Annual Report and Accounts
Year ended December 31, 2021

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Strategic Report

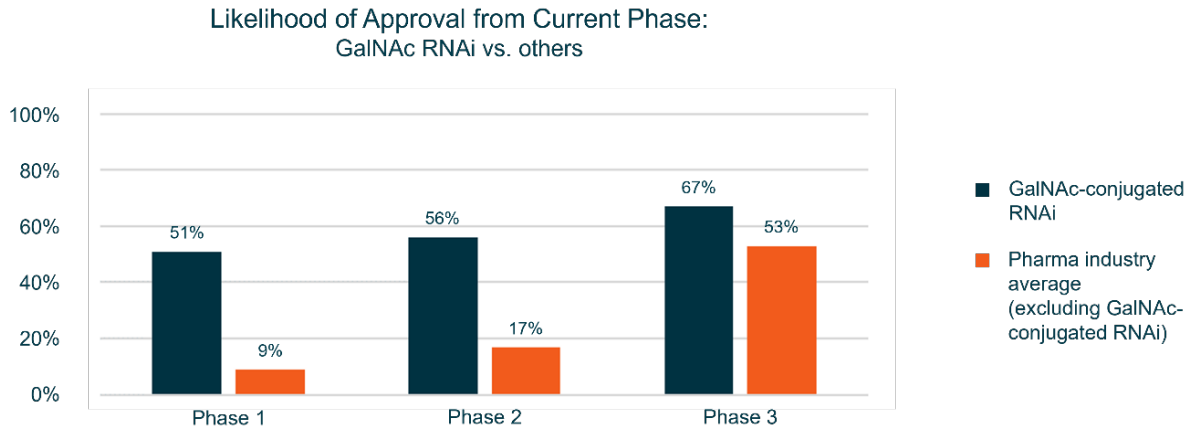
Business Overview

Silence Therapeutics plc ("we", "us", "our", "the Company" or "Silence") is a biotechnology company focused on discovering and developing novel molecules incorporating short interfering ribonucleic acid, or siRNA, to inhibit the expression of specific target genes thought to play a role in the pathology of diseases with significant unmet medical need. Our siRNA molecules are designed to harness the body's natural mechanism of RNA interference, or RNAi, by specifically binding to and degrading messenger RNA, or mRNA, molecules that encode specific targeted disease-associated proteins in a cell. By degrading the message that encodes the disease-associated protein, the production of that protein is reduced and its level of activity is lowered. In the field of RNAi therapeutics, this reduction of disease-associated protein production and activity is referred to as "gene silencing." Our proprietary mRNAi GOLD™ (**G**alNAc **Ol**igonucleotide **D**iscovery) platform is a platform of precision-engineered medicines designed to accurately target and 'silence' specific disease-associated genes in the liver. Using our mRNAi GOLD™ platform, we have generated siRNA product candidates both for our internal development pipeline as well as for out-licensed programmes with third-party collaborators. Our wholly owned pipeline is currently focused in three therapeutic areas of high unmet need: hematology, cardiovascular disease, and rare diseases.

Our wholly owned clinical development programmes include SLN360 designed to address the high and prevalent unmet need in reducing cardiovascular risk in people born with high Lipoprotein(a), or Lp(a), levels and SLN124 designed to address rare hematological conditions, including thalassemia, myelodysplastic syndrome, or MDS, and polycythemia vera, or PV. In February 2022, we reported positive topline data from the SLN360 phase 1 single-ascending dose study in 32 healthy adults with high Lp(a). In topline results from the study, SLN360 was not observed to exhibit any clinically important safety concerns, was well tolerated, and was observed to significantly lower Lp(a) in a dose dependent manner up to 98% with reductions of up to 81% persisting at 150 days. Full results were presented in a late-breaking clinical abstract at the American College of Cardiology (ACC) and in a simultaneous publication in the Journal of the American Medical Association (JAMA) on April 3, 2022. In January 2022, we started the multiple-ascending dose portion of the SLN360 phase 1 study in patients with high Lp(a) that have a confirmed history of stable atherosclerotic cardiovascular disease (ASCVD). We plan to start a phase 2 ASCVD study in the second half of 2022, pending regulatory discussions. In May 2021, we reported positive data from the SLN124 phase 1 study in 24 healthy volunteers, which was the first clinical data from our mRNAi GOLD™ platform. Data from the study showed that SLN124 was effective in reducing plasma iron levels, had a strong safety profile and long duration of action. In April 2021, we started evaluating SLN124 in a phase 1 program which included two study arms, an arm in patients with non-transfusion dependent thalassemia and an arm in very-low and low-risk myelodysplastic syndrome or MDS. In March 2022, we completed enrolment in the thalassemia single-ascending dose study, which includes 24 patients, and we expect topline data from this study in the third quarter of 2022. In March 2022, we discontinued further enrolment in the MDS arm of the SLN124 phase 1 program due to recruitment challenges in this population and the decision to prioritize spend in thalassemia and polycythemia vera (PV) indications where we believe we can derive the most value near term. The U.S. Food and Drug Administration, or FDA, granted SLN124 orphan drug designation for PV in February 2022, and we plan to start a phase 1b study in this indication in the second half of 2022.

The potential of our mRNAi GOLD™ platform has been validated through ongoing research and development collaborations with leading pharmaceutical companies, such as AstraZeneca plc, or AstraZeneca, Mallinckrodt plc, or Mallinckrodt and Hansoh Pharmaceutical Group Company Limited or Hansoh. These collaborations collectively represent up to 16 pipeline programmes and approximately $7.5 billion in potential milestones plus royalties.

We believe the potential for our mRNAi GOLD™ platform to address disease-associated genes in the liver is substantial. Only around one percent of the approximately 14,000 liver expressed genes have been targeted by publicly known siRNAs. If we assume only one to two percent of the remaining genes are targetable, that is still another 140 – 280 new programmes. Once in the clinic, early-stage GalNAC-conjugated RNAi programmes have a much greater likelihood of approval compared to the pharma industry average.



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

Source: Pharmapremia, Informa Pharma Custom Intelligence analysis

To build a pipeline that balances risk, we have a two-pronged approach to target selection, focused on both new "first in class" targets with solid genetic evidence and "well validated" targets with best-in-class potential. We have a dedicated translational genomics team applying big data and machine learning to accelerate target selection. Through our proprietary and partnered mRNAi GOLD™ platform programmes, we plan to file two to three INDs in 2023.

Background on siRNA Molecules and RNA Interference

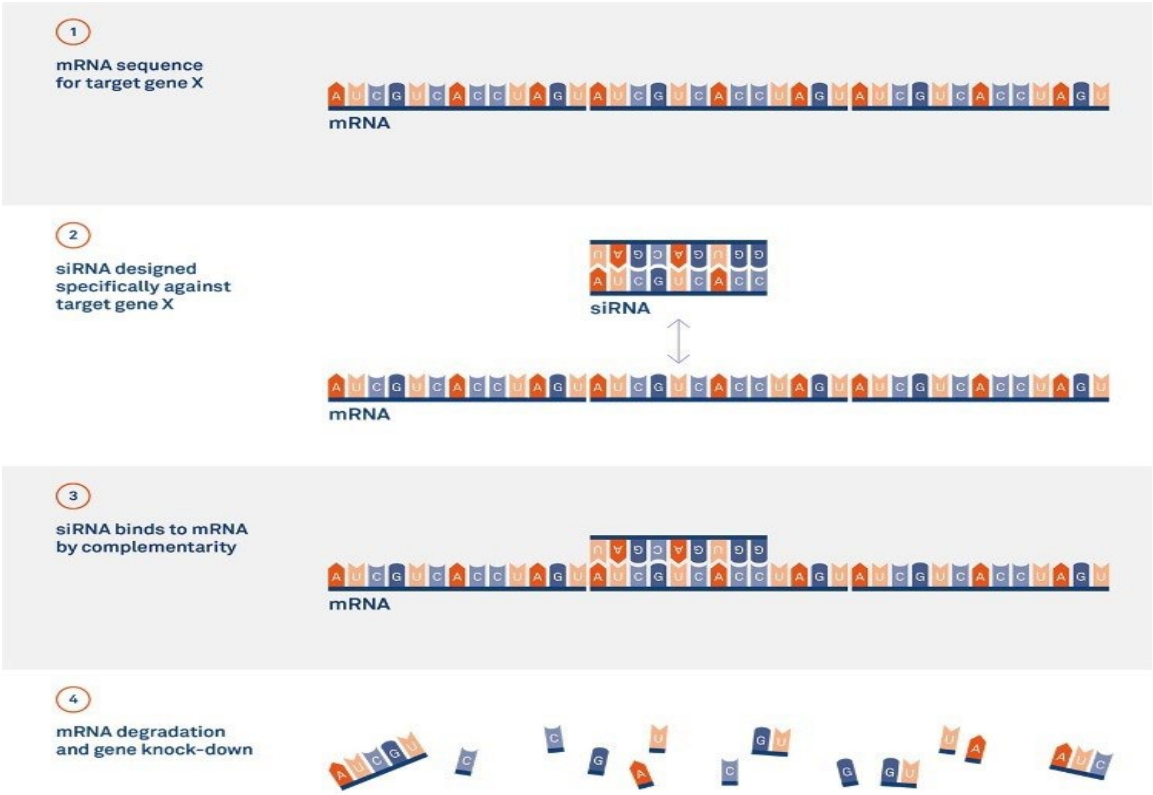
Messenger RNA (mRNA) plays an essential role in the process used by cells to translate genetic information from DNA to create proteins. Transcription from DNA in the cell nucleus generates different types of RNA, including mRNA, which carries in the sequence of its nucleotides the genetic information which serves as molecular blueprints required for translation, or protein synthesis, outside of the nucleus where proteins are made. In some cases, cells produce mRNA erroneously, resulting in synthesis of too much of a particular protein or a mutated protein variant, which can lead to disease. Our siRNAs are designed to bind to undesirable mRNA, whereupon a natural process known as RNA interference, or RNAi, is triggered, resulting in catalytic degradation of the mRNA and reduced production and activity of the disease-associated protein.

RNAi is a naturally occurring biological pathway within cells for sequence-specific silencing and regulation of gene expression. RNAi was discovered by Andrew Fire and Craig Mello, for which they were awarded the 2006 Nobel Prize in Physiology or Medicine. RNAi therapeutics represent a novel advance in drug development that has the potential to transform the care of patients with genetic and other diseases. Historically, the pharmaceutical industry had developed only small molecules or recombinant proteins to inhibit the activity of disease-associated proteins. While this approach is effective for many diseases, a number of proteins cannot be inhibited by either small molecules or recombinant proteins. Some proteins lack the binding pockets small molecules require for interaction. Other proteins are solely intracellular and are therefore inaccessible to recombinant protein-based therapeutics, which are limited to cell surface and extracellular proteins. The unique advantage of RNAi is that, instead of targeting proteins, RNAi silences the expression of genes themselves via the targeted destruction of the mRNAs made from the gene. Rather than seeking to inhibit a protein directly, the RNAi approach works upstream to prevent its creation in the first place.

Once inside a cell, siRNA molecules are recognised by the endogenous RNAi cellular machinery, which removes one of the strands, referred to as a passenger strand, of the siRNA construct thereby allowing the other strand, referred to as a guide strand, to find its target mRNA and bind to it through Watson-Crick base pairing. This site-specific binding triggers the biological process of RNAi interference, by which natural cellular machinery degrades target mRNA bound by the guide strand and thereby prevents it from being translated into functional proteins.

Our medicines are designed to harness this natural pathway to develop a new generation of therapeutics by designing tailored siRNA sequences that are able to bind through Watson-Crick base pairing to mRNAs that code for specific disease-associated genes, or genes that regulate them. Our siRNA molecules are administered by subcutaneous injection. Once administered, our siRNA molecules are taken up specifically by target liver cells or cleared

from the body within hours. A single siRNA molecule, once in the liver and incorporated into the RNAi cellular machinery, can degrade thousands of targeted mRNAs due to the catalytic nature of the cell's RNAi machinery. Because the catalytic activity of the RNAi pathway eventually fades, RNAi-mediated protein reduction is not permanent. In our preclinical studies, we have observed a durable, dose-dependent silencing effect with our product candidates, with the highest dose resulting in reductions of between 50% and 85% or more of the target protein level over the course of several weeks following subcutaneous injection. As a result of the interim phase 1 clinical data we have gathered, we believe that these observed results suggest that our product candidates could lead to similar results in humans. The graphic below shows the steps involved in the pairing of our siRNA molecules with the bases contained in the mRNA sequence for a particular target gene.



We believe that siRNA molecules can, in theory, be engineered to bind specifically to and silence almost any gene in the human genome to which siRNA can be delivered. This potentially broad application of siRNA therapeutics could allow them to become a new major class of drugs. We are currently able to deliver siRNA molecules to liver cells using N-acetylgalactosamine, or GalNAc, for receptor-mediated targeting. GalNAc is an amino-modified monosaccharide that binds to asialoglycoprotein receptors, or ASGPRs, with high affinity and specificity. When GalNAc-conjugated siRNA molecules reach the surface of liver cells, they are internalized in those cells, with those not internalized being excreted. Once internalized, the siRNAs specifically bind to their target mRNAs, degrading them through the cell's natural RNAi pathway. This GalNAc-siRNA drug modality is intended to enable precision medicine through the accuracy of Watson-Crick base pairing of the siRNA to its target gene mRNA, coupled with the specificity of GalNAc-mediated delivery to the target gene-containing liver cell.

Our mRNAi GOLD™ platform uses a novel structure of double-stranded RNA with chemical modifications designed to improve the stability and efficacy of our siRNA molecules as well as to enhance delivery to targeted liver cells. We incorporate proprietary chemical modifications to enhance drug properties of our siRNA molecules, such as potency, stability and tissue distribution. We believe this approach results in a powerful modular technology that will be well-suited to tackle life-changing diseases. Particular siRNA molecules are designed to reduce the levels of a disease-associated protein directly, such as in the case of SLN360. In preclinical studies and our phase 1 single-ascending dose study, SLN360 was shown to directly reduce Lp(a) expression. Alternatively, in cases in which a disease-associated

protein is normally subject to inhibition by a regulatory protein, siRNA molecules are designed to increase the levels of the disease-associated protein by silencing the inhibitory protein, thereby relieving inhibition and indirectly increasing levels of the protein normally subject to inhibition. In preclinical studies and in a phase 1 study in healthy volunteers, SLN124 was shown to indirectly up-regulate hepcidin levels by reducing the expression of a specific gene, *TMPRSS6*, which normally inhibits the production of hepcidin. We will use this approach to address 'iron loading' anemia conditions in which hepcidin expression is typically low. Using these techniques, we believe we can design siRNA molecules to decrease high protein levels, and in some cases, to increase low protein levels, depending on the particular disease genes being targeted.

Our mRNAi GOLD™ Platform

Our mRNAi GOLD™ platform comprises elements of our GalNAc-siRNA toolbox, our liver cell targeting technology and our target selection and screening process.

GalNAc-siRNA Toolbox. Our mRNAi GOLD™ platform is a toolbox comprising several different elements that can be incorporated into our double-stranded siRNA structure, known as blunt-ended 19-mers, either singly or in different combinations depending on individual siRNA sequences. The toolbox elements include:

- sugar modifications of one or more select individual nucleotides;
- stabilizing modifications of one or more internucleoside linkages in the sense and antisense strands;
- stabilizing modifications at one or more of the ends of the siRNA molecules;
- a five-prime, or 5', modification of the antisense strand of siRNA for improved binding to an RNA-induced silencing complex, or RISC; and
- a versatile linker chemistry for GalNAc ligand conjugation in various numbers and configurations.

When applying these elements of our toolbox, we also aim to reduce the overall content of the sugar modifications and the number of undefined stereogenic centers in the siRNA molecule.

Liver Cell Targeting Technology. Blood flow and fenestra, or small openings in the endothelium, result in a large amount of the injected dose of a conjugated siRNA passing through the liver and reaching the main cell type of the liver known as a hepatocyte. Hepatocytes are cuboidal epithelial cells that line the liver sinusoids. Hepatocytes have approximately 0.5 to 1.0 million cell surface ASGPRs. GalNAc binds to ASGPRs with high affinity so that when GalNAc-conjugated siRNA reach the hepatocytes, they are internalized into the cells where siRNA can bind and, as a result, can degrade the target mRNA, which in turn reduces production of the encoded protein and that protein's activity, thereby silencing the respective gene. Only a small fraction of the initial dose reaches the hepatocyte and the right compartment of the cell, but once the siRNA is there, it can last for several months, allowing a small number of internalized siRNA molecules to exert a potent effect on the target mRNA. We apply the toolbox elements in the lead optimization phase to identify candidates that we believe will be potent with a long duration of action and have a favorable safety profile.

Target Selection and Screening Process. We are able to source potential product candidates through a proprietary target selection process. The selection of new targets involves a careful analysis of the biology underlying an indication, disease epidemiology and addressable population, the current standard of care and resulting medical need, the commercial landscape and the envisaged clinical path.

Our screening process relies on a proprietary *in silico* algorithm that seeks to predict the most efficacious and specific siRNAs for any given target. This bioinformatics function is designed to continuously improve *in silico* predictions for finding potentially potent and safe siRNA sequences. The highest scoring drug candidates subsequently undergo a multi-step evaluation process involving several rounds of *in vitro* screening in cell lines and primary hepatocytes to identify the most potent molecules. Top candidates identified *in vitro* are then tested for safety and potential efficacy in animal models. At this point in the process, additional modification patterns and new chemistries are introduced for improvement of activity and duration of action while maintaining the desired safety profile. To be selected as a drug candidate for clinical trials, it further needs to be shown that a molecule is well tolerated, elicits no serious adverse effects, and achieves strong and long-lasting knockdown of the targeted gene in a study with non-human primates.

Translational Genomics. Our translational genomics team is now established and comprises machine learning experts, statistical geneticists, bioinformaticians and software engineers. The team uses state-of-the-art methods to analyse human genetic data to identify, characterise and prioritise new disease-causing gene targets, and develops machine learning models to enable us to continuously fine tune the siRNA design algorithm. By powering the analysis with the flexibility of cloud computing we are able to scale up our computational work as we grow.

Our Pipeline

Our pipeline is centered around our liver-targeting mRNAi GOLD™ platform and consists of a diversified set of therapeutic areas, including hematology, cardiovascular disease and rare diseases.

*Silence retains exclusive rights to this program outside of the China region, which includes Hong Kong, Macau and Taiwan.

We also previously out-licensed certain intellectual property associated with our siRNA stabilization chemistries to Quark Pharmaceuticals for p53 targeting. The resulting product candidate, which was referred to as QPI-1002, failed to meet the primary endpoints in a phase 3 study in AKI and the study was terminated in February 2021. There is no active ongoing development of the QPI-1002 product candidate.

Our siRNA Product Candidates

SLN360

Overview

SLN360 is a siRNA molecule designed for the treatment of cardiovascular disease associated with elevated Lp(a), a lipoprotein in the blood. Available human data validate Lp(a) as an independent risk factor increasing the chances of developing premature cardiovascular diseases, including coronary heart disease and unstable angina, as well as myocardial infarction and ischemic stroke. SLN360 has the potential to reduce these diseases by specifically binding to and inducing RNAi-mediated degradation of the mRNAs made from *LPA*, the gene that encodes apolipoprotein(a), a protein specifically found in Lp(a). SLN360's mode of action creates an opportunity to develop this product candidate for several indications for which Lp(a) has been shown to be a causal, independent risk factor.

We believe SLN360 could be beneficial in addressing increased cardiovascular risk associated with raised levels of Lp(a) greater than 50mg/dL, which is considered to affect up to 20% of the world's population. The incidence of elevated Lp(a) is thought to be higher in people with established cardiovascular disease and calcific aortic valvular stenosis. Additionally, elevated Lp(a) concentrations are associated with an increased risk of myocardial infarction and ischemic stroke, particularly in stroke patients 55 years of age and younger. There is a genetic link between plasma Lp(a) level and cardiovascular risk. Mutations that genetically cause elevated Lp(a) levels have been linked with increases in myocardial infarction, ischemic stroke, carotid stenosis, peripheral arterial disease (including femoral artery stenosis), abdominal aortic aneurysm, obstructed coronary vessels (i.e. coronary atherosclerotic burden), earlier onset of coronary artery disease, cardiovascular and all-cause mortality, increased risk of heart failure and reduced longevity. Importantly, these causal relationships are independent of concentrations of other lipids and lipoproteins, including low-density lipoprotein, or LDL, and conventional cardiovascular disease risk factors. Conversely, a genetically determined decrease

in Lp(a) has been associated with a 29% lower risk of coronary artery disease, 31% lower risk of peripheral vascular disease, 17% lower risk of heart failure, 13% lower risk of stroke and a 37% lower risk of aortic stenosis.

SLN360 is administered by subcutaneous injection and is anticipated to have a long duration of action, potentially allowing for fewer treatments, such as once monthly, every two months or less frequently. In our preclinical studies, SLN360 significantly reduced Lp(a) levels in healthy non-human primates. In topline results from our phase 1 single-ascending dose study of SLN360 in healthy volunteers with high Lp(a) (≥ 60 mg/dL or ≥ 150 nmol/L), SLN360 was not observed to exhibit any clinically important safety concerns, was well tolerated and was observed to significantly lower Lp(a) in a dose dependent manner up to 98% with reductions of up to 81% persisting at 150 days. We presented detailed results from the study in a late-breaking clinical abstract at the American College of Cardiology (ACC) on April 3, 2022. We are currently conducting longer term follow-up of the single-ascending dose cohorts to 365 days to further assess the duration of action and we expect data from this follow-up in the third quarter of 2022. In January 2022, we started the multiple-ascending dose portion of the SLN360 phase 1 study in patients with high Lp(a) that have a confirmed history of stable atherosclerotic cardiovascular disease (ASCVD). We plan to start a phase 2 ASCVD study in the second half of 2022, pending regulatory discussions. We are engaged in global partnership discussions for this program to ensure we are well positioned to scale up SLN360 development and future commercialization.

Disadvantages of existing treatment options

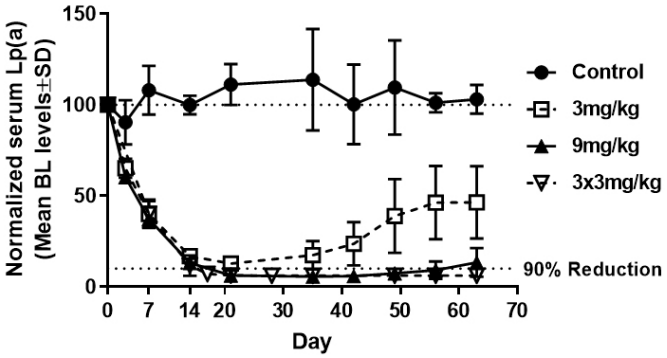
Lp(a) is not susceptible to lifestyle changes and there are no currently available pharmacological treatments that cause an appreciable reduction in Lp(a). The only existing treatment to reduce Lp(a) is apheresis, which involves the removal of blood plasma from the body by the withdrawal of blood, its separation into plasma and cells, and the reintroduction of the cells, used especially to remove antibodies in treating autoimmune diseases. This process can take between two and four hours and is performed every one to two weeks. Consequently, it is invasive and burdensome for patients, and it is only available at limited centers at a high cost. Apheresis is primarily used in Europe and it is not incorporated in the treatment guidelines in the United States.

