Oxford Nanopore Technologies Limited

Annual report and financial statements

for the year ended 31 December 2016

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 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 2016.

Principal activities

Oxford Nanopore's goal is to enable the analysis of *any* living thing by *any* person in *any* environment. The Group's strategy is to make a new generation of DNA / RNA analysis technology accessible to all and to disrupt a traditional, centralised model of biological analysis.

The principal activities of the Group are to research, develop, manufacture and commercialise a nanopore-based technology platform that allows the analysis of DNA or RNA. This allows current customers to perform scientific/biomedical research in a range of areas including pathogens/antimicrobial resistance, human genetics or crop science. The Company is also developing commercial relationships to access 'applied markets'; that is where users require biological information for non-research purposes. This may include healthcare, agriculture, biopharma production, food/water supply chain surveillance, education or consumer markets.

Only nanopore sequencing offers real-time, electronic analysis of DNA or RNA. Oxford Nanopore has made available the world's only portable DNA sequencer, the MinION. In order to disrupt a traditional market, the Company priced a MinION starter pack at $1,000, making it an accessible personal sequencer for a wide range of users. Nanopore sequencing is fully scalable and to address all parts of the market, the Company is also preparing to release PromethION, a high-throughput, high-sample number system for users with large scale projects, large sample numbers or who wish to offer nanopore sequencing as a service to others. DNA from any sample type can be analysed, meaning that the MinION and PromethION can support any analysis technique for any customer type.

One barrier to mass adoption is preparation of a biological sample (for example: blood, tissue, environmental sample) in order to be sequenced. With this in mind, the Company is also developing solutions for easy sample preparation- the USB device VolTRAX™– and Project Zumbador, a low cost consumable sample preparation device. The Company also develops data analysis solutions to support customers who may not have bioinformatics expertise. Finally, the Company has established a spinout, Metrichor Ltd, to provide end to end analysis solutions for applied markets.. 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. Its performance has improved ~40fold since its first release in 2014, and as a result, in 2016 whole human genomes were sequenced on the MinION for the first time. The device is being used in traditional laboratories, but has also been used in novel environments such as the Arctic, jungle and the International Space Station. 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 on-demand access to very high throughput sequencing technology. PromethION instruments have started shipping to early access customers.

Metrichor Ltd 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 traditional laboratory-confined customers. 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 (2015: £nil).

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
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
21 April 2017

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 2016.

Historical Financial Information and Key Performance Indicators

The Group has been in a research and development stage and, as such, has generated a loss each year. The key performance indicators of revenue, losses after tax and average headcount for the past three years have been as follows:

Year ending 31 Dec:	2014	2015	2016
Revenue (£000)	-	746	4,529
Loss after Tax (£000)	36,974	38,511	59,101
Average Headcount	199	243	288

The principal financial management objectives for the Group are revenue generation, controlling overall spend in line with budgets approved by the Board and ensuring that the Group has adequate cashflows to fund operations.

Group Revenue has increased by £3.8m from £0.7m in 2015. The loss after tax increased £20.6m from £38.5m in 2015 to £59.1m in 2016 driven by increased spend on the Group's strand sequencing technology, the related MinION and PromethION platforms, and expenditure in 2016 related to commercial and supply chain development.

For the year ended 31 December 2016, the Group's net loss of £59.1 million (2015: £38.5 million) was in line with budgets approved by the Board. Net movements in cash, cash equivalents and other financial assets for the year ended 31 December 2016 were £26.4 million (2015: £36.7 million). Additionally, at 31 December 2016, the Group's balance of cash, cash equivalents and other financial assets of £124.1 million (2015: £97.7 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 2016, 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 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. The most significant was the release of a new design of nanopore, R9, in the spring. This resulted in a significant improvement in performance of the MinION and was followed closely by the release of R9.4 in the autumn. During 2016 the yield of data achievable by the MinION went from ~1.5Gb per Flow Cell to >10Gb per Flow Cell. This metric was by internal runs using consistent experiment types over ~48 hours per Flow Cell. Release of the R9 series also allowed substantial evolution of the data fidelity provided by nanopore sequencing, enabling consensus accuracies of as much as 99.96%.

Oxford Nanopore provides analytical workflows to researchers to assist them in resolving their scientific question. This is relevant as the MinION is designed for ubiquitous use and so is often used by researchers

without a bioinformatics team. In 2016 the Company released a 16S analysis workflow, to add to the existing 'What's in my pot' workflow. Further workflows to aid real time antimicrobial resistance characterisation and exome mapping are in development.

