2019

NUCANA

2019 Annual Report

For the year ended 31 December 2019

NUCANA

a new era in oncology

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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®, NUC-3373 and NUC-7738, are new chemical entities derived from the nucleoside analogs gemcitabine, 5-fluorouracil and 3'-deoxyadensoine, respectively. Acelarin is currently being evaluated in multiple clinical studies, including a Phase 3 clinical study in patients with biliary tract cancer. 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 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 270 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 is being conducted in patients with locally advanced or metastatic biliary tract cancers to determine the optimal dose in combination with cisplatin. In October 2018, at the European Society for Medical Oncology (ESMO) 2018 Congress, the investigators announced combined results from cohorts 1 and 2 of this study, also known as the ABC-08 study, in which Acelarin in combination with cisplatin was observed to continue to achieve approximately a doubling of the response rate expected with the standard of care, gemcitabine plus cisplatin. In addition, these results showed the combination was well-tolerated and several patients achieved significant reductions in their tumour volume as well as further tumour shrinkage over time. In June 2019, the United States Food and Drug Administration (FDA) granted orphan drug designation for Acelarin for the treatment of patients with biliary tract cancer and in March 2020, the European Medicines Agency's Committee for Orphan Medicinal Products issued a positive opinion for orphan drug designation of Acelarin for the treatment of patients with biliary tract cancer. 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 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.

Acelarin is also being evaluated in a Phase 2 study, also known as the PRO-105 study, in patients with platinum-resistant ovarian cancer. Part one of the study was designed to compare a 500mg/m^2 dose of Acelarin versus a 750mg/m^2 dose of Acelarin in heavily pre-treated patients (patients who have received at least 3 prior lines of chemotherapy). Part two of the study was designed to then investigate the optimal dose identified in part one in an expansion cohort. In December 2019, consistent with our previous announcement that we are prioritising our resources on our key programmes of Acelarin in biliary tract cancer and NUC-3373 in colorectal cancer, we decided not to proceed with part two of the PRO-105 study. In March 2020, we announced preliminary data from part one of the study. Forty-five patients with platinum-resistant ovarian cancer were evaluable for response and all responses had confirmatory scans. Based on an assessment by blinded independent central review, one patient achieved a complete response and two patients achieved partial responses. In addition, 16 patients achieved stable disease.

Patients who entered PRO-105 were heavily pre-treated, having received a median of five prior lines of treatment, and 72% had at least one comorbidity at study entry. Highlighting the fragility of this difficult-to-treat patient population, 45% of patients did not complete the first cycle of treatment with Acelarin despite not having any disease progression or any serious Grade 3 or 4 adverse events. However, for 23 patients in the study who received two or more cycles of Acelarin, the confirmed response rate was 13% and the disease control rate was 83%. These data are still being analysed and the findings remain preliminary and subject to change. In addition, the National Cancer Research Institute in the United Kingdom is facilitating 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 are deriving benefit can continue treatment with Acelarin.

The disease control rates referred to above include complete responses, partial responses and stable disease, measured by radiographic assessment to determine changes in tumour size, and evaluated using the standard scoring system known as Response Evaluation Criteria in Solid Tumours, (RECIST). The disease control rates are based on investigator assessment of tumour response in a limited number of patients and may not be predictive of or consistent with the results of later studies.

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. 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. In this study, NUC-3373 generated high levels of the active anti-cancer metabolite inside the patients' white blood cells, resulting in complete inhibition of the 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 at 25 September 2018, as well as a continued promising pharmacokinetic and pharmacodynamic, tolerability and dosage administration profile. Importantly, no patients developed hand-foot syndrome, as of data cut-off, which is a debilitating side effect occurring in 34% to 72% of patients treated with fluoropyrimidine therapy. The 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.

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 will be 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. The anti-cancer mechanism of action of NUC-3373 has been previously observed in preclinical studies, which we believe further supports the biological advantages of NUC-3373 over 5-FU. 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.

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 including the inhibition of RNA polyadenylation. In preclinical studies of NUC-7738, we have observed additional anti-cancer mechanisms of action to those previously reported for 3'-dA. Significantly higher levels of anti-cancer metabolites are generated inside cancer cells than with 3'-dA, causing increased cell injury.

In April 2020, in response to the COVID-19 pandemic, 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 has been temporarily paused. Patients who are currently enrolled in our ongoing studies are continuing to receive treatment. Subsequently, in May 2020, we announced that enrolment of new patients in our global Phase 3 clinical study for patients with biliary tract cancer (NuTide:121) has re-commenced in certain geographies, including Australia, Canada, South Korea, Taiwan, Ukraine and the United Kingdom. Additionally, in May 2020, we announced the re-commencement of new patient enrolment in the Phase 1 and Phase 1b clinical studies of NUC-3373 and the Phase 1 clinical study of NUC-7738. 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. However, the precise timing of delays and overall impact is currently unknown and we are continuing to monitor the COVID-19 pandemic as it rapidly evolves. We remain committed to resuming the enrolment of new patients at all of our clinical sites as quickly as possible.

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 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®; and tenofovir alafenamide fumarate, or TAF, which is a key component of Genvoya®, Descovy® and Odefsey®.

We are led by Hugh S. Griffith, our founder and Chief Executive Officer, who brings over 25 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.* We are currently conducting a global Phase 3 study (NuTide:121) of Acelarin in combination with cisplatin as a first-line treatment of patients with biliary tract cancer.

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

  - *Colorectal cancer.* We are currently conducting a Phase 1b study (NuTide:302) of NUC-3373 in combination with leucovorin, oxaliplatin and irinotecan in patients with advanced, metastatic colorectal cancer. In this study, NUC-3373 is being assessed to establish the optimal dose and schedule when combined with many of the agents typically combined with 5-FU. We expect to report interim data in 2020. Contingent on regulatory guidance and other factors, we plan to initiate a Phase 2/3 clinical study of NUC-3373 in combination with other agents for patients with colorectal cancer in 2020.
  - *Advanced solid tumours.* We are currently conducting a Phase 1 monotherapy study (NuTide:301) of NUC-3373 to establish the optimal dose and dosing schedule in patients with advanced solid tumours. We expect to report interim data in 2020.

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

  Advanced solid tumours. We are currently conducting a Phase 1 study (NuTide:701) of NUC-7738 to establish the optimal dose and dosing schedule of single-agent NUC-7738 in patients with advanced solid tumours. We expect to report interim data in 2020.

- **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.**

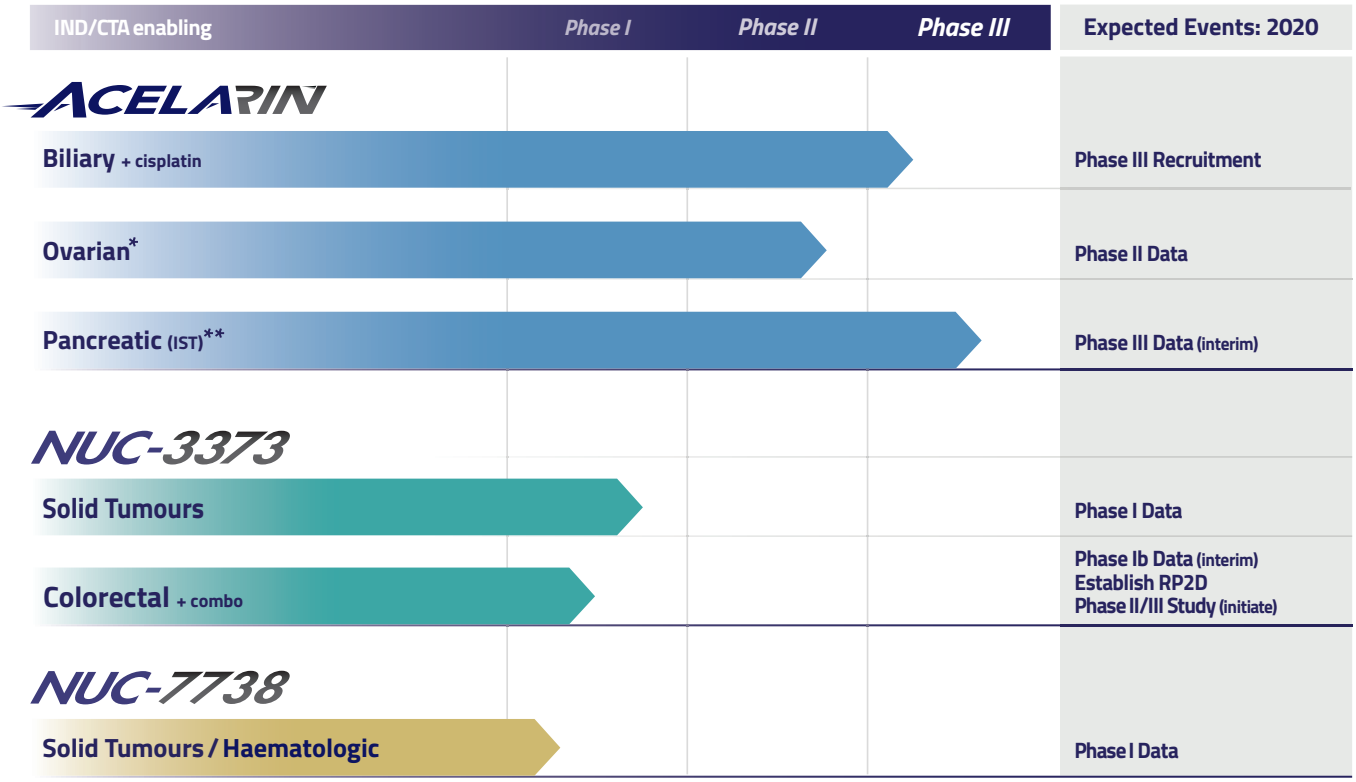
  We own or have exclusive rights to the core technologies underlying our ProTide technology platform. We have patents granted in key markets, including the United States, Europe and Japan, protecting the composition of matter of Acelarin, NUC-3373 and other of our product candidates. We intend to further expand and enhance our intellectual property position. We have also been granted or allowed patent protection in key markets for formulations, uses in the treatment of patients with cancer and processes for manufacturing certain of our product candidates. 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 is summarised below.



*Closed to recruitment; data analysis from part one of the study is ongoing; not proceeding with part two of the study.
**Enrolment currently suspended.

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 and research and development tax credits.

DEVELOPMENT AND PERFORMANCE DURING THE PERIOD

Research and Development Expenses

Research and development expenses were £19.7 million for the year ended 31 December 2019 as compared to £16.8 million for the year ended 31 December 2018, an increase of £2.9 million. The increase resulted primarily from higher expenses incurred related to clinical studies of £8.6 million in 2019, compared with £5.0 million in 2018. Preclinical and patent costs increased by £0.9 million in 2019 as compared to 2018. Other research and development costs increased in 2019 by £1.7 million primarily due to higher personnel costs and share-based payment expenses incurred during the year. The total increase in research and development expenses was partially offset by lower manufacturing costs of £2.1 million in 2019 compared with £5.4 million in 2018, representing a decrease of £3.3 million. The following table gives a breakdown of the research and development costs incurred by product for the years ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	2018
	(unaudited) (in thousands)	
Acelarin	£ 10,179	£ 8,239
NUC-3373	5,355	4,903
NUC-7738	1,743	1,198
Other	2,451	2,506
	£ 19,728	**£ 16,846**

Administrative Expenses
Administrative expenses were £6.0 million for the year ended 31 December 2019 as compared to £5.2 million for the year ended 31 December 2018, an increase of £0.8 million. The increase was primarily related to higher amortisation and depreciation (including the depreciation of right of use lease assets from January 2019), insurance, personnel costs and share-based payment expenses, partially offset by lower professional fees.

