

**Oxford Nanopore Technologies Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2015**

Registered number: 05386273



# **OXFORD NANOPORE TECHNOLOGIES LIMITED**

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# **OXFORD NANOPORE TECHNOLOGIES LIMITED**

## **COMPANY INFORMATION**

### **Directors**

G Sanghera  
JP Willcocks  
JA McDonald  
PV Allen (Chairman)  
A Aubrey  
JHP Bayley (resigned 1 January 2016)  
S Gordon-Wild

### **Company secretary**

Aldwych Secretaries

### **Registered office**

Edmund Cartwright House  
4 Robert Robinson Avenue  
Oxford Science Park  
Oxford  
OX4 4GA  
United Kingdom

### **Company number**

05386273

### **Independent auditor**

Deloitte LLP  
Abbots House  
Abbey Street  
Reading RG1 3BD  
United Kingdom

# OXFORD NANOPORE TECHNOLOGIES LIMITED

## DIRECTORS' REPORT

The directors are pleased to present their annual report on the affairs of Oxford Nanopore Technologies Limited ("the Company") and its subsidiaries ("the Group" or "Oxford Nanopore" or "ONT") and the audited financial statements for the year ended 31 December 2015.

### Principal activities

The principal activities of the Group are to research, develop, manufacture and commercialise a technology platform based on nanopores for the direct analysis of single molecules, with a goal of enabling biological analyses for a brand range of users and environments.

The technology developed by the Group is scalable, as demonstrated by the portable MinION™ device and the desktop PromethION™ system. It is adaptable for the direct analysis of biological molecules including DNA, RNA or proteins. The technology uses direct, electronic Nanopore sensing which streams data in real time and therefore has the potential to change the traditional paradigm of molecular analysis. These and other features mean that the technology platform is designed to address a wide range of customers and applications.

The Company is also developing solutions for easy sample preparation-VolTRAX™- and data analysis solutions that do not require bioinformatics expertise - provided by Metrichor™. These are designed to capture additional value and to enable a broader range of potential users of the technology.

MinION is a portable, USB-compatible sensing device that is used with consumable 'flow cells' containing nanopores designed by Oxford Nanopore.

Having made the MinION available to an early access community in 2014, the product was made commercially available in June 2015. MinION is currently in use both in research laboratories and in field-based scenarios. Publications by MinION users can be found at <https://publications.nanoporetech.com>.

PromethION is a desktop, high throughput instrument containing 48 flow cells, designed to allow the user to flex to run a small or large experiment or number of samples. PromethION is in late development.

Metrichor offers analysis solutions vertically integrated to nanopore sensing devices, with the potential to enable a wide range of new users, applications and markets outside of the laboratory and those with sequencing-specific skills. The real-time, streaming nature of the nanopore sensing platform can be combined with metadata such as geolocation or time with the intention of enabling analyses for individuals or groups, for example within a supply chain or surveillance network.

Oxford Nanopore intends to provide customised devices or installations that enable actions such as trending and tracking of biological information, with the potential for prediction based on those analyses. This could be utilised in areas such as self-quantification, quality control in food supply or pathogen/disease surveillance. Additional revenue streams may be possible as the Company reviews data monetisation strategies.

A review of the Group's research and development activities and future developments are discussed in the Strategic Report on pages 7 to 9.

### Results and dividends

The consolidated statement of comprehensive income is set out on page 13. The directors do not recommend the payment of a dividend (2014: £nil).

# **OXFORD NANOPORE TECHNOLOGIES LIMITED**

## **DIRECTORS' REPORT**

### **Directors**

The directors of the Company during the period, and up to the date of signing the financial statements were as follows:

G Sanghera  
JP Willcocks  
JA McDonald  
PV Allen (Chairman)  
A Aubrey  
JHP Bayley (resigned 1 January 2016)  
S Gordon-Wild

## **OXFORD NANOPORE TECHNOLOGIES LIMITED**

### **DIRECTORS' REPORT**

#### **Auditor**

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

On behalf of the board



**G Sanghera,**  
*Director*  
22 April 2016

## OXFORD NANOPORE TECHNOLOGIES LIMITED

### DIRECTORS' STRATEGIC REPORT

The directors are pleased to present the Strategic Report of Oxford Nanopore Technologies Limited and its subsidiaries and the audited financial statements for the year ended 31 December 2015.

#### Historical Financial Information and Key Performance Indicators

The Group has been in a research and development stage with no significant revenue from its inception and, as such, has generated a loss each year. The losses after tax and average headcount for the past three years have been as follows:

Year ending 31 Dec:	2013	2014	2015
Loss after Tax (£000)	24,215	36,974	38,511
Average Headcount	147	199	243

The loss after tax increased £1.5m from £37.0m in 2014 to £38.5m in 2015 driven by increased spend on the Group's strand sequencing technology, the related MinION and PromethION platforms, and expenditure in 2015 related to the preparation for the MAP.

The principal financial key performance indicators for the Group are controlling overall spend in line with budgets approved by the Board and ensuring that the Group has adequate cashflows to fund operations. For the year ended 31 December 2015, the Group's net loss of £38.5 million (2014: £37.0 million) was in line with budgets approved by the Board. Net cashflows and movements in current asset investments for the year ended 31 December 2015 were £ 36.7 million (2014: (£0.3) million). Additionally, at 31 December 2015, the Group's balance of cash, cash equivalents and other financial assets of £97.7 million (2014: £61.0 million) is considered adequate to fund the Group's operations for the foreseeable future.

These financial targets are supported by non-financial targets which are based on technical progress made in research and development. The non-financial targets are confidential and therefore are not disclosed in these financial statements, but are related to the achievement of specific performance thresholds of its product portfolio and pipeline.

#### Research, Development and Production

During 2015, the Group continued to develop several aspects of its technology including, among others, variations to existing and development of new nanopores for molecular sensing, properties of the proprietary sensor chip in which nanopores are embedded, research programmes to expand the capacity and improve performance of the Application Specific Integrated Circuit (ASIC), software for operating the systems and analysing the resultant data, and methods of making sample preparation faster and easier. The Company invested in production facilities to prepare for scaling up of customer volume.

Multiple improvements were released to MinION customers, resulting in improvements in performance over the year and an expanding number of applications generated using the MinION system. These included a new kit for DNA sequencing ("MAP006") and barcoding kit.

Additional Metrichor workflows were released to customers. For example, 'What's in my Pot' WIMP Bacteria Virus Fungi allows users to identify species from these kingdoms in a sample in real time.

The Company started developing VolTRAX, an automated, programmable sample preparation device.