There are currently no approved lipid-lowering agents specific to Lp(a). Several non-specific agents, largely targeting LDL cholesterol, have been observed to have only marginal or modest Lp(a) reductions, including ezetimibe (7%), niacin therapy (23%), cholesteryl ester transfer protein (CETP) inhibitors (25-40%), and antisense oligonucleotide-mediated inhibition of apo(b) by mipomersen (26%). Additionally, two monoclonal antibodies that inhibit proprotein convertase subtilisin/kexin type 9, or, PCSK9, have been observed to reduce Lp(a) levels by 20%-30%. However, randomization studies have suggested that to produce a clinically significant reduction in cardiovascular risk, a larger reduction in Lp(a) may be required, something that we believe may be achieved by targeted RNA-based approaches such as ours.

Preclinical Data

In a proof of mechanism study in cynomolgus monkeys, non-human primates also known as long-tailed macaques, administration of SLN360 lowered blood serum Lp(a) levels in a sustained manner. The chart below shows changes from baseline, or BL, levels with each data plot shown as an arithmetic mean plus or minus one standard deviation, or SD. As shown in the chart below, over nine weeks following administration of either a single dose of SLN360 (3 mg/kg or 9 mg/kg) on day 0 or three doses (of 3 mg/kg each) on days 0, 7 and 14, the largest dose resulted in a 95% reduction in Lp(a) levels. Individual animals observed in the study had their serum Lp(a) normalized to their own baseline levels, which are expressed as a nominal value of 100 in the chart below.

SLN360-Induced Reduction in Serum Lp(a) in Cynomolgus Monkeys



SLN360 has undergone an extensive nonclinical safety and pharmacokinetic evaluation, including rat biodistribution, repeat dose toxicity in two animal species (rat and the pharmacologically relevant cynomolgus monkey), including safety pharmacology investigations, and in vitro and in vivo genetic toxicity studies. SLN360 has displayed a typically short pharmacokinetic profile, where the compound is almost completely cleared from circulation in the blood after 24 hours. SLN360 distribution was largely restricted to the liver and kidney, with levels in other organs (including reproductive organs) at less than 1% of peak liver levels. SLN360 was shown to be non-genotoxic in the standard battery of genotoxic tests. In good laboratory practice (GLP) toxicology studies, SLN360 was well tolerated up to the maximum dose administered. All findings in both species were considered to be non-adverse. In the cynomolgus monkey, the most relevant species, the No Observed Adverse Effect Level, or NOAEL, was 60 times the pharmacologically active dose, and no dose-related changes in clinical chemistry, hematology, circulatory and electrocardiography, or ECG, parameters, respiratory rate, neurobehavior, plasma cytokines, complement activation or c-reactive protein levels were noted.

APOLLO Phase 1 Clinical Program

The APOLLO phase 1 clinical program is a global randomized, double-blind, placebo controlled single-ascending dose and multiple-ascending dose study to investigate the safety, tolerability, pharmacodynamic and pharmacokinetic response of SLN360 administered subcutaneously in up to 88 people total with high Lp(a) levels of approximately ≥ 60mg/dL or ≥ 150 nmol/L.

We initiated dosing in the single-ascending dose portion of the APOLLO study in February 2021 and completed patient enrolment in August 2021. In February 2022, we reported positive topline data in the single-ascending dose cohorts. The single-ascending dose study evaluated the safety, tolerability, pharmacokinetics (PK) and pharmacodynamics of SLN360 at escalating doses in 32 adults with plasma concentrations at screening of Lp(a) ≥150 nmol/L (approximately ≥ 60 mg/dL) with no known cardiovascular disease. Individuals were randomly assigned to receive a single subcutaneous dose of SLN360 (30 mg, 100 mg, ≤ 300 mg or ≤ 600 mg) or placebo and were observed for up to 150 days. The primary safety objective was assessment of treatment-emergent adverse events. No clinically important safety concerns were identified. Low grade adverse events at the injection site were observed, most prominently at the highest dose. As expected, systemic exposures (PK) of SLN360 increased in a broadly dose-proportional manner. The key efficacy assessment was percent change from baseline in Lp(a). SLN360 reduced Lp(a) in a dose dependent manner from 46% up to a maximum of 98% with up to an 81% reduction persisting at 150 days. The study follow-up period in the single-ascending dose cohorts has been extended from 150 days to 365 days to further assess the duration of action and we expect data in the third quarter of 2022. Detailed results from the SLN360 phase 1 single-ascending dose study were presented by principal investigator and Professor of Cardiovascular Medicine at the Cleveland Clinic, Steven E. Nissen, MD, at the American College of Cardiology (ACC) Annual Scientific Session & Expo and in a simultaneous publication in the Journal of the American Medical Association (JAMA) on April 3, 2022.

In January 2022, we started the multiple-ascending dose portion of the SLN360 phase 1 study in patients with high Lp(a) that have a confirmed history of stable atherosclerotic cardiovascular disease, or ASCVD.

SLN124

Overview

SLN124 is an siRNA molecule designed to treat dysregulated erythropoiesis, or the production of red blood cells. In beta-thalassaemia and MDS this dysregulation is known as ineffective erythropoiesis and leads to overproduction of faulty red blood cells resulting in anaemia which can be associated with iron overload. Left untreated, iron overload disorders cause damage to the heart, liver, pituitary gland, adrenal gland, testes, pancreas, ovaries and kidney and endocrine organs. These diseases can be associated with inadequate hepcidin response for the degree of iron loading observed. Dysregulated erythropoiesis in PV results in exuberant red blood cell production, resulting in high thrombotic risk which is treated with phlebotomies. Phlebotomies can lead to iron deficiency and fatigue. Hepcidin in PV patients is at slightly low or normal levels allowing iron availability for continued exuberant red blood cell production.

Beta-thalassaemia, MDS and PV are rare genetic diseases. Beta-thalassaemia has an overall prevalence of 1 per 100,000 persons, rising in certain regions (such as Mediterranean Europe, Middle East and South East Asia) to 1 per 10,000 persons. Globally, there are over 60,000 new cases of beta-thalassaemia each year, of which there are approximately 15,000 cases in the United States and the five major markets in Europe. Unlike beta-thalassaemia, MDS and PV present later in life (60-65). MDS has an overall prevalence of less than 20 per 100,000 persons and impacts more than 100,000 people in Europe and the United States. PV is a chronic myeloproliferative neoplasm and affects approximately 44 per 100,000 persons in Europe and the United States. SLN124 has the potential to reduce systemic iron to re-balance iron distribution and normalise erythropoiesis. It does so by specifically binding to and inducing RNAi-mediated degradation of mRNAs made from the gene TMPRSS6, a negative regulator of hepcidin, thereby inducing endogenous expression of hepcidin, which is the main hormone controlling iron homeostasis.

SLN124 is administered by subcutaneous injection and is anticipated to have a long duration of action, potentially allowing for once monthly treatments. The European Medicines Agency, or EMA, granted orphan drug designation for SLN124 in January 2019 for the treatment of beta-thalassemia. In the United States, the FDA granted rare pediatric disease designation for SLN124 in March 2020 for the treatment of beta-thalassemia and granted orphan drug designation in April 2020 and July 2020 for the treatment of MDS and adult beta-thalassemia, respectively. In February 2022, the FDA granted orphan drug designation for SLN124 in PV.

In May 2021, we reported positive data from the SLN124 phase 1 study in 24 healthy volunteers, which was the first clinical data from our mRNAi GOLD™ platform. Data from the study showed that SLN124 was effective in reducing plasma iron levels, had a strong safety profile and a long duration of action. In March 2022, we completed enrolment in a phase 1 single-ascending dose study of SLN124 in patients with non-transfusion dependent thalassemia and expect topline data in the third quarter of 2022. We plan to start a phase 1 study of SLN124 in PV patients in the second half of 2022.

Disadvantages of existing treatment options

The cornerstone of treatment for iron loading anaemias, like beta-thalassemia and MDS, is the regular transfusion of packed red blood cell, or RBC, units. Despite providing immediate symptomatic relief by boosting hemoglobin levels (therefore reducing anemia), RBC transfusions are burdensome, require frequent hospital visits (every two to five weeks) and carry the risk of further iron overload. Iron chelators are the standard of care for the prevention of iron overload and can be administered by intravenous or subcutaneous twice daily injections (deferoxamine) or taken orally once (deferasirox) to three times daily (deferiprone). While orally available chelators, particularly Deferasirox (Exjade) are currently prescribed due to their ease of administration, some patients still need to receive deferoxamine infusions. Regardless of administration profile, chelator use carries a known risk of severe side effects with several restrictions of use and black box warnings regarding potential renal, ophthalmic, hepatic and gastrointestinal, or GI, toxicity/failure, with common acute GI side effects including abdominal pain, diarrhea, nausea and vomiting. The side effect profile as well as frequency of administration and perceived bad taste are reported as drivers of poor patient compliance with this existing treatment option.

Luspatercept (Reblozyl) is approved for the treatment of adults with transfusion-dependent beta-thalassemia, and adults with erythropoiesis-stimulating agent (ESA) refractory MDS with ringed sideroblasts. We believe that the limited response rates observed in the MEDALIST and BELIEVE pivotal studies suggest that there remains a substantial unmet need among these patients. Lentiglobin (Zynteglo) is a gene therapy currently approved in Europe for the treatment of a subset of patients with transfusion-dependent beta-thalassemia who do not have the β^0/β^0 genotype. We believe that outstanding questions surrounding the cost, safety and durability of gene therapies and their associated pre-conditioning

regimens will limit their uptake, leaving a substantial unmet need for the treatment of beta-thalassemia.

The primary treatment goal in PV is to reduce the risk of thrombotic events by reducing hematocrit (the number of blood cells in a given volume) to within target levels. The mainstay of treatment is therapeutic phlebotomy to reduce the number of blood cells by regularly removing blood from the patient. Phlebotomy results in erratic, suboptimal control of hematocrit, and regular phlebotomies can be burdensome to the patient. Patients over 60, or those with prior thrombotic events or additional cardiovascular risk factors are also treated with chemotherapy drugs (cytoreductive agents) to suppress blood cell production. The majority of these patients are treated with hydroxyurea, which is poorly tolerated and carries the risk of potential long term side effects. Patients who are resistant or intolerant to hydroxyurea may be treated with the JAK2 inhibitor ruxolitinib (Jakafi), which carries the risk of thrombocytopenia (low platelet count). Finally, some patients are treated with synthetic hepcidin mimetic dosed weekly by subcutaneous injection in clinical trials. In contrast to synthetic hepcidin mimetics, SLN124 elevates endogenous hepcidin produced and secreted by the liver, avoiding high local concentrations of hepcidin at the injection site. We believe the sustained duration of action will allow SLN124 to be dosed monthly, or less frequently, bringing additional value to patients.

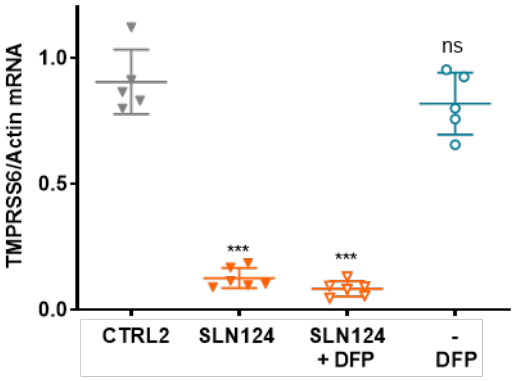
Preclinical Data

In a beta-thalassemia rodent disease model, SLN124 reduced expression of its target gene, *TMPRSS6*, in the liver after 35 days, while also increasing serum hepcidin levels and lowering transferrin saturation. On days 1 and 15 of the study, mice with heterozygous deletion of two different β-globin genes, also known as $Hbbth^{3/+}$, were treated with either 3 mg/kg of SLN124 subcutaneously as monotherapy or with the same dose of SLN124 in combination with 1.25 ng/mL of deferiprone supplied in drinking water. One cohort of mice was treated with deferiprone alone. The control group consisted of mice having TMPRSS6 siRNA without a ligand.

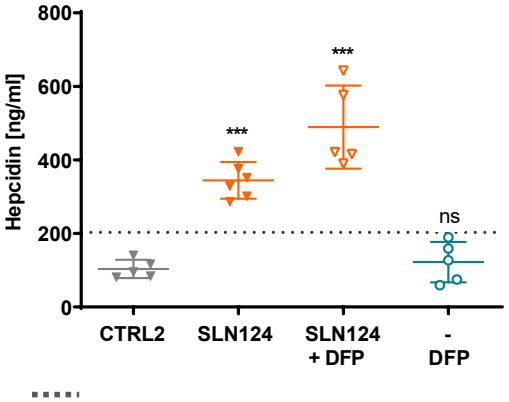
TMPRSS6 mRNA levels were assessed by quantitative Reverse Transcription Polymerase Chain Reaction, or qRT-PCR, a common laboratory technique, and were normalized to the endogenous reference actin relative to their expression levels in control treated animals. These TMPRSS6 mRNA levels are shown in the left panel of the figure below. Serum hepcidin levels were determined using an ELISA assay and are shown in the middle panel of the figure below. Transferrin saturation, a clinical biomarker for serum iron levels, was calculated based on total serum iron and total iron binding capacity, and the observations from the study are shown in the right panel of the figure below.

In the figure below, we show the results from administration on individual animals as well as the mean for each group plus or minus one standard deviation. The figures show that administration of SLN124, either as monotherapy or in combination with deferiprone, reduced TMPRSS6 mRNA levels as compared to the control group or treatment with deferiprone alone. The two mouse groups receiving SLN124 also experienced comparatively higher hepcidin levels and lower transferrin saturation levels than the control group or the deferiprone only group (the deferiprone only control data being non-statistically signficant or “ns”). However, because this is a preclinical study, the observed results will need to be confirmed in human clinical trials.

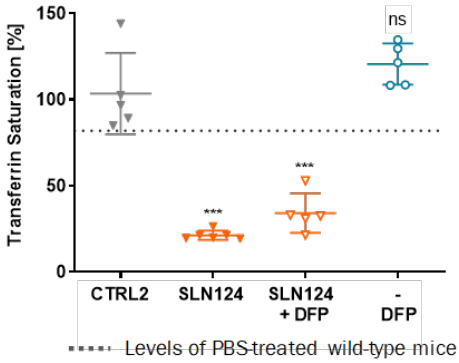
SLN124 reduced liver TMPRSS6 mRNA levels in β-thalassemic mice compared to deferiprone



SLN124 increased serum hepcidin levels in β-thalassemic mice compared to deferiprone

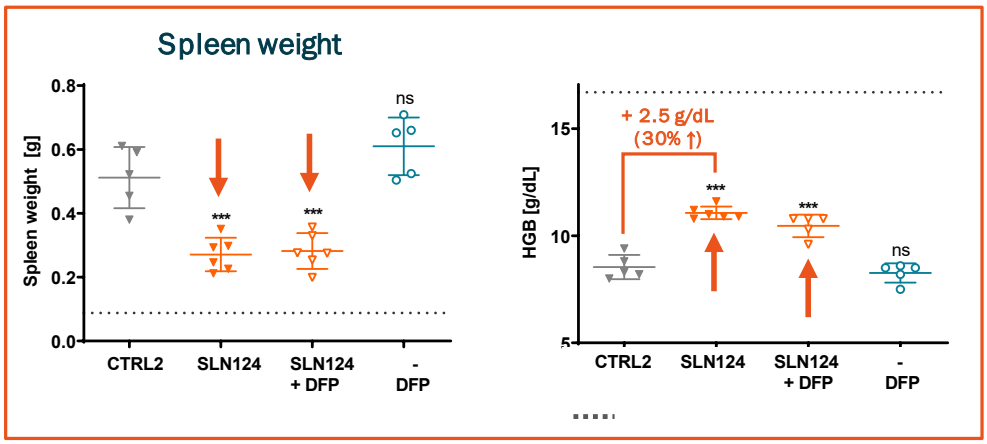


SLN124 reduced transferrin saturation in β-thalassemic mice compared to deferiprone



In our preclinical studies of beta-thalassemic mice, we also observed that administration of SLN124 improved anemia, which led to reduced extramedullary erythropoiesis, evident by the reduction in spleen weight shown in the left panel of the figure below. In these studies, mice were dosed twice over two weeks, following which their spleen weight and hemoglobin levels were measured over five weeks. As shown in the right panel of the figure below, we observed a median increase of 2.5 g/dL in hemoglobin levels, or 30% more than the control group, in the mice receiving SLN124 in this study. Increases of at least 1.5 g/dL are generally considered to be clinically relevant responses, based on 2018 International Working Group standardized response criteria for showing hematologic improvement in patients with MDS.

SLN124 reduced spleen weight and improved anemia in β-thalassemic mice



Data based on collaboration with Dr. J. Vadolas, Australia, Monash Medical Centre/Melbourne.

SLN124 has undergone an extensive nonclinical safety and pharmacokinetic evaluation including mouse biodistribution, single and repeat dose toxicity in two relevant animal species (mouse and cynomolgus monkey) including safety pharmacology investigations, and in vitro genetic toxicity studies. Drug-drug interaction studies have also been carried out as the initial clinical trial will also be performed in a patient population that may be using concomitant medications. The toxicological data obtained so far are regarded as adequate to support single and repeated intermittent monthly treatment in humans.

In these nonclinical evaluations, SLN124 was highly absorbed within hours, while its pharmacodynamic effects were sustained over weeks. SLN124 was distributed to the liver and kidney with little or no detectable tissue concentrations in other tissues, including brain and reproductive organs. The nonclinical safety has been assessed in a series of GLP pharmacology studies. In these studies, ECG, blood pressure and respiration were assessed in cynomolgus monkeys without any test-article related observations. Evaluation of SLN124 in weekly repeat dose GLP studies in mouse and non-human primates has not revealed any unexpected findings. The NOAEL was more than 25 times the predicted efficacious pharmacological dose in both the mouse and monkey species. In vitro experiments in mammalian assay systems confirmed the lack of genotoxicity. In drug-drug interaction studies, SLN124 was not a direct or time-dependent inhibitor of analyzed cytochrome enzymes and was neither an inhibitor nor a substrate of analyzed transporters under the conditions examined.

GEMINI Phase 1 Clinical Trial

The GEMINI phase 1 study was a randomized, double-blind, placebo controlled, single-ascending dose study to investigate the safety, tolerability, PK and PD response of SLN124 (1.0, 3.0 and 4.5 mg/kg doses) administered subcutaneously in 24 healthy volunteers. In May 2021, we reported positive data from the SLN124 healthy volunteer study, which was the first clinical data from our mRNAi GOLD™ platform. In December 2021, we presented further clinical data from the study at the American Society of Hematology (ASH) Annual Meeting. Key outcomes included:

- All 3 dose levels were well tolerated with no serious or severe treatment emergent adverse events (TEAEs) or TEAEs leading to withdrawal.
- Average hepcidin, a key endogenous regulator of iron balance and distribution, increased up to ~4-fold after a single dose with effect sustained for at least 2 months.
- Serum iron reduced by ~50% after a single dose with effect sustained for at least 2 months.
- SLN124 was rapidly distributed (median t_{max} was 4.0 or 5.0 hours) and largely eliminated from plasma within 24 hours post-dose in all dosing groups. SLN124 plasma concentrations increased in a greater than dose-linear fashion between dosing groups.

- All SLN124 doses induced marked reductions in transferrin saturation (TSAT); absolute levels of TSAT achieved (10–16%) are below the level (< 20%) where iron availability to tissue is restricted and at or below that (< 16%) required to support normal erythropoiesis in health.

GEMINI II Phase 1 Clinical Program

The GEMINI II phase 1b program is a global, randomized, single-blind, placebo controlled, single-ascending and multiple-ascending dose studies to investigate the safety, tolerability, PK and PD response of SLN124 in up to 112 adults with thalassemia and very low- and low-risk MDS. In April 2021, we started dosing patients in the single-ascending dose studies. In March 2022, we completed enrolment in the thalassemia single-ascending dose study, which includes 24 patients, and we expect topline data from this study in the third quarter of 2022. In March 2022, we discontinued further enrolment in the MDS arm of the SLN124 phase 1b program due to recruitment challenges in this population and the decision to prioritize spend in thalassemia and PV indications where we believe we can derive the most value near term.

Collaborations

In July 2019, we announced a strategic collaboration with Mallinckrodt to develop and commercialize RNAi drug targets designed to silence the complement cascade in complement-mediated disorders. Under the agreement, we granted Mallinckrodt an exclusive worldwide license to our C3 targeting program, SLN501, with options to license additional complement-mediated disease targets from us, with Mallinckrodt exercising the option for two additional targets in July 2020. We are responsible for preclinical activities, and for conducting each development program until the end of phase 1 clinical trials, after which Mallinckrodt will assume clinical development and responsibility for global commercialisation. In connection with the execution of the agreement, Mallinckrodt made an upfront cash payment to us of $20 million (£16.4 million) and purchased $5 million of our ordinary shares. We are eligible to receive up to $10 million in potential research milestone payments, in addition to funding for the phase 1 clinical development of SLN501 including GMP manufacturing. We will fund all other preclinical activities. We received a $2 million (equivalent to £1.6 million based on the exchange rate at the payment date) research milestone payment in October 2019 upon the initiation of work on the first C3 target. In September 2020, we received another $2 million (£1.4 million) research milestone payment following the initiation of work on a second complement target. In February 2021, we initiated work on the third complement target which triggered another $2 million (£1.5 million) research milestone payment. In April 2021, we also received $2 million (£1.5 million) for the second research milestone related to the first complement 3 target. The collaboration provides for potential additional development and regulatory milestone payments in aggregate of up to $100 million for the initial C3 target and up to $140 million for each of the two optioned complement-mediated disease targets, with such milestones relating to the initiation of specified clinical trials in specified jurisdictions, and upon the receipt of regulatory approvals by specified authorities, in each case for multiple indications. We are also eligible to receive potential commercial milestone payments of up to $562.5 million upon the achievement of specified levels of annual net sales of licensed products for each program. We are also eligible to receive tiered, low double-digit to high-teen percentage royalties on net sales for licensed products for each program.

In March 2020, we announced a strategic collaboration with AstraZeneca to discover, develop and commercialize siRNA therapeutics for the treatment of cardiovascular, renal, metabolic and respiratory diseases. AstraZeneca made an upfront cash payment to us of $20 million (equivalent to £17.1 million based on the exchange rate at the payment date) in May 2020 and an additional cash payment of $40 million (equivalent to £30.8 million based on the exchange rate at the payment date) in May 2021. AstraZeneca also made an equity investment of $20 million in our company in March 2020. We anticipate initiating work on five targets within the first three years of the collaboration, with AstraZeneca having the option to extend the collaboration to a further five targets. AstraZeneca has agreed to pay us $10 million for each option exercised to collaborate on an additional target. For each target selected under the collaboration, we will be eligible to receive up to $140 million in milestone payments upon the achievement of milestones relating to the initiation of specified clinical trials, the acceptance of specified regulatory filings and the first commercial sale in specified jurisdictions. For each target selected, we will also be eligible to receive up to $250 million in milestone payments as well as tiered royalties as a percentage of net sales ranging from the high single digits to the low double digits.

On October 15, 2021, we announced a collaboration agreement with Hansoh, one of the leading biopharmaceutical companies in China, to develop siRNAs for three undisclosed targets leveraging Silence's proprietary mRNAi GOLD™ platform. Under the terms of the agreement, Hansoh will have the exclusive option to license rights to the first two targets in Greater China, Hong Kong, Macau and Taiwan following the completion of phase 1 studies. We will retain exclusive

rights for those two targets in all other territories. Silence will be responsible for all activities up to option exercise and will retain responsibility for development outside the China region post phase 1 studies. Hansoh will also have the exclusive option to license global rights to a third target at the point of IND filing. Hansoh will be responsible for all development activities post option exercise for the third target. Hansoh made a $16 million upfront payment to us in December 2021. We are eligible to receive up to $1.3 billion in additional development, regulatory and commercial milestones. We will also receive royalties tiered from low double-digit to mid-teens on Hansoh net product sales.