Net Foreign Exchange (Losses) Gains
For the year ended 31 December 2019, we reported a net foreign exchange loss of £1.0 million as compared to a net foreign exchange gain of £2.9 million for the year ended 31 December 2018. In the year ended 31 December 2019, the loss arose from cash balances held in U.S. dollars and the U.S. dollar depreciating relative to the U.K. pound sterling. Conversely, in the year ended 31 December 2018, the gain arose from cash balances held in U.S. dollars and the U.S. dollar appreciating relative to the U.K. pound sterling.

Finance Income
Finance income represents bank interest and was £1.0 million for the year ended 31 December 2019 and £1.1 million for the year ended 31 December 2018.

Income Tax Credit
The income tax credit, which is largely composed of research and development credits, amounted to £4.2 million for the year ended 31 December 2019 and £4.2 million for the year ended 31 December 2018.

In the United Kingdom, research and development credits are obtained at a maximum rate of 33.35% of our qualifying research and development expenses. Although there was an increase in research and development expenditure in 2019 as compared with 2018, there was a disproportionate increase in eligible subcontracted research and development costs, which attracts a lower rate of cash rebate, relative to the total qualifying research and development expenditures.

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.

Cash Flows
The following table summarises the results of our cash flows for the years ended 31 December 2019 and 2018.

	Year ended 31 December	
	2019	2018
	(in thousands)	
Net cash used in operating activities	£ (23,833)	£ (12,224)
Net cash used in investing activities	(145)	(651)
Net cash (used in) from financing activities	(47)	207
Net decrease in cash and cash equivalents	**£ (24,025)**	**£ (12,668)**

Operating Activities
The net cash used in operating activities was £23.8 million in 2019 as compared to £12.2 million in 2018, reflecting a net increase in cash outflows of £11.6 million. Tax refunds of £4.2 million were received in 2018 with no similar cash inflow recorded in 2019. In addition, working capital outflows were £5.6 million higher in 2019 compared with 2018, partly due to an increase in prepayments, and operating loss cash flows were higher by £1.8 million in 2019, primarily reflecting higher research and development costs.

Investing Activities
Net cash used in investing activities decreased by £0.5 million in 2019 as compared with 2018. Interest received in 2019 was £1.1 million compared with £1.0 million in 2018, reflecting an increase of £0.1 million. In 2019, cash used to acquire property, plant and equipment was lower by £0.2 million than in 2018, and cash used to acquire intangible assets was also £0.2 million lower.

Financing Activities
The net cash used in financing activities was £47,000 in 2019 as compared to £0.2 million cash from financing activities in 2018. In 2019 net payments for lease liabilities and lease incentives amounted to £0.2 million reflecting the adoption of IFRS 16 on 1 January 2019. In 2019, receipts from the exercise of share options were £0.1 million which compares to £0.2 million in 2018.

main business trends & factors

Acelarin is currently being evaluated in multiple clinical studies with a focus on the treatment of patients with biliary tract cancer. 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 2019 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.

BREXIT
On 31 January 2020, the United Kingdom left the European Union on the terms of a withdrawal agreement (the "Withdrawal Agreement"). The Withdrawal Agreement sets out the arrangements for the United Kingdom's withdrawal from the European Union, and includes the transitional arrangements that govern the U.K.-E.U. relationship during a transition period from 31 January 2020 to 31 December 2020 (or such later date as may be agreed between the United Kingdom and the European Union) (the "Transition Period"). During the Transition Period, the United Kingdom is treated, for most purposes, as if it were still an E.U. member state. The Transition Period provides a short standstill period of continuity whilst the United Kingdom and the European Union negotiate the terms of agreements governing the future U.K.-E.U. relationship.

If the United Kingdom and the European Union are unable to negotiate acceptable terms by the expiry of the Transition Period, there will be a period of considerable uncertainty in financial and banking markets, and also with the regulatory process and movement of goods and people between the United Kingdom and the European Union. We are in the process of putting arrangements in place that will help limit any adverse impact to our operations as a result of Brexit, although it is difficult to ascertain what that impact will be until negotiations are concluded.

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 2019, the total liquidity position was £52.0 million (at 31 December 2018: £77.0 million). Net cash used in operating activities was £23.8 million for the year ended 31 December 2019 (year ended 31 December 2018: £12.2 million).

Total Liquidity Position

£52.0 million (at 31 December 2019)

£77.0 million (at 31 December 2018)

Net Cash used in Operating Activities

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

£12.2 million (for the year ended 31 December 2018)

principal risks & 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 2019 are included on Form 20-F filed with the US Securities and Exchange Commission.

Financial

We have incurred significant operating losses since our inception. We incurred net losses of £21.4 million for the year ended 31 December 2019 and £13.8 million for the year ended 31 December 2018. As of 31 December 2019, we had an accumulated deficit of £80.1 million. Our most advanced product candidate, Acelarin, is currently being evaluated in multiple clinical studies, including a Phase 3 clinical study for patients with biliary tract cancer. Our second most advanced product candidate, NUC-3373, is currently in a Phase 1 clinical study and a Phase 1b clinical study, and our third clinical-stage product candidate, NUC-7738, is currently in a Phase 1 clinical study. 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, or NDA, to the FDA, a Marketing Authorisation Application, or 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.

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, surfaced in Wuhan, China. Since then, COVID-19 has spread to multiple countries, including the United Kingdom and the United States. 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 toxicology 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 any product candidates for which we receive regulatory marketing approval using a specialised sales force in the United States and Europe. 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, both commercially in the United States and abroad, 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, or 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 foreign 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.

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 2019, had 31 employees, including three executive officers. 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

Greenhouse Gas Report

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 year ended 31 December 2018. 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.

We will continue to monitor our carbon emissions and look for cost-effective improvements of energy performance.

employees

The number of employees by function and geographic location as of the end of the period for our fiscal years ended 31 December 2019 and 2018 was as follows:

	2019	2018
By Function:		
Research & development	25	20
Management & administrative	6	4
Total	**31**	**24**
By Geography:		
United Kingdom	29	21
North America	2	3
Total	**31**	**24**

As of 31 December 2019 we had 31 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
Appointments within the Group are made 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 employment statistics of employees as at 31 December 2019 is as follows:

Position	Male	Female	Total
Company Director	**7**	**1**	**8**
Senior Manager	8	2	10
Other Employees	7	12	19
Total Employees	**17**	**14**	**31**

employee consultation & human rights

The Group places considerable value on the involvement of its 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). The Group endeavours to impact positively on the communities in which it operates. The Group does 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 the Group's 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 the Group's policy to conduct its business in an honest and ethical manner. Our Health & Safety policy sets out the Group's commitment to provision of a safe working environment for its 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 the Company's 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 the Group's key stakeholders, including its 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 the Group's interactions and engagement with shareholders, ADSs holders and analysts are summarised below.

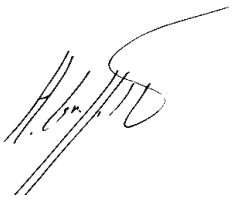
Interests – issues and factors which are most important to shareholders, ADSs holders and analysts	• Successful R&D pipeline development • Sufficient cash and cash equivalents on hand to fund our anticipated operations
Engagement – examples of engagement in 2019	• Annual General Meeting in June 2019 • Directors and senior management meet investors and analysts • Quarterly financial results and regular press releases • Investor outreach programme, including regular investor roadshows and attending 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

The Group's engagement and consultation with employees are outlined in the Employee Consultation and Human Rights section of this Strategic Report on page 12.

The consideration and impact of the Group's operations on the environment are contained in the Environmental Matters section of Strategic Report on page 11.

The Strategic Report was approved by the Board on 25 May 2020.

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 £21.4 million (2018: £13.8 million). The directors do not recommend a final dividend (2018: £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
Christopher Wood
Isaac Cheng (retired 11 March 2020)

Financial Instruments
Details of financial instruments are set out in note 17 to the financial statements on page 66.

Charitable and Political Contributions
No charitable contributions were paid during the 2019 financial year (31 December 2018: £nil).
No donations were made during the 2019 financial year to political organisations (31 December 2018: £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 60.

Third Party Indemnity Provision for Directors
There are no qualifying third-party indemnity provisions in place for the benefit of one or more of the directors.

Environmental Matters
Details of Environmental Matters are included in our Strategic Report on page 11 of this document.

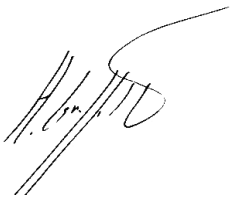
Events after the Reporting Period
Details of important events affecting the Group, which have occurred since 31 December 2019, are set out in note 18 to the financial statements on page 67.

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 25 May 2020.

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.

Remuneration Committee Chair's Annual Statement

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 2019.

Voting at our 2019 AGM and 2018 AGM was conducted on a show of hands by those shareholders (or their proxies, as applicable) in attendance at the relevant meeting. At the 2019 AGM, the resolution to approve the 2018 Directors' Remuneration Report was approved by a majority of the votes cast at the meeting on a show of hands. Had a poll been called the proxy vote directions given to the Chairman of the 2019 AGM (and other officers of the Company) would have been exercised as follows:

- on resolution 7 at the 2019 AGM on approving the Directors' Remuneration Report, 28,379,187 votes for and 270,046 votes against which equates to over 99% of the proxy vote being in favour of the resolution.

At the 2018 AGM, the resolution to approve the 2018 Directors' Remuneration Policy was approved by a majority of the votes cast at the meeting on a show of hands. Had a poll been called the proxy vote directions given to the Chairman of the 2018 AGM would have been exercised as follows:

- on resolution 9 at the 2018 AGM on approving the Directors' Remuneration Policy, 17,386,030 votes for and 452,269 votes against which equates to over 97% of the proxy vote in favour of the resolution.

Remuneration Committee

The Remuneration Committee was established in April 2014, and consists of two independent Non-Executive Directors, Rafaèle Tordjman (Chairperson of the Remuneration Committee) and James Healy. Our Chief Executive Officer (CEO), Hugh Griffith, was a member of the Remuneration Committee until 26 June 2019.

The Remuneration Committee is responsible for reviewing and establishing our executive remuneration policy and philosophy, including reviewing the performance of the Executive Directors 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 full year period from 1 January 2019 to 31 December 2019 except where otherwise stated.

The Directors' Remuneration Policy is designed to:

- Increase shareholder value;
- Reward Executive Directors 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 2019, the Committee undertook the following activities and major decisions:

- Commissioned an updated benchmarking review of senior executive and Non-Executive Director compensation, which was undertaken to ensure that remuneration for our senior executive team and our Non-Executive Directors 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 senior executive and Non-Executive Directors' 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 senior executives and Non-Executive Directors as compared to the market.

As a result of a Radford benchmarking study completed in 2019, the 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 £515,721 effective from 1 January 2020. For our CFO, this resulted in a base salary award of $451,489 effective from 1 January 2020.

- Awarded share options to selected employees in March, May and September 2019.

2020 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 2019. 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 and Directors' Remuneration Policy at our Annual General Meeting to be held on 25 June 2020.

Rafaèle Tordjman
Director and Chair of Remuneration Committee

25 May 2020

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 2019, which will be put to shareholders for a non-binding vote at the Annual General Meeting to be held on 25 June 2020.

Single Total Figure for Remuneration of each Director

The following table shows the remuneration received by the directors for the years ended 31 December 2019 and 31 December 2018.