VolTRAX is an automated preparation device, designed to prepare samples for nanopore sequencing so that less skilled or equipped users are able to run experiments with nanopore technology. In 2016, the VolTRAX Introduction Programme was opened and first devices were shipped to users in late 2016.

In 2016, PromethION development continued and initial instruments were shipped to a number of early users, with experimental consumables to follow in early 2017. PromethION is designed to deliver as much as 300 times the output as a MinION, and will serve centres that are interested in high sample number processing, on demand workflows and large data yields at no capital cost.

Commercial

The technical and commercial implications of the dramatic performance shift of MinION during 2016 are profound. As larger volumes of more accurate data was achievable from the MinION, new market segments opened up to the Company and existing segments gained strength.

In December 2016, the first human genomes to be sequenced using only nanopore were released, and in addition other large genomes such as plants began to emerge. Where the early years of MinION commercialization found most traction in communities interested in pathogen analysis, or the analysis of smaller specific regions of the genome, Oxford Nanopore is now well placed to enter the large markets of human genomics, plant genomics, cancer research and for larger genomics research projects.

MinION remains the only portable, real time device for DNA sequencing. During 2016 this position was consolidated as it was used for DNA analysis for the first time in remote environments including the Arctic, the Indian Ocean, in the classroom for education and the International Space Station. Use in these 'rugged' environments shows that the technology can be developed for broad use outside the lab in diverse industrial, healthcare or even home environments. The Company is currently progressing the development of further methods of analysis that may be performed outside the lab, for example the rapid identification of infectious diseases such as TB or sepsis, or the ability to analyse food or water samples on-site.

Oxford Nanopore currently provides customer support from two geographic locations, Oxford and New York. As well as offering gold standard support through an online community and a core office based team, the Company started to offer enhanced support packages for users who prefer a higher level of service. Early feedback indicates that these packages result in customers experiencing positive results with their nanopore technology.

In 2016, Oxford Nanopore held two sold-out customer conferences; in May London Calling hosted more than 200 customers, and in December the New York Nanopore Community meeting hosted a more intimate community-based exchange of best practice on nanopore sequencing. These conferences are a key time point in the calendar for Company announcements and some customers now save their scientific announcements for these dates. In the periods after the conferences, the Company experiences a surge in interest in the device and also progress with existing customers' use of the technology.

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 May 2016 the Company announced that

it is developing SmidgION, a mobile phone compatible DNA sequencer based on nanopore technology. In December, the Company announced that it will be developing and seeking regulatory approval for MinION Dx/ 'Flongle', an adapted version of the MinION that includes a lower-cost removable consumable within a MinION Flow Cell. This design makes it suitable for larger numbers of sequential analyses, such as may be needed in diagnostics.

The further development of applied market opportunities for Metrichor Ltd was given a boost in 2016 by the appointment of a General Manager. Business development activities are expected to develop into agreements with external parties in 2017, for whom Metrichor would develop integrated analysis solutions. These may include collaborations with large, international companies in specific sectors, who would be able to commercialise nanopore-driven analysis systems globally.

In 2017, the Company announced that it would be launching the GridIon X5, a new desktop nanopore sequencer with throughput between that of the existing MinIon and the highthroughput PromethIon platforms.
The GridIon X5 uses the same types of flow cells as the existing systems. It will be able to run up to five flow cells at a time, enabling it to generate up to 100 gigabases of sequence data per 48-hour run with current chemistry and software. It comes with a built-in computer for real-time base calling.

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 December 2016, Oxford Nanopore raised £100 million ($126 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 20 July 2015, Oxford Nanopore raised £70 million ($109 million) in new funding via a private placement of ordinary shares in the Company.

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.

DIRECTORS' STRATEGIC REPORT

- 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*
21 April 2017

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

21 April 2017

Chief Financial Officer
JA McDonald

21 April 2017

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

We have audited the financial statements of Oxford Nanopore Technologies Limited for the year ended 31 December 2016 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 2016 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, based on the work undertaken in the course of the audit:

- the information given in the Directors' Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Strategic Report and the Directors' Report.

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.

Andrew Evans

Andrew Evans, FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Reading, United Kingdom

21 April 2017

OXFORD NANOPORE TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Note	Year ended 31 December 2016 £000's	Year ended 31 December 2015 £000's
Revenue		4,529	746
Cost of Sales		(3,662)	(564)
Gross Profit		867	182
Operating expenses			
Direct research & development expenses		(38,592)	(26,656)
General & administrative expenses		(23,643)	(14,634)
Facilities and infrastructure expenses		(2,507)	(2,275)
Depreciation and amortisation expense		(1,344)	(1,002)
Total operating expenses	4	(66,086)	(44,567)
Other income		260	169
Loss from operations	4	(64,959)	(44,216)
Finance costs, net of exchange loss	8	(386)	(101)
Finance income	8	660	649
Loss before tax		(64,685)	(43,668)
Taxation	9	5,584	5,157
Accumulated loss for the year after tax		(59,101)	(38,511)

The Group made no acquisitions and had no discontinued operations.

