2018 ANNUAL REPORT

For the year ended 31 December 2018

www.nucana.com

NUCANA

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 tumours, their efficacy is limited by cancer cell resistance mechanisms and they are often poorly tolerated. Utilising our proprietary technology, we are developing new medicines, ProTides, designed to overcome key cancer resistance mechanisms and generate much higher concentrations of anti-cancer metabolites in cancer cells. Our most advanced ProTide candidates, Acelarin® and NUC-3373, are new chemical entities derived from the nucleoside analogs gemcitabine and 5-fluorouracil, respectively, two widely used chemotherapy agents. Acelarin is currently being evaluated in three clinical studies including a Phase 1b study for patients with biliary tract cancer, a Phase 2 study for patients with ovarian cancer and a Phase 3 study for patients with pancreatic cancer. NUC-3373 is currently in a Phase 1 study for patients with advanced solid tumours and a Phase 1b study for patients with advanced colorectal cancer. NUC-7738 has just entered a Phase 1 clinical study for the treatment of 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 250 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, a Phase 1b study of Acelarin is being conducted in patients with locally advanced or metastatic biliary tract cancers to determine its optimal dose in combination with cisplatin. In October 2018, at the European Society for Medical Oncology (ESMO) 2018 Congress, we 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. Based on these and other previously announced interim data, and contingent upon regulatory guidance and other factors, we are planning to open a Phase 3 study of Acelarin plus cisplatin in patients with biliary tract cancer in 2019. Acelarin is also being evaluated in a Phase 2 study in patients with platinum-resistant ovarian cancer, for which we expect to report interim data in 2019. 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. As of May 2019, more than 180 out of an expected 328 patients had been enrolled in this study. 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, or 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 of patients with advanced solid tumours for which we reported interim data in September 2017. 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 was favourable, which supports our belief that NUC-3373 may enhance efficacy, improve safety and provide a more convenient dosing regimen. In October 2018, we reported further interim data from this study at ESMO 2018 Congress. 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 also commenced NuTide:302, a Phase 1b study in patients with advanced colorectal cancer in which NUC-3373 will be combined with many of the agents typically combined with 5-FU, including leucovorin, irinotecan, oxaliplatin and monoclonal antibodies. Contingent on regulatory guidance and other factors, we also plan to initiate in 2019 a Phase 2/3 study in patients with advanced colorectal cancer.

NUC-7738, our third product candidate, is a ProTide transformation of cordycepin, a novel nucleoside analog that has shown potent anti-cancer activity in preclinical studies. We have just opened a Phase 1 clinical study with NUC-7738 in patients with advanced solid tumours.

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 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 and 5-FU.

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 analogof 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 been granted patents 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 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 standard-of-care regimens for patients with various cancers, including:
  - *Biliary tract cancer.* We reported interim data from a Phase 1b study of Acelarin in combination with cisplatin in January 2018 and in October 2018. Contingent upon regulatory guidance and other factors, we plan to open a Phase 3 study of Acelarin in combination with cisplatin as a first-line treatment of patients with biliary tract cancer in 2019.
  - *Ovarian cancer*. We expect to report interim data from our ongoing PRO-105 Phase 2 study of Acelarin in patients with platinum-resistant ovarian cancer in 2019. Contingent on regulatory guidance and other factors we plan to initiate a Phase 2/3 study of Acelarin in combination with a platinum agent in 2019.
  - *Pancreatic cancer*. The National Cancer Research Institute in the United Kingdom is facilitating a Phase 3 study of Acelarin as a first-line treatment compared to gemcitabine. As of May 2019, more than 180 patients had been enrolled in this study.

- **Rapidly develop NUC-3373 to replace 5-FU as the standard of care for the treatment of patients with various cancers.**
  - *Advanced solid tumours*. In October 2018 we reported data from a Phase 1 study of NUC-3373 in patients with advanced solid tumours. We expect this study to continue with the goal of establishing the optimal dose and dosing schedule of NUC-3373 in patients with advanced solid tumours in 2019.
  - *Colorectal cancer.* In October 2018, we commenced NuTide:302, a Phase Ib study in patients with advanced colorectal cancer in which NUC-3373 will be combined with many of the agents typically combined with 5-FU, including leucovorin, irinotecan, oxaliplatin and monoclonal antibodies. We expect to report interim data from this study in 2019. Contingent on regulatory guidance and other factors, we plan to initiate a Phase 2/3 study of NUC-3373 in combination with other agents in 2019.

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

  We have just opened a Phase 1 clinical study with NUC-7738, a ProTide based on a novel nucleoside analog, for patients with advanced solid tumours.

- **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.**

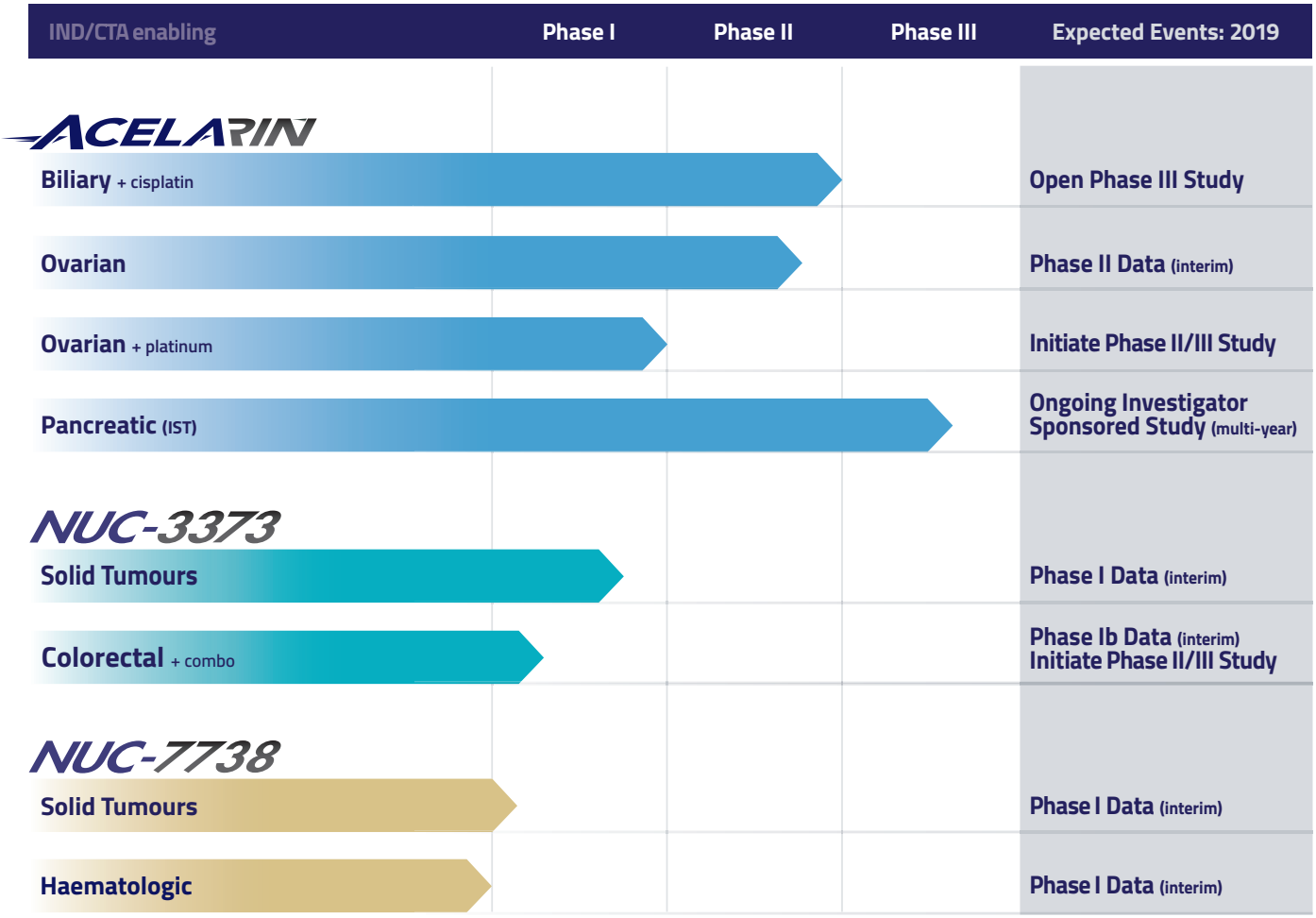
  We own or have exclusive rights to the core technologies underlying our ProTide technology platform. We have been granted patents in key markets, including the United States, Europe and Japan, protecting the composition of matter of Acelarin, NUC-3373 and other of our product candidates. We intend to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

- **Build a focused commercial organisation.**

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

our pipeline

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



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 £16.8 million for the year ended 31 December 2018 as compared to £17.7 million for the year ended 31 December 2017, a decrease of £0.9 million. The decrease resulted primarily from a lower share-based compensation expense of £0.8 million in 2018 compared with £8.9 million in 2017 due to the number and vesting conditions of options granted in 2017 relative to 2018. The decrease in share-based payment charges of £8.1 million was offset by higher clinical study costs in the year ended 31 December 2018 due to the number and size of clinical studies being performed and higher costs associated with drug manufacturing. The following table gives a breakdown of the research and development costs incurred by product for the years ended 31 December 2018 and 2017:

	Year ended 31 December	
	2018	2017
	(unaudited) (in thousands)	
Acelarin	£ 8,239	£ 8,284
NUC-3373	4,903	5,447
NUC-7738	1,198	1,948
Other	2,506	1,994
	£ 16,846	**£ 17,673**

Administrative Expenses
Administrative expenses were £5.2 million for the year ended 31 December 2018 as compared to £4.6 million for the year ended 31 December 2017, an increase of £0.6 million. The increase was largely attributable to higher expenses associated with operating as a public company and increased personnel expenses partially offset by lower share-based compensation expense in 2018 of £1.0 million compared with £2.9 million in 2017 due to the number and vesting conditions of options granted in 2017 relative to 2018.