Name of director	Salary & Fees YE 31 Dec 2019[1]	Salary & Fees YE 31 Dec 2018[1]	Taxable Benefits YE 31 Dec 2019[3]	Taxable Benefits YE 31 Dec 2018[3]	Annual Bonus YE 31 Dec 2019[4]	Annual Bonus YE 31 Dec 2018[4]	Share Options YE 31 Dec 2019[6]	Share Options YE 31 Dec 2018[6]	Pension Benefit YE 31 Dec 2019[5]	Pension Benefit YE 31 Dec 2018[5]	Total YE 31 Dec 2019	Total YE 31 Dec 2018
Executive[2]												
Hugh Griffith	497,800	467,217	2,391	2,032	282,253	271,920	-	-	45,142	45,142	827,586	786,311
Christopher Wood	160,556	155,127	4,159	3,719	60,690	60,189	-	-	-	-	225,405	219,035
Non-Executive												
Rafaèle Tordjman	44,049	41,316	-	-	-	-	-	-	-	-	44,049	41,316
James Healy	32,334	30,048	-	-	-	-	-	-	-	-	32,334	30,048
Martin Mellish	32,334	30,048	-	-	-	-	-	-	-	-	32,334	30,048
Adam George	47,954	33,804	-	-	-	-	-	-	-	-	47,954	33,804
Isaac Cheng[7]	32,334	30,048	-	-	-	-	-	-	-	-	32,334	30,048
Cyrille Leperlier	32,334	20,032	-	-	-	-	-	-	-	-	32,334	20,032
	879,695	807,640	6,550	5,751	342,943	332,109	-	-	45,142	45,142	1,274,330	1,190,642

(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) Changes to the compensation for our Executives take effect from 1 January in each year.
(3) The amount for taxable benefits represents the Company's contribution to medical insurance.
(4) The annual bonus amounts shown for the year ended 31 December 2019 represent the total bonus payments that related to performance in 2019, and were paid in early 2020.
(5) The amount for pension benefit represents the Company's contribution into a money purchase plan.
(6) These options only have service conditions attached. There are no performance conditions. The value 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 2019 and 31 December 2018 respectively, less the applicable exercise price.
(7) 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 2019, 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 2019. 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;
- Continue to strengthen our intellectual property position; and
- Build a focused commercial organisation.

Share Options Awarded During the Financial Year

The table below shows, for each director, the total number of options awarded in the year to 31 December 2019. The face value of the award is calculated as the share price at date of grant, in £GBP, 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
Executives							
Hugh Griffith	2016 Share option scheme	428,600	11.26	11.26[1]	4,826,036	15 May 2023	15 May 2029
Christopher Wood	2016 Share option scheme	60,000	11.26	11.26[1]	675,600	15 May 2023	15 May 2029
Non-Executive							
Rafaèle Tordjman	2016 Share option scheme	25,000	11.26	11.26[1]	281,500	15 May 2023	15 May 2029
James Healy	2016 Share option scheme	25,000	11.26	11.26[1]	281,500	15 May 2023	15 May 2029
Martin Mellish	2016 Share option scheme	25,000	11.26	11.26[1]	281,500	15 May 2023	15 May 2029
Adam George	2016 Share option scheme	25,000	11.26	11.26[1]	281,500	15 May 2023	15 May 2029
Isaac Cheng	2016 Share option scheme	25,000	11.26	11.26[1]	281,500	15 May 2023	15 May 2029
Cyrille Leperlier	2016 Share option scheme	25,000	11.26	11.26[1]	281,500	15 May 2023	15 May 2029

(1) The share options were granted on 15 May 2019.

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 2019. The table only reflects shares held individually by each director, or 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					
Hugh Griffith	1,025,121	2,183,531	428,600	-	3,637,252
Christopher Wood	1,199,375	749,999	60,000	187,500	2,009,374
Non-Executive					
Rafaèle Tordjman	-	22,874	47,876	-	70,750
James Healy[2]	45,750	-	25,000	-	70,750
Martin Mellish	-	39,938	30,812	-	70,750
Adam George	-	5,250	40,750	-	46,000
Isaac Cheng[3]	-	27,750	52,750	-	80,500
Cyrille Leperlier	-	5,250	40,750	-	46,000

(1) All share options that were outstanding as at 31 December 2019 use time-based vesting and are not subject to performance targets other than continued service until the date of vesting.
(2) Consists of (a) 45,750 ordinary shares held in the Healy Family Trust, for which James Healy's spouse is the trustee. These were options exercised in 2016 and will only be fully unencumbered after a period of four years from option grant date of 12 December 2016. (b) ADSs representing 4,666,666 ordinary shares are owned of record by Sofinnova Ventures are not included. James Healy, a member of our board of directors, together with Michael F. Powell and Anand Mehra, are the managing members of Sofinnova Management VIII, L.L.C., the general partner of Sofinnova Ventures, and as such, may be deemed to share voting and investment power with respect to such shares. Dr. Healy disclaims beneficial ownership with regard to the 4,666,666 shares underlying the ADSs owned by Sofinnova Ventures, except to the extent of his proportionate pecuniary interest therein.
(3) 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 2019
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 2019. A total of 638,600 options were granted to directors during the year ended 31 December 2019. One of our directors exercised options during the year ended 31 December 2019.

Name of director	Options held	Grant date	Start date for vesting	Earliest date of potential exercise of any options	Date of expiry
Executive					
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
Total	**2,612,131**				
Christopher Wood	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
	60,000	15-May-2019	15-May-2019	15-May-2020	15-May-2029
Total	**809,999**				
Non-Executive					
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
Total	**70,750**				
James Healy	25,000	15-May-2019	15-May-2019	15-May-2020	15-May-2029
Total	**25,000**				
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
Total	**70,750**				
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
Total	**46,000**				
Isaac Cheng[2]	55,500	27-Sep-2017	27-Sep-2017	27-Sep-2018	27-Sep-2027
	25,000	15-May-2019	15-May-2019	15-May-2020	15-May-2029
Total	**80,500**				
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
Total	**46,000**				

(1) All share options awarded to directors that were outstanding as at 31 December 2019 use time-based vesting and are not subject to performance targets other than continued service until the date of vesting.
(2) 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 2019 was $6.10. One ADS represents one Ordinary share.

Payments Made to Past Directors
During the year ended 31 December 2019, no payments were made to former directors of the Company.

Payments for Loss of Office
During the year ended 31 December 2019, 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 executives to vest in certain circumstances upon the event of a change of control.

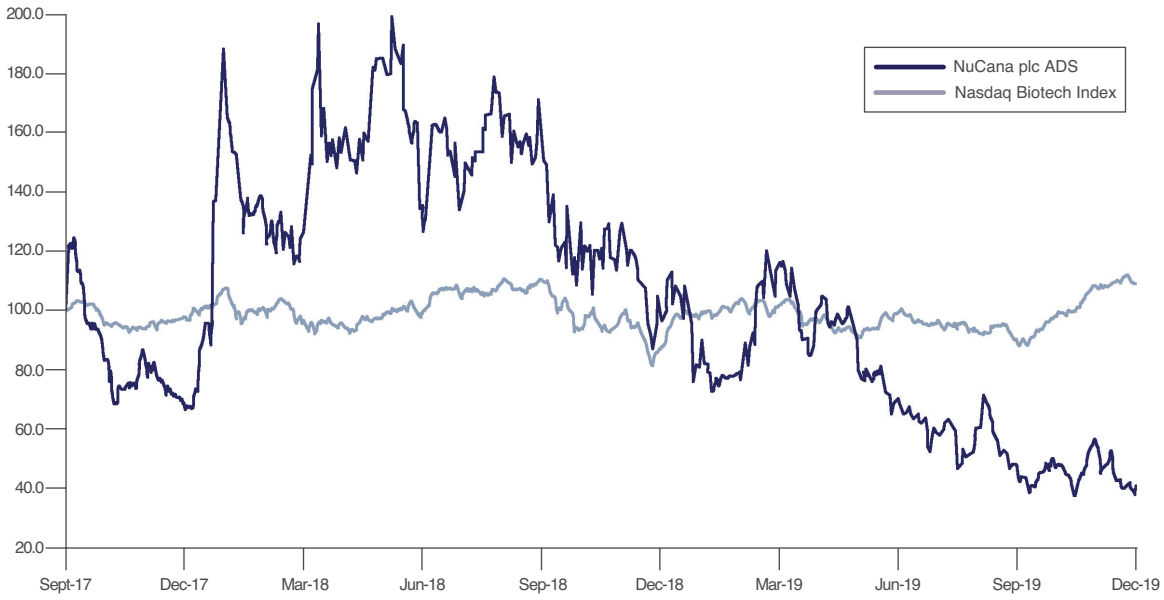
There are no contractual provisions agreed prior to 27 June 2012 that could impact on the quantum of the payment.

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 2019, 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 four 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 four most recent financial years.

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

(1) For the year ended 31 December 2017, this total includes unrealised gains on share options vesting in each of the financial years shown above. These gains remain unrealised as options have not yet been exercised.

CEO's Remuneration Compared to Other Employees

The CEO's fixed salary of £497,800 for the year ended 31 December 2019 was 4.6 times the value of the average fixed salary of the Group's employees for such period. His fixed salary of £467,217 for the year ended 31 December 2018 was 4.3 times the value of the average fixed salary of the Group's employees for the years ended 31 December 2018.

The following table shows the percentage change in remuneration of the CEO and the average increase per employee between the year ended 31 December 2019 and the year ended 31 December 2018.

Percentage Increase in Remuneration in 2019 Compared with Remuneration in 2018

	CEO	Employees[1]
Base salary	6.5%	8.5%
Annual bonus	3.8%	10.3%
Taxable benefits	17.7%	7.6%

(1) The employee comparator group comprises employees in the UK and the US. To provide meaningful comparison of salary increases, a consistent employee comparator group is used by which the same individuals appear in 2018 and 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 2019 and the year ended 31 December 2018. Given that the Group remains in the relatively early stages of its business life cycle, 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 2019. 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 2019	Year ended 31 December 2018
	£GBP (in thousands)	£GBP (in thousands)
Total spend on remuneration[1]	8,407	5,911
Research and development expenses	19,728	16,846

(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".

directors' remuneration policy

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

The Remuneration Committee presents the Directors' Remuneration Policy, which will be presented for approval at the Annual General Meeting held on 25 June 2020. This policy is effective for a maximum of three years, or until a revised policy is approved by shareholders.

There will continue to be an advisory vote on the Directors' Remuneration Report presented at the Annual General Meeting on an annual basis.

For the avoidance of doubt, in approving the Directors' Remuneration Policy, authority is given to the Group to honour any commitments entered into with current or former directors (such as the payment of a pension or the vesting/exercise of past share option awards). Details of any payments to former directors will be set out in the Annual Report on Remuneration as they arise.

Future Policy Tables

The policy tables set out below describe the Group's proposed future remuneration policy for directors and seek to explain how each element of the directors' remuneration packages will operate.

Summary of Remuneration Policy – Executive Directors

As NuCana plc is a U.K. incorporated company listed on Nasdaq in the U.S., the Remuneration Committee considers it appropriate to examine and be informed by compensation practices in both the U.K. and U.S., particularly in the matter of equity-based incentives. The Remuneration Committee considers that the following proposed Directors' Remuneration Policy is appropriate and fit for purpose, but the Remuneration Committee is committed to reviewing the remuneration policy on an ongoing basis in order to ensure that it remains effective and competitive.

The following proposed Directors' Remuneration Policy will be used to determine the remuneration for our CEO, as well as for our other senior director and executives, and would also apply to other Executive Directors and senior executives that we appoint. The Remuneration Committee is committed to reviewing the remuneration policy on an ongoing basis in order to ensure that it continues to be effective and competitive.

The following table presents the various elements of remuneration for the Executive Directors. The below principles described are also used for determining the remuneration of the senior executives.