SLN501: Complement Factor C3 Program

Overview

Our SLN501 program candidates are siRNAs designed to specifically bind to and induce RNAi-mediated degradation of the mRNAs that encode the complement factor C3 for the treatment of complement pathway-mediated diseases. The SLN501 development program is fully funded, directly and through potential milestone payments under our collaboration with Mallinckrodt. We have nominated a lead candidate in the SLN501 program with Mallinckrodt and initiated IND-enabling studies in April 2021.

Overview of the complement system

The complement system plays a pivotal role in both innate and adaptive immune systems. Complement proteins are produced primarily by the liver and circulate in the blood and through the body's tissues. The complement system may be activated through three principal pathways, known as the classical, lectin and alternative pathways, each of which requires the C3 protein to enable three principal immune responses: opsonization, inflammation and formation of the membrane attack complex, or MAC. When C3 is activated, C3 fragments, such as C3b, tag cell surfaces in a process called opsonization, which marks the cells for removal from tissues or the bloodstream. Two other fragments, C3a and C5a, are released, contributing to inflammation in the surrounding tissues. Further complement activation causes MAC formation on cell surfaces, piercing holes and causing cells to lyse, or rupture.

Under conditions of excessive or uncontrolled activation, the complement system is believed to play a key role in the incidence and progression of several autoimmune and inflammatory diseases. In these diseases, the complement system acts directly through tissue destruction by the MAC and indirectly by signaling other elements of the immune system to inappropriately target otherwise healthy tissues. Because the contribution of complement activation to the development and progression of these diseases is not fully understood, it has been difficult to develop therapeutics that ameliorate the conditions contributing to these diseases by targeting only one of the complement activation pathways.

Complement activation and its effects can be inhibited in multiple ways. By targeting complement proteins upstream of C3, one of the three principal activation pathways can be inhibited. For example, inhibition of factor B or factor D results in inhibition of the alternative pathway, but not the classical or lectin pathways. The complement system can also be inhibited by targeting complement proteins downstream of C3, which results in limited inhibition of complement effects. For example, inhibition of C5 leads to inhibition of the formation of the membrane attack complex and C5a-mediated inflammation but does not affect opsonization or C3a-mediated inflammation.

The following graphic illustrates the mechanism of action of SLN501 in targeting the complement system:

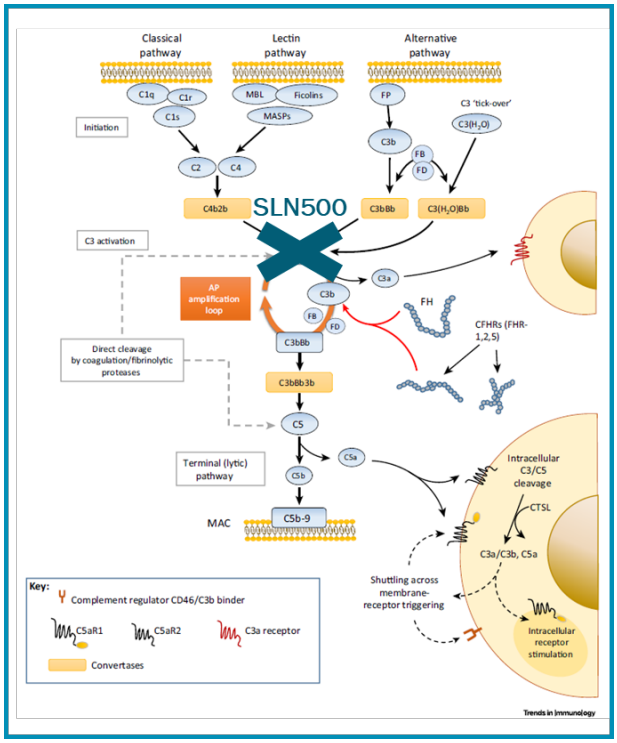


Illustration reproduced courtesy of Mastellos D.C. et al., Trends in Immunology.

Potential Market Opportunity

The commercial potential of treatment for complement-mediated disorders has been demonstrated by eculizumab (anti-C5 Ab), the first FDA-approved drug for complement mediated disease. In 2019, eculizumab had global revenues of $4 billion for rare disease indications.

QPI-1002

We have also out-licensed certain intellectual property associated with our siRNA stabilization chemistries to Quark Pharmaceuticals for p53 targeting. The resulting product candidate, which was referred to as QPI-1002, failed to meet the primary endpoints in a phase 3 study in AKI and the study was terminated in February 2021. There is no active ongoing development of the QPI-1002 product candidate.

Competition

The life sciences industry is characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products. We face potential competition from many different sources, including major pharmaceutical, specialty pharmaceutical and biotechnology companies, academic institutions, governmental agencies and public and private research institutions. Any product candidates that we successfully develop and commercialize will compete with existing products and new products that may become available in the future. 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 programmes.

Companies that complete clinical trials, obtain required regulatory authority approvals and commence commercial sale of their drugs before their competitors may achieve a significant competitive advantage, and our commercial opportunity could be reduced or eliminated if competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than any products that we may develop and commercialize. Our competitors also may obtain FDA, EMA or other regulatory approval for their

products more rapidly than we obtain approval, which could result in our competitors establishing a strong market position for either the product or a specific indication before we are able to enter the market. Drugs resulting from our research and development efforts or from our joint efforts with collaboration partners therefore may not be commercially competitive with our competitors' existing products or products under development.

We consider a number of companies to be our competitors in developing RNAi therapeutic products. Some of these companies are seeking, as we are, to develop chemically synthesized siRNA molecules as drugs. Others are following a gene therapy approach, with the goal of treating patients not with synthetic siRNAs but with synthetic, exogenously-introduced genes designed to produce siRNA-like molecules within cells. Companies working on chemically synthesized siRNAs include, but are not limited to, Aligos Therapeutics, Alnylam Pharmaceuticals, Altimara Therapeutics, Amgen Inc., Arbutus Biopharma, Arcturus Therapeutics, Arrowhead Pharmaceuticals, Atalanta Therapeutics, Avidity Biosciences, Dicerna Pharmaceuticals, e-Therapeutics, Genevant Sciences, Nanopeptide Biotechnology, Nitto Biopharma, OliX Pharmaceuticals, Quark Pharmaceuticals, Sirnaomics and Suzhou Ribo Life Sciences. With respect to our SLN360 product candidate targeting Lp(a), Ionis Pharmaceuticals and Akcea Therapeutics partnered with Novartis are developing TQJ230, a single-stranded antisense oligonucleotide therapeutic directed against Lp(a). Arrowhead Pharmaceuticals partnered with Amgen are developing AMG 890, a different siRNA directed against Lp(a). Dicerna Pharmaceuticals partnered with Eli Lilly is developing LY3849889, another siRNA directed against Lp(a). Eli Lilly is also developing an oral small molecule Lp(a) inhibitor LY3473329 with an undisclosed mechanism of action. We consider all four to be potentially competitive products. Abcentra is developing Orticumab, an antibody targeting oxidized LDL, which may reduce the pathogenicity of Lp(a) and is therefore also a potential competitor. With respect to our SLN124 product candidate targeting *TMPRSS6* for iron regulation, potential competitors include, but are not limited to, Bristol-Myers Squibb's Luspatercept (Reblozyl®), Ionis Pharmaceuticals' IONIS-TMPRSS6-LRx, Vifor Pharma's Vamifeport, Disc Medicine's Matriptase-2 inhibitor, Protagonist's Rusfertide, Bluebird's Lentiglobin (Zynteglo®), Orchard Therapeutics' OTL-300, Vertex's CTX001, Sanofi's ST-400, Imara's IMR-687, Agios's Mitapivat, Phoenicia's Benserazide, Roivant's ARU-1801, Kymab's KY-1066, AstraZeneca/Astellas's Roxadustat, Geron's Imetelstat, Apogenix' Asunercept, Keros' KER-050, MedPacto's Vactosertib (TEW-7197), Lixte's LB-100, Syntrix's SX-682, H3 Biomedicine's H3B-8800, Boehringer Ingelheim's BI-836858, and Astex's ASTX727. However, other companies may also develop alternative treatments for the diseases we have identified as being potentially treated with our siRNA molecules. To the extent those alternative treatments are more efficacious, less expensive, more convenient or produce fewer side effects, our market opportunity would be reduced.

We anticipate that we will face intense and increasing competition as new products and therapies enter the market and advanced technologies become available. We expect any treatments that we develop and commercialize to compete on the basis of, among other things, efficacy, safety, delivery, patient friendliness, price and the availability of reimbursement from government and other third-party payors.

Financial Review

Revenue

Revenue for the year ended 31 December 2021 was £12.4 million (2020: £5.5 million). The increase was primarily due to the advancement of targets in our Mallinckrodt and AstraZeneca collaborations which delivered £11.4 million in 2021 offset by the reduction in revenue due to the completion of other collaboration agreements (2020: £3.8 million).

Research and Development Expenses

Research and development expenses for the year ended 31 December 2021 were £30.8 million as compared to £20.2 million for the year ended 31 December 2020. Contract development costs increased by £4.8 million from 2020 as a result of additional clinical studies and an increase in contract manufacturing activities for our proprietary programmes. Personnel costs also increased by £5.4 million from 2020 as we increased our capabilities and expertise to further advance our siRNA platform.

Cost of sales consists of research and development expenditure that is directly related to work carried out on revenue generating contracts, which increased to £7.5 million for the year ended 31 December 2021 (2020: £3.8 million). The increase was largely due to the further advancement of our collaboration programmes.

General and Administrative Expenses

General and administrative expenses were £20.0 million for the year ended 31 December 2021 as compared to £14.0 million for the year ended 31 December 2020. This increase was mainly attributable as follows:

- Share-based payments charge increased of £2.8 million in 2021 due to an increase in the number of annual grants and new employees.
- Personnel costs increased £2.0 million due to increase in headcount to support the additional public company requirements and growth of our research and development portfolio.
- Public company requirements including finance, insurance, internal control, audit and legal costs of £1.4 million.

Finance and Other Income (Expense)

Finance income represents bank interest and was £10,000 and £129,000 for the years ended 31 December 2021 and 2020, respectively; the decrease from 2020 can mainly be attributed to less funds being placed on term deposits throughout 2021 and lower interest rates on investments.

Finance expense for the year ended 31 December 2021 was £8,000, resulting from interest expense incurred in connection with lease liabilities, compared to £16,000 for the prior year. The reduction was mainly due a lower aggregate lease liability which in turn translated into a lowering of the 2021 interest expense charge.

Also included in the Finance and other expense total is foreign exchange losses of £32,000 and £307,000 for the years ended 31 December 2021 and 2020, respectively. Net foreign exchange gains and losses result primarily from foreign currency (Euro and USD) denominated bank accounts.

Taxation

During 2021 and 2020, we have recognised U.K. research and development tax credits of £6.9 million and £3.5 million, respectively in respect of R&D expenditures incurred; the higher tax credit in current year due to an increase in R&D expenditure compared to previous year. We received the amount in respect of 2020 during 2021 of £4.4 million, which resulted in an adjustment to the credit recorded in the year ended 31 December 2020 of a further £0.9 million. During the fourth quarter of 2021, $1.6 million China withholding tax was withheld as part of our upfront payment from Hansoh. As we are unsure whether this tax will be recoverable in the foreseeable future, the amount was included in tax expense.

Liquidity, cash and cash equivalents

As of 31 December 2021, the Company had £73.5 million of cash and cash equivalents. During 2021, the Company received $40.0 million or £30.7 million from its partner, AstraZeneca, and milestones totalling $4.0 million or £2.9 million

from its partner Mallinckrodt. The Company also received a $16.0 million upfront payment, £10.7 net of taxes, from the execution of a collaboration agreement with Hansoh in the fourth quarter of 2021. Since July 2019 Silence has received a total of $102.4 million in upfront and milestone payments from Mallinckrodt, AstraZeneca, Takeda, and Hansoh collaboration partners. These proceeds provide non-dilutive capital for the continued development and advancement of the Company's proprietary and partnered product candidates.

Key performance Indicators ("KPIs")

The Company is a development stage business and does not yet generate revenues or other operating cash inflows. The Company therefore has primary KPI of Cash and Short-Term investments.

Strategic objective: Availability of financial resources to progress the development of research and development Activities the Company and its subsidiaries.

Key Performance Indicator: Year-end cash and short-term investments: £73.5 million (2020: £37.4 million)

Principal Risks

We constantly monitor and assess the overall risk of doing business in the biopharmaceutical industry and the particular risks associated with our current activities and corporate profile. Having carried out a review of the level of risks the Company and its subsidiaries is taking in pursuit of its strategy, the board of Directors of the Company (the "Board") is satisfied that the level of retained risk is appropriate and commensurate with the financial rewards that should result from the achievement of its strategy. The main risks have been identified as followed:

- The approach we are taking to discover and develop drugs is novel and we may not be successful in our efforts to identify or discover potential drug product candidates to bring into clinical trials.

- If clinical trials of our product candidates fail to commence or, once commenced, fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities, or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.

- We have a history of net losses and we anticipate that we will continue to incur significant losses for the foreseeable future.

- We will need to raise additional capital, which may not be available on acceptable terms, or at all.

- We face competition from other companies that are working to develop novel drugs and technology platforms using technologies similar to ours. If these companies compete with us for limited manufacturing supplies, or for animals critical for preclinical testing, or otherwise develop drugs more rapidly than we do or their technologies, including delivery technologies, are more effective, our ability to successfully commercialise drugs may be adversely affected.

- We rely on third parties to conduct some aspects of our manufacturing, research and development activities, and those third parties may not perform satisfactorily, including failing to meet deadlines for the completion of research or clinical testing.

- If we are unable to obtain or protect intellectual property rights related to our current or future product candidates, we may not be able to compete effectively in our markets.

- We qualify as a foreign private issuer and, as a result, we will not be subject to U.S. proxy rules and will be subject to Exchange Act reporting obligations that, to some extent, are more lenient and less frequent than those of a U.S. domestic public company.

- If equity research analysts do not publish research or reports, or publish unfavourable research or reports, about us, our business or our market, the price and trading volume of our ADSs could decline.

- The withdrawal of the United Kingdom from the European Union, commonly referred to as "Brexit," may adversely impact our ability to obtain regulatory approvals of our product candidates in the European Union, result in restrictions or imposition of taxes and duties for importing our product candidates into the European Union, and may require us to incur additional expenses in order to develop, manufacture and commercialize our product candidates in the European Union.

- The Ukraine/Russia War could adversely affect our operations, including increases in the prices of the supplies used in our business, supply chain interruptions and increased cybersecurity risks.

- The ongoing COVID-19 pandemic could adversely affect our operations, including at our clinical trial sites, as well as the business or operations of our contract research organizations, or CROs, and other third parties with whom we conduct business.

Sustainable Development Goals

Transforming people's lives whilst driving positive change for the communities around us.

Our long-term commitment to the United Nations Sustainable Development Goals.

Our 2030 vision is to transform peoples' lives around the world by silencing rare, life-threatening genetic diseases through our precision engineered medicines whilst driving positive change for the communities around us.

In September 2015, the United Nations (UN) officially launched its Sustainable Development Goals (SDGs) to transform the world and "leave no one behind" by 2030. It called for the active involvement from the private sector and, in 2021, Silence took the decision to align its corporate objectives and make a positive commitment to the global community by actively working towards the goals UN SDGs across three different broad areas: health, community and the environment.

Health

SDG 3 Good Health and Wellbeing. Our aim is to improve global health by bringing transformative treatments to adults and children in need:

- SLN124: Completed phase 1 study in healthy volunteers and initiated phase 1 study in adults with thalassemia.
- SLN360: Completed enrolment in single-ascending dose study in healthy volunteers with high Lp(a) and initiated multiple-ascending dose study in adults with high Lp(a) and stable cardiovascular disease.

Beyond developing treatments, we promoted good physical and mental health for our employees through initiatives like blood donations in work time and a refund for Deutsche Knochenmarkspenderdatei (DKMS, a bone marrow donation charity) registration. Our employees were actively involved in five disease awareness days and raised more than £9,000 for patient group partners during our charity month (Month to Move). We are proud of what we've achieved in 2021.

Community

We are committed to creating inclusive policies and equal opportunities for our current generation, while encouraging the future generation of scientists who will deliver tomorrow's medical breakthroughs.

SDG4 Quality Education. Our aim is to inspire the next generation of young scientists and biotech professionals. Our partnership with British Science Association and sponsorship of its science education CREST awards for schoolchildren has been underway since September 2021. From September through to end November 2021, more than 6,500 CREST awards have been given to UK schoolchildren with over 50% of awards been given to ages between 11-15 year olds and nearly 400 Gold Awards for 16–19 year olds that will contribute to enhance their UK university and college applications. Silence is proud of its association with these prestigious awards.

Silence has developed a short series of employee-focused films about positive career choice in the biotechnology industry and opportunities at Silence, which are showcased on the corporate website and generating significant engagement. Two active internships have been created, which have measurable learning and development outcomes measures attached, so we can we sure that Silence is providing high quality, valued educational input. A larger number are planned for 2022.

SDG8 Decent Work and Economic Growth. We are proud to say that Silence has maintained its 'Great Place to Work' status in the UK and Berlin. We foster a culture in which upward communication and feedback is valued and encouraged. Silence Therapeutics recognises that flexibility positively impacts employee productivity, commitment and loyalty, so we have focused on building a diverse and inclusive culture and believe in trying to assist staff to achieve a good balance between their work and home life.

We provide private medical insurance to all employees for acute medical conditions to cover full out-patient treatment, therapies, mental health support, dentist and optician cashback and extra cancer cover as a taxable benefit.

The company has introduced a new app-based wellbeing programme called Headspace, which enrolled 57 employees by the end 2021. A new 'Molecules to Market' training program was introduced in 2021 and comprises six modules. To date, 63% of employees have completed Module 1 and over 15% have completed Module 6.

SDG17 Partnership for the goals. Throughout 2021, Silence has provided support for patient advocacy partners, including participating in the MDS Walk, which raised £500 for the Foundation. A range of UK public policy initiatives to improve the early phase clinical trial environment in the UK was initiated. Silence has had the chance to engage with the Government on the new Rare Disease Framework as well as its Vision for the Future of Clinical Trials, to advocate for policy change to make it more efficient to conduct early-stage clinical research in the NHS. The Government is now seeking to implement these plans, and Silence will work with stakeholders to ensure early-stage research is prioritised to the benefit of patients.

Environment

Our objective is to offset the carbon emissions under our direct control, with the goal of becoming carbon net neutral by 2030.

SDG 12 Responsible Consumption and Production. We have already made great strides in lowering our carbon footprint and our vision is to continue to cut our emissions and increase our share of renewable energy with the aim to become a carbon neutral company by 2030. We are monitoring our production processes and investigating new ways to increase the efficiency and reduce the mass intensity. We have calculated and independently certified our 2021 company carbon footprint and set a roadmap for future targets. In addition, we have issued company recommendations to reduce individual employee's environmental impact and better work-from-home practices.

SDG 13 Climate Action. In November 2021, we held our Silence COP Summit (a short, all-company meeting with guest speakers) to coincide with COP26 in Glasgow. A new eco-bingo card initiative was launched in partnership with not-for-profit organisation, OneTreePlanted™ in which all employees were encouraged to undertake 12 eco initiatives. As part of this initiative, Silence donated $1,000 and became an official corporate partner.

Gender of Directors and Employees

As of 31 December 2021, we had 105 employees. Of these employees, 75 employees are engaged in research and development activities and 30 employees are engaged in general and administrative activities. We have no collective bargaining agreements with our employees and we have not experienced any work stoppages.

Diversity

Appointments within the Group are made on merit accounting to the balance of skills and experiences offered by prospective candidates. Whilst acknowledging the benefits of diversity, individual appointments are made irrespective of personal characteristics such as race, disability, gender, sexual orientation, religion or age.

A breakdown of the employment statistics on the basis of employees as at 31 December 2021 is as follows:

Gender Identity	Female	Male	Non-Binary	Did Not Disclose Gender
Directors*	-	8	-	-
Senior Leadership**	7	14	-	-
Other employees	50	34	-	-

*Of the Directors, there are two executive directors, that are considered both a director and an employee.

**Senior Leadership includes Department Heads and Vice Presidents.

Human Rights

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

Companies Act 2006, s.172 Compliance

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

- **Investors**
  The interests of its shareholders have been taken into account on a fair basis. This is described in more detail in "Relations with shareholders" in the Corporate Governance Report on pages 30 to 35. The Company has a frequent and transparent dialogue with its investors throughout the year. Meetings take the form of roadshows, investor conferences and one on one dialogue as required.

- **Regulators**
  Good dialogue is maintained with regulatory agencies and the Board ensure our clinical trials are designed appropriately to allow the maximum potential for our products in development.

- **Suppliers**
  The Company's supply chain is crucial to the project work that is being undertaken; policies are in place to identify suppliers with the right profile and capabilities. Good relationships are kept with suppliers ; high standards are expected in product and service, and the Company reciprocates by paying on a prompt basis, within agreed terms. We meet with our significant suppliers regularly, monitoring the quality of products and

services on a constant basis to ensure that there is no negative impact or delays on our research programmes. This ensures that the Company's and our significant suppliers' interests are aligned.

- **Employees**
  The Board has a good relationship with the Company's employees. The Board maintains productive interactions with employees. Appropriate remuneration and incentive schemes are maintained to align employees' objectives with those of the Company. As a result, the Company has a high staff retention rate. More detail on how the board takes into account the interests of employees can be found in the Remuneration Committee report on pages 45 and 55.

- **Community & Environment**

  Policies are being formulated with emphasis on matters like carbon footprint, for example holding virtual meetings where possible rather than travelling between our sites in the UK, Germany and US. Diversity in the workplace is actively encouraged. The Company has policies on anti-slavery and anti-bribery which are actively promoted.

- **Customers**

  Our business model currently relies on a small number of very high-profile customers with whom we invest for the long term.

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

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

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

Craig Tooman

Chief Executive Officer

Board of Directors

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

Iain Ross
Chairman
Appointed April 2019

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

Areas of Expertise
Corporate Strategy, M&A, Business Development and Governance

Current External Roles
ReNeuron Group plc, BiVictriX Therapeutics plc and Kazia Therapeutics Limited

Craig Tooman
Executive Director
Appointed February 2022

Craig Tooman has served as our President, Chief Executive Officer and as a member of our Board since February 2022 and previously served as our Chief Financial Officer from January 2021 until February 2022. Mr. Tooman has experience in the biopharmaceutical industry spanning more than 30 years, including 15 years of experience as a public company CEO and CFO. Prior to joining us, from September 2019 to January 2021, he served as CFO and COO at Vyome Therapeutics, Inc. and prior to his tenure at Vyome, from November 2013 to July 2019, Mr. Tooman served as CFO, and then subsequently as CEO and Board Director of Aratana Therapeutics, Inc., where he successfully negotiated a merger with Elanco. Before Aratana, from 2005 to 2010, Mr. Tooman served as the CFO of Enzon Pharmaceuticals, Inc. until its acquisition by Sigma Tau, and prior to that led the $1.1 billion M&A initiative and integration of ILEX Oncology, Inc. and Genzyme Corporation. Mr. Tooman has also held key positions at Pharmacia and Upjohn. Mr. Tooman currently serves on the Supervisory Board, and the Audit and Remuneration Committees of CureVac. He also serves on the Board of Directors of Ondine Biomedical Inc. Mr. Tooman received a BA degree in Economics from Kalamazoo College. He earned his MBA in finance from the University of Chicago.

Areas of Expertise
Leadership, Global Commercialisation, Strategy, Business Development, Biotech build

Current External Roles
CureVac and Ondine Biomedical Inc.