Initial Public Offering Expenses
In the year ended 31 December 2017, costs of £1.8 million were recorded in the Group Income Statement and a further £0.4 million which directly related to the proceeds of the offering was recorded in Share Premium. These costs primarily related to legal, accounting and other advisors' fees in connection with our IPO. There were no such costs in the year ended 31 December 2018.

Net Foreign Exchange Gains (Losses)
For the year ended 31 December 2018, we reported a net foreign exchange gain of £2.9 million as compared to a net foreign exchange loss of £1.7 million for the year ended 31 December 2017. In the year ended 31 December 2018, the gain primarily arose from higher average cash balances held in US dollars and the US dollar appreciating relative to the UK pound sterling. In the year ended 31 December 2017, the loss arose primarily from higher average cash balances held in US dollars for the last quarter of 2017 and during that quarter the US dollars depreciated relative to the UK pound sterling.

Finance Income
Finance income represents bank interest and was £1.1 million for the year ended 31 December 2018 and £0.2 million for the year ended 31 December 2017. The increase in bank interest for the year ended 31 December 2018 was primarily due to lower average cash balances in the first nine months of 2017 as compared to 2018 as well as higher rates of interest on bank balances during 2018.

Income Tax Credit
The income tax credit, which is largely comprised of research and development credits, amounted to £4.2 million for the year ended 31 December 2018 as compared to £2.4 million for the year ended 31 December 2017. In the United Kingdom, research and development credits are obtained at a maximum rate of 33.35% of our qualifying research and development expenses, and the increase in the net credit was primarily attributable to an increase in our eligible research and development expenses.

position of group at year end

Liquidity and Capital Resources

Overview

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

Cash Flows

The following table summarises the results of our cash flows for the years ended 31 December 2018 and 2017.

	Year ended 31 December	
	2018	**2017**
		(in thousands)
Net cash used in operating activities	£ (12,224)	£ (8,708)
Net cash used in investing activities	(651)	(933)
Net cash from financing activities	207	77,747
Net (decrease) / increase in cash and cash equivalents	**£ (12,668)**	**£ 68,106**

Operating activities

The increase in net cash used in operating activities to £12.2 million for the year ended 31 December 2018 from £8.7 million for the year ended 31 December 2017 was primarily due higher spending on research and development activities, including clinical studies and expenses associated with operating as a public company, partially offset by higher research and development tax credit receipts in 2018 of £4.2 million compared to £0.3 million in 2017.

Investing activities

Net cash used in investing activities was £0.7 million for the year ended 31 December 2018 compared with £0.9 million for the year ended 31 December 2017. In 2018 higher spending on intangible assets of £0.7 million was offset by lower spending on tangible assets and higher receipts for bank interest of £0.8 million.

Financing activities

The net cash from financing activities of £77.7 million for the year ended 31 December 2017 reflected net proceeds received from the IPO whereas in the year ended 31 December 2018 £0.2 million was generated from the issue of shares on the exercise of share options.

main business trends & factors

Acelarin is currently being evaluated in three clinical studies for patients with biliary tract cancer, ovarian cancer or pancreatic cancer. NUC-3373 is currently in a Phase 1 study for patients with advanced solid tumours and a Phase 1b study for patients with advanced colorectal cancer. NUC-7738 has just entered 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 2018 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 programme.

BREXIT

The United Kingdom continues to negotiate the terms of its exit from the European Union (“Brexit”). If no agreement can be reached and the UK leaves the EU with no agreement in place, 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 UK and EU. 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 2018, the total liquidity position was £77.0 million (at 31 December 2017: £86.7 million). Net cash used in operating activities was £12.2 million for the year ended 31 December 2018 (year ended 31 December 2017: £8.7 million).

Total Liquidity Position

£77.0 million (at 31 December 2018)

£86.7 million (at 31 December 2017)

Net Cash used in Operating Activities

£12.2 million (at 31 December 2018)

£8.7 million (at 31 December 2017)

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 2018 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 £13.8 million for the year ended 31 December 2018 and £23.1 million for the year ended 31 December 2017. As of 31 December 2018, we had an accumulated deficit of £58.8 million. Our most advanced product candidate, Acelarin, is currently being evaluated in three clinical studies: one Phase 1b study, one Phase 2 study, and one Phase 3 study. Our second clinical-stage product candidate, NUC-3373, is currently in a Phase 1 and Phase 1b study. We have opened a Phase 1 study of our third ProTide, NUC-7738. 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.

The development of pharmaceutical drugs is capital-intensive. 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 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.

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, labeling, 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 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 2018, had 24 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 office in the United Kingdom, which is used solely for administrative purposes, drives 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). 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 2018 and 2017 was as follows:

	2018	2017
By Function:		
Research & development	20	18
Management & administrative	4	2
Total	**24**	**20**

	2018	2017
By Geography:		
United Kingdom	21	17
North America	3	3
Total	**24**	**20**

As of 31 December 2018, we had 24 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 2018 is as follows

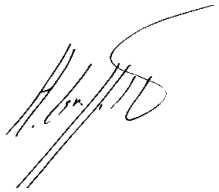
Position	Male	Female	Total
Company Director	7	**1**	8
Senior Manager	5	3	8
Other Employees	8	6	14
Total Employees	**15**	**9**	**24**

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 16 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.

The Strategic Report was approved by the Board on 24 May 2019.

On behalf of the Board



Hugh S. Griffith
Chief Executive Officer

directors' report

directors' report

Results and dividends
The loss for the year after taxation amounted to £13.8 million (2017: £23.1 million). The directors do not recommend a final dividend (2017: £nil).

Principal activities
NuCana is a rapidly growing, clinical-stage biopharmaceutical Group developing an expansive portfolio of new medicines (ProTides) to treat 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.

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

Hugh Griffith
Christopher Wood
Rafaèle Tordjman
James Healy
Martin Mellish
Isaac Cheng
Adam George (appointed 4 April 2018)
Cyrille Leperlier (appointed 1 May 2018)

Financial instruments
Details of financial instruments are set out in note 17 to the financial statements on page 58.

Charitable and political contributions
No charitable contributions were paid during the 2018 financial year (31 December 2017: £nil).
No donations were made during the 2018 financial year to political organisations (31 December 2017: £nil).

Structure of group's capital
Details of the structure of the group's capital are set out in note 14 to the financial statements on page 52.

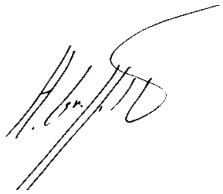
Third party indemnity provision for directors
There are no qualifying third-party indemnity provisions in place for the benefit of one or more of the directors.

Environmental matters
Details of Environmental Matters are included in our Strategic Report on page 10 of this document.

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").

On behalf of the Board



Hugh S. Griffith
Director

directors' remuneration report

remuneration committee chair's annual statement

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

On behalf of the Board of Directors of NuCana plc, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2018.

Voting at our 2018 AGM was conducted on a show of hands by those shareholders (or their proxies, as applicable) in attendance at the meeting. At the 2018 AGM, the resolutions to approve the 2017 Directors' Remuneration Report and the Directors' Remuneration Policy were approved in each case 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 2018 AGM resolution 9 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 being in favour of the resolution; and
- on 2018 AGM resolution 8 on approving the directors' remuneration report, 17,766,213 votes for and 72,995 votes against which equates to over 99% of the proxy vote being in favour of the resolution.

A copy of the Directors' Remuneration Policy is available for inspection at the Global Headquarters of the Company at 3 Lochside Way, Edinburgh EH12 9DT.

Remuneration Committee

The Remuneration Committee was established in April 2014, and consists of two independent Non-Executive Directors, Rafaèle Tordjman and James Healy, and our Chief Executive Officer (CEO), Hugh Griffith.

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 2018 to 31 December 2018 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 2018, 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 or senior Executives and Non-Executive Directors as compared to the market.

As a result of a Radford benchmarking study completed in 2017, 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 £467,217 effective from 1 January 2018. For our CFO, this resulted in a base salary award of $403,236 effective from 1 January 2018;

- Awarded share options to selected employees in April, May and August 2018.

2019 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 2018. The Remuneration Committee and the Board of Directors welcome feedback from our shareholders on the Directors' Remuneration Report. We look forward to receiving the support of our shareholders for the Directors' Remuneration Report at our 2019 Annual General Meeting to be held on 27 June 2019.

Rafaèle Tordjman

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 2018, which will be put to shareholders for a non-binding vote at the Annual General Meeting to be held on 27 June 2019.

Single Total Figure for Remuneration of each Director
The following table shows the remuneration received by the Directors for the years ended 31 December 2018 and 31 December 2017.

