



SILENCE THERAPEUTICS plc
("Silence Therapeutics", "Silence", "the Company" or "the Group")

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

London, 27 April 2011 – Silence Therapeutics Plc (AIM: SLN), a leading international RNAi therapeutics company, today announces its results for the year ended 31 December 2010.

Analyst Conference Call: There will be a call for analysts today at 14:30 BST / 09:30 ET. The conference call can be accessed by dialling:

Europe: +44 (0)20 7136 2055

U.S.: +1 212 444 0896

Participant PIN code: 8640092

A replay will be made available on Silence Therapeutics' website shortly after the call.

Operational Highlights

- **Successful merger and integration of Silence and Intradigm** to create a leading company in the field of RNA interference ('RNAi').
- **Excellent progress made with ongoing Phase I clinical trial of Atu027, Silence's lead compound**, for the treatment of solid tumours. As of March 2011, 23 patients had been treated with Atu027, and to date, the compound has been shown to be safe and well tolerated. Interim data will be presented at the American Society of Clinical Oncology Annual Meeting in June 2011.
- **Atu027 shown to prevent the formation of lung metastases** in a variety of preclinical breast cancer models. Data were published in a peer-reviewed paper in *Clinical Cancer Research*.
- **Silence's partner, Quark Pharmaceuticals, Inc.**, successfully completed two Phase I trials of QPI-1002, which incorporates Silence's AtuRNAi technology. Quark subsequently initiated a Phase II trial of QPI-1002 in prevention of delayed graft function in kidney transplant patients.
- **Silence to receive up to US\$1.5 million milestone** following Quark's receipt of a US\$10 million payment from Novartis for an option to develop and commercialise QPI-1002 signed in August 2010. Future milestone payments to Silence related to Quark's license agreement with Novartis could reach US\$80 million.
- **Silence and AstraZeneca extended two existing collaborations:** one aimed at the discovery and development of siRNA therapeutics and the other at the delivery of siRNA sequences.
- **Silence expanded its siRNA delivery collaboration with Dainippon Sumitomo** to include additional disease targets that were not originally specified under the initial collaboration.

- **Zamore “Design Rules” patents issued.** Silence, through its license agreement with the University of Massachusetts, was issued several U.S. and European patents which broadly cover methods of enhancing silencing activity of RNAi therapeutics. The Company believes that the Zamore technology is invaluable for the development of efficacious RNAi therapeutics.

Financial Highlights

- Revenue generated in the year was £2.37m (2009: £1.72m).
- Research and development costs increased to £5.82m (2009: £5.07m).
- Administrative expenses increased to £5.20m (2009: £4.20m).
- The cash position at year-end was £3.57m (2009: £1.13m).

Post-Year-End Events

- Announced today: Silence plans to raise up to £6.5m in a placing and open offer subject to shareholder approval, £5.5m of which has been underwritten (separate announcement issued).
- In January 2011, Silence announced it was no longer in discussions that may have led to an offer for the Company. Given the recent progress of Atu027 and other technological achievements made during the last year, Silence believes it is well placed to capitalise on its leadership position in RNAi therapeutics.

Phil Haworth, Chief Executive Officer of Silence Therapeutics, commented: *“As a result of our successful fundraising efforts and pipeline progress, Silence is operating from a position of enhanced financial and technical strength and we feel confident that we can deliver on our key milestones this year. We believe that 2011 will be a year in which we deliver significant clinical data for our RNAi pipeline, and look forward to announcing the Phase I results for Atu027, our lead oncology product, later in the year.”*

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Forward-Looking Statements

This press release includes forward-looking statements that are subject to risks, uncertainties and other factors. These risks and uncertainties could cause actual results to differ materially from those referred to in the forward-looking statements. All forward looking statements are based on information currently available to Silence Therapeutics and Silence Therapeutics assumes no obligation to update any such forward-looking statements.

CHAIRMAN'S STATEMENT

RNAi Therapeutics are Succeeding

I am pleased to report that rapid integration of Silence Therapeutics plc ('Silence') and Intradigm Corporation ('Intradigm') in early 2010 has resulted in an enlarged Group with a superior scientific platform and robust intellectual property protection. During the year, Silence, along with its peers and collaborators made significant progress in driving advancements in the RNAi sector. We observed important achievements with RNAi-based compounds continuing to move from preclinical studies into development and through clinical trials. One of these compounds is Silence's Atu027, which has produced very promising preclinical data in the area of cancer – findings that have since been validated with encouraging initial results from our ongoing Phase I clinical trial. Silence also published and presented an extensive amount of RNAi data, including data on Atu027 that has positioned this compound as one of the most interesting and potentially promising RNAi therapeutics in clinical development. Specifically at Silence, our technology was further validated by the development, expansion and extension of our agreements with major pharmaceutical companies including AstraZeneca plc ('AstraZeneca'), Dainippon Sumitomo Co., Ltd ('Dainippon Sumitomo') and Quark Pharmaceuticals, Inc. ('Quark')/Novartis AG ('Novartis'). Given our progress in the clinic and with our partners, we believe Silence's science and technology has the potential to play a leading role in the ultimate commercialisation of RNAi into next-generation therapeutics for patients worldwide.