Giles Campion
Executive Director
Appointed May 2020

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

Areas of Expertise
Pharmaceutical Research and Development, Rare Disease Development, Translational medicine

Current External Roles
Co-Founder of PepGen Ltd.

Mark Rothera
Former Executive Director
Served from September 2020 until February 2022

Mark Rothera served as our President, CEO and as a Board member from September 2020 until February 2022. Mr. Rothera previously served as CEO of Orchard Therapeutics plc, during which time Orchard completed an initial public offering of American Depositary Shares on the Nasdaq Global Market. Prior to that, Mr. Rothera served as Chief Commercial Officer of PTC Therapeutics, becoming a Nasdaq listed biopharmaceutical company with a global commercial footprint during his tenure. Mr. Rothera's previous roles include serving as head of the EMEA region for Shire Human Genetics and Commercial Director for the EMEA region for Chiron/PathoGenesis. Mr. Rothera currently serves on the board of Genpharm.

Areas of Expertise
Leadership, Global Commercialisation, Strategy, Business Development, Biotech build

External Roles
Genpharm

Dave Lemus
Non-Executive Director
Appointed June 2018

Dave Lemus is currently on the board of directors of Sorrento Therapeutics, Inc., Scilex Holding Company, and Biohealth Innovation, Inc. Most recently, Mr. Lemus was the Chief Executive Officer of Ironshore Pharmaceuticals Inc, and prior to this, served as Medigene AG's Chief Operating Officer & Chief Financial Officer. Previously, Mr. Lemus was the Chief Executive Officer of Sigma Tau Pharmaceuticals, Inc., and was also Chief Financial Officer and Executive VP of MorphoSys AG for 13 years, taking the company public in Germany's first biotechnology initial public offering in 1999. Mr. Lemus received an M.S. from the Massachusetts Institute of Technology and received a B.S. from the University of Maryland. Mr. Lemus is a Certified Public Accountant in the United States.

Areas of Expertise
Drug Commercialisation, Strategic Partnerships, Corporate Financing

Current External Roles
Lemax LLC (CEO), non-executive director of Sorrento Therapeutics Inc. and Scilex Holding company, and non-executive Treasurer/director of BioHealth Innovation Inc.

James Ede-Golightly
Non-Executive Director
Appointed April 2019

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

Areas of Expertise
Investment and Corporate Finance

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

Alistair Gray
Senior Independent Non-Executive Director
Appointed November 2015

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

Areas of Expertise
Strategic management, Organisation Performance and Governance

Current External Roles
Non-Executive Director/Chair of the Edrington Group's Employee Benefit Trust, Scottish Enterprise's Pension Trustee Board and Scottish Golf Ltd. Founder/Director of Renaissance & Company. He is a member of the faculty of Strathclyde Business School and Visiting Professor at the University's Design Manufacturing and Engineering Management department. He is also a Visiting Professor at Loughborough University London and the University of Stirling.

Dr. Steven Romano
Non-Executive Director
Appointed July 2019
Steven Romano, M.D. is a board-certified psychiatrist and pharmaceutical executive with 25 years of research and development experience across a wide range of therapeutic and disease areas. Dr. Romano currently serves as executive vice president and chief scientific officer at Mallinckrodt plc, where he has responsibility for research and development and regulatory and medical affairs. He also serves as a non-executive director of Evolution Research Group, a privately held company, and is Chairman of the Board of the National Pharmaceutical Council, a non-profit health policy research organisation. Prior to joining Mallinckrodt, Dr. Romano spent 16 years at Pfizer, Inc. where he held a series of senior research and development and medical roles of increasing responsibility, culminating in his most recent position as SVP, Head, Global Medicines Development, Global Innovative Pharmaceuticals Business. Dr. Romano received his M.D. from the University of Missouri-Columbia School of Medicine and graduated from Washington University in St. Louis with a bachelor's degree in biology and English literature.

Areas of Expertise
Research and Development, Regulatory, and Medical Affairs

Current External Roles
EVP and Chief Scientific Officer at Mallinckrodt Pharmaceuticals, non-executive director of Evolution Research Group and Chairman of the Board of the National Pharmaceutical Council.

Michael Davidson, MD
Non-Executive Director
Appointed January 2021

Michael H. Davidson, MD, FACC, FNLA, is Professor of Medicine and Director of the Lipid Clinic at the University of Chicago. He also serves as Chief Executive Officer of New Amsterdam Pharma. Dr. Davidson is a leading expert in the field of Lipidology. He has conducted over 1000 clinical trials, published more than 350 medical journal articles and written three books on Lipidology. His research background encompasses both pharmaceutical and nutritional clinical trials including extensive research on statins, novel lipid-lowering drugs, and omega-3 fatty acids. Dr. Davidson founded the Chicago Center for Clinical Research, which became the largest investigator site in the United States and was acquired by Pharmaceutical Product Development in 1996. Additionally, he founded Omthera Pharmaceuticals in 2008, which was acquired by AstraZeneca in 2013 for $440M, and most recently, he was Founding CEO/CSO of Corvidia Therapeutics, which was acquired by Novo Nordisk for up to $2.1B in 2020. Dr. Davidson is board-certified in internal medicine, cardiology, and clinical lipidology. He was President (2010-2011) of the National Lipid Association , named as one The Best Doctors in America for the past 15 years and “Father of the Year” by the American Diabetes Association, 2010.

Areas of Expertise
Lipidology and Clinical Development

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

Statement from the Chairman

Dear Shareholders,

In 2021 we achieved a number of historic milestones that set a commendable foundation for a strong growth trajectory. The flexible and agile approach that has come to define the Silence 'way' delivered in terms of trial recruitment, new partnerships, and data milestones. For the investors who have been with us since the early days, you will appreciate the years of research that came to fruition with our first clinical dataset proving the strength of our science and reinforcing the promise of our gene silencing candidates. It is because of the team's steadfast dedication to transform peoples' lives around the world that we have seen significant progress in the last year, most recently with the positive data for our lead asset, SLN360, in the cardiovascular space. I am grateful to all who worked tirelessly to achieve key clinical milestones throughout 2021 while ensuring the safety of our workplaces and the wellbeing of employees.

Commitment to sustainability and high standards of governance

RNAi continues to be an exciting space with huge potential to disrupt the treatment of multiple genetic diseases and I believe Silence will play a key role in the future of this important therapeutic area. To maximise this opportunity, we recognise the critical importance of promoting a culture of inclusion and diversity. Currently at the Board level, we have one self-identified member of the LGBTQ+ community and another Silence director identified as a member of the Latinx community. Good science depends upon recruiting a mix of patients into our clinical trials reflective of the overall population and good business depends upon diverse representation across our organisation, especially in leadership positions.

The Board is also committed to driving a progressive agenda on "Sustainable Development Goals," ensuring that we continue to make a positive impact on the world. We have made great strides in three areas in which we will aim to pursue our ambition to drive positive change for the communities around us: Health, Community and Environment. More details on our SDG initiatives can be found on page 19 of this Annual Report.

Our people drive success

Our people will continue to shape the future of Silence Therapeutics. We are committed to supporting a culture driven by a passion for high-quality and innovative science, where patients are at the centre of everything we do. With the investments that we have made in our staff and the vibrant culture that we offer; we continue to attract high quality talent at every level. In 2021, we saw the company grow significantly and believe the collective expertise and passion of Silence employees is foundational to our success as we embark on our next stage of growth.

We are proud to say that Silence has maintained its 'Great Place to Work' status in the UK and Berlin. We foster a culture in which upward communication and feedback is valued and encouraged. Silence recognizes that flexibility positively impacts employee productivity, commitment, and loyalty, so we have focused on building a diverse and inclusive culture and believe in trying to assist staff to achieve a good balance between their work and home life.

In February 2022, the Board welcomed Craig Tooman to the role of President, Chief Executive Officer and Board member. Having previously held the position of Chief Financial Officer of the Company, and as a seasoned biopharma leader, Craig has a solid understanding of our corporate strategy and how to bring cross functional teams together to achieve outstanding business results. Craig has built strong relationships with key internal and external stakeholders over the past year, and I am very confident he is the right person to lead Silence going forward. We were also pleased to have Rhonda Hellums, previously our VP, Finance, step into the CFO role. Rhonda has over 25 years' experience and has previously served as CFO of Deer Oaks Mental Health and prior to that, CFO of Aratana Therapeutics.

Outlook

Recent years have highlighted the need for more innovation and more collaboration, and I am proud that our team of world-class scientists can contribute to this healthcare revolution. Our hybrid business model is already bearing fruits with key milestones achieved across both strands of the business and I am excited about the journey ahead as we move closer toward realising our vision: "To transform peoples' lives around the world by silencing diseases through our precision engineered medicines and driving positive change for the communities around us." As always, we are grateful

to all our stakeholders for your continued support and look forward to updating you on our progress as we achieve this vision.

Iain Ross
Chairman

Corporate Governance Report

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

What corporate governance standards does the Company follow?

In July 2018, the Board approved the application of The Quoted Companies Alliance (QCA) Corporate Governance Code (2018 edition) (the QCA Code). While the Company is no longer required to comply with the QCA code as the Company is no longer listed on AIM, the Company has voluntarily continued to comply, where applicable, through the reporting period. The QCA Code is a practical, outcome-oriented approach to corporate governance that is tailored for small and mid-size quoted companies in the UK. The Board views this as an appropriate corporate governance framework for Silence Therapeutics plc and consideration has been given below to each of the ten principles set out in the QCA Code.

How frequently does the Board meet?

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

Type of meeting	Number of meetings
Board	12
Audit and Risk Committee	11
Remuneration Committee	5
Nomination Committee*	0

*No separate Committee meetings were held as Michael Davidson's appointment as a Non-Executive Director and Craig Toomas's appointment as CFO were both discussed and agreed upon at Meetings of the full Board

All Board and Audit and Risk Committee meetings were fully attended by the relevant Directors throughout the year either in person or virtually; two Remuneration Committee meetings were not attended by Dr. Michael Davidson. All Directors receive the agenda and Board papers in advance of Board meetings to enable them to make an effective contribution. Between Board meetings, the Chairman maintains regular informal contact with Non-Executive Directors. The Board continues to meet on a regular basis in order to review progress and agree strategy.

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

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

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

The Board has a clear strategy, which is set out in the Chairman's statement on pages 28 and 29.

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

- setting the Company's values and standards;
- approval of long-term objectives and strategy;
- approval of revenue, expense and capital budgets and plans;
- approval for therapeutic candidate progression through key development and clinical stages;

- oversight of operations ensuring that adequate systems of internal controls and risk management are in place, ensuring maintenance of accounting and other records, and compliance with statutory and regulatory obligations;
- review of performance in light of strategy and budgets ensuring that any necessary corrective actions are taken;
- review progress towards and consider options and terms of business development and corporate collaboration and development deals;
- approval of the annual report and financial statements, half year results, material contracts and major projects; changes to structure, size and composition of the Board;
- determining remuneration policy for the Directors and approval of the remuneration of the Non-Executive Directors; and
- approval of communications with shareholders and the market.

2. Seek to understand and meet shareholder needs and expectations

Contact with major shareholders has been principally maintained by the CEO and the Chairman, and by Craig Tooman in his role as CFO, during the reporting period, and they have ensured that their views are communicated to the Board as a whole. The Board believes that appropriate steps have been taken during the reporting period to ensure that the members of the Board, and in particular the Non-Executive Directors, develop an understanding of the views of major shareholders about the Company.

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

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

The Board considers the Company's ability to help patients and their caregivers to be highly important and critical to the long-term success of Silence. For more information on how the Company's lead drug candidates, SLN124, SLN360 and SLN501, can help patients, refer to pages 6 to 16. Our Sustainable Development Goals including goals related to community, health and environment, are set out on page 19.

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

A Risk Register is maintained for regular review by the Audit and Risk Committee and the Board. Principal risks are set out on pages 18 and 19 where mitigating activities are also explained.

Additionally, the Audit and Risk Committee report on page 36 sets out how risks are reviewed.

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

Currently the Board has a majority of Non-Executive Directors, consisting of two Executive and six Non-Executive Directors. The Board's composition is geared towards its current stage of development and priorities. The skill sets of the Board include extensive knowledge of the pharmaceutical and biotechnology industries, strategic consultancy and corporate finance.

The Nomination Committee is chaired by the Chairman of the Board, Iain Ross.

Craig Tooman was appointed as CEO post period on February 21 2022. Details of each of the Directors' experience and background are given in their biographies on pages 23 to 27.

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

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

Board Structure

Following the post period appointment of Craig Tooman as CEO in February 2022, the Board Committee memberships are as follows:

Audit and Risk Committee

Dave Lemus (Chair)

Alistair Gray

James Ede-Golightly

Dr. Michael Davidson

Remuneration Committee

James Ede-Golightly (Chair)

Dr. Michael Davidson

Dave Lemus

Dr. Steven Romano

Nomination Committee

Iain Ross (Chair)

Alistair Gray

Dr. Steven Romano

Craig Tooman

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

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

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

- regularly reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board compared to its current position and making recommendations to the Board with regard to any changes;
- determining the qualities and experience required of the Company's Executive and Non-Executive Directors and identifying suitable candidates, assisted where appropriate by recruitment consultants;
- formulating plans for succession for both Executive and Non-Executive Directors and in particular for the key roles of Chair and Chief Executive Officer;
- assessing the re-appointment of any Non-Executive Director at the conclusion of their specified term of office, having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required; and
- assessing the re-election by shareholders of any Director, having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board.

In January 2021, Dr. Michael Davidson was appointed as a Non-Executive Director. Craig Tooman was appointed as CEO and Executive Director post period in February 2022. With regard to the re-election of Directors, the Company is governed by its Articles of Association (the Articles). Under the Articles, the Board has the power to appoint a Director during the year, but any person so appointed must stand for election at the next Annual General Meeting. Any Director who has been a Director at each preceding two Annual General Meetings and has not been appointed or re-appointed since, must retire from office at the next Annual General Meeting.

The Director is then eligible to stand for re-appointment by the shareholders. Craig Tooman will stand for election at the 2022 Annual General Meeting, having been appointed since the last Annual General Meeting. In addition, Alistair Gray, Dave Lemus, and Iain Ross will stand for re-election.

The annual performance evaluation for 2021, resulted in recommendations, which are being implemented by the Board, to allocate more time at Board meetings to consider business development and opportunities to grow the business.

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

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

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

In addition, with the appointment of a new Executive Director - namely Dr Michael Davidson in January 2021, the Chairman held additional discussions with the new Non-Executive Director.

A full 360 Review of the former CEO was initiated and concluded in January 2022. This is was the case for 2021 and this approach will continue to be the case in 2022 recognising that Craig Tooman's appointment as the new CEO was with effect from 21 February 2022. The former CEO reviewed the performance of the Craig Tooman as CFO for 2021. A new CFO was appointed in post period in January 2022 and accordingly the new CEO will assess the new CFO's performance in the normal way at the end of 2022. Any performance-related remuneration is determined by the Remuneration Committee and recommended to the Board.

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

In conducting the formal annual evaluation, the Board undertakes a rigorous assessment of its own performance, balance of skills, experience, independence, diversity (including gender diversity) and other factors relevant to its effectiveness (and also that of its Committees) and the performance of its individual Directors. In late 2021 the Board commenced a formal evaluation of its performance which was concluded in Q1 2022. In conducting this review, the Chairman and the Senior Independent Director undertook discussions with each of the other Directors regarding the performance of the Board, its Committees and the other Directors' own individual contribution and performance.

In preparation, the Chairman and the Senior Independent Non-Executive Director, solicited the views of the other Directors, including the completion by each Director of confidential questionnaire in respect of the Board, the Audit and Remuneration Committee and one specifically relating to the performance of the Chairman. The Senior Independent Non–Executive Director had individual discussions with the Directors about the performance of the Chairman. In the case of the Directors, all questionnaires were returned to the UK Head of HR, who summarised the overall assessment of each director for the Senior Independent Non-Executive Director to review, with the exception relating to the Chairman's performance being returned directly to the Senior Independent Non-Executive Director.

Following the reviews, the Chairman and the Senior Independent Non-Executive Director, shared their observations with the other Directors at a Board Meeting in Q1 during which an open feedback session was held in an open forum of the non-executive directors. The individual director evaluations were aimed to confirm that each Director continues both to contribute effectively and to demonstrate commitment to the role (including the allocation of necessary time for preparation and attendance at Board and Committee meetings and any other duties).

The performance of the Chairman was reviewed through a separate exercise conducted on behalf of the Board by the Senior Independent Non-Executive Director and thereafter discussed in an open forum.

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

- **Strategy and Contingency Planning** - As the Company expands its development pipeline, in-house capabilities and corresponding operational infrastructure both in Europe and USA, it was agreed that there should be more emphasis at Board meetings on strategic discussions and risk analysis and in addition that the Annual Strategy session for Board Directors should be expanded to include external and professional input.

Also, and in light of the ongoing COVID-19 pandemic and the ramifications thereof, it was agreed that in such circumstances the Board and its Committees should pro-actively consider, review and assess contingency scenarios on a regular basis.

- **Succession Planning** - as the Company expands it was agreed that the Board needs to formalise its approach to Board & Management succession planning in terms of skills, geography and diversity. The Chairman is committed to lead this initiative in liaison with the CEO.

- **Non-Executive Directors ongoing training and development and interaction with senior management -** These issues were identified as a result of the 2019 Board review however because of the COVID-19 pandemic it has not been possible to address fully these issues. Accordingly, when restrictions allow a concerted effort led by the Chairman and the Senior Independent Non-Executive Director, will be implemented to introduce a more structured approach to the induction and broader development of Directors and interaction with the Senior Management on a more frequent basis to enhance their knowledge and understanding of the business as it evolves.

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

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

Ethical values and behaviours are important to the Company and the Company is dedicated to its Sustainable Development Goals related to health and community. The policies to implement this are explained on page 19.

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

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

Internal Controls and Risk Management

The Company has in place a system of internal financial controls commensurate with its current size and activities, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. These procedures include the preparation of management accounts, forecast variance analysis, controls in place for one-off accounting items and other ad hoc reports. In 2021 BDO continued their assistance as implementation consultants in the setting up of ICFR (Internal controls over financial reporting). As a result, the Group was able to build up of evidence from an internal control perspective and allow management to attest over the ICFR as required under the Sarbanes Oxley Act 2002.

Risks throughout the Company are considered and reviewed on a regular basis. Risks are identified and mitigating actions put into place as appropriate. Principal risks and uncertainties identified are set out in the strategic report on pages 18 and 19.

Internal control and risk management procedures can only provide reasonable and not absolute assurance against material misstatement.

Financial and Business Reporting

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

Conflicts of Interest

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

the quorum. A process has been developed to identify any of the Directors' potential or actual conflicts of interest. This includes declaring any new conflicts at the start of each Board meeting.

Board Advice

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

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

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

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

Iain Ross
Chairman

Audit and Risk Committee Report

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

Dave Lemus
Chair of the Audit and Risk Committee

Who are the members and who do they interact with?

Dave Lemus is Chair of the Audit and Risk Committee.

Dave currently also serves as audit committee chair of Sorrento Therapeutics, Inc. (Nasdaq: SRNE) and Scilex Holding Company, and previously served on multiple public and private company boards as a non-executive board member in his more than 25 years of experience in the biopharmaceutical industry. Most recently he was CEO of Ironshore Pharmaceuticals, Inc., and has been previously a CEO, COO and CFO in several public and private companies in the U.S and in Europe. Dave is also a Certified Public Accountant in the USA.

In addition to Dave, the members of the committee comprise Alistair Gray, James Ede-Golightly and Dr. Michael Davidson. The Committee met eleven times during 2021, including prior to results announcements.

What does the Audit and Risk Committee do?

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

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

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

In 2021, the Committee reviewed the 2020 preliminary announcement, the 2020 annual report, and the 2021 interim announcements.

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

What does the Committee do to review risks?

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

Is there an internal audit function?

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

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

In 2021 BDO continued their assistance as implementation consultants in the setting up of ICFR (Internal controls over financial reporting). As a result, the Group was able to acquire sufficient evidence from an internal control perspective and allow management to attest over the ICFR as required under the Sarbanes Oxley Act 2002.

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

PricewaterhouseCoopers LLP was appointed as the external auditors in 2014.

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

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

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

The auditors prepare an Audit Plan for the audit of the full year financial statements, which was presented to the Committee and discussed in June 2021. The Audit Plan sets out the scope of the audit, areas to be targeted and the audit timetable. Following the audit, the auditors present their findings to the Committee for discussion.

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

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

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

R&D costs related to CROs and associated accruals and prepayments

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

Accounting for Revenue (collaboration agreements)

In determining the revenue recognised for collaboration agreements, management have calculated the revenue recognised for the period based on the percentage of completion of each performance obligation, by determining the proportion of costs incurred to date in comparison to the total expected costs (both internal and external).

Accounting for the agreement with Hansoh (collaboration agreement)

The Hansoh contract comprises multiple license and R&D services elements. In determining revenue to be recognised in respect of each contractual element, the management's judgement has been made to treat license and R&D services elements as a single performance obligation on the basis they are not separable. Across the entirety of the contract there are multiple performance obligations based on contractually agreed targets.

When spreading upfront consideration across each of the performance obligations, the Company has determined the most appropriate basis is to spread upfront based on the benchmarking exercise, as well as consideration for geography licensed and other contractual terms.

Carrying value of the investment in Silence Therapeutics GmbH (to parent company)

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

Through constant communication and interaction with management and the Company's auditors, the Audit and Risk Committee aims to ensure appropriate corporate compliance with all accounting, internal controls, risk management and financial reporting requirements and in order to best ensure the Committee is carrying out its oversight responsibilities to the fullest extent possible.

Dave Lemus
Chair of the Audit and Risk Committee

Remuneration Committee Report

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

James Ede-Golightly

Chair of the Remuneration Committee

Dear Shareholder,

On behalf of the Remuneration Committee (the "Committee"), I am pleased to present our Directors' remuneration report for the year ended 31 December 2021.

Having the right team to execute on an internationally competitive strategy in the fast-moving field of RNAi is a key issue for the Board and the Company. Mark Rothera served as our President & Chief Executive Officer from September 2020until mid-February 2022 and during this period the Company successfully advanced both wholly owned programmes, SLN360 and SLN124, in the clinic, brought in new US institutional investors and de-listed from AIM. Craig Tooman has served as our President, Chief Executive Officer and as a member of our board of directors since February 2022 and previously served as our Chief Financial Officer from January 2021 until February 2022. Craig has experience in the biopharmaceutical industry spanning more than 30 years, including 15 years of experience as a public company CEO and CFO. In February 2002 we also appointed Rhonda Hellums as our Chief Financial Officer. She previously served as our Vice President, Finance since joining in April 2021. Rhonda has over 25 years of corporate finance, accounting, strategic planning, M&A, treasury management, investor and public relations experience.

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

During the year, share options were awarded to Mark Rothera, Craig Tooman and Giles Campion; vesting dates for these options are detailed later in this report.

In light of our de-listing from AIM and the transition to a Nasdaq-focused company, in 2022 we have adopted a new compensation strategy for Non-Executive Directors ("NEDs") that reduces fees and introduces a share options award in order to attract and retain top international talent.

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

James Ede-Golightly
Chair of the Remuneration Committee

Directors' Remuneration Policy

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

The remuneration policy was approved by shareholders in a binding vote at the AGM on 15 June 2021. Thereby, as intended the remuneration policy will remain in effect from the date of approval and apply for a maximum period of three years (or until a revised policy is approved by shareholders). Both the Director's Remuneration Policy and the Director's Remuneration report were approved that the AGM with 98% votes for / 2% votes against / 0% votes withheld.

