate, or ORR, was 44%. By comparison, in the ABC-02 study, which led to gemcitabine plus cisplatin becoming the current global standard of care for the first-line treatment of patients with advanced biliary tract cancer, an ORR of 26% was achieved in the evaluable population. Responses were observed across all five biliary tract cancer subtypes following treatment with Acelarin plus cisplatin and one patient had a complete response, which is a rare occurrence in the treatment of patients with biliary tract cancer. The investigators also highlighted the favourable safety profile of Acelarin in combination with cisplatin in patients with biliary tract cancer.

In June 2019, the United States Food and Drug Administration (FDA) granted orphan drug designation for Acelarin for the treatment of biliary tract cancer. In addition, the European Commission granted orphan drug designation for Acelarin for the treatment of biliary tract cancer in March 2020. In October 2019, the FDA cleared the Investigational New Drug Application (IND) for our Phase 3 clinical study, also known as the NuTide:121 study, of Acelarin in combination with cisplatin for patients with previously untreated locally advanced or metastatic biliary tract cancer. We expect to enrol a sufficient number of patients in 2021 to enable the first interim analysis in 2022. We believe Acelarin in combination with cisplatin has the potential to significantly improve the survival outcomes of patients with advanced biliary tract cancer. If approved, our goal is to establish Acelarin in combination with cisplatin as the global standard of care for the first-line treatment of patients with advanced biliary tract cancer.

In addition, the National Cancer Research Institute in the United Kingdom facilitated a Phase 3 study of Acelarin for the treatment of patients with pancreatic cancer designed to evaluate the efficacy and safety of Acelarin compared to gemcitabine, with further exploration of patient sub-groups that may derive additional benefit from Acelarin. In August 2019, we were informed by the Clatterbridge Cancer Centre, the sponsor of the ongoing Phase 3 study, that the enrolment of new patients had been suspended on the advice of the Independent Safety and Data Monitoring Committee, (ISDMC), following completion of a prespecified futility analysis. As of such time, the study had enrolled 200 out of an expected 328 patients with metastatic pancreatic cancer who were not considered suitable for combination chemotherapy. A futility analysis was included in the Phase 3 study design to assess the likelihood of the study achieving its primary objective of Acelarin monotherapy demonstrating at least a 42% reduction in risk of death compared to gemcitabine. This analysis indicated that this efficacy objective was unlikely to be met in this difficult-to-treat patient population. Upon review of the interim data by the ISDMC, the sponsor decided to suspend recruitment, allow the data to mature and conduct additional sub-group analyses. Patients who were deriving benefit could continue treatment with Acelarin. In May 2021, this study was closed.

NUC-3373, our second product candidate, is a ProTide transformation of the active anti-cancer metabolite of 5-fluorouracil, or 5-FU, which we believe has the potential to replace 5-FU as the standard of care in the treatment of a wide range of cancers. We believe NUC-3373 has significant commercial potential as approximately 500,000 patients in North America are estimated to receive intravenous 5-FU each year. In preclinical studies, we observed that NUC-3373 overcame the key resistance mechanisms associated with 5-FU and generated intracellular levels of the active anti-cancer metabolite over 300 times higher than that of 5-FU. NUC-3373 is currently being evaluated in a Phase 1 clinical study, also known as the NuTide:301 study, of patients with advanced solid tumours and a Phase 1b clinical study, also known as the NuTide:302 study, of patients with advanced colorectal cancer. The NuTide:302 study is investigating NUC-3373 plus leucovorin in patients with advanced colorectal cancer in combination with oxaliplatin or irinotecan. Once the recommended combination dose and schedule has been established, we plan to open expansion cohorts to further assess NUC-3373's efficacy and safety profile. We expect to report additional data from the NuTide:302 study in 2021. Contingent on regulatory guidance and other factors, we also plan to initiate a Phase 3 clinical study in patients with advanced colorectal cancer in the second half of 2021.

In the NuTide:301 study, NUC-3373 has generated high levels of the active anti-cancer metabolite inside the patients' white blood cells, resulting in complete inhibition of a target enzyme associated with cancer cell growth. The pharmacokinetic profile of NUC-3373 appears favourable, which supports our belief that NUC-3373 may enhance efficacy, improve safety and provide a more convenient dosing regimen compared with the standard of care 5-FU. In October 2018, we reported further interim data from this study at ESMO 2018. These interim data showed that three patients had achieved stable disease after treatment, with progression-free survival, or PFS, lasting more than nine months, as well as a

continued promising pharmacokinetic and pharmacodynamic, tolerability and dosage administration profile. Importantly, no patients developed hand-foot syndrome, which is a debilitating side effect occurring in 25% to 75% of patients treated with fluoropyrimidine therapy. The interim results of this study suggest that NUC-3373 has the potential to overcome the key cancer resistance mechanisms associated with 5-FU and may be capable of achieving anti-cancer activity even in patients who have progressed on prior treatment with a fluoropyrimidine. We expect to report further data from the NuTide:301 study in 2021.

In October 2018, we commenced a Phase 1b study, also known as the NuTide:302 study, in patients with advanced colorectal cancer in which NUC-3373 is being combined with agents typically combined with 5-FU, including leucovorin, irinotecan, oxaliplatin and monoclonal antibodies. In October 2019, we presented interim data from this study at the AACR-NCI-EORTC International Conference on Molecular Targets and Cancer Therapeutics. These interim data supported the previously reported favourable pharmacokinetic profile of NUC-3373. In January 2021, we presented further interim data from this study at the ASCO GI Conference. These interim data highlighted 37 patients who received NUC-3373 either as monotherapy or in combination with leucovorin. Ten patient case studies showed NUC-3373's ability to stabilise disease and achieve prolonged durations of progression-free survival. Several patients achieved periods of progression-free survival that were longer than those achieved on previous regimens and tumour shrinkages have been observed in five patients. In the efficacy evaluable population of 26 patients, a disease control rate of 62% was achieved.

In April 2021, we presented further interim data on 38 patients from the NuTide:302 study at the AACR Annual Meeting. In this difficult-to-treat group, who had received a median of four prior lines of chemotherapy, NUC-3373, with or without leucovorin, demonstrated a 62% disease control rate (defined as stable disease lasting more than 8 weeks) in the efficacy-evaluable population. Three patients experienced reductions in their target lesions of 40%, 28% and 15% and several patients achieved a longer progression-free survival on NUC-3373 than they had on their prior therapy. NUC-3373 also continued to demonstrate a favourable safety profile with no FBAL or FUTP-associated Grade 3 or 4 toxicities, such as hand-foot syndrome, GI or haematological adverse events.

NUC-7738, our third product candidate, is a ProTide transformation of 3'-deoxyadenosine, or 3'-dA, a novel nucleoside analog that has shown potent anti-cancer activity in preclinical studies. In March 2019, we opened a Phase 1 clinical study, known as the NuTide:701 study, with NUC-7738 in patients with advanced solid tumours. In October 2019, we announced preclinical data on NUC-7738, detailing multiple potential anti-cancer modes of action. In preclinical studies of NUC-7738, we have observed additional anti-cancer mechanisms of action to those previously reported for 3'-deoxyadenosine. Significantly higher levels of anti-cancer metabolites are generated inside cancer cells than with 3'-deoxyadenosine, causing increased cell injury. In September 2020, we presented interim data from the first 14 patients treated in this study at the ESMO Virtual Congress. These interim data indicated a favourable pharmacokinetic and tolerability profile of NUC-7738. Additionally, two patient case studies highlighted significant reductions in tumour volume that were maintained over time. In April 2021, we reported further interim data from the NuTide:701 study at the AACR Annual Meeting. These data demonstrated NUC-7738's encouraging anti-cancer activity and favourable tolerability profile. Three case studies were described detailing patients who achieved tumour reductions and prolonged stable disease on NUC-7738. We expect to report additional interim data from the NuTide:701 study in 2021. Contingent on regulatory guidance and other factors, we also plan to initiate a Phase 2 clinical study in the second half of 2021.

In April 2020, we announced that in order ease the burden on clinical study sites and enable healthcare professionals to focus their efforts on caring for patients with COVID-19, the enrolment of new patients in our ongoing clinical studies was temporarily paused. There was no interruption to the treatment of patients enrolled at that time. In May 2020, we announced that enrolment of new patients in our clinical studies, including the global Phase 3 clinical study for patients with biliary tract cancer (NuTide:121), the Phase 1 and Phase 1b clinical studies of NUC-3373 and the Phase 1 clinical study of NUC-7738, had re-commenced. While we continue to evaluate the impact of COVID-19 on our operations, we believe that this pandemic will inevitably cause some delays to the timing of initiation and completion of our clinical studies. We continue to monitor the impact of COVID-19.

Despite the widespread use of nucleoside analogs, their efficacy is severely limited by cancer cell resistance mechanisms and they are often poorly tolerated. Harnessing the power of phosphoramidate chemistry, we convert nucleoside analogs into activated nucleotide analogs with the addition of a phosphate group, which is protected by specific combinations of aryl, ester and amino acid groupings. By adding and protecting this phosphate group, we design our ProTides to avoid or overcome key cancer resistance mechanisms in the uptake, activation and breakdown of nucleoside analogs. As a result, we believe our ProTides have the potential to generate hundreds of times higher concentrations of the active anti-cancer metabolites inside tumour cells, potentially making our ProTides more effective than the current standards of care. Because our ProTides resist breakdown, and are thus more stable, we believe they are also able to reduce or eliminate the generation of toxic byproducts that can result from the breakdown of nucleoside analogs like gemcitabine, 5-FU and 3'-deoxyadenosine.

Our proprietary ProTide technology was invented in the Cardiff University laboratory of our late Chief Scientific Officer, Professor Christopher McGuigan, who conceived of, and filed, the original composition of matter patents for our initial ProTides. The unique feature of his discovery was the specific combination of aryl, ester and amino acid groupings that protect the activated, or phosphorylated, nucleoside analog. This phosphoramidate chemistry approach is the key to the ProTide technology. Every ProTide grouping is distinct, and Professor McGuigan and his team synthesised and tested thousands of compounds in order to identify the optimal ProTide grouping for each underlying nucleoside analog.

We have licensed what we believe to be the foundational patent estate for the application of phosphoramidate chemistry in oncology. We have patents granted in key markets, including the United States, Europe and Japan, protecting the composition of matter of Acelarin, NUC-3373, NUC-7738 and other of our product candidates. Professor McGuigan's work preceded and helped lead to the development of several FDA-approved anti-viral drugs containing nucleotide analogs, including: sofosbuvir, or Sovaldi®, which is also a key component of Harvoni®; tenofovir alafenamide fumarate, or TAF, which is a key component of Genvoya®, Descovy® and Odefsey®; and remdesivir, or Veklury®.

We are led by Hugh S. Griffith, our founder and Chief Executive Officer, who brings over 28 years of experience in the biopharmaceutical industry, including at Abbott Laboratories (now AbbVie Inc.) and Parke-Davis Warner Lambert (now Pfizer Inc.). Before founding NuCana, he led the operations of Bioenvision, Inc. from start-up through its acquisition by Genzyme Corporation. While at Bioenvision, he was instrumental in developing and commercialising clofarabine, a nucleoside analog for the treatment of paediatric acute leukemia.

our strategy

> *"Our goal is to transform standards of care and improve survival for patients across a wide range of cancer indications."*

Our strategy includes the following key components:

- **Rapidly develop Acelarin as a first-in-class nucleotide analog for the treatment of patients with cancer.**

  We believe that Acelarin has the potential to replace the core chemotherapy component regimens for patients with various cancers, focusing initially on:

  - *Biliary tract cancer.* Final data from a Phase 1b study of Acelarin in combination with cisplatin were published in November 2020. In the efficacy evaluable population, an ORR of 44% was achieved. Responses were seen across all five biliary tract cancer sub-types, including a complete response in one patient, a very rare occurrence in this patient population. Following the FDA's clearance of our IND in October 2019, we opened a global Phase 3 study of Acelarin in combination with cisplatin as a first-line treatment for patients with biliary tract cancer. We expect to enrol a sufficient number of patients in 2021 to enable the first interim analysis in 2022.

- **Rapidly develop NUC-3373 to replace 5-FU as the standard of care for the treatment of patients with various cancers.**

  - *Colorectal cancer.* We reported interim data in September 2020, January 2021, and April 2021 from NuTide:302, our Phase Ib study in patients with advanced, metastatic colorectal cancer who have already received 5-FU in combination with oxaliplatin and irinotecan. In this study, NUC-3373 is being assessed for safety and a recommended Phase 2 dose when combined with many of the agents typically combined with 5-FU, including leucovorin, irinotecan, oxaliplatin and monoclonal antibodies. These interim data confirmed the previously reported favourable pharmacokinetic and safety profile of NUC-3373 and highlighted promising efficacy signals. We plan to report further interim data from the NuTide:302 study in 2021. Contingent on regulatory guidance and other factors, we also plan to initiate a Phase 3 clinical study of NUC-3373 in combination with other agents for patients with colorectal cancer in the second half of 2021.
  - *Advanced solid tumours.* We plan to complete our Phase 1 monotherapy study of NUC-3373 and establish the optimal dose and dosing schedule of single-agent NUC-3373 in patients with advanced solid tumours and report final data in 2021.

- **Rapidly develop NUC-7738 as a treatment for patients with solid tumours.**

  - *Advanced solid tumours.* We reported interim data from our ongoing Phase 1 study of NUC-7738 in patients with advanced solid tumours in September 2020 and April 2021. Anti-cancer activity including tumour reduction and prolonged stable disease has been observed in addition to a favourable safety and pharmacokinetic profile. We plan to report further interim data from the NuTide:701 study in 2021 and establish the optimal dose and dosing schedule. We expect to initiate a Phase 2 clinical study in the second half of 2021.

- **Leverage our proprietary ProTide technology platform to develop additional product candidates.**

  We are pursuing both the transformation of well-established and widely used nucleoside analogs as well as novel nucleoside analogs, which we believe have the potential to address additional areas of unmet medical need in oncology.

- **Continue to strengthen our intellectual property position.**

  We own or have exclusive rights to the core technologies underlying our ProTide technology platform. We have patents granted in key markets, including the United States, Europe and Japan, protecting the composition of matter of Acelarin, NUC-3373, NUC-7738 and other of our product candidates. We intend to further expand and enhance our intellectual property position. We have also been granted or allowed patent protection in key markets for the proposed commercial formulation of Acelarin and for uses of Acelarin in targeting cancer. Our patent portfolio has grown substantially in the past year and we are actively evaluating new intellectual property opportunities as they arise, with the intention of further expanding our intellectual property position.

- **Build a focused commercial organisation.**

  We have worldwide rights to all product candidates that we are developing. We believe that many of the cancers we are initially targeting with our ProTides can be addressed by a focused sales and marketing team. We plan to commercialise any product candidates for which we receive regulatory marketing approval using a specialised sales force in the United States and Europe.

our pipeline

We take a scientifically driven approach to designing ProTides, which we believe have the potential to result in highly efficacious cancer therapies with improved tolerability. Our pipeline of product candidates and 2021 milestones are summarised below.

ACELARIN	PHASE	EVENT	2021 1H	2021 2H
Biliary	Phase III	Complete recruitment for first interim analysis		X
NUC-3373				
Solid Tumours	Phase I	Data	X	
Colorectal	Phase Ib	Data	X	
Colorectal	Phase Ib expansion / Phase II	Data	X	X
Colorectal	Phase III	Initiate study		X
NUC-7738				
Solid Tumours / Haematologic	Phase I	Data	X	
Solid Tumours / Haematologic	Phase II	Initiate study		X

NuCana is currently developing a portfolio of new medicines to address a broad range of cancers, but we do not have any approved products. As further described in "Our Strategy", our current intention is to build a sales and marketing capability in the United States and Europe in order to commercialise our ProTides. We believe that the characteristics of the initial markets we plan to address would lend themselves well to a focused, direct sales and marketing effort given the incidence of these cancers and the number of physicians treating these patients. We may also in the future consider partnerships, co-promotion agreements or other commercial arrangements, in certain geographic areas or otherwise, in order to most effectively address our market opportunities.

review of the business

Since our inception, we have incurred significant net losses and negative cash flows from operations. To date, we have financed our operations primarily through placements of equity securities, an initial public offering, a follow-on public offering and research and development tax credits.

DEVELOPMENT AND PERFORMANCE DURING THE PERIOD

Research and development expenses

Research and development expenses were £25.9 million for the year ended 31 December 2020 as compared to £19.7 million for the year ended 31 December 2019, an increase of £6.2 million. The increase resulted primarily from higher expenses incurred related to clinical studies of £12.5 million in 2020, compared with £8.6 million in 2019. Manufacturing costs in 2020 were £3.2 million compared to £2.1 million in 2019, an increase of £1.1 million. Non-clinical and patent costs increased by £0.7 million in 2020 compared with 2019. Other research and development costs increased in 2020 by £0.5 million primarily due to higher personnel costs and share-based payment expenses incurred during the year partially offset by lower meeting, travel and conference costs. The following table gives a breakdown of the research and development costs incurred by product for the years ended 31 December 2020 and 2019:

	Year ended 31 December	
	2020	2019
	(unaudited) (in thousands)	
Acelarin	£ 13,927	£ 10,179
NUC-3373	6,305	5,355
NUC-7738	3,746	1,743
Other	1,921	2,451
	£ 25,899	**£ 19,728**

Administrative expenses
Administrative expenses were £7.1 million for the year ended 31 December 2020 as compared to £6.0 million for the year ended 31 December 2019, an increase of £1.1 million. The increase was primarily related to higher insurance, personnel costs and share-based payment expenses, partially offset by lower professional fees and meeting, travel and conference costs.

Net foreign exchange losses
For the year ended 31 December 2020, we reported a net foreign exchange loss of £3.5 million as compared to a net foreign exchange loss of £1.0 million for the year ended 31 December 2019. In both years, the losses arose from cash balances held in U.S. dollars and the U.S. dollar depreciating relative to the U.K. pound sterling. The losses were higher in 2020 primarily due to a larger amount of cash being held in U.S. dollars following the completion of our follow-on public offering in September 2020.

Finance income
Finance income represents bank interest and was £0.2 million for the year ended 31 December 2020 and £1.0 million for the year ended 31 December 2019. The decrease was primarily related to a reduction in interest rates in 2020.

Income tax credit
The income tax credit, which is largely composed of research and development credits, amounted to £5.5 million for the year ended 31 December 2020 and £4.2 million for the year ended 31 December 2019.

In the United Kingdom, research and development credits are obtained at a maximum rate of 33.35% of our qualifying research and development expenses. The increase in the income tax credit was primarily attributable to an increase in our eligible research and development expenses.

position of group at year end

Liquidity and capital resources

Overview
Since our inception, we have incurred significant operating losses and negative cash flows. We anticipate that we will continue to incur losses for at least the next several years. We expect that our research and development and administrative expenses will increase in connection with conducting clinical studies and seeking marketing approval for our product candidates, as well as costs associated with operating as a public company. As a result, we will need additional capital to fund our operations, which we may obtain from additional equity financings, debt financings, research funding, collaborations, contract and grant revenue or other sources.