Element of Remuneration	Purpose and link to strategy	Operation	Maximum	Performance Targets
Base salary	Rewards skills and experience and provides the basis for a competitive remuneration package.	Salaries are reviewed annually by reference to market data. Salaries are benchmarked against comparable roles at relevant companies. We typically expect to align salaries with the 75th percentile of peer companies. The Remuneration Committee may also decide to approve future increase following changes to job responsibilities or to reflect experience within the role.	Salaries will not generally exceed the 90th percentile of selected peer companies. The Remuneration Committee retains discretion to adjust the Executive Directors' base salaries to ensure that we can attract and retain the necessary talent compete in the global marketplace	Not applicable.
Pension	Enables Executive Directors to build long-term retirement savings.	Company contribution to a personal pension scheme or salary supplement. Levels are reviewed annually.	Will not generally exceed 10% of basic salary.	Not applicable.
Benefits	Protects against risks and provides other benefits in line with market practice.	Benefits currently include a supplemental health care plan, death-in-service life assurance, family private medical cover, ill-health income protection and car allowance for selected directors. The Remuneration Committee reviews benefits offered from time to time and retains the discretion to add or substitute benefits to ensure they remain market competitive. In the event that the Group requires an Executive Director to relocate, we would offer appropriate relocation assistance.	Not applicable.	Not applicable.
Annual bonus	Rewards achievement of the business objectives set at the start of each calendar year.	Objectives are set at the start of each calendar year. The choice of annual performance objectives will reflect the Remuneration Committee's assessment of the key milestones/metrics required to be achieved within the calendar year in order to make progress towards achieving our strategic goals. The target annual cash bonus for our Executive Directors will be established as a percentage of base salary. The annual bonus is payable in cash after it is awarded. When business opportunities or challenges change substantially during the course of the year, the Remuneration Committee may adjust objectives to meet the changed circumstances and correspondingly realign potential rewards.	Awards will normally be limited to a maximum of 100% of basic salary. In exceptional periods, considered to be those years in which achievements lead to a transformational effect on the future prospects or the valuation of the business, the annual maximum may increase up to 200% of basic salary. Judgement as to whether achievements in a calendar year are considered to be exceptional is at the discretion of the Remuneration Committee.	The Remuneration Committee retains the responsibility of setting performance objectives annually. These objectives can be company-based and/or individual, financial and/or non-financial, and are likely to include achievements linked to successful execution of our strategy. A number of these objectives are considered to be commercially sensitive and are therefore not disclosed here in detail.

cont

Element of Remuneration	Purpose and link to strategy	Operation	Maximum	Performance Targets
Long-term equity incentives	Motivates and rewards multi-year performance, encouraging achievement of strategy over the medium to long term. Aligns the interests of our Executive Directors and senior executives with those of our shareholders. Encourages retention as entitlement to full benefits arising from equity-based awards only accrues over a period of years. Enables us to compete with equity-based remuneration offered by a set of comparable companies with which we may compete for executive talent.	Under our share option schemes, the Remuneration Committee generally grants equity-based remuneration to Executive Directors and senior executives at the time they commence employment and from time to time thereafter based on performance. The Remuneration Committee is able to grant share options, conditional share awards (sometimes called restricted stock units), RSU style options and/or joint ownership shares, which permit phased vesting over the period. Conditional share awards are rights to receive shares for free automatically to the extent the award vests. Share Options are awards under which the recipient can buy shares, to the extent the award has vested, during the exercise period at a price (which may range from par value to market value at time of grant) set when the option is granted. RSU style options are rights to receive shares, subject to the payment of the par value of the share at the time when the award vests and is automatically exercised.	There is no fixed annual maximum limit to the size or value of equity-based compensation awards made in a year to Executive Directors and senior executives, or in the aggregate over a period of years. The Remuneration Committee will always work within benchmarking guidelines provided by our compensation consultants. Additionally, there is a maximum limit on the grant of options to all employees based on the number of authorised shares available for option grants. Value of share option awards are calculated in accordance with generally accepted methodologies based on the Black-Scholes model. We seek to establish equity-based remuneration to be reasonably competitive to that offered by a set of comparable companies with whom we may compete for executive talent.	Generally we grant equity-based remuneration awards that vest over time without specific performance targets other than continued service.(1) When making awards, the Remuneration Committee considers: the size and value of past awards; the performance of the Executive Director or senior executive; and competitive data on awards made to executives at comparable companies. Under the share option scheme rules the Board may choose, at its discretion, to vary or remove the exercise conditions of options. (See policy on payment for loss of office in Additional Information section below.)

(1) We believe the use of time-based vesting for share option awards is consistent with US practice, to which we look for guidance on our policies. We examine, with assistance from our independent remuneration consultant, comparative data on both a (i) fair market value basis and (ii) percentage of company basis. The Remuneration Committee considers each of the two methods to establish appropriate levels of equity-based remuneration for Executive Directors and senior executives.

The main change proposed in respect of the new policy for Executive Directors above is that conditional share awards, RSU style options and joint ownership shares have been added as long-term equity incentives. The rationale for this change is as follows:

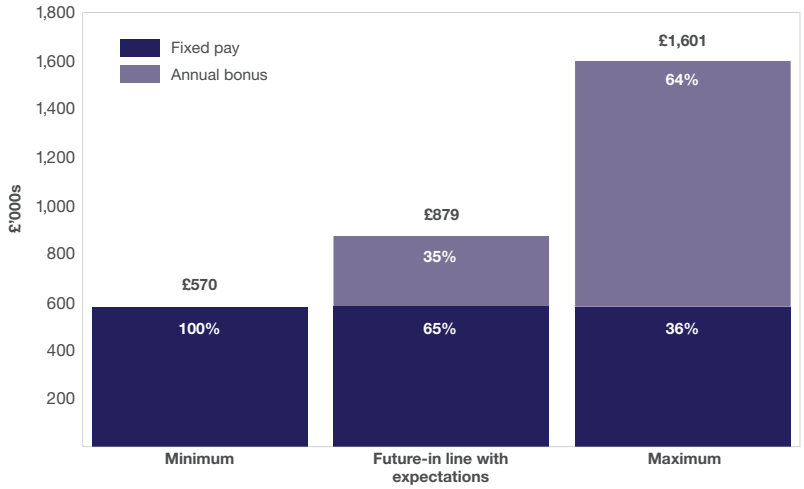
- *Conditional share awards/RSU style options*: Aligns the Company with the market practice of our peer companies. Also, provides greater certainty of value realisation for the recipient while minimising dilution for the Company as compared to issuing share options.
- *Joint ownership shares*: Provides an additional tax-advantaged method of compensating Executive Directors and senior executives.

The elements of remuneration for our Executive Directors and senior executives comprise: base salary, pension, benefits (currently access to death-in-service life insurance, family private medical cover and ill-health income protection), annual bonus and long-term equity incentives (currently share option awards, but may in the future include conditional share awards, RSU style options and/or joint ownership shares).

The remuneration of our CEO is determined by the Board after having considered recommendations from the Remuneration Committee.
The remuneration of other senior executives in the Group is determined by the Remuneration Committee.

Illustration of the Application of the Directors' Remuneration Policy to Executive Director Remuneration

The following graph provides an illustration of the potential remuneration for the year ending 31 December 2020 for the Chief Executive Officer, computed in accordance with the Remuneration Policy outlined above for each of the performance scenarios, as follows:



A range of potential outcomes is provided for the Chief Executive Officer above and the underlying assumptions are as follows:

- ***Minimum:*** solely fixed pay, which includes basic salary for 2020, as well as pension and benefits.
- ***Future – in line with expectations:*** fixed pay plus target annual cash bonus achieved.
- ***Maximum:*** fixed pay plus maximum annual cash bonus of 200% of basic salary for 2020.

The potential outcomes do not include any long-term equity incentives, as these will be awarded at the discretion of the Remuneration Committee. Also, none of the potential outcomes are linked to share price appreciation.

Summary of Remuneration Policy – Non-Executive Directors

The Board has the discretion to pay fees to any or all Non-Executive Directors; and/or to pay Non-Executive Directors in the form of a mixture of cash and share options. Our remuneration arrangements for Non-Executive Directors during 2019 comprised an award of a fixed number of share options, plus a cash payment. The option awards and cash payments were established at competitive levels taking into account peer data from comparable companies provided in a benchmarking survey undertaken by Radford consultants.

Our Non-Executive Directors do not receive any pension from the Company nor do they participate in any performance related incentive plans.

Our Non-Executive Directors participate in the Group's long-term incentive plans on terms based on the benchmarking guidelines provided by remuneration consultants. All share options are granted with an exercise price that ranges from par value to market value at time of grant and options awarded to directors vest over four years. The value of equity awards is based on the Black-Scholes model.

Element of Remuneration	Purpose and link to strategy	Operation	Maximum	Performance Targets
Non-Executive fees	Reflects time commitments and responsibilities of each role. Reflects fees paid by similarly sized companies.	The remuneration of the Non-Executive Directors will be determined by the Remuneration Committee by reference to market practice and market data, on which the Remuneration Committee receives independent advice, and reflects individual experience, scope of the role, time commitment and changes to responsibilities. Fees will typically consist of a basic fee for Non-Executive Director responsibilities plus incremental fees for additional roles/responsibilities such as committee chairmanship. The Non-Executive Directors do not receive any pension from the Group, nor do they participate in any performance-related incentive plans.	The value of each individual's aggregate fees will not exceed the 90th percentile of peer group comparator data for the relevant role.	Not applicable

cont

Element of Remuneration	Purpose and link to strategy	Operation	Maximum	Performance Targets
Long-term equity incentives	For public companies listed in the United States, equity-based remuneration is a standard component of director remuneration. We extend equity-based awards to our Non-Executive Directors in order to be competitive with comparable companies seeking qualified directors and to align the interests of our Non-Executive Directors with those of our shareholders.	Non-Executive Directors participate in the Group's long-term equity incentive plans on terms similar to those used for Executive Directors. The Remuneration Committee is able to grant to Non-Executive Directors share options, conditional share awards (sometimes called restricted stock units); and/or RSU style options, which permit phased vesting over the period. Conditional share awards are rights to receive shares for free automatically to the extent the award vests. RSU style options are rights to receive shares, subject to the payment of the par value of the share at the time when the award vests and is automatically exercised. When a new Non-Executive Director is appointed, he or she may receive an initial award of options. Options are granted at an exercise price which may range from par value to market value at time of grant and vest over four years. The Board retains the right to vary the exercise price and conditions in exceptional circumstances.	The share option, conditional share and/or RSU style option awards will be recommended to the Board by the Remuneration Committee working within benchmarking guidelines provided by our compensation consultants.	Generally we grant equity-based remuneration awards that vest over time without specific performance targets other than continued service.

The main change proposed in respect of the new policy for Non-Executive Directors above is that conditional share awards and RSU style options have been added as long-term equity incentives. The rationale for this change is this aligns the Company with the market practice of our peer companies. Also, provides greater certainty of value realisation for the recipient while minimising dilution for the Company as compared to issuing share options.

Additional Information

NuCana's policy is to provide a notice period of 12 months from the Company for Executive Directors and three months for Non-Executive Directors. No compensation or payments for loss of office are provided for in either Executive Directors or Non-Executive Directors contracts. Copies of Executive and Non-Executive Directors contracts are available for inspection at the Company's offices at 3 Lochside Way, Edinburgh EH12 9DT, UK.

Statement of Consideration of Employment Conditions and Differences to the Executive Director Policy

All employees are paid a base salary and receive standard employee benefits, which vary according to whether they are employed in the UK or the US but all are entitled to a contribution from the Company towards a pension scheme or retirement plan with selected senior executives having access to health insurance and income protection.

All employees are eligible to be considered for an annual increase in their base salaries, provided they have worked for a sufficient portion of the prior fiscal year. In addition, all employees are eligible for consideration for regular option awards. Eligibility is dependent on the employee's position and performance, with more senior employees eligible for higher award levels.

No specific consultation with employees has been undertaken in respect of the design of the Company's senior executive remuneration policy to date although the Remuneration Committee will keep this under review. In setting the policy for directors' remuneration, the Remuneration Committee takes into account the fact that remuneration for each of NuCana's employees is competitive for each employees' role and similarly that the employment conditions of each employee are appropriate and competitive for their role.