The PromethION system has been developed to an advanced stage in 2015, in preparation for releasing to initial customers in early 2016.

During the year, Oxford Nanopore added headcount across Research, Development, Production and Commercial parts of the Group with a corresponding expansion of its premises in both the United Kingdom and the United States.

## **OXFORD NANOPORE TECHNOLOGIES LIMITED**

### **DIRECTORS' STRATEGIC REPORT**

#### **Commercial**

In 2015, the Company focused on the transition between an early access community for MinION to a broader customer base with a range of support needs.

From June 2015 customers were able to register an account with Oxford Nanopore and pay a \$1,000 fee to start using MinION. Customers receive a MinION and starter pack (flow cells, appropriate kits), access to the online community and certain data analysis services. They can also purchase additional supplies of flow cells or kits through an online shop.

At the end of 2015, there were over 1,500 accounts using MinION for a breadth of applications which are illustrated at <https://publication.nanoporetech.com>. These accounts are spread across 34 countries. The Company's strategy is to ship MinION and related products directly to customers without the need for training or installation engineers.

Oxford Nanopore currently provides customer support from two geographic locations, Oxford and New York. The team aims to offer gold standard service and technical support using online tools rather than field based support. Oxford Nanopore can thus provide a scalable and timely response to a growing global network of customers with minimal resource expansion requirements.

In May 2015, Oxford Nanopore hosted the London Calling conference, at which 120 users gathered for two days of plenary talks and breakout workshops and to share ideas and best practice. The Company used this conference to announce future plans for product development and this resulted in a surge of new customer applications. This conference will now be hosted annually and be the focus for announcements of future products. The conference is complemented by the annual MinION Community Meeting which was held this year in December at the New York Genome Center where 100 users attended.

#### **Future Developments**

Oxford Nanopore has always viewed intellectual property and a long-term product pipeline as central to the long term growth and protection of the Group. In addition to continuous, iterative improvement of current product design the Group is also focused on future generations of nanopore sensing. Oxford Nanopore's first products include biological nanopores; however, the Group also has internal projects and external collaborations on future generations of solid-state nanopore sensing technologies.

The scalability of nanopore sensors is key to being able to reach all parts of the potential market. The Company continues to review new form factors for the Company's devices.

In addition, removing the barrier of complexity of analysis is key to long term development of this potential market. VolTRAX will be key to this as it is designed to enable nanopore analyses by people without laboratory skills and outside the laboratory environment. The further development of products and services by Metrichor aims to capitalise on a broader range of markets for nanopore based biological analyses, enabling analyses by those without specific IT/informatics skills.

All of the Company's infrastructures have been designed to support rapid growth of customer numbers, including the online systems for serving customers, production infrastructure and distribution network.

#### **Fundraisings**

On 20 July, 2015, Oxford Nanopore raised £70 million (\$109 million) in new funding via a private placement of ordinary shares in the Company. The funds, which come from new and existing investors, were raised to support a range of corporate development activities including the development of commercial infrastructure, expansion of our manufacturing capability and further research and development for DNA/RNA sequencing and protein/miRNA analysis applications.

Previously on 12 August 2014, Oxford Nanopore raised £35 million (\$59 million) in new funding via a private placement of ordinary shares in the Company.



## OXFORD NANOPORE TECHNOLOGIES LIMITED

### DIRECTORS' STRATEGIC REPORT

#### Going Concern

Although the Group is consistently loss making at present due to the research and development activity which it undertakes, the Group has financial resources in the form of cash, cash equivalents and other current financial assets which management forecast will be sufficient to enable the business to remain in operation for a period of not less than twelve months from the date of approving these financial statements.

Taking into consideration the current economic uncertainty, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### Principal Risks and Uncertainties

The principal risks and uncertainties facing the Group relate to whether the Group will be successful in fully developing its technology and whether the technology will be commercially successful.

Even if the early phase of customer use of MinION proves the technical feasibility of the current version of the MinION product, there will still be significant risks around whether the MinION, VolTRAX, PromethION or any future products of the Group will be commercially successful. Some of these risks include:

- The Group is in early stages of commercialisation for the MinION product and has yet to experience broad adoption of its first product.
- The Group thus has no proven track record of commercial success and no historical financial data upon which it can base projections of revenue. The Group has incurred losses to date and expects to continue to incur losses as it develops its business, and may never reach profitability.
- The products being developed by the Group are based on new and relatively unproven technologies and, as such, all development efforts carry a disproportionately high risk of failure. Even if the management is able to conclude that the current version of a product is technically feasible, there is no certainty that future development efforts will be successful. All development involves cutting edge state of the art technology. Planned improvements to products may be subject to delays or not delivered at all.
- The technology in life sciences and other applicable applied markets is constantly and rapidly changing. The Group expects to continue to face competition from enhanced or alternative technologies and products.
- Our ability to protect and enforce our intellectual property rights is uncertain and depends on complex legal and factual questions. Our ability to establish or maintain a technological or competitive advantage over our competitors may be diminished because of these uncertainties.

The Group's processes to manage their principal financial risks are outlined in note 13. Current litigation involving alleged patent infringement is described in note 22.

On behalf of the board



G Sanghera, Director

22 April 2016

## OXFORD NANOPORE TECHNOLOGIES LIMITED

### DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the 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 of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Board



Chief Executive Officer  
G Sanghera

22 April 2016



Chief Financial Officer  
JA McDonald

22 April 2016

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD NANOPORE TECHNOLOGIES LIMITED**

We have audited the financial statements of Oxford Nanopore Technologies Limited for the year ended 31 December 2015 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

### **Respective responsibilities of the directors and the auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report and the Directors' Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD  
NANOPORE TECHNOLOGIES LIMITED (CONTINUED)**

**Matters on which we are required to report by exception**

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

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



Gregory Culshaw, ACA (Senior statutory auditor),

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Reading, United Kingdom

22 April 2016

# OXFORD NANOPORE TECHNOLOGIES LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
Revenue		746	-
Cost of Sales		(564)	-
Gross Margin		182	-
<b>Operating expenses</b>			
Direct research & development expenses		(26,656)	(28,362)
General & administrative expenses		(14,634)	(11,026)
Facilities and infrastructure expenses		(2,275)	(1,739)
Depreciation and amortisation expense		(1,002)	(1,037)
<b>Total operating expenses</b>	4	(44,567)	(42,164)
<b>Other Income</b>		169	154
<b>Loss from operations</b>	4	(44,216)	(42,010)
Finance costs, net of exchange loss	8	(101)	(112)
Finance income	8	649	434
<b>Loss before tax</b>		(43,668)	(41,689)
R&D tax credits, net of tax paid	9	5,157	4,716
<b>Accumulated loss for the period</b>		(38,511)	(36,973)

The Group made no acquisitions and had no discontinued operations.