As of 31 December 2020 and 31 December 2019, we had cash and cash equivalents of £87.4 million and £52.0 million, respectively. We do not currently have any approved products and have never generated any revenue from product sales. To date we have financed our operations primarily through the issuances of our equity securities. In October 2017, we completed our initial public offering, or IPO, and in September 2020 we completed a follow-on public offering in which we sold 17,888,889 American Depositary Shares, or ADSs, including 2,333,333 ADSs sold upon full exercise of the underwriters' option to purchase additional ADSs. The follow-on ADSs were sold at a public offering price of $4.50 per ADS for total gross proceeds of $80.5 million.

In October 2018, we entered into an "at-the-market" (ATM) sales agreement with Cowen and Company, LLC, or Cowen, pursuant to which we may sell from time to time, ADSs having an aggregate offering price of up to $100.0 million through Cowen, acting as our agent. Sales of our ADSs pursuant to this ATM program are subject to certain conditions specified in the sales agreement. Sales under the ATM program are registered on a shelf registration statement on Form F-3 that we filed with the US Securities and Exchange Commission (SEC) in October 2018, and which permits the offering, issuance and sale by us of up to a maximum aggregate offering price of $400.0 million of our securities, inclusive of our ADSs sold under the ATM program. During 2020, we sold and issued 774,511 ADSs, representing 774,511 ordinary shares, under the ATM program, raising gross proceeds of £3.7 million.

Cash flows

The following table summarises the results of our cash flows for the years ended 31 December 2020 and 2019.

	Year ended 31 December	
	2020	**2019**
	(in thousands)	
Net cash used in operating activities	£ (21,619)	£ (23,833)
Net cash used in investing activities	(1,313)	(145)
Net cash from (used in) financing activities	61,800	(47)
Net increase (decrease) in cash and cash equivalents	**£ 38,868**	**£ (24,025)**

Operating activities

The net cash used in operating activities was £21.6 million in 2020 as compared to £23.8 million in 2019, reflecting a net decrease in cash outflows of £2.2 million. A tax refund of £4.2 million was received in 2020 with no similar cash inflow recorded in 2019. In addition, operating loss cash flows were higher by £6.0 million in 2020, primarily reflecting higher research and development costs. The increase in operating loss cash flows was offset by working capital inflows of £1.9 million in 2020 as compared to working capital outflows of £2.1 million in 2019.

Investing activities

Net cash used in investing activities was £1.3 million in 2020 as compared with £0.1 million in 2019, reflecting a net increase in outflows of £1.2 million. Interest received in 2020 was £0.3 million compared with £1.1 million in 2019, a decrease of £0.8 million. In 2020, cash used to acquire property, plant and equipment was higher by £0.3 million than in 2019, and cash used to acquire intangible assets was £0.1 million higher.

Financing activities

Net cash from financing activities was £61.8 million in 2020 as compared to £47,000 net cash used in financing activities in 2019. In 2020 the Company generated net proceeds from the issue of share capital of £62.1 million, as compared to £0.1 million in 2019. Payments of lease liabilities amounted to £0.3 million in 2020, as compared to net payments for lease liabilities and lease incentives of £0.2 million in 2019.

main business trends and factors

Acelarin is currently being evaluated in a Phase 3 clinical study for patients with biliary tract cancer. In May 2021, the Phase 3 clinical study for patients with metastatic pancreatic cancer for which enrolment had been suspended was closed. NUC-3373 is currently in a Phase 1 clinical study for patients with advanced solid tumours and a Phase 1b clinical study for patients with advanced colorectal cancer. NUC-7738 is currently in a Phase 1 clinical study for patients with advanced solid tumours. We have retained worldwide rights to these lead product candidates as well as our preclinical product candidates, all of which we refer to as ProTides. The key business trends affecting our development and performance during and at the period ended 31 December 2020 are detailed above.

In addition to these internal trends that have impacted our financial results, we may also in the future face competition for our products if they are approved. The most common methods of treating patients with cancer are surgery, radiation and drug therapy, including chemotherapy, hormone therapy, immunotherapy and targeted drug therapy. There are a variety of available drug therapies marketed for cancer, including many which are administered in combination to enhance efficacy. We believe that our product candidates, if approved, will principally face competition from other chemotherapies, immunotherapy and targeted drug therapies. In the field of chemotherapy, our competitors include companies that manufacture off-patent chemotherapies, including gemcitabine and 5-FU, as well as companies that have developed new or improved chemotherapies. In addition, our product candidates, if approved, may face competition from cancer therapies developed by other companies using phosphoramidate chemistry, as well as other approved drugs or drugs that may be approved in the future for indications for which we may develop our product candidates.

The availability of reimbursement from government and other third-party payors will also significantly affect the pricing and competitiveness of our products. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. Many of the companies against which we may compete have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical studies, obtaining regulatory approvals and marketing approved products than we do.

Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical study sites and patient registration for clinical studies, as well as in acquiring technologies complementary to, or necessary for, our programs.

key performance indicators

As a measurement of liquidity, we review our total liquidity position (including cash and cash equivalents), as well as our operating cash flow. At 31 December 2020, the total liquidity position was £87.4 million (at 31 December 2019: £52.0 million). Net cash used in operating activities was £21.6 million for the year ended 31 December 2020 (year ended 31 December 2019: £23.8 million).

Total liquidity position

£87.4 million (at 31 December 2020)

£52.0 million (at 31 December 2019)

Net cash used in operating activities

£21.6 million (for the year ended 31 December 2020)

£23.8 million (for the year ended 31 December 2019)

principal risks and uncertainties

In common with other pharmaceutical development companies NuCana faces a number of risks and uncertainties. Internal controls are in place to help identify, manage and mitigate these risks. Further details of risk factors considered by NuCana for the year ended 31 December 2020 are included on Form 20-F filed with the SEC on 4 March 2021.

Financial

We have incurred significant operating losses since our inception. We incurred net losses of £30.7 million for the year ended 31 December 2020 and £21.4 million for the year ended 31 December 2019. As of 31 December 2020, we had an accumulated deficit of £110.6 million. Our most advanced product candidate, Acelarin, is currently being evaluated in a Phase 3 clinical study for patients with biliary tract cancer. In May 2021, the Phase 3 clinical study for patients with metastatic pancreatic cancer for which enrolment had been suspended was closed. Our second most advanced product candidate, NUC-3373, is currently in a Phase 1 clinical study for patients with advanced solid tumours and a Phase 1b clinical study for patients with advanced colorectal cancer. Our third clinical-stage product candidate, NUC-7738, is currently in a Phase 1 clinical study for patients with advanced solid tumours. It may be several years, if ever, before we have a product candidate ready for commercialisation. To date, we have financed our operations primarily through public and private placements of our equity securities. We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future. The net losses we incur may fluctuate significantly from quarter to quarter.

We expect our expenses to increase with our ongoing activities, particularly as we conduct larger-scale clinical studies of, and seek marketing approval for, our product candidates. In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialisation expenses related to product sales, marketing, manufacturing and distribution. We shall also incur additional costs if we choose to pursue additional indications or geographies for our product candidates or otherwise expand more rapidly than we presently anticipate. Furthermore, we will continue to incur costs associated with operating as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we fail to obtain additional financing, we may be unable to complete the development and commercialisation of our product candidates or continue our development programmes.

Dependence on clinical candidates

We do not currently generate any revenues from sales of any products, and we may never be able to develop or commercialise a marketable product. We have invested substantially all of our efforts and financial resources to date in the development of Acelarin, NUC-3373 and NUC-7738. Our ability to generate product revenues, which we do not expect will occur for at least the next several years, if ever, will depend heavily on the successful development and eventual commercialisation of these product candidates, if approved, which may never occur. Each of Acelarin, NUC-3373 and NUC-7738 will require additional clinical development, management of clinical, preclinical and manufacturing activities, regulatory approval in multiple jurisdictions, procurement of manufacturing supply, commercialisation, substantial additional investment and significant marketing efforts before we generate any revenues from product sales, if at all. We are not permitted to market or promote any product candidates in the United States, Europe or other countries before we receive regulatory approval from the FDA, the European Medicines Agency (EMA) or comparable foreign regulatory authorities, and we may never receive such regulatory approval for Acelarin, NUC-3373 or NUC-7738 or any future product candidate. We have not submitted a New Drug Application (NDA) to the FDA, a Marketing Authorisation Application (MAA) to the EMA or comparable applications to other regulatory authorities for any of our product candidates and do not expect to be in a position to do so in the foreseeable future.

Manufacturing

We do not currently own or operate, nor do we have any plans to establish in the future, any manufacturing facilities. We rely, and expect to continue to rely, on third parties for the manufacture and shipment of our product candidates for preclinical studies and clinical studies, as well as for the commercial manufacture of our drugs if any of our product candidates receive marketing approval. This reliance on third parties increases the risk that we will not have sufficient quantities of our product candidates or drugs or such quantities at an acceptable cost or quality, which could delay, prevent or impair our development or commercialisation efforts.

BREXIT

On 31 January 2020, the United Kingdom left the European Union on the terms of a withdrawal agreement, which included a transitional arrangement governing the U.K.-E.U. relationship during a transition period from 31 January 2020 to 31 December 2020 (the "Transition Period"). On 24 December 2020, the U.K. and E.U. negotiators agreed on the terms of, amongst other agreements, a Trade and Cooperation Agreement (the "TCA"), which would govern the future relationship between the U.K. and the E.U. On 31 December 2020, the Transition Period ended, and the U.K. Parliament enacted the European Union (Future Relationship) Act 2020 which implemented the terms of the TCA. The TCA provides zero tariff/zero quota trade in goods between the U.K. and the E.U. Member States, and commitments from the U.K. and the E.U. to maintain common high standards across a number of areas, such as intellectual property, competition and taxation, as well as a number of other benefits, such as the U.K.'s continued access to the Horizon Europe research programme. However, the U.K.'s departure from the E.U.'s single market has resulted in substantial changes for U.K. businesses, including an end to the free movement of persons, goods and services between the U.K. and the E.U, and the loss of a number of other benefits afforded to citizens and businesses in the U.K. and the E.U prior to BREXIT, such as the mutual recognition of professional qualifications, or passporting for financial services. Furthermore, as the U.K. is no longer subject to E.U. law, or the jurisdiction of the European Court of Justice, there will be increasing scope for divergence between U.K. and the E.U. Member States' laws and regulations, including the application, interpretation and enforcement of the body of E.U. law which has been retained by the U.K.

These developments, and the uncertainty up to the end of 2020 surrounding the terms on which the U.K. would withdraw from the E.U. single market, and the continued uncertainty around some of the detailed provisions which apply post-BREXIT, have had and may continue to have a significant adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates and credit ratings may be especially subject to increased market volatility. Furthermore, these developments may also have a significant effect on our ability to attract and retain employees, including scientists and other employees who are important for our and our collaborators' research and development efforts.

COVID-19

Public health crises such as pandemics or similar outbreaks could adversely impact our business. In December 2019, a novel strain of coronavirus, SARS-CoV-2, which causes COVID-19, was identified in Wuhan, China. Since then, COVID-19 has spread to multiple countries, including the United Kingdom and the United States. On 11 March 2020, the World Health Organization declared COVID-19 a global pandemic. In response to the spread of COVID-19, we have closed our offices, with our employees continuing their work outside of our offices, and restricted on-site staff to only those required to execute their job responsibilities.

As a result of the COVID-19 outbreak, or similar pandemics, we have and may in the future experience disruptions that could severely impact our business, preclinical studies and clinical studies, including:

- delays or difficulties in enrolling patients in our clinical studies;
- delays or difficulties in clinical site initiation, including difficulties in recruiting clinical site investigators and clinical site staff;
- delays or disruptions in preclinical experiments and investigational new drug application-enabling good laboratory practice standard preclinical studies due to unforeseen circumstances at contract research organisations and vendors along their supply chain;
- increased rates of patients withdrawing from our clinical studies following enrolment as a result of contracting COVID-19, being forced to quarantine, or not wanting to attend hospital visits;
- diversion of healthcare resources away from the conduct of clinical studies, including the diversion of hospitals serving as our clinical study sites and hospital staff supporting the conduct of our clinical studies;
- interruption of key clinical study activities, such as clinical study site data monitoring, due to limitations on travel imposed or recommended by national, state or local governments, employers and others or interruption of clinical study subject visits and study procedures (particularly any procedures that may be deemed non-essential), which may impact the integrity of subject data and clinical study endpoints;
- interruption or delays in the operations of the FDA, the EMA or other foreign regulatory agencies, which may impact approval timelines;
- interruption of, or delays in receiving, supplies of our product candidates from our contract manufacturing organisations due to staffing shortages, production slowdowns or stoppages and disruptions in our supply chain or distribution vendors' ability to ship product candidates; and
- limitations on employee resources that would otherwise be focused on the conduct of our preclinical studies and clinical studies, including because of sickness of employees or their families, the desire of employees to avoid contact with large groups of people, an increased reliance on working from home or mass transit disruptions.

These and other factors arising from the COVID-19 pandemic could worsen in countries that are already afflicted with COVID-19, could continue to spread to additional countries, or could return to countries where the pandemic has been partially contained, each of which could further adversely impact our ability to conduct clinical studies and our business generally, and could have a material adverse impact on our operations and financial condition and results.

In addition, the trading prices for our ADSs and for the securities of other biopharmaceutical companies have been highly volatile as a result of the COVID-19 pandemic. As a result, we may face difficulties raising capital through sales of our ADSs or such sales may be on unfavourable terms. The COVID-19 outbreak continues to rapidly evolve. The extent to which the outbreak may impact our business, preclinical studies and clinical studies will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions and actions to contain the outbreak or treat its impact, such as social distancing and quarantines or lock-downs in the United Kingdom, the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in the United Kingdom, the United States and other countries to contain and treat the disease.

Commercialisation

We currently have no marketing capability or sales force, but we plan to commercialise or participate in the commercialisation of our product candidates for which we receive regulatory approval in major markets, such as the United States and Europe. This may necessitate building a specialised sales force and other marketing capabilities in such markets. To achieve commercial success for any approved product candidate for which we retain sales and marketing responsibilities, we must build our sales, marketing, managerial and other non-technical capabilities or make arrangements with third parties to perform these services. There are risks involved with both establishing our own sales and marketing capabilities

and entering into arrangements with third parties to perform these services. For example, recruiting and training a sales force is expensive and time consuming and could delay any drug launch. If the commercial launch of a product candidate for which we recruit a sales force and establish marketing capabilities is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialisation expenses. This may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

Regulation

Our product candidates and the activities associated with their development and commercialisation, including their design, testing, manufacture, safety, efficacy, recordkeeping, labelling, storage, approval, advertising, promotion, sale, distribution, import and export are subject to comprehensive regulation by the FDA and other regulatory agencies in the United States and by comparable authorities in other countries.

The process of obtaining marketing approvals, commercially in major markets, such as the United States and Europe, is expensive and takes several years, if approval is obtained at all, and can vary substantially based upon a variety of factors, including the type, complexity and novelty of the product candidates involved. Failure to obtain marketing approval for a product candidate will prevent us from commercialising the product candidate. We have not received approval to market any of our product candidates from regulatory authorities in any jurisdiction. We have limited experience in planning and conducting the clinical studies required for marketing approvals, and we expect to rely on third-party contract research organisations (CROs) to assist us in this process. Obtaining marketing approval requires the submission of extensive preclinical and clinical data and supporting information to regulatory authorities for each therapeutic indication to establish the product candidate's safety and efficacy. Securing marketing approval also requires the submission of information about the product manufacturing process, and in many cases the inspection of manufacturing facilities by the regulatory authorities. Our product candidates may not be effective, may be only moderately effective or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may preclude our obtaining marketing approval or prevent or limit commercial use. Regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that our data are insufficient for approval and require additional preclinical studies or clinical studies. Our product candidates could be delayed in receiving, or fail to receive, marketing approval.

Intellectual property

If we are unable to obtain and maintain intellectual property protection for our technology and products, or if the scope of the intellectual property protection obtained is not sufficiently broad, our competitors could commercialise technology and products similar or identical to ours, and our ability to successfully commercialise our technology and products may be impaired. In addition, if we infringe the valid patent rights of others, we may be prevented from making, using or selling our products or may be subject to damages or penalties. Even if our patent applications issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors from competing with us or otherwise provide us with any competitive advantage. Our competitors may be able to circumvent our owned or licensed patents by developing similar or alternative technologies or products in a non-infringing manner. We may become involved in administrative adversarial proceedings in the United States Patent and Trademark Office (USPTO) or in the patent offices of other countries brought by a third party to attempt to cancel or invalidate our patent rights, which could be expensive, time consuming and cause a loss of patent rights. We may have to file one or more lawsuits in court to prevent a third party from selling a product or using a product in a manner that infringes our patent, which could be expensive, time consuming and unsuccessful, and ultimately result in the loss of our proprietary market. Third parties may initiate legal proceedings alleging that we are infringing their intellectual property rights, the outcome of which would be uncertain and could hurt our business. We may not be able to effectively enforce our intellectual property rights throughout the world. Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements. Our intellectual property licenses with third parties may be subject to disagreements over contract interpretation, which could narrow the scope of our rights to the relevant intellectual property or technology or increase our financial or other obligations to our licensors. We may be subject to claims by third parties asserting that our employees or we have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property. If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed. Our proprietary information, or that of our suppliers and any future collaborators, may be lost or we may suffer security breaches. Intellectual property rights do not necessarily address all potential threats to our competitive advantage.

In 2018, we were granted a European patent from the European Patent Office (EPO), EP 2955190, that covers the composition of matter of a small genus of phosphoramidate nucleotide compounds that includes sofosbuvir, sold under the brand name Sovaldi®, a leading drug for the treatment of hepatitis C sold by Gilead Sciences, Inc. Sofosbuvir and our drug Acelarin share a similar chemical structure, and sofosbuvir is covered by the claims in our patent, which predates Gilead's patent on sofosbuvir by several years. Later in 2018, Gilead filed an Opposition to our patent at the EPO in an attempt to revoke it. In February 2021, the Opposition Division of the European Patent Office, or EPO, upheld our European Patent 2955190. This determination by the Opposition Division remains subject to potential appeal by Gilead to the EPO Technical Boards of Appeal. Later in February 2021, Gilead Sciences, Inc. and Gilead Sciences Limited filed a lawsuit against us in the Patents Court of the High Court of Justice of England and Wales requesting revocation of the UK part of that same European patent. In March 2021, we filed a counterclaim against Gilead Sciences, Inc. and Gilead Sciences Limited alleging infringement of our patent resulting from acts including the sale of Sovaldi®, as well as its combination products Harvoni®, Vosevi® and Epclusa®, in the United Kingdom. In April 2021, we initiated legal proceedings against Gilead Sciences Ireland UC and Gilead Sciences GmbH in the German Regional Court of Dusseldorf for patent infringement for the sale of Sovaldi as well as its combination products Harvoni, Vosevi and Epclusa in Germany. There can be no assurance as to the outcome of any such future proceedings or litigation. The appeal of the decision upholding our patent by the EPO Opposition Division, the litigation in the UK Patents Court with Gilead, the litigation in the German Regional Court of Dusseldorf with Gilead, and potential further future infringement or validity litigation in Europe with Gilead may subject us to significant legal expense and may consume management resource.

Conduct of clinical studies

We rely on, and expect to continue to rely on, third parties to conduct our clinical studies for our product candidates. If these third parties do not successfully carry out their contractual duties, comply with regulatory requirements or meet expected deadlines, we may not be able to obtain marketing approval for or commercialise our product candidates, and our business could be substantially harmed. We do not have the ability to independently conduct clinical studies. Nevertheless, we will be responsible for ensuring that each of our clinical studies are conducted in accordance with the applicable protocol, legal and regulatory requirements and scientific standards.