Statement of Consideration of Shareholder Views

This policy for remuneration of both Executive Directors and Non-Executive Directors was devised by a Remuneration Committee of which the two members are Non-Executive Directors. Both members of the Remuneration Committee were appointed to the Board of the Company and the Remuneration Committee following investments made by significant shareholders in relation to which they had a management role and interest.

statement of implementation of the directors' remuneration policy in financial year ending 31 December 2020

In January 2020, the Committee considered the extent to which the 2019 calendar year objectives were achieved by the executive team and determined the level of bonus incentive awards payable in respect of the 2019 calendar year. The awards made to our CEO and senior executive officers recognised that almost all of our corporate objectives for 2019 had been achieved, with our CEO and senior executive officers receiving bonus awards at 94.5% of the potential target bonus amount. These target bonus amounts had also been benchmarked against peer group comparative data as provided by Radford.

In February 2020, the Committee approved the objectives 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;
- Continue to strengthen our intellectual property position; and;
- Build a focused commercial organisation.

In May 2020, the Committee met to consider the award of share options to the directors and CEO in respect of services provided and performance attained during 2019, in accordance with the Remuneration Policy. Further details will be provided in the 2020 Annual Report.

The Remuneration Committee

The Remuneration Committee consists of two independent Non-Executive Directors, Rafaèle Tordjman and James Healy. Our Chief Executive Officer (CEO), Hugh Griffith, was a member of the Remuneration Committee until 26 June 2019.

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. Rafaèle Tordjman serves as Chairperson of the Remuneration Committee. The Remuneration Committee reviews, among other things, the performance of the 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. 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 CEO, CFO and Non-Executive Directors. 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 2019, the cost of advice from Radford was £38,486 (2018: £27,141).

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 2019 and base salary awards effective from 1 January 2020. 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

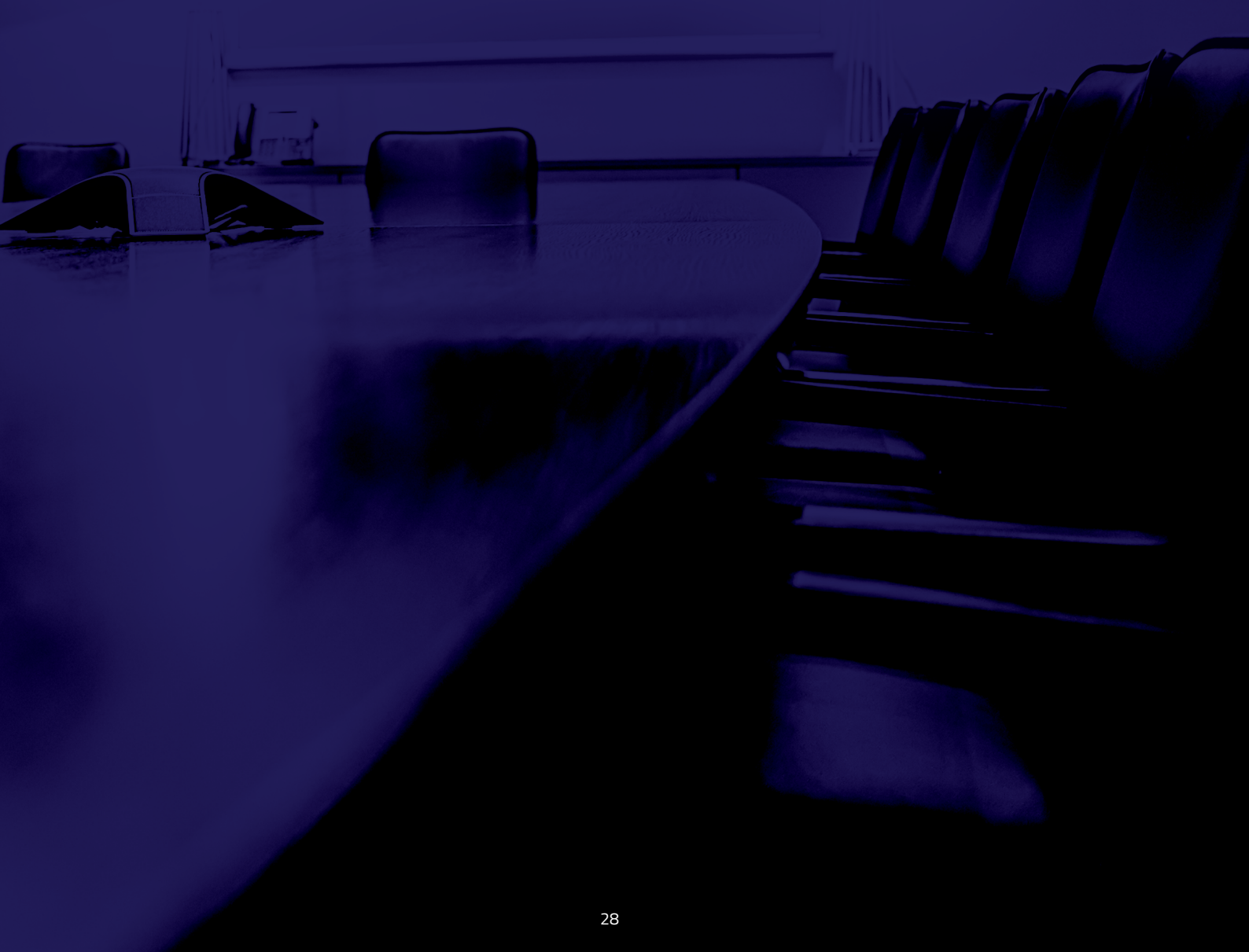
Approval

This report was approved by the Board of Directors on 25 May 2020 and signed on its behalf by:

Rafaèle Tordjman
Director and Chair of Remuneration Committee

25 May 2020

statement of directors' responsibilities



statement of directors' responsibilities

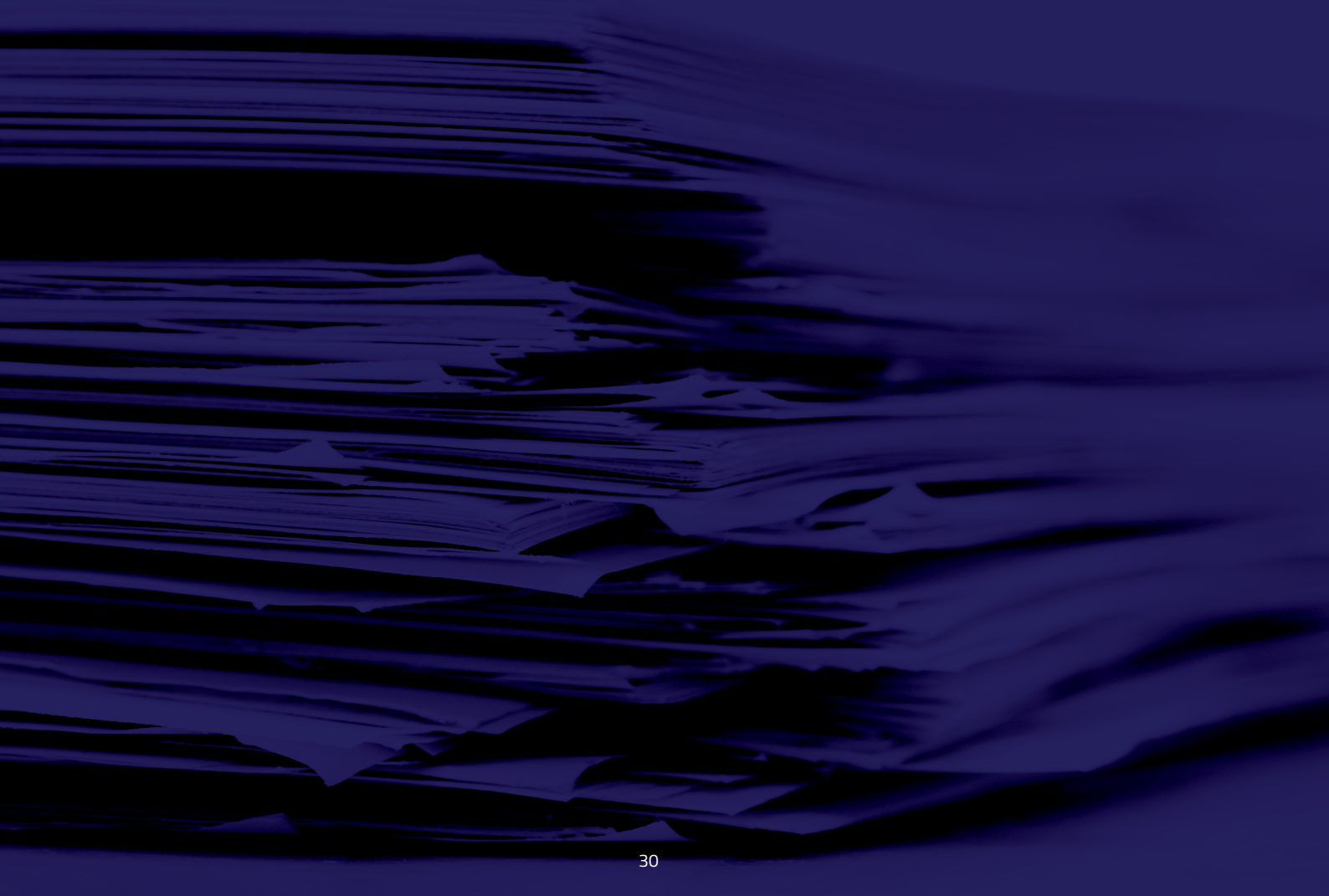
The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU).

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.

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 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions 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 which comprise:

Group	Parent Company
Group statement of financial position as at 31 December 2019	Statement of financial position as at 31 December 2019
Group income statement for the year then ended	Statement of changes in equity for the year then ended
Group statement of comprehensive loss for the year then ended	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 IFRSs as adopted by the European Union and, as regards to the Parent Company financial statements, as applied in accordance with the provisions 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 below. We are independent of the Group and Parent Company 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

overview of our audit approach

Key audit matters	• Research and development accruals and prepayments • Management override of controls over cash and expenditure • Management's consideration of going concern
Audit scope	• We performed an audit of the complete financial information of all components
Materiality	• Overall Group materiality of £449,000 which represents 2% of adjusted operating expenses

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 59).* 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. Management applies judgement when considering the level of services received up to the date of the balance sheet, to determine appropriateness of accruals and/or prepayments recorded.	We reviewed and challenged management's assessment of the accounting for costs of all significant clinical studies and the basis on which these are accrued or prepaid and reviewed management's assessment of each major study and agree information to supporting information (contracts, contract amendments, invoices and other communications). We agreed values for stages of completion to the signed contracts and the calculation of total costs incurred as at the year end and agreed the stage of completion of the studies to information from the third parties and agree payments made to invoices from the third party. We agreed unpaid costs at year end to creditors and/or accrual balances, in respect of the contracts for which prepayments have been made, to the calculation of the remaining prepayment amount. *We performed full scope audit procedures over this risk area, which covered 100% of the risk amounts - accruals of £1.9m (2018: £1.7m) and prepayments of £2.6m (2018: £1.1m).*	We have concluded that research and development cost accruals and prepayments have been recognised and valued appropriately.
Management override of controls over cash and expenditure 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 cash reserves held by the Group, (ii) the management and approval of expenditure and (iii) the application of formalised sign off processes.	We undertook specific procedures around journal entries, authorisation processes and cash transactions to obtain comfort that the existing environment was appropriate to identify material instances of fraud and/or error. We have tested manual journal entries including those in relation to share based payments and research and development cost accruals. We have reviewed and tested significant bank transactions to source documentation during the year and since the year end. *We performed full scope audit procedures over this risk area, which covered 100% of the risk amount.*	We have concluded that no material inappropriate transactions were undertaken during the year.
Management's consideration of going concern *Refer to notes 2 and 18 of the financial statements (pages 43 and 67).* As a biopharmaceutical engaged in research and development, the Group incurs significant expenditure in advance of generating commercial revenues. Management of cash resources is therefore critical to the continued operations of the business, as a result we consider managements going concern assessment and associated forecasts to be a key area of audit focus.	In assessing management's consideration of going concern, we have undertaken the following audit procedures: • We obtained from management their latest financial models that support the Board's assessment and conclusions with respect to the statement of going concern. • We performed procedures to ensure the mechanical accuracy of the models and resulting forecasts. • We discussed with management the critical estimates and judgements applied in their latest financial models so we could understand and challenge the rationale for the factors incorporated into the models and assessed the impact of COVID-19 on the forecasts and conclusion. • We inspected the financial models provided to assess their consistency with our understanding of the operations of the Group. We also agreed any key amendments, estimates and judgements to underlying supporting information and fact patterns where and as appropriate. *We performed full scope audit procedures over this risk area, which covered 100% of the risk.*	We consider the disclosures made by management and the Board in respect to going concern to be appropriate. Based on our procedures, we have not identified any matters to report with respect to both management and the Board's considerations of the impact of COVID-19 on their assessment of going concern.

an overview of the scope of our audit

Tailoring the Scope
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. The Group's subsidiaries account for less than 10% of the Group's costs. We audited all subsidiary accounts to Group materiality. All audit work was performed by the primary audit engagement team.