	Year ended 31 December 2016 £000's	Year ended 31 December 2015 £000's
Attributable to: Equity shareholders of the parent.		
Other comprehensive income		
Loss for the year	(59,101)	(38,511)
Exchange differences on translation of foreign operations	(160)	40
Total comprehensive income	(59,261)	(38,471)

OXFORD NANOPORE TECHNOLOGIES LIMITED

CONSOLIDATED BALANCE SHEET
as at 31 December 2016

	Note	2016 £000's	2015 £000's
Non-current assets			
Property, plant and equipment	10	3,472	1,892
		3,472	1,892
Current assets			
Inventory		340	22
Trade and other receivables	12	25,622	4,088
R&D tax credit recoverable		5,437	5,113
Other financial assets	13	60,000	45,058
Cash and cash equivalents	17	64,074	52,600
		155,473	106,881
Total assets		158,945	108,773
Current liabilities			
Trade and other payables	14	(13,705)	(8,289)
		(13,705)	(8,289)
Non-current liabilities			
Provisions	15	(1,005)	(775)
		(1,005)	(775)
Total liabilities		(14,710)	(9,064)
Net assets		144,235	99,709
Equity			
Share capital	16	31	28
Share premium reserve		351,203	251,116
Retained earnings		(206,825)	(151,457)
Translation reserve		(174)	22
Total equity		144,235	99,709

The financial statements of Oxford Nanopore Technologies Limited (Registered number 05386273) were approved by the board of directors and authorised for issue on 21 April 2017. They were signed on its behalf by:

G Sanghera Director

OXFORD NANOPORE TECHNOLOGIES LIMITED

COMPANY BALANCE SHEET
for the year ended 31 December 2016

	Note	2016 £000's	2015 £000's
Non-current assets			
Property, plant and equipment	10	3,357	1,805
Investment in subsidiary undertakings	11	-	51
		3,357	1,856
Current assets			
Inventory		210	23
Trade and other receivables	12	25,127	3,850
R&D tax credit recoverable		5,437	5,113
Other financial assets	13	60,000	45,058
Cash and cash equivalents	17	63,622	52,135
		154,396	106,179
Total assets		157,753	108,035
Current liabilities			
Trade and other payables	14	(12,235)	(7,622)
Loans in subsidiary undertakings	11	(488)	-
		(12,723)	(7,622)
Non-current liabilities			
Provisions	15	(1,005)	(775)
		(1,005)	(775)
Total liabilities		(13,728)	(8,397)
Net assets		144,025	99,638
Equity			
Share capital	16	31	28
Share premium reserve		351,203	251,116
Retained earnings		(207,209)	(151,506)
Total equity		144,025	99,638

The financial statements of Oxford Nanopore Technologies Limited (Registered number 05386273) were approved by the board of directors and authorised for issue on 21 April 2017. They were signed on its behalf by:

G Sanghera

G Sanghera Director

OXFORD NANOPORE TECHNOLOGIES LIMITED

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2016

Consolidated	Share Capital £000's	Share Premium Account £000's	Retained Earnings £000's	Translation Reserve £000's	Total £000's
Balance at 1 January 2015	26	180,751	(115,152)	(19)	65,606
Total recognised loss for the year	-	-	(38,511)	-	(38,511)
Exchange loss on translation of subsidiary	-	-	(16)	41	25
Issue of share capital	2	70,566	-	-	70,568
Cost of share issue	-	(201)	-	-	(201)
Employee share-based payments	-	-	2,222	-	2,222
Balance at 1 January 2016	28	251,116	(151,457)	22	99,709
Total recognised loss for the year	-	-	(59,101)	-	(59,101)
Exchange gain on translation of subsidiary	-	-	36	(196)	(160)
Issue of share capital	3	100,668	-	-	100,671
Cost of share issue	-	(581)	-	-	(581)
Employee share-based payments	-	-	3,697	-	3,697
Balance at 31 December 2016	**31**	**351,203**	**(206,825)**	**(174)**	**144,235**