Employees

We currently have a limited number of employees, and our future success depends on our ability to retain key executives and to attract, retain and motivate qualified personnel. We are a clinical-stage group, and, as of 31 December 2020, had 29 employees. We are highly dependent on the research and development, clinical and business development expertise of Hugh S. Griffith, our Chief Executive Officer, as well as the other principal members of our management team and our collaborators' scientific and clinical teams. Recruiting and retaining qualified scientific, clinical, manufacturing, finance, sales and marketing personnel will also be critical to our success. The loss of the services of our executive officers or other key employees could impede the achievement of our research, development and commercialisation objectives and seriously harm our ability to successfully implement our business strategy.

environmental matters

We currently outsource our research, development and manufacturing activities.

Our leased offices in the United Kingdom, used solely for administrative purposes, drive the majority of our carbon emissions. The building currently has a current Energy Performance Certificate, with a Building Energy Performance Rating of "C" (between 31 to 45 $kgCO_2$ per m^2 per year). This rating remains unchanged from the rating indicated in NuCana's previous annual accounts and reports for the financial years ended 31 December 2018 and 31 December 2019. The certificate has been produced under the Energy Performance of Buildings (Scotland) Regulations 2008 from data lodged to the Scottish EPC register. The building energy performance rating is a measure of the effect of a building on the environment in terms of carbon dioxide CO_2 emission, with ratings ranging between "A+" (net zero carbon) to "G" (very poor). The better the rating, the less impact on the environment. The current rating is based upon an assessor's survey of the building, using EPCgen, V4.1.e.5. The main heating fuel: Grid Supplied Electricity; the Building Environment: Air Conditioning; Renewable Energy Source: Heat pumps.

Our first report on greenhouse gas emissions is included in our Directors' Report on page 15 of this document.

employees

The number of employees by function and geographic location as of the end of the period for our fiscal years ended 31 December 2020 and 2019 was as follows:

	2020	2019
By Function:		
Research and development	23	25
Management and administrative	6	6
Total	**29**	**31**
By Geography:		
United Kingdom	27	29
North America	2	2
Total	**29**	**31**

As of 31 December 2020, we had 29 employees. We have never had a work stoppage and none of our employees are covered by collective bargaining agreements or represented by a labour union. We believe our employee relations are good.

Diversity

We make appointments based on merit according to the balance of skills and experience offered by prospective candidates. Whilst acknowledging the benefits of diversity, individual appointments are made irrespective of personal characteristics such as sex, race, disability, gender, sexual orientation, religion or age.

A breakdown of the statistics as at 31 December 2020 is as follows:

Position	Male	Female	Total
Company Director	**7**	**1**	8
Senior Manager	8	4	12
Other Employees	7	9	16
Total Employees	**16**	**13**	**29**

employee consultation and human rights

We place considerable value on the involvement of our employees. Meetings are held with employees to discuss the operations and progress of the business and employees are encouraged to become involved in the success of the Group through share option schemes (see note 15 to the financial statements). We endeavour to impact positively on the communities in which we operate. We do not, at present, have a specific policy on human rights. However, we have several policies that promote the principles of human rights, including our Anti-Slavery and Human Trafficking Policy, which governs our zero-tolerance approach to modern slavery and our commitment to acting ethically and with integrity in all our business dealings; and an Anti-Corruption and Bribery Policy in order to reflect our policy to conduct our business in an honest and ethical manner. Our Health & Safety policy sets out our commitment to provision of a safe working environment for our employees. Further our Equal Opportunities Policy, promotes the right of every employee to be treated with dignity and respect and not to be harassed or bullied on any grounds. Accordingly, we have a policy framework in place to ensure that we will respect the human rights of all our employees, including: provision of a safe, clean working environment; ensuring employees are free from discrimination and coercion; not using child or forced labour and respecting the rights of privacy and protecting access and use of employee personal information. This report does not contain information relating to social or community matters as such information is not relevant in understanding our development, performance or position.

section 172(1) statement

Section 172 of the Companies Act 2006 requires each of directors to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so, have regard (amongst other matters) to:

a) the likely consequences of any decision in the long term;
b) the interests of the company's employees;
c) the need to foster the company's business relationships with suppliers, customers and others;
d) the impact of the company's operations on the community and the environment;
e) the desirability of the company maintaining a reputation for high standards of business conduct; and
f) the need to act fairly between members of the company.

The directors continue to have regard to the interests of our key stakeholders, including our shareholders, holders of ADSs, and employees. The Board recognises its responsibility to take into consideration the needs and concerns of all our stakeholders as part of our discussion and decision-making processes.

Details of our interactions and engagement with shareholders, ADSs holders and analysts are summarised below.

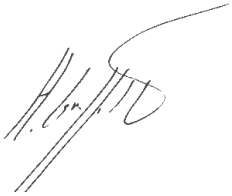
Interests – issues and factors which are most important to shareholders, ADSs holders and analysts	• Successful R&D pipeline development • Sufficient cash and cash equivalents on hand to fund our anticipated operations
Engagement – examples of engagement in 2020	• Annual General Meeting in June 2020 within COVID-19 restrictions • Directors and senior management meet investors and analysts • Quarterly financial results and regular press releases • Investor outreach programme, including regular investor conferences and events
Outcomes – any actions which resulted	• Helped to inform the objectives and strategy of the business, as outlined in the Our Strategy section of this Strategic Report on page 5 • Attracted new investors in the Group • Completed a follow-on public offering in September 2020 raising total gross proceeds of $80.5 million

Our engagement and consultation with employees are outlined in the Employee Consultation and Human Rights section of this Strategic Report on page 13.

The consideration and impact of our operations on the environment are contained in the Environmental Matters section of this Strategic Report on page 12.

The Strategic Report was approved by the Board on 20 May 2021.

On behalf of the Board



Hugh S. Griffith
Chief Executive Officer

directors' report

directors' report

Company registration
NuCana plc is registered in England and Wales with the registered number 03308778.

Results and dividends
The loss for the year after taxation amounted to £30.7 million (2019: £21.4 million). The directors do not recommend a final dividend (2019: £nil).

Principal activities
NuCana is a rapidly growing, clinical-stage biopharmaceutical Group developing an expansive portfolio of new medicines (ProTides) to treat patients with cancer. The unique feature of ProTides is their ability to overcome the key resistance mechanisms associated with many widely used anti-cancer medicines.

Future developments
The future developments have been set out in the Strategic Report on page 2.

Research and development activities
NuCana's research and development strategy and activities have been set out in the Strategic Report on pages 2 to 13.

Directors
The directors who served the Company during the year and up to the date of this report were as follows:

Hugh Griffith
Rafaèle Tordjman
James Healy
Martin Mellish
Adam George
Cyrille Leperlier
Bali Muralidhar (appointed 30 September 2020)
Andrew Kay (appointed 21 December 2020)
Isaac Cheng (retired 11 March 2020)
Christopher Wood (retired 25 June 2020)

Financial instruments
Details of financial instruments are set out in note 17 to the financial statements on page 64.

Charitable and political contributions
No charitable contributions were paid during the 2020 financial year (31 December 2019: £nil).
No donations were made during the 2020 financial year to political organisations (31 December 2019: £nil).

Structure of group's capital
Details of the structure of the Group's capital are set out in note 13 to the financial statements on page 58.

Directors' insurance and indemnities
The directors have the benefit of the indemnity provisions contained in the Company's Articles of Association, and the Company has maintained throughout the year directors' and officers' liability insurance for the benefit of the Company, the directors and its officers. The Company has entered into qualifying third-party indemnity arrangements for the benefit of all its directors in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

Overseas branches
The Company has no overseas branches.

Environmental matters
The Company measures and reports its greenhouse gas emissions.

As this is the first year of reporting, 2020 is reported as the baseline year against which future performance will be measured.

Quantification and reporting methodology
This report was compiled by management. The 2019 UK Government Environmental Reporting Guidelines and the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) were followed to ensure the Streamlined Energy and Carbon Reporting ("SECR") requirements were met.

The energy data was collated using existing reporting mechanisms for the Group's leased offices in the United Kingdom, where the majority of the Group's employees work. These methodologies provided a continuous record of electricity use.

The energy data was converted to carbon emissions using the 2020 UK Government GHG Conversion Factors for Company Reporting. The associated emissions are divided into the combustion of fuels and the operation of facilities (scope 1), purchased electricity, heating and cooling (scope 2) and indirect emissions that occur as a consequence of company activities (scope 3). During the year the Group only had emissions relating to scope 2.

Estimations
The electricity use was compiled from invoices and meter readings.

	2020
Energy used by the company (in KWH)	164,026
Emissions associated with the reported energy use (tCO_2e)	38

Intensity ratio
The chosen primary intensity ratio is total gross emissions in metric tonnes CO_2e (mandatory emissions) per employee.

	2020
Tonnes of CO_2e per employee	1.37

Energy efficiency action during current financial year
We will continue to monitor our carbon emissions and look for cost-effective improvements of energy performance.

Energy consumption is expected to be lower this year, as the COVID-19 pandemic has resulted in the temporary closure of the Group's offices, with the Group's employees continuing their work remotely.

As a result of the COVID-19 restrictions, there has been an increase in the use of video conferencing for meetings, reducing the need for travel. The emission savings resulting from these activities has not been quantified, but this practice has resulted in behavioural changes that are expected to continue for the foreseeable future.

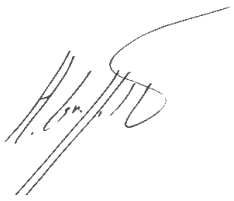
Events after the reporting period
Details of important events affecting the Group, which have occurred since 31 December 2020, are set out in note 18 to the financial statements on page 65.

Disclosure of information to the auditors
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors
Resolutions to re-appoint Ernst & Young LLP as auditor of the Company and to authorise the Board to set its remuneration will be proposed at the Company's forthcoming annual general meeting ("AGM").

The Directors' Report was approved by the Board on 20 May 2021.

On behalf of the Board



Hugh S. Griffith
Director

directors' remuneration report

remuneration committee chair's annual statement

The information provided in this part of the Directors' Remuneration Report is not subject to audit.

On behalf of the Board of Directors of NuCana plc, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2020.

With shareholder attendance being limited due to COVID-19 restrictions voting at our 2020 AGM was conducted on a poll of the proxy vote. At the meeting, the resolutions to approve the 2019 Directors' Remuneration Report and the Directors' Remuneration Policy were approved as follows:

- on resolution 5 on approving the Directors' Remuneration Report, 30,326,053 votes for and 126,289 votes against which equates to over 99% of the proxy vote being in favour of the resolution; and
- on resolution 6 on approving the Directors' Remuneration Policy, 29,488,397 votes for and 959,483 votes against which equates to over 96% of the proxy vote in favour of the resolution.

1,458,545 votes were withheld on resolution 5 and 1,463,007 votes were withheld on resolution 6.

A copy of the Directors' Remuneration Policy is available for inspection at the Global Headquarters of the Company at 3 Lochside Way, Edinburgh, EH12 9DT, United Kingdom, and is also available on pages 22 to 26 of our 2019 Annual Report, which is on our website at http://www.nucana.com.

Remuneration committee

The Remuneration Committee consists of two independent Non-Executive Directors, James Healy (Chairperson) and Bali Muralidhar (Member since 5 February 2021). Rafaèle Tordjman was Chairperson and Member of the Remuneration Committee until 5 February 2021.

The Remuneration Committee is responsible for reviewing and establishing our executive remuneration policy and philosophy, including reviewing the performance of the senior executive officers and setting the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of the shareholders. It is the policy of the Remuneration Committee that no individual can participate in discussions or decisions concerning his or her own remuneration.

The Directors' Remuneration Report that follows is for the year from 1 January 2020 to 31 December 2020 except where otherwise stated.

The Directors' Remuneration Policy is designed to:

- Increase shareholder value;
- Reward senior executive officers for their contribution to the Company's development and value creation;
- Recognise individual initiative, leadership, achievement, and other contributions; and
- Provide competitive compensation that will attract and retain qualified executives.

Activities and major decisions

During the year ended 31 December 2020, the Committee undertook the following activities and major decisions:

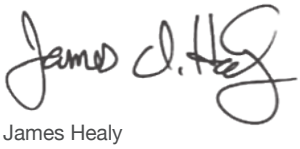
- Commissioned an updated benchmarking review of director and senior executive officer compensation, which was undertaken to ensure that remuneration for our directors and senior executive officers remains competitive for the retention and engagement of key talent. The Committee engaged Radford (an Aon Hewitt company) as independent advisors to:
  - Provide an assessment of director and senior executive officer annual cash compensation, including base salary and annual bonuses as compared to the market; and
  - Provide an assessment of the annual grants of options for directors and senior executive officers as compared to the market.

As a result of a Radford benchmarking study completed in 2020, the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) received increased base salary awards at levels that are aligned with the 75th percentile of peer group comparator data. For our CEO, this resulted in a base salary award of £531,193 effective from 1 January 2021. For our CFO, this resulted in a base salary award of $465,034 effective from 1 January 2021.

- Awarded share options to selected employees in June, September and December 2020.

2021 Annual General Meeting

On behalf of the Board, I wish to thank our shareholders for their input and support during the year ended 31 December 2020. The Remuneration Committee and the Board of Directors welcome feedback from our shareholders on the Directors' Remuneration Report. We look forward to receiving the support of our shareholders for the Directors' Remuneration Report at our Annual General Meeting to be held on 24 June 2021.



James Healy
Non-Executive Director and Chair of Remuneration Committee

20 May 2021

report on remuneration

The information provided in this part of the Directors' Remuneration Report is subject to audit.

The Remuneration Committee presents the Report on Remuneration for the year ended 31 December 2020, which will be put to shareholders for a non-binding vote at the Annual General Meeting to be held on 24 June 2021.

Single total figure for remuneration of each director

The following table shows the remuneration received by the directors for the years ended 31 December 2020 and 31 December 2019.

Name of director		Salary & Fees[1] £	Taxable Benefits[2] £	Annual Bonus[3] £	Share Options[4] £	Pension Benefit[5] £	Total £	Total Fixed Remuneration[6] £	Total Variable Remuneration[7] £
Executive Directors[8]									
Hugh Griffith	YE 31 Dec 2020	551,425	2,982	309,433	789,133	56,210	1,709,183	610,617	1,098,566
	YE 31 Dec 2019	497,800	2,391	282,253	-	45,142	827,586	545,333	282,253
Christopher Wood[9]	YE 31 Dec 2020	80,822	2,167	-	-	-	82,989	82,989	-
	YE 31 Dec 2019	160,556	4,159	60,690	-	-	225,405	164,715	60,690
Non-Executive Directors									
Andrew Kay[10]	YE 31 Dec 2020	1,773	-	-	-	-	1,773	1,773	-
	YE 31 Dec 2019	-	-	-	-	-	-	-	-
James Healy	YE 31 Dec 2020	37,766	-	-	34,137	-	71,903	37,766	34,137
	YE 31 Dec 2019	32,334	-	-	-	-	32,334	32,334	-
Rafaèle Tordjman	YE 31 Dec 2020	47,420	-	-	34,137	-	81,557	47,420	34,137
	YE 31 Dec 2019	44,049	-	-	-	-	44,049	44,049	-
Adam George	YE 31 Dec 2020	47,420	-	-	34,137	-	81,557	47,420	34,137
	YE 31 Dec 2019	47,954	-	-	-	-	47,954	47,954	-
Martin Mellish	YE 31 Dec 2020	39,697	-	-	34,137	-	73,834	39,697	34,137
	YE 31 Dec 2019	32,334	-	-	-	-	32,334	32,334	-
Cyrille Leperlier	YE 31 Dec 2020	34,660	-	-	34,137	-	68,797	34,660	34,137
	YE 31 Dec 2019	32,334	-	-	-	-	32,334	32,334	-
Bali Muralidhar[11]	YE 31 Dec 2020	8,959	-	-	-	-	8,959	8,959	-
	YE 31 Dec 2019	-	-	-	-	-	-	-	-
Isaac Cheng[12]	YE 31 Dec 2020	7,542	-	-	-	-	7,542	7,542	-
	YE 31 Dec 2019	32,334	-	-	-	-	32,334	32,334	-
Total	**YE 31 Dec 2020**	**857,484**	**5,149**	**309,433**	**959,818**	**56,210**	**2,188,094**	**918,843**	**1,269,251**
	YE 31 Dec 2019	**879,695**	**6,550**	**342,943**	**-**	**45,142**	**1,274,330**	**931,387**	**342,943**

(1) The majority of the remuneration was set and paid in pounds sterling (£). For the purposes of this table, the fees paid in any other currency in which remuneration was paid have been converted into pounds sterling based on the currency/pounds sterling average exchange rate for the period the costs relate to. All of the figures in the table above are in pounds sterling.
(2) The amount for taxable benefits represents the Company's contribution to medical insurance.
(3) The annual bonus amounts shown for the year ended 31 December 2020 represent the total bonus payments that related to performance in 2020, which was paid in early 2021.
(4) These options only have service conditions attached. There are no performance conditions. The values of these share option awards are therefore recorded in this table at the date of grant. As the share option awards do not vest until the service conditions are met, which extend beyond the date that the Directors' Remuneration Report is approved, the market value of the options at the date of vesting is not ascertainable. Therefore, the value included in this table is based on the average market value of the shares over the three months to 31 December 2020 and 31 December 2019 respectively, less the applicable exercise price.
(5) The amount for pension benefit represents the Company's contribution into a money purchase plan.
(6) Total fixed remuneration includes salary and fees, taxable benefits and pension benefit.
(7) Total variable remuneration includes annual bonus and share options.
(8) Changes to the compensation for our Executive Directors take effect from 1 January in each year.
(9) Christopher Wood retired from the Board on 25 June 2020.
(10) Andrew Kay appointed to the Board on 21 December 2020.
(11) Bali Muralidhar appointed to the Board on 30 September 2020.
(12) Isaac Cheng retired from the Board on 11 March 2020.

Annual bonus

Our Executive Directors are eligible for an annual bonus at the discretion of the Remuneration Committee. Bonus awards are reviewed at the end of each calendar year and any such awards are determined by the performance of the individual and the company as a whole, based upon the achievement of strategic objectives set at the beginning of the year. In determining Executive Director compensation for the year ended 31 December 2020, the Remuneration Committee considered achievement of specific performance measures which had been previously approved by the Remuneration Committee to be achieved by the executive team during 2020. These are considered to be commercially sensitive and will not be disclosed in detail, but are linked to our business strategies which include to:

- Rapidly develop Acelarin as a first-in-class nucleotide analog for the treatment of patients with cancer;
- Rapidly develop NUC-3373 to replace 5-FU as the standard of care for the treatment of patients with various cancers;
- Rapidly develop NUC-7738 as a treatment for patients with solid tumours;
- Leverage our proprietary ProTide technology platform to develop additional product candidates; and
- Continue to strengthen our intellectual property position.

Share options awarded during the financial year

The table below shows, for each director, the total number of options awarded in the year ended 31 December 2020. The face value of the award is calculated as the share price at date of grant, in pounds sterling, multiplied by the number of options granted. The options granted have no performance conditions, only service conditions.