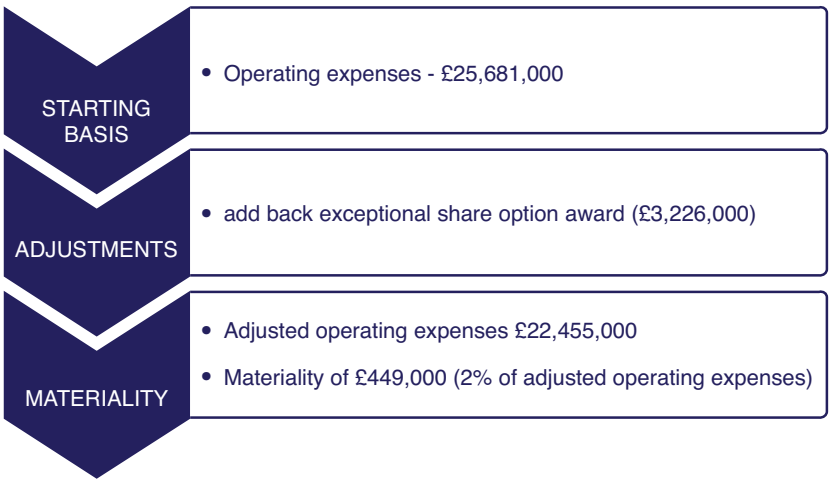
Changes from the Prior Year
There have been no changes in our audit approach from the prior year.

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 procedure.

We determined materiality for both the Group and Parent Company to be £449,000 (2018: £381,000), which is 2% (2018: 2%) of adjusted operating expenditure. We believe that adjusted operating expenditure provides us with an appropriate basis for determining misstatements of importance to 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% (2018: 75%) of our planning materiality, namely £337,000 (2018: £286,000). 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.

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 £22,000 (2018: £19,000), 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 29, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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 29, 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.

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

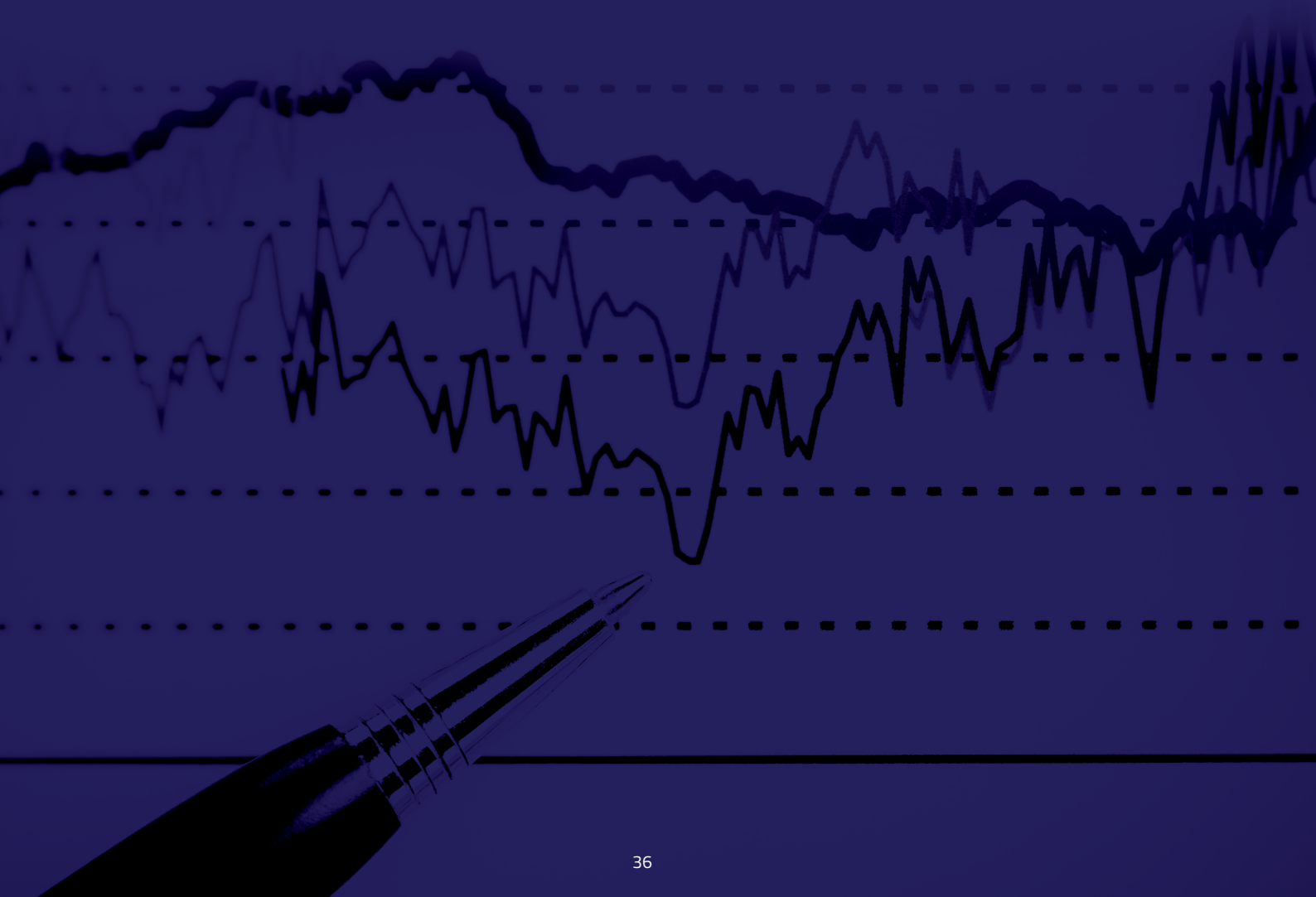
27 May 2020

Notes:

(1) The maintenance and integrity of the NuCana plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

(2) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

financial statements



group income statement

for the year ended 31 December 2019

	Notes	*2019*	*2018*
		(in thousands)	
		£	£
Research and development expenses		(19,728)	(16,846)
Administrative expenses		(5,953)	(5,184)
Net foreign exchange (losses) gains		(1,019)	2,902
Operating loss		**(26,700)**	**(19,128)**
Finance income		1,049	1,065
Loss before tax	3	**(25,651)**	**(18,063)**
Income tax credit	4	4,239	4,223
Loss for the year		**(21,412)**	**(13,840)**
Attributable to:			
Equity holders of the Company		**(21,412)**	**(13,840)**
		£	£
Basic and diluted loss per share	5	(0.66)	(0.43)

group statement of comprehensive loss

for the year ended 31 December 2019

	2019	*2018*
	(in thousands)	
	£	£
Loss for the year	**(21,412)**	**(13,840)**
Other comprehensive (expense) income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(11)	12
Other comprehensive (expense) income for the year	(11)	12
Total comprehensive loss for the year	**(21,423)**	**(13,828)**
Attributable to:		
Equity holders of the Company	**(21,423)**	**(13,828)**

group statement of financial position

at 31 December 2019

	Notes	*2019* (in thousands) £	*2018* £
Assets			
Non-current assets			
Intangible assets	7	3,960	3,122
Property, plant and equipment	8	1,109	427
Deferred tax asset	4	46	47
		5,115	**3,596**
Current assets			
Prepayments, accrued income and other receivables	11	4,710	2,354
Current income tax receivable	4	8,481	4,263
Cash and cash equivalents	12	51,962	76,972
		65,153	**83,589**
Total assets		**70,268**	**87,185**
Equity and liabilities			
Capital and reserves			
Share capital and share premium	13	80,840	80,715
Other reserves	14	62,737	59,692
Accumulated deficit		(80,055)	(58,813)
Total equity attributable to equity holders of the Company		**63,522**	**81,594**
Non-current liabilities			
Provisions		26	26
Lease liabilities	16	538	-
		564	**26**
Current liabilities			
Trade payables		2,412	2,455
Payroll taxes and social security		160	127
Accrued expenditure		3,342	2,983
Lease liabilities	16	268	-
		6,182	**5,565**
Total liabilities		**6,746**	**5,591**
Total equity and liabilities		**70,268**	**87,185**

On behalf of the Board

Hugh S. Griffith
Director
25 May 2020

company statement of financial position

at 31 December 2019

		2019	*2018*
		(in thousands)	
Assets	Notes	£	£
Non-current assets			
Intangible assets	7	3,960	3,122
Property, plant and equipment	8	1,053	426
Investment in subsidiaries	9	-	-
Loan receivable from subsidiary	10	381	375
		5,394	**3,923**
Current assets			
Prepayments, accrued income and other receivables	11	4,654	2,284
Current income tax receivable	4	8,477	4,239
Cash and cash equivalents	12	51,856	76,863
		64,987	**83,386**
Total assets		**70,381**	**87,309**
Equity and liabilities			
Capital and reserves			
Share capital and share premium	13	80,840	80,715
Other reserves	14	63,086	60,030
Accumulated deficit		(80,320)	(58,996)
Total equity		**63,606**	**81,749**
Non-current liabilities			
Provisions		26	26
Lease liabilities		538	-
		564	**26**
Current liabilities			
Trade payables		2,398	2,446
Payroll taxes and social security		141	101
Loan payable to subsidiary	10	266	192
Accrued expenditure		3,190	2,795
Lease liabilities		216	-
		6,211	**5,534**
Total liabilities		**6,775**	**5,560**
Total equity and liabilities		**70,381**	**87,309**

The Company's loss for the year is £21.5 million (2018: £13.9 million)