	Fixed Pay[1]				Variable Pay[1]							
Name of Director	Salary & Fees YE 31 Dec 2018	Salary & Fees YE 31 Dec 2017	Taxable Benefits YE 31 Dec 2018[3]	Taxable Benefits YE 31 Dec 2017[3]	Annual Bonus YE 31 Dec 2018[4]	Annual Bonus YE 31 Dec 2017[4]	Share Options YE 31 Dec 2018[6]	Share Options YE 31 Dec 2017[6]	Pension Benefit YE 31 Dec 2018[5]	Pension Benefit YE 31 Dec 2017[5]	Total YE 31 Dec 2018	Total YE 31 Dec 2017
Executive[2]												
Hugh Griffith	467,217	330,329	2,032	1,690	271,920	270,850	-	10,398,469	45,142	31,687	786,311	11,033,025
Christopher Wood	155,127	103,418	3,719	3,272	60,189	41,367	-	-	-	-	219,035	148,057
Non-Executive												
Isaac Cheng[7]	30,048	7,711	-	-	-	-	-	-	-	-	30,048	7,711
James Healy	30,048	7,711	-	-	-	-	-	-	-	-	30,048	7,711
Martin Mellish	30,048	7,711	-	-	-	-	-	126,448	-	-	30,048	134,159
Rafaèle Tordjman	41,316	7,711	-	-	-	-	-	247,373	-	-	41,316	255,084
Paolo Paoletti[8]	-	16,667	-	-	-	-	-	-	-	-	-	16,667
Adam George[9]	33,804	-	-	-	-	-	-	-	-	-	33,804	-
Cyrille Leperlier[10]	20,032	-	-	-	-	-	-	-	-	-	20,032	-
	807,640	481,258	5,751	4,962	332,109	312,217	-	10,772,290	45,142	31,687	1,190,642	11,602,414

(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 both years. 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 2018 represent the total bonus payments that related to performance in 2018, and were paid in early 2019.
(5) The amount for pension benefit represents the Company's contribution into a money purchase plan.
(6) Where the options have vested the value is based on the market value of the shares at the date of vesting, less the exercise price. Where the options have not vested by the date of approval of the directors' remuneration report, the value is based on the average market value of the shares over the three months to 31 December 2018 and 31 December 2017 respectively, less the applicable exercise price.
(7) Isaac Cheng was appointed to the Board on 16 May 2017. The exercise price in relation to share options awarded to Isaac Cheng in 2017 exceeds the market value of the shares at 31 December 2017, therefore no amount has been recorded in the single figure table.
(8) Paolo Paoletti retired from the Board on 1 September 2017. The amount paid represents compensation for service as an employee.
(9) Adam George was appointed to the Board on 4 April 2018. The exercise price in relation to share options awarded to Adam George exceeds both the market value on the date of vesting where applicable, and the average market value of the shares for the last three months of 2018 for unvested options. Therefore, no amount has been recorded in the single figure table.
(10) Cyrille Leperlier was appointed to the Board on 1 May 2018. The exercise price in relation to share options awarded to Cyrille Leperlier exceeds both the market value on the date of vesting where applicable, and the average market value of the shares for the last three months of 2018 for unvested options. Therefore, no amount has been recorded in the single figure table.

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 2018, 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 2018. 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 advance NUC-7738 into a clinical study;
- Leverage our proprietary ProTide technology platform to develop additional product candidates; and
- Continue to strengthen our intellectual property position.

Share Options Awarded During the Financial Year

The table below shows, for each Director, the total number of options awarded in the year ended 31 December 2018. 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
Non-Executive							
Adam George	2016 Share option scheme	21,000	16.57	16.57[1]	347,970	8 May 2022	8 May 2028
Cyrille Leperlier	2016 Share option scheme	21,000	16.57	16.57[1]	347,970	8 May 2022	8 May 2028

(1) The share options were granted on 8th May 2018.

- In March 2019, the Committee met to consider the award of share options to the Directors and CEO in respect of services provided and performance attained during 2018, in accordance with the Directors' Remuneration Policy. Further details will be provided in the Company's 2019 Annual Report.

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 2018. 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	1,026,446	2,183,531	-	220,000	3,209,977
Christopher Wood	1,011,875	937,499	-	-	1,949,374
Non-Executive					
Isaac Cheng	-	13,875	41,625	-	55,500
James Healy[2]	45,750	-	-	-	45,750
Martin Mellish	-	34,125	11,625	-	45,750
Rafaèle Tordjman	-	11,438	34,312	-	45,750
Adam George	-	-	21,000	-	21,000
Cyrille Leperlier	-	-	21,000	-	21,000

(1) All share options that were outstanding as at 31 December 2018 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) 4,666,666 ordinary shares 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 owned by Sofinnova Ventures, except to the extent of his proportionate pecuniary interest therein.

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 2018
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 2018. 42,000 options were granted to Non-Executive Directors during the year ended 31 December 2018. One of our Directors exercised options during the year ended 31 December 2018.

Name of Director	Options held	Grant date	Start date for vesting	First date of exercise of some or all 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
Total	**2,183,531**				
Christopher Wood	187,500	12-Aug-2009	12-Aug-2009	12-Aug-2010	12-Aug-2019
	187,500	22-Apr-2011	22-Apr-2011	22-Apr-2012	22-Apr-2021
	99,999	21-Sep-2012	21-Sep-2012	21-Sep-2013	21-Sep-2022
	100,000	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
Total	**937,499**				
Non-Executive					
Isaac Cheng	55,500	27-Sep-2017	27-Sep-2017	27-Sep-2018	27-Sep-2027
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
Total	**45,750**				
Rafaèle Tordjman	45,750	15-Sep-2017	15-Sep-2017	15-Sep-2018	15-Sep-2027
Adam George	21,000	11-Apr-2018	11-Apr-2018	11-Apr-2019	11-Apr-2028
Cyrille Leperlier	21,000	11-Apr-2018	11-Apr-2018	11-Apr-2019	11-Apr-2028

(1) All share options awarded to Directors that were outstanding as at 31 December 2017 use time-based vesting and are not subject to performance targets other than continued service until the date of vesting.

The closing market price of our ADSs on 31 December 2018 was $14.50. One ADS represents one ordinary share.

Payments Made to Past Directors
During the year ended 31 December 2018, no payments were made to former Directors of the Company.

Payments for Loss of Office
During the year ended 31 December 2018, 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.

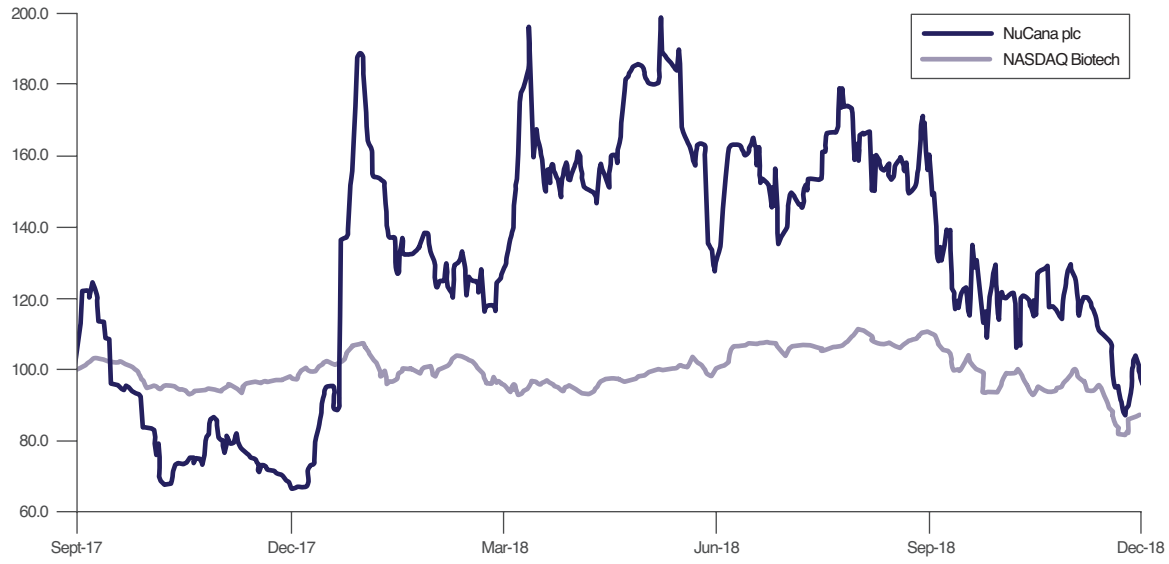
There are no contractual provisions agreed prior to 27 June 2012 that could impact on the quantum of the payment.

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 2018, 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 Historic Remuneration
The table below sets out total remuneration delivered to the Chief Executive Officer over the last three years valued using the methodology applied to the single total figure of remuneration. The Remuneration Committee does not believe that the remuneration payable in the Company's 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 three 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 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 £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 such period. His fixed salary of £330,329 for the year ended 31 December 2017 was 3.4 times the value of the average fixed salary of the Group's employees for the years ended 31 December 2017.

The following table shows the percentage change in remuneration of the CEO and the average increase per employee between the year ended 31 December 2018 and the year ended 31 December 2017.

Percentage Increase in Remuneration in 2018 Compared with Remuneration in 2017

	CEO	Employees [2]
Base salary [1]	41.4%	13.1%
Annual bonus	0.4%	0.5%
Taxable benefits	20.2%	5.5%

(1) The 2018 base salary percentage increase for our CEO reflects the full year impact of an increase during 2017 to bring it in line with market-related compensation based on the recommendations of Radford discussed above. This increase was partially as a result of the transition from private to public company and the additional burden of responsibility taken on by the CEO during 2017. In January 2019 the CEO was awarded a cost of living adjustment consistent with all other employees.

(2) 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 2017 and 2018.

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 2018 and the year ended 31 December 2017. 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 31 of its Annual Report and Financial Statements for the year ended 31 December 2018. 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 2018	Year ended 31 December 2017
	£GBP (in thousands)	£GBP (in thousands)
Total spend on remuneration[1]	5,911	14,979
Research and development expenses	16,846	17,673

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

statement of implementation of the directors' remuneration policy in financial year ending 31 december 2019

The Company does not anticipate any changes in the implementation of the Directors' Remuneration Policy approved and adopted at the 2018 AGM. The following activities and decision were taken in the current financial year.