We periodically grant share options to employees, directors and consultants to enable them to share in our successes and to reinforce a corporate culture that aligns their interests with that of our shareholders.

Name of director	Type of plan	Number of options granted	Exercise price £	Share price at date of grant £	Value at date of grant £	Performance period end	Date of expiry
Executive Directors							
Hugh Griffith	2016 Share Option Scheme	1,105,775	4.78	4.78[1]	5,285,605	10 June 2024	10 June 2030
	2020 Long Term Incentive Plan	221,155	0.04	4.28[2]	946,543	9 September 2024	9 September 2030
Non-Executive Directors							
James Healy	2016 Share Option Scheme	47,832	4.78	4.78[1]	228,637	10 June 2024	10 June 2030
	2020 Long Term Incentive Plan	9,567	0.04	4.28[2]	40,947	9 September 2024	9 September 2030
Rafaèle Tordjman	2016 Share Option Scheme	47,832	4.78	4.78[1]	228,637	10 June 2024	10 June 2030
	2020 Long Term Incentive Plan	9,567	0.04	4.28[2]	40,947	9 September 2024	9 September 2030
Adam George	2016 Share Option Scheme	47,832	4.78	4.78[1]	228,637	10 June 2024	10 June 2030
	2020 Long Term Incentive Plan	9,567	0.04	4.28[2]	40,947	9 September 2024	9 September 2030
Martin Mellish	2016 Share Option Scheme	47,832	4.78	4.78[1]	228,637	10 June 2024	10 June 2030
	2020 Long Term Incentive Plan	9,567	0.04	4.28[2]	40,947	9 September 2024	9 September 2030
Cyrille Leperlier	2016 Share Option Scheme	47,832	4.78	4.78[1]	228,637	10 June 2024	10 June 2030
	2020 Long Term Incentive Plan	9,567	0.04	4.28[2]	40,947	9 September 2024	9 September 2030

(1) The share options were granted on 10 June 2020.
(2) The share options were granted on 9 September 2020. The exercise price of the share options granted on this date are at the nominal value of our ordinary shares of £0.04 rather than at the share price at the date of grant of £4.28. The exercise price of the share options has not changed since the date of the grant.

Statement of directors' shareholdings and share interests

The table below shows, for each director, the total number of shares owned, the total number of share options held and the number of share options vested as at 31 December 2020. The table only reflects shares held individually by each director, or in a family investment vehicle, and does not include shares held by any investment fund with which the director is affiliated.

Name of director	Shares owned	Share options Vested not yet exercised[1]	Share options Unvested with performance conditions[1]	Share options Exercised during the year	Total (Shares and Share Options)
Executive Directors					
Hugh Griffith	1,025,121	2,290,681	1,648,380	-	4,964,182
Christopher Wood[2]	622,499	764,999	-	-	1,387,498
Non-Executive Directors					
Andrew Kay[3]	-	-	-	-	-
James Healy[4]	45,750	6,250	76,149	-	128,149
Rafaèle Tordjman	-	40,563	87,586	-	128,149
Adam George	-	16,750	86,649	-	103,399
Martin Mellish	-	52,000	76,149	-	128,149
Cyrille Leperlier	-	16,750	86,649	-	103,399
Bali Muralidhar[5]	540	-	-	-	540
Isaac Cheng[6]	-	27,750	-	-	27,750

(1) All share options that were outstanding as at 31 December 2020 use time-based vesting and are not subject to performance targets other than continued service until the date of vesting.
(2) Christopher Wood retired from the Board on 25 June 2020. All unvested share options lapsed on the date of his retiral.
(3) Andrew Kay had not been granted any options as of 31 December 2020.
(4) Consists of 45,750 ordinary shares held in the Healy Family Trust, for which James Healy's spouse is the trustee. Excludes 5,777,777 ordinary shares owned of record by Sofinnova Venture Partners VIII, L.P. ("SVP VIII") and 2,222,222 ordinary shares owned of record by Sofinnova Venture Partners X, L.P. ("SVP X"). James Healy, together with Michael F. Powell, are the managing members of Sofinnova Management VIII, L.L.C., the general partner of SVP VIII, and as such, may be deemed to share voting and investment power with respect to such shares. James Healy, together with Michael F. Powell and Maha Katabi, are the managing members of Sofinnova Management X, L.L.C., the general partner of SVP X, and as such, may be deemed to share voting and investment power with respect to such shares. James Healy disclaims beneficial ownership with regard to the 5,777,777 shares owned by SVP VIII and the 2,222,222 shares owned by SVP X, except to the extent of his proportionate pecuniary interest therein.
(5) Consists of 540 ADSs. Excludes 3,333,333 ADSs held by Abingworth Bioventures VII, LP ("Abingworth VII"). Abingworth VII (acting by its general partner Abingworth Bioventures VII GP LP, acting by its general partner Abingworth General Partner VII LLP) has delegated to Abingworth LLP ("Abingworth"), all investment and dispositive power over the securities held by Abingworth VII. Abingworth holds the reported securities indirectly through Abingworth VII. Bali Muralidhar is a managing partner and investment committee member of Abingworth and disclaims beneficial ownership of the ADSs held by Abingworth VII. Bali Muralidhar has not been granted any options as of 31 December 2020.
(6) Isaac Cheng retired from the Board on 11 March 2020. All unvested share options lapsed on the date of his retiral.

Policy on shareholding requirements

We do not currently have a policy requiring our directors to hold a certain number or value of our shares.

Directors' equity-based awards held at 31 December 2020

The table below presents the interests of the directors in options to acquire our ordinary shares with a nominal value of £0.04 per share as at 31 December 2020. A total of 1,613,925 options were granted to directors during the year ended 31 December 2020. None of our directors exercised options during the year ended 31 December 2020.

Name of director	Options held	Grant date	Start date for vesting	Earliest date of potential exercise of any options[1]	Date of expiry
Executive Directors					
Hugh Griffith	155,000	22-Apr-2011	22-Apr-2011	22-Apr-2012	22-Apr-2021
	124,999	21-Sep-2012	21-Sep-2012	21-Sep-2013	21-Sep-2022
	125,000	28-Jun-2013	28-Jun-2013	28-Jun-2014	28-Jun-2023
	124,999	27-Jan-2014	27-Jan-2014	27-Jan-2015	27-Jan-2024
	625,000	27-Mar-2014	27-Mar-2014	27-Mar-2014	27-Mar-2024
	1,028,533	15-Sep-2017	15-Sep-2017	15-Sep-2017	15-Sep-2027
	428,600	15-May-2019	15-May-2019	15-May-2020	15-May-2029
	1,105,775	10-Jun-2020	10-Jun-2020	10-Jun-2021	10-Jun-2030
	221,155	9-Sep-2020	9-Sep-2020	9-Sep-2021	9-Sep-2030
Total	**3,939,061**				
Christopher Wood[2]	187,500	22-Apr-2011	22-Apr-2011	22-Apr-2012	22-Apr-2021
	84,905	21-Sep-2012	21-Sep-2012	21-Sep-2013	21-Sep-2022
	115,094	28-Jun-2013	28-Jun-2013	28-Jun-2014	28-Jun-2023
	62,500	27-Jan-2014	27-Jan-2014	27-Jan-2015	27-Jan-2024
	300,000	27-Mar-2014	27-Mar-2014	27-Mar-2014	27-Mar-2024
	15,000	15-May-2019	15-May-2019	15-May-2020	15-May-2029
Total	**764,999**				
Non-Executive Directors[3]					
James Healy	25,000	15-May-2019	15-May-2019	15-May-2020	15-May-2029
	47,832	10-Jun-2020	10-Jun-2020	10-Jun-2021	10-Jun-2030
	9,567	9-Sep-2020	9-Sep-2020	9-Sep-2021	9-Sep-2030
Total	**82,399**				
Rafaèle Tordjman	45,750	15-Sep-2017	15-Sep-2017	15-Sep-2018	15-Sep-2027
	25,000	15-May-2019	15-May-2019	15-May-2020	15-May-2029
	47,832	10-Jun-2020	10-Jun-2020	10-Jun-2021	10-Jun-2030
	9,567	9-Sep-2020	9-Sep-2020	9-Sep-2021	9-Sep-2030
Total	**128,149**				
Adam George	21,000	11-Apr-2018	11-Apr-2018	11-Apr-2019	11-Apr-2028
	25,000	15-May-2019	15-May-2019	15-May-2020	15-May-2029
	47,832	10-Jun-2020	10-Jun-2020	10-Jun-2021	10-Jun-2030
	9,567	9-Sep-2020	9-Sep-2020	9-Sep-2021	9-Sep-2030
Total	**103,399**				
Martin Mellish	15,000	21-Sep-2012	21-Sep-2012	21-Sep-2013	21-Sep-2022
	7,500	28-Jun-2013	28-Jun-2013	28-Jun-2014	28-Jun-2023
	23,250	16-May-2017	28-Oct-2016	28-Oct-2017	16-May-2027
	25,000	15-May-2019	15-May-2019	15-May-2020	15-May-2029
	47,832	10-Jun-2020	10-Jun-2020	10-Jun-2021	10-Jun-2030
	9,567	9-Sep-2020	9-Sep-2020	9-Sep-2021	9-Sep-2030
Total	**128,149**				

cont

Name of director	Options held	Grant date	Start date for vesting	Earliest date of potential exercise of any options[1]	Date of expiry
Cyrille Leperlier	21,000	11-Apr-2018	11-Apr-2018	11-Apr-2019	11-Apr-2028
	25,000	15-May-2019	15-May-2019	15-May-2020	15-May-2029
	47,832	10-Jun-2020	10-Jun-2020	10-Jun-2021	10-Jun-2030
	9,567	9-Sep-2020	9-Sep-2020	9-Sep-2021	9-Sep-2030
Total	**103,399**				
Isaac Cheng[4]	27,750	27-Sep-2017	27-Sep-2017	27-Sep-2018	15-Sep-2027
Total	**27,750**				

(1) All share options awarded to directors that were outstanding as at 31 December 2020 use time-based vesting and are not subject to performance targets other than continued service until the date of vesting.
(2) Christopher Wood retired from the Board on 25 June 2020. All unvested share options lapsed on the date of his retiral.
(3) Andrew Kay and Bali Muralidhar had not been granted any options as of 31 December 2020.
(4) Isaac Cheng retired from the Board on 11 March 2020. All unvested share options lapsed on the date of his retiral.

The closing market price of our ADSs on 31 December 2020 was $4.49. One ADS represents one ordinary share.

Payments made to past directors
During the year ended 31 December 2020, no payments were made to former directors of the Company.

Payments for loss of office
During the year ended 31 December 2020, no payments were made with respect to a director's loss of office.

Policy on payments for loss of office
Our approach to payments in the event of termination of an Executive Director is to take account of the individual circumstances including the reason for termination, individual performance, contractual obligations and the terms of the share option scheme in which the Executive Director participates.

Payment obligations would include base salary, target bonus and benefits. In addition, our option scheme rules allow some or all of the options held by our Executive Directors and senior executive officers to vest in certain circumstances upon the event of a change of control.

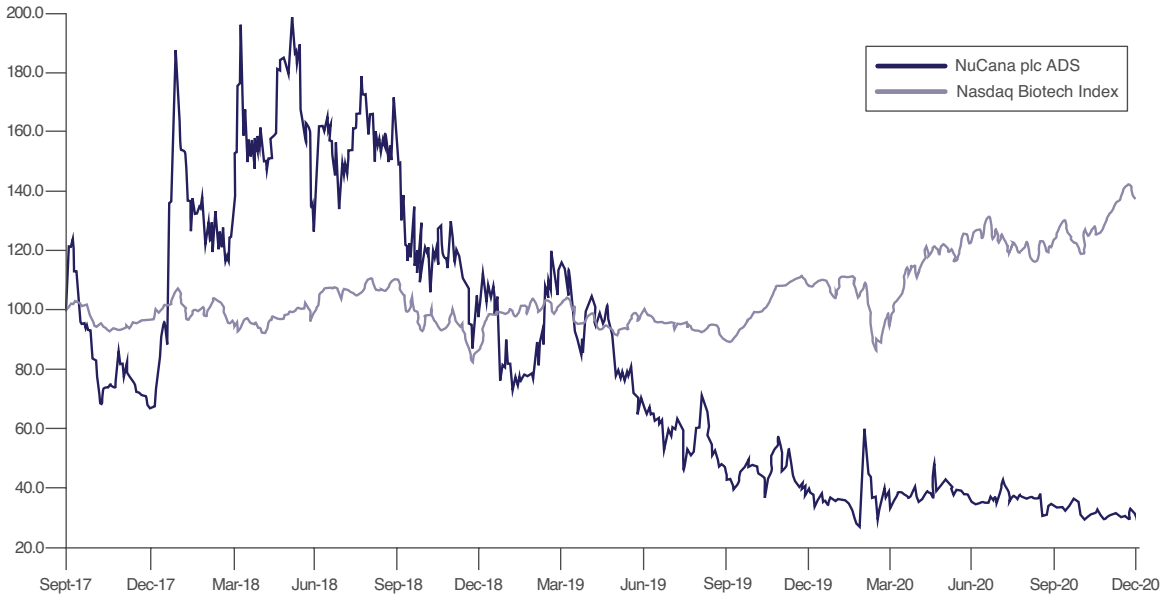
There are no contractual provisions agreed prior to 27 June 2012 that could impact on the quantum of the payment.

We will comply with applicable disclosure and reporting requirements of the Securities and Exchange Commission with respect to remuneration arrangements with a departing Executive Director.

Illustration of total shareholder return

The information provided in this part of the Directors' Remuneration Report is not subject to audit.

The graph below shows the daily movements by 31 December 2020, of $100 invested in NuCana plc ADS at our IPO price on 28 September 2017 compared with the value of $100 invested in the Nasdaq Biotech Index. We believe this graph reflects our relative performance against a group of similarly situated comparator companies.



Chief executive officer historical remuneration

The table below sets out total remuneration delivered to the Chief Executive Officer over the last five years valued using the methodology applied to the single total figure of remuneration. The Remuneration Committee does not believe that the remuneration payable in its earlier years as a private company bears any comparative value to that paid in its later years and therefore the Remuneration Committee has chosen to disclose remuneration only for the five most recent financial years.

Period	Single total figure of remuneration £	Annual bonus payout against maximum opportunity	Long term incentive vesting rates against maximum opportunity
Year ended 31 December 2020[1]	1,709,183	100%	100%
Year ended 31 December 2019	827,586	95%	100%
Year ended 31 December 2018	786,311	97%	n/a
Year ended 31 December 2017[1]	11,033,025	100%	100%
Year ended 31 December 2016	407,533	100%	100%

(1) The years ended 31 December 2020 and 31 December 2017 include unrealised gains on share options, which have not been exercised.

Change in director remuneration compared to other employees

The following table shows the percentage change in remuneration of the directors and the average increase per employee between the year ended 31 December 2020 and the year ended 31 December 2019.

Percentage Increase in Remuneration in 2020 Compared with Remuneration in 2019			
	Salary & Fees %	Taxable Benefits %	Annual Bonus %
Executive Directors			
Hugh Griffith	10.8	24.7	9.6
Christopher Wood[1]	(49.7)	(47.9)	(100.0)
Non-Executive Directors[2]			
Andrew Kay[3]	-	-	-
James Healy	16.8	-	-
Rafaèle Tordjman	7.7	-	-
Adam George	(1.1)	-	-
Martin Mellish	22.8	-	-
Cyrille Leperlier	7.2	-	-
Bali Muralidhar[4]	-	-	-
Isaac Cheng[5]	(76.7)	-	-
Employees[6]	12.8	4.3	25.4

(1) Christopher Wood retired from the Board on 25 June 2020. The percentage change compares a full year with a part year until Dr. Wood's retirement date.
(2) Fees for Non-Executive Directors are set in US dollars and converted to pounds sterling (£) at the average rate for each year. Fees paid also reflect membership of various sub-committees, such as the Audit, Remuneration or Nominations Committee, in each respective year.
(3) Andrew Kay was appointed to the Board on 21 December 2020.
(4) Bali Muralidhar was appointed to the Board on 30 September 2020.
(5) Isaac Cheng retired from the Board on 11 March 2020. The percentage change compares a full year with a part year until Dr. Cheng's retirement date.
(6) The employee group comprises employees of the Company. The percentage change compares the average annualised costs for all employees in 2020 with the average annualised costs for all employees in 2019.

Relative importance of spend on pay

The following table sets forth the total amounts spent by the Group on remuneration for the year ended 31 December 2020 and the year ended 31 December 2019. The comparator chosen to reflect the relative importance of the Group's spend on pay is the Group's research and development expenses as shown in its consolidated income statement on page 37 of its Annual Report and Financial Statements for the year ended 31 December 2020. Dividend distribution and share buy-back comparators have not been included as the Group has no history of such transactions.

Period	Year ended 31 December 2020	Year ended 31 December 2019
	£ (in thousands)	£ (in thousands)
Total spend on remuneration[1]	9,985	8,407
Research and development expenses	25,899	19,728

(1) The total spend on remuneration includes the value of equity-based awards as recognised in the financial statements in accordance with International Financial Reporting Standard 2 "Share-Based Payments".

statement of implementation of the directors' remuneration policy in financial year ending 31 December 2021

The Company does not anticipate any changes in the implementation of the Directors' Remuneration Policy approved and adopted at the 2020 AGM. The following activities and decision were taken in the current financial year.

- In January 2021, the Remuneration Committee considered the extent to which the 2020 calendar year objectives were achieved by the executive team and determined the level of bonus incentive awards payable in respect of the 2020 calendar year. The awards made to our CEO and senior executive officers recognised that, against the backdrop of the COVID-19 pandemic, almost all of our corporate objectives for 2020 had been achieved, with our CEO and senior executive officers receiving bonus awards at 100% of the potential target bonus amount. These target bonus amounts had also been benchmarked against peer group comparative data as provided by Radford.
- The Committee also met to consider the award of share options to the directors and senior executive officers in respect of services provided and performance attained during 2020, in accordance with the Remuneration Policy. Details are provided in this 2020 Annual Report.
- In February 2021, the Committee approved the objectives to be achieved by the executive team during 2021. These are considered to be commercially sensitive and will not be disclosed in detail, but are linked to our business strategies which include to:
  - Rapidly develop Acelarin as a first-in-class nucleotide analog for the treatment of patients with cancer;
  - Rapidly develop NUC-3373 to replace 5-FU as the standard of care for the treatment of patients with various cancers;
  - Rapidly develop NUC-7738 as a treatment for patients with solid tumours;
  - Leverage our proprietary ProTide technology platform to develop additional product candidates; and
  - Continue to strengthen our intellectual property position.

The remuneration committee

The Remuneration Committee consists of two independent Non-Executive Directors, James Healy and Bali Muralidhar. Rafaèle Tordjman was a member of the Remuneration Committee until 5 February 2021.

Each of these Non-Executive Director members is a non-employee director as defined in Rule 166-3 under the Exchange Act and an outside director as defined in Section 162(m) of the Internal Revenue Code of 1986, as amended. James Healy serves as Chairperson of the Remuneration Committee. The Remuneration Committee reviews, among other things, the performance of the senior executive officers and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of the shareholders.

It is a policy of the Remuneration Committee that no individual participates in discussions or decisions concerning his or her own specific remuneration (although the members of the Remuneration Committee do consider the remuneration generally of the Non-Executive Directors as a class).

