Oxford Nanopore Technologies Limited

Annual report and financial statements

for the year ended 31 December 2018

Registered number: 05386273

OXFORD NANOPORE TECHNOLOGIES LIMITED

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OXFORD NANOPORE TECHNOLOGIES LIMITED

COMPANY INFORMATION

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OXFORD NANOPORE TECHNOLOGIES LIMITED

DIRECTORS' REPORT

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 2018.

Principal activities

Oxford Nanopore's long-term goal is to enable the genetic analysis of any living thing, by any person, in any environment. The Group's strategy is to develop a new generation of DNA/RNA analysis technology with novel, disruptive features, and to commercialise it in a way that is accessible to all, to address existing centralised models of biological analysis at the same time as opening up new, decentralised market paradigms.

The principal activities of the Group are to research, develop, manufacture and commercialise a nanopore-based technology platform that allows the real-time analysis of DNA or RNA. This allows current customers to perform scientific/biomedical research in a range of areas, including human genetics, cancer research, environmental analysis, pathogens/antimicrobial resistance, microbiome analysis and crop science. Customers are now also starting to use the Group's technology to gain insights into samples for decision-making purposes – so-called 'Applied' markets. These emerging uses may include applications in healthcare, agriculture, biopharma production, food/water supply chain surveillance, and education or consumer markets; anywhere where DNA information can tell a user about a sample: for example its identity, whether it is changing, healthy, or diseased.

Only Oxford Nanopore sequencing offers real-time, electronic analysis of DNA or RNA, alongside delivery of 'long reads' and the ability to scale to very small or very large devices.

Initially, Oxford Nanopore launched the world's only portable, real-time 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. The MinION has featured in hundreds of publications across a diverse range of scientific disciplines and is used inside laboratories as well as in new settings such as farms, glaciers and oceans.

Nanopore sequencing is also scalable to very high-throughput applications. During 2018, Oxford Nanopore launched PromethION commercially, after an initial early access programme. This larger device enables up to 144,000 channels to sequence DNA at any time, at a rate of ~450 bases per second per channel. Capable of delivering >7 terabases of long-read DNA sequence data, PromethION is positioned to address markets that require larger volumes of data or larger sample numbers, for example population-scale human or plant genomes. In 2019, the new PromethION 48 came online, to be used to sequence tens of thousands of human genomes as well as other large projects.

The Group's range of devices and associated technologies addresses a broad range of current and potential applications, as follows:

Device	Description	Yield capability end 2018 (per flow cell)	Typical applications	Status (end 2018)
MinION	The original portable, real-time DNA/RNA sequencer.	30 Gb (customer, using 'RevD' flow cells introduced in October 2018).	Sequencing of any sample in any location. If sequencing larger genomes (e.g. human, plant), MinION has been used, but customers may now prefer to choose GridION or PromethION.	Commercially available since 2015.