- In January 2019, the Committee considered the extent to which the 2018 calendar year objectives were achieved by the executive team and determined the level of bonus incentive awards payable in respect of the 2018 calendar year. The awards made to our CEO and senior executive officers recognised that almost all of our corporate objectives for 2018 had been achieved, with our CEO and senior executive officers receiving bonus awards at 97% of the potential target bonus amount. These target bonus amounts had also been benchmarked against peer group comparative data as provided by Radford. Further details will be provided in the 2019 Annual Report.
- In March 2019, the Committee met to consider the award of share options to the Directors and CEO in respect of services provided and performance attained during 2018, in accordance with the Remuneration Policy. Further details will be provided in the 2019 Annual Report.
- In April 2019, the Committee approved the objectives 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 advance NUC-7738 into a clinical study;
- Leverage our proprietary ProTide technology platform to develop additional product candidates; and
- Continue to strengthen our intellectual property position.

The Remuneration Committee

The Remuneration Committee consists of two independent Non-Executive Directors, Rafaèle Tordjman and James Healy, and our Chief Executive Officer (CEO), Hugh Griffith.

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 remuneration.

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 and CFO. 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 2018, the cost of advice from Radford was £27,141 (2017: £46,032).

In addition to Radford, the Remuneration Committee solicited and received input from the CEO concerning the remuneration of senior executives other than himself. The CEO provided recommendations with respect to annual cash bonuses to be paid to these persons for service in the year ended 31 December 2018 and base salary awards effective from 1 January 2019. 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.

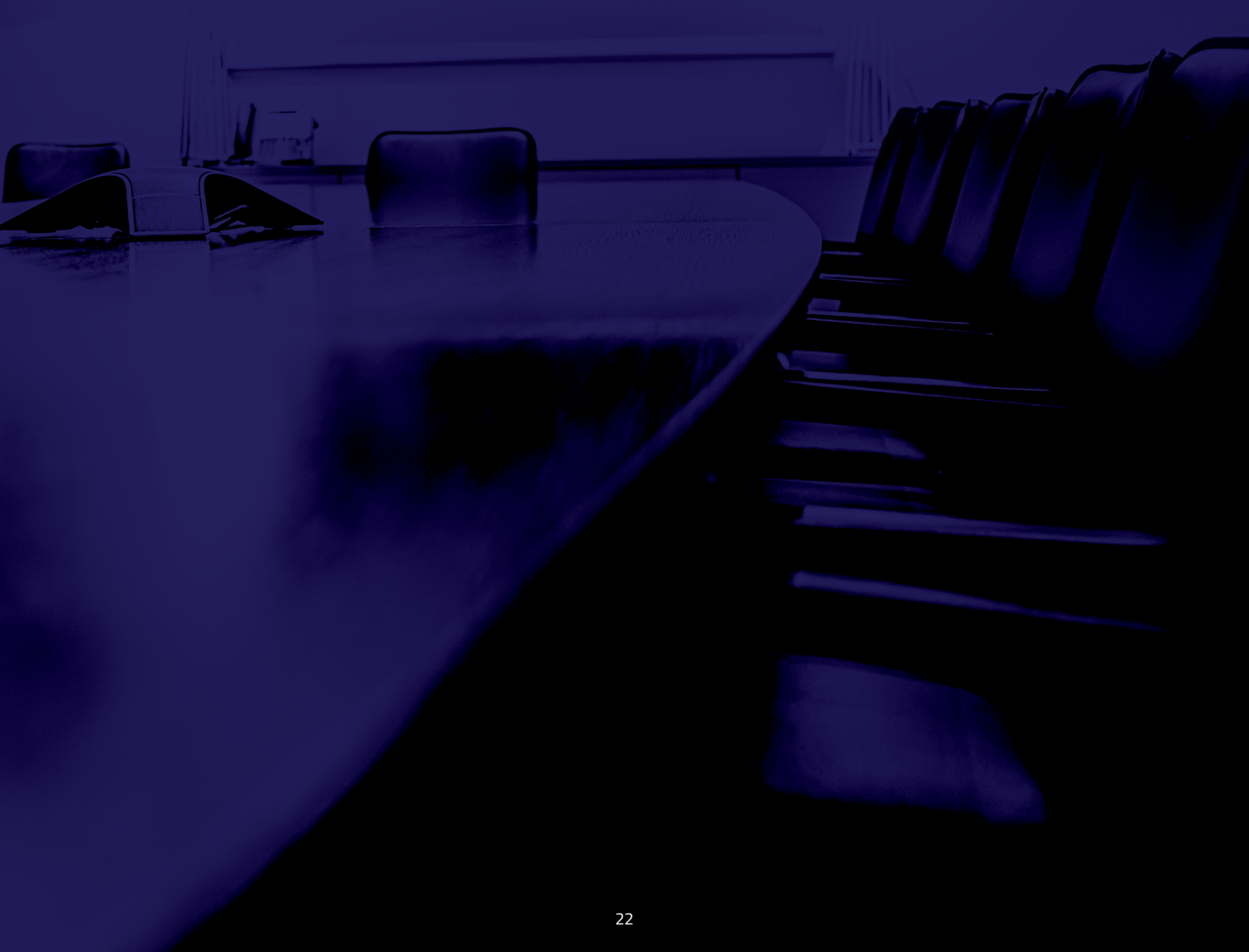
Approval

This report was approved by the Board of Directors on 24 May 2019 and signed on its behalf by:

Rafaèle Tordjman
Director

24 May 2019

statement of directors' responsibilities



statement of directors' responsibilities

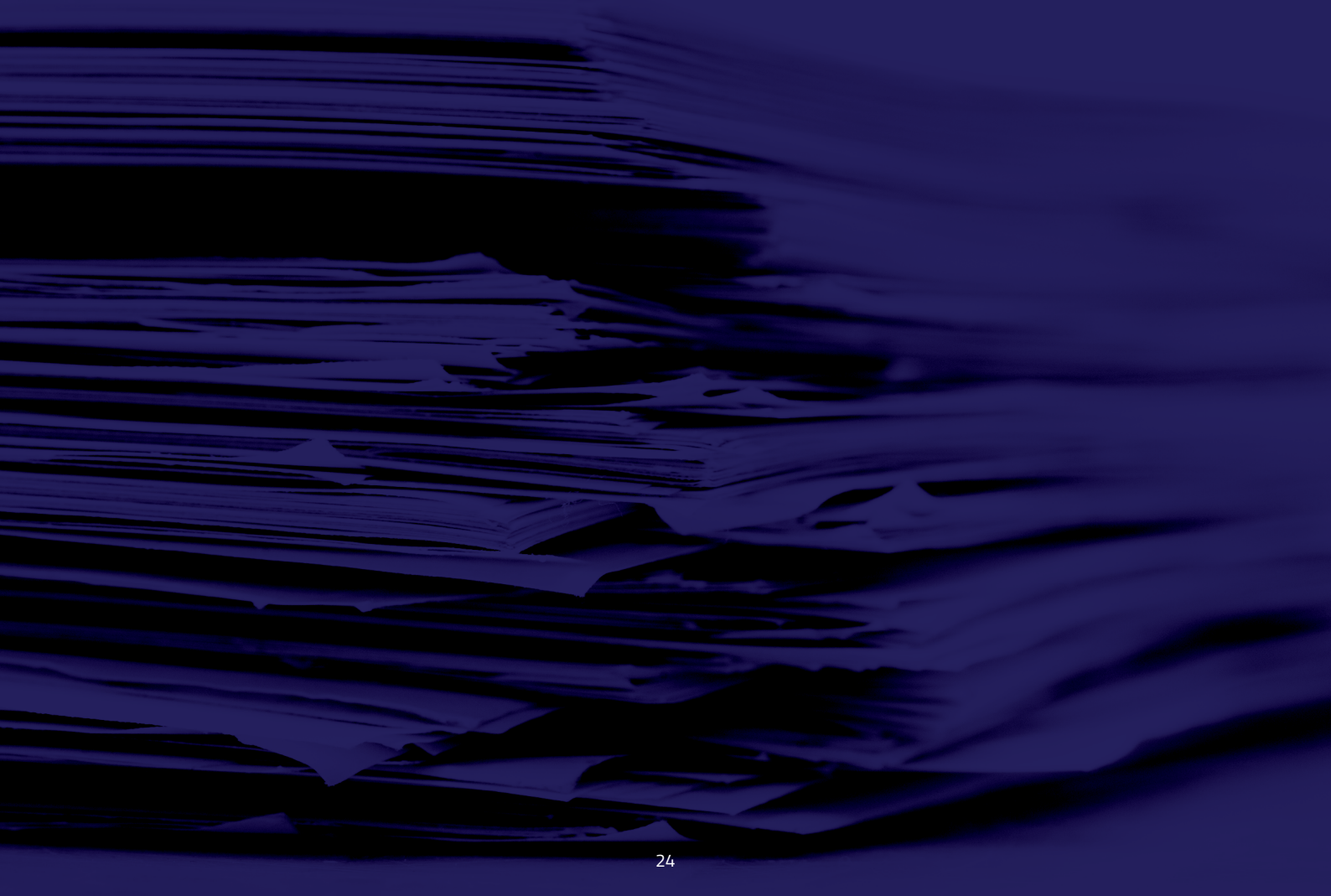
The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors 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 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 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with 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 2018	Statement of Financial Position as at 31 December 2018
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 International Financial Reporting Standards (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.

conclusion 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	• Recognition and valuation of share based payments • Management override of controls
Audit scope	We performed an audit of the complete financial information of all components
Materiality	Overall group materiality of £381,000 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
Recognition and valuation of share based payments (£1,795,170) Refer to the Accounting policies (page 38); and Note 16 of the Financial Statements (page 54). The company grants share options to its directors and staff. Management has a process to ensure the standardisation of awards covering grant date, communication with employee and documentation of the necessary approvals. The valuation process requires the use of complex modelling assumptions made by management.	We agreed all option grants made during the year to signed agreements and ensured that all relevant details were reflected in the calculation of the Income Statement charge. We utilised our specialist valuations team to assist in the audit of the valuation calculations.	We have concluded that the share based payments have been recognised and valued appropriately.
Management override of controls Management has the primary responsibility to prevent and detect fraud. With the current scale of the Company's operations and consequent limited staff resources segregation of duties can be more difficult to achieve when compared to larger organisations. This is of particular importance when considering (i) the cash management process recognising in particular the significant inflow of funds from the IPO, (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 have concluded that no material inappropriate transactions were undertaken during the year.