All members have continued to serve until the date of this Report on Remuneration, with the exception of Rafaèle Tordjman who was a member of the Remuneration Committee until 5 February 2021. The terms of reference of the Remuneration Committee is set forth on our website at http://www.nucana.com.

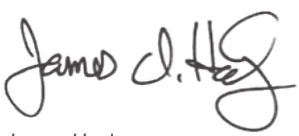
Advice provided to the remuneration committee

The Remuneration Committee retained Radford, an Aon Hewitt company, to provide independent advice and consultation with respect to remuneration arrangements for the directors and senior executive officers. The Committee selected Radford based on the fact that Radford are global remuneration consultants with a well-established reputation for the design and implementation of remuneration programmes, including the design and implementation of equity-based award programmes. Radford have no other connection to, or business relationship with, NuCana. Based on Radford's extensive experience with similar assignments and the fact that Radford have no other connections to, or business relationships, with NuCana, the Remuneration Committee believes the advice received from Radford is objective and independent. For the year ended 31 December 2020, the cost of advice from Radford was £48,158 (2019: £38,486).

In addition to Radford, the Remuneration Committee solicited and received input from the CEO concerning the remuneration of employees other than himself. The CEO provided recommendations with respect to annual cash bonuses to be paid to these persons for service in the year ending 31 December 2020 and base salary awards effective from 1 January 2021. Finally, the CEO also provided input to the Remuneration Committee regarding the implementation of equity-based remuneration as an element of all other employees' remuneration.

Approval

This report was approved by the Board of Directors on 20 May 2021 and signed on its behalf by:



James Healy
Non-Executive Director and Chair of Remuneration Committee

20 May 2021

statement of directors' responsibilities

statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with international accounting standards, International Financial Reporting Standards (IFRS), in conformity with the requirements of the Companies Act 2006.

Under Company law, the directors must not approve the financial statements unless 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 and Company for that period. In preparing those financial statements the directors are required to:

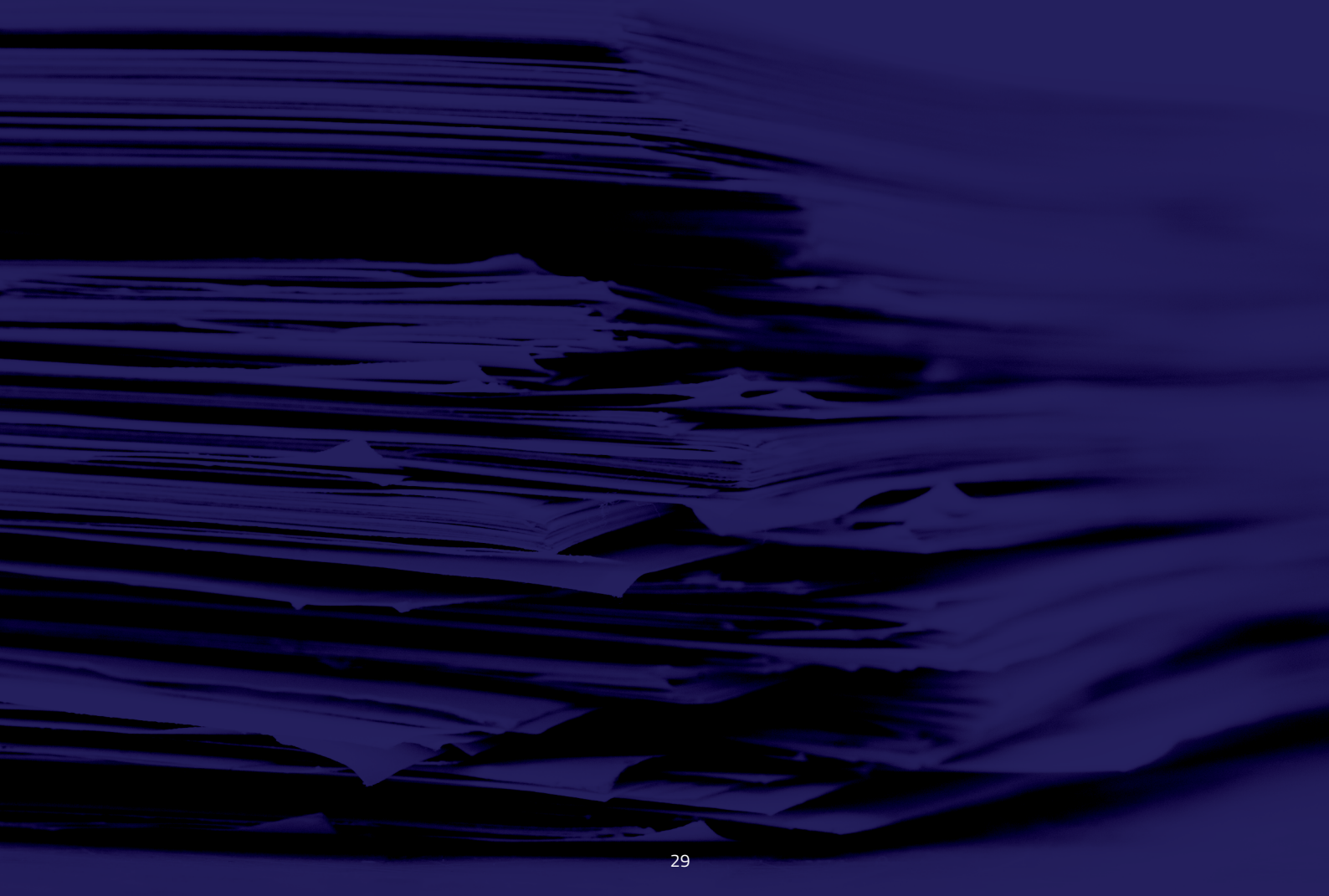
- present fairly the financial position, financial performance and cash flows of the Group and Company for that period;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and financial performance;
- state that the Group and Company have complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

The names of the directors are set out on page 15 of this report.

independent auditor's report to the members of NuCana plc



opinion

In our opinion:

- NuCana plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss 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 Parent Company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of NuCana plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise:

Group	Parent Company
Group statement of financial position as at 31 December 2020	Company statement of financial position as at 31 December 2020
Group income statement for the year then ended	Company statement of changes in equity for the year then ended
Group statement of comprehensive loss for the year then ended	Company statement of cash flows for the year then ended
Group statement of changes in equity for the year then ended	Related notes 1 to 18 to the financial statements including a summary of significant accounting policies
Group statement of cash flows for the year then ended	
Related notes 1 to 18 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards to the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Group's financial close process, we confirmed our understanding of management's going concern assessment process and engaged with management early to ensure all key factors were considered in their assessment.
- We obtained management's going concern assessment, including the cash forecast and models for the going concern period ending 30 June 2022. The Group projects that their cash holdings from shareholder funding is adequate to fund operations and all planned research activity in the period under review.
- We verified actual current cash positions against bank statements and assessed the accessibility restrictions of these funds.
- We considered the available cash balances against the forecast cash expenditure required in the going concern period and assessed whether the business has sufficient cash resources to operate under adverse expenditure scenarios.
- We have assessed the reasonableness of the underlying cash utilisation assumptions on current and planned research activities based on our expectations and understanding of the business. This involved reviewing the status of each of the clinical trials with the operational team and senior management to understand the expected spend trajectory on each research program.
- We assessed the assumptions in the forecast related the impact of COVID-19 on the business cashflow and noted that these are consistent with the actual impact from the period since the pandemic arose.
- In order to assess management's forecasting accuracy, we have compared the prior year budgets against actual turnout and noted that management's forecasts are historically sufficiently accurate.

- We reviewed the ability management have to manage their available cash resources by reviewing the mitigating controls they have to intervene if mitigating actions are required.
- We reviewed the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

The activities of the Group have not been significantly impacted by the COVID-19 pandemic and are not expected to be significantly impacted by COVID-19 in the going concern assessment period. At 31 December 2020 the Group had total cash resources (being cash and short-term deposits) of £87.4 million, which is the basis of their going concern conclusion.

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 and Parent Company's ability to continue as a going concern for the going concern period ending 30 June 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of two components. • The components where we performed audit procedures accounted for 100% of the Loss before tax and 100% of Total assets.
Key audit matters	• Research and development accruals and prepayments. • Management override of controls.
Materiality	• Overall Group materiality of £570,000 which represents 2% of operating expenses.

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we performed audit procedures on the two reporting components that make up the Group.

We performed an audit of the complete financial information of both components ("full scope components") based on their size or risk characteristics. No components were untested during the financial year.

The reporting components where we performed audit procedures accounted for 100% (2019: 100%) of the Group's Operating expenses (adjusted for share based payments as defined in 'Our application of materiality' section of this report), and 100% (2019: 100%) of the Group's Total assets.

Changes from the prior year

There have been no changes in our audit approach from the prior year.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Research & development cost accruals and prepayments *Refer to Accounting policies (page 43) and note 11 of the financial statements (page 57).* *This risk has not changed from the prior year.* The Company estimates accrued costs for clinical studies and expenses them as services are performed. The Company estimates the costs of services received through the reporting date less amounts invoiced to determine the appropriate accrual. In certain circumstances the Company may make payments in advance and consequently record a prepayment in respect of these amounts. These will subsequently be expensed when milestones have been achieved. As a result of the increased magnitude of studies i.e. number of locations, patients recruited, there is an increased risk surrounding the completeness of study costs at period end. The Company has introduced changes to the purchase to pay process by implementing a new purchase order system. Further developments have occurred to incorporate contract accounting modules for the clinical studies, which is still in progress. With changes to the scale of operations, headcount, a re-assessment / challenge of the control environment is necessary as the business continues to grow.	**Our principal audit procedures included:** • Reviewing management's assessment of each major study and agree information to supporting information (contracts, contract amendments, invoices, press releases and other communications). • Testing all significant new contracts entered into during the year and corroborate that they have been accounted for accurately. • Agreeing values for stages of completion to the signed contracts and the calculation of total costs incurred as at the year end and agreeing the stage of completion of the studies to information from the third parties and agreeing payments made to invoices from the third party. • Corroborating the accrual balances through review against independently obtained supplier confirmations of balances. • Challenging management on the accounting on clinical and manufacturing projects through independent review of contracts and through engagement with the operational teams. We held discussions with project managers, the Director of Finance, the Senior VP of Clinical Operations and the senior executive management including the CFO. • Testing the completeness of accruals by agreeing material payments after year-end through to supplier invoices. We performed full scope audit procedures over this risk area, which covered 100% of the risk amount.	**We communicated to the Audit Committee that we:** • Agreed management's accounting analysis of the year end accrual to underlying contracts, contract amendments, invoices and other communications. • Corroborated that all significant new contracts had been accurately accounted for. • Concluded that the stages of completion of clinical studies and the calculation of total costs incurred on clinical studies were appropriately accounted for. • Through independently obtaining supplier confirmations for the significant clinical study programs, concluded that the accrual and prepayment balances were accurately determined. • Concluded through independent review of contracts and enquiries with the operational teams and senior management that the accounting treatment adopted for accruals and prepayments was appropriate. We have concluded that research and development costs, accruals and prepayments have been recognised and valued appropriately.
Management override of controls *This risk has not changed from the prior year.* The UK Auditing standards (ISA 240) require that we consider fraud risk due to management being in a unique position to perpetrate fraud. Management has the primary responsibility to prevent and detect fraud. With the current scale of the Company's operations and consequent limited staff resources, segregation of duties can be more difficult to achieve when compared to larger organisations. This is of particular importance when considering (i) the cash management process recognising, in particular, the significant inflow of funds from the follow-on offering, (ii) the management and approval of expenditure and (iii) the application of formalised sign off processes. Given that the entity does not yet generate any revenues, the risk of improper revenue recognition has been rebutted.	**Our principal audit procedures included:** • Through inquiry of management, completion of our walkthrough procedures, review of the established entity level controls, we considered areas that may be more susceptible to management override and designed procedures to address the risks identified. • Performing specific procedures on journal postings including unusual weekend postings, post general ledger close entries, entries with no descriptions and entries with specific terms indicative of fraud journal entries. • Testing all major cash and bank transactions during the year and post year end recognising the existing controls over senior management's ability to transfer funds. This included agreeing all payments over our testing threshold to supporting documentation and, as appropriate, verifying against the established payment approval protocols. • Challenging the basis of significant estimates and assumptions in the preparation of the financial statements such as research and development prepayments. • Enquired of management and those charged with governance of any instances of suspected or actual fraud in the year. We performed full scope audit procedures over this risk area.	**We communicated to the Audit Committee that:** • Through management inquiries and our walkthrough procedures performed, we assessed the design and implementation of the controls in place to be appropriate. • Through our journal entry testing, concluded that no entries were identified that were indicative of fraud or error. • Through our testing of major cash and bank transactions established that all cash disbursement transactions were appropriately authorised and complied with established disbursement controls. • No management bias was noted in the estimates and assumptions adopted in the preparation of the financial statements as assessed individually or cumulatively. • No instances of actual and suspected fraud were identified from inquiries with management and those charged with governance. We concluded that no instances of management override have been identified from our testing.

In the prior year, our auditor's report included 'going concern assessment and the impact of COVID-19' as a key audit matter given the downturn in the global economy as a result of the pandemic; however, following the Group's fundraising during the year, we do not assess this as a key audit matter for the current year. Additionally, the impact of COVID-19 on the Group has been limited and therefore does not meet the key audit matter definition.

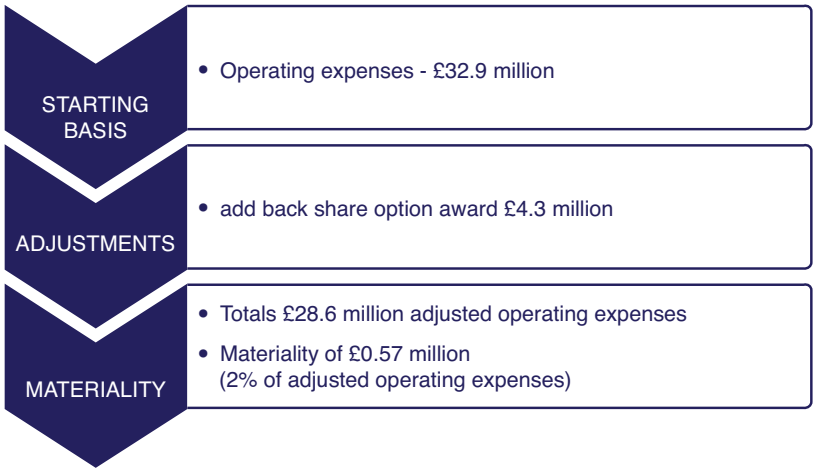
our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group and Parent Company to be £0.57 million (2019: £0.45 million), which is 2% (2019: 2%) of operating expenses excluding share-based payment expense. We believe that operating costs provides us with an appropriate basis for determining materiality since the Group is in the development stage of its life cycle and is investing in research and development, with no operating income to date. Furthermore, we have based materiality on this measure due to our understanding of the perspective of the users of the financial statements. The increase from the prior year reflects the increased level of activity of the Group.



Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £0.43 million (2019: £0.34 million). We have set performance materiality at this percentage due to various considerations including the past history of misstatements, our ability to assess the likelihood of misstatements, the effectiveness of the internal control environment and other factors affecting the entity and its financial reporting.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.09 million to £0.43 million (2019: £0.1 million to £0.34 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £29,000 (2019: £22,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

other information

The other information comprises the information included in the annual report set out on pages 2 to 28, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

opinions on other matters prescribed by the Companies Act 2006

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

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

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

matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (IFRS and the Companies Act 2006), and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations in relation to health and safety, employee matters and anti-bribery and corruption practices;
- We understood how the Group is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management, including within various parts of the business, to understand where they considered there was susceptibility to fraud. We also considered performance targets and their propensity to influence reports made by management to manage earnings or influence the perceptions of analysts. Where the risk was considered higher, we performed specific procedures including testing of manual journals to provide reasonable assurance that the financial statements were free from fraud and error. Further details of the procedures performed, and our observations are included in the Key audit matters section of this report.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included review of board minutes, review of management reports made to the Audit Committee, enquiries of external legal Counsel, enquiries of management as well as the application of data analytical tools with a focus on manual journals and transactions that have heightened risk by nature.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

use of our report

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

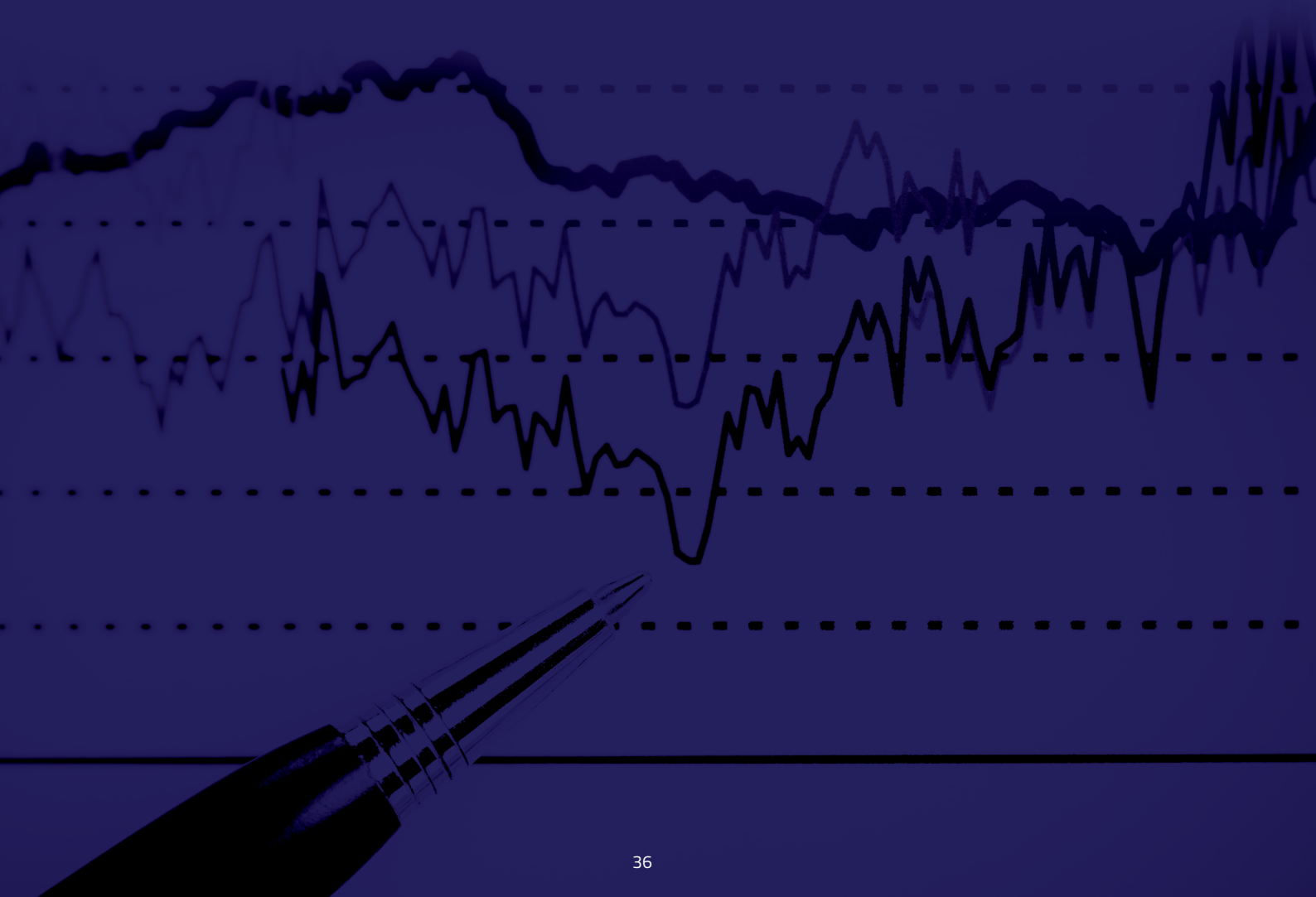
Ernst & Young LLP

Paul Copland (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh

24 May 2021

financial statements



group income statement

for the year ended 31 December 2020

	Notes	2020	2019
		(in thousands)	
		£	£
Research and development expenses		(25,899)	(19,728)
Administrative expenses		(7,050)	(5,953)
Net foreign exchange losses		(3,472)	(1,019)
Operating loss		**(36,421)**	**(26,700)**
Finance income		246	1,049
Loss before tax	3	**(36,175)**	**(25,651)**
Income tax credit	4	5,493	4,239
Loss for the year		**(30,682)**	**(21,412)**
Attributable to:			
Equity holders of the Company		**(30,682)**	**(21,412)**
		£	£
Basic and diluted loss per share	5	(0.81)	(0.66)