Company	Share Capital £000's	Share Premium Account £000's	Retained Earnings £000's	Total £000's
Balance at 1 January 2015	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-based payments	-	-	2,222	2,222
Balance at 1 January 2016	28	251,116	(151,506)	99,638
Total recognised loss for the year	-	-	(59,400)	(59,400)
Issue of share capital	3	100,668	-	100,671
Cost of share issue	-	(581)	-	(581)
Employee share-based payments	-	-	3,697	3,697
Balance at 31 December 2016	**31**	**351,203**	**(207,209)**	**144,025**

OXFORD NANOPORE TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2016

	Note	Year ended 31 December 2016 £000's	Year ended 31 December 2015 £000's
Net cash outflow from operating activities	17	(51,207)	(33,138)
Investing activities			
Purchases of property, plant and equipment		(3,032)	(962)
Proceeds from the sale of fixed asset		-	114
Amounts transferred to other financial assets	13	(14,942)	(8,937)
Finance costs net of exchange loss		(386)	(101)
Interest received		921	380
Net cash used in investing activities		(17,439)	(9,506)
Financing activities			
Proceeds from issue of shares		100,671	70,568
Costs of share issue		(582)	(201)
Subscription receivable	16	(20,000)	-
Net cash from financing activities		80,089	70,367
Net increase in cash and cash equivalents before foreign exchange movements		11,443	27,723
Foreign exchange gain		31	13
Cash and cash equivalents at beginning of period		52,600	24,864
Cash and cash equivalents at end of period		64,074	52,600

OXFORD NANOPORE TECHNOLOGIES LIMITED

COMPANY STATEMENT OF CASH FLOWS
for the year ended 31 December 2016

	Note	Year ended 31 December 2016 £000's	Year ended 31 December 2015 £000's
Net cash outflow from operating activities	17	(51,874)	(33,419)
Investing activities			
Purchases of property, plant and equipment		(2,860)	(931)
Loans repaid by subsidiary undertakings		539	68
Proceeds from the sale of fixed asset		-	114
Amounts transferred to other financial assets	13	(14,942)	(8,937)
Finance costs net of exchange loss		(386)	(101)
Interest received		921	380
Net cash used in investing activities		(16,728)	(9,407)
Financing activities			
Proceeds from issue of shares		100,671	70,568
Costs of share issue		(582)	(201)
Subscription receivable	16	(20,000)	-
Net cash from financing activities		80,090	70,367
Net increase in cash and cash equivalents		11,487	27,542
Cash and cash equivalents at beginning of period		52,135	24,594
Cash and cash equivalents at end of period		63,622	52,135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

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, other than IFRS 16 for which assessment is ongoing.

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.

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 £ 59.1 million (2015: £38.5 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. Immediately prior to the year end the company completed a fundraising for £100 million.

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax balances are not discounted.

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

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.

4. LOSS FROM OPERATIONS

	Note	**Year ended 31 December 2016** £000's	Year ended 31 December 2015 £000's
This is after charging:			
Staff costs	6	23,916	18,242
Depreciation		1,343	1,002
Direct non-staff research and development costs		24,242	14,263
Payments under operating leases – property		1,315	1,032
Loss on disposal of fixed assets		44	93
Net foreign exchange loss		392	104

All amounts relate to continuing operations

5. AUDITOR'S REMUNERATION

The analysis of auditor's remuneration is as follows:

	Year ended 31 December 2016 £000's	Year ended 31 December 2015 £000's
Fees payable to the Group's auditor for the audit of the Group's annual accounts	37	34
Accounting services	-	10
Total non-audit fees	-	10
Total fees payable to the Group's auditor	37	44

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2016

6. STAFF COSTS

Staff costs, including directors, consist of:

	Year ended 31 December 2016 £000's	Year ended 31 December 2015 £000's
Wages and salaries	17,878	14,157
Employee benefits	295	211
Social security costs	2,046	1,652
Share based payments (note 19)	3,697	2,222
	23,916	18,242

The average monthly number of employees, including directors, during the year was 288 (2015: 243). This included 3 executive directors (2015: 3), 3 non-executive directors (2015: 3), 260 direct research and development staff (2015: 216) and 22 administration staff (2015: 21).

7. DIRECTORS' AND KEY MANAGEMENT COMPENSATION

	Year ended 31 December 2016 £000's	Year ended 31 December 2015 £000's
Directors' emoluments consist of:		
Remuneration for management services	1,350	1,237
Amount paid as directors' fees	167	197
	1,517	1,434
Highest paid director:		
Remuneration for director's fees and management services	578	535
	578	535

The highest paid director exercised no share options (2015 : 40,000) in the current period.