	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
Attributable to: Equity shareholders of the parent.		
<b>Other Comprehensive Income</b>		
Loss for the year	(38,511)	(36,974)
Exchange differences on translation of foreign operations	40	9
<b>Total Comprehensive Income</b>	(38,471)	(36,965)

# OXFORD NANOPORE TECHNOLOGIES LIMITED

## CONSOLIDATED BALANCE SHEET as at 31 December 2015

	Note	2015 £000's	2014 £000's
<b>Non-current assets</b>			
Property, plant and equipment	10	1,892	1,956
		<u>1,892</u>	<u>1,956</u>
<b>Current assets</b>			
Inventory		22	-
Trade and other receivables	12	4,088	2,620
R&D tax credit recoverable		5,113	4,741
Other financial assets	13	45,058	36,121
Cash and cash equivalents	17	52,600	24,864
		<u>106,881</u>	<u>68,346</u>
<b>Total assets</b>		<u>108,773</u>	<u>70,302</u>
<b>Current liabilities</b>			
Trade and other payables	14	(8,289)	(4,281)
		<u>(8,289)</u>	<u>(4,281)</u>
<b>Non-current liabilities</b>			
Provisions	15	(775)	(415)
		<u>(775)</u>	<u>(415)</u>
<b>Total liabilities</b>		<u>(9,064)</u>	<u>(4,696)</u>
<b>Net assets</b>		<u>99,709</u>	<u>65,606</u>
<b>Equity</b>			
Share capital	16	28	26
Share premium reserve		251,116	180,751
Retained earnings		(151,457)	(115,152)
Translation Reserve		22	(19)
<b>Total equity</b>		<u>99,709</u>	<u>65,606</u>

The financial statements of Oxford Nanopore Technologies Limited (Registered number 05386273) were approved by the board of directors and authorised for issue on 22 April 2016. They were signed on its behalf by:



G Sanghera

Director

# OXFORD NANOPORE TECHNOLOGIES LIMITED

## COMPANY BALANCE SHEET for the year ended 31 December 2015

	Note	2015 £000's	2014 £000's
<b>Non-current assets</b>			
Property, plant and equipment	10	1,805	1,803
Investment in subsidiary undertakings	11	51	119
		<u>1,856</u>	<u>1,922</u>
<b>Current assets</b>			
Inventory		23	-
Trade and other receivables	12	3,850	2,520
R&D tax credit recoverable		5,113	4,741
Other financial assets	13	45,058	36,121
Cash and cash equivalents	17	52,135	24,594
		<u>106,179</u>	<u>67,976</u>
<b>Total assets</b>		<u>108,035</u>	<u>69,898</u>
<b>Current liabilities</b>			
Trade and other payables	14	(7,622)	(3,919)
		<u>(7,622)</u>	<u>(3,919)</u>
<b>Non-current liabilities</b>			
Provisions	15	(775)	(415)
		<u>(775)</u>	<u>(415)</u>
<b>Total liabilities</b>		<u>(8,397)</u>	<u>(4,334)</u>
<b>Net assets</b>		<u>99,638</u>	<u>65,563</u>
<b>Equity</b>			
Share capital	16	28	26
Share premium reserve		251,116	180,751
Retained earnings		(151,506)	(115,213)
<b>Total equity</b>		<u>99,638</u>	<u>65,563</u>

The financial statements of Oxford Nanopore Technologies Limited (Registered number 05386273) were approved by the board of directors and authorised for issue on 22 April 2016. They were signed on its behalf by:



G Sanghera

Director

# **OXFORD NANOPORE TECHNOLOGIES LIMITED**

## **STATEMENTS OF CHANGES IN EQUITY** for the year ended 31 December 2015

Consolidated	Share Capital £000's	Share Premium Account £000's	Retained Earnings £000's	Translation Reserve £000's	Total £000's
<b>Balance at 1 January 2014</b>	25	145,818	(80,243)	(28)	65,572
Total recognised loss for the year	-	-	(36,974)	-	(36,974)
Exchange loss on Translation of subsidiary	-	-	-	9	9
Issue of share capital	1	35,053	-	-	35,054
Cost of share issue	-	(120)	-	-	(120)
Employee share benefit	-	-	2,065	-	2,065
<b>Balance at 1 January 2015</b>	26	180,751	(115,152)	(19)	65,606
Total recognised loss for the year	-	-	(38,511)	-	(38,511)
Exchange gain on Translation of subsidiary	-	-	(16)	41	25
Issue of share capital	2	70,566	-	-	70,568
Cost of share issue	-	(201)	-	-	(201)
Employee share benefit	-	-	2,222	-	2,222
<b>Balance at 31 December 2015</b>	<b>28</b>	<b>251,116</b>	<b>(151,457)</b>	<b>22</b>	<b>99,709</b>

Company	Share Capital £000's	Share Premium Account £000's	Retained Earnings £000's	Total £000's
<b>Balance at 1 January 2014</b>	25	145,818	(80,273)	65,570
Total recognised loss for the year	-	-	(37,005)	(37,005)
Issue of share capital	1	35,053	-	35,054
Cost of share issue	-	(120)	-	(120)
Employee share benefit	-	-	2,065	2,065
<b>Balance at 1 January 2015</b>	26	180,751	(115,213)	65,564
Total recognised loss for the year	-	-	(38,515)	(38,515)
Issue of share capital	2	70,566	-	70,568
Cost of share issue	-	(201)	-	(201)
Employee share benefit	-	-	2,222	2,222
<b>Balance at 31 December 2015</b>	<b>28</b>	<b>251,116</b>	<b>(151,506)</b>	<b>99,638</b>



# OXFORD NANOPORE TECHNOLOGIES LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December 2015

	Note	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
Net cash outflow from operating activities	17	(33,138)	(33,876)
<b>Investing activities</b>			
Purchases of property, plant and equipment		(962)	(1,635)
Proceeds from the sale of fixed asset		114	6
Amounts transferred to other financial assets		(8,937)	(2,968)
Finance costs net of exchange loss		(101)	(112)
Interest received		380	377
<b>Net cash used in investing activities</b>		<b>(9,506)</b>	<b>(4,332)</b>
<b>Financing activities</b>			
Proceeds from issue of shares		70,568	35,054
Costs of share issue		(201)	(120)
<b>Net cash from financing activities</b>		<b>70,367</b>	<b>34,934</b>
<b>Net increase in cash and cash equivalents before foreign exchange movements</b>		<b>27,724</b>	<b>(3,273)</b>
Foreign Exchange gain		12	19
<b>Cash and cash equivalents at beginning of period</b>		<b>24,864</b>	<b>28,118</b>
<b>Cash and cash equivalents at end of period</b>		<b>52,600</b>	<b>24,864</b>