The strides made in RNAi are in line with, or even superior to, progress made with other new technologies and therapeutics in the past, including the path travelled by monoclonal antibodies from concept to clinic to market. Silence has made significant advances in addressing the issue of siRNA delivery that not long ago appeared to be an insurmountable challenge for our sector. We have laid the groundwork for developing RNAi therapeutics by completing extensive preclinical research with a broad range of technologies and approaches. We, with our partners, have administered RNAi therapeutics to hundreds of patients, over 300 of which have been dosed with molecules containing Silence's proprietary AtuRNAi technology. As of today, there are around 12 clinical trials of RNAi therapeutics underway worldwide, almost half which are based on Silence's fundamental RNAi technology. The data that is now emerging is a testament to how quickly the RNAi field has advanced relative to timelines that are typical in the life science industry.

The key advances made more broadly in the RNAi sector in 2010 were in evidence at Silence. During the year we continued to develop and advance what we believe to be one of the industry's most comprehensive RNAi therapeutic platforms comprised of:

- proprietary delivery technologies;
- potent siRNA sequences; and
- innovative siRNA structural features.

As we have previously stated, these are the three areas we believe to be critical for building, protecting and commercialising the safest and most effective RNAi therapeutics. To this end, we further advanced our lead product candidate, Atu027, through its Phase I clinical trial and, thus far, have seen what we believe to be extremely encouraging results, including preliminary evidence of remarkable shrinkage of target and non-target lesions. We also widely and actively expanded our intellectual portfolio estate with the issuance of several key patents covering all three key areas for the development of RNAi therapeutics. This global, diverse and competitive intellectual property estate further positions us as the partner-of-choice for other companies looking to develop RNAi therapeutics and enables us to further drive therapeutic advancements both internally and with collaborators in 2011 and beyond.

Shortly after the merger of Silence and Intradigm, Dr Phil Haworth assumed the role of Chief Executive Officer, I was appointed Chairman and Max Herrmann was appointed Chief Financial Officer and Company Secretary of the enlarged Group. On behalf of the Board, I would like to

thank Iain Ross and Melvyn Davies, who stood down during the period, for their contribution to the Company.

None of the advancements I have outlined would have been possible without the support of our shareholders and we are committed to continuing to build value through delivering meaningful progress in the future.

Thank you for your continued support of Silence Therapeutics.

Jerry Randall ACA
Chairman

CHIEF EXECUTIVE'S REVIEW

OVERVIEW

In 2010, we saw major advancements in the RNAi sector and it was a very exciting year for Silence, not least because the year saw the Group successfully complete the acquisition of Intradigm. Importantly Silence made some important advancements in overcoming the challenge of delivering siRNA molecules safely and effectively to a variety of targets and tissue types in the body which can then be developed in a timely and cost effective manner. Silence can package siRNA molecules in multiple, distinct delivery systems that can deliver to more target cells and tissues than any of its competitors and the delivery systems can also generate multiple siRNA products rapidly and efficiently. We believe that these advancements support Silence's position as a leader in the discovery, delivery and development of RNAi therapeutics, and provide advantages not only to Silence, but to the sector as a whole.

The next crucial step in translating the science of RNAi into meaningful medicines is delivering positive clinical data to support the safety and efficacy of specific RNAi therapeutics, and we are poised to begin to deliver this data in the coming months.

Before looking further ahead, I would like to highlight our progress in 2010 by outlining the key events that created value for our shareholders and contributed to our leadership position in the sector. During the year, the company made progress in several areas. These included:

- advancements in the clinic and with our technologies;
- the establishment and expansion of valuable pharmaceutical partnerships; and
- the continued strengthening of our intellectual property portfolio.

OPERATIONAL

Progress with Internal Development Programs

We ended 2010 very pleased with the progress we had made with our ongoing Phase I clinical study of Atu027, our lead drug candidate for the treatment of advanced solid tumours. The trial remains on track for completion in the second half of 2011 and preliminary findings have already begun to show what we believe to be encouraging human data that is consistent with the positive preclinical data for Atu027.

In November 2010, we published a peer-reviewed paper in *Clinical Cancer Research* stating that Atu027 prevented the spread of breast cancer to the lungs in animal models of cancer metastases. As a proven inhibitor of the expression of PKN3, a gene that is believed to play an important role in the progression of cancer and metastasis formation in particular, Atu027 has significant promise as a potential cancer treatment.

In the published paper, researchers highlighted Atu027's inhibition of multiple key biological processes that trigger the formation and spread of pulmonary metastases in mice. With metastasis directly linked to high rates of mortality in cancer patients, the prevention of metastasis dissemination and formation is a critical goal of cancer treatment. Importantly, the researchers were able to show that Atu027 inhibited the formation of metastases in the lung. This is crucial as breast cancer cells prefer to metastasize through the bloodstream to the lung.

These published findings not only indicate the potential clinical impact of Atu027, but also help us further understand the manner in which this compound works against the formation of metastases.