Executive directors receive medical insurance for themselves as a non-monetary benefit. Total premiums in respect of this cover amounted to £13,551 (2015: £8,737). All the emoluments relate to short-term employee benefits. No director received any post-employment benefit, other long-term benefit or termination benefit.

In 2016, none of the directors were granted any share options (2015 : nil) and two of the directors exercised 10,754 share options (2015 – two directors exercised 43,125).

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 2016 £000's	Year ended 31 December 2015 £000's
Short term employee benefits	2,245	2,102

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 £ nil (2015: £2,468)

8. FINANCE INCOME AND EXPENSE

	Year ended 31 December 2016 £000's	Year ended 31 December 2015 £000's
Finance income		
Bank interest receivable	660	649
Finance expense		
Bank interest payable and charges	6	3
Exchange losses	(392)	(104)
	(386)	(101)

9. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 December 2016 £000's	Year ended 31 December 2015 £000's
Current tax		
R&D tax credit for the period	(5,437)	(5,107)
Adjustment in respect of previous periods	(194)	(36)
Tax payable on foreign subsidiary	47	(14)
Total current tax	(5,584)	(5,157)

The deferred tax asset of £31,911,000 (2015: £12,829,000) has not been recognised due to uncertainty that the asset will be utilised in the foreseeable future as the Group has yet to obtain significant sources of income. The unrecognised deferred tax asset includes those in relation to tax losses of £161,612,000 (2015: £71,290,000).

Deferred tax balances have been recognised at the rate expected to apply when the deferred tax attribute is forecast to be utilised based on substantively enacted rates at the balance sheet date.

All other current tax balances have been calculated at the rates enacted for the period.

9. TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

The differences between the rate of corporate tax in the UK of 20% (2015: 20%) and the tax charge for the year are explained below:

	Year Ended 31 December 2016 £000's	Year ended 31 December 2015 £000's
Loss before taxation	(64,685)	(43,668)
Standard tax rate for period as a percentage of losses at 20% (2015: 20%)	(12,937)	(8,733)
Effects of:		
R&D tax relief	(2,176)	(2,033)
Expenses not deductible	95	40
Adjustments to tax charge in respect of previous periods	(173)	(36)
Origination of unrecognised tax losses	8,868	8,056
Impact of share options	739	(2,378)
Short term and fixed asset timing differences not recognised	-	(59)
Tax payable on foreign subsidiary	-	(14)
	(5,584)	(5,157)

10. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold Improvements £000's	Plant and Machinery £000's	Office Equipment £000's	Total £000's
Cost				
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 1 January 2016	1,272	3,999	2,297	7,568
Additions	88	1,765	1,095	2,948
Disposals	-	(81)	(84)	(165)
Foreign exchange movements	-	44	34	78
At 31 December 2016	1,360	5,727	3,342	10,429
Accumulated depreciation				
At 1 January 2015	(826)	(2,526)	(1,430)	(4,782)
Charge for the year	(149)	(472)	(381)	(1,002)
Eliminated on disposals	-	97	15	112
Foreign exchange movements	-	(3)	(1)	(4)
At 1 January 2016	(975)	(2,905)	(1,797)	(5,676)
Charge for the year	(148)	(732)	(463)	(1,343)
Eliminated on disposals	-	37	83	120
Foreign exchange movements	-	(36)	(21)	(57)
At 31 December 2016	(1,123)	(3,635)	(2,198)	(6,957)
Carrying amount				
At 31 December 2015	297	1,095	500	1,892
At 31 December 2016	237	2,092	1,143	3,472

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold Improvements £000's	Plant and Machinery £000's	Office Equipment £000's	Total £000's
Cost				
At 1 January 2015	1,176	3,269	2,027	6,472
Additions	96	664	171	931
Disposals	-	(119)	(14)	(133)
At 1 January 2016	1,272	3,814	2,184	7,270
Additions	88	1,744	1,028	2,860
Disposals	-	(81)	(83)	(163)
At 31 December 2016	1,360	5,477	3,129	9,966
Accumulated depreciation				
At 1 January 2015	(826)	(2,449)	(1,394)	(4,669)
Charge for the year	(149)	(413)	(346)	(908)
Eliminated on disposals	-	97	15	112
At 1 January 2016	(975)	(2,765)	(1,725)	(5,465)
Charge for the year	(148)	(696)	(419)	(1,263)
Eliminated on disposals	-	37	82	119
At 31 December 2016	(1,123)	(3,424)	(2,062)	(6,609)
Carrying amount				
At 31 December 2015	297	1,049	459	1,805
At 31 December 2016	237	2,054	1,067	3,357

At 31st December 2016, the Group had entered into contractual commitments for the acquisition of property, plant and equipment of £nil (2015: £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 2016	31 December 2015
Oxford Nanopore Technologies, Inc	USA	100%	100%
Oxford Nanolabs Limited	England and Wales	100%	100%
The Genome Foundry Limited	England and Wales	100%	100%
Metrichor Limited	England and Wales	100%	100%
KK Oxford Nanopore Technologies	Japan	100%	N/A

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

11. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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 31st May 2013 to offer 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 traditional laboratory-confined customers.