Device	Description	Yield capability end 2018 (per flow cell)	Typical applications	Status (end 2018)
GridION	Can run up to 5 MinION/ Flongle flow cells in a single benchtop device with embedded compute.	30 Gb x 5 = 150 Gb	Mid-sized, modular, powerful sequencer useful for larger genomes e.g. human/plant, or higher frequency of samples. GridION is compatible with Flongle for higher numbers of smaller tests.	Commercially available. GridION and PromethION (but not MinION) can be used for service provision; during 2018 the number of service providers using nanopore expanded. https://nanoporetech.com/services/providers
PromethION	Up to 48 individual flow cells can be run together or independently.	As much as 220Gb per flow cell (internal statistics, ~180Gb record in customer hands). Designed for up to 48 flow cells to be run on-demand, P48, has shown >7Tb in single run.	The largest throughput sequencer. Typically chosen by customers running large projects or large sample numbers, e.g. population-scale human genomes.	Commercially available. PromethION Beta was launched in May 2018. PromethION 24 (P24) and PromethION 48 (P48) were announced in November 2018 and P48 first shipped in May 2019. The first P48 reached a customer in May 2019, and within days that customer had successfully installed the device, achieving 5Tb of sequence data in their first run.
Flongle	An adaptor for MinION/GridION, to enable lower-cost, smaller flow cells for rapid, single tests.	1.8 Gb (customer)	Designed for rapid testing anywhere and on-demand, e.g. potential future diagnostics applications in areas such as rapid infectious disease characterisation/panels, food safety, environmental, amplicon sequencing, quality testing or rapid prototyping for other sequencing experiments.	In early access (made commercially available in Q1 2019).
Additional technologies				
VolTRAX	Automated, USB-powered device for preparation of samples without needing lab environment or kit.		Designed to obviate the need for lab skills, environment or equipment, and to assist with consistent, high-quality preparation.	VolTRAX v1 in use; VolTRAX v2 devices began shipping in Feb 2019, with DNA libraries generated by the device in-field.
Ubik	Low-cost, ultra-rugged sample preparation (DNA extraction and library preparation), with no power requirements.		Designed to open up new applications by enabling low-cost preparation in any location, with no power requirements.	In development: proof of concept shown May 2018.
MinIT	A companion to the MinION personal DNA/RNA sequencer. Pre-configured with the software that controls the MinION (MinKNOW), carries out data acquisition and performs basecalling.		Powerful compute designed to remove the need for a laptop to accompany the MinION. Enabler of sequencing anywhere by anyone.	Started shipping late 2018.
MinION Mk1C	MinION, GPU and high-resolution screen and mobile connectivity in a fully portable device.		Designed to be an all-in-one sequencer and analysis device for sequencing anywhere.	In development: estimated shipping Q3 2019.

A review of the Group's research and development activities and future developments are discussed in the Strategic Report.

DIRECTORS' REPORT (CONTINUED)

Events after the balance sheet date

There have been no significant events since the balance sheet date.

Results and dividends

The consolidated statement of comprehensive income is set out on page 18. The directors do not recommend the payment of a dividend (2017: £nil).

Directors

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

PV Allen (Chairman)	JP Willcocks
A Aubrey	T Cowper (appointed 13 December 2018)
S Gordon-Wild	C G Brown (resigned 25 January 2018)
G Sanghera	JA McDonald (resigned 13 December 2018)

Disabled employees

Oxford Nanopore is an equal opportunities employer and ensures that applications for employment from people with disabilities and other under-represented groups are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

The employee share scheme has been running successfully since 2006. It is open to all employees and further details are provided in Note 25 to the accounts on page 48.

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
2nd August 2019

OXFORD NANOPORE TECHNOLOGIES LIMITED

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 2018.

Historical Financial Information and Key Performance Indicators

Oxford Nanopore's long term goal is to enable the genetic analysis of any living thing, by anyone, anywhere.

Oxford Nanopore Technologies has developed the world's only commercial nanopore sequencing devices. These offer a combination of features that is unique in the market: real-time data that enables rapid insights; formats that can be scaled from tiny/portable to ultra-high throughput; long reads that confer multiple benefits in biological analysis; and direct sequencing (without surrogate markers such as fluorescence), which can enable direct epigenetic analysis and simplify workflows.

Oxford Nanopore was founded in 2005, and the first decade of its operation was focused on developing its proprietary, electronics-based technology platform that could perform nanopore sensing in real time, in massively parallel formats. A multi-disciplinary R&D team that spans novel electronics through to sophisticated chemistry developments brought the technology to fruition, and the Group has continued to invest heavily in R&D, to maintain its innovation advantage in its current and potential markets.

The Group commenced commercial activities in mid-2015, and has invested in expanding its supply chain, production facilities and commercial infrastructure. This supports the Group's strategy of market disruption; by selling sequencing devices into the market, at accessible price points and to a broad range of customers. The Group aims to bring the novel properties of nanopore sequencing to a disparate group of users for whom biological information is useful either for research purposes or for other types of decision making.