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

<table>
<tr><td colspan="6">Philosophy: Support value creation for shareholders over the longer term and create alignment with shareholders</td></tr>
<tr><td></td><td colspan="3">Fixed Remuneration</td><td colspan="2">Variable Remuneration</td></tr>
<tr><td>Element</td><td>Base Salary</td><td>Benefits</td><td>Pension</td><td>Annual Bonus</td><td>LTIP</td></tr>
<tr><td rowspan="2">How it is influenced by the remuneration philosophy</td><td rowspan="2">Assessed with reference to industry compensation benchmarks</td><td rowspan="2">Assessed with reference to industry compensation benchmarks</td><td rowspan="2">Assessed with reference to industry compensation benchmarks</td><td>Set considering industry benchmarking data and consistent with positions held.</td><td>The more significant element of the package linked to longer-term share performance.</td></tr>
<tr><td>Determined by corporate and individual targets that support Silence's annual goals and its overall strategy.</td><td>Under the Silence Therapeutics plc 2018 employee LTIP, share options can be issued with performance criteria under this scheme.</td></tr>
</table>

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

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

The remuneration of senior executives below Board level is reviewed by the Committee on an annual basis. The remuneration packages of these executives are broadly consistent with the policy outlined above, with the overall impact of the role and the individual being considered as well as relevant market comparative data, save that lower bonus percentages and lower share option opportunities are applicable.

Remuneration Policy Table

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

Executive Directors				
Purpose and Link to Strategy	**Operation**	**Maximum Opportunity**	**Performance Metrics**	
The Company aims to provide market-competitive retirement benefits, as a retention tool and to reward sustained contribution.	The Company operates a defined contribution scheme and all employees, including Executive Directors, are invited to participate. Cash payments in lieu of pension contributions may be made.	Employee contributions are matched two-fold by employer contributions up to a maximum employer contribution of 10%. Employees may contribute more than 5% themselves, but the Company will not provide any further employer contributions above this level.	Not performance related. No claw-back will be applied in relation to pensions.	
Annual Performance Bonus				
An annual cash bonus rewards the achievement of objectives that support the Company's corporate goals and delivery of the business strategy.	Objectives are agreed with the Committee, and the Board, at the start of each financial year although the Committee retains the discretion to amend objectives during the year if it considers that objectives are no longer appropriate. Different performance measures and weightings may be used each year, as agreed with the Committee, to consider changes in the business strategy. Bonuses are paid at the discretion of the Committee. The Committee considers overall corporate performance and individual performance when determining the final bonus amount to be awarded and the Committee may adjust any formulaic outcomes accordingly. Bonuses are normally paid in cash (but may be paid in the form of an equity award) typically in January or February.	Annual cash bonuses are limited to a target of 50% or 60% of base salary for the Executive Directors. Executive Director level bonuses are approved by the Board in line with corporate performance and are consistent with positions held. The Board can exercise discretion in setting contractual bonus rates for new Executive Directors above 60%, with discretion exercised with respect to total compensation.	Corporate goals typically include development of pipeline and platform, partnering successes, revenue generation, strengthening of intellectual property and control of cash expenditure, although the Committee has the discretion to set other targets. Individual goals set are specific, measurable and are linked to the Company's longer-term strategy. Under the rules of the scheme, the Committee can claw-back up to 100% of the bonus awarded in the event of material misstatement of the Company's financial results, an error in assessing the performance conditions to which an award is subject or for any other matter which it deems relevant. There is no claw-back time limit in the policy	
Long Term Incentive Plan (LTIP)				

Executive Directors			
Purpose and Link to Strategy	**Operation**	**Maximum Opportunity**	**Performance Metrics**
The Remuneration Committee believes that a key component of the overall remuneration package is the provision of equity awards to senior executives through an LTIP, which is designed to develop a culture which encourages strong corporate performance on an absolute and relative basis to align with shareholder interests.	LTIP awards granted to Executive Directors have typically taken the form of nominal cost options vesting according to performance conditions measured over at least three years, although different forms of awards may also be granted in accordance with the LTIP rules.	Aggregate options outstanding will vest at up to a maximum of 300% of annual salary within a single financial year. Executive Director level LTIP awards are approved by the Committee in line and are consistent with positions held. The Committee can exercise discretion in setting contractual LTIP awards for new Executive Directors above 250% of annual salary with discretion exercised with respect to total compensation.	Vesting of LTIP awards is generally subject to continued employment and may also be subject to the achievement of performance conditions aligned with the Company's strategic plan. Measures, their weightings and the period over which performance is tested will be determined by the Committee. The Committee has the discretion to utilise differing types of performance criteria, measures and performance periods for future option grants, should it believe they are more relevant. The Committee may adjust the formulaic LTIP outcome to ensure it takes account of any major changes to the Company (e.g. as a result of M&A activity) and is a fair reflection of the underlying financial performance of the Company over the performance period. Further details, including the performance targets attached to the LTIP in respect of each year, will be disclosed in the relevant Annual Report on Remuneration. Awards will be subject to claw-back where there has been a misstatement of the Company's financial results, lack of protection of the Company's intellectual property, an error in assessing the performance conditions to which an award is subject or for any other matter which the Committee deems relevant. There is a two-year claw back time limit in the policy

Chair and Non-Executive Directors			
Purpose and Link to Strategy	**Operation**	**Maximum opportunity**	**Performance Metrics**
Cash Fees			
Set at a level that is sufficient to attract and retain high- calibre non-executives who contribute to the business.	The Chair and the Non-Executive Directors receive fees paid in cash. Fees are paid monthly and reviewed annually.	When reviewing fee levels, account is taken of market movements in the fees of Non-Executive Directors, Board Committee responsibilities and ongoing time commitments.	Not performance related. No claw-back applies in relation to fees.
Benefits			
Set at a level that is sufficient to attract and retain high- calibre non-executives who contribute to the business.	Since 1 January 2018 Non-Executive Directors do not receive any benefits in connection with their roles other than Company life insurance and reimbursement of travel costs for attendance at Board meetings. This may be reviewed in the future.	When reviewing benefits, account is taken of market movements in the fees of Non-Executive Directors, Board Committee responsibilities and ongoing time commitments.	Not performance related. No claw-back applies in relation to benefits.
Equity Based Awards			
Set a level that is sufficient to attract and retain high- calibre non-executives who contribute to the business.	The Non-Executive Directors may be offered the opportunity to participate in the Silence Therapeutics plc 2018 Non-Employee LTIP in the form of non-performance restricted stock units or other equity awards under the terms of such plan with careful consideration being made with respect to ensuring their independence.	When reviewing equity-based awards, account is taken of market movements in the fees of Non-Executive Directors, Board Committee responsibilities and ongoing time commitments.	Not performance related. Claw-back applies in relation to equity-based awards.

Other Remuneration Policies

Termination and Loss of Office Payments

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

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

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

Executive Directors' Service Contracts

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

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

Non-Executive Directors' Terms of Engagement

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

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

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

Remuneration for New Appointments

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

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

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

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

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

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

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

Remuneration Committee (the Committee)

Governance

In its decision-making process, the Committee takes account of information from both internal and independent sources and AON Solutions UK Ltd surveys. AON Solutions UK Ltd were appointed as remuneration consultants by the Committee based on their expertise in the field. AON Solutions UK Ltd advises the Committee on all aspects of senior executive remuneration and has kept the Committee up to date on remuneration trends and corporate governance best practice. AON Solutions UK Ltd does not have any other connection with the Company and is considered to be independent by the Committee. During the year ended 31 December 2021, fees charged by AON Solutions UK Ltd amounted to approximately £79k (2020: £10k).

The current members of the Committee are Michael Davidson, James Ede-Golightly, Dave Lemus and Steven Romano. Michael Davidson, James Ede-Golightly and Dave Lemus are deemed to be independent. Steven Romano is Executive Vice President and Chief Scientific Officer at Mallinckrodt plc, a company which had a 5.6% shareholding in Silence at 31 December 2021

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

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

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

The Committee met 5 times in 2021.

Director	Meetings attended
James Ede-Golightly	5/5
Michael Davidson	2/5
Dave Lemus	5/5
Steven Romano	5/5

Role

The Committee's principal function is to support the Company's strategy by ensuring that those individuals responsible for delivering the strategy are appropriately incentivised through the operation of the Company's remuneration policy. In determining the Company's current policy, and in constructing the remuneration arrangements for Executive Directors and senior employees, the Board, advised by the Committee, aims to provide remuneration packages that are

competitive and designed to attract, retain and motivate Executive Directors and senior employees of the highest calibre, and align incentives with shareholder interest.

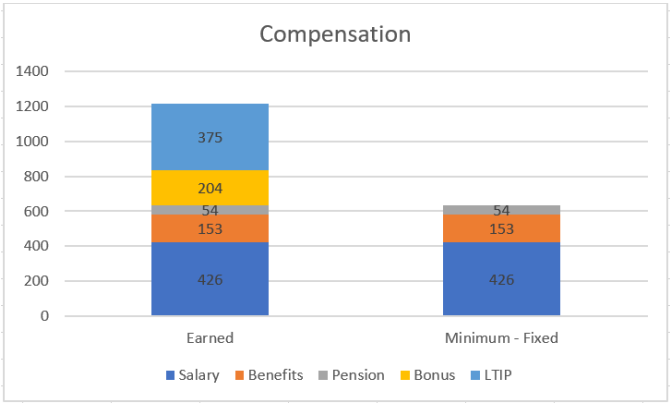
The Committee is responsible for:

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

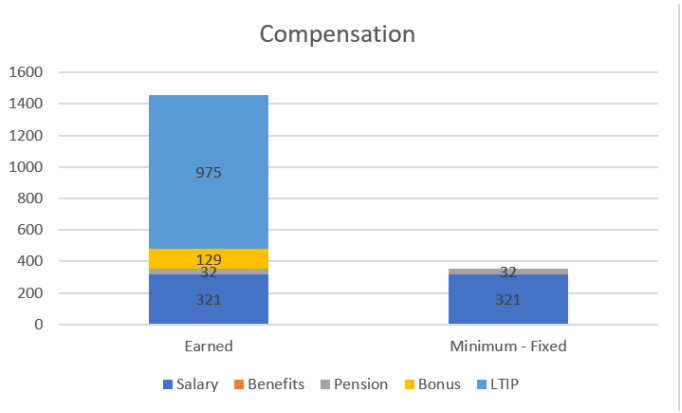
Pay-for-Performance Scenario Analysis

The charts below provide an estimate of the potential reward opportunities for the Executive Directors, and the potential split between different elements of remuneration under two performance scenarios: “Earned” and “Minimum”.

Mark Rothera



Giles Campion



Amounts are shown in thousands (GBP).

The LTIP award amounts shown above relate to share options vesting during the year using the Company’s Nasdaq closing price at the end of the quarter in which the award vested less associated exercise price.

Annual Report on Remuneration

This section of the Remuneration report provides details of how our remuneration policy was implemented during the financial year ended 31 December 2021, and how it will be implemented during the year ending 31 December 2022.

This report splits certain information into that for Executive Directors and that for Non-Executive Directors.

Audited Information

Directors' Remuneration – financial year ended 31 December 2021

The total remuneration of the individual Directors who served during the period is shown below. Total remuneration is the sum of emoluments for the period in service as a director plus Company pension contributions, and the value of long-term incentive awards vesting by reference to performance in the twelve months to 31 December 2021.

	Year	Basic Salary[a] £000s	Benefits[b] £000s	Bonus[c] £000s	LTIP[d] £000s	Pension[e] £000s	Total remuneration £000s	Total fixed remuneration £000s	Total variable remuneration £000s
Executive Directors									
Mark Rothera	2020	127	18	76	-	-	221	145	76
	2021	426	153	204	375	54	1,212	633	579
Giles Campion	2020	178	3	98	686	18	983	199	784
	2021	321	-	129	975	32	1,457	353	1,104
Non-Executive Directors									
Iain Ross	2020	282	3	155	762	14	1,216	299	917
	2021	120	-	-	840	-	960	120	960
Alistair Gray	2020	45	-	-	-	-	45	45	-
	2021	55	-	-	-	-	55	55	-
Dave Lemus	2020	45	-	-	-	-	45	45	-
	2021	55	-	-	-	-	55	55	-
James Ede-Golightly	2020	45	-	-	-	-	45	45	-
	2021	55	-	-	-	-	55	55	-
Dr Steven Romano	2020	45	-	-	-	-	45	45	-
	2021	55	-	-	-	-	55	55	-
Michael Davidson	2020	-	-	-	-	-	-	-	-
	2021	54	-	-	-	-	54	54	-

Notes to the Remuneration Table

(a) This is the amount earned in respect of the financial period.

(b) This is the taxable value of benefits paid or payable in respect of the financial period. For Non-Executive Directors, the taxable benefits comprise travel costs (and the gross-up for associated income tax and employees' National Insurance Contributions which will be settled on behalf of the Non-Executive Directors) for attendance at Board meetings.

(c) This is the total bonus earned under the annual bonus scheme in respect of the financial year (despite being paid in the following financial year, following determination of final outcomes).

(d) The amount shown relates to the market value of the LTIP awards vesting during the year using the Company's Nasdaq closing price at the end of the quarter in which the award vested less associated exercise price.

(e) The amount shown relates to company contributions to the defined contribution scheme, plus any cash in lieu.

Annual Performance Bonus - 2021

In 2021, all employees were eligible for an annual discretionary cash bonus, whereby performance objectives are established at the beginning of the financial year by reference to suitably challenging corporate goals.

In relation to the Directors, Mark Rothera's bonus was fixed at 60% of salary for 2021. Giles Campion's on-target bonus for 2021 was 50% of salary, with a maximum potential of 60%.

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

For 2021 for all staff (other than the Executive Directors and Non-Executive Directors) the percentage attributable to individual goals for employees ranged from 30% to 70% depending on level (excluding the Executive Directors).

In 2021, for Mark Rothera and Giles Campion 100% of their annual bonus was by reference to corporate goals. The achievement against the scorecard of corporate goals was as follows:

	Target	Weighting	2021 achievement
		%	**%**
SLN 124 milestone delivery	Achieve planned targets for the development of SLN 124	15.0	10.0
SLN 360 milestone delivery	Achieve planned targets for the development of SLN 124	25.0	15.0
Manufacturing processes	Internalize key analytical capabilities and build process optimization capabilities for manufacturing	10.0	10.0
Systems improvement	Implement quality system	5.0	5.0
New GalNAc target identification	Achieve planned activity and identification of new targets	10.0	10.0
Achievement of financial targets	Maintain a cash runway and adherence to budget	10.0	7.5
New business development deal	Secure high value business development deal	10.0	7.5
Secure additional funding	Bring in new US investors and non-dilutive funding	15.0	12.5
Sub-total		100.0	77.5
Application of discretionary additional targets (as described below)		-	2.5
Total		**100.0**	**80.0**

Achievement against objectives is given careful consideration by the Committee prior to finalisation. The Committee exercised discretion in its assessment of the performance for 2021 by additionally recognising that COVID was prevalent when setting these 2021 goals however, the impact during 2021 was more than was originally anticipated. With this in mind and acknowledging the team's significant progress in advancing our clinical-stage programs in 2021, the board determined an achievement score of 80% was fair and justifiable.

The Committee reviewed the formulaic outcome of the scorecard and concluded that the scorecard outcome, as shown above, reflected the performance of the Executive Directors in the year. The resulting annual bonus awards under the Policy, i.e. bonus awards of up to 60% of salary payable in cash, are as follows:

	Bonus Scorecard Outcome		Maximum opportunity	
		% of salary	Cash amount	% of salary
	£000s		**£000s**	
Mark Rothera	204	47%	256	60%
Giles Campion	129	40%	193	60%

Scheme Interests

During the year ended 31 December 2021 Giles Campion was awarded share awards under the LTIP scheme, details of the which are summarised in the table below. LTIP awards were granted under the Silence Therapeutics plc 2018 Employee Long Term Incentive Plan.

Directors share awards

Individual	Date of Grant	At 1 Jan, 2021	Awarded	At 31 Dec 2021	Exercise price (Pence)	Gain on exercises during the year (£000s)	Earliest date of exercise	Last date of exercise
Iain Ross	06/10/2019	250,000	-	250,000	60	-	06/01/2020	06/10/2029
	06/10/2019	250,000	-	250,000	190	-	06/01/2020	06/10/2029
	21/05/2020	150,000-	-	150,000	5	-	25/04/2022	20/05/2030
	21/05/2020	350,000-	-	350,000	440	-	21/08/2020	20/05/2030
Mark Rothera	14/09/2020	1,800,000-	-	1,800,000	468	-	14/09/2021	14/09/2030
Giles Campion	03/06/2019	200,000	-	200,000	5	-	02/06/2022	02/06/2029
	06/10/2019	15,000	-	15,000	183	-	06/10/2022	06/10/2029
	06/10/2019	228,083	-	228,083	60	-	06/01/2020	06/10/2029
	06/10/2019	456,917	-	456,917	190	-	06/01/2020	06/10/2029
	23/04/2021	-	160,000	160,000	550	-	23/05/2021	23/04/2031

Scheme interests awarded in 2021

	Date of grant	Number awarded	Exercise Price	Face value (£000s)	Vesting Schedule
Giles Campion	23/04/2021	160,000	550	63	**Note 3**

1. Giles Campion was granted 160,000 share options in April 2021, vesting in 48 equal monthly vesting tranches between 23 May 2021 and 23 April 2025. These awards are not subject to any performance conditions.

Directors' interests in shares at 31 December 2021

Director	Options: Total shares owned outright plus vested options	Options: Shares Owned outright	Options: Percentage of issued share capital	Options: Vested but not exercised	Options: Unvested but subject to performance	Options: Unvested and not subjected to performance[1]
Current directors						
Mark Rothera	710,289	35,289	0.04%	675,000	-	1,125,000
Giles Campion	498,276	14,945	0.02%	483,331		300,641
Iain Ross	587,125	54,443	0.06%	532,682		371,158
Alistair Gray	9,903	9,903	0.01%	-	-	-
Dave Lemus	7,527	7,527	0.01%	-	-	-
James Ede-Golightly	3,000	3,000	0.00%	-	-	-
Dr. Steven Romano	27,493	27,493	0.03%	-	-	-
Michael Davidson	12,993	12,993	0.01%	-	-	-

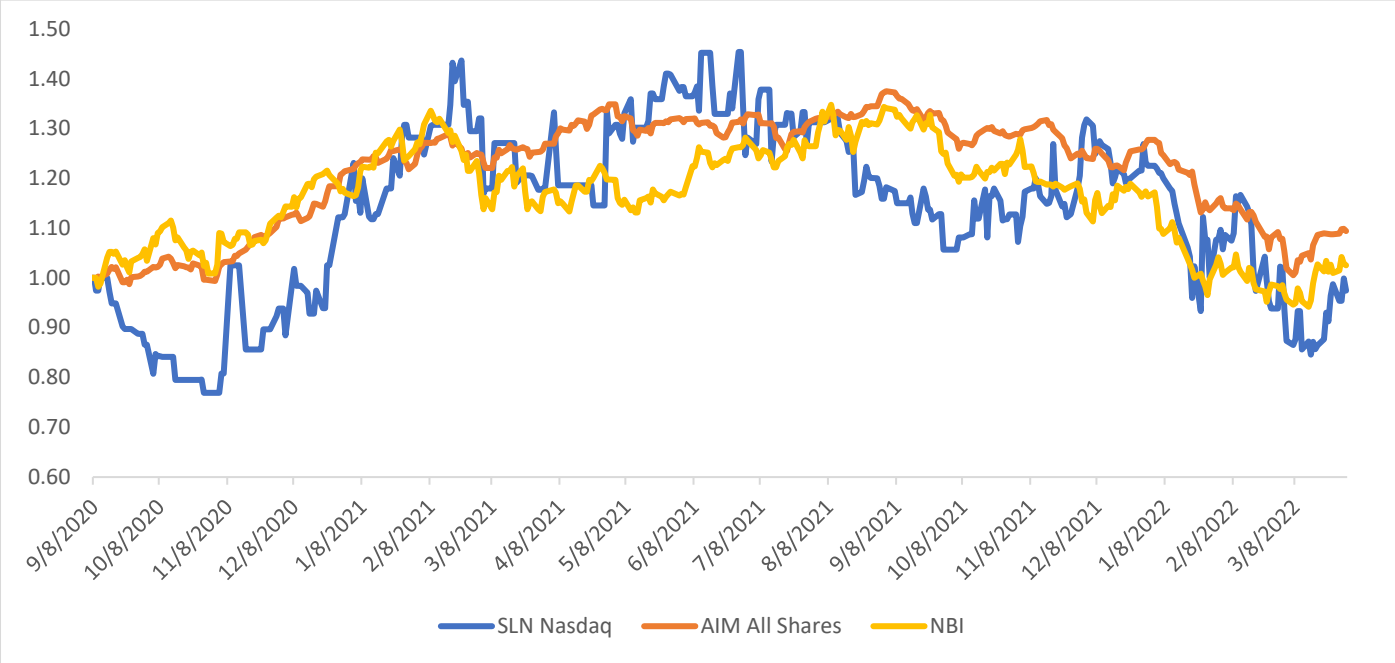
1. Options unvested and not subject to performance exclude those options that will only vest if a floor condition is met

Unaudited Information

Performance Graph and Table

The following graph shows Silence's cumulative Total Shareholder Return (TSR) over the last five financial years relative to the FTSE AIM All Share Index and the Nasdaq Biotech Index. These two indices were chosen due to Silence being listing on both exchanges through November 29, 2021. Silence Therapeutics is currently solely listed on the Nasdaq.

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



Aligning Pay with Performance

CEO remuneration compared with annual growth in TSR:

The total 2021 remuneration figure for the CEO (Mark Rothera) is shown in the table below, along with the value of bonuses paid in respect of the year, and LTIP vesting, as a percentage of the total remuneration. As this is the first year reported since listing on Nasdaq and therefore the first year for which this disclosure is required, it is not possible to provide meaningful comparative data. However, full disclosure of the year-on-year movement will be provided in future remuneration reports.

	Mark Rothera £000s
Total remuneration	1,212
Actual bonus as a % of the remuneration	17%
Actual share award vesting as % of the remuneration	31%

Percentage Change in Remuneration of the Directors and Employees

Set out below is the change over the prior period in base salary, benefits, pension and annual performance bonus for the CEO, for all the Directors and the Company's employees. Only Directors in office during any part of the 2021 year have been included below.

	Salary % Change 2020 vs 2021	Benefits % Change 2020 vs 2021	Bonus % Change 2020 vs 2021
Mark Rothera	See note 1	See note 1	See note 1
Giles Campion	See note 2	See note 2	See note 2
Iain Ross	See note 3	100%	see note 5
Alistair Gray	22%	see note 4	see note 5
Dave Lemus	22%	see note 4	see note 5
James Ede-Golightly	22%	see note 4	see note 5
Dr. Steven Romano	22%	see note 4	see note 5
Michael Davidson	N/A	see note 4	See note 5
All employees excl. directors	4%	3%	4%

1. Mark Rothera was appointed as a Director (Chief Executive Officer) on 14 September 2020. Without adjusting for the period in office, Mr. Rothera's salary increased 235%. He was paid £153K in benefits during 2021, mainly due to relocation reimbursements. His bonus increased 168%.

2. Giles Campion was appointed as a Director (Executive Vice President, Head of R&D and CMO) on 9 June 2020. Without adjusting for the period in office, Mr. Campion's salary increased 80%. He was not paid any benefits in 2021. His bonus increased 32%.