# OXFORD NANOPORE TECHNOLOGIES LIMITED

## COMPANY STATEMENT OF CASH FLOWS for the year ended 31 December 2015

	Note	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
<b>Net cash outflow from operating activities</b>	17	(33,419)	(34,225)
<b>Investing activities</b>			
Purchases of property, plant and equipment		(931)	(1,544)
Loans repaid by subsidiary undertakings		68	96
Proceeds from the sale of fixed asset		115	6
Amounts transferred to other financial assets		(8,937)	(2,968)
Finance costs net of exchange loss		(101)	(112)
Interest received		380	377
<b>Net cash used in investing activities</b>		(9,406)	(4,145)
<b>Financing activities</b>			
Proceeds from issue of shares		70,568	35,054
Costs of share issue		(201)	(120)
<b>Net cash from financing activities</b>		70,367	34,934
<b>Net increase/(decrease) in cash and cash equivalents</b>		27,542	(3,436)
<b>Cash and cash equivalents at beginning of period</b>		24,594	28,030
<b>Cash and cash equivalents at end of period</b>		52,135	24,594

# OXFORD NANOPORE TECHNOLOGIES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 31 December 2015

### 1. GENERAL INFORMATION

Oxford Nanopore Technologies Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 3. The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 4.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

### 2. ADOPTION OF NEW AND REVISED STANDARDS

#### *Basis of accounting*

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore comply with Article 4 of the EU IAS regulations.

#### *New standards and interpretations*

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements;
- IFRS 15 Revenue on Contracts with Customers
- IFRS 16 Leases
- IAS 1 (amended) Disclosure initiatives
- IAS 16 and IAS 38 (amended) Depreciation and amortisation
- IAS 19 (amended) Employee contributions
- IAS 27 (amended) Separate Financial Statements
- IAS 12 (amended) Deferred Tax Assets
- IAS 7 (amended) Disclosure Initiative

The Directors anticipate that the adoption of these standards in future periods is not expected to have a material impact on the financial statements of the Group.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of preparation*

These financial statements relate solely to the activities of Oxford Nanopore Technologies Limited and its subsidiaries.

A summary of the Group's principal accounting policies, all of which have been applied consistently throughout the current and preceding year, is set out below:

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union ("IFRSs"), and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS. The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statements of comprehensive income and related notes.

## OXFORD NANOPORE TECHNOLOGIES LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2015

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity, so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

##### *Going concern*

The Group's financial position together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 7 to 9. Note 13 to the financial statements includes the Group's assessment of financial risks and its policies and processes for managing those risks.

The directors note that the Group is consistently loss making at present due to the research and development activity which it undertakes. The loss for the current period is £ 38.5 million (2014: £37.0 million). However, the Group has financial resources in the form of cash, cash equivalents and other current financial assets, which management forecast will be sufficient to enable the business to remain in operation for a period of not less than twelve months from the date of approving these financial statements.

Having considered the current economic uncertainties, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

##### *Foreign currency*

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentational currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case exchange rates at the date of transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated in equity.

## **OXFORD NANOPORE TECHNOLOGIES LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)** **For the year ended 31 December 2015**

#### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### ***Financial assets***

The Group classifies its financial assets depending on the purpose for which the asset was acquired. The Group's accounting policy for each identified category is as follows:

##### ***Revenue Recognition***

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The delivery of the goods takes place in accordance with the contracted terms of sale;
- The Group retains neither continuing managerial involvement in the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discount estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

##### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash in hand and deposits held at call with banks and other short-term highly liquid investments with a maturity of three months or less at the date of acquisition.

Cash is not held for the purpose of investment in its own right and the primary goal of investment strategies is capital preservation. Cash not required for short term working capital requirements is invested in short term treasury deposits or equivalents. To the extent that it is reasonable, deposits are spread between two or more banks that have been approved by the Board of Directors. Cash required to meet short term working capital requirements as they arise is maintained in instant access accounts at one or more approved banks.

##### ***Loans and receivables***

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), but also incorporate other types of contractual monetary asset. They are carried at cost less any provision for impairment.

Other financial assets comprise longer-term deposits held with banks that do not meet the IAS 7 definition of a cash equivalent.

##### ***Financial liabilities***

The Group classifies its financial liabilities depending on the purpose for which the asset was acquired. Other financial liabilities, which include trade payables and other short-term monetary liabilities, are recognised at amortised cost.

## OXFORD NANOPORE TECHNOLOGIES LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2015

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Research and development*

All on-going research expenditure is currently expensed in the period in which it is incurred. The Group regularly assesses the research and development expenditures against the criteria for development costs to be recognised as an asset, as set out in IAS 38 "Intangible Assets". Development costs will be capitalised when all of the criteria are met and it is probable that future economic benefit will flow to the Group. The Group currently has no such qualifying expenditure.

##### *Share-based payments*

Where share options and other equity instruments are awarded to employees, the fair value of the instrument at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of instruments that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

##### *Leased assets*

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term. The land and buildings elements of property leases are considered separately for the purposes of lease classification.

##### *Taxation*

The tax expense represents the sum of the tax currently payable and deferred tax.

##### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

##### *Deferred tax*

Deferred tax is the tax expected to be payable or recoverable 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.

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 is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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.

Deferred tax balances are not discounted.

## OXFORD NANOPORE TECHNOLOGIES LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2015

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Property, plant and equipment*

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. Any corresponding liability is recognised within provisions.

All items of property, plant and equipment are carried at depreciated cost less any recognised impairment losses.

Depreciation is provided on all items of property, plant and equipment so as to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

Leasehold improvements	- over the expected duration of the lease straight line
Plant and machinery	- 3 years straight line
Office equipment	- 3 years straight line

##### *Government grants*

The only income recognised by the Group are monies received under government grants. Government grants received are recognised as other income. Where retention of a government grant is dependent on the satisfaction of certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the income statement.

##### *Critical accounting estimates and judgements*

In the application of the Group's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### *Critical judgements in applying the Group's accounting policies*

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

##### *1) Intellectual Property Agreements*

The Company has entered into a number of intellectual property licence agreements with academic institutions. These agreements contract the Company to make material payments in respect of licence issuance and maintenance fees over the term of the agreements.