group statement of comprehensive loss

for the year ended 31 December 2020

	2020	2019
	(in thousands)	
	£	£
Loss for the year	**(30,682)**	**(21,412)**
Other comprehensive expense:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(12)	(11)
Other comprehensive expense for the year	(12)	(11)
Total comprehensive loss for the year	**(30,694)**	**(21,423)**
Attributable to:		
Equity holders of the Company	**(30,694)**	**(21,423)**

group statement of financial position

at 31 December 2020

	Notes	2020	2019
		(in thousands)	
		£	£
Assets			
Non-current assets			
Intangible assets	7	4,753	3,960
Property, plant and equipment	8	1,189	1,109
Deferred tax asset	4	44	46
		5,986	**5,115**
Current assets			
Prepayments, accrued income and other receivables	11	4,628	4,710
Current income tax receivable	4	9,822	8,481
Cash and cash equivalents	12	87,356	51,962
		101,806	**65,153**
Total assets		**107,792**	**70,268**
Equity and liabilities			
Capital and reserves			
Share capital and share premium	13	142,937	80,840
Other reserves	14	66,887	62,737
Accumulated deficit		(110,594)	(80,055)
Total equity attributable to equity holders of the Company		**99,230**	**63,522**
Non-current liabilities			
Provisions		46	26
Lease liabilities	16	367	538
		413	**564**
Current liabilities			
Trade payables		2,257	2,412
Payroll taxes and social security		177	160
Accrued expenditure		5,437	3,342
Lease liabilities	16	278	268
		8,149	**6,182**
Total liabilities		**8,562**	**6,746**
Total equity and liabilities		**107,792**	**70,268**

On behalf of the Board

Hugh S. Griffith
Director
20 May 2021

company statement of financial position

at 31 December 2020

		2020	*2019*
		(in thousands)	
Assets	Notes	£	£
Non-current assets			
Intangible assets	7	4,753	3,960
Property, plant and equipment	8	1,080	1,053
Investment in subsidiaries	9	–	–
Loan receivable from subsidiary	10	385	381
		6,218	**5,394**
Current assets			
Prepayments, accrued income and other receivables	11	4,565	4,654
Current income tax receivable	4	9,818	8,477
Cash and cash equivalents	12	87,284	51,856
		101,667	**64,987**
Total assets		**107,885**	**70,381**
Equity and liabilities			
Capital and reserves			
Share capital and share premium	13	142,937	80,840
Other reserves	14	67,248	63,086
Accumulated deficit		(110,916)	(80,320)
Total equity		**99,269**	**63,606**
Non-current liabilities			
Provisions		46	26
Lease liabilities	16	316	538
		362	**564**
Current liabilities			
Trade payables		2,251	2,398
Payroll taxes and social security		175	141
Loan payable to subsidiary	10	334	266
Accrued expenditure		5,270	3,190
Lease liabilities	16	224	216
		8,254	**6,211**
Total liabilities		**8,616**	**6,775**
Total equity and liabilities		**107,885**	**70,381**

The Company's loss for the year is £30.7 million (2019: £21.5 million)

On behalf of the Board

Hugh S. Griffith
Director
20 May 2021

group statement of changes in equity

for the year ended 31 December 2020

	Share capital	Share premium	Own share reserve	Share option reserve	Foreign currency translation reserve	Capital reserve	Accumulated deficit	Total equity attributable to equity holders of the Company
	(in thousands)							
	£	£	£	£	£	£	£	£
Balance at 1 January 2019	**1,289**	**79,426**	**(339)**	**17,564**	**1**	**42,466**	**(58,813)**	**81,594**
Loss for the year	–	–	–	–	–	–	(21,412)	(21,412)
Other comprehensive expense for the year	–	–	–	–	(11)	–	–	(11)
Total comprehensive loss for the year	–	–	–	–	(11)	–	(21,412)	(21,423)
Share-based payments	–	–	–	3,226	–	–	–	3,226
Exercise of share options	10	115	–	(132)	–	–	132	125
Lapse of share options	–	–	–	(38)	–	–	38	–
Balance at 31 December 2019	**1,299**	**79,541**	**(339)**	**20,620**	**(10)**	**42,466**	**(80,055)**	**63,522**
Loss for the year	–	–	–	–	–	–	(30,682)	(30,682)
Other comprehensive expense for the year	–	–	–	–	(12)	–	–	(12)
Total comprehensive loss for the year	–	–	–	–	(12)	–	(30,682)	(30,694)
Share-based payments	–	–	–	4,305	–	–	–	4,305
Exercise of share options	1	14	–	(68)	–	–	68	15
Lapse of share options	–	–	–	(75)	–	–	75	–
Issue of share capital	747	65,834	–	–	–	–	–	66,581
Share issue expenses	–	(4,499)	–	–	–	–	–	(4,499)
Balance at 31 December 2020	**2,047**	**140,890**	**(339)**	**24,782**	**(22)**	**42,466**	**(110,594)**	**99,230**

company statement of changes in equity

for the year ended 31 December 2020

	Share capital	Share premium	Share option reserve	Capital reserve	Accumulated deficit	Total equity attributable to equity holders of the Company
			(in thousands)			
	£	£	£	£	£	£
Balance at 1 January 2019	**1,289**	**79,426**	**17,564**	**42,466**	**(58,996)**	**81,749**
Loss for the year	–	–	–	–	(21,494)	(21,494)
Other comprehensive expense for the year	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(21,494)	(21,494)
Share-based payments	–	–	3,226	–	–	3,226
Exercise of share options	10	115	(132)	–	132	125
Lapse of share options	–	–	(38)	–	38	–
Balance at 31 December 2019	**1,299**	**79,541**	**20,620**	**42,466**	**(80,320)**	**63,606**
Loss for the year	–	–	–	–	(30,739)	(30,739)
Other comprehensive expense for the year	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(30,739)	(30,739)
Share-based payments	–	–	4,305	–	–	4,305
Exercise of share options	1	14	(68)	–	68	15
Lapse of share options	–	–	(75)	–	75	–
Issue of share capital	747	65,834	–	–	–	66,581
Share issue expenses	–	(4,499)	–	–	–	(4,499)
Balance at 31 December 2020	**2,047**	**140,890**	**24,782**	**42,466**	**(110,916)**	**99,269**

group and company statement of cash flows

for the year ended 31 December 2020

	Group		Company	
	2020	*2019*	*2020*	*2019*
		(in thousands)		
	£	£	£	£
Cash flows from operating activities				
Loss for the year	(30,682)	(21,412)	(30,739)	(21,494)
Adjustments for:				
Income tax credit	(5,493)	(4,239)	(5,494)	(4,238)
Amortisation and depreciation	890	718	832	662
Finance income	(246)	(1,049)	(250)	(1,055)
Interest expense on lease liabilities	26	–	24	–
Share-based payments	4,305	3,226	4,305	3,226
Net foreign exchange losses	3,481	1,006	3,477	1,006
	(27,719)	(21,750)	(27,845)	(21,893)
Movements in working capital:				
Increase in prepayments, accrued income and other receivables	(9)	(2,452)	(1)	(2,465)
Decrease in trade payables	(155)	(43)	(147)	(48)
Increase in payroll taxes, social security, accrued expenditure and payable to subsidiary	2,112	393	2,182	509
Movements in working capital	1,948	(2,102)	2,034	(2,004)
Cash used in operations	**(25,771)**	**(23,852)**	**(25,811)**	**(23,897)**
Net income tax credit	4,152	19	4,152	–
Net cash used in operating activities	**(21,619)**	**(23,833)**	**(21,659)**	**(23,897)**
Cash flows from investing activities				
Interest received	319	1,116	319	1,116
Payments for property, plant and equipment	(361)	(46)	(361)	(46)
Payments for intangible assets	(1,271)	(1,215)	(1,271)	(1,215)
Net cash used in investing activities	**(1,313)**	**(145)**	**(1,313)**	**(145)**
Cash flows from financing activities				
Payments of lease liabilities	(297)	(197)	(238)	(138)
Proceeds from lease incentives received	–	25	–	25
Proceeds from issue of share capital - exercise of share options	15	125	15	125
Proceeds from issue of share capital	66,581	–	66,581	–
Share issue expenses	(4,499)	–	(4,499)	–
Net cash from (used in) financing activities	**61,800**	**(47)**	**61,859**	**12**
Net increase (decrease) in cash and cash equivalents	38,868	(24,025)	38,887	(24,030)
Cash and cash equivalents at beginning of year	**51,962**	**76,972**	**51,856**	**76,863**
Effect of exchange rate changes on cash and cash equivalents	(3,474)	(985)	(3,459)	(977)
Cash and cash equivalents at end of year	**87,356**	**51,962**	**87,284**	**51,856**

notes to the financial statements

for the year ended 31 December 2020

1. Authorisation of financial statements

The financial statements of NuCana plc ("Company") and together with its subsidiaries ("Group") for the year ended 31 December 2020 were authorised for issue by the board of directors on 20 May 2021.

The Group is a clinical-stage biopharmaceutical company developing a portfolio of new medicines to treat patients with cancer. We are harnessing the power of phosphoramidate chemistry to generate new medicines called ProTides. These compounds have the potential to improve cancer treatment by enhancing the efficacy and safety of several current standards of care.

On 29 August 2017 the Company re-registered as a public limited company and changed its name from NuCana BioMed Limited to NuCana plc.

The Company has had American Depository Shares ("ADSs") registered with the US Securities and Exchange Commission ("SEC") and has been listed on Nasdaq since 2 October 2017. The Company is incorporated in England and Wales and domiciled in the United Kingdom (registration number 03308778) and is limited by shares.

The address of its registered office and principal place of business are disclosed in the introduction to the report and financial statements.

2. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with international accounting standards, International Financial Reporting Standards ("IFRS"), in conformity with the requirements of the Companies Act 2006. As permitted by section 408 of the Companies Act 2006, no Income Statement is presented for the Company.

The Group financial statements comprise the financial statements of the Company and its subsidiaries at 31 December 2020. The financial statements are presented in Pounds Sterling, which is also the Company's functional currency. All values are rounded to the nearest thousand, except where otherwise indicated.

Going concern

In common with many companies in the biopharmaceutical sector, the Group incurs significant expenditure in its early years as it researches and develops its potential products for market.

The board of directors, having reviewed the operating budgets and development plans for the 18 month period to 30 June 2022, considers that the Group has adequate resources to continue in operation for the foreseeable future. The board of directors is therefore satisfied that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements. The Group believes that its cash and cash equivalents of £87.4 million at 31 December 2020 will be sufficient to fund its current operating plan for at least the next 12 months. Further, the directors have conducted an assessment of the impact of COVID-19 on the going concern status of the Group and have concluded that it will not have a significant negative impact on the cash outflows of the Group over the period assessed for going concern purposes.

As the Group continues to incur losses, the transition to profitability is dependent upon the successful development, approval and commercialisation of its product candidates and achieving a level of revenues adequate to support its cost structure. The Group may never achieve profitability, and unless and until it does, it will continue to need to raise additional capital. There can be no assurances, however, that additional funding will be available on acceptable terms.

COVID-19

In response to the COVID-19 pandemic, all of the Group's offices have been closed with employees continuing their work outside of the offices and the Group has restricted on-site staff access to only those required to execute their job responsibilities.

In April 2020, the Group announced that in order to ease the burden on clinical study sites and enable healthcare professionals to focus their efforts on caring for patients with COVID-19, the enrolment of new patients in the Group's ongoing clinical studies was temporarily paused. There was no interruption to the treatment of patients enrolled at that time. In May 2020, the Group announced that enrolment of new patients in the Group's clinical studies, including the global Phase 3 clinical study for patients with biliary tract cancer (NuTide:121), the Phase 1 and Phase 1b clinical studies of NUC-3373 and the Phase 1 clinical study of NUC-7738, had re-commenced. While the Group continues to evaluate the impact of COVID-19 on its operations, the Group believes that this pandemic will inevitably cause some delays to the timing of initiation and completion of its clinical studies. The Group is continuing to monitor the impact of COVID-19.

COVID-19 has had no impact on the judgements and estimates used in the preparation of these financial statements.

Judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenue and expenses during the year. The nature of estimations means that actual outcomes could differ from those estimates.

The following judgements have had the most significant effect on the amounts recognised in the financial statements:

Research and development expenses

The Group recognises research and development expenses in the income statement in the period in which they are incurred. When development activities reach the advanced stage, as set out in the specific criteria of International Accounting Standard ("IAS") 38, *Intangible Assets*, there will be a requirement to capitalise such costs as intangible assets. Management will continue to exercise judgement in the appropriate treatment of research and development costs.

Taxation

Management judgement is required to determine the amount of deferred tax assets that should be recognised, based upon the likely timing and level of future taxable profits. Further details are contained in note 4.

The following estimates have had the most significant effect on the amounts recognised in the financial statements:

Recognition of clinical study expenses
As part of the process of preparing our consolidated financial statements, we may be required to estimate accrued or prepaid expenses related to our clinical studies. In order to obtain reasonable estimates, we review open contracts and master service agreements. In addition, we communicate with applicable personnel in order to identify services that have been performed, but for which we have not yet been invoiced, and services not yet performed for which we have been invoiced in advance. In most cases, our vendors provide us with monthly invoices in arrears for services performed. We confirm our estimates with vendors and make adjustments as needed. The following are examples of our accrued expenses:

- fees paid to CROs for services performed on clinical studies; and
- pass-through costs for activities at clinical study investigator sites.

Accruals for clinical study expenses, including estimated amounts recognised consistent with the above policy, were £3.5 million at 31 December 2020 as compared to £1.7 million at 31 December 2019.

Prepayments for clinical study expenses, including estimated amounts recognised consistent with the above policy, were £2.2 million at 31 December 2020 as compared to £2.6 million at 31 December 2019. These amounts include sums that are expected to be realised over the period of the associated studies, which in some cases could be greater than one year.

Recognition of contracted manufacturing expenses
As part of the process of preparing our consolidated financial statements, we may be required to estimate accrued or prepaid expenses related to our contracted manufacturing expenses. In order to obtain reasonable estimates, we review open contracts and master service agreements. In addition, we consult with applicable personnel in order to identify services that have been performed and which have not yet been invoiced, and services not yet performed for which we have been invoiced in advance.

Accruals for contracted manufacturing expenses, including estimated amounts recognised consistent with the above policy, were £0.1 million at 31 December 2020 as compared to £0.2 million at 31 December 2019.

Prepayments for contracted manufacturing expenses, including estimated amounts recognised consistent with the above policy, were £nil at 31 December 2020 as compared to £nil at 31 December 2019.

Share-based payments
Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility, dividend yield and assumptions about them and, in the case of the Company, the value of an ordinary share. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Company uses the Black-Scholes model. The assumptions and models used for estimating fair value for share-based payment transactions are detailed in note 15.

Basis of consolidation
The Group financial statements comprise the financial statements of the Company and its subsidiaries.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Group financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Foreign currencies
The Group's consolidated financial statements are presented in pounds sterling, which is also the parent company's functional currency. For each group entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the Group income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into pounds sterling at the rate of exchange prevailing at the reporting date and their income statements are translated at the average exchange rate for the financial period in which those transactions occur. The exchange differences arising on translation for consolidation are recognised in the group statement of comprehensive income or loss.

Segment reporting
The Group operates in one operating segment. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker ("the CODM"). The Group's CODM, its Chief Executive Officer, views the Group's operations and manages its business as a single operating segment, which is the business of developing and commercialising ProTides for use in oncology. The Group's principal operations and decision-making functions are located in the United Kingdom from where global decisions are made.

Share issue expenses
Incremental costs incurred and directly attributable to the issuance of securities are deducted from the related proceeds of the issuance. The net amount is recorded as contributed shareholders' equity in the period when such shares were issued. Costs that are not incremental and directly attributable to issuing new shares, are recorded as an expense in the Group income statement.

Property, plant and equipment
Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. There are no restrictions on title or equipment pledged as security for liabilities.

Depreciation is provided on property, plant and equipment over their expected useful economic life as follows:

Asset class	Depreciation method and period
Office and computer equipment	Straight-line over 3 years
Fixtures and fittings	Straight-line over 5 years, or, for non–removable items, the remaining term of an associated lease, whichever is shorter
Right of use assets	Straight-line over the lease term, which are between two and five years, or the estimated useful lives of the assets, whichever is shorter

Intangible assets
Intangible assets are stated at cost, net of accumulated amortisation and accumulated impairment losses, if any. Cost in relation to patents includes registration, documentation and other legal fees associated with obtaining the patent. Computer software cost represent the initial purchase price of the asset.

The amortisation method and amortisation period for the principal categories of intangible assets are as follows:

Asset class	Amortisation method and period
Patents	Straight-line over 20 years
Computer software	Straight-line between 3 and 5 years

The Group's primary patents each have a life of 20 years. Further patents are granted in various jurisdictions to extend the territorial coverage of the primary patent. These patents are granted up to the period of the related primary patent. Costs are thus amortised over the remaining life of the relevant primary patent. The amortisation expense on intangible assets with finite lives is recognised in the Group income statement as an administrative expense. The amortisation method and the amortisation period for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful economic life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate.

Intangible assets are tested for impairment when there is an indicator of impairment.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position include cash at banks with maturities of less than three months, which is subject to an insignificant risk of changes in value.

Research and development
Research and development expenses are currently recognised in the income statement in the year in which they are incurred. Development expenses on an individual project will be recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Investments in subsidiaries
Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's statement of financial position.

Income taxes
Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates within the tax regime.

Deferred income tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group's financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the year end date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income tax credit
The Group benefits from the UK and US research and development tax credit regimes. In the UK a portion of the Company's losses can be surrendered for a cash rebate of up to 33.35% of eligible expenditures. In the US the Group is able to offset the research and development credits against corporation tax payable. Such credits are accounted for within the tax provision, in the year in which the expenditures are incurred.

Leases
The Group assesses, at contract inception, whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets, which relate solely to office space, are depreciated on a straight–line basis over the shorter of the lease terms, which are between two and five years, or the estimated useful lives of the assets.