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 subsidiary entities account for less than 10% of the Group's activity with most of those transactions being with the parent company. They are therefore considered immaterial to the Group as a whole. 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 procedures.

We determined materiality for both the Group and Parent Company to be £381,000 (2017: £270,000), which is 2% (2017: 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.

STARTING BASIS	• Operating expenses - £22,030,124
ADJUSTMENTS	• add back one-off SEC registration costs (£511,000) • add back exceptional share option award (£1,795,000)
MATERIALITY	• Adjusted operating expenses (£19,700,000) • Materiality of £381,000 (2% of adjusted operating expenses)

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% (2017: 75%) of our planning materiality, namely £286,000 (2017: £202,000). We have set performance materiality at this percentage due to our understanding of the perspective of the users of the financial statements.

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 £19,000 (2017: £13,500), 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 2 to 23, 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 22, 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.

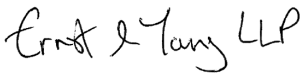
auditor's responsibilities for the audit of the financial statement

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.



Paul Copland (Senior Statutory Auditor)

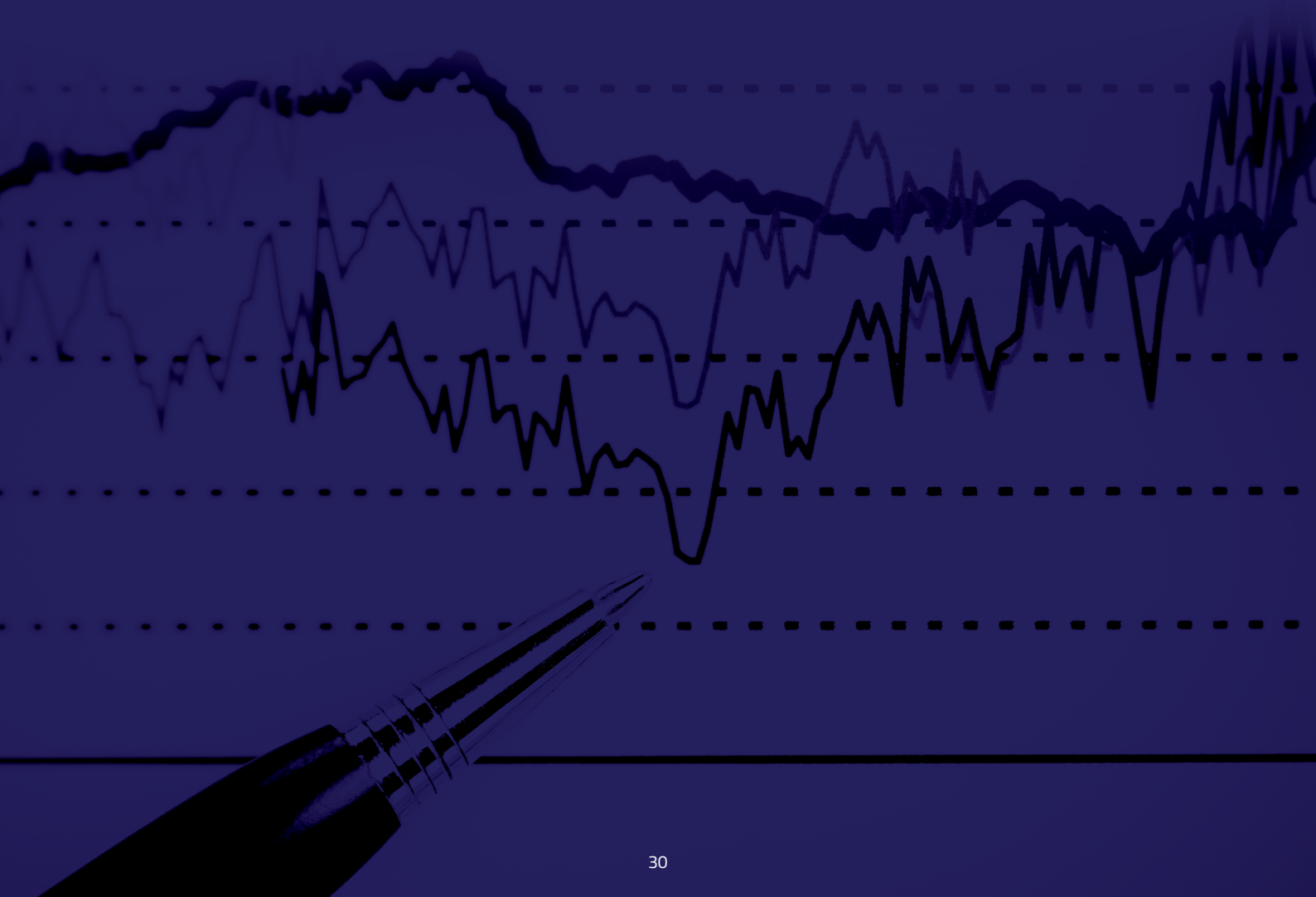
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh

28 May 2019

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 2018

	Notes	2018	2017
		(in thousands)	
		£	£
Research and development expenses		(16,846)	(17,673)
Administrative expenses		(5,184)	(4,573)
Initial public offering related expenses	3	-	(1,794)
Net foreign exchange (losses) gains		2,902	(1,654)
Operating loss		**(19,128)**	**(25,694)**
Finance income		1,065	208
Loss before tax	4	**(18,063)**	**(25,486)**
Income tax credit	5	4,223	2,401
Loss for the year		**(13,840)**	**(23,085)**
Attributable to:			
Equity holders of the Company		**(13,840)**	**(23,085)**
		£	£
Basic and diluted loss per share	6	(0.43)	(0.89)

group statement of comprehensive loss

for the year ended 31 December 2018

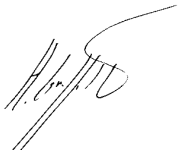
	2018	2017
	(in thousands)	
	£	£
Loss for the year	**(13,840)**	**(23,085)**
Other comprehensive expense:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	12	(8)
Other comprehensive income (expense) for the year	12	(8)
Total comprehensive loss for the year	**(13,828)**	**(23,093)**
Attributable to:		
Equity holders of the Company	**(13,828)**	**(23,093)**

group statement of financial position

at 31 December 2018

	Notes	*2018* (in thousands) £	*2017* £
Assets			
Non-current assets			
Intangible assets	8	3,122	1,938
Property, plant and equipment	9	427	358
Deferred tax asset	5	47	81
		3,596	**2,377**
Current assets			
Prepayments, accrued income and other receivables	12	2,354	3,050
Current income tax receivable	5	4,263	4,225
Cash and cash equivalents	13	76,972	86,703
		83,589	**93,978**
Total assets		**87,185**	**96,355**
Equity and liabilities			
Capital and reserves			
Share capital and share premium	14	80,715	80,508
Other reserves	15	59,692	58,071
Accumulated deficit		(58,813)	(45,159)
Total equity attributable to equity holders of the Company		**81,594**	**93,420**
Non-current liabilities			
Provisions		26	18
Current liabilities			
Trade payables		2,455	1,120
Payroll taxes and social security		127	157
Accrued expenditure		2,983	1,640
		5,565	**2,917**
Total liabilities		**5,591**	**2,935**
Total equity and liabilities		**87,185**	**96,355**

On behalf of the Board



Hugh S. Griffith
Director
24 May 2019

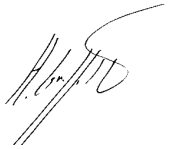
company statement of financial position

at 31 December 2018

		2018	*2017*
		(in thousands)	
Assets	Notes	£	£
Non-current assets			
Intangible assets	8	3,122	1,938
Property, plant and equipment	9	426	355
Investment in subsidiaries	10	-	-
Loan receivable from subsidiary	11	375	369
		3,923	**2,662**
Current assets			
Prepayments, accrued income and other receivables	12	2,284	2,996
Current income tax receivable	5	4,239	4,207
Cash and cash equivalents	13	76,863	86,651
		83,386	**93,854**
Total assets		**87,309**	**96,516**
Equity and liabilities			
Capital and reserves			
Share capital and share premium	14	80,715	80,508
Other reserves	15	60,030	58,421
Accumulated deficit		(58,996)	(45,291)
Total equity		**81,749**	**93,638**
Non-current liabilities			
Provisions		26	18
Current liabilities			
Trade payables		2,446	1,094
Payroll taxes and social security		101	155
Loan payable to subsidiary	11	192	169
Accrued expenditure		2,795	1,442
		5,534	**2,860**
Total liabilities		**5,560**	**2,878**
Total equity and liabilities		**87,309**	**96,516**

The Company's loss for the year is £13.9 million (2017: £23.2 million)