We are optimistic that these preclinical findings will be confirmed in our ongoing Phase I clinical trial with Atu027. As of March 2011, researchers conducting the Phase I study had administered over 170 doses of Atu027 to 23 patients across eight dose ranges with dose escalation continuing. To date, Atu027 has appeared to be safe and generally well tolerated with no dose-limiting toxicities observed. Additionally, initial human pharmacokinetic ('PK') data appears to be similar to preclinical PK data. To date six patients have shown stable disease after three months on study. We expect to present interim data from this study at the American Society of Clinical Oncology Annual Meeting in June 2011 and complete the trial in the second half of 2011. Complete data is expected to be available in early 2012.

As we continue the Phase I trial of Atu027, we are concurrently working on preclinical development of other promising therapeutic candidates including Atu111, Atu134 and Atu195:

- Atu111 is the most novel of our preclinical programs. Based on our proprietary DACC delivery system, we are developing Atu111 for the treatment of acute lung injury. Acute lung injury is often fatal and usually caused by pneumonia. Currently there is no other effective treatment in this US\$8 billion annual market. In 2011, we plan to explore opportunistic licensing options for the clinical development of Atu111;
- Atu134, like Atu027, is based on our proprietary AtuPLEX delivery system. Atu134 targets CD-31, which is known to be expressed in certain solid tumours, but has proved difficult to target with traditional delivery approaches. We view Atu134 as an expansion of our AtuPLEX franchise, and we are evaluating the compound in preclinical testing as a potential treatment for solid tumours;
- Atu195 represents the third program in our AtuPLEX franchise which we are also evaluating as a potential treatment for solid tumours.

Progress with Partners

Silence's technologies were further validated in 2010 with the extension and expansion of our discovery and delivery partnerships as well as the advancement of several of our partnered development programs through the clinic.

In March 2010, we expanded our siRNA delivery collaboration with Dainippon Sumitomo. Under this collaboration, entered into in August 2009, we are jointly leveraging Silence's proprietary siRNA molecules as well as delivery and targeting technologies to demonstrate functional delivery of RNAi therapeutics to specific disease targets in the body. Under the terms of the collaboration expansion signed in 2010, we will examine efficacy of additional disease targets selected by Dainippon Sumitomo that were not originally specified under the initial collaboration signed in 2009. We see the expansion of this agreement as further validation of the potential value of our technologies.

In addition to our collaboration with Dainippon Sumitomo, we have two ongoing collaborations with AstraZeneca, which were initiated in June 2007 and March 2008. Both collaborations were extended this year.

In April 2010, Silence and AstraZeneca announced a one-year extension of our ongoing siRNA delivery collaboration. The purpose of this collaboration, which was originally established in March 2008, is to develop a range of novel approaches for the delivery of siRNA molecules.

In July 2010, we announced the continuation of our ongoing RNAi research and development collaboration with AstraZeneca. The collaboration was originally established in July 2007 for the purpose of developing and optimizing five novel siRNA therapeutics addressing respiratory and oncology indications. The extension of both of our AstraZeneca collaborations this year provides further testimony to the value that the pharmaceutical industry assigns to Silence and its science.

In August 2010, our partner, Quark, announced the grant of an option to Novartis to obtain an exclusive worldwide license to develop and commercialize QPI-1002, which incorporates Silence's AtuRNAi technology. In December 2010, we reached an agreement with Quark whereby Silence is due to receive milestone payments of up to US\$1.5 million in relation to the option agreement signed between Quark and Novartis for QPI-1002. Silence received US\$0.63 million of this milestone in early 2011. Future milestone payments to Silence relating to Quark's license agreement with Novartis could reach US\$80 million.

Quark is developing QPI-1002 for the prevention of acute kidney injury ('AKI') in patients undergoing major cardiovascular surgery, and for the prophylaxis of delayed graft function ('DGF') in patients receiving deceased donor kidney transplants. Phase I studies in these patient populations have been successfully completed. In September 2010, Quark initiated a Phase II trial of QPI-1002 for the prophylaxis of DGF in patients receiving deceased donor kidney transplants. It is our understanding that Quark plans to initiate dosing in a Phase II trial in AKI in 2011.

Additionally, in March 2011, Quark announced Phase II results of PF-4523655 from the 184 patient DEGAS study in diabetic macular oedema ('DME'). The trial demonstrated not only that the drug was safe and well tolerated but also showed efficacy benefits over laser treatment against which PF-4523655 was compared. However, advances in the treatment of diabetic macular oedema means Quark now plans to conduct a further Phase IIb trial comparing PF-4523655 against Lucentis, which was recently approved for the treatment of DME. This trial is due to start in 2011. Data from the DEGAS trial have not only confirmed the potential utility of RNAi therapeutics but, far more importantly for Silence, have reinforced claims about the safety of Silence's AtuRNAi technology. Results from a further Phase II study of PF-4523655 in age-related macular degeneration are expected during the course of 2011.