3. Iain Ross was appointed as Executive Chairman on 17 December 2019. Base salary included additional remuneration of £9k (exclusive of VAT) relating to duties undertaken in December 2019 as Executive Chairman. This amount was billed by Iain Ross' consultancy company (Gladstone Consulting Partnership) in January 2020. Iain Ross was paid £15k (exclusive of VAT) on a monthly basis until one month following the appointment of a new CEO. In 2020, in recognition of the additional Executive responsibilities and in addition to his monthly Chairman/Director fees of £10k per month Mr Ross was paid an additional remuneration of £15k per month invoiced through his consultancy firm Gladstone Consultancy Partnership for the period 1 January to - 31 May 2020. In the absence of a permanent CEO appointment, on 1 June Mr Ross signed an employment contract immediately terminable 1 month following the appointment of a new CEO. For the period 1 June - 14 October 2020 Mr Ross was paid £30k per month plus benefits including a contribution to pension and private healthcare insurance of £2.5k. On 14 September 2020 Mr Ross reverted to his role as Non-executive Chairman and from 1 month after this date reverted to his monthly fees of £10k per month. On signing the employment agreement effective 1 June 2020 Mr Ross was paid a one-off bonus of £75k in respect of services rendered 17 December 2019 - 31 May 2020. Upon completion of his time as Interim Executive Chairman Mr Ross was paid a further one-off bonus of £80k in respect of services rendered during the remainder of his time in this Executive role. Throughout 2021, Iain maintained a salary of £10k per month.

4. Alistair Gray, Dave Lemus, James Ede-Golighty, Dr Steven Romano, and Michael Davidson received no benefits in 2020 or 2021.

5. Iain Ross was not entitled to a bonus in respect of 2021. Alistair Gray, Dave Lemus, James Ede-Golightly, Dr Stephen Romano, and Michael Davidson were not entitled to bonuses in respect of either 2020 or 2021.

Relative Importance of Spend on Pay

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

	2020	2021	Change
	£000	£000	£000
Total employee remuneration	12,079	21,279	76%
Average number of employees	65	92	42%
Revenue	5,479	12,415	127%
Research and development expenditure	20,209	30,765	52%

No dividends distributions or share buyback transactions occurred in either 2020 or 2021.

Statement of Implementation of Policy in 2021

Base Salary: The January 2022 target base salary increase was and average of 3% for all eligible employees. There was a 3% increase in Mark Rothera's base salary, a 9% increase in base salary for Giles Campion.

Pension and Benefits: In 2022, Executive Directors are eligible for the same benefits as provided to all senior employees. The Executive Directors are each entitled to the maximum employer pension contribution of 10% of their respective base salary which is paid into a defined contribution pension scheme / paid in cash in lieu of pension contributions (where applicable).

Annual Performance Bonus: For 2022, the Executive Directors' annual cash bonus target pay-outs will be 60% and 50% per cent. of annual base salary for Craig Tooman (60%) and Giles Campion (50%) with maximum pay-outs of 90% and 60% respectively. The Committee considers overall corporate performance and individual performance when determining the final bonus amount to be awarded to an Executive Director. Performance will be tested against targets set by the Committee at the start of the year and will comprise 100% corporate goals for Craig Tooman and Giles Campion. The Company's 2022 corporate objectives are weighted as follows:

The following tables sets out the Company's performance objectives for 2022.

	Objective	Weighting
1	SLN 360 milestone delivery	20%
2	SLN 124 milestone delivery	15%
3	SLN 501 milestone delivery	5%
4	Manufacturing processes	10%
5	New business development deals	30%
6	Achievement of financial targets	10%
7	New GalNAc target identification	10%
	TOTAL	**100%**

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

The Chairman and NEDs will receive reduced fees in 2022 due to the introduction of NED LTIP awards.

Payments for Loss of Office (audited information)

There was no loss of office payments in 2021.

James Ede-Golightly
Chair of the Remuneration Committee

Directors' Report

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2021.

Principal Activities

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

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

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

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

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

Directors' confirmations

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

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

Review of the Business and Future Developments

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

Health, Safety and Environment

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

Employees

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

Political and charitable contributions

The Group did not make any political donations or incurred any political expenditure during the year (2020: nil). The Group made total charitable donations of £75k during the year (2020: £49k).

Research and Development

In 2021, the Group spent £30.8 million on research and development (2010: £20.2 million).

Subsequent Events

The Group has no subsequent events.

Financial Risk Management

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

Results and Dividends

The Group recorded a loss for the year before taxation of £45.9 million (2020: £39.4 million). The loss after tax for the year was £36.0 million (2020: £32.5 million). Further details are given in the financial review. The Group is not yet in a position to pay a dividend and the loss for both periods has been added to accumulated losses.

Indemnification of Directors

Qualifying third party indemnity provisions (as defined in the Companies Act 2006) are in force for the benefit of Directors and former Directors who held office during 2021 and up to the signing of the annual report.

Directors

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

Director	Job title
Iain Ross	Chairman
Craig Tooman (appointed as a Director: 21 February 2022)	Chief Executive Officer
Mark Rothera (resigned as Director)	Former Chief Executive Officer
Giles Campion	Executive Director
Alistair Gray	Non-Executive
Dave Lemus	Non-Executive
James Ede-Golightly	Non-Executive
Dr. Steven Romano	Non-Executive
Dr. Michael Davidson (appointed as Director: 6 January 2021)	Non-Executive

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

Substantial Interests

At 31 December 2021 the Company had been informed of the following substantial interests of over 3% in the issued share capital of the Company:

Shareholder	Number of shares	Percentage of issued share capital
Richard Griffiths	20,696,352	23.1%
Robert Keith	12,199,473	13.6%
Compagnie Odier SCA	6,404,250	7.1%
Robert Quested	7,004,127	7.8%
Mallinckrodt plc and affiliated entities	5,062,167	5.6%
AstraZeneca UK Limited	4,418,022	4.9%
Deep Track Capital LP	2,852,394	3.2%

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. As discussed in Note 2.3 to the consolidated financial statements, the Group has incurred recurring losses and cash outflows from operations and has stated that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2.3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

Craig Tooman
Chief Executive Officer
10 May 2022

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Financial statements

Independent auditors' report to the members of Silence Therapeutics PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Silence Therapeutics PLC's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: The consolidated and company balance sheets as at 31 December 2021; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the group financial statements and note C.2 in the company financial statements concerning the group's and the company's ability to continue as a going concern. Based on existing cash and cash equivalents and on their current forecasts, the group and company will not have sufficient funds to meet their cash requirements at least the next 12 months. The group and company will need to raise additional financing through public or private financings, debt financing or collaboration agreements to fund its operating expenses and capital expenditure requirements in relation to its clinical development activities.

These conditions, along with the other matters explained in those notes to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

- testing the mathematical accuracy of the cash flow forecasts,
- comparing the current year actual results to forecast,
- gaining and understanding from management on any notable year-on-year changes in the forecasts, including the assumptions used in the forecast, and obtaining an update on the sources of funding options being sought, as set out in note 2 to the group financial

statements and note C.2 in the company financial statements and we considered whether there were additional risks that needed to be reflected in the forecasts,
- using our understanding of the group and the company and the industry in which they operate to assess the possibility of additional risk arising and their potential impact, and
- evaluating the disclosures within the financial statements.

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

Our audit approach

Context

Silence Therapeutics plc is a public limited company incorporated under the laws of England and Wales and is listed on the NASDAQ.

Overview

Audit scope

- Overall Group materiality: £2,089,000 (2020: £1,357,168) based on 5% of group losses before tax (2020: 5% of group losses before tax)
- The Group's headquarters are in the United Kingdom, which is where Group management resides
- We identified 2 reporting units which, in our view, required a full scope audit based on their size and risk
- All of the work was performed by the Group audit engagement team including the Group finance consolidation, financial statement disclosures and a number of complex items, prepared by the head office finance function. These included goodwill, current and deferred taxes, derivatives, going concern and central adjustments recorded as part of the consolidation process.
- Taken together, the Group companies, as well as the consolidation adjustments, over which we performed our audit procedures accounted for 87% of the profit before tax and 100% of revenue. Our audit scope provided sufficient appropriate audit evidence as a basis for our opinion on the Group financial statements as a whole.

Key audit matters

- Material uncertainty related to going concern
- Accuracy of management's percentage of completion assessment of revenue recognition under collaboration agreements (group and parent)
- Accuracy of management's assessment of costs related to CROs including associated accruals and prepayments (group and parent)
- Carrying value of the investment in Silence Therapeutics GmbH (parent)

Materiality

- Overall group materiality: £2,089,000 (2020: £1,357,168) based on 5% of loss before tax.
- Overall company materiality: £1,754,000 (2020: £1,215,000) based on 5% of loss before tax.
- Performance materiality: £1,566,000 (2020: £1,017,876) (group) and £1,315,000 (2020: £911,250) (company).

The scope of our audit

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

Key audit matters

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

In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Accuracy of management's percentage of completion assessment of revenue recognition under collaboration agreements is a new key audit matter this year. Accounting for the collaboration agreement with AstraZeneca and Risks posed by COVID-19, which were key audit matters last year, are no longer included because of the diminishing impacts of COVID-19 throughout the current year and the key judgments in the AstraZeneca collaboration agreement were determined in the prior year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Accuracy of management's percentage of completion assessment affecting revenue recognition under collaboration agreements (Group and Company) The Group has entered into collaboration agreements with third parties, who obtain research services and options for exclusive licence to certain of Silence's patents and knowhow ("IP") for specific gene targets. The agreements include a mixture of fixed and variable consideration relating to the achievement of future milestones. They have previously been assessed to determine the number of performance obligations, with the transaction price allocated to performance obligations based on their relative standalone selling price. The agreements overlap between different reporting periods and the timing of invoicing and cash receipts does not match with the progress of performance obligations. At each period end management are required to calculate the revenue recognised for the period based on the percentage of completion of each performance obligation, by determining the proportion of costs incurred to date in comparison to the total expected costs (both internal and external). Total revenue recognised from collaborations during the year ended 31 December 2021 is £12.0m (2020: £5.3m). (Please see note 3 for further details)	We performed the following audit procedures to address the risk: - Obtained management's assessment of percentage of completion for the targets including "actual cost incurred to date" and "future cost to complete". These costs comprise of both internal costs and costs from third parties (external costs); - Where applicable, we confirmed that these costs are aligned to the collaboration plan and agreed by all parties; - Tested the internal "future cost to complete" and confirmed these are consistent with approved budgets; - Tested the external "future cost to complete", by splitting these costs into elements that are already contracted or committed and elements which are based on management's judgements and estimates (including management's estimate of contingent costs); - On a sample basis, we matched the committed costs with contracts or quotations from the third parties. For the estimated costs, we held discussions with relevant project managers to challenge and assess the reasonableness of these estimates. We also performed a retrospective review of management's ability to appropriately forecast these costs; and - Tested the mathematical accuracy of the calculations. All of the testing above has been performed to obtain a high level of assurance. Other elements of revenue calculations, such as, "actual costs incurred to date" and the "transactions price" were designated as having a normal risk of material misstatement and have been tested to obtain a normal level of assurance. We concluded that management's revenue recognition under collaboration agreements is appropriate.
Accuracy of management's assessment of costs related to CROs including associated accruals and prepayments (Group and Company) There is an inherent risk of error as a result of estimates that involve identifying the progress of research projects, which considers the progress of external costs and feeds into the risk around the estimation of completion for revenue over collaboration agreements. As the majority of research and development expenditure arises from the outsourcing of studies and clinical trials to third-parties ('CROs'), management are required to calculate the expense and the associated accruals and prepayments based on the progress of the CRO contract versus the amounts billed to date at the end of each period. Outsourcing to the CROs restricts Silence's visibility and ability to monitor the progression of a piece of research, or a trial's stage of completion. As a result, it can be difficult for management to measure what costs have been incurred in relation to a trial at a specific point in time and, as such, based	We performed the following audit procedures to address the risk: - Tested a sample of research projects over £100k performing the following procedures: - Obtained management's calculations of the expense and associated accruals and prepayments positions as at 31 December 2021, based on progress assessments from project managers - Tested the mathematical accuracy of the calculations; - Obtained the underlying contracts / work plans and understood the basis on which the project managers assessed the progress, and that management had recognised the costs; - Verified the progress of projects by reviewing the support available, such as reading the minutes of meetings held between Silence and the CROs where the progress of the sampled projects was discussed.

on the billings received, whether the project accruals and prepayments recorded are appropriately estimated. Our audit risk focuses on whether the research projects are being appropriately recognised in expenses and whether associated accruals and prepayments are being correctly recorded. Please see notes 18 and 20 for further details	We confirmed that there was no contradictory evidence in this support; - Verified that the assessment of progress confirmed by internal project managers was consistent with that provided by the CROs; and - Performed look-back procedures to assess the outcome of prior year accruals with no matters noted. The testing above has been performed to obtain a high level of assurance. Other elements of the calculations, such as the completeness of accruals and prepayments and the completeness of expenses were designated as having a normal risk of material misstatement and have been tested to obtain a lower level of assurance. For projects under £100k we tested a sample of invoices to a low level of assurance to ensure that the expense was accurately recorded and that the accruals or prepayments were reasonable. We concluded that management's recording of the research costs through the year and the related accruals and prepayments are appropriate.
Valuation of the investment in Silence Therapeutics GmbH (Company) As at 31 December 2021 the parent company held an investment in its wholly owned subsidiary Silence Therapeutics GmbH ('GmbH') of £23.3m as well as a long-term receivable from GmbH of £13.0m. A provision of £20.2m had been recorded against the investment balance in previous years, resulting in a net investment in GmbH of £3.1m, plus the loan balance. Management has performed an impairment assessment on the net investment in accordance with IAS 36 (Impairment of assets) and determined that no impairment was necessary in the current year. Judgement is required in the impairment assessment, specifically in forecasting the timing and probability of future contractual milestone receipts. Please see note C.6 for further details	We performed the following audit procedures to address the risk: We obtained management's impairment analysis and gained an understanding of the key assumptions and judgements underlying the assessment. We assessed the appropriateness of the methodology applied and tested the mathematical accuracy of the models, with no exceptions identified. We assessed the key assumptions, including the timing and probability of future milestones receipts by: - Discussing the status of projects with the project managers - Comparing the expected size and timing of milestone payments to the original collaboration agreements; - confirming that the timing of future receipts is consistent with our review of board minutes and project status meetings; and - understood management's justification for basing the model on forecasts on a period longer than five years, which we considered to be reasonable. We concluded that management's assessments that no impairment is required in relation to the carrying value of the investment and no provision against the loan are appropriate.

How we tailored the audit scope

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

The Group's accounting process is structured around local finance functions in each of the Group's reporting entities. These functions maintain their own accounting records and controls (although transactional processing and certain controls for some reporting units are performed by the head office finance team) and report to the head office finance team through an integrated consolidation system.

In establishing the overall Group audit strategy and plan, we determined the all of the work that needed to be performed at the reporting units could be performed by the Group engagement team. For each reporting entity we determined whether we required an audit of their reported financial information ("full scope"). The 2 reporting entities where a full scope audit was required included Silence Therapeutics plc (incorporated in the UK) and Silence Therapeutics GmbH (incorporated in the UK) were determined as individually financially significant because both individually contribute more than 15% of the Group's loss before tax.

In addition to the work performed at the in-scope reporting entities, there is work performed at head office by the Group audit engagement team. The Group consolidation, financial statement disclosures and a number of complex items, prepared by the head office finance function, were audited by the Group engagement team. These included goodwill, current and deferred taxes, derivatives, going concern and central adjustments recorded as part of the consolidation process.

Reporting units where audit procedures were performed accounted for 100% of Group revenue and 87% of Group total losses before tax. As a result of its structure and size, the Group also has a number of small reporting entities that make up the remaining portion of the key coverage metrics. These small reporting units are covered by the work performed by the Group audit engagement team, where we perform analytical review procedures. Those not subject to analytical review procedures were individually, and in aggregate, immaterial. This gave us the evidence we needed for our opinion on the financial statements as a whole.

The Company's accounting process is performed by the head office finance team, who maintain the Company's own accounting records and controls.

All of the work is performed at the head office by the group engagement team. This includes the financial statement disclosures and complex items, prepared by the head office finance function such as investments and intercompany.

Materiality

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

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

	Financial statements - group	Financial statements - company
Overall materiality	£2,089,000 (2020: £1,357,168).	£1,754,000 (2020: £1,215,000).
How we determined it	5% of loss before tax	5% of loss before tax
Rationale for benchmark applied	Although the Group is currently loss making its goal is to be a profit making business and therefore we applied a profit related benchmark	Although the Company is currently loss making its goal is to be a profit making business and therefore we applied a profit related benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £1,754,000 to all components. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our

performance materiality was 75% (FY20: 75%) of overall materiality, amounting to £1,566,000 (2020: £1,017,876) for the group financial statements and £1,315,000 (2020: £911,250) for the company financial statements.

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

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £104,000 (group audit) (2020: £67,858) and £87,700 (company audit) (2020: £60,750) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Discussions with management and internal legal counsel including consideration of known or suspected instances of non-compliance with laws and regulations and fraud
- Review of minutes of meeting with the Board of Directors
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and journals posted by senior management
- Challenging assumptions made by management in their significant accounting estimates, in particular in relation to the recognition of revenue related to collaboration agreements

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Sam Taylor (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
13 May 2022

Consolidated income statement

year ended 31 December 2021

	Note	2021	2020
		£000s	£000s
Revenue	3	**12,415**	5,479
Cost of sales		**(7,456)**	(3,762)
Gross profit		**4,959**	1,717
Research and development costs		**(30,765)**	(20,209)
Administrative expenses		**(20,008)**	(13,983)
Other losses – net	7	**-**	(3,372)
Operating loss	5	**(45,814)**	(35,847)
Finance and other expenses	8	**(52)**	(323)
Finance and other income	9	**10**	129
Loss for the year before taxation		**(45,856)**	(36,041)
Taxation	10	**6,446**	3,494
Loss for the year after taxation		**(39,410)**	(32,547)
Loss per ordinary equity share (basic and diluted)	11	**(44.3) pence**	(39.8) pence

Consolidated statement of comprehensive income

year ended 31 December 2021

	2021	2020
	£000s	£000s
Loss for the year after taxation	**(39,410)**	(32,547)
Other comprehensive expense, net of tax:		
Items that may subsequently be reclassified to profit and loss:		
Foreign exchange differences arising on consolidation of foreign operations	**(677)**	(472)
Total other comprehensive income/(expense) for the year	**(677)**	(472)
Total comprehensive expense for the year	**(40,087)**	(32,075)

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

Consolidated balance sheet

at 31 December 2021

	Note	31 December 2021 £000s	2020 £000s
Non-current assets			
Property, plant and equipment	12	**1,944**	1,127
Goodwill	13	**7,592**	8,125
Other intangible assets	14	**24**	17
Financial assets at amortised cost	17	**301**	303
		9,861	9,572
Current assets			
Cash and cash equivalents	15	**73,537**	27,449
Derivative financial instrument	16	**-**	1,492
Financial assets at amortised cost – term deposit	17	**-**	10,000
R&D tax credit receivable	10	**6,945**	3,536
Other current assets	18	**5,520**	4,616
Trade receivables	19	**331**	29,306
		86,333	76,399
Non-current liabilities			
Contract liabilities	22	**(72,501)**	(51,337)
		(72,501)	(51,337)
Current liabilities			
Contract liabilities	22	**(4,247)**	(17,042)
Trade and other payables	20	**(10,783)**	(8,192)
Lease liability	21	**(137)**	(341)
		(15,167)	(25,575)
Net assets		**8,526**	9,059
Capital and reserves attributable to the owners of the parent			
Share capital	24	**4,489**	4,165
Capital reserves	26	**225,462**	186,891
Translation reserve		**1,541**	2,218
Accumulated losses		**(222,966)**	(184,215)
Total shareholders equity		**8,526**	9,059

The financial statements on pages 66 to 96 were approved by the Board on 12 May 2022 and signed on its behalf.

Craig Tooman
Chief Executive Officer

Company number: 02992058

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

Consolidated statement of changes in equity

year ended 31 December 2021

	Note	Share capital £000s	Capital reserves £000s	Translation reserve £000s	Accumulated losses £000s	Total equity £000s
At 31 December 2019		3,919	167,243	1,746	(151,999)	20,909
Recognition of share-based payments	26	-	4,395	-	-	4,395
Options exercised in the year	26	-	(331)	-	331	-
Proceeds from shares issued	24 / 26	246	15,584	-	-	15,830
Transactions with owners recognised directly in equity		246	19,648	-	331	20,225
Loss for year		-	-	-	(32,547)	(32,547)
Other comprehensive income						-
Foreign exchange differences arising on consolidation of foreign operations		-	-	472	-	472
Total comprehensive expense for the year		-	-	472	(32,547)	(32,075)
At 31 December 2020		4,165	186,891	2,218	(184,215)	9,059
Recognition of share-based payments	26	-	8,632	-	-	8,632
Options exercised in the year	26	-	(659)	-	659	-
Proceeds from shares issued	24 / 26	324	30,598	-	-	30,922
Transactions with owners recognised directly in equity		324	38,571	-	659	39,554
Loss for year		-	-	-	(39,410)	(39,410)
Other comprehensive income						-
Foreign exchange differences arising on consolidation of foreign operations		-	-	(677)	-	(677)
Total comprehensive expense for the year		-	-	(677)	(39,410)	(40,087)
At 31 December 2021		4,489	225,462	1,541	(222,966)	8,526

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

Consolidated statement of cash flows

year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	£000s	£000s
Cash flow from operating activities		
Loss before tax	**(45,856)**	(36,041)
Depreciation charges	**411**	476
Amortisation charges	**16**	20
Charge for the year in respect of share-based payments	**8,632**	4,395
Net foreign exchange loss	**305**	4,864
Gain on derivative financial instrument	**-**	(1,492)
Finance and other expenses	**52**	323
Finance and other income	**(10)**	(129)
Gain on disposal of property, plant and equipment	**-**	(3)
Revaluation of trade and other receivables related to contract liabilities	**-**	(4,864)
(Increase)/decrease in trade and other receivables	**27,483**	(29,302)
Increase in other current assets	**(904)**	(3,731)
Decrease in derivative financial instrument	**1,492**	
Decrease in current financial assets at amortised cost – other	**-**	1
Increase in trade and other payables	**2,405**	1,303
Increase in contract liabilities	**8,369**	50,386
Cash generated/(spent) on operations	**2,395**	(13,794)
R&D tax credits received	**4,411**	3,018
Net cash (outflow)/inflow from operating activities	**6,806**	(10,776)
Cash flow from investing activities		
Redemption of financial assets at amortised cost – term deposits	**10,000**	10,000
Interest received	**10**	129
Purchase of property, plant and equipment	**(1,311)**	(511)
Purchase of intangible assets	**(23)**	(3)
Proceeds from sale of property, plant and equipment	**-**	3
Net cash inflow/(outflow) from investing activities	**8,676**	9,618
Cash flow from financing activities		
Repayment of lease liabilities	**(211)**	(402)
Proceeds from issue of share capital	**30,922**	15,830
Net cash inflow from financing activities	**30,711**	15,428
Increase in cash and cash equivalents	**46,193**	14,270
Cash and cash equivalents at start of year	**27,449**	13,515
Effect of exchange rate fluctuations on cash and cash equivalents held	**(105)**	(336)
Cash and cash equivalents at end of year	**73,537**	27,449

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

Notes to the consolidated financial statements
year ended 31 December 2021

1. General information

1.1 Group

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

2. Principal accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, as applicable to companies using IFRS. The consolidated financial statements have been prepared under the historical cost convention as modified by revaluation to fair value of the derivative financial instrument. The accounting policies set out below have, unless otherwise stated, been prepared consistently for all periods presented in these consolidated financial statements. The financial statements are prepared in sterling and presented to the nearest thousand pounds.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

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

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

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These include amendments to IAS1 'Presentation of financial statements' on classification of liabilities. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Basis of consolidation

The Consolidated financial statements consolidate those of the Company and its controlled subsidiary undertakings drawn up to 31 December 2021. The Group controls an entity when the Group is expected to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies into line with those used for reporting the operations of the Group. All intra Group transactions, balances, income and expenses are eliminated on consolidation.