Genome Foundry Limited was set up on 7th September 2015 and has never traded.

KK Oxford Nanopore Technologies was set up on 24 May 2016 to provide services to Oxford Nanopore Technologies Limited in Japan.

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:

	2016 £000's	2015 £000's
At 1 January	51	119
Amount repaid by subsidiary	(51)	(68)
At 31 December	-	51

Total amounts repaid by subsidiaries in 2016 amounted to £519,000, bringing the value of the investment to £nil and increasing the intercompany payables balance by £488,000.

12. TRADE AND OTHER RECEIVABLES

	Group		**Company**	
	Year ended 31 December 2016 £000's	Year ended 31 December 2015 £000's	**Year ended 31 December 2016 £000's**	Year ended 31 December 2015 £000's
Other debtors	21,823	1,369	21,348	1,179
Accrued interest income	141	402	141	402
Other taxes	1,918	1,046	1,918	1,046
Prepayments	1,740	1,271	1,720	1,223
	25,622	4,088	25,127	3,850

None of the receivables are past due, or impaired.

13. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

Financial risk management objectives and policies

Overview

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

13. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (CONTINUED)

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

Credit risk

Credit risk is the risk of financial loss to the Group if a deposit taker should fail. 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 2016 approximately 28% (2015: 25%) of the Group's annual expenditures was denominated in US dollars and approximately 19% (2015: 11%) of the Group'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 2016 £000's	Year ended 31 December 2015 £000's	**Year ended 31 December 2016 £000's**	Year ended 31 December 2015 £000's
Financial assets and liabilities	3,704	2,093	(6,583)	(3,817)

13. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

A 5% strengthening of the US$ at 31 December 2016 would have resulted in changes to equity and profit or loss by the amounts shown below:

	Year ended 31 December 2016 £000's	Year ended 31 December 2015 £000's
Increase in loss for the period	165	70
Decrease in equity	165	70

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 2016, the short-term deposits returned an average of 1.19% (2015: 1.11%). 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 £46,737,630 (2015: £40,079,838)

	Year ended 31 December 2016 £000's	Year ended 31 December 2015 £000's
Increase in loss for the period	467	440
Decrease in equity	467	440

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 on financial instruments at the period end is £148.0 million (2015: £100.5 million). The Group places its deposits with several reputable financial institutions to minimise its credit risk.

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
31 December 2016		
Loans and receivables		
Fixed rate deposits	60,000	60,000
Cash and cash equivalents	70,656	70,656
Trade and other receivables	25,622	25,622
Other financial liabilities		
Trade and other payables	(13,705)	(13,705)
31 December 2015		
Loans and receivables		
Fixed rate deposits	45,058	45,058
Cash and cash equivalents	52,600	52,600
Trade and other receivables	4,088	4,088
Other financial liabilities		
Trade and other payables	(8,289)	(8,289)

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 2016 £000's	Year ended 31 December 2015 £000's
Floating rate assets	64,074	52,600
Fixed rate assets	60,000	45,058
	124,074	97,658

The weighted average interest rate on the fixed term deposits was 1.19% (2015: 1.14%). The weighted average term of fixed interest rate deposits was 1.4 months (2015: 5.5 months).

14. CURRENT TRADE AND OTHER PAYABLES

	Group		Company	
	Year ended 31 December 2016 £000's	Year ended 31 December 2015 £000's	Year ended 31 December 2016 £000's	Year ended 31 December 2015 £000's
Trade payables	3,733	3,028	3,550	2,942
Payroll taxation and social security	2,078	1,127	2,045	1,166
Other creditors	1	-	1	-
Accruals and deferred income	7,893	4,134	6,639	3,514
	13,705	8,289	12,235	7,622

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 (2015: 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 2016	775
Additional provision in the year	230
Balance at 31 December 2016	1,005

The dilapidation provision relates to the leased properties at the Oxford Science Park representing an obligation to restore the premises to their original condition at the time the Company vacates the properties. The provision is non-current and expected to be utilised within three years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2016