We are extremely pleased with the progress we have made with our existing collaborations in 2010 from both business and clinical development perspectives. These collaborations, some of which focus on mid to late-stage clinical development programs, demonstrate the advancements of the RNAi sector as a whole, and ultimately bring value to the industry as well as our shareholders. We are pleased to be playing a leadership role in the sector's progress and expect this momentum to continue into 2011 and beyond.

Restructuring

Following the Intradigm acquisition, Silence announced in April 2010 a major restructuring to streamline the business. This resulted in a smaller more focused operation headquartered in London with research & development activities in Berlin and business development activities in Redwood City, California. Over the last 12 months, it has become apparent that, for an organisation of approximately 40 employees, the geographical diversity of the Group creates considerable operational difficulties as well as increased operating costs. Therefore, the Board plans to close the Redwood City office as soon as practicable. In order to enable a smooth and orderly transition, I have agreed to remain in the role of Chief Executive Officer until an appropriate replacement has been recruited.

Strength Through Intellectual Property

We continue to view intellectual property ('IP') as one of the cornerstones of our business and our sector. In 2010, we executed a proactive strategy to continue to build and strengthen a

diverse and competitive intellectual property portfolio that provides us with a strong proprietary position in the RNAi therapeutics space and a meaningful competitive advantage with respect to peer companies.

Valuable Disease Targets and Sequences

In 2010 and early 2011, we made progress in expanding IP around valuable disease targets and sequences that we believe will help drive the expansion of our RNAi therapeutics platform. During 2010 and early 2011, the United States Patent and Trademark Office ('USPTO') issued Silence a number of individual patents directed to double-stranded siRNA sequences against validated cancer targets including:

- PKN-3, a high-value therapeutic target in the area of oncology. Importantly, the patent claims related to PKN-3 cover siRNA molecules for treating adenocarcinoma.
- Vascular endothelial growth factor receptor 2 ('VEGFR2'). VEGFR2 has been demonstrated to play an important role in the vasculogenic and angiogenic activities that contribute to the development and progression of tumours associated with a broad range of cancers. The VEGFR2 patent also covered methods for reducing tumour growth.
- Vascular endothelial growth factor receptor 1 ('VEGFR1'), which has been demonstrated to play a key role in the underlying causes of various cancers including abnormal angiogenesis and uncontrolled cell division. Similar to VEGFR2, VEGFR1 also is implicated in the development and progression of age-related macular degeneration ('AMD') and other serious ocular diseases.
- Epidermal growth factor receptor related protein ('EGFR-RP'), which has also been demonstrated to play a key role in the underlying causes of various cancers including abnormal angiogenesis and uncontrolled cell division.
- Vascular endothelial growth factor ('VEGF'), which like the other targets above, has also been demonstrated to play an important role in the underlying causes of various cancers including abnormal angiogenesis and uncontrolled cell division.

By successfully securing IP around multiple high-value, validated cancer targets, Silence has taken a critical step in building a successful franchise in cancer-focused RNAi therapeutics.

Zamore Design Rules

Silence owns exclusive licenses to three Zamore patent families from the University of Massachusetts Medical School ('UMass'), where Phillip D. Zamore, Ph.D., Howard Hughes Medical Institute Investigator, the Gretchen Stone Cook Chair of Biomedical Sciences, and Professor of Biochemistry & Molecular Pharmacology at University of Massachusetts Medical School, is the co-director of the RNA Therapeutics Institute. These patent families disclose various efficacy-enhancing methods and structural elements for RNAi therapeutics, informally known as the Zamore "Design Rules" and based on Dr. Zamore's work at UMass. There is a growing consensus within the industry regarding the important role of optimized siRNA structures for developing more potent next-generation RNAi therapeutics. With exclusive access to the industry leading technology in this area, Silence continues to position itself as the partner-of-choice for pharmaceutical companies with interest in the RNAi space. In 2010, the USPTO issued the following critical patents related to the valuable Zamore "Design Rules."

- A patent that generally claims methods of enhancing the RNA silencing activity of RNAi agents through certain structural modifications. The issued claims not only cover enhancing the efficacy of silencing gene expression using siRNA but also include specific claims directed to micro RNA ('miRNA'), pre-miRNA, and short hairpin RNA ('shRNA').
- A patent that generally claims methods of producing double stranded RNAi agents having decreased off-target silencing activity through certain structural modifications. The ability to minimize the off-target effects of RNAi therapeutics is critical for controlling unwanted cellular

activity and/or potential safety concerns. The issued claims not only cover minimizing off-target gene expression silencing using siRNA but also include specific claims directed to miRNA.

- A patent that generally claims methods of enhancing RNA silencing with a double stranded RNAi agent. The patent's RNA silencing method claims include coverage for the administering of a pharmaceutical composition containing siRNA, miRNA, pre-miRNA or shRNA molecules. Silence believes the proprietary structural modification techniques covered in this patent will play a key role in increasing the potential therapeutic efficacy of RNAi therapeutics.

During 2010, the USPTO received four anonymous requests for re-examination of the US issued Zamore "Design Rules" patents. The Company is working with UMass and its counsel in responding to these validity challenges. The patents remain valid during the re-examination process.