On behalf of the Board



Hugh S. Griffith
Director
24 May 2019

group statement of changes in equity

for the year ended 31 December 2018

	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 2017	**663**	**42,770**	**(339)**	**4,406**	**(3)**	**-**	**(22,256)**	**25,241**
Loss for the year	-	-	-	-	-	-	(23,085)	(23,085)
Other comprehensive expense for the year	-	-	-	-	(8)	-	-	(8)
Total comprehensive loss for the year	-	-	-	-	(8)	-	(23,085)	(23,093)
Share-based payments	-	-	-	11,731	-	-	-	11,731
Reduction in share premium	-	(42,466)	-	-	-	42,466	-	-
Exercise of share options	1	119	-	(180)	-	-	180	120
Lapse of share options	-	-	-	(2)	-	-	2	-
Bonus issue to series B shareholders	304	(304)	-	-	-	-	-	-
Issue of share capital	304	79,530	-	-	-	-	-	79,834
Initial public offering related expenses	-	(413)	-	-	-	-	-	(413)
Balance at 31 December 2017	**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**

company statement of changes in equity

for the year ended 31 December 2018

	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 2017	**663**	**42,770**	**4,406**	**-**	**(22,245)**	**25,594**
Loss for the year	-	-	-	-	(23,228)	(23,228)
Other comprehensive expense for the year	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(23,228)	(23,228)
Share-based payments	-	-	11,731	-	-	11,731
Reduction of share premium	-	(42,466)	-	42,466	-	-
Exercise of share options	1	119	(180)	-	180	120
Lapse of share options	-	-	(2)	-	2	-
Bonus issue to series B shareholders	304	(304)	-	-	-	-
Issue of share capital	304	79,530	-	-	-	79,834
Initial public offering related expenses	-	(413)	-	-	-	(413)
Balance at 31 December 2017	**1,272**	**79,236**	**15,955**	**42466**	**(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**

group and company statement of cash flows

for the year ended 31 December 2018

	Group		Company	
	2018	*2017*	*2018*	*2017*
		(in thousands)		
	£	£	£	£
Cash flows from operating activities				
Loss for the year	(13,840)	(23,085)	(13,891)	(23,228)
Adjustments for:				
Income tax credit	(4,223)	(2,401)	(4,258)	(2,301)
Amortisation and depreciation	371	194	369	193
Finance income	(1,065)	(208)	(1,070)	(212)
Share-based payments	1,795	11,731	1,795	11,731
Initial public offering (IPO) related expenses	-	1,794	-	1,794
Net foreign exchange (gains) losses	(2,959)	1,584	(2,957)	1,584
	(19,921)	(10,391)	(20,012)	(10,439)
Movements in working capital:				
Decrease in prepayments, accrued income and other receivables	817	458	855	673
Increase in trade payables	1,335	392	1,352	369
Increase in payroll taxes, social security and accrued expenditure	1,321	551	1,307	438
Movements in working capital	3,473	1,401	3,514	1,480
Cash used in operations	**(16,448)**	**(8,990)**	**(16,498)**	**(8,959)**
Net income tax credit	4,224	282	4,226	235
Net cash used in operating activities	**(12,224)**	**(8,708)**	**(12,272)**	**(8,724)**
Cash flows from investing activities				
Interest received	973	162	973	162
Payments for property, plant and equipment	(210)	(370)	(210)	(369)
Payments for intangible assets	(1,414)	(725)	(1,414)	(725)
Net cash used in investing activities	**(651)**	**(933)**	**(651)**	**(932)**
Cash flows from financing activities				
Proceeds from issue of share capital	-	79,834	-	79,834
IPO related expenses from issue of share capital – included in share premium	-	(413)	-	(413)
IPO related expenses included in income statement	-	(1,794)	-	(1,794)
Proceeds from issue of share capital – exercise of share options	207	120	207	120
Net cash from financing activities	**207**	**77,747**	**207**	**77,747**
Net (decrease) increase in cash and cash equivalents	(12,668)	68,106	(12,716)	68,091
Cash and cash equivalents at beginning of year	**86,703**	**19,990**	**86,651**	**19,949**
Foreign currency translation differences	2,937	(1,393)	2,928	(1,389)
Cash and cash equivalents at end of year	**76,972**	**86,703**	**76,863**	**86,651**

notes to the financial statements

for the year ended 31 December 2018

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 2018 were authorised for issue by the board of directors on 24 May 2019.

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 2018. 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 £77.0 million at 31 December 2018, will be sufficient to fund its current operating plan for at least the next 12 months. As the Group continues to incur losses, the transition to profitability is dependent upon the successful development, approval and commercialisation of its product candidates and achieving a level of revenues adequate to support its cost structure. The Group may never achieve profitability, and unless and until it does, it will continue to need to raise additional capital. There can be no assurances, however, that additional funding will be available on acceptable terms.

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 5.

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 group financial statements, we may be required to estimate accrued expenses related to our clinical studies. In order to obtain reasonable estimates, we review open contracts and purchase orders. 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. 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, however, our estimates are dependent on the completeness of information from our vendors. The following are examples of our accrued expenses:

- fees paid to Clinical Research Organisations (CROs) for services performed on preclinical and clinical studies; and
- fees paid for professional services.

Recognition of Contracted Manufacturing Expenses

As part of the process of preparing our group 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.

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 or appreciation right, 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 16.

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.

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.

Initial public offering (IPO) related expenses
Incremental costs incurred and directly attributable to the offering of securities in 2017 were deducted from the related proceeds of the offering. The net amount is recorded as contributed shareholders' equity in the period when such shares were issued. Costs that relate to the stock market listing or are otherwise not incremental and directly attributable to issuing new shares, are recorded as an expense in the statement of comprehensive income. Costs that relate to both share issuance and listing are allocated between those functions on a rational and consistent basis. In the absence of a more specific basis for apportionment, an allocation of common costs based on the proportion of new shares issued to the total number of (new and existing) shares listed has been used.

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

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 a maturity 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 balance sheet.

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 balance sheet 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
As a Group that carries out extensive research and development activities, we benefit from the UK and US research and development tax credit regimes. In the United Kingdom, we are able to surrender some of our losses for a cash rebate of up to 33.35% of expenditures related to eligible research and development projects. In the United States, we are 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 were incurred.

Operating leases
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.

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 asset's recoverable amount.

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-based payments, whereby individuals render services as consideration for equity instruments (share options).

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 16.

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 International Accounting Standard (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 2018.

The following accounting standards and interpretations have been adopted as of 1 January 2018 in these financial statements and have not had a material impact on the Group's accounts in the period of initial application:

Amendments to IFRS 2 Share-based Payment Transactions
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments have not had a material impact on the Group.

IFRS 9: Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The adoption has not had a material impact on the Group.

IFRS 15 Revenue from Contracts with Customers
The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration it is expected to become entitled to in exchange for transferring goods or services to a customer. The adoption has not had a material impact on the Group.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of a related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This interpretation has not had a material impact on the Group.

The International Accounting Standards Board (IASB) and IFRIC have issued the following standards and interpretations, which are considered relevant to the Group, with an effective date after the date of these financial statements.

IFRS 16: Leases
IFRS 16 was issued in January 2016 and it replaces 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 Group will adopt IFRS 16 from 1 January 2019 and intends to use the modified retrospective approach to transition utilizing the practical expedients outlined in the standard. To prepare for the transition to this new accounting standard, data has been collated on all of the Group's leases which are solely for offices. Based on the Group's assessment, the application of IFRS 16 will have a material impact on the consolidated financial statements. The new standard will require that the Group's leased assets are recorded within property, plant and equipment as 'right of use assets' with a corresponding lease liability which is based on the present value of the future payments required under each lease. In assessing the lease liability, the Group has assumed that leases will not terminate early under break clauses in lease agreements. Using projections based on leases in place at 31 December 2018 it is currently estimated that adoption of IFRS 16 will increase total assets and total liabilities by £0.6 million. The existing operating lease expense currently recorded in operating costs will be replaced by a depreciation charge and a separate financing expense, which will be recorded as an interest expense. As a result, there will be no material impact on loss before tax and loss per share under the new standard. There will also be no net cash flow impact from the new standard, however the principal payments will be presented within financing activities rather than operating activities.

IFRIC 23: Uncertainty over Income Tax Treatments
The interpretation provides guidance on the assumptions an entity makes about the examination of tax treatments by taxation authorities, the appropriate method to reflect uncertainty and the reassessment of estimates or judgements if facts and circumstances change. On adoption, entities are also required to determine whether uncertain tax treatments are considered separately or as a group.

The interpretation is effective for annual periods beginning on or after 1 January 2019. The interpretation is not expected to have a material impact on the Group.

Annual Improvements 2015-2017 Cycle
These improvements include amendments to:

- IFRS 3 Business Combinations
- IFRS 11 Joint Arrangements
- IAS 12 Income Taxes
- IAS 23 Borrowing Costs

The Group has reviewed and considered the above four amendments and does not consider that any apply to the Group and thus will not have any material impact.

3. Initial Public Offering (IPO) related expenses

	2018	2017
	(in thousands)	
	£	£
IPO related expenses	-	1,794

IPO related costs primarily relate to legal, accounting and other advisors' fees in relation to the Company's initial public offering on Nasdaq which was completed on 2 October 2017.

4. Loss before tax

This is stated after charging:

	2018	2017
	(in thousands)	
	£	£
Amortisation and depreciation	371	194
Minimum lease payments recognised as an operating lease expense	150	182
Share-based payments	1,795	11,731

(a) Auditors' remuneration

	2018	2017
	(in thousands)	
	£	£
Audit of the financial statements	330	235
Other fees:		
Taxation compliance services	-	6
Taxation advisory services	-	6
Audit-related Fees[1]	186	475
	516	**722**

[1]For the year ended 31 December 2017, audit-related fees include fees for the performance of interim reviews and assuring reporting on historical financial information included in the Company's SEC registration statements in connection with the Company's initial public offering on the Nasdaq Global Select Market. For the year ended 31 December 2018, audit-related fees are primarily for quarterly reviews.