2.3 Going concern

The Company has incurred recurring losses since inception, including net losses of £39.4 million for the year ended 31 December 2021. As of 31 December 2021, the Company had accumulated losses of £223.0 million and cash outflows from operating activities.

The Company expects to incur operating losses for the foreseeable future as it continues its research and development efforts, seeks to obtain regulatory approval of its product candidates and pursues any future product candidates the Company may develop.

To-date, the Company has funded its operations through upfront payments and milestones from collaboration agreements, equity offerings and proceeds from private placements, as well as management of expenses and other financing options to support its continued operations. During 2021, the Company received $40.0 million (£30.8 million) of the upfront payments in respect of the AstraZeneca collaboration, $45 million from a private placement of ADSs (approximately $42.0 million / £30.8 million, net of expenses) and a $14.4 million (£10.9 million) upfront payment, net of taxes withheld, related to Hansoh collaboration executed on 14 October 2021. As of 31 December 2021, the Company had cash and cash equivalents of £73.5 million.

The Company has the responsibility to evaluate whether conditions and/or events raise material uncertainty about its ability to meet its future financial obligations as they become due within one year after the date that the financial statements are issued. The forecast for evaluating the going concern basis of the Company includes continued investment in our technology platform and product pipeline. The forecast does not include collaboration milestones which have not been fully achieved or other assumptions for potential future non-dilutive or dilutive funding sources. Based on this evaluation, the Company believes that its current cash and cash equivalents are only sufficient to fund its operating expenses through the first quarter of 2023. This represents a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements have been prepared assuming that the Company will continue as a going concern which contemplates the continuity of operations, realisation of assets and the satisfaction of liabilities in the ordinary course of business and does not include adjustments that would result if the Company were unable to continue as a going concern.

The Company will need to raise additional funding to fund its operation expenses and capital expenditure requirements in relation to its clinical development activities. The Company may seek additional funding through public or private financings, debt financing or collaboration agreements. Specifically, the Company may receive future milestone payments of up to $19 million from existing collaboration agreements in the next 15 months which will extend the ability to fund operations beyond the first quarter of 2023. However, these payments are dependent on achievement of certain development or regulatory objectives that may not occur. The Company has an authorised open market sale agreement and can potentially raise funds through the sale of ADSs for an aggregate offering price of up to $100 million from time to time. The inability to obtain future funding could impact the Company's financial condition and ability to pursue its business strategies, including being required to delay, reduce or eliminate some of its research and development programmes, or be unable to continue operations and ability to continue as a going concern.

2.4 Research and development

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

2.5 Revenue recognition

The Group's revenue for the year ended 31 December 2021 consists of royalty income and revenue from collaboration agreements.

Royalty income

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

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

Revenue from collaboration agreements

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

For all contracts we have concluded the license of the intellectual property and the R&D services are not distinct, as Mallinckrodt, AstraZeneca, and Hansoh cannot benefit from the intellectual property absent the R&D services, as those R&D services are used to discover and develop a drug candidate and to enhance the value in the underlying intellectual property, and these services could not be performed by another party, indicating that the two are highly interrelated. On this basis, we have concluded that there is a single performance obligation covering both the R&D services and the license of the intellectual property in respect of each target. We recognise revenue over the duration of the contract based on an input method based on cost to cost.

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

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

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

Revenue has been calculated on the following ongoing basis for the year ended 31 December 2021:

- Total contract costs which includes actual FTE and direct costs incurred up to 31 December 2021 and forecast FTE and direct costs for the remainder of the contract
- Actual costs incurred up until 31 December 2021 are calculated as a percentage of total contract costs (actual and forecast)

- This percentage is then multiplied by the transaction price allocated to the performance obligation in question, thus calculating the cumulative revenue which is then used to calculate the revenue to be recognised in that period. In the case of the FTE recharges and other direct cost recharges, the consideration that is multiplied includes all amounts to the end of the contract (including the forecast amounts). In the case of the upfront and milestones, the consideration that is multiplied is in relation to the upfront and completed milestones only. Consideration in relation to milestones not yet been achieved is excluded from the calculation.

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

Further details of the revenue amounts recognised in the year ended 31 December 2021 can be found in note 3.

2.6 Foreign currency translation

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

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

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

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

2.7 Defined contribution pension funds

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

2.8 Business combinations

There were no new business combinations as defined by IFRS 3 during 2020 or 2021.

All goodwill is attributed to an acquisition that occurred in 2005.Goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition

2.9 Property, plant and equipment

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

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

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

2.10 Goodwill

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

2.11 Other intangible assets

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

Amortisation

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

Licenses and software 10 – 15 years.

Capitalisation of research and development costs

Costs associated with research activities are treated as an expense in the period in which they are incurred.

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

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

- the expenditure attributable to the intangible asset during its development can be reliably measured.

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

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

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

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

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

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

2.13 Financial instruments

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

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

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

Derivative financial instruments

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

Financial assets at amortised cost

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

Cash and cash equivalents

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

Financial liabilities and equity

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

Financial liabilities

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

Equity instruments

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

2.14 Leased assets

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

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

Measurement and recognition

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

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

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

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

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

Lease break clauses and extension options

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

Similarly, when a break clause exists in the lease agreement, management must consider the likelihood of this option to curtail the lease being exercised.

2.15 Share-based payments

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

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

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

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

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

2.16 Equity

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

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

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

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

Foreign currency translation differences are included in the translation reserve.

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

2.17 Taxation

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

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

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

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

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

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

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

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

Withholding tax is payable on gross income from dividends, interest, lease of property, royalties, and other China-source passive income since the Group does not have an establishment or place of business in China.

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

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

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

- Application of IFRS 15 in determining revenue from contracts with customers specifically:
    - The determination of the numbers of performance obligations. Judgment was required in determining whether the license and the R&D activities are distinct performance obligations or not. It is considered the license of the IP and the R&D activities are not distinct as the R&D services are essential to discover and develop a drug candidate and enhance the value in the underlying IP. In addition, the gene targets are highly specialized such that only the Group has the specialist knowledge to apply the IP to the specific target. On this basis, it has been concluded that there is only one single performance obligation covering both the R&D services and licenses of the IP in respect of each target;

- The allocation of the upfront payments between performance obligations (judgment). Mallinckrodt have paid the Group $20 million, AstraZeneca have paid the Group $60 million, and Hansoh paid $16 million upfront under their respective contracts, which is considered to be the initial transaction price. A judgment was required in determining how this should be allocated across SLN501 and the additional optioned complement-mediated disease targets for Mallinckrodt. It was concluded in 2019 that because the compounds are at similar stages of development, the $20 million amount should be allocated evenly, on the basis of a benchmarking exercise considering the standalone selling price per target of past deals announced to the market by comparable companies. Similarly, it was concluded that the $60 million amount should be allocated evenly across. target options for AstraZeneca. The Hansoh $16 million upfront payment was allocated $4 million for each of the two targets in Greater China, Hong Kong, Macau and Taiwan and $8 million for the global target based on the benchmarking exercise, as well as consideration for geography licensed and other contractual terms.

- The estimate of future costs to be incurred to determine percentage of completion of revenue contracts:

In determining the percentage of completion of the revenue projects, the Group estimated the total future costs expected to be incurred through the life of the contract. An increase in future costs could arise as a result of a requested change in scope by the collaboration partner or through higher than anticipated internal costs incurred by Silence. The impact of a change in scope would be largely neutral on revenue recognition because there would be inconsequential increases in revenue to match the additional costs. There is no experience of internal costs being higher than anticipated to date, but if this were the case then a 10% increase in future estimated costs would lead to a 7% reduction in revenue.

2.19 Segment reporting

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

3. Revenue

Revenue from collaboration agreements for the year ended 31 December 2021 relates to the Research collaboration agreements the Group entered into with Mallinckrodt plc in July 2019, Takeda Pharmaceutical Company Limited in January 2020, AstraZeneca plc in March 2020, and Hansoh in October 2021.

Revenue comprised £392k of royalty income (2020: £226k) and £12,023k of Research collaboration income (2020: £5,253k). Disaggregation of Revenue from Contracts with Customers is as follows:

	2021	2020
Revenue from Contracts with Customers	**£000s**	£000s
Research collaboration - Mallinckrodt plc	**8,748**	3,817
Research collaboration - AstraZeneca	**2,652**	1,414
Research collaboration – Other	**623**	22
Research collaboration – total	**12,023**	5,253
Royalties	**392**	226
Total revenue from contracts with customers	**12,415**	5,479

Under our collaboration agreement with Mallinckrodt, we received an upfront cash payment of £16.4 million ($20 million) in 2019 and are eligible to receive specified development, regulatory and commercial milestone payments. We received milestone payments totalling £2.9 million or $4 million (2020: £1.4m) during the year ended 31 December 2021. In addition to these payments, Mallinckrodt has agreed to fund some of our research personnel and preclinical development costs. We recognise the upfront payment, milestone payments, payments for personnel costs and other research funding payments over time, in accordance with IFRS 15 para 35 c). During the year ended 31 December 2021, we recognised a total of £8.7 million in revenue under this agreement.

Under our collaboration agreement with AstraZeneca, we received an upfront cash payment of £17.1 million ($20 million) in 2020 with a further amount of £30.8 million ($40 million) received in May 2021. We are also eligible to receive specified development and commercial milestone payments as well as tiered royalties on net sales, if any. We recognise the upfront payment and milestone payments over time, in accordance with IFRS 15 para 35 c). During the year ended 31 December 2021, we recognised a total of £2.7 million in revenue under this agreement.

We entered into a collaboration agreement with Hansoh on 15 October 2021. We received a $16 million (equivalent to approximately £10.7 million, net of taxes based on the exchange rate at the payment date) upfront payment to us in December 2021. We are eligible to receive up to $1.3 billion in additional development, regulatory and commercial milestones. We will also receive royalties tiered from low double-digit to mid-teens on Hansoh net product sales. We recognise the upfront payment and milestone payments over time, in accordance with IFRS 15 para 35 c). There have been minimal activities performed in respect of this agreement to date.

We entered into a Technology Evaluation Agreement with Takeda on 7 January 2020 to explore the potential of our platform to generate siRNA molecules against a novel, undisclosed target controlled by Takeda. Under our collaboration agreement, we received a milestone payment of £1.6 million ($2 million) during the year ended 31 December 2020. We recognise the milestone payments over time, in accordance with IFRS 15 para 35 c). Our activities under the Technology Evaluation Agreement were effectively complete as of 30 June 2021.

In December 2018, we entered into a settlement and license agreement with Alnylam Pharmaceuticals Inc., or Alnylam, pursuant to which we settled outstanding patent litigation with Alnylam related to its RNAi product ONPATTRO. As part of the settlement, we license specified patents to Alnylam, and Alnylam pays us a tiered royalty of up to one percent of net sales of ONPATTRO in the European Union. We are eligible to receive these royalties until 2023. We invoice Alnylam quarterly in arrears based on sales data for that quarter as reported to us by Alnylam. Royalty revenue is recognised based on the level of sales when the related sales occur. During the year ended 31 December 2021, we recognised a total of £0.4 million in royalty income from Alnylam

4. Segment reporting

In 2021, the Group operated in the specific technology field of RNA therapeutics.

Business segments

The Group has identified the Chief Executive Officer as the CODM. For the 12 months ended 31 December 2020 and 2021, the CODM determined that the Group had one business segment, the development of RNAi-based medicines. This is in line with reporting to senior management. The information used internally by the CODM is the same as that disclosed in the financial statements.

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

	U.S.A.	U.K.	Germany	Total
	£000s	£000s	£000s	£000s
Non-current assets				
As at 31 December 2020	54	689	8,829	9,572
As at 31 December 2021	17	516	9,328	9,861
Revenue analysis for the year ended 31 December 2020				
Research collaboration	-	5,253	-	5,253
Royalties	-	-	226	226
	-	5,253	226	5,479
Revenue analysis for the year ended 31 December 2021				
Research collaboration	**-**	**12,023**	**-**	**12,023**
Royalties	**-**	**-**	**392**	**392**
.	**-**	**12,023**	**392**	**12,415**

5. Operating loss

This is stated after charging/(crediting):

	2021	2020
	£000s	£000s
Depreciation of property, plant and equipment	**411**	476
Amortisation of intangibles	**16**	20
Share-based payments charge	**8,632**	4,395
Gain on disposal of property, plant and equipment	**-**	(3)
Short lease payments on premises	**332**	347
Fees payable to the Company's auditors for the audit of the Company and the consolidation:		
- audit fees	**403**	284
- other assurance services	**180**	431

6. Directors and staff costs

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

	2021	2020
	£000s	£000s
Wages and salaries	10,837	6,656
Social security costs	1,491	827
Other pension costs	319	201
Share-based payments charge	8,632	4,395
Total aggregate remuneration	21,279	12,079

Remuneration and share based payments detail for all Directors is presented in the Remuneration Committee report. See page 40 for further details.

	2021	2020
	Number	Number
Research and development and related support services	**66**	39
Administration	**26**	26
Total average number of employees	**92**	65

7. Other losses

	2021	2020
	£000s	£000s
Net foreign exchange losses	**-**	(4,864)
Net fair value gain on derivative	**-**	1,492
Total Other losses	**-**	(3,372)

8. Finance and other expenses

	2021	2020
	£000s	£000s
Lease liability interest expense	**8**	16
Net foreign exchange losses	**44**	307
Total Finance and other expenses	**52**	323

9. Finance and other income

	2021	2020
	£000s	£000s
Bank interest receivable	**10**	129
Total Finance and other income	**10**	129

10. Taxation

The entire tax credit of £6.4m relates to current tax as shown below. No deferred tax was recognised in the year

The deferred tax charge in 2021 was nil (2020: nil). Reconciliation of tax credit at standard rate of U.K. corporation tax to the current tax credit:

	2021	2020
	£000s	£000s
Loss before tax	**(45,856)**	(36,041)
Tax credit at the standard rate of U.K. corporation tax of 19% (2020: 19% ; 2019: 19%)	8,713	6,848
Effect of overseas tax rate	(264)	(85)
Impact of unrelieved tax losses not recognised	(8,639)	(6,763)
Adjustment in respect of prior year	875	(42)
Research and development tax credit in respect of current year	6,945	3,536
Effect of overseas taxes	(1,184)	-
	6,446	3,494

Estimated tax losses of £154.1 million (2020: £135.6 million) are available for relief against future profits.

The deferred tax asset not recognised in these financial statements on the estimated losses and the treatment of the equity settled share- based payments, net of any other temporary timing differences is detailed in note 23. During the year, the Group received a research and development tax credit of £4.4 million (2020: £3.02 million), which resulted in an adjustment to the credit recorded in the year ended 31 December 2020 of a further £0.9 million. The Group has accrued £6.95 million (2020: £3.54 million) recognising a current tax asset in respect of 2021 research and development tax credits. The company had a foreign tax expense of £0.2 million. (2020: £nil).

The corporation tax main rate during 2021 was 19% (2020: 19%). In the Spring Budget 2021, the U.K. Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the company has not recognised and related deferred tax assets as at 31 December 2021, the tax rate increase has no impact.

Since the Group does not have an establishment or place of business in China, the Group is subject to withholding tax on gross income from dividends, interest, lease of property, royalties, and other China-source passive income. The Group entered into a collaboration agreement with Hansoh, a biopharmaceutical company in China and received a $16 million upfront payment, which required withholding tax of $1.6 million.

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

The calculation of the loss per share is based on the loss for the financial year after taxation of £39.41 million (2020: loss of £32.55 million) and on the weighted average of 88,950,441 (2020: 81,772,124) ordinary shares in issue during the year.

The options outstanding at 31 December 2020 and 31 December 2021 are considered to be anti-dilutive as the Group is loss-making.

12 Property, plant and equipment

	Equipment and furniture	Right-of-use asset	Total
	£000s	£000s	£000s
Cost			
At 1 January 2020	3,403	160	3,563
Additions	511	456	967
Disposals	(2)	(160)	(162)
Translation adjustment	154	-	154
At 31 December 2020	4,066	456	4,522
At 1 January 2021	4,066	456	4,522
Additions	1,311	-	1,311
Disposals	(46)	(111)	(157)
Translation adjustment	(219)	-	(219)
At 31 December 2021	**5,112**	**345**	**5,457**
Accumulated depreciation			
At 1 January 2020	2,856	96	2,952
Charge for the year	291	185	476
Eliminated on disposal	(2)	(160)	(162)
Translation adjustment	129	-	129
At 31 December 2020	3,274	121	3,395
At 1 January 2021	3,274	121	3,395
Charge for the year	238	173	411
Eliminated on disposal	(46)	(74)	(120)
Translation adjustment	(173)	-	(173)
At 31 December 2021	**3,293**	**220**	**3,513**
Net book value			
As at 31 December 2020	792	335	1,127
As at 31 December 2021	**1,819**	**125**	**1,944**

13. Goodwill

	2021	2020
	£000s	£000s
Balance at start of year	**8,125**	7,692
Translation adjustment	**(533)**	433
Balance at end of year	**7,592**	8,125

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

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

- Fair value has been determined as market capitalization (share price x number of shares in issue) at 31 December 2021
- Disposal costs have been estimated to be minimal

Goodwill is assessed at a segment level. Management has assessed that the headroom in the valuation model used demonstrates that there is no reasonably possible change to a key assumption used in determining fair value less cost of disposal that would cause the carrying amount of goodwill to exceed its recoverable amount (as there is only one operating segment, we have considered the fair value of the entire business as market capitalization at 31 December 2021, which was £528.8 million (2020: £447.4 million), with share price not dropping significantly below its 31 December 2021 value at any point so far in 2022, and therefore a sensitivity analysis has not been presented).

14. Other intangible assets

	Licenses & software
	£000s
Cost	
At 1 January 2020	102
Additions	3
Translation adjustment	2
At 31 December 2020	107
At 1 January 2021	107
Additions	23
Translation adjustment	-
At 31 December 2021	**130**
Accumulated depreciation	
At 1 January 2020	68
Charge for the year	20
Translation adjustment	2
At 31 December 2020	90
At 1 January 2021	90
Charge for the year	16
Translation adjustment	-
At 31 December 2021	**106**
Net book value	
As at 31 December 2020	17
As at 31 December 2021	**24**

The intangible assets included above have finite useful lives estimated to be of 10–15 years from the date of acquisition, over which period they are amortised or written down if they are considered to be impaired. Internally generated patent costs are only recorded where they are expected to lead directly to near-term revenues, none have been capitalised to date.

15. Cash and cash equivalents

	2021	2020
	£000s	£000s
Cash at bank and in hand	**73,537**	12,449
Short term bank deposits	**-**	15,000
Total Cash and cash equivalents	**73,537**	27,449

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

16. Derivative financial instruments

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

	2021	2020
	£000s	£000s
Derivatives carried at fair value	**-**	1,492

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

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

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

17. Financial assets at amortised cost

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

Current financial assets at amortized cost, other than trade receivables as disclosed in note 17, include fixed interest £nil six-month term deposits (2020: £10,000k).

	2021	2020
	£000s	£000s
Current financial assets at amortised cost – term deposit	**-**	10,000
Non-current financial assets at amortised cost	**301**	303
Total financial assets at amortised cost	**301**	10,303

18. Other current assets

	2021	2020
	£000s	£000s
Prepayments	**4,309**	3,940
VAT receivable	**1,211**	676
Total other current assets	**5,520**	4,616

19. Trade receivables

	2021	2020
	£000s	£000s
Trade receivables	**331**	29,306

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

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

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

The Group has applied an expected credit loss model to the balance and determined that £nil (2020: £nil) provision is required.

20. Trade and other payables

	2021	2020
	£000s	£000s
Trade payables	**4,065**	2,285
Social security and other taxes	**318**	1,107
Accruals and other payables	**6,215**	4,800
Corporate income tax payable	**185**	-
Total trade and other payables	**10,783**	8,192

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

21. Lease liability

	2021	2020
	£000s	£000s
Lease liability	**137**	341
Total lease liability	**137**	341

In 2021 the lease liability recognised on the face of the balance sheet comprises of the Group's London office. The repayment of the principal portion of these lease liabilities for the year-ending 31 December 2021 was £211k (2020: £450k).

There are 2 short leases in Berlin, Germany not included in the lease liability above. Both are on a rolling contract basis with either party being able to end the lease with a cancellation notice period of 11.5 months, thus allowing exemption using the practical expedient, without significant cost.

22. Contract liabilities

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

	31 December,	
	2021	2020
	£000s	£000s
Contract liabilities:		
Current	**4,247**	17,042
Non-current	**72,501**	51,337
Total contract liabilities	**76,748**	68,379

	Current	Non-current	Total
	£000s	£000s	£000s
Contract liabilities:			
At 1 January 2020	2,478	15,515	17,993
Additions during period	19,779	35,822	55,601
Revenue unwound during period	(5,215)	-	(5,215)
At 31 December 2020	**17,042**	**51,337**	**68,379**
At 1 January 2021	17,042	51,337	68,379
Additions during period	4,166	16,226	20,392
Revenue unwound during period	(12,023)	-	(12,023)
Program rephasing	(4,938)	4,938	-
At 31 December 2021	**4,247**	**72,501**	**76,748**

23. Deferred tax

The Group has the following unrecognised deferred tax assets as at 31 December 2021:

	2021	2020
	£000s	£000s
Trading losses	**33,909**	31,426
Share based payments	**3,159**	3,443
Capital losses	**1,496**	1,496
Total unrecognised deferred tax asset	**38,564**	36,365

To total unrecognised deferred tax assets are calculated based on the main corporate tax rate of 19%. Unrecognised deferred tax assets from foreign trading losses are calculated at the tax rate applicable to the related jurisdiction.

Deferred tax assets are recognised where it is probable that future taxable profit will be available to utilise losses. Due to the uncertainty of future capital gains, a deferred tax asset in respect of capital losses was not recognised at 31 December 2021 (2020: nil).

24. Share capital

	2021	2020
	£000s	£000s
Authorised, allotted, called up and fully paid ordinary shares, par value £0.05	**4,489**	4,165
	Number	Number
Number of shares in issue	**89,784,720**	83,306,259

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

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

Number of shares in issue at 1 January 2020	78,370,265
Shares issued during the year	4,276,580
Options exercised at £0.05	496,666
Options exercised at £0.85	56,470
Options exercised at £1.00	60,000
Options exercised at £1.90	46,278
Number of shares in issue at 31 December 2020	83,306,259
Shares issued during the year	6,066,654
Options exercised at £0.05	66,114
Options exercised at £0.85	121,854
Options exercised at £1.00	25,000
Options exercised at £1.28	720
Options exercised at £1.90	198,119
Number of shares in issue at 31 December 2021	**89,784,720**

At 31 December 2021, there were options outstanding over 8,052,699 (2020: 6,768,894) unissued ordinary shares.