During 2010, the European Patent Office ('EPO') also granted Silence a new patent providing broad protection on novel aspects of the Zamore "Design Rules." The European patent covers various breakthrough structural modification, methods and compositions. This patent is currently being opposed by Alnylam.

We strongly believe that the Zamore technology is invaluable for the development and commercialisation of RNAi therapeutics with enhanced efficacy. As we move toward the translation of RNAi candidates into medicines, we expect that our exclusive access to these Design Rules will trigger an increased interest in new partnerships from a number of companies working in this area.

Subsequent to the year end, we also announced the issuance of another US patent covering chemically modified RNAi molecules with defined positional modifications including siRNA molecules that are blunt ended, as well as molecules with one or more overhangs. This is a particularly important piece of IP as it broadens our protection of these RNAi molecules to those with a chemically modified core length between 17 and 29 nucleotides including the company's portfolio of 25mer siRNA sequences. This patented siRNA technology forms the foundation for our proprietary AtuRNAi technology, which is the basis of five ongoing clinical trials being conducted by Silence and our partners.

We believe that Silence will continue to make significant progress in these efforts and we expect additional RNAi patents to be issued in Japan, the United States and Europe during 2011. Our comprehensive IP portfolio enables us to make groundbreaking advancements with our development programs and technologies, moving us closer to producing treatment options for patients in need. At the same time, this growing patent estate has significant value to others in the RNAi therapeutics space and provides Silence with a key asset for pursuing collaborations and licensing deals.

FINANCIAL

Silence successfully strengthened its financial position in early 2010 through a fundraising that completed concurrently with the acquisition of Intradigm and that generated proceeds of £15.00 million (gross). This funding provided cash resources that will support the Company's operations into the third quarter of 2011. This is without taking into account any milestone or other receipts that the company believes it could receive in 2011.

Revenue

Revenue generated in the year increased to £2.37m in 2010 from £1.72m in 2009. Revenue recognised in the year related to income from Silence's collaborations with AstraZeneca, Dainippon Sumitomo, Quark and certain government grants. The increase in revenue in 2010 primarily reflects the milestone due from Quark triggered by the option it gave to Novartis for QPI-1002.

Research and Development Expenses

Research and development expenses during the year increased to £5.82m in 2010 from £5.07m in 2009. The increase in research and development expense is attributed to the enlarged Group structure. On completion of the acquisition of Intradigm, Silence operated two R&D facilities; one in Berlin and one in Palo Alto, California. However, in April 2010 the Group took the decision, as part of the integration of Intradigm, to close the Palo Alto facility.

Administrative Expenses

Administrative expenses during the year increased to £5.20m in 2010 from £4.20m in 2009. The increase in administrative expenses is again attributed to the enlarged Group structure in the first half of 2010 prior to the integration of Intradigm. As part of the closure of the Palo Alto facility described above, a small administrative operation was retained with operations moving to Redwood City, California in July 2010.

Financial Income

Financial income was £0.10m in 2010 compared to £0.05m in 2009. This was despite higher cash balances during 2010 and reflects the continued low interest rate environment.

Taxation

Corporation tax payable in 2010 was £Nil. In 2009, the corporation tax receivable of £0.04m reflected an adjustment in respect of prior years.

Liquidity, Cash, Cash Equivalents and Money Market Investments

The Group's cash position at year-end was £3.57m. At the end of 2009, Silence had cash of £1.13m. A further £14.36m net of expenses was raised in January 2010 through an institutional placing of 22,724,295 shares at 23p.

The net cash outflow from operating activities in 2010 was £10.55m against an operating loss of £8.66m (2009: £7.55m) primarily reflecting the impact of changes in other working capital of £2.89m (2009: £1.61m) which were partially offset by non-cash items such as depreciation, amortisation and share option charges of £0.98m (2009: £1.03m).

Trade and other receivables at year-end were £0.78m (2009: £0.56m). The increase reflects recognition of a milestone payment due from Quark, which was received in early January 2011. Trade and other payables were £1.69m at year-end (2009: £2.10m). Trade and other payables were high at 31 December 2009 reflecting Intradigm deal costs incurred at the end of 2009 but not paid until early 2010.

Goodwill at year-end was £28.35m (2009: £8.13m). The increase reflects goodwill on the acquisition of Intradigm in January 2010. As part of this acquisition Silence issued 79,640,668 to Intradigm shareholders. Other intangible assets at 31 December 2010 were £0.95m (2009: £0.74m). The increase in other intangible assets primarily reflects the inclusion of the Zamore 'Design Rules' patents.

SUMMARY AND OUTLOOK

2010 was a year of great progress for Silence and we look forward to continuing to build upon the momentum in 2011.

As we have previously announced, the value of our programs and technologies caught the attention of key players in our industry in 2010 and we received a number of approaches to discuss potential strategic combinations. The management team and Board members carefully evaluated each opportunity. After completing a period of comprehensive review, we deemed that these approaches, while well intentioned, were not in the best interest of shareholders at this time. We continue to work toward building maximum value for our shareholders and will review all future opportunities on that basis.