Year ending 31 Dec:	**2015**	**2016**	**2017**	**2018**
Revenue USD ($m)	$1.1	$6.2	$17.8	$43.6
Revenue GBP (£m)	£0.7	£4.5	£13.8	£32.5
Loss after Tax GBP (£m)	£38.5	£59.1	£56.5	£53.1
Average headcount	243	288	343	408
year average exchange rate used ($:£)*	*$1.57*	*$1.38*	*$1.29*	*$1.34*

* Whilst the Group does not report in USD, it is a helpful indicator for understanding the Group's sales, which are predominantly denominated in USD.

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 £18.7m from £13.8m in 2017, representing growth of 136% as a result of higher sales volumes for devices and flowcells. The loss after tax reduced by £3.4m from £56.5m in 2017 to £53.1m in 2018 with increased overheads not fully offsetting the growth in revenue. For the year ended 31 December 2018, the Group's net loss of £53.1m (2017: £56.5 m) was in line with budgets approved by the Board. Contributing to this loss total operating expenses increased by £6.2m to £78.8m due to the increased sales volumes

Net movements in cash, cash equivalents and other financial assets for the year ended 31 December 2018 were an inflow of £25.5m (2017: £56.3m outflow), due to a fund raising of £100m completed in the year, mainly offset by the loss of £53.1m and capital additions of £17.8m. At 31 December 2018, the Group's balance of cash, cash equivalents and other financial assets of £93.3m (2017: £67.8m) is considered adequate to fund the Group's operations for the foreseeable future. The Group intend to raise funds in 2019 to expand global commercial activities.

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, pipeline and commercial objectives.

STRATEGIC REPORT (CONTINUED)

Balance sheet review

The most notable items on the balance sheet, including changes from 31 December 2017 are as follows:

- Intangible assets increased by £6.4m due to capitalisation of development costs incurred in the year in relation to platform enhancements;
- Property, plant and equipment increased by £5.1m to £26.5m as depreciation of £6.1m only partially offset additions of £11.2m, which consisted primarily of capitalised PromethION devices sold under lease contract;
- Inventory increased by £12.2m to ensure manufacturing processes can meet increased demand;
- Trade and other receivables increased by £12.1m to £20.8m as a result of increased sales of devices and flowcells;
- R&D tax credit recoverable decreased from £14.8m to £8.6m due to timing of historical claims in 2016 not being received until early 2018;
- Other financial assets increased by £48.0m as part of cash management strategy to place funds on short term fixed rate deposits until they are required by the business;
- Trade and other payables increased by £6.6m to £21.8m due to increase in purchasing activity to match sales demand.

Business summary: 2018

Oxford Nanopore develops and commercialises a new generation of novel DNA and RNA sequencing technology, as well as surrounding technologies that enable the use of nanopore sequencing. Nanopore sequencing offers a unique combination of properties: real-time, long-read, direct, and scalable from small to large formats. The long-term goal of the Group is to enable the analysis of any living thing, by any person, in any environment.

Customers and potential customers for nanopore sequencing technology may broadly be divided into those who are using sequence data for research purposes, and those who may be interested in the data to gain insights that might enable decision-making, for example in food safety, outbreak surveillance, agriculture, etc.

- these are broadly referred to as 'applied markets'. Some potential applied market uses of sequencing may be in regulated environments.

Commercial progress

In 2018, we made substantial technical and commercial progress.

The community of nanopore users expanded to include a larger number of users with a broader scientific outlook. During 2018, approximately 100 publications described the use of nanopore sequencing in a range of application areas that include:

- at the start of the year, the most complete **human genome** sequence with a single sequence technology was published, having used MinION.[1] This January 2018 publication highlighted the importance of nanopore long reads in assembling large genomes, reaching parts of the genome previously inaccessible to other technologies. It was followed by a variety of human genetics publications that increasingly used the higher throughput GridION and PromethION to drive throughput and cost. This included a complete Y chromosome centromere, and larger-scale human genome projects, e.g. Amgen's DeCode genetics' comment in October 2018 that they had used nanopore technology to 'sequence several hundred genomes'; In early 2019 numerous new research projects were published or presented that highlighted more complete assemblies of genomes using nanopore and at increasingly large scale. This included the announcement of a project that will use PromethION to sequence 100,000 human genomes over 2-3 years.