Critical judgements are required in determining the accounting treatment of these agreements under IAS 38 "Intangible Assets". The directors believe that whilst the value of the licences can be reliably measured, it is as yet uncertain that any future economic benefit will be derived from the licences and flow to the Company. Accordingly, all amounts in relation to these agreements have been recognised within research and development expenses in the income statement during the period.

##### *2) Research and Development Costs*

Critical judgements are required in determining whether development spend meets the criteria for capitalisation of such costs as laid out in IAS 38 "Intangible Assets", in particular whether any future economic benefit will be derived from the costs and flow to the Group. The directors believe that the criteria for capitalisation were not met during the year and accordingly all amounts in relation to research and development have been recognised within research and development expenses in the income statement during the period.

# OXFORD NANOPORE TECHNOLOGIES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

### 4. LOSS FROM OPERATIONS

	Note	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
<i>This is after charging:</i>			
Staff costs	6	18,242	14,255
Depreciation		1,002	1,037
Direct non-staff research and development costs		14,263	17,682
Payments under operating leases - property		1,032	701
Net foreign exchange loss		104	112

All amounts relate to continuing operations

### 5. AUDITOR'S REMUNERATION

The analysis of auditor's remuneration is as follows:

	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
<b>Fees payable to the Group's auditor for the audit of the Group's annual accounts</b>	34	28
US sales Tax and product classification	-	1
Professional services	10	70
Taxation	-	23
<b>Total non-audit fees</b>	10	94
<b>Total fees payable to the Group's auditor</b>	44	122



# OXFORD NANOPORE TECHNOLOGIES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2015

### 6. STAFF COSTS

Staff costs, including directors, consist of:

	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
Wages and salaries	14,157	10,916
Employee Benefits	211	150
Social security costs	1,652	1,123
Share based payments	2,222	2,065
	<u>18,242</u>	<u>14,254</u>

The average monthly number of employees, including directors, during the year was 243 (2014: 199). This included 3 executive directors (2014: 3), 3 non-executive directors (2014: 3), 216 direct research and development staff (2014: 170) and 21 administration staff (2014: 23).

### 7. DIRECTORS' AND KEY MANAGEMENT COMPENSATION

	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
<i>Directors' emoluments consist of:</i>		
Remuneration for management services	1,237	919
Amount paid as directors' fees	197	102
	<u>1,434</u>	<u>1,021</u>
<i>Highest paid director:</i>		
Remuneration for director's fees and management services	535	382
	<u>535</u>	<u>382</u>

The highest paid director exercised 40,000 share options (2014 : nil) in the current or prior period.

Executive directors receive medical insurance for themselves as a non-monetary benefit. Total premiums in respect of this cover amounted to £ 8,737 (2014: £10,046). All the emoluments relate to short-term employee benefits. No director received any post-employment benefit, other long-term benefit or termination benefit.

In 2015, none of the directors were granted any share options (2014 : nil) and two of the directors exercised 43,125 share options (2014 – one director exercised 10,000).

# OXFORD NANOPORE TECHNOLOGIES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2015

### 7. DIRECTORS' AND KEY MANAGEMENT COMPENSATION (CONTINUED)

#### Key Management Compensation

Aggregate compensation for key management, being directors and members of the Executive Committee, was as follows:

	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
Short term employee benefits	2,102	1,585

In addition to the above, charges to the profit and loss account relating to share based payments relating to options held by directors amounted to £2,468 (2014: £1,861)

### 8. FINANCE INCOME AND EXPENSE

	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
<b>Finance income</b>		
Bank interest receivable	649	434
<b>Finance expense</b>		
Bank interest payable and charges	3	-
Exchange losses	(104)	(112)
	<u>(101)</u>	<u>(112)</u>

### 9. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
<b>Current tax</b>		
R&D tax credit for the period	(5,107)	(4,741)
Adjustment in respect of previous periods	(36)	-
Tax payable on foreign subsidiary	(14)	26
Total current tax	<u>(5,157)</u>	<u>(4,715)</u>

The deferred tax asset of £12,829,000 (2014: £12,814,000) has not been recognised due to uncertainty that the asset will reverse in the foreseeable future as the Group has yet to obtain significant sources of income. The unrecognised deferred tax asset relates to tax losses of £16,764,000 (2014: £12,745,000) and timing differences of £59,000 (2014: £69,000).

# **OXFORD NANOPORE TECHNOLOGIES LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)** **For the year ended 31 December 2015**

### **9. TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)**

The differences between the small profits rate of corporate tax in the UK of 20% (2014: 20%) and the tax charge for the year are explained below

	Year Ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
Loss before taxation	(43,668)	(41,689)
Standard tax rate for period as a percentage of losses at 20% (2014: 20%)	(8,733)	(8,338)
Effects of:		
R&D tax relief	(2,033)	(1,658)
Expenses not deductible	40	514
Adjustments to tax charge in respect of previous periods	(36)	4
Origination of unrecognised tax losses	8,056	4,677
Impact of share options	(2,378)	6
Short term and fixed asset timing differences not recognised	(59)	79
Tax payable on foreign subsidiary	(14)	26
	<u>(5,157)</u>	<u>(4,690)</u>

**OXFORD NANOPORE TECHNOLOGIES LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**For the year ended 31 December 2015**

**10. PROPERTY, PLANT AND EQUIPMENT**

<b>Group</b>	<b>Leasehold Improvements £000's</b>	<b>Plant and Machinery £000's</b>	<b>Office Equipment £000's</b>	<b>Total £000's</b>
<b>Cost</b>				
At 1 January 2014	855	2,649	1,618	5,122
Additions	321	777	530	1,628
Disposals	-	(7)	(19)	(26)
Foreign exchange movements	-	8	6	14
At 1 January 2015	1,176	3,427	2,135	6,738
Additions	96	686	173	955
Disposals	-	(119)	(14)	(133)
Foreign exchange movements	-	5	3	8
At 31 December 2015	1,272	3,999	2,297	7,568
<b>Accumulated depreciation</b>				
At 1 January 2014	(656)	(2,066)	(1,036)	(3,758)
Charge for the year	(170)	(457)	(411)	(1,038)
Eliminated on disposals	-	1	19	20
Foreign exchange movements	-	(4)	(2)	(6)
At 1 January 2015	(826)	(2,526)	(1,430)	(4,782)
Charge for the year	(149)	(472)	(380)	(1,001)
Eliminated on disposals	-	97	14	111
Foreign exchange movements	-	(3)	(1)	(4)
At 31 December 2015	(975)	(2,905)	(1,797)	(5,676)
<b>Carrying amount</b>				
At 31 December 2014	350	901	705	1,956
At 31 December 2015	297	1,095	500	1,892