Lease liability

At the commencement date of the lease, the Group recognises a lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, and any variable lease payments that depend on an index.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of the lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease liability is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has a number of lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate, such as construction of significant leasehold improvements.

Refer to note 16 for information on potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease liability

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the recoverable amount of the asset.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Group income statement.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets

Calculation of recoverable amount

The recoverable amount of assets and cash-generating units is the higher of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment

An assessment is made at each reporting date as to whether there is an indication that a previously recognised impairment loss may no longer exist or may have decreased. If such an indication exists the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. If that is the case, the carrying value is increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Share-based payments

Employees, directors and consultants of the Group receive remuneration in the form of share options, whereby individuals render services as consideration for equity instruments and the cost is recognised as share-based payments under IFRS 2.

Under IFRS 2 *Share-based Payment*, equity share-based payments are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of fair value of equity settled share-based transactions are set out in note 15.

The fair value determined at the grant date of equity settled share-based payments is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity to the share option reserve.

Fair value measurement

The fair value of the financial assets and liabilities is included at the amount at which an instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale.

Fair value is based on the price that would be received from the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, IFRS 13 establishes a fair value hierarchy that prioritises observable and unobservable inputs used to measure fair value into three broad levels, which are described as follows:

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

Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The fair values of cash, cash equivalents, other receivables, trade payables and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Accounting standards

In preparing these financial statements, the Group has applied all relevant IAS, IFRS and International Financial Reporting Interpretations Committee ("IFRIC") Interpretations as of the date of approval of these financial statements and which are mandatory for the financial year ended 31 December 2020.

The following accounting standards, interpretations and amendments have been adopted as of 1 January 2020 in these financial statements and have not had a material impact on the Group's accounts in the period of initial application, but may impact the accounting for future transactions:

- Amendments to The Conceptual Framework for Financial Reporting
  (effective from 1 January 2020)
- Amendments to IFRS 3 - Definition of a Business
  (effective from 1 January 2020)
- Amendments to IFRS 9, IAS 39, and IFRS 7 - Interest Rate Benchmark Reform
  (effective from 1 January 2020)
- Amendments to IAS 1 and IAS 8 - Definition of Material
  (effective from 1 January 2020)
- Amendment to IFRS 16 - Covid-19-Related Rent Concessions
  (effective from 1 June 2020)

The International Accounting Standards Board ("IASB") and IFRIC have issued the following standards and amendments with an effective date after the date of these financial statements:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform, Phase 2
  (effective from 1 January 2021)
- Amendments to IFRS 16 - Covid-19-Related Rent Concessions beyond 30 June 2021
  (effective from 1 April 2021)
- Amendments to IFRS 3 - Reference to the Conceptual Framework
  (effective from 1 January 2022)
- Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use
  (effective from 1 January 2022)
- Amendments to IAS 37 - Onerous Contracts: Costs of Fulfilling a Contract
  (effective from 1 January 2022)
- IFRS 17 Insurance Contracts
  (effective from 1 January 2023)
- Amendments to IAS 1 - Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current
  (effective from 1 January 2023)
- Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2 - Disclosure of Accounting Policies
  (effective from 1 January 2023)
- Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates
  (effective from 1 January 2023)
- Amendments to IAS 12 - Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
  (effective from 1 January 2023)

The IASB has also issued the following amendments from the 2018-2020 annual improvement cycles with an effective date after the date of these financial statements:

- IFRS 1 - First-time Adoption of International Financial Reporting Standards - Subsidiary as a first–time adopter
  (effective from 1 January 2022)
- IFRS 9 - Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities
  (effective from 1 January 2022)
- IAS 41 - Agriculture - Taxation in fair value measurements
  (effective from 1 January 2022)

The Group has reviewed and considered that the above standards and amendments either do not apply to the Group or will not have a material impact in future periods.

3. Loss before tax

Loss before tax is stated after charging:

	2020	2019
	(in thousands)	
	£	£
Amortisation and depreciation		
Owned assets	622	525
Right of use assets under IFRS 16	268	193
Interest expense on lease liabilities (included in administrative expenses) under IFRS 16	26	21
Share-based payments	4,305	3,226

(a) Auditors remuneration

	2020	2019
	(in thousands)	
	£	£
Audit of the financial statements	271	288
Other fees:		
Audit-related fees[1]	210	255
	481	**543**

[1] Audit-related fees are primarily for quarterly reviews and services related to SEC filings, including comfort letters, consents and comment letters.

(b) Staff costs and directors' emoluments

Group

	2020	2019
	(in thousands)	
Included in research and development expenses:	£	£
Wages and salaries	3,492	3,304
Social security costs	430	395
Pension costs	189	140
Share-based payments	2,412	1,878
	6,523	5,717

	2020	2019
	(in thousands)	
Included in administrative expenses:	£	£
Wages and salaries	1,387	1,190
Social security costs	135	115
Pension costs	47	37
Share-based payments	1,893	1,348
	3,462	2,690
Total employee benefit expense	**9,985**	**8,407**

	2020	2019
The average number of staff employed under contracts of service were:	(number)	
Research and development activities	24	23
Administrative activities	6	5
	30	**28**

Company	*2020*	*2019*
	(in thousands)	
Included in research and development expenses:	£	£
Wages and salaries	3,246	2,890
Social security costs	417	375
Pension costs	189	134
Share-based payments	2,412	1,878
	6,264	5,277

	2020	*2019*
	(in thousands)	
Included in administrative expenses:	£	£
Wages and salaries	1,003	863
Social security costs	124	102
Pension costs	42	33
Share-based payments	1,893	1,348
	3,062	2,346
Total employee benefit expense	**9,326**	**7,623**

	2020	*2019*
The average number of staff employed under contracts of service were:	(number)	
Research and development activities	23	21
Administrative activities	5	4
	28	**25**

Directors' remuneration

Company	*2020*	*2019*
	(in thousands)	
	£	£
Directors' remuneration in respect of qualifying services	1,172	1,229
Pension	56	45
	1,228	**1,274**

The number of directors who exercised share options in 2020 was nil (2019: 1). The gain on exercise of these options was £nil (2019: £1.4 million).

During the year the number of directors who were receiving benefits was as follows:

	2020	*2019*
	(number)	
Accruing benefits under money purchase pension scheme	1	1

4. Income Tax Credit

(a) Tax on loss on ordinary activities:

	2020	2019
	(in thousands)	
	£	£
Current tax:		
In respect of current year UK	5,516	4,325
In respect of current year US	–	(1)
In respect of prior year UK	(22)	(86)
Total current tax	**5,494**	**4,238**
Deferred tax:		
In respect of the current year US	–	1
In respect of the prior year US	(1)	–
Total deferred tax	**(1)**	**1**
Income tax credit	**5,493**	**4,239**
Current income tax receivable:		
UK tax	9,818	8,477
US tax	4	4
Current income tax receivable	**9,822**	**8,481**
Deferred tax:		
US tax	**44**	**46**

(b) Reconciliation of the total income tax credit:

The credit for the year can be reconciled to the loss per the income statement as follows:

	2020	2019
	(in thousands)	
	£	£
Loss before tax	**(36,175)**	**(25,651)**
Tax on loss at standard UK tax rate of 19% (2019: 19%)	(6,873)	(4,874)
Effects of:		
Expenses not deductible	3,972	2,912
Deduction for R&D	(7,228)	(5,667)
Losses surrendered for R&D tax credit	7,228	5,667
Deferred tax - prior year adjustment	1	–
Overseas tax payable - current year	–	1
R&D tax credit - US	–	(1)
R&D tax credit - current year	(5,516)	(4,325)
R&D tax credit - prior years	22	86
Deferred tax asset not recognised	2,901	1,962
Income tax credit	**(5,493)**	**(4,239)**

(c) Deferred tax

In the United Kingdom, the Group has not recognised a deferred tax asset in respect of tax losses carried forward or temporary differences on share-based payment arrangements as at 31 December 2020 on the basis that the timing during which tax losses or temporary differences could be regarded as recoverable against future taxable profits cannot be determined with reasonable certainty. In the United States, a deferred tax asset, which relates to research & development tax credits, has been recognised to the extent that management consider that adequate future taxable profits will be available to realise the deferred tax asset.

Temporary differences and cumulative carry forward tax losses for which deferred tax has not been recognised amount to £57.5 million (2019: £46.4 million), comprising temporary differences on share-based payment arrangements of £9.9 million (2019: £14.2 million) and cumulative carry forward tax losses of £47.6 million (2019: £32.2 million).

(d) Factors affecting future tax

Finance Act 2016, which was substantively enacted on 6 September 2016, includes legislation that will reduce the main rate of UK corporation tax from 19% to 17%, effective from 1 April 2020. However, the UK Government announced in the Budget on 11 March 2020, that the full rate of UK corporation tax would remain at 19% from 1 April 2020, rather than reducing to 17%, as previously enacted. This was substantively enacted on 17 March 2020. Further, in March 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% for UK companies with annual profits of £250,000 or higher.

5. Basic and diluted loss per share

	2020	*2019*
	(in thousands, except per share data)	
	£	£
Loss for the year	**(30,682)**	**(21,412)**
Basic and diluted weighted average number of shares	37,882	32,327
	£	£
Basic and diluted loss per share	**(0.81)**	**(0.66)**

Basic loss per share is calculated by dividing the loss for the year attributable to the equity holders of the Company by the weighted average number of shares outstanding during the year.

The dilutive effect of potential shares through equity settled transactions were considered to be anti-dilutive as they would have decreased the loss per share and were therefore excluded from the calculation of diluted loss per share.

6. Capital commitments and contingencies

Other commitments

Collaboration and License Agreements

Cardiff University License

In August 2009, we entered into a research, collaboration and license agreement with Cardiff University and University College Cardiff Consultants Ltd., or Cardiff Consultants, which we refer to as the Cardiff Agreement. The Cardiff Agreement was renewed with an effective date of 1 January 2018 for an additional two years on substantially the same terms. In February 2020, we further amended the Cardiff Agreement to expire at the end of 2020, which amendment afforded us (at our sole discretion) an option to extend the expiration for one additional year until the end of 2021, and for further periods thereafter upon written agreement by the parties. In December 2020, the option to extend the expiration period to the end of December 2021 was adopted and that December 2020 amendment retains the option to extend the expiration for further periods thereafter upon written agreement by the parties. Under the Cardiff Agreement, we collaborate with Cardiff University in the design, synthesis, characterisation and evaluation of phosphoramidate prodrugs, which we refer to as ProTides, based on certain nucleosides. We are responsible for funding certain work performed by Cardiff University and making other payments, which totalled £292,607 in 2019, and £175,052 in 2020. We expect payments in 2021 will total approximately £250,000. Cardiff University and Cardiff Consultants, which is a holder of intellectual property developed by Cardiff University, have assigned to us all rights in the results of the research under the Cardiff Agreement, and agreed not to undertake any research for any competing third party on nucleoside families of interest to us where such research would make use of ProTide-related intellectual property owned or controlled by Cardiff University as of the date of the Cardiff Agreement or which at any time thereafter becomes owned or controlled by Cardiff University, which we refer to as the Cardiff intellectual property, or to grant rights in the Cardiff intellectual property to any third party for use in connection with nucleosides of interest to us. The foregoing restrictions exclude the field of neurodegeneration for one specific nucleoside analog.

Upon our completion of the evaluation of the ProTides, we have the right to select one or more of the evaluated ProTides as candidates for potential development of a commercial product. Cardiff University and Cardiff Consultants have granted us an exclusive worldwide license to use for all purposes the Cardiff intellectual property in respect of the nucleoside family of our selected ProTides. The exclusive dealing obligations of Cardiff University and Cardiff Consultants will continue for these nucleoside families.

On our filing, or that of a sublicensee, of patent applications resulting from research under the Cardiff Agreement, we will owe Cardiff Consultants certain immaterial payments. If we or our sublicensees develop and commercialise a product resulting from such research, we will owe Cardiff Consultants clinical development milestone payments of up to £1,875,000; provided that such milestone payments are due only with respect to the first product within each nucleoside family to achieve the milestone. We will also owe Cardiff Consultants royalties equal to a low single-digit percentage on our sales of a product resulting from such research. Should we sublicense our right to commercialise a product resulting from the research, we will owe Cardiff Consultants a high single-digit percentage of payments received in consideration of the sublicense.

The Cardiff Agreement currently expires on 31 December 2021, subject to the extension periods agreed to in the December 2020 amendment. Upon expiration, we have the right to extend the period in which we may evaluate products for three months, and for a further three months in exchange for an additional payment. The Cardiff Agreement may also be terminated for an uncured material breach. Licenses to use the Cardiff intellectual property in the development and commercialisation of products we have selected for commercialisation, and related payment obligations, will survive expiration of the Cardiff Agreement, but not on termination for an uncured material breach.

Cardiff ProTides Agreement

In October 2009, we entered into a license and collaboration agreement with Cardiff ProTides Ltd., or Cardiff ProTides, which agreement was subsequently amended and restated as an assignment, license and collaboration agreement in March 2012 and was further amended in May 2012, which we refer to as the ProTides Agreement. Under the ProTides Agreement, we collaborated with Cardiff ProTides in the discovery, drug design and *in vitro* screening of purine and pyrimidine based nucleosides as potential drug candidates. We funded certain work at Cardiff ProTides, and Cardiff ProTides has assigned to us all rights in the results of its research under the ProTides Agreement. Cardiff ProTides also assigned to us patents related to certain compounds of interest, including with respect to Acelarin, and granted us an exclusive, worldwide license, including the right to grant sublicenses, to rights in and technical information related to certain unpatented compounds for all therapeutic, diagnostic, prognostic and prophylactic applications.

If we or a sublicensee develop one or more products covered by a valid claim of an assigned patent or patent resulting from Cardiff ProTides' research, such as Acelarin, we will owe Cardiff ProTides up to approximately $4.5 million in development and approval milestone payments in the aggregate for the first such product. Additional development and approval milestones would be payable for the first additional product in a new nucleoside series covered by a valid claim of an assigned patent or a patent resulting from Cardiff ProTides' research, although the maximum potential value of such milestone payments is approximately half the value of the milestone payments associated with the first product. We will also owe Cardiff ProTides royalties equal to a percentage in mid to high single-digits on sales of such products, subject to reduction under certain circumstances. Royalties on sales by sublicensees are set by formula, which formula would be likely to result in a royalty in the mid-single digits.

The ProTides Agreement expires, on a country by country basis, on the later of the expiration, invalidity, abandonment, lapsing or rejection of the last valid claim of an assigned patent or patent resulting from Cardiff ProTides' research, or, if certain technical information licensed from Cardiff ProTides remains confidential or the product is covered by a period of data exclusivity, ten years from the date of first commercial sale of a product in such country. The ProTides Agreement may be sooner terminated on an uncured material breach, bankruptcy of a party or, by Cardiff ProTides, if we challenge, or assist in a challenge, of the validity or ownership of an assigned patent or patent resulting from Cardiff ProTides' research, or fail to pay amounts payable under the ProTides Agreement. It may also be sooner terminated where sums payable by us remain unpaid for 45 days after we receive a notice from Cardiff ProTides that the relevant sums are overdue. Upon a termination of the ProTides Agreement, our license rights will terminate except where the breach results from certain breaches by Cardiff ProTides, in which case our license rights continue on a non-exclusive basis, subject to reduced payment obligations. Upon termination of the ProTides Agreement, including as a result of our breach, we will be under an obligation to assign back to Cardiff ProTides the patents which Cardiff ProTides originally assigned to us.

CROs and Manufacturing commitments

We have agreed to make payments to CROs and manufacturers under various CRO and manufacturing agreements. We have not included further details on such contingent payment obligations as the amount, timing and likelihood of such payments are not fixed or determinable.

Other Contingencies

Under the UK share-based payment plan, the Company granted unapproved share options that have fully vested. If and when these share options are exercised, the Company will be liable for the Employer Class 1 National Insurance payable to HMRC in the UK. This contingent liability will be determined based on the market value of the shares on exercise less the exercise price paid by the option holders, at the prevailing rate of Employer National Insurance (currently 13.8%). Based on the closing share price of ADSs on the Nasdaq Global Select Market on 31 December 2020, the last trading day of the period to which these financial statements relate, and assuming full exercise of all outstanding and vested unapproved share options on that date, the Employer National Insurance contingent liability would have been £0.8 million (31 December 2019: £1.3 million).

7. Intangible assets

Group and Company

	Patents	*Computer Software*	*Total*
		(in thousands)	
	£	£	£
Cost:			
At 31 December 2018	3,524	158	3,682
Additions	999	216	1,215
At 31 December 2019	**4,523**	**374**	**4,897**
Accumulated amortisation:			
At 31 December 2018	498	62	560
Charge for the year	308	69	377
At 31 December 2019	**806**	**131**	**937**
Net book value:			
At 31 December 2019	**3,717**	**243**	**3,960**
At 31 December 2018	3,026	96	3,122
Cost:			
At 31 December 2019	4,523	374	4,897
Additions	1,262	9	1,271
At 31 December 2020	**5,785**	**383**	**6,168**
Accumulated amortisation:			
At 31 December 2019	806	131	937
Charge for the year	383	95	478
At 31 December 2020	**1,189**	**226**	**1,415**
Net book value:			
At 31 December 2020	**4,596**	**157**	**4,753**
At 31 December 2019	3,717	243	3,960

8. Property, plant and equipment

Group

	Right of use assets	*Office and computer equipment*	*Fixtures and fittings*	*Total*
		(in thousands)		
	£	£	£	£
Cost:				
At 31 December 2018	–	210	406	616
Recognised on adoption of IFRS 16 Leases	455	–	–	455
Additions	530	27	12	569
Re-measurement	2	–	–	2
Disposals	–	(1)	–	(1)
Effect of foreign currency exchange differences	(5)	–	–	(5)
At 31 December 2019	**982**	**236**	**418**	**1,636**
Depreciation:				
At 31 December 2018	–	96	93	189
Charge for the year	193	65	83	341
Disposals	–	(1)	–	(1)
Effect of foreign currency exchange differences	(2)	–	–	(2)
At 31 December 2019	**191**	**160**	**176**	**527**
Net book value:				
At 31 December 2019	**791**	**76**	**242**	**1,109**
At 31 December 2018	–	114	313	427
Cost:				
At 31 December 2019	982	236	418	1,636
Additions	–	90	291	381
Re-measurement	115	–	–	115
Effect of foreign currency exchange differences	(10)	–	–	(10)
At 31 December 2020	**1,087**	**326**	**709**	**2,122**
Depreciation:				
At 31 December 2019	191	160	176	527
Charge for the year	268	61	83	412
Effect of foreign currency exchange differences	(6)	–	–	(6)
At 31 December 2020	**453**	**221**	**259**	**933**
Net book value:				
At 31 December 2020	**634**	**105**	**450**	**1,189**
At 31 December 2019	791	76	242	1,109

Company

	Right of use assets	*Office and computer equipment*	*Fixtures and fittings*	*Total*
		(in thousands)		
	£	£	£	£
Cost:				
At 31 December 2018	–	205	406	611
Recognised on adoption of IFRS 16 Leases	343	–	–	343
Additions	530	27	12	569
Disposals	–	(1)	–	(1)
At 31 December 2019	**873**	**231**	**418**	**1,522**
Depreciation:				
At 31 December 2018	–	92	93	185
Charge for the year	138	64	83	285
Disposals	–	(1)	–	(1)
At 31 December 2019	**138**	**155**	**176**	**469**
Net book value:				
At 31 December 2019	**735**	**76**	**242**	**1,053**
At 31 December 2018	–	113	313	426
Cost:				
At 31 December 2019	873	231	418	1,522
Additions	–	90	291	381
At 31 December 2020	**873**	**321**	**709**	**1,903**
Depreciation:				
At 31 December 2019	138	155	176	469
Charge for the year	211	61	82	354
At 31 December 2020	**349**	**216**	**258**	**823**
Net book value:				
At 31 December 2020	**524**	**105**	**451**	**1,080**
At 31 December 2019	735	76	242	1,053

9. Investments in subsidiaries

	2020	2019
	£	£
Unlisted investments at cost and net book value	69	69

Details of Group undertakings:

Name	Principal activity	Country of incorporation	Registered office	Proportion of ownership
NuCana, Inc.	Development and administrative support	US	2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808	100%
NuCana BioMed Trustee Company Limited	Dormant	UK	3 Lochside Way, Edinburgh, EH12 9DT	100%
NuCana BioMed Employee Benefit Trust	Employee benefit trust	UK	3 Lochside Way, Edinburgh, EH12 9DT	100%

10. Related party disclosures

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

Subsidiaries of NuCana plc	Purchases from related parties	Advances to related parties	Amounts due to related parties	Amounts owed by related parties	Interest Income from related parties
			(in thousands)		
	£	£	£	£	£
NuCana, Inc.					
31 December 2020	865	797	334	–	–
31 December 2019	1,160	1,086	266	–	–
NuCana BioMed Employee Benefit Trust					
31 December 2020	–	–	–	385	4
31 December 2019	–	–	–	381	6

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Cash advances are made available to NuCana, Inc. in order to fund the activities which are subsequently recharged on an arm's length basis. The amounts advanced are repayable on demand. Outstanding balances at the year end with NuCana, Inc. are unsecured, interest free and settlement occurs in cash. The NuCana BioMed Employee Benefit Trust balances are subject to interest at RBS base rate plus 1%. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2019: £nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Group

	2020	*2019*
	(in thousands)	
	£	£
Short-term employee benefits	1,658	1,686
Pension and other benefits	79	69
Share-based payments	3,377	1,976
	5,114	**3,731**

Compensation of key management personnel of the Company

	2020	*2019*
	(in thousands)	
	£	£
Short-term employee benefits	1,167	1,223
Pension and other benefits	61	52
Share-based payments	2,583	1,507
	3,811	**2,782**

The amounts disclosed in the table above are the amounts recognised as an expense during the reporting year.