As we look to the balance of 2011, we anticipate the achievement of multiple milestones, most notably, the reporting of interim data from our Phase I clinical trial of Atu027 throughout the year and completion of the trial in the second half of the year. In addition to Atu027, we will also continue to advance our portfolio of preclinical internal programs with the goal of moving these into clinical trials. At the same time, we look forward to the continued advancement of our partnered programs, including the potential for some to advance into pivotal Phase III studies. Finally, we expect to continue our successful IP strategy with the issuance of new patents in the US, Europe and Japan that cover a range of key RNAi technologies.

2011 promises to be a year rich in data from RNAi clinical trials. At Silence, we believe that this data will serve as the primary vehicle for continuing to build investor and industry confidence in RNAi's potential to change the future of medicine and bring much needed therapeutics to patients that currently have no treatment options. We believe that Silence will be at the forefront of this progress, leading the way for a new generation of medicine.

I would like to express my thanks to the employees of Silence Therapeutics, and to you, our shareholders, for your continued support and confidence in our company.

Phil Haworth, Ph.D.
Chief Executive Officer

Silence Therapeutics Plc
Consolidated income statement
Year ended 31 December 2010

	Note	2010 £	2009 £
Revenue		2,365,877	1,723,289
Research and development costs		(5,821,212)	(5,073,333)
Gross loss		(3,455,335)	(3,350,044)
Administrative expenses		(5,202,938)	(4,204,371)
Operating loss		(8,658,273)	(7,554,415)
Finance income		95,343	46,104
Finance expense		(63,295)	—
Loss on sale of assets		(169,049)	—
Loss before taxation		(8,795,274)	(7,508,311)
Taxation		—	37,714
Loss for the year attributable to owners of the parent Company		(8,795,274)	(7,470,597)
Loss per share (basic and diluted)	2	(3.16)p	(5.55)p

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

Silence Therapeutics Plc
Consolidated statement of comprehensive income
Year ended 31 December 2010

	2010	2009
	£	£
Loss for the year after taxation	(8,795,274)	(7,470,597)
Other comprehensive income:		
Exchange differences arising on consolidation of foreign operations	151,696	(410,482)
Total comprehensive income for the year attributable to owners of the parent Company	(8,643,578)	(7,881,079)

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

Silence Therapeutics Plc
Consolidated balance sheet
At 31 December 2010

	2010	2009
Note	£	£
Non-current assets		
Property, plant and equipment	287,613	376,676
Goodwill	28,346,276	8,130,972
Other intangible assets	945,391	736,117
	29,579,280	9,243,765
Current assets		
Inventory	27,438	-
Trade and other receivables	782,596	560,190
Current tax assets	-	59,198
Cash and cash equivalents	3,566,877	1,131,146
	4,376,911	1,750,534
Current Liabilities		
Trade and other payables	1,686,516	2,103,144
	1,686,516	2,103,144
Total assets less current liabilities	32,269,675	8,891,155
Net assets	32,269,675	8,891,155
Equity		
Share capital	2,798,915	1,350,334
Capital reserves	80,269,278	49,810,071
Translation reserve	3,032,703	2,881,007
Retained loss	(53,831,221)	(45,150,257)
Total equity	32,269,675	8,891,155

Silence Therapeutics Plc
Consolidated statement of changes in equity
Year ended 31 December 2010

	Share capital £	Capital reserves £	Translation reserve £	Retained loss £	Total Equity £
At 1 January 2009	1,199,134	47,010,414	3,291,489	(38,057,057)	13,443,980
Recognition of share-based payments	—	661,704	—	—	661,704
Transfer upon:					
– exercise of options in year	—	(4,514)	—	4,514	—
– lapse of vested options in year	—	(372,883)	—	372,883	—
Shares issued in the year	151,200	2,515,350	—	—	2,666,550
Transactions with owners	151,200	2,799,657	—	377,397	3,328,254
Loss for the period	—	—	—	(7,470,597)	(7,470,597)
Other comprehensive income					
Exchange differences arising on consolidation of foreign operations	—	—	(410,482)	—	(410,482)
Total comprehensive income for the year attributable to owners of the parent Company	—	—	(410,482)	(7,470,597)	(7,881,079)
At 31 December 2009	1,350,334	49,810,071	2,881,007	(45,150,257)	8,891,155
Recognition of share-based payments	—	760,053	—	—	760,053
Transfer upon:					
– exercise of options in year	—	—	—	—	—
– lapse of vested options in year	—	(2,477)	—	2,477	—
– lapse of vested warrants in year	—	(111,833)	—	111,833	—
Shares issued in the year	1,448,581	29,813,464	—	—	31,262,045
Transactions with owners	1,448,581	30,459,207	—	114,310	32,022,098
Loss for the period	—	—	—	(8,795,274)	(8,795,274)
Other comprehensive income					
Exchange differences arising on consolidation of foreign operations	—	—	151,696	—	151,696
Total comprehensive income for the year attributable to owners of the parent Company	—	—	151,696	(8,795,274)	(8,643,578)
At 31 December 2010	2,798,915	80,269,278	3,032,703	(53,831,221)	32,269,675