Details of the options outstanding are as follows:

Year of issue	Weighted average Exercise price (£)	Weighted average Exercise price ($)	At 1 January 2021	Options granted	Options forfeited	Options expired	Options exercised	At 31 December, 2021	Weighted average years to expiry date
2013	1.06	1.43	10,000				(10,000)	-	1.54
2014	1.06	1.43	21,000				(9,000)	12,000	2.46
2015	1.06	1.43	16,000				(6,000)	10,000	3.52
2016	1.21	1.64	60,215				(720)	59,495	4.37
2017	1.77	2.38	171,500				(32,780)	138,720	5.75
2018	0.05	0.07	223,766		(13,068)			210,698	6.32
2019	1.20	1.62	3,109,337		(466,250)		(353,307)	2,289,780	7.73
2020	3.57	4.82	3,157,076		(37,007)		-	3,120,069	7.91
2021	5.54	7.48		2,259,153	(47,216)			2,211,937	9.28
Total			**6,768,894**	**2,259,153**	**(563,541)**	**-**	**(411,807)**	**8,052,699**	**8.31**

On 29 November 2021, the Company completed delisting from AIM. As a result, the Company converted the existing employee share options to ADSs which represents three ordinary shares and the exercise price was also converted to represent an ADS price at an exchange rate equal to the average of the last five business trading days currency conversion of sterling pounds to US dollars, which was 1.334058 sterling pounds to 1 US Dollar. This is not a modification of the existing share option grants, as the value or timing of the grants was unchanged.

The market price of Company shares at the year-end was $23.89/ADS ($7.96 or 590 pence/share). (2020: 514 pence). During the year the minimum and maximum prices were 443 pence and 680 pence, respectively (2020: 304 pence and 515 pence).

25. Equity-settled share-based payments

The Group has issued share options under the 2018 Long Term Incentive Plan (LTIP), 2018 Non-Employee Long Term Inventive Plan (Non-Employee LTIP), and individual share option contracts, open to all employees of the Group, as well as EMI shares (none of which remain outstanding at 31 December 2021). Under the LTIP, Non-Employee LTIP, individual contracts and schemes available, the options typically vest after 3 years, with the exception of some options granted to certain members of key management personnel. The vesting period for these options ranges from 3 to 33 months. The options usually lapse after one year following the employee leaving the Group.

	2021		2020	
	Number of Shares	Weighted Average Exercise price	Number Of Shares	Weighted Average Exercise price
	000s	Pence	000s	Pence
Options				
Outstanding at the beginning of the year	6,768,894	226.83	4,302,617	102.46
Granted during the year	2,259,153	554.60	3,178,216	351.90
Lapsed or forfeited during the year	(563,541)	146.02	(52,525)	5.00
Exercised during the year	(411,807)	116.62	(659,414)	33.48
Outstanding at the year-end	8,052,699	329.74	6,768,894	226.83
Exercisable at the year-end	2,503,504	263.45	1,079,609	151.33

The table above shows the number of options in relation to ordinary shares. This equated to 2,684,233 outstanding and 834,501 exercisable ADS's at year end, basis on the conversion ratio of three ordinary share options to one ADS as disclosed in Note 24.

The options outstanding at the year-end have a weighted average remaining contractual life of 8.3 years (2020: 7.4 years). The weighted average share price at the time of exercise during the year was 575.39 pence (2020: 435.19 pence).

The Group granted 2,259,153 options during the year (2020: 3,178,216). The fair value of options granted were calculated using a Binomial or Monte Carlo model and inputs into the model were as follows:

	2021	2020
Inputs and assumptions for options granted in the year		
Weighted average share price (pence)	**586.0**	461.0
Weight average hurdle price (pence)	**n/a**	90.0
Weighted average exercise price (pence)	**520.0**	352.0
Option life (years)	**10.0**	10.0
Expected volatility	**65%-70%**	70%-72%
Risk free rate	**0.28%-1.04%**	0.19%-0.44%
Expected dividend yield	nil	nil

The Group recognised total charges of £8,632k (2020: £4,395k) related to equity settled share-based payment transactions during the year.

Fair value of the grants has been calculated using volatility assumptions between 65% and 70%, based on the three year historical volatility as at the respective date of grant.

The Group does not bear any responsibility to settle any employee tax obligations that arise on the exercise of share options. The estimated employer tax obligation on outstanding options at the year-end was £633k (2020: £491k).

26. Capital reserves

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

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

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

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

	Share Premium account	Merger reserve	Share-based Payment reserve	Capital redemption reserve	Total
	£000s	£000s	£000s	£000s	£000s
At 1 January 2020	**138,150**	**22,248**	**1,651**	**5,194**	**167,243**
Shares issued	15,396	-	-	-	15,396
On options in issue during the year	-	-	4,395	-	4,395
On options exercised during the year	188	-	(331)	-	(143)
Movement in the year	15,584	-	4,064	-	19,648
At 31 December 2020	**153,734**	**22,248**	**5,715**	**5,194**	**186,891**
Shares issued	30,138	-	-	-	30,138
On options in issue during the year	-	-	8,632	-	8,632
On options exercised during the year	460	-	(659)	-	(199)
Movement in the year	30,598	-	7,973	-	38,571
At 31 December 2021	**184,332**	**22,248**	**13,688**	**5,194**	**225,462**

27. Capital commitments and contingent liabilities

There were no capital commitments at 31 December 2021 (2020: nil).

28. Commitments under short leases

At 31 December 2021, the Group had a gross commitment on its office rental and service charge in Berlin, Germany equal to £286k (2020: £100k) in the next year. No amounts are payable after more than one year.

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

29. Financial instruments and risk management

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

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

Financial assets by category

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

	2021	2020
	£000s	£000s
Trade receivables	**331**	29,306
Cash and cash equivalents	**73,557**	27,449
Term deposits	**-**	10,000
Derivative financial instruments held at fair value	**-**	1,492
Other current assets at amortised cost	**-**	-
Non-current financial assets at amortised cost	**301**	303
	74,169	68,550

Financial liabilities by category

	2021	2020
	£000s	£000s
Trade and other payables	**10,464**	7.085
Lease liability	**137**	341
	10,601	7,426

All amounts are short-term.

Credit quality of financial assets (loans and receivables)

The maximum exposure to credit risk at the reporting date by class of financial asset was:

	2021	2020
	£000s	£000s
Trade receivables	331	29,306
Financial assets at amortised cost – non-current	301	303
	632	29,609

Cash and cash equivalents and term deposits are not considered to be exposed to credit risk due to the fact they are held in a financial institution with an “A” rating. The Group considers the possibility of significant loss in the event of non-performance by a financial counterparty to be unlikely.

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

Capital management

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

Interest rate risk

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

Credit and liquidity risk

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

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

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

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

Currency risk

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

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

	2021	2020
	£000s	£000s
Financial assets	**1,918**	467
Financial liabilities	**(3,278)**	(1,190)
Net financial (liabilities)/assets	**(1,360)**	(723)

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

	2021	2020
	£000s	£000s
Financial assets	**11,248**	29,427
Financial liabilities	**(876)**	(2,123)
Net financial (liabilities)/assets	**10,372**	27,304

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

During the year sterling rose by 4% (2020: 6%) against the euro. The table shows the impact of an additional weakening or strengthening of sterling against the euro by 20%.

	As reported	**If sterling rose 20%**	**If sterling fell 20%**
	£000s	**£000s**	**£000s**
2021			
Group result for the year	(39,410)	(35,618)	(45,099)
Euro denominated net financial liabilities	(1,360)	(1,133)	(1,700)
Total equity at 31 December 2021	8,526	8,753	8,186
2020			
Group result for the year	(32,547)	(29,056)	(37,784)
Euro denominated net financial liabilities	(723)	(603)	(904)
Total equity at 31 December 2020	9,059	9,180	8,878

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

During the year sterling rose by 7% (2020: 4%) against the US dollar. The table shows the impact of an additional weakening or strengthening of sterling against the US dollar by 20%.

	As reported	If sterling rose 20%	If sterling fell 20%
	£000s	£000s	£000s
2021			
Group result for the year	(39,410)	(37,225)	(42,688)
U.S. dollar denominated net financial assets	10,372	8,643	12,965
Total equity at 31 December 2021	8.526	6,797	11,119
2020			
Group result for the year	(32,547)	(31,283)	(34,442)
U.S. dollar denominated net financial assets	27,304	22,753	34,130
Total equity at 31 December 2020	9,059	4,508	15,885

30. Notes to the cash flow statement

Changes in liabilities arising from financing activities

	1 January 2021	Cash flows from financing activities	Non-cash flows	31 December 2021
		Repayments	New lease liabilities	
	£000s	£000s	£000s	£000s
Lease liabilities	341	(211)	7	137
Total liabilities from financing activities	341	(211)	7	137

31. Related party transactions

Since 1 January 2019, we have engaged in the following transactions with our directors, executive officers or holders of more than 10% of our outstanding share capital and their affiliates, which we refer to as our related parties.

During the year ended 31 December 2021, we paid £nil (2020: £75k; 2019: £9k) to Gladstone Consultancy Partnership, a company controlled by our Non-Executive Chairman. The amounts payable were settled before the relevant year ends.

In 2022, we agreed to pay Gladstone Consultancy Partnership £7,500 (plus any applicable value-added tax) per month from 1 February 2022 until 30 September 2022 for consulting and advisory services to be provided by Iain Ross.

Key management are considered to be Directors of the Group.

32. Post Balance Sheet Events

There were no post balance sheet events as of the filing date.

33. Group companies

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries, the address of the registered offices and effective percentages of equity owned as at 31 December 2021 are disclosed below.
All subsidiaries are wholly owned.

Name	Registered office address	Place of incorporation and operation	Principal technology area	Proportion of ownership interest
Silence Therapeutics GmbH	Robert-Rössle-Strasse 10, 13125 Berlin, Germany	Germany	RNA therapeutics	100%
Silence Therapeutics (London) Ltd	27 Eastcastle Street, London, W1W 8DH	England	Dormant	100%
Innopeg Ltd	27 Eastcastle Street, London, W1W 8DH	England	Dormant	100%
Silence Therapeutics Inc.	221 River Street, 9th Floor Hoboken, New Jersey 07030	USA	RNA therapeutics	100%

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

Company balance sheet

at 31 December 2021

	Note	2021 £000s	2020 £000s
Non-current assets			
Property, plant and equipment	C.5	**208**	387
Other intangible assets		**24**	17
Investment in subsidiaries	C.6	**16,387**	16,969
Financial assets at amortised cost	C.9	**284**	286
		16.903	17,659
Current assets			
Cash and cash equivalents	C.7	**73,272**	27,173
Derivative financial instrument	C.8	**-**	1,492
Financial assets at amortised cost – term deposit	C.9	**-**	10,000
R&D tax credit receivable		**6,945**	3,536
Other current assets	C.10	**5,214**	4,441
Trade and other receivables	C.11	**843**	29,409
		86,274	76,051
Non-current liabilities			
Contract liabilities	C.14	**(72,501)**	(51,337)
		(72,501)	(51,337)
Current liabilities			
Contract liabilities	C.14	**(4,247)**	(17,042)
Trade and other payables	C.12	**(14,960)**	(10,947)
Lease liability	C.13	**(112)**	(300)
		(19,319)	(28,289)
Total assets less liabilities		**11,357**	14,084
Net assets		**11,357**	14,084
Capital and reserves attributable to the Company's equity holders			
Share capital		**4,489**	4,165
Capital reserves	C.15	**225,278**	186,707
Accumulated losses		**(218,410)**	(176,788)
Total equity		**11,357**	14,084

The Company made a loss of £(42,281)k in the year ended 31 December 2021 (2020: £(38,502)k).

The financial statements on pages 97 to 108 were approved by the Board on 12 May 2022 and signed on its behalf.

Craig Tooman
Chief Executive Officer

Company number: 02992058

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

Company statement of changes in equity

year ended 31 December 2021

	Note	Share capital	Capital reserves	Accumulated losses	Total equity
		£000s	£000s	£000s	£000s
At 1 January 2020		3,919	167,059	(138,617)	32,361
Recognition of share-based payments		-	4,395	-	4,395
Options exercised in the year		-	(331)	331	-
Proceeds from shares issued		246	15,584	-	15,830
Transactions with owners recognised directly in equity		246	19,648	331	20,225
Loss for the year				(38,502)	(38,502)
At 31 December 2020		4,165	186,707	(176,788)	14,084
Recognition of share-based payments	C.15	-	8,632	-	8,632
Options exercised in the year	C.15	-	(659)	659	-
Proceeds from shares issued	C.15	324	30,598	-	30,922
Transactions with owners recognised directly in equity		**324**	**38,571**	**659**	**39,554**
Loss for the financial year		-	-	(42,281)	(42,281)
At 31 December 2021		**4,489**	**225,278**	**(218,410)**	**11,357**

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

Notes to the Company Financial Statements

Year ended 31 December 2021

C.1 General information

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

C.2 Basis of preparation

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

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

- Business combinations
- Share-based payment
- Financial Instruments
- Fair value measurement
- Presentation of a Cash Flow Statement
- Standards not yet effective
- Impairment of assets
- Related Party Transactions

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

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

Going Concern

The Company has incurred recurring losses since inception, including net losses of £42.3 million for the year ended 31 December 2021. As of 31 December 2021, the Company had accumulated losses of £218.4 million and cash outflows from operating activities.

The Company expects to incur operating losses for the foreseeable future as it continues its research and development efforts, seeks to obtain regulatory approval of its product candidates and pursues any future product candidates the Company may develop.

To-date, the Company has funded its operations through upfront payments and milestones from collaboration agreements, equity offerings and proceeds from private placements, as well as management of expenses and other financing options to support its continued operations. During 2021, the Company received $40.0 million (£30.8 million) of the upfront payments in respect of the AstraZeneca collaboration, $45 million from a private placement of ADSs (approximately $42.0 million / £30.8 million, net of expenses) and a $14.4 million (£10.9 million) upfront payment, net of taxes withheld, related to Hansoh collaboration executed on 14 October 2021. As of 31 December 2021, the Company had cash and cash equivalents of £73.3 million.

The Company has the responsibility to evaluate whether conditions and/or events raise material uncertainty about its ability to meet its future financial obligations as they become due within one year after the date that the financial statements are issued. The forecast for evaluating the going concern basis of the Company includes continued investment in our technology platform and product pipeline. The forecast does not include collaboration milestones which have not been fully achieved or other assumptions for potential future non-dilutive or dilutive funding sources. Based on this evaluation, the Company believes that its current cash and cash equivalents are only sufficient to fund its operating expenses through the first quarter of 2023. This represents a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements have been prepared assuming that the Company will continue as a going concern which contemplates the continuity of operations, realisation of assets and the satisfaction of liabilities in the ordinary course of business and does not include adjustments that would result if the Company were unable to continue as a going concern.

The Company will need to raise additional funding to fund its operation expenses and capital expenditure requirements in relation to its clinical development activities. The Company may seek additional funding through public or private financings, debt financing or collaboration agreements. Specifically, the Company may receive future milestone payments of up to $19 million from existing collaboration agreements in the next 15 months which will extend the ability to fund operations beyond the first quarter of 2023. However, these payments are dependent on achievement of certain development or regulatory objectives that may not occur. The Company has an authorised open market sale agreement and can potentially raise funds through the sale of ADSs for an aggregate offering price of up to $100 million from time to time. The inability to obtain future funding could impact the Company's financial condition and ability to pursue its business strategies, including being required to delay, reduce or eliminate some of its research and development programmes, or be unable to continue operations and ability to continue as a going concern.

Investments in subsidiaries

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

C.3 Income statement

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

C.4 Directors and staff costs

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

	2021	2020
	£000s	£000s
Wages and salaries	7,414	4,149
Social security costs	947	487
Share-based payments charge	8,632	4,395
Other pension costs	319	201
	17,312	9,232

Remuneration detail for all Directors is presented in the Remuneration Committee report. See pages 40 to 50 for further details. The total remuneration of the highest paid director was £1,482k (2020: 1,216K).

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

	2021	2020
	Number	Number
Research and development and associated support services	**18**	7
Administration	**17**	22
Total average number of employees	**35**	29

C.5 Property, plant and equipment

	Equipment and furniture	Right-of-use asset	Total
	£000s	**£000s**	**£000s**
Cost			
At 1 January 2020	712	160	872
Additions	9	346	355
Disposals		(160)	(160)
At 31 December 2020	721	346	1,067
At 1 January 2021	721	346	1,067
Additions	27	-	27
Disposals	-	-	-
At 31 December 2021	748	346	1,094
Accumulated depreciation			
At 1 January 2020	528	96	624
Charge for the year	109	107	216
Eliminated on disposal	-	(160)	(160)
At 31 December 2020	637	43	680
At 1 January 2021	637	43	680
Charge for the year	33	173	206
Eliminated on disposal	-	-	-
At 31 December 2021	670	216	886
Net book value			
As at 31 December 2020	84	303	387
As at 31 December 2021	78	130	208

C.6 Investments in subsidiaries

Company	**2021**	2020
	£000s	£000s
Investment in subsidiary undertakings	16,387	16,969

The investment in subsidiary undertakings is made up as follows:

	Investment at cost	Quasi-equity loan	Impairment provision (Investment)	Impairment provision (Loan)	Net total
	£000s	£000s	£000s	£000s	£000s
Shares and loans in subsidiary undertakings					
At 1 January 2020	23,495	35,016	(14,473)	(22,442)	21,596
Movement in the year	218	1,042	(5,887)	-	(4,267)
At 31 December 2020	23,713	36,058	(20,360)	(22,442)	16,969
Movement in the year	-	(582)	-	-	(582)
At 31 December 2021	**23,713**	**35,476**	**(20,360)**	**(22,442)**	**16,387**

Investments at cost total of £23.7 million (2020: £23.7 million) are analysed as follows:

- £23.3 million (2020: £23.3 million) relating to Silence Therapeutics GmbH.
- £0.2 million (2020: £0.2 million) relating to Silence Therapeutics Inc.
- The balance of the investments at cost of £0.2 million (2020: £0.2 million) relates to Innopeg Limited (2021: £63k; 2020 £63k) and Silence Therapeutics (London) Limited (2021: £142k, 2020: £142k).

Quasi-equity loans total of £35.5 million (2020: £36.1 million) are analysed as follows:

- At 31 December 2021, an interest-bearing unsecured loan of £13.0 million (2020: £13.6 million) was outstanding from Silence Therapeutics plc to Silence Therapeutics GmbH. The movement in the year includes a foreign exchange gain of £0.6 million (2020: £0.7 million), and accrued interest of £0.3 million (2020: £0.3 million).
- At 31 December 2021, a non-interest-bearing unsecured loan of £22.4million (2020: £22.4 million) was outstanding from Silence Therapeutics plc to Silence Therapeutics (London) Ltd. This quasi-equity loan has been fully provided for.

Impairment provision totalling £42.8 million (2020: 42.8 million) is analysed as follows:

- £20.2 million (£2020: 20.2 million) relating to Silence Therapeutics GmbH. In accordance with IAS 36 Impairment of Assets, the carrying value of the net investment in Silence Therapeutics GmbH of £3.4 million (£3.4 million) has been assessed by comparing its carrying value to its recoverable amount. The recoverable amount is based on value in use. A discounted cash flow model has been used to make this assessment and management determined that there was no impairment. The discount rate used was 13.65% and resulting headroom was £8.0 million. Management has assessed that, if no milestones were to be achieved in 2022 or 2023, this would result a reduction the headroom by of £0.3M.
- £0.2 million (2020: £0.2m) relating to the investments held in Silence Therapeutics (London) Ltd and Innopeg Ltd and they are not deemed to be recoverable.
- Silence Therapeutics plc has recorded an impairment provision against the quasi-equity loans in Silence Therapeutics (London) Ltd and Innopeg Ltd (2021: £22.4 million; 2020: 22.4 million) as they are not deemed to be recoverable.
- In considering the recoverability of the loan with Silence Therapeutics GmbH, management have applied an expected credit loss methodology under IFRS 9 and calculated that a provision of £30k is required (2020: £30k).

Subsidiary companies

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

Name	Registered office address	Place of incorporation and operation	Principal technology area	Proportion of ownership interest
Silence Therapeutics GmbH	Robert-Rössle-Strasse 10, 13125 Berlin, Germany	Germany	RNA therapeutics	100%
Silence Therapeutics (London) Ltd	27 Eastcastle Street, London, W1W 8DH	England	Dormant	100%
Innopeg Ltd	27 Eastcastle Street, London, W1W 8DH	England	Dormant	100%
Silence Therapeutics Inc.	221 River Street, 9th Floor, Hoboken, New Jersey, 07030	USA	RNA therapeutics	100%

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

C.7 Cash and cash equivalents

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

	2021	2020
	£000s	£000s
Cash at bank and in hand	**73,272**	12,173
Short term bank deposits	**-**	15,000
Total Cash and cash equivalents	**73,272**	27,173

C.8 Derivative Financial Instruments

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

	2021	2020
	£000s	£000s
Derivatives carried at fair value	**-**	1,492

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

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

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

C.9 Financial assets at amortised cost

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

Current financial assets at amortized cost, other than trade receivables as disclosed in note 17, include fixed interest £nil six-month term deposits (2020: £10,000k).

	2021	2020
	£000s	£000s
Current financial assets at amortised cost – term deposit	**-**	10,000
Financial assets at amortised cost - non-current	**284**	286
Total financial assets at amortised cost	**284**	10,286

C.10 Other current assets

	2021	2020
	£000s	£000s
Prepayments	**4,206**	3,870
VAT receivable	**1,008**	571
Total other current assets	**5,214**	4,441

C.11 Trade and other receivables

	2021	2020
	£000s	£000s
Trade receivables	**331**	29,306
Amount receivable from subsidiary undertaking	**512**	103
Total trade and other receivables	**843**	29,409

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

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

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

The Group has applied an expected credit loss model to the balance and determined that £nil (2020: £nil) provision is required.

C.12 Trade and other payables

	2021	2020
	£000s	£000s
Trade payables	**3,535**	2,162
Amount payable to subsidiary undertaking	**5,978**	3,604
Social security and other taxes	**254**	1,061
Accruals and other payables	**5,193**	4,120
Total trade and other payables	**14,960**	10,947

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

C.13 Lease liability

	2021	2020
	£000s	£000s
Lease liability	**112**	300
Total lease liability	**112**	300

In 2021 the lease liability recognised on the face of the balance sheet comprises of the Group's London office. The repayment of the principal portion of these lease liabilities for the year-ending 31 December 2021 was £211k (2020: £450k).

C.14 Contract liabilities

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

	2021	2020
	£000s	£000s
Contract liabilities – current	**4,247**	17,042
Contract liabilities – non-current	**72,501**	51,337
	76,748	68,379

C.15 Capital reserves

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

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

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

	Share premium account	Merger reserve	Share-based payment reserve	Capital redemption reserve	Total
	£000s	£000s	£000s	£000s	£000s
At 1 January 2020	138,150	22,064	1,651	5,194	167,059
Shares issued	15,396	-	-	-	15,396
On options in issue during the year	188	-	4,395	-	4,583
On options exercised during the year	-	-	(331)	-	(331)
Movement in the year	15,584	-	4,064	-	19,648
At 31 December 2020	153,734	22,064	5,715	5,194	186,707
Shares issued	30,138	-	-	-	30,138
On options in issue during the year	-	-	8,632	-	8,632
On options exercised during the year	460	-	(659)	-	(199)
Movement in the year	30,598	-	7,973	-	38,571
At 31 December 2021	**184,332**	**22,064**	**13,688**	**5,194**	**225,278**

C.16 Related party transactions

Since 1 January 2019, we have engaged in the following transactions with our directors, executive officers or holders of more than 10% of our outstanding share capital and their affiliates, which we refer to as our related parties.

During the year ended 31 December 2021, we paid £nil (2020: £75k) to Gladstone Consultancy Partnership, a company controlled by our Non-Executive Chairman. The amounts payable were settled before the relevant year ends.

In 2022, we agreed to pay Gladstone Consultancy Partnership £7,500 (plus any applicable value-added tax) per month from 1 February 2022 until 30 September 2022 for consulting and advisory services to be provided by Iain Ross.

C.17 Post balance sheet events

There were no post balance sheet events as of the filing date.

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