# OXFORD NANOPORE TECHNOLOGIES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2015

### 10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold Improvements £000's	Plant and Machinery £000's	Office Equipment £000's	Total £000's
<b>Cost</b>				
At 1 January 2014	855	2,539	1,560	4,954
Additions	321	737	487	1,545
Disposals	-	(7)	(20)	(27)
At 1 January 2015	1,176	3,269	2,027	6,472
Additions	96	664	171	931
Disposals	-	(119)	(14)	(133)
At 31 December 2015	1,272	3,814	2,184	7,270
<b>Accumulated depreciation</b>				
At 1 January 2014	(656)	(2,034)	(1,028)	(3,718)
Charge for the year	(170)	(415)	(385)	(970)
Eliminated on disposals	-	-	19	19
At 1 January 2015	(826)	(2,449)	(1,394)	(4,669)
Charge for the year	(149)	(413)	(345)	(907)
Eliminated on disposals	-	97	14	111
At 31 December 2015	(975)	(2,765)	(1,725)	(5,465)
<b>Carrying amount</b>				
At 31 December 2014	350	820	633	1,803
At 31 December 2015	297	1,049	459	1,805

At 31st December 2015, the Group had entered into contractual commitments for the acquisition of property, plant and equipment of £nil.

### 11. INVESTMENT IN SUBSIDIARIES

The principal subsidiaries of Oxford Nanopore Technologies Limited, are as follows:

Name	Country of Incorporation	Proportion of ownership interest	
		31 December 2015	31 December 2014
Oxford Nanopore Technologies, Inc	USA	100%	100%
Oxford Nanolabs Limited	England and Wales	100%	100%
The Genome Foundry Limited	England and Wales	100%	-
Metrichor Limited	England and Wales	100%	100%

Oxford Nanolabs Limited has never traded and is a dormant company.

Oxford Nanopore Technologies Inc was set up on 29 September 2011 to provide sub-contracted R&D and other services in the USA to Oxford Nanopore Technologies Limited.

Metrichor Limited was set up on 31<sup>st</sup> May 2013 has never traded and is dormant.

## OXFORD NANOPORE TECHNOLOGIES LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2015

#### 11. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Genome Foundry Limited was set up on 7<sup>th</sup> September 2015 and has never traded and is dormant.

All of the Company's subsidiary undertakings have been consolidated in the Group financial statements.

The Company's investment in subsidiary undertakings, comprised of loans, is summarised as:

	2015 £000's	2014 £000's
<b>At 1 January</b>	119	215
Amount repaid by subsidiary	(68)	(96)
<b>At 31 December</b>	<u>51</u>	<u>119</u>

#### 12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
Other debtors	1,369	623	1,179	589
Accrued interest income	402	133	402	133
Other taxes	1,046	654	1,046	654
Prepayments	<u>1,271</u>	<u>1,210</u>	<u>1,223</u>	<u>1,144</u>
	<u>4,088</u>	<u>2,620</u>	<u>3,850</u>	<u>2,520</u>

#### 13. FINANCIAL INSTRUMENTS – RISK-MANAGEMENT

Financial risk management objectives and policies

##### Overview

The Group has exposure to credit, liquidity and market risks from its use of financial instruments. This note sets out the Group's key policies and processes for managing these risks.

##### Credit risk

Credit risk is the risk of financial loss to the Group if a grant provider fails to meet its contractual obligations or if a deposit taker should fail. Since almost all of the Group's current income is derived from grant and interest income from reputable sources as opposed to trade debtors the Group's exposure to credit risk is considered to be inherently low. In order to manage Counterparty risk, Term deposits are with institutions with credit ratings assessed as A or better by both Moody's and Standard & Poor's.

##### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking

# OXFORD NANOPORE TECHNOLOGIES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2015

### 13. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (CONTINUED)

damage to the Group's reputation. The Group has no debt facilities and a substantial cash balance to fund its operations.

It is currently Group policy that the majority of external monetary deposits are made on a fixed interest basis over terms varying from one to twelve months depending upon the rate available. Maturities are staggered whenever possible to spread exposure to interest rate movement. Although the board accepts that this policy neither protects the Group from the risk of receiving rates below the current market rates nor eliminates fully cash flow risk associated with interest receipts, it considers that it achieves an appropriate balance of exposure to these risks. Term deposits are denominated in UK sterling with institutions rated as A or better by both Moody's and Standard & Poor's.

The Directors consider that all of the Group's financial liabilities at the year end and prior year end have maturity dates of less than 12 months from the balance sheet date.

#### *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's costs of research and development or the value of its holdings in financial instruments. The Group has little exposure to interest rate risk other than that returns on short-term fixed interest deposits will vary with movements in underlying bank interest rates. The Group's principal market risk exposure is to movements in foreign exchange rates.

#### *Foreign currency risk*

Foreign exchange risk arises because the Group from time to time enters into transactions denominated in a currency other than Sterling. Where it is considered that the risk to the Group is significant, it will enter into a matching forward contract with a reputable bank, or hold deposits of the currency in cash. To date no such forward contracts have been entered into, but significant amounts of dollars were held during the year. In the year ended 31 December 2015 approximately 25% (2014:19%) of the Group's annual expenditures was denominated in US dollars and approximately 11% (2014 11%) of the company's expenditure was denominated in Euros.

Exchange rate exposures are managed within approved policy parameters. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
Financial assets and liabilities	2,093	1,333	(3,817)	(1,769)

#### *Sensitivity analysis*

A 5% strengthening of the US\$ at 31 December 2015 would have resulted in changes to equity and profit or loss by the amounts shown below:

	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
Increase in loss for the period	70	23
Decrease in equity	70	23

## OXFORD NANOPORE TECHNOLOGIES LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2015

#### 13. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (CONTINUED)

The interest rate for short-term deposits is variable dependent on the rates offered by the Group's bankers. During the period ended 31 December 2015, the short-term deposits returned an average of 1.11% (2014: 0.97%). The Group's exposure to interest rate risk on Other financial assets, is illustrated below with regard to the average cash balance and the difference a decrease of 1% in interest rates would have made based on the average short-term deposit balance of £40,079,838 (2014: £27,363,772)

	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
Increase in loss for the period	440	263
Decrease in equity	440	263

#### *Capital management*

The Group defines the capital that it manages as the Group's total equity. The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it can continue to strive to provide returns to investors.
- To provide an adequate return to investors based on the level of risk undertaken.
- To have available the necessary financial resources to allow the Group to invest in areas that may deliver future benefits for inventive sources and returns to investors.
- To maintain sufficient financial resources to mitigate against risks and unforeseen events.