[1] https://www.nature.com/articles/nbt.4060

- a range of analyses of **infectious diseases**, from liver abscesses[2] to drug-resistant E coli. These highlighted the utility of real-time analysis for rapid insights, and portable formats for easy access and decentralised usage. In early 2019, the first accreditation for diagnostic use of nanopore in infectious disease was announced by the University of Bern Institute for Infectious Disease;
- real-time **analysis of outbreaks** including yellow fever,[3] meningococcal disease[4] and Foot and Mouth;[5]
- identifying salmonella subtypes from **food** samples. In early 2019 the first accredited food safety test using nanopore was announced by ClearLabs;[6]
- **plant genomes**, which are large and complex and well suited to high-throughput, long read sequencing by nanopore technology. In 2018, the genomes of Sorghum and Oryza (rice) were sequenced with nanopore, which was also used in a range of other analyses of plants and their pathogens. In 2018, one researcher reported that they had used nanopore sequencing to assemble100 tomato genomes in 100 days, highlighting the importance of long-read nanopore data when used in abundance on GridION or PromethION; and
- **RNA analysis,** whether using the novel Direct RNA analysis method as featured on the cover of *Nature Methods*,[7] or the Group's approach to transcriptome analysis, which uses cDNA analysis that delivers full-length RNA transcript sequences in abundance.[8]

Expanding a commercial team to access broader markets and territories

Oxford Nanopore aims to make sequencing easier and more accessible by a broad range of users. We develop our products towards a 'plug and play' goal, so that customers can 'self-serve' using our digital platforms for e-commerce and customer training/support. However, we also recognise that to nurture the market and support customers we need to complement our digital capacity with a strong commercial team and in 2018 we expanded our sales, market development and support personnel. During the year we added commercial capacity at offices in San Francisco, Shanghai and Singapore, as well as expanding our field-based teams across the USA, Europe and Asia.

Expanding manufacturing and operational capacity

In line with increased demand for nanopore sequencing products and the trajectory of innovation, the Group started to build a new manufacturing facility at Harwell, Oxford, UK. This facility is designed to provide high-throughput, high-tech manufacturing with increased automation and will have the capability to support the increasing demand for nanopore products in the short to medium term. In July 2019, the Group announced that it had started high-tech, automated manufacturing processes at its new 34,500 sq ft facility.

Disruption through innovation

Oxford Nanopore has invested heavily in R&D across multiple disciplines including electronics, chemistry, molecular biology, materials science, engineering and software/informatics. Our skilled and determined team has delivered an integrated, scalable technology platform that has started to disrupt the industry of DNA analysis.

Through ongoing investment in this R&D function, we are driving continuous improvement of the performance of our sequencing technology, as well as creating a rich pipeline of new technologies. We also

[2] https://nanoporetech.com/resource-centre/culture-independent-analysis-liver-abscess-using-nanopore-sequencing

[3] https://nanoporetech.com/resource-centre/genomic-and-epidemiological-monitoring-yellow-fever-virus-transmission-potential

[4] https://nanoporetech.com/resource-centre/acquisition-virulence-genes-carrier-strain-gave-rise-ongoing-epidemics

[5] https://nanoporetech.com/resource-centre/serotyping-foot-and-mouth-disease-virus-using-oxford-nanopore-sequencing

[6] https://nanoporetech.com/resource-centre/quasi-metagenomics-and-realtime-sequencing-aided-detection-and-subtyping-salmonella

[7] https://nanoporetech.com/resource-centre/highly-parallel-direct-rna-sequencing-array-nanopores

[8] https://nanoporetech.com/resource-centre#resource-centre=%7B%22tags%22%3A%5B%7B%22value%22%3A%22RNA%2FcDNA%22%2C%22checked%22%3A2%7D%5D%7D&resource-centre-panel-0=%7B%22currentPage%22%3A0%2C%22totalPages%22%3A62%2C%22searchIndex%22%3A%22ews_english_resources%22%7D

innovate to address crucial parts of the workflow that will enable us to expand the market for DNA information – most notably sample preparation and analysis.