16. SHARE CAPITAL

Group and Company

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Issued:		
Opening- 24,569,588 ordinary shares of £0.001 each (2015: 22,489,765)	24,570	22,490
Opening – 733,677 deferred shares of £ 0.005 each (2015 : 733,677)	3,668	3,668
	28,238	26,158
Issued – 2,398,413 ordinary shares of £0.001 each (2015: 2,079,823)	2,398	2,080
	2,398	2,080
Closing – 26,968,001 ordinary shares of £0.001 each (2015: 24,569,588)	26,968	24,570
Closing – 733,677 deferred shares of £0.005 each (2015: 733,677)	3,668	3,668
Total Issued Share Capital	30,636	28,238

On 9 December 2016 Oxford Nanopore raised £100 million ($126 million) through the issuance of 2,150,536 ordinary shares at a share price of £46.50 per share. 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. During the year 248,142 ordinary shares (2015: 329,823) were issued as a result of share options exercised. Transaction costs for the issue of shares are offset against the Share Premium Reserve. As at 31 December 2016 £20 million was recognised as receivable on issued shares.

The ordinary shares do not 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.

17. NOTES TO THE CASH FLOW STATEMENT

	Group		Company	
Group	**Year ended 31 December 2016 £000's**	Year ended 31 December 2015 £000's	**Year ended 31 December 2016 £000's**	Year ended 31 December 2015 £000's
Loss before tax	(64,685)	(43,668)	(65,029)	(43,663)
Adjustments for:				
Depreciation	1,343	1,001	1,263	907
Loss/ (gain) on disposal of property, plant and equipment	44	(92)	44	(92)
Bank charges and net exchange loss	386	101	386	101
Interest income	(660)	(649)	(660)	(649)
Increase in provisions	230	360	230	360
Employee share benefit costs	3,697	2,222	3,697	2,222
Operating cash flows before movements in working capital	(59,644)	(40,725)	(60,069)	(40,814)
Increase in receivables & inventory	(2,145)	(1,218)	(1,725)	(1,083)
Increase in payables	5,322	4,036	4,613	3,702
Cash absorbed by operations	(56,467)	(37,907)	(57,181)	(38,195)
Income taxes – R&D tax credit received	5,260	4,769	5,307	4,776
Net cash from operating activities	(51,207)	(33,138)	(51,874)	(33,419)

Cash and cash equivalents

	Group		Company	
	Year ended 31 December 2016 £000's	Year ended 31 December 2015 **£000's**	**Year ended 31 December 2016 £000's**	Year ended 31 December 2015 **£000's**
Cash and bank balances	64,074	52,600	63,622	52,135

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.

18. COMMITMENTS

As at 31 December 2016, the Group had a commitment to make payments under several operating leases for laboratory and office space with a total commitment over the next 5 years of £2,639,494 (2015 - £2,463,452).

Operating lease arrangements

The Group as lessee

	Year ended 31 December 2016 £000's	Year ended 31 December 2015 £000's
Minimum lease payments under operating leases recognised as an expense in the year	1,315	1,032

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 2016 £000's	Year ended 31 December 2015 **£000's**
Within one year	1,285	1,014
In the second to fifth years inclusive	1,355	1,449
	2,639	2,463

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

As at 31 December 2016, 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 2016 £000's	Year ended 31 December 2015 £000's
Within one year	1,776	1,028
In the second to fifth years inclusive	1,282	489
	3,058	1,517

The Company's commitments are not materially different from the Group as a whole.

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 more than 25 hours a week, or if less, 75% of their total 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.

19. SHARE BASED PAYMENTS (CONTINUED)

In 2016, the Company granted the following options under the share option scheme over its ordinary shares of £0.001 nominal value: 51,050 options with an exercise price of £24.00. The aggregate of the estimated fair values of the options granted in 2016 was £10,382,495. In 2015, the aggregate of the estimated fair values of the options granted was £1,913,254.

	Year ended 31 December 2016		Year ended 31 December 2015	
	Number of share options	**Weighted average exercise price (in £)**	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of period	1,613,809	7.64	1,845,625	5.63
Granted during the period	751,050	24.00	153,075	21.64
Forfeited during the period	(16,015)	13.37	(55,068)	15.28
Exercised during the period	(248,142)	2.46	(329,823)	1.66
Outstanding at the end of the period	2,100,702	14.05	1,613,809	7.64
Exercisable at the end of the period	1,629,707	5.77	1,199,779	4.19

The weighted average share price at the date of exercise for share options exercised during the period was £27.44 (2015: £23.57). The options outstanding at 31 December 2016 had a weighted average exercise price of £14.05 (2015: £7.64), and a weighted average remaining contractual life of 7.1 years (2015: 6.1 years).