The Group has no debt and accordingly the gearing ratio is zero.

#### *Financial instruments*

The Group's financial instruments comprise cash, short-term deposits and various items such as trade debtors and creditors which arise directly from operations.

The Group's maximum credit risk at the period end is those amounts held with financial institutions of £97.7 million (2014: £61.0 million). The Group places its deposits with several reputable financial institutions to minimise its credit risk.



# OXFORD NANOPORE TECHNOLOGIES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2015

### 13. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (CONTINUED)

#### *Fair values*

The fair values of the Group's financial assets and liabilities, together with the carrying values shown in the balance sheet, are as follows:

	Total Carrying Value £000's	Fair Value £000's
<b>31 December 2015</b>		
<b>Loans and receivables</b>		
Other financial asset	45,058	45,058
Cash and cash equivalents	52,600	52,600
Trade and other receivables	4,088	4,088
<b>Other financial liabilities</b>		
Trade and other payables	(8,289)	(8,289)
<b>31 December 2014</b>		
<b>Loans and receivables</b>		
Other financial assets	36,121	36,121
Cash and cash equivalents	24,864	24,864
Trade and other receivables	7,361	7,361
<b>Other financial liabilities</b>		
Trade and other payables	(4,281)	(4,281)

The following summarises the methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

#### *Trade receivables, trade payables and cash and cash equivalents*

Trade payables and receivables generally have a remaining life of less than one year so their value recorded in the balance sheet is considered to be a reasonable approximation of fair value.

#### **Financial assets – numerical information**

As at the 31 December, the Group had the following treasury deposits:

	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
Floating rate assets	52,600	24,864
Fixed rate assets	45,058	36,121
	<u>97,658</u>	<u>60,985</u>

The weighted average interest rate on the fixed term deposits was 1.14% (2014: 0.99%). The weighted average term of fixed interest rate deposits was 5.5 months (2014: 4 months).

# OXFORD NANOPORE TECHNOLOGIES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2015

### 14. CURRENT TRADE AND OTHER PAYABLES

	Group		Company	
	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
Trade payables	3,028	1,317	2,942	1,247
Payroll Taxation and social security	1,127	906	1,166	884
Other creditors	-	-	-	-
Accruals and deferred income	4,134	2,058	3,514	1,788
	<u>8,289</u>	<u>4,281</u>	<u>7,622</u>	<u>3,919</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases by the Company and Group is 30 days (2014: 30). The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

### 15. PROVISIONS

	Group and Company Dilapidation Provision £000's
Balance at 1 January 2015	415
Additional provision in the year	<u>360</u>
Balance at 31 December 2015	<u>775</u>

The dilapidation provision relates to the leased properties at the Oxford Science Park. The provision is non-current.

## OXFORD NANOPORE TECHNOLOGIES LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2015

#### 16. SHARE CAPITAL

##### Group and Company

	Year ended 31 December 2015 £	Year ended 31 December 2014 £
Issued and fully paid:		
Opening- 22,489,765 ordinary shares of £0.001 each (2014: 20,851,539)	22,490	20,851
Opening – 733,677 deferred shares of £ 0.005 each (2014 : nil)	3,668	-
Opening - nil A shares of £0.005 each (2014: 810,000)	-	4,050
	<hr/> 26,158	<hr/> 24,901
Issued – 2,079,823 ordinary shares of £0.001 each (2014: 1,256,611)	2,080	1,257
A Share conversion		
Cancelled – nil A Shares of £ 0.005 each (2014: 810,000)	-	(4,050)
Issued – nil Ordinary shares at £ 0.001 each (2014 : 381,615)	-	382
Issued – nil Deferred shares at £ 0.005 each (2014 : 733,677)	-	3,668
	<hr/> 2,080	<hr/> 1,257
Closing – 24,569,588 ordinary shares of £0.001 each (2014: 22,489,765)	24,570	22,490
Closing - nil A shares of £0.005 each (2014: nil)	-	-
Closing – 733,677 deferred shares of £0.005 each (2014: 733,677)	3,668	3,668
	<hr/> 28,238	<hr/> 26,158
Total Issued Share Capital	<hr/> <hr/>	<hr/> <hr/>

On 20 July 2015 Oxford Nanopore raised £70 million (\$109 million) through the issuance of 1,750,000 ordinary shares at a share price of £40.00 per share. On 12 August 2014 Oxford Nanopore raised £35 million (\$53 million) through the issuance of 1,217,391 ordinary shares at a share price of £28.75 per share. During the year 329,823 ordinary shares (2014: 39,220 ) were issued as a result of share options exercised. Transaction costs for the issue of shares are offset against the Share Premium Reserve.

The A Shares were structured so that their holders would be able to benefit from a proportion of the future increase in the value of the Company above a threshold value on an official listing of the Company's shares, a sale of a majority of the Company's issued ordinary share capital, a sale of the trade and assets of the Company or any other return of capital (collectively known as "Exit Events") provided that one of these Exit Events had occurred by 29 January 2015.

In 2010, the Company issued and allotted 810,000 A shares of £0.005 each. On 12 August 2014, the 810,000 A shares were converted into 381,615 Ordinary Shares with a nominal value of 0.1 pence each, having the same rights and being subject to the same restrictions and ranking on the same basis as the existing Ordinary shares, and 733,677 Deferred Shares.

Neither the ordinary shares nor the A shares carry any right to fixed income. The Deferred Shares have no voting or dividend rights and only very limited capital return rights, which render them effectively valueless.

# OXFORD NANOPORE TECHNOLOGIES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2015

### 17. NOTES TO THE CASH FLOW STATEMENT

Group	Group		Company	
	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
Loss before tax	(43,668)	(41,689)	(43,663)	(41,747)
Adjustments for:				
Depreciation	1,002	1,037	907	970
Loss/ (gain) on disposal of property, plant and equipment	(92)	1	(92)	1
Bank charges and net exchange loss	101	112	101	112
Interest income	(649)	(434)	(649)	(433)
Increase in provisions	360	215	360	215
Employee share benefit costs	2,222	2,065	2,222	2,065
Operating cash flows before movements in working capital	(40,724)	(38,693)	(40,814)	(38,818)
Increase in receivables & inventory	(1,218)	(658)	(1,083)	(596)
Increase in payables	4,035	1,167	3,702	855
Cash absorbed by operations	(37,907)	(38,184)	(38,195)	(38,559)
Income taxes – R&D tax credit received	4,769	4,308	4,776	4,334
Net cash from operating activities	(33,138)	(33,876)	(33,419)	(34,225)

### Cash and cash equivalents

Group	Group		Company	
	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
Cash and bank balances	52,600	24,864	52,135	24,594

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value.