(b) Staff costs and directors' emoluments

Group

	2018	2017
	(in thousands)	
Included in research and development expenses:	£	£
Wages and salaries	2,794	2,419
Social security costs	314	272
Pension costs	106	91
Share-based payments	835	8,868
	4,049	11,650

	2018	2017
	(in thousands)	
Included in administrative expenses:	£	£
Wages and salaries	805	416
Social security costs	75	37
Pension costs	22	13
Share-based payments	960	2,863
	1,862	3,329
Total employee benefit expense	**5,911**	**14,979**

	2018	2017
The average number of staff employed under contracts of service were:	(number)	
Research and development activities	18	18
Administrative activities	4	2
	22	**20**

(b) Staff costs and directors' emoluments

Company	2018	2017
	(in thousands)	
Included in research and development expenses:	£	£
Wages and salaries	2,304	1,908
Social security costs	292	244
Pension costs	109	82
Share-based payments	835	8,868
	3,540	11,102

Company	2018	2017
	(in thousands)	
Included in administrative expenses:	£	£
Wages and salaries	541	299
Social security costs	65	33
Pension costs	20	12
Share-based payments	960	2,863
	1,586	3,207
Total employee benefit expense	**5,126**	**14,309**

	2018	2017
The average number of staff employed under contracts of service were:	(number)	
Research and development activities	16	15
Administrative activities	3	2
	19	**17**

Directors' remuneration

Company	2018	2017
	(in thousands)	
	£	£
Directors' remuneration in respect of qualifying services	1,149	798
Pension	45	32
	1,194	**830**

The number of directors who exercised share options in 2018 is 1 (2017: nil). The gain on exercise of these options was £4.2 million (2017: nil).

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

	2018	2017
	(number)	
Accruing benefits under money purchase pension scheme	1	1

5. Income tax credit

(a) Tax on loss on ordinary activities:

	2018	*2017*
	(in thousands)	
	£	£
Current tax:		
In respect of current year UK	4,239	2,298
In respect of current year US	-	(10)
In respect of prior year UK	19	3
In respect of prior year US	3	-
Total current tax	**4,261**	**2,291**
Deferred tax:		
In respect of the current year US	11	61
In respect of the prior year US	(49)	49
Total deferred tax	**(38)**	**110**
Income tax credit	**4,223**	**2,401**
Current income tax receivable:		
UK tax	4,239	4,207
US tax	24	18
Current income tax receivable	**4,263**	**4,225**
Deferred tax:		
US tax	47	81

(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:

	2018	*2017*
	(in thousands)	
	£	£
Loss before tax	**(18,063)**	**(25,486)**
Tax on loss at standard UK tax rate of 19% (2017: 19.25%)	(3,432)	(4,906)
Effects of:		
Expenses not deductible	1,389	3,899
Deduction for R&D	(5,554)	(3,051)
Losses surrendered for R&D tax credit	5,554	3,051
Deferred tax – PY adjustment	49	(49)
Overseas tax payable - current year	-	10
Overseas tax payable - prior year	(3)	-
R&D tax credit – US	(11)	(61)
R&D tax credit – current years	(4,239)	(2,298)
R&D tax credit – prior years	(19)	(3)
Deferred tax asset not recognised	2,043	1,007
Income tax credit	**(4,223)**	**(2,401)**

(c) Deferred tax
In the United Kingdom, the Group has not recognised a deferred tax asset in respect of tax losses carried forward as at 31 December 2018 on the basis that the timing during which tax losses could be regarded as recoverable against future taxable profits cannot be determined with reasonable certainty. In the United States, a deferred tax asset has been recognised as 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 £62.1 million (2017: £40.7 million), comprising temporary differences on share-based compensation arrangements of £38.9 million (2017: £28.3 million) and cumulative carry forward tax losses of £23.2 million (2017: £12.4 million).

(d) Factors affecting future tax
Finance Act (No. 2), which was substantively enacted on 26 October 2015, includes legislation that will reduce the main rate of UK corporation tax from 20% to 18%. This decrease is to be phased in with a reduction to 19%, effective from 1 April 2017, and a reduction to 18%, effective from 1 April 2020. The Chancellor announced in the Budget on 16 March 2016, that the full rate of UK corporation tax will reduce by a further 1% to 17% from 1 April 2020. This further reduction was included within the Finance Act 2016, which was substantively enacted on 6 September 2016.

6. Basic and diluted loss per share

	2018	*2017*
	(in thousands, except per share date)	
	£	£
Loss for the year	**(13,840)**	**(23,085)**
Basic and diluted weighted average number of shares	31,972	26,069
	£	£
Basic and diluted loss per share	**(0.43)**	**(0.89)**

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.

7. Capital commitments and contingencies

	2018	2017
	(in thousands)	
	£	£
Future capital expenditure contracted but not provided for	-	147

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. 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 we expect will total approximately £340,000 in 2019. 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 2019. 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.

Commitments under non-cancellable operating leases

Operating leases relate to rental of office space. The Company entered into new lease obligations for office space in both 2017 and 2018. The lease obligations entered into are for a period of five years with a break clause after three years, with the exception of a lease entered into in 2018 which is for less than four years and has no break clause. All operating lease contracts contain clauses for market rental reviews on renewal. The Company's subsidiary renewed its lease agreement for a period of two years. The Company and its subsidiary do not have an option to purchase the leased office at the expiry of the lease periods. Operating lease expense for the year ended 31 December 2018 was £0.2 million (2017: £0.2 million).

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2018	*2017*
	(in thousands)	
	£	£
No later than 1 year	197	158
Later than 1 year and not later than 5 years	236	165
	433	**323**

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 2018, 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 £3.3 million (31 December 2017: £2.1 million).

8. Intangible assets

Group and Company

	Patents	*Computer Software*	*Total*
		(in thousands)	
	£	£	£
Cost:			
At 31 December 2016	1,533	10	1,543
Additions	582	143	725
At 31 December 2017	**2,115**	**153**	**2,268**
Accumulated amortisation:			
At 31 December 2016	163	3	166
Charge for the year	139	25	164
At 31 December 2017	**302**	**28**	**330**
Net book value:			
At 31 December 2017	**1,813**	**125**	**1,938**
At 31 December 2016	1,370	7	1,377
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

9. Property, plant and equipment

Group

	Office and computer equipment	*Fixtures and fittings*	*Total*
		(in thousands)	
	£	£	£
Cost:			
At 31 December 2016	52	-	52
Additions	90	280	370
Disposals	-	-	-
Effect of foreign currency exchange differences	-	-	-
At 31 December 2017	**142**	**280**	**422**
Depreciation:			
At 31 December 2016	34	-	34
Charge for the year	17	13	30
Disposals	-	-	-
Effect of foreign currency exchange differences	-	-	-
At 31 December 2017	**51**	**13**	**64**
Net book value:			
At 31 December 2017	**91**	**267**	**358**
At 31 December 2016	18	-	18
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

Company

	Office and computer equipment	*Fixtures and fittings*	*Total*
		(in thousands)	
	£	£	£
Cost:			
At 31 December 2016	48	-	48
Additions	89	280	369
Disposals	-	-	-
At 31 December 2017	**137**	**280**	**417**
Depreciation:			
At 31 December 2016	33	-	33
Charge for the year	16	13	29
Disposals	-	-	-
At 31 December 2017	**49**	**13**	**62**
Net book value:			
At 31 December 2017	**88**	**267**	**355**
At 31 December 2016	15	-	15
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

10. Investments in subsidiaries

	2018	*2017*
	£	£
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%

11. 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 party	Amounts due to related parties	Amounts owed by related parties	Interest Income from related parties
			(in thousands)		
	£	£	£	£	£
NuCana, Inc.					
31 December 2018	1,172	1,149	192	-	-
31 December 2017	959	768	169	-	-
NuCana BioMed Employee Benefit Trust					
31 December 2018	-	-	-	375	6
31 December 2017	-	-	-	369	4

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 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2017: £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

	2018	*2017*
	(in thousands)	
	£	£
Short-term employee benefits	1,687	1,184
Pension and other benefits	72	56
Share-based payments	893	11,230
	2,652	**12,470**

Compensation of key management personnel of the Company

	2018	*2017*
	(in thousands)	
	£	£
Short-term employee benefits	1,144	794
Pension and other benefits	51	37
Share-based payments	474	10,790
	1,669	**11,621**

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

12. Prepayments, accrued income and other receivables

Group

	2018	*2017*
	(in thousands)	
	£	£
Prepayments – manufacturing and clinical	1,050	1,979
Prepayments – other	750	522
Accrued income	165	67
VAT	379	473
Other receivables	10	9
	2,354	**3,050**

Company

	2018	*2017*
	(in thousands)	
	£	£
Prepayments – manufacturing and clinical	1,050	1,979
Prepayments – other	690	477
Accrued income	165	67
VAT	379	473
	2,284	**2,996**

13. Cash and cash equivalents

Group	*2018*	*2017*
	(in thousands)	
	£	£
Cash and cash equivalents	76,972	86,703

Company	*2018*	*2017*
	(in thousands)	
	£	£
Cash and cash equivalents	76,863	86,651

Cash and cash equivalents comprise of cash at bank with maturity 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.

14. Share capital and share premium

Group and Company	*2018*	*2017*
	(in thousands)	
	£	£
Share capital	1,289	1,272
Share premium	79,426	79,236
	80,715	**80,508**

Group and Company	*2018*	*2017*
	Number	Number
	(in thousands)	
Issued share capital comprises:		
Ordinary shares of £0.04 each	**32,226**	**31,811**

In order to facilitate the Company being re-registered as a public company, the directors of the Company signed a solvency statement on 29 June 2017 with the agreement of the shareholders and undertook a capital reduction reducing its share premium by £42.5 million, which was credited to the Company's capital reserve.

On 14 September 2017, the Company completed a one-for-four reverse share split and an associated bonus allotment of shares to take into account fractional entitlements. This had the effect of consolidating every four ordinary shares of £0.01 to one ordinary share of £0.04, every four founder ordinary 1 shares of £0.01 to one founder ordinary 1 share of £0.04, every four founder ordinary 2 shares of £0.01 to one founder ordinary 2 share of £0.04, every four series A shares of £0.01 to one series A share of £0.04 and every four series B shares of £0.001 to one series B share of £0.004.