Silence Therapeutics Plc
Cash flow statements
Year ended 31 December 2010

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Cash flow from operating activities				
Loss before taxation	(8,795,274)	(7,508,311)	(2,083,105)	(2,313,382)
Adjustments for:				
Depreciation charges	141,689	150,293	—	—
Amortisation charges	181,604	220,658	—	—
Loss on sale of property, plant and equipment	169,049	19,577	—	—
Charge for the year in respect of share-based payments	659,018	661,704	267,447	318,027
Other non-cash flow movements	—	198,717	—	—
(Reduction)/increase in impairment provision against loan to subsidiary	—	—	(152,337)	(140,667)
Finance income	(95,343)	(46,104)	(124,866)	(43,971)
Finance expense	63,295	—	—	—
	(7,675,962)	(6,303,466)	(2,092,861)	(2,179,993)
Decrease/(increase) in trade and other receivables	(43,948)	438,512	45,213	(25,489)
Increase in inventory	(27,438)	—	—	—
Increase/(decrease) in trade and other payables	(2,819,261)	1,168,543	(935,859)	1,038,931
Cash (absorbed) by operations	(10,566,609)	(4,696,411)	(2,983,507)	(1,166,551)
Taxation received	59,198	48,516	—	—
Interest paid	(44,302)	—	—	—
Net cash outflow from operating activities	(10,551,713)	(4,647,895)	(2,983,507)	(1,166,551)
Cash flow from investing activities				
Acquisition of business	746,108	—	—	—
Proceeds from sale of property, plant and equipment	66,407	—	—	—
Investment in subsidiary undertakings	—	—	(5,554,405)	(3,409,986)
Reduction/(increase) in loans to subsidiary undertakings	—	—	(4,020,223)	310,084
Interest received	37,565	46,104	124,866	43,971
Additions to property, plant and equipment	(31,539)	(36,648)	—	—
Additions to intangible assets	(259,980)	(188,494)	—	—
Net cash (used in)/generated from investing activities	558,561	(179,038)	(9,449,762)	(3,055,931)
Cash flow from financing activities				
Proceeds from issue of share capital	14,358,313	2,666,550	14,358,313	2,666,550
Repayment of notes payable	(1,940,492)	—	—	—
Net cash (used in)/generated from financing activities	12,417,821	—	14,358,313	—
Increase (decrease) in cash and cash equivalents	2,424,669	(2,160,383)	1,925,044	(1,555,932)

Silence Therapeutics Plc
Cash flow statements continued
Year ended 31 December 2010

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Cash and cash equivalents at start of year	1,131,146	3,350,187	358,256	1,914,188
Net increase (decrease) in the year	2,424,669	(2,160,383)	1,925,044	(1,555,932)
Effect of exchange rate fluctuations on cash held	11,062	(58,658)	—	—
Cash and cash equivalents at end of year	3,566,877	1,131,146	2,283,300	358,256
Cash and cash equivalents includes:				
Instant access bank accounts	3,566,877	1,131,146	2,283,300	358,256
Supplementary disclosure of noncash items:				
Issuance of share capital for merger acquisition	—	—	16,903,732	—
Share-based compensation issued as partial consideration for merger acquisition	—	—	101,035	—
Investment in subsidiary undertakings through issuance of share-based compensation	—	—	391,571	—
Reduction in investment through lapse of vested options	—	—	2,477	—

Silence Therapeutics Plc

Notes to the accounts

Note 1. Principle accounting Policies

Note 1.1 Basis of Preparation

The financial information included in the preliminary announcement does not constitute statutory accounts of the Group for the years ended 31 December 2010 and 2009 but is derived from those accounts. Statutory accounts for the year ended 31 December 2009 were approved by the Board of Directors on 17 May 2010 and delivered to the Registrar of Companies. Those accounts have been reported on by the Group's previous auditors – Grant Thornton UK LLP. The report of the auditors on those accounts was unqualified and did not contain any statement under Section 498 of the Companies Act 2006. However, they did contain an emphasis of matter paragraph related to going concern. Statutory accounts for 2010 will be delivered in due course. The auditors have reported on those accounts; their report was unqualified, did not contain any statement under Section 498 of the Companies Act 2006. However, they did contain an emphasis of matter paragraph related to going concern.

The preliminary announcement for the year ended 31 December 2010 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. There have been no significant changes in accounting policies from those set out in Silence Therapeutics plc's Annual Report 2009 with the exception of the following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2010 and have been applied by the Group:

- IFRS 3 (revised), 'Business combinations and consequential amendments to IAS 27', 'Consolidated and separate financial statements' have been applied for the acquisition of Intradigm Corporation.
- IFRS 2 (amendment), 'Share-based payment'. IFRS 2 (amendment) deals with vesting conditions and cancellations. The amendment does not have a material impact on the Group's financial statements.
- IAS 20 (amendment), Government grants and disclosure of government assistance. The amendment does not have a material impact on the Group's financial statements.
- IAS 32 (amendment), 'Classification of Rights Issues'. The amendment does not have a material impact on the Group's financial statements.