11. Prepayments, accrued income and other receivables

Group

	2020	*2019*
	(in thousands)	
	£	£
Prepayments - manufacturing and clinical	2,177	2,630
Prepayments - other	1,625	1,489
Accrued income	4	76
VAT	813	475
Other receivables	9	40
	4,628	**4,710**

Company

	2020	*2019*
	(in thousands)	
	£	£
Prepayments - manufacturing and clinical	2,177	2,630
Prepayments - other	1,571	1,443
Accrued income	4	76
VAT	813	475
Other receivables	–	30
	4,565	**4,654**

12. Cash and cash equivalents

Group	*2020*	*2019*
	(in thousands)	
	£	£
Cash and cash equivalents	87,356	51,962

Company	*2020*	*2019*
	(in thousands)	
	£	£
Cash and cash equivalents	87,284	51,856

Cash and cash equivalents are composed of cash at bank with deposit maturity terms of three months or less, which is subject to insignificant risk of changes in value. Cash at bank earns interest at fixed or variable rates based on the terms agreed for each account.

Liquidity risk is minimal and is managed using deposits with immediate and varied fixed term dates.

13. Share capital and share premium

Group and Company	*2020*	*2019*
	(in thousands)	
	£	£
Share capital	2,047	1,299
Share premium	140,890	79,541
	142,937	**80,840**

Group and Company	*2020*	*2019*
	Number	Number
	(in thousands)	
Issued share capital comprises:		
Ordinary shares of £0.04 each	**51,175**	**32,479**

Group and Company	Number of shares	Share capital	Share premium
		(in thousands)	
Fully paid shares:		£	£
Balance at 31 December 2018	**32,226**	**1,289**	**79,426**
Exercise of share options	253	10	115
Balance at 31 December 2019	**32,479**	**1,299**	**79,541**
Exercise of share options	33	1	14
Issue of share capital	18,663	747	61,335
Balance at 31 December 2020	**51,175**	**2,047**	**140,890**

Ordinary shares

Holders of ordinary shares are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders and do not have cumulative voting rights.

Capital management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the Company. The purpose of the Group's capital management is to maximise shareholder value and ensure adequate capital is available to meet the medium-term operating plan. Review of operations and commitments is key to identifying future capital management and a full review is undertaken on a quarterly basis.

No changes were made in the objectives, policies or processes for managing capital during the years ending 31 December 2020 or 2019.

14. Other reserves

Group	*2020*	*2019*
	(in thousands)	
	£	£
Own share reserve	(339)	(339)
Foreign currency translation reserve	(22)	(10)
Capital reserve	42,466	42,466
Share option reserve		
Balance at beginning of year	20,620	17,564
Share-based payments	4,823	3,289
Exercise of share options	(68)	(132)
Forfeiture of share options	(518)	(63)
Lapse of share options	(75)	(38)
Balance at end of year	24,782	20,620
Total other reserves	**66,887**	**62,737**

Company	*2020*	*2019*
	(in thousands)	
	£	£
Share option reserve	24,782	20,620
Capital reserve	42,466	42,466
Total other reserves	**67,248**	**63,086**

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

Own share reserve
The own share reserve represents the cost of 500,000 shares of NuCana plc purchased by NuCana Employee Benefit Trust and that may, at the discretion of the trustee, be used to satisfy future exercise of options under the Company's share option plans.

Capital reserve
The capital reserve balance arose from the reduction of our share premium account and corresponding increase to our capital reserve account reflected as of 30 June 2017 in order to facilitate our re-registration as a public limited company, as further described in note 1.

Share option reserve
The share option reserve is used to recognise the value of equity-settled share-based payments provided to employees, directors and consultants as part of their remuneration. Refer to note 15 for further details of these plans.

15. Share-based payments

The Company has six share-based payment plans for employees, directors and consultants. The share options granted under these plans will be settled in equity. Options granted under each of the six plans have a maximum life of 10 years.

2019 options

In 2019, share options were granted under the following share-based payment plans:

UK share-based payment plans

Options granted under these plans will vest if the option holder remains under their respective contract of employment or contract of service for the agreed vesting period. The share options granted under these plans will vest equally over a period of four years.

Upon vesting, each option allows the holder to purchase one ordinary share at a specified option price determined at grant date.

Stock option plan (US Sub-Plan)

Options granted under these plans will vest if the option holder remains under their respective employment contract for the agreed vesting period. The share options granted under these plans will vest equally over a period of four years.

Upon vesting, each option allows the holder to purchase one ordinary share at a specified option price determined at grant date.

2020 options

In 2020, share options were granted under the following share-based payment plans:

UK share-based payment plans

Options granted under these plans will vest if the option holder remains under their respective contract of employment or contract of service for the agreed vesting period. The share options granted under these plans will vest equally over a period of four years.

Upon vesting, each option allows the holder to purchase one ordinary share at a specified option price determined at grant date.

Long-Term Incentive Plan

Options granted under this plan will vest if the option holder remains under their respective contract of employment or contract of service for the agreed vesting period. The share options granted under this plan will vest equally over a period of four years.

Upon vesting, each option allows the holder to purchase one ordinary share at a specified option price determined at grant date. Options granted as RSU-style options are automatically exercised on vesting. If the Company determines, and at its discretion, an arrangement may be made under the 2020 Long-Term Incentive Plan to substitute the right to acquire shares with a cash alternative of equivalent value.

Share options and weighted average exercise prices are as follows for the reporting periods presented:

Group and Company	Number of shares	Weighted average exercise price per share
		£
Outstanding at 31 December 2018	**4,406,252**	**1.90**
Granted	1,202,150	10.82
Forfeited	(48,625)	10.42
Lapsed	(8,750)	3.90
Exercised[1]	(252,187)	0.50
Outstanding at 31 December 2019	**5,298,840**	**3.91**
Granted	2,665,639	4.03
Forfeited	(192,750)	10.89
Lapsed	(14,438)	7.42
Exercised[2]	(32,500)	0.45
Outstanding at 31 December 2020[3]	**7,724,791**	**3.78**
Vested and exercisable at 31 December 2020	**4,176,281**	**2.07**
Vested and exercisable at 31 December 2019	3,811,736	1.15
Vested and exercisable at 31 December 2018	3,847,305	0.68

(1) The weighted average share price at the date of exercise of these options was £7.65.
(2) The weighted average share price at the date of exercise of these options was £4.63.
(3) The exercise price of outstanding share options ranges from £0.04 to £18.05.

The weighted average remaining contractual life of the share options outstanding as at 31 December 2020 is 5.77 years (2019: 4.63).

The following principal assumptions were used in the valuation for 2019 share options.

Grant date	13-Mar-19	15-May-19	11-Sept-19
Vesting dates	13-Mar-20	15-May-20	11-Sept-20
	13-Mar-21	15-May-21	11-Sept-21
	13-Mar-22	15-May-22	11-Sept-22
	13-Mar-23	15-May-23	11-Sept-23
Volatility	69.05%	69.08%	70.14%
Dividend yield	0%	0%	0%
Risk-free investment rate	0.85%	0.77%	0.44%
Fair value of option at grant date	£5.46	£6.07	£4.22
Fair value of share at grant date	£10.13	£11.26	£7.79
Exercise price at date of grant	£10.13	£11.26	£7.79
Lapse date	13-Mar-29	15-May-29	11-Sept-29
Expected option life (years)	4.50	4.50	4.50
Number of options granted	120,750	967,400	114,000

The fair values of options granted were determined using the Black-Scholes model that takes into account factors specific to the share incentive plan such as the assumption that the options will be exercised at a point in time being 2 years after vesting. This has been incorporated into the measurement by means of actuarial modelling. As NuCana plc was unlisted until 2 October 2017, it is not possible to derive historical volatility from the Company's own share price. The underlying expected volatility was therefore determined by using the historical volatility of similar listed entities as a proxy. The volatility percentage applied to each tranche is the average of the historical volatility of companies comparable to NuCana plc. In the year ended 31 December 2019, an employee remuneration expense, all of which related to equity-settled share-based payments, of £3.2 million has been included in the Group income statement and credited to equity.

The following principal assumptions were used in the valuation for 2020 share options.

Grant date	10-June-2020	9-Sept-2020	9-Sept-2020	9-Dec-2020
Vesting dates	10-June-2021	9-Sept-2021	9-Sept-2021	9-Dec-2021
	10-June-2022	9-Sept-2022	9-Sept-2022	9-Dec-2022
	10-June-2023	9-Sept-2023	9-Sept-2023	9-Dec-2023
	10-June-2024	9-Sept-2024	9-Sept-2024	9-Dec-2024
Volatility	76.59%	82.98%	87.21%	81.26%
Dividend yield	0%	0%	0%	0%
Risk-free investment rate	0.003%	(0.08)%	(0.08)%	(0.03)%
Fair value of option at grant date	£2.76	£4.24	£4.24	£2.10
Fair value of share at grant date	£4.78	£4.28	£4.28	£3.48
Exercise price at date of grant	£4.78	£0.04	£0.04	£3.48
Lapse date	10-June-2030	9-Sept-2030	–	9-Dec-2030
Expected option life (years)	4.50	3.50	2.50	4.50
Number of options granted	2,186,780	290,356	108,503	80,000

The fair values of options granted were determined using the Black-Scholes model that takes into account factors specific to the share incentive plan such as the assumption that the options will be exercised at a point in time of up to 2 years after vesting. This has been incorporated into the measurement by means of actuarial modelling. As NuCana plc was unlisted until 2 October 2017, it is not possible to derive historical volatility from the Company's ADSs prior to October 2017. For options with an estimated life of greater than three years, the underlying expected volatility was determined by using the historical volatility of similar listed entities as a proxy. The volatility percentage applied to each tranche is the average of the historical volatility of comparable companies to the Company. Options granted with an estimated life of three years or less, have been valued using the Company's own historical volatility rates.

In the year ended 31 December 2020, an employee remuneration expense, all of which related to equity-settled share-based payments, of £4.3 million (2019: £3.2 million) has been included in the Group income statement and credited to equity.

16. Leases

The Group has lease contracts solely for office space with lease terms of between two and five years. Generally, the Group is restricted from assigning and subleasing the leased assets. There are a number of lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

Refer to note 8 for the carrying amounts of right of use assets recognised and the movements during the period.

The carrying amounts of lease liabilities and the movements during the period are as follows:

Group	*2020*	*2019*
	(in thousands)	
	£	£
At 1 January	**806**	**434**
Additions	–	548
Re-measurement of liability	115	2
Accretion of interest	26	21
Payments	(297)	(197)
Effect of foreign currency exchange differences	(5)	(2)
At 31 December	**645**	**806**
Classified as:		
Current	278	268
Non-current	367	538
	645	**806**

Company	*2020*	*2019*
	(in thousands)	
	£	£
At 1 January	**754**	**327**
Additions	–	548
Accretion of interest	24	17
Payments	(238)	(138)
At 31 December	**540**	**754**
Classified as:		
Current	224	216
Non-current	316	538
	540	**754**

The maturity analysis of lease liabilities is as follows:

Group	*2020*	*2019*
	(in thousands)	
	£	£
Contractual undiscounted payments		
Not later than 1 year	296	293
Later than 1 year and not later than 3 years	307	400
Later than 3 years and not later than 5 years	74	167
Total contractual undiscounted payments	**677**	**860**
Less: effect of discounting	(32)	(54)
Discounted lease liabilities	**645**	**806**

Company	*2020*	*2019*
	(in thousands)	
	£	£
Contractual undiscounted payments		
Not later than 1 year	240	240
Later than 1 year and not later than 3 years	255	400
Later than 3 years and not later than 5 years	74	167
Total contractual undiscounted payments	**569**	**807**
Less: effect of discounting	(29)	(53)
Discounted lease liabilities	**540**	**754**

Refer to note 3 for the amounts recognised in the Group income statement with respect to lease contracts.

The Group had total net cash outflows for leases of £0.3 million in 2020 (2019: £0.2 million). The Group also had non-cash additions to right of use assets and lease liabilities of £nil in 2020 (2019: £0.5 million). The Group renewed one lease contract in 2020, which resulted in a re-measurement of the right of use asset and lease liability of £0.1 million.

The Group has one lease contract with variable payments where the lease costs are increased based upon a consumer price index after the first year. All other lease contracts have fixed payments.

The Group has a number of lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and align it with the Group's business needs. None of the termination options have been exercised or are expected to be exercised. All of the extension options require a market rental review and the lease cost for the extension period will typically be set at the higher of either the current lease cost or the open market lease cost.

Based upon the current lease cost, the undiscounted future rental payments of potential extension options that are not included in the lease liability are as follows:

Group and Company	*2020*	*2019*
	(in thousands)	
	£	£
Extension options not expected to be exercised		
Not later than 5 years	591	351
Later than 5 years	387	627
Total	**978**	**978**

17. Financial instruments risk management

The Group is exposed to market risk arising from exposure to fluctuation in interest rates and currency exchange rates. These risks are managed by maintaining an appropriate mix of cash deposits in the two main currencies the Group operates in, placed with a variety of financial institutions for varying periods according to expected liquidity requirements.

Interest Rate Risk

As of 31 December 2020, the Group had cash and cash equivalents of £87.4 million. As of 31 December 2019, the Group had cash and cash equivalents of £52.0 million. Exposure to interest rate sensitivity is impacted primarily by changes in the underlying bank interest rates. The Group's surplus cash and cash equivalents are invested in interest bearing accounts and certificates of deposit from time to time which earn interest at fixed or variable rates based on the terms agreed for each account. The Group has not entered into investments for trading or speculative purposes.

Financial assets subject to fixed or variable interest rates are as follows:

Group	*2020*	*2019*
	(in thousands) Carrying amount	
	£	£
Financial assets at short-term fixed rates		
Cash and cash equivalents	48,432	41,827
Financial assets at variable rates		
Cash and cash equivalents	5,470	7,108
Non-interest bearing cash balances		
Cash and cash equivalents	33,454	3,027

An increase in the bank interest rates by 0.5 percentage points would increase the net annual interest income applicable to the cash and cash equivalents held on variable and short-term fixed rate deposits by £269,511 (2019: £244,674).

Currency risk

The Group's functional currency is UK pounds sterling, and our transactions are commonly denominated in that currency. However, a portion of expenses are incurred in other currencies, primarily US dollars, and are exposed to the effects of this exchange rate.

Although the Group is based in the United Kingdom, it sources active pharmaceutical ingredients, raw materials, research and development, manufacturing, consulting and other services worldwide, including from the United States, the European Union and India. Any weakening of the pound sterling against the currencies of such other jurisdictions makes the purchase of such goods and services more expensive for the Group. The Group seeks to minimise this exposure by maintaining currency cash balances at levels appropriate to meet foreseeable short to mid-term expenses in these other currencies. The Group thus holds a significant portion of cash and cash equivalents in US dollars and will therefore report the impact of exchange rates movements on these balances.

The Group does not use derivative instruments to manage exchange rate exposure.

Financial assets and liabilities in foreign currencies, primarily held in US dollars, are as follows:

Group	*2020*	*2019*
	(in thousands) Carrying amount	
	£	£
Financial assets		
Prepayments, accrued income and other receivables	2,079	2,174
Current income tax receivable	4	4
Cash and cash equivalents	70,419	28,980
Financial liabilities		
Trade payables	409	549
Payroll taxes and social security	1	18
Lease liabilities	105	52
Accrued expenditure	926	989

A 1% increase in the value of the UK pound sterling relative to the US dollar would reduce the carrying value of net financial assets and liabilities in foreign currencies by £710,592 (2019: £295,498).

Credit Risk

The Group actively manages cash and cash equivalents across a number of banks and has deposits with different maturity dates. The Group monitors the credit rating of those banks.

All of the Group's cash and cash equivalents at 31 December 2020 were held at UK and US financial institutions with short-term A-rated credit ratings, as assessed by recognised international credit rating agencies. As a result, no provision for expected credit losses has been recognised.

18. Events after the reporting period

There have been no significant changes to the Group's circumstances since the year end.

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This Annual Report contains forward-looking statements that reflect NuCana's current expectations regarding future events, including statements regarding financial performance and the timing, progress and results of clinical studies. Forward-looking statements involve risks and uncertainties. Actual events could differ materially from those projected in this Annual Report and depend on a number of factors, including (inter alia), the success of NuCana's clinical studies, its research programmes and the applicability of the discoveries made therein, the successful and timely resolution of uncertainties related to the regulatory process, and the acceptance of our products, if approved, by patients, medical professionals and payors. A further list and description of risks and uncertainties associated with an investment in NuCana can be found in NuCana's filings with the US Securities and Exchange Commission. Existing and prospective investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. NuCana undertakes no obligation to update or revise the information contained in this Annual Report, whether as a result of new information, future events or circumstances or otherwise.

NUCANA

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