On behalf of the Board

Hugh S. Griffith
Director
25 May 2020

group statement of changes in equity

for the year ended 31 December 2019

	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 2018	**1,272**	**79,236**	**(339)**	**15,955**	**(11)**	**42,466**	**(45,159)**	**93,420**
Loss for the year	-	-	-	-	-	-	(13,840)	(13,840)
Other comprehensive income for the year	-	-	-	-	12	-	-	12
Total comprehensive loss for the year	-	-	-	-	12	-	(13,840)	(13,828)
Share-based payments	-	-	-	1,795	-	-	-	1,795
Exercise of share options	17	190	-	(186)	-	-	186	207
Balance at 31 December 2018	**1,289**	**79,426**	**(339)**	**17,564**	**1**	**42,466**	**(58,813)**	**81,594**
Loss for the year	-	-	-	-	-	-	(21,412)	(21,412)
Other comprehensive loss 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**

company statement of changes in equity

for the year ended 31 December 2019

	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 2018	**1,272**	**79,236**	**15,955**	**42,466**	**(45,291)**	**93,638**
Loss for the year	-	-	-	-	(13,891)	(13,891)
Other comprehensive expense for the year	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(13,891)	(13,891)
Share-based payments	-	-	1,795	-	-	1,795
Exercise of share options	17	190	(186)	-	186	207
Balance at 31 December 2018	**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**

group and company statement of cash flows

for the year ended 31 December 2019

	Group		Company	
	2019	*2018*	*2019*	*2018*
	(in thousands)			
	£	£	£	£
Cash flows from operating activities				
Loss for the year	(21,412)	(13,840)	(21,494)	(13,891)
Adjustments for:				
Income tax credit	(4,239)	(4,223)	(4,238)	(4,258)
Amortisation and depreciation	718	371	662	369
Finance income	(1,049)	(1,065)	(1,055)	(1,070)
Share-based payments	3,226	1,795	3,226	1,795
Net foreign exchange losses (gains)	1,006	(2,959)	1,006	(2,957)
	(21,750)	(19,921)	(21,893)	(20,012)
Movements in working capital:				
(Increase) decrease in prepayments, accrued income and other receivables	(2,452)	817	(2,465)	855
(Decrease) increase in trade payables	(43)	1,335	(48)	1,352
Increase in payroll taxes, social security, accrued expenditure and payable to subsidiary	393	1,321	509	1,307
Movements in working capital	(2,102)	3,473	(2,004)	3,514
Cash used in operations	**(23,852)**	**(16,448)**	**(23,897)**	**(16,498)**
Net income tax credit	19	4,224	-	4,226
Net cash used in operating activities	**(23,833)**	**(12,224)**	**(23,897)**	**(12,272)**
Cash flows from investing activities				
Interest received	1,116	973	1,116	973
Payments for property, plant and equipment	(46)	(210)	(46)	(210)
Payments for intangible assets	(1,215)	(1,414)	(1,215)	(1,414)
Net cash used in investing activities	**(145)**	**(651)**	**(145)**	**(651)**
Cash flows from financing activities				
Payments of lease liabilities	(197)	-	(138)	-
Proceeds from lease incentives received	25	-	25	-
Proceeds from issue of share capital	125	207	125	207
Net cash (used in) from financing activities	**(47)**	**207**	**12**	**207**
Net decrease in cash and cash equivalents	(24,025)	(12,668)	(24,030)	(12,716)
Cash and cash equivalents at beginning of year	**76,972**	**86,703**	**76,863**	**86,651**
Effect of exchange rate changes on cash and cash equivalents	(985)	2,937	(977)	2,928
Cash and cash equivalents at end of year	**51,962**	**76,972**	**51,856**	**76,863**

notes to the financial statements

for the year ended 31 December 2019

1. Authorisation of Financial Statements and Compliance with IFRS

The financial statements of NuCana plc ("Company") and together with its subsidiaries ("Group") for the year ended 31 December 2019 were authorised for issue by the board of directors on 25 May 2020.

The Group is a clinical-stage biopharmaceutical company developing a portfolio of new medicines to treat 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 Financial Reporting Standards (IFRS) as adopted by the European Union and applied in accordance with the provisions 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 2019. 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, 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 £52.0 million at 31 December 2019 will be sufficient to fund its current operating plan for at least the next 12 months. Further, the directors have conducted a full assessment of the impact of COVID-19 on the going concern status of the Group and have concluded that it will not have a negative impact on the cash outflows of the Group over the period assessed for going concern purposes. As detailed in note 18, the Group temporarily paused the enrolment of new patients onto on-going clinical studies as a result of COVID-19, resulting in the costs relating to these activities being deferred.

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. The Group currently has sufficient cash reserves to fund operations at least into the fourth quarter of 2021. There can be no assurances, however, that additional funding will be available on acceptable terms.

Judgements and Estimates

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet dates 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 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 these 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 £1.7 million at 31 December 2019 as compared to £1.5 million at 31 December 2018.

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 £0.2 million at 31 December 2019 as compared to £0.2 million at 31 December 2018.

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.

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. Software costs 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 and generates taxable income.

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.

Operating Leases (prior to 1 January 2019)
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the Group income statement on a straight-line basis over the lease term.

Leases (from 1 January 2019)
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 2019.

The following accounting standards, interpretations and amendments have been adopted as of 1 January 2019 in these financial statements and, with the exception of IFRS 16 Leases, 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:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 3 - Annual Improvements to IFRSs 2015-2017 Cycle
- Amendments to IFRS 9 - Prepayment Features with Negative Compensation
- Amendments to IFRS 11 - Annual Improvements to IFRSs 2015-2017 Cycle
- Amendments to IAS 12 - Annual Improvements to IFRSs 2015-2017 Cycle
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement
- Amendments to IAS 23 - Annual Improvements to IFRSs 2015-2017 Cycle
- Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures

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 References to the Conceptual Framework in IFRS Standards (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)
- IFRS 17 Insurance Contracts (effective from 1 January 2021)
- Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective from 1 January 2021)
- Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current (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.

IFRS 16: Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption of IFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

Group	*2019*
	(in thousands)
Assets	£
Right of use assets (note 8)	455
Prepayments	(21)
Total assets	**434**
Liabilities	
Lease liabilities - non-current	287
Lease liabilities - current	147
Total liabilities	**434**

Company	*2019*
	(in thousands)
Assets	£
Right of use assets (note 8)	343
Prepayments	(16)
Total assets	**327**
Liabilities	
Lease liabilities - non-current	237
Lease liabilities - current	90
Total liabilities	**327**

The Group has lease contracts solely for office space. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) as an operating lease. Refer to note 2 Operating leases for the accounting policy prior to 1 January 2019.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to note 2 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

The Group recognised right of use assets and lease liabilities for the leases previously classified as operating leases. The right of use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid lease payments previously recognised, and are included in property, plant and equipment on the statement of financial position. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the following available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded the initial direct costs from the measurement of the right of use asset at the date of initial application

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Group	*2019*
	(in thousands, except borrowing rate)
	£
Operating lease obligations as at 31 December 2018	433
Weighted average incremental borrowing rate as at 1 January 2019	4.17%
Discounted operating lease obligations as at 1 January 2019	**413**
Less:	
Lease not commenced as at 31 December 2018	(138)
Lease obligations prepaid as at 31 December 2018	(21)
Service component included in operating lease obligations as at 31 December 2018	(3)
Add:	
Lease payments relating to renewal periods not included in operating lease obligations as at 31 December 2018	183
Lease liabilities as at 1 January 2019	**434**

Company	*2019*
	(in thousands, except borrowing rate)
	£
Operating lease obligations as at 31 December 2018	313
Weighted average incremental borrowing rate as at 1 January 2019	4.17%
Discounted operating lease obligations as at 1 January 2019	**298**
Less:	
Lease not commenced as at 31 December 2018	(138)
Lease obligations prepaid as at 31 December 2018	(16)
Add:	
Lease payments relating to renewal periods not included in operating lease obligations as at 31 December 2018	183
Lease liabilities as at 1 January 2019	**327**

3. Loss Before Tax

This is stated after charging:

	2019	2018
	(in thousands)	
	£	£
Amortisation and depreciation		
Owned assets	525	371
Right of use assets under IFRS 16	193	-
Interest expense on lease liabilities (included in administrative expenses) under IFRS 16	21	-
Operating lease expense under IAS 17	-	150
Share-based payments	3,226	1,795

(a) Auditors remuneration

	2019	2018
	(in thousands)	
	£	£
Audit of the financial statements	288	330
Other fees:		
Audit-related Fees[1]	255	186
	543	**516**

[1] Audit-Related Fees are primarily for quarterly reviews.

(b) Staff costs and directors' emoluments

Group

	2019	2018
	(in thousands)	
Included in research and development expenses:	£	£
Wages and salaries	3,304	2,794
Social security costs	395	314
Pension costs	140	106
Share-based payments	1,878	835
	5,717	4,049

	2019	2018
	(in thousands)	
Included in administrative expenses:	£	£
Wages and salaries	1,190	805
Social security costs	115	75
Pension costs	37	22
Share-based payments	1,348	960
	2,690	1,862
Total employee benefit expense	**8,407**	**5,911**

	2019	2018
The average number of staff employed under contracts of service were:	(number)	
Research and development activities	23	18
Administrative activities	5	4
	28	**22**

Company	*2019*	*2018*
	(in thousands)	
Included in research and development expenses:	£	£
Wages and salaries	2,890	2,304
Social security costs	375	292
Pension costs	134	109
Share-based payments	1,878	835
	5,277	3,540

	2019	*2018*
	(in thousands)	
Included in administrative expenses:	£	£
Wages and salaries	863	541
Social security costs	102	65
Pension costs	33	20
Share-based payments	1,348	960
	2,346	1,586
Total employee benefit expense	**7,623**	**5,126**

	2019	*2018*
The average number of staff employed under contracts of service were:	(number)	
Research and development activities	21	16
Administrative activities	4	3
	25	**19**

Directors' remuneration

Company	*2019*	*2018*
	(in thousands)	
	£	£
Directors' remuneration in respect of qualifying services	1,229	1,149
Pension	45	45
	1,274	**1,194**

The number of directors who exercised share options in 2019 is 1 (2018: 1). The gain on exercise of these options was £1.4 million (2018: £4.2 million).

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

	2019	*2018*
	(number)	
Accruing benefits under money purchase pension scheme	1	1

4. Income Tax Credit

(a) Tax on loss on ordinary activities:

	2019	*2018*
	(in thousands)	
	£	£
Current tax:		
In respect of current year UK	4,325	4,239
In respect of current year US	(1)	-
In respect of prior year UK	(86)	19
In respect of prior year US	-	3
Total current tax	**4,238**	**4,261**
Deferred tax:		
In respect of current year US	1	11
In respect of prior year US	-	(49)
Total deferred tax	**1**	**(38)**
Income tax credit	**4,239**	**4,223**
Current income tax receivable:		
UK tax	8,477	4,239
US tax	4	24
Current income tax receivable	**8,481**	**4,263**
Deferred tax:		
US tax	46	47

(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:

	2019	*2018*
	(in thousands)	
	£	£
Loss before tax	**(25,651)**	**(18,063)**
Tax on loss at standard UK tax rate of 19% (2018: 19%)	(4,874)	(3,432)
Effects of:		
Expenses not deductible	2,912	1,389
Deduction for R&D	(5,667)	(5,554)
Losses surrendered for R&D tax credit	5,667	5,554
Deferred tax - PY adjustment	-	49
Overseas tax payable - current year	1	-
Overseas tax payable - prior years	-	(3)
R&D tax credit - US	(1)	(11)
R&D tax credit - current year	(4,325)	(4,239)
R&D tax credit - prior years	86	(19)
Deferred tax asset not recognised	1,962	2,043
Income tax credit	**(4,239)**	**(4,223)**

(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 compensation arrangements as at 31 December 2019 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 £46.4 million (2018: £62.1 million), comprising temporary differences on share-based compensation arrangements of £14.2 million (2018: £38.9 million) and cumulative carry forward tax losses of £32.2 million (2018: £23.2 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 Chancellor announced in the Budget on 11 March 2020, that the full rate of UK corporation tax would remain at 19% from 1 April 2020.

5. Basic and Diluted Loss Per Share

	2019	*2018*
	(in thousands, except per share data)	
	£	£
Loss for the year	**(21,412)**	**(13,840)**
Basic and diluted weighted average number of shares	32,327	31,972
	£	£
Basic and diluted loss per share	**(0.66)**	**(0.43)**

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. 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 both 2018 and 2019 and which we expect will total approximately £175,000 in 2020. 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 2020, subject to the extension periods agreed to in the February 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 2019, 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 £1.3 million (31 December 2018: £3.3 million).