	2016	2015
Weighted average share price	£24.00	£21.64
Weighted average exercise price	£24.00	£21.64
Expected volatility	50%	50%
Expected life	10 years	10 years
Risk-free rate	0.65%	1.39-1.41%
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 £3,696,890 and £2,222,019 related to equity-settled share-based payment transactions in 2016 and 2015 respectively.

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 2016 contributions was £785,836 (2015: £612,472).

21. RELATED PARTY TRANSACTIONS

Details of directors' remuneration are given in note 7.

At the end of the year, there were 164,248 (2015: 164,248) 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) and funded its subsidiaries KK Oxford Nanopore Technologies and Metrichor Limited. During the year, the Company paid ONT Inc and KK Oxford Nanopore Technologies £ 2,306,247 (2015: £ 1,791,997) for the R&D and other services provided to it.

During the year the company purchased services amounting to £175,000 (2015 : £140,550) from IP Group, which is related to Oxford Nanopore Technology by the share directorship of A Aubrey.

22 LITIGATION AND CONTINGENT LIABILITIES

On 21 June 2016, Illumina, Inc., University of Washington and UAB Research Foundation (together, the "Complainants") and Oxford Nanopore Technologies Ltd. and Oxford Nanopore Technologies, Inc. (together, "Oxford Nanopore") reached an agreement settling without payment by either party to the other party litigation brought by Complainants against Oxford Nanopore in the United States District Court for the Southern District of California (Case No. 16-CV-0477) and the corresponding proceeding in the International Trade Commission (Investigation No. 337-TA-991, Certain Nanopores and Products Containing Same) in a decision published in the Federal Register Volume 81, Number 164 (Wednesday, August 24, 2016).

On 2 November 2016, Pacific Biosciences of California, Inc. ("PacBio") filed a complaint with the International Trade Commission ("ITC") in Washington DC (Case No. 337-TA-1032) against Oxford Nanopore Technologies Ltd., Oxford Nanopore Technologies, Inc. (together, "Oxford Nanopore") and Metrichor Ltd. ("Metrichor"), alleging that Oxford Nanopore and Metrichor infringed, induced infringement and/or contributorily infringed U.S. Patent Number 9,404,146 and U.S. Patent Number 9,542,527 (together, the "Patents") and engaged in unfair acts in violation of Section 337 of the Tariff Act of 1930 by importing, using and offering for sale in the United States certain single-molecule nucleic acid sequencing systems and reagents, consumables, and software for use with the same. PacBio requested that the ITC 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 Patents. Oxford Nanopore denies any infringement of the Patents and the Patents may be invalid. Management believes 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, but the ITC has no authority to award money damages.

On 2 February 2017, PacBio also filed a complaint against Oxford Nanopore Technologies Ltd. and Metrichor Ltd. (together, the "Defendants") in the High Court of Justice, Chancery Division (Case No. HP-2017-000008) alleging that the Defendants infringed European Patent (UK) No. EP 3,045,542 (the "542 Patent") by supplying and offering for sale in the United Kingdom certain single-molecule nucleic acid sequencing systems and reagents, consumables, and software for use with the same. PacBio is seeking damages, attorneys' fees, costs and expenses and a permanent injunction against the Defendants. Management believes the allegations of infringement are without merit. Although management believes there is no legal basis for the alleged liability, management cannot estimate the possible loss or range of possible loss as there are significant legal and factual issues to be resolved.

On 15 March 2017, PacBio also filed a complaint against Oxford Nanopore Technologies Inc. in the United States District Court for the District of Delaware (Case No. 1:17-cv-00275-UNA) alleging that the Defendant infringed U.S. Patent No. 9,546,400 (the "400 Patent") by supplying and offering for sale in the United States certain single-

molecule nucleic acid sequencing systems and reagents, consumables, and software for use with the same. PacBio is seeking damages, attorneys' fees, costs and expenses and a permanent injunction against the Defendant. Management believes the allegations of infringement are without merit. Although management believes there is no legal basis for the alleged liability, management cannot estimate the possible loss or range of possible loss as there are significant legal and factual issues to be resolved.

Additionally, Oxford Nanopore Technologies Ltd. is assuming the costs of litigation in the United States District Court for the Northern District of California between The Regents of the University of California and Roger Jinteh.

22 LITIGATION AND CONTINGENT LIABILITIES (CONTINUED)

Arrigo Chen and Genia Technologies, Inc. (Case No. 3:16-CV-07396). Management cannot estimate the costs of such litigation at this time.

23. ULTIMATE CONTROLLING PARTY

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