Note 1.2 Going concern

The financial statements have been prepared on a going concern basis that assumes that the Group will continue in operational existence for the foreseeable future.

During the year ended 31 December 2010, the Group's net cash outflow was £10.55 million and at 31 December 2010 the Group had cash balances of £3.57 million. Since the year-end, the Group has continued to progress its research and development programs, resulting in a net cash outflow of £0.91 million, and at 31 March 2011 the Group's cash balances stood at £2.66 million. The Group's cash flow forecasts, based on current levels of research and development expenditure, administrative costs and contracted cash inflows, show that the Group will require additional funding by Q3 2011. The Group does not have any overdraft or loan facilities.

The Group plans to raise £5.5m before expenses by placing shares with existing and new investors. In addition, it plans to raise up to a further £1.0m before expenses through an open offer. On 26 April 2011 commitments were received from certain investors to participate in the placing for an aggregate amount of £5.5m which has been fully underwritten by Singer Capital

Markets Limited. Shareholder approval is needed for the placing and open offer and the directors are confident this will be received. The directors believe that existing cash resources together with the expected proceeds arising from the placing and open offer will provide sufficient funds for the Group to continue its research and development program and to remain in operation for at least twelve months from the date of approval of these accounts.

In the event that the fundraising is not approved by the Company's shareholders, the Group will be reliant on obtaining further funds through grants, and milestone and licence fee payments from either existing or new agreements or from other finance sources. There is no guarantee that sufficient cash would be generated from these sources to enable the Group to continue to progress its research and development program.

The outcome of the shareholder vote with respect to the placing and open offer is a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. The Group and Company may therefore be unable to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that might result were the basis of preparation inappropriate.

Note 2. Loss per share

The calculation of the loss per share is based on the loss for the financial year after taxation of £8,795,274 (2009: loss £7,470,597) and on the weighted average of 278,303,966 (2009: 134,640,515) ordinary shares in issue during the year.

The options outstanding at 31 December 2010 and 31 December 2009 are considered to be non-dilutive in that their conversion into ordinary shares would not increase the net loss per share. Consequently, there is no diluted loss per share to report for either year.

Note 3. Business combinations

Acquisitions in the current period

On 5 January 2010, the Company acquired the entire issued share capital of Intradigm Corporation, a company also engaged in the development of RNAi-based therapeutics, by issuance of 79,640,668 ordinary shares representing consideration of £16,903,732. The fair value of each share was 21.225 pence, based on the average mid-price of the shares over the preceding 10 days. Additional consideration for the acquisition included 1,138,817 immediately vesting options, which were issued to executives of Intradigm on completion of the deal.

The total cost of acquisition includes the components stated below:

	£
Purchase price settled in shares	16,903,732
Value of options issued to Intradigm executives	101,035
Total cost of acquisition	<u>17,004,767</u>

The carrying amount and fair value of the assets and liabilities acquired are as follows:

	Carrying amount	Fair value
	£	£
Property, plant and equipment	265,744	265,744
Other intangible assets	-	162,622
Trade and other receivable	169,450	169,450
Cash and short term deposits	746,108	746,108
Trade and other payables	(2,151,095)	(2,151,087)
Short-term borrowings	(1,876,407)	(1,876,407)
Deferred revenue	(423,142)	(423,142)
Fair value of net liabilities acquired		(3,106,712)
Goodwill arising on acquisition		20,111,479
		<u>17,004,767</u>

The carrying value of goodwill arising on acquisition reflects the position Intradigm occupies in the high profile field of RNAi therapeutics, the synergies expected to arise from combination with the Company, already a leader in the field and the strengthened management team resulting from the acquisition.

Reconciliation of Goodwill

	£
Goodwill brought forward at 1 January 2010	8,130,972
Goodwill on acquisition	20,111,479
Translation adjustment	103,825
Total	<u>28,346,276</u>

If the acquisition had been completed on the first day of the financial year, no significant additional revenue and no significant operating loss would have been recognised in the Group results. The inclusion of Intradigm Corporation from 5 January 2010 to 31 December 2010 contributed £239,395 to revenues and £3,469,368 to the net loss of the Group.

Acquisition related costs

In 2010, the Group incurred acquisition related costs of £70,000 related to the merger with Intradigm Corporation (2009: £1,010,137). These costs have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

Issue of shares in conjunction with the Intradigm acquisition

In conjunction with the acquisition of Intradigm, on 5 January 2010 the Company raised £14.36m in cash net of expenses. The fundraising was conducted by way of a placing and subscription of 65,217,392 new Ordinary shares of 1 pence each at a price of 23 pence per share. The nominal value of these shares was £652,174.

Repayment of loan

On 4 June 2010, the Group repaid all amounts outstanding on its short-term loan with Silicon Valley Bank. The loan had been taken out by Intradigm prior to its acquisition by Silence and was due for repayment on 31 December 2010.