7. Intangible Assets

Group and Company

	Patents	*Computer Software*	*Total*
		(in thousands)	
	£	£	£
Cost:			
At 31 December 2017	2,115	153	2,268
Additions	1,409	5	1,414
At 31 December 2018	**3,524**	**158**	**3,682**
Accumulated amortisation:			
At 31 December 2017	302	28	330
Charge for the year	196	34	230
At 31 December 2018	**498**	**62**	**560**
Net book value:			
At 31 December 2018	**3,026**	**96**	**3,122**
At 31 December 2017	1,813	125	1,938
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

8. Property, Plant and Equipment

Group

	Right of use assets	*Office and computer equipment*	*Fixtures and fittings*	*Total*
		(in thousands)		
	£	£	£	£
Cost:				
At 31 December 2017	-	142	280	422
Additions	-	84	126	210
Disposals	-	(16)	-	(16)
Effect of foreign currency exchange differences	-	-	-	-
At 31 December 2018	**-**	**210**	**406**	**616**
Depreciation:				
At 31 December 2017	-	51	13	64
Charge for the year	-	61	80	141
Disposals	-	(16)	-	(16)
Effect of foreign currency exchange differences	-	-	-	-
At 31 December 2018	**-**	**96**	**93**	**189**
Net book value:				
At 31 December 2018	**-**	**114**	**313**	**427**
At 31 December 2017	-	91	267	358
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

Company

	Right of use assets	*Office and computer equipment*	*Fixtures and fittings*	*Total*
		(in thousands)		
	£	£	£	£
Cost:				
At 31 December 2017	-	137	280	417
Additions	-	84	126	210
Disposals	-	(16)	-	(16)
At 31 December 2018	**-**	**205**	**406**	**611**
Depreciation:				
At 31 December 2017	-	49	13	62
Charge for the year	-	59	80	139
Disposals	-	(16)	-	(16)
At 31 December 2018	**-**	**92**	**93**	**185**
Net book value:				
At 31 December 2018	**-**	**113**	**313**	**426**
At 31 December 2017	-	88	267	355
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

9. Investments in Subsidiaries

	2019	2018
	£	£
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 2019	1,160	1,086	266	-	-
31 December 2018	1,172	1,149	192	-	-
NuCana BioMed Employee Benefit Trust					
31 December 2019	-	-	-	381	6
31 December 2018	-	-	-	375	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 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2018: £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

	2019	*2018*
	(in thousands)	
	£	£
Short-term employee benefits	1,686	1,687
Pension and other benefits	69	72
Share-based payments	1,976	893
	3,731	**2,652**

Compensation of Key Management Personnel of the Company

	2019	*2018*
	(in thousands)	
	£	£
Short-term employee benefits	1,223	1,144
Pension and other benefits	52	51
Share-based payments	1,507	474
	2,782	**1,669**

The amounts disclosed in the table above are the amounts recognised as an expense during the reporting year relating to key management personnel.

11. Prepayments, Accrued Income and Other Receivables

Group	*2019*	*2018*
	(in thousands)	
	£	£
Prepayments - manufacturing and clinical	2,630	1,050
Prepayments - other	1,489	750
Accrued income	76	165
VAT	475	379
Other receivables	40	10
	4,710	**2,354**

Company	*2019*	*2018*
	(in thousands)	
	£	£
Prepayments - manufacturing and clinical	2,630	1,050
Prepayments - other	1,443	690
Accrued income	76	165
VAT	475	379
Other receivables	30	-
	4,654	**2,284**

12. Cash and Cash Equivalents

Group	*2019*	*2018*
	(in thousands)	
	£	£
Cash and cash equivalents	51,962	76,972

Company	*2019*	*2018*
	(in thousands)	
	£	£
Cash and cash equivalents	51,856	76,863

Cash and cash equivalents are composed of cash at bank with maturities of three months or less, and are 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	*2019*	*2018*
	(in thousands)	
	£	£
Share capital	1,299	1,289
Share premium	79,541	79,426
	80,840	**80,715**

Group and Company	*2019*	*2018*
	Number	Number
	(in thousands)	
Issued share capital comprises:		
Ordinary shares of £0.04 each	**32,479**	**32,226**

Group and Company	Number of shares	Share capital	Share premium
		(in thousands)	
Fully paid shares:		£	£
Balance at 31 December 2017	**31,811**	**1,272**	**79,236**
Exercise of share options	415	17	190
Balance at 31 December 2018	**32,226**	**1,289**	**79,246**
Exercise of share options	253	10	115
	32,479	**1,299**	**79,541**

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 2019 or 2018.

14. Other Reserves

Group	*2019*	*2018*
	(in thousands)	
	£	£
Own share reserve	(339)	(339)
Foreign currency translation reserve	(10)	1
Capital reserve	42,466	42,466
Share option reserve		
Balance at beginning of year	17,564	15,955
Share-based payments	3,289	1,977
Exercise of share options	(132)	(186)
Forfeiture of share options	(63)	(182)
Lapse of share options	(38)	-
Balance at end of year	20,620	17,564
Total other reserves	**62,737**	**59,692**

Company	*2019*	*2018*
	(in thousands)	
	£	£
Share option reserve	20,620	17,564
Capital reserve	42,466	42,466
Total other reserves	**63,086**	**60,030**

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 options plan.

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

2018 Options
In 2018, share options were granted under the following share-based payment plan:

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, with the exception of options granted to a consultant, under which the options granted vested immediately.

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

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.

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 2017	4,711,502	1.29
Granted	253,500	17.01
Forfeited	(143,438)	12.74
Exercised[1]	(415,312)	0.50
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[2]	(252,187)	0.50
Outstanding at 31 December 2019[3]	**5,298,840**	**3.91**
Vested and exercisable at 31 December 2019[4]	**3,811,736**	**1.15**
Vested and exercisable at 31 December 2018[4]	3,847,305	0.68
Vested and exercisable at 31 December 2017[4]	4,030,833	0.36

(1) The weighted average share price at the date of exercise of these options was £18.23.
(2) The weighted average share price at the date of exercise of these options was £7.65.
(3) The exercise price of outstanding share options ranges from £0.04 to £18.05.
(4) Share options granted to a non-executive director in 2016 are not included in these calculations. These share options were exercised and will only be fully unencumbered after a period of four years from the grant date.

The weighted average remaining contractual life of the share options outstanding as at 31 December 2019 is 4.63 years (2018: 3.96).

The following principal assumptions were used in the valuation for the 2018 share options.

Grant date	11-Apr-18	11-Apr-18	8-May-18	14-Aug-18
Vesting dates	11-Apr-19	11-Apr-18	8-May-19	14-Aug-19
	11-Apr-20		8-May-20	14-Aug-20
	11-Apr-21		8-May-21	14-Aug-21
	11-Apr-22		8-May-22	14-Aug-22
Volatility	64.48%	60.06%	65.8%	68.14%
Dividend yield	0%	0%	0%	0%
Risk-free investment rate	1.04%	0.83%	1.02%	0.93%
Fair value of option at grant date	£8.97	£17.35	£8.63	£9.65
Fair value of share at grant date	£17.51	£17.51	£16.57	£18.05
Exercise price at date of grant	£17.51	£0.16	£16.57	£18.05
Lapse date	11-Apr-28	11-Apr-28	8-May-28	14-Aug-28
Expected option life (years)	4.50	2.00	4.50	4.50
Number of options granted	71,500	7,500	62,000	112,500

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 2018, an employee remuneration expense, all of which related to equity-settled share-based payments, of £1.8 million (2017: £11.7 million) has been included in the Group income statement and credited to equity.

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 (2018: £1.8 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	*2019*
	(in thousands)
	£
Initial recognition at 1 January 2019	**434**
Additions	548
Re-measurement of liability	2
Accretion of interest	21
Payments	(197)
Effect of foreign currency exchange differences	(2)
At 31 December 2019	**806**
Classified as:	
Current	268
Non-current	538
	806

Company	*2019*
	(in thousands)
	£
Initial recognition at 1 January 2019	**327**
Additions	548
Accretion of interest	17
Payments	(138)
At 31 December 2019	**754**
Classified as:	
Current	216
Non-current	538
	754

The maturity analysis of lease liabilities are as follows:

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

Company	*2019*
	(in thousands)
	£
Contractual undiscounted payments	
Not later than 1 year	240
Later than 1 year and not later than 3 years	400
Later than 3 years and not later than 5 years	167
Total contractual undiscounted payments	**807**
Less: effect of discounting	(53)
Discounted lease liabilities	**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 £0.2 million in 2019, of which the Company had total net cash outflows for leases of £0.1 million in 2019. The Group and Company also had non-cash additions to right of use assets and lease liabilities of £0.5 million in 2019.

The Group has one lease contract with variable payments where the lease costs after the first year of the lease are increased based upon a consumer price index. The lease liability for this lease was re-measured at 31 December 2019. 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 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	*2019*
	(in thousands)
	£
Extension options not expected to be exercised	
Not later than 5 years	351
Later than 5 years	627
Total	**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 2019, the Group had cash and cash equivalents of £52.0 million. As of 31 December 2018, the Group had cash and cash equivalents of £77.0 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	*2019*	*2018*
	(in thousands)	
	Carrying amount	
	£	£
Financial assets at fixed rates		
Cash and cash equivalents	41,827	64,267
Financial assets at variable rates		
Cash and cash equivalents	7,108	7,141
Non-interest bearing cash balances		
Cash and cash equivalents	3,027	5,564

An increase in the UK bank interest rates by 0.5 percentage points would increase the net annual interest income applicable to the cash and cash equivalents by £244,674 (2018: £357,041).

Currency Risk

The Group's functional currency is the UK pound sterling, and its transactions are commonly denominated in that currency. However, a portion of expenses is incurred in other currencies, primarily US dollars, and the Group is exposed to the effects of this exchange rate. Since mid-2016, there has been significantly increased volatility in the exchange rate between the pound sterling and the US dollar and an overall weakening of the pound sterling related to Britain's exit from the European Union. 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	*2019*	*2018*
	(in thousands)	
	Carrying amount	
	£	£
Financial assets		
Prepayments, accrued income and other receivables	2,174	1,477
Current income tax receivable	4	25
Cash and cash equivalents	28,980	44,018
Financial liabilities		
Trade payables	549	1,192
Payroll taxes and social security	18	26
Lease liabilities	52	-
Accrued expenditure	989	1,391

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 £295,498 (2018: £429,101).

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 2019 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

COVID-19
In December 2019, a novel strain of the coronavirus SARS-CoV-2, which causes COVID-19, surfaced in Wuhan, China. Since then, COVID-19 has spread to multiple countries, including the United Kingdom and the United States.

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

Also, in April 2020, the Group 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 the Group's ongoing clinical studies has been temporarily paused. Patients who are currently enrolled in the Group's ongoing studies are continuing to receive treatment. Subsequently, in May 2020, the Group announced that enrolment of new patients in the Group's global Phase 3 clinical study for patients with biliary tract cancer (NuTide:121) has re-commenced in certain geographies, including Australia, Canada, South Korea, Taiwan, Ukraine and the United Kingdom. Additionally, in May 2020, the Group announced the re-commencement of new patient enrolment in the Phase 1 and Phase 1b clinical studies of NUC-3373 and the Phase 1 clinical study of NUC-7738. The Group continues to evaluate the impact of COVID-19 on its operations and believes that this pandemic will inevitably cause some delays to the timing of initiation and completion of its clinical studies. However, the precise timing of delays and overall impact is currently unknown and the Group continues to monitor the COVID-19 pandemic as it rapidly evolves.

At this time, there is no impact on the Group's financial statements, including the judgements and estimates included in these financial statements.

Proceeds from Issue of Share Capital
Since the end of the reporting period the Group has issued 139,489 ADSs, representing 139,489 ordinary shares, raising gross proceeds of £0.6 million.

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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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