## OXFORD NANOPORE TECHNOLOGIES LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2015

#### 18. COMMITMENTS

As at 31 December 2015, the Group had a commitment to make payments under several operating lease for laboratory and office space with a total commitment over the next 5 years of £2,463,452 (2014 - £3,274,754).

##### Operating lease arrangements

##### The Group as lessee

	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
Minimum lease payments under operating leases recognised as an expense in the year	1,032	701

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
Within one year	1,014	974
In the second to fifth years inclusive	1,449	2,301
	2,463	3,275

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are usually negotiated for an average term of five years.

As at 31 December 2015, the Group had the following non-cancellable commitments under research agreements.

*The total of future minimum non-cancellable payments due for each of the following periods are:*

	Year ended 31 December 2015 £000's	Year ended 31 December 2014 £000's
Not later than one year	1,028	961
Later than one year and not later than five years	489	196
	1,517	1,157

#### 19. SHARE BASED PAYMENTS

##### Equity-settled share option scheme

The Company operates one equity-settled share based remuneration scheme for employees: the Oxford Nanopore Technologies Share Option Scheme. The Scheme allows the Company to award both HM Revenue & Customs approved Executive Management Incentive (EMI) share options to qualifying individuals and unapproved share options. All options may be subject to performance criteria and vesting schedules set at the Board's discretion. All UK resident employees working 25 hours a week, or if less, 75% of their working time are eligible to be awarded EMI share options, subject to the Group meeting the qualifying tests at the date of Grant. All options have a life of ten years from date of grant.

# OXFORD NANOPORE TECHNOLOGIES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2015

### 19. SHARE BASED PAYMENTS (CONTINUED)

In 2015, the Company granted the following options under the share option scheme over its ordinary shares of £0.001 nominal value: 53,425 options with an exercise price of £17.25 in May; 92,650 options with an exercise price of £24.00 in October; and 7,000 options with an exercise price of £24.00 in December. The aggregate of the estimated fair values of the options granted on those dates was £1,913,254. In 2014, the aggregate of the estimated fair values of the options granted was £4,800,510.

	Year ended 31 December 2015		Year ended 31 December 2014	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of period	1,845,625	5.626	1,400,053	1.948
Granted during the period	153,075	21.644	524,375	15.313
Forfeited during the period	(55,068)	15.280	(39,583)	7.168
Exercised during the period	(329,823)	1.660	(39,220)	1.500
Outstanding at the end of the period	<u>1,613,809</u>	<u>7.636</u>	<u>1,856,625</u>	<u>5.626</u>
Exercisable at the end of the period	<u>1,199,779</u>	<u>4.190</u>	<u>1,304,663</u>	<u>2.031</u>

The weighted average share price at the date of exercise for share options exercised during the period was £1.660 (2014: £1.500). The options outstanding at 31 December 2015 had a weighted average exercise price of £7.636 (2014: £5.626), and a weighted average remaining contractual life of 6.1 years (2014: 6.4 years).

	2015	2014
Weighted average share price	£21.64	£15.31
Weighted average exercise price	£21.64	£15.31
Expected volatility	50%	50%
Expected life	10 years	10 years
Risk-free rate	1.39-1.41%	1.34-1.94%
Expected dividend yields	Nil	Nil

The volatility assumption, measured at the standard deviation of expected share price returns. The risk free interest rate used reflects the UK Government 5 year Gilt rate as reported by the Bank of England.

The Group recognised total expenses of £2,222,019 and £2,064,967 related to equity-settled share-based payment transactions in 2015 and 2014 respectively.

## **OXFORD NANOPORE TECHNOLOGIES LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)** **For the year ended 31 December 2015**

#### **20. RETIREMENT BENEFITS**

The Group operates a defined contributions pension scheme for the benefit of its employees. Most of the employees who contribute to the Company's pension scheme do so via salary sacrifice. Following the introduction of Auto-Enrolment in April 2014 the Company makes a contribution to the pension scheme up to 11% of Pensionable Pay. The value of 2015 contributions was £612,472 (2014: £468,078).

#### **21. RELATED PARTY TRANSACTIONS**

Details of directors' remuneration are given in note 7.

At the end of the year, there were 164,248 (2014: 162,000) unapproved options issued to non-employees including non-executive directors and consultants.

The Company continued to fund its US subsidiary, Oxford Nanopore Technologies Inc (ONT Inc). During the year, the Company paid ONT Inc £ 1,791,997 (2014: £ 1,709,976) for the R&D and other services provided to it.

During the year the company purchased services amounting to £ 140,550 (2014 : nil) from IP Group.

#### **22. EVENTS AFTER BALANCE SHEET DATE**

On 23 February 2016, Illumina, Inc., University of Washington and UAB Research Foundation ("Plaintiffs") filed suit against Oxford Nanopore Technologies, Limited and its subsidiary Oxford Nanopore Technologies, Inc. (together, "Oxford Nanopore"), in the United States District Court for the Southern District of California (Case No. 16CV-0477) alleging that Oxford Nanopore wilfully infringed U.S. Patent Number 8,673,550 and U.S. Patent Number 9,170,230 ("Msp Patents") by importing, using and offering for sale MinION and PromethION products in the United States. The Plaintiffs are seeking damages, attorneys' fees, costs and expenses and a permanent injunction against Oxford Nanopore. On 23 February 2016, Illumina, Inc., University of Washington and UAB Research Foundation ("Complainants") also filed a Complaint against Oxford Nanopore with the International Trade Commission ("ITC") in Washington DC alleging that Oxford Nanopore infringed the Msp patents and engaged in unfair acts in violation of Section 337 of the Tariff Act of 1930 by importing the MinION and PromethION products into the United States. The Complainants requested the ITC to issue a permanent limited exclusion order and cease and desist order to prevent Oxford Nanopore from importing into the United States products that infringe the Msp Patents. On 8 March 2016, Oxford Nanopore filed a Public Interest Statement with the ITC. Oxford Nanopore denies any infringement of the Msp patents and asserts that Illumina acquired the asserted patents and filed the ITC action, to stifle competition and to prevent Oxford Nanopore from developing and marketing its nanopore products in the United States. Management believe the allegations of infringement are without merit. Although Oxford Nanopore believes there is no legal basis for the alleged liability, Oxford Nanopore cannot estimate the possible loss or range of possible loss as there are significant legal and factual issues to be resolved.

#### **23. ULTIMATE CONTROLLING PARTY**

The Group is owned by a number of investors, none of whom is deemed to have overall control.