Following the one-for-four reverse share split, for the purpose of facilitating a conversion of each Series B share (nominal value £0.004 per share), into an ordinary share (nominal value £0.04 per share), the Company allotted to holders of Series B shares an additional nine Series B shares for each Series B share held. Subject to and conditional upon this allotment, every 10 Series B shares of £0.004 were consolidated into a single Series B share of £0.04. Each Series B share of £0.04 was then automatically converted into one ordinary share of £0.04. The company funded the allotment of these additional shares with reserves that were standing to the credit of the share premium account. The impact of this bonus issue was £304,650.

Immediately prior to the initial public offering, all issued series A convertible participating shares, series B convertible participating shares, founder ordinary 1 shares and founder ordinary 2 shares were converted into ordinary shares on a one-for-one basis. The Company had 24,214,641 ordinary shares outstanding. This included an issue of 30,000 shares in August 2017, upon the exercise of options. On 2 October 2017, the Company completed an IPO of 7,596,505 shares at a price to the public of $15.00 per American Depositary Share (ADS). Each ADS represents one ordinary share of the Company.

Group and Company	Number of shares	Share capital	Share premium
		(in thousands)	
Fully paid shares:		£	£
Balance at 31 December 2016	96,739	663	42,770
Share split and consolidation[1]	(72,554)	-	-
Reduction in share premium account	-	-	(42,466)
Exercise of share options	30	1	119
Bonus issue to series B	-	304	(304)
Issue of share capital	7,596	304	79,530
IPO costs	-	-	(413)
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**

(1) To reflect the 2017 reverse share split as detailed above.

Ordinary shares
Prior to the re-organisation of capital described above, the ordinary shares ranked equally with all other shares in issue in that on a poll every member had one vote for each ordinary share held (save for the enhanced voting rights referred to in the founder ordinary shares). The ordinary shares ranked equally with all other shares in issue in respect of any rights to any dividend distribution. The ordinary shares ranked equally with all other shares in issue in respect of any rights to any capital distribution. The ordinary shares were not redeemable.

After the re-organisation of capital described above, 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.

Founder ordinary shares
Upon shareholder vote, the founder ordinary 1 shares and the founder ordinary 2 shares as separate classes of shares each conferred upon the holders of such classes of shares such number of votes, which equalled at least 5% of all votes exercisable by all holders of shares.

Series A shares
The series A shares ranked equally with all other shares in issue in that on a vote every member had one vote for each series A share held (save for the enhanced voting rights conferred upon the founder ordinary shares). The series A shares ranked equally with all other shares in respect of any rights to any dividend distribution. The series A shares ranked equally with all other shares in issue in respect of any rights to any capital distribution. The series A shares were not redeemable.

Series B shares
The series B shares ranked equally with all other shares in issue (save for the enhanced voting rights conferred upon the founder ordinary shares). The series B shares ranked equally with all other shares in issue in respect of any rights to any dividend distribution. The series B shares ranked equally with all other shares in respect of any rights to any capital distribution. The series B shares were not redeemable.

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 2018 or 2017.

15. Other reserves

Group	*2018*	*2017*
	(in thousands)	
	£	£
Own share reserve	(339)	(339)
Foreign currency translation reserve	1	(11)
Capital reserve	42,466	42,466
Share option reserve		
Balance at beginning of year	15,955	4,406
Share-based payments	1,977	11,731
Exercise of share options	(186)	(180)
Forfeiture of share options	(182)	-
Lapse of share options	-	(2)
Balance at end of year	17,564	15,955
Total other reserves	**59,692**	**58,071**

Company	2018	2017
	(in thousands)	
	£	£
Share option reserve	17,564	15,955
Capital reserve	42,466	42,466
Total other reserves	**60,030**	**58,421**

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 14.

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 16 for further details of these plans.

16. 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.

2017 options
In 2017, 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, with the exception of options granted to a director, 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.

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.

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.

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 2016[1]	3,248,187	0.72
Granted	1,500,815	2.58
Forfeited	(7,500)	0.16
Exercised[2]	(30,000)	4.00
Outstanding at 31 December 2017	**4,711,502**	**1.29**
Granted	253,500	17.01
Forfeited	(143,438)	12.74
Exercised[3]	(415,312)	0.50
Outstanding at 31 December 2018	**4,406,252**	**1.90**
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
Vested and exercisable at 31 December 2016[1]	2,841,419	0.36

(1) As adjusted to reflect the one-for-four reverse share split in 2017 as detailed in note 14.
(2) The weighted average share price at the date of exercise of these options was £10.43.
(3) The weighted average share price at the date of exercise of these options was £18.23.
(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 2018 is 3.96 years (2017: 4.49).

The following principal assumptions were used in the valuation for the 2017 share options.

Grant date	16-May-17	13-Sep-17	14-Sep-17	14-Sep-17	14-Sep-17
Vesting dates	28-Oct-17	13-Sep-18	06-Mar-18	14-Sep-18	14-Sep-18
	28-Oct-18	13-Sep-19	06-Mar-19	14-Sep-19	14-Sep-19
	28-Oct-19	13-Sep-20	06-Mar-20	14-Sep-20	14-Sep-20
	28-Oct-20	13-Sep-21	06-Mar-21	14-Sep-21	14-Sep-21
Volatility	66.56%	66.94%	66.97%	66.97%	66.97%
Dividend yield	0%	0%	0%	0%	0%
Risk-free investment rate	0.12%	0.27%	0.36%	0.36%	0.36%
Fair value of option at grant date	£7.70	£6.15	£6.08	£6.08	£6.08
Fair value of share at grant date	£11.08	£10.43	£10.34	£10.34	£10.34
Exercise price at date of grant	£4.00	£5.40	£5.40	£5.40	£5.40
Lapse date	16-May-27	13-Sep-27	14-Sep-27	14-Sep-27	14-Sep-27
Expected option life (years)	2.63	2.30	2.30	2.30	2.30
Number of options granted	23,250	14,690	25,000	110,310	12,500
Grant date	**14-Sep-17**	**15-Sep-17**	**15-Sep-17**	**27-Sep-17**	**27-Sep-17**
Vesting dates	14-Sep-18	15-Sep-18	15-Sep-17	20-Mar-18	27-Sep-18
	14-Sep-19	15-Sep-19		20-Mar-19	27-Sep-19
	14-Sep-20	15-Sep-20		20-Mar-20	27-Sep-20
	14-Sep-21	15-Sep-21		20-Mar-21	27-Sep-21
Volatility	66.97%	67.02%	67.02%	67.11%	67.11%
Dividend yield	0%	0%	0%	0%	0%
Risk-free investment rate	0.36%	0.44%	0.44%	0.47%	0.47%
Fair value of option at grant date	£3.90	£6.76	£10.11	£4.36	£4.36
Fair value of share at grant date	£10.34	£10.15	£10.15	£11.19	£11.19
Exercise price at date of grant	£10.80	£4.00	£0.04	£11.19	£11.19
Lapse date	14-Sep-27	15-Sep-27	15-Sep-27	27-Sep-27	27-Sep-27
Expected option life (years)	2.30	2.29	2.29	2.26	2.26
Number of options granted	25,000	45,750	1,028,533	37,500	178,282

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 single point in time, in December 2019. This has been incorporated into the measurement by means of actuarial modelling. As NuCana plc was unlisted at the grant date of the options, 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. With the exception of the awards granted on 27 September 2017, the Company's ordinary share valuations were prepared using the guideline public company, or GPC, method under the market approach. In the application of the GPC method, we considered the pricing of IPOs completed by clinical-stage oncology companies between July 2015 and June 2017. We converted prospective IPO value to present value by applying a discount rate of 25%. The discount rate was derived from studies of rates of return required by venture investors in IPO-stage companies. In addition to the IPO GPCs, we considered the enterprise values indicated by a group of eight trading GPCs. The trading prices of these clinical-stage GPCs provided contemporaneous indications of value as of each appraisal date. We applied a discount for lack of marketability to the ordinary shares to account for the lack of access to an active public market. We estimated the discount for lack of marketability using an Asian put model. In the year ended 31 December 2017, as an employee remuneration expense, all of which related to equity-settled share-based payments, of £11.7 million (2016: £1.1 million) has been included in the group income statement and credited to equity.

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

Grant date	11-Apr-18	11-Apr-18	08-May-18	14-Aug-18
Vesting dates	11-Apr-19	11-Apr-19	08-May-19	14-Aug-19
	11-Apr-20		08-May-20	14-Aug-20
	11-Apr-21		08-May-21	14-Aug-21
	11-Apr-22		08-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	£9.60
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	08-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.

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 2018, the Group had cash and cash equivalents of £77.0 million. As of 31 December 2017, the Group had cash and cash equivalents of £86.7 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	*2018*	*2017*
	(in thousands)	
	Carrying amount	
	£	£
Financial assets at fixed rates		
Cash and cash equivalents	64,267	51,745
Financial assets at variable rates		
Cash and cash equivalents	7,141	13,708
Non-interest bearing cash balances		
Cash and cash equivalents	5,564	21,250

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 £357,041 (2017: £327,261).

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, active pharmaceutical ingredient, or API, and other raw materials and our research and development, manufacturing, consulting and other services are sourced 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 us. We seek 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 forward exchange contracts to manage exchange rate exposure.

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

Group	*2018*	*2017*
	(in thousands)	
	Carrying amount	
	£	£
Financial assets		
Prepayments, accrued income and other receivables	1,477	2,656
Current income tax receivable	25	18
Cash and cash equivalents	44,018	72,645
Financial liabilities		
Trade payables	1,192	148
Payroll taxes and social security	26	3
Accrued expenditure	1,391	468

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 £429,101 (2017: £747,004).

Credit risk

The Group actively manages cash and cash equivalents across a number of banks and have 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 2018 were held at UK and US financial institutions with short-term A-rated credit ratings, as assessed by recognised international credit rating agencies.

18. Events since the balance sheet date

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

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

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