Continuous performance improvement:

- **Yield and cost per Gb**: during 2018, a number of releases, including a new 'RevD' flow cell and a new release of the MinKNOW software, enabled us to **increase the yield of sequence data** that was produced from a single flow cell. As the pricing of flow cells has remained constant, this improvement equates to a substantial improvement in per-Gb data costs to the customers.
    - **MinION/GridION yields increase:** In 2018 the customer record for data generated from a MinION/GridION flow cell was ~30 Gb, making the MinION a powerful tool for genomic analysis.
    - **Ultra-high throughput:** in May, following a period of acceleration of performance of PromethION, this large device was released from an early access programme into commercial availability. At the end of 2018 we announced that two formats would become available in 2019: P48 to run up to 48 flow cells, and P24 to run up to 24. This allows a choice of formats between groups focused on very high and ultra-high throughput projects. During early 2019 early internal P48 runs yielded as much as 7Tb of sequence data, positioning the device for ultra-high throughput genomics. The first customer run, in May 2019, yielded 5Tb, enabling population-scale genomic projects with nanopore long reads at a competitive cost.
- **Accuracy**: the novel properties of nanopore sequencing lend themselves to a broad range of existing and emerging applications. In particular, long reads have characterised and assembled parts of the genome that short read technologies cannot, conferring biological advantages in understanding structural variation, repetitive regions and "hidden" disease-relevant genes. In addition to being able to provide broad coverage of genomes and high-value assemblies, the Group is also focused on driving the highest accuracy of its sequence data. This is done through a combination of different technological advances, including improved basecalling algorithms and new types of nanopore.
  During 2018 a number of releases contributed to increases in **consensus accuracy** (a metric typically used by scientific researchers) including:
    - the release of Medaka (a tool to create a consensus sequence from basecalled nanopore sequencing data). This task is performed using neural networks applied from a pile-up of individual sequencing reads against a draft assembly. It outperforms graph-based methods operating on basecalled data, and can be competitive with state-of-the-art signal-based methods, whilst being much faster;
    - the release of a new basecaller based on the 'Flip-flop' algorithm, which enhances single-molecule accuracy and homopolymer resolution. This was enabled in Guppy, which was released in 2018;
    - in early 2019, a combination of these newer tools was capable of delivering >Q40 (99.99%) consensus accuracy on certain genomes with the R9.4.1 nanopore; and
    - a new type of nanopore, R10. At the end of 2018, nanopore devices use the R9.4.1 nanopore; the R10 nanopore has a longer barrel and dual reader head, enabling certain improvements in accuracy. R10 was released into early access in March 2019 after achieving Q54 (99.999%) consensus accuracy on a small genome in internal testing.
- In addition, numerous examples emerged of high test accuracy to enable decision-making in healthcare or industrial settings, for examples in diagnosis of Huntingdon's disease or infectious disease, or in food safety testing. In these cases, improved turnaround time enabled by nanopore's real-time data analysis is also a critical driver of these applications.
- **Breadth of applications**: a number of kit releases were achieved in 2018, along with improved guidance to customers on how to choose the most suitable workflow from an increasing range of choices. For example, RNA002, an upgrade for direct RNA sequencing – an application that is unique to nanopore sequencing – was released in September 2018.

Pipeline: innovation for future markets

To progress closer to the goal of enabling any person to use our technology to analyse any living thing, in any environment, we need to make the entire process of sample-to-result quick, easy and effective. To achieve this, not all of the Group's innovation is focused on sequencing. The steps of DNA extraction from the

STRATEGIC REPORT (CONTINUED)

Pipeline: innovation for future markets (continued)

sample, preparation of that sample for sequencing and subsequent data analysis are also key parts of our R&D programme. We believe that investment in these areas is critical to open up new broad markets for potentially substantial long-term investor return.

Sample preparation: sample preparation can be complicated and time-consuming, particularly with competitor technologies. While Oxford Nanopore offers a ten-minute library preparation protocol, we still wish to push for further ease of use and consistency. VolTRAX, our innovative, programmable, automated, rapid preparation device, was released into early customer use in 2017, with promising results. For example, it was used in an end-to-end workflow to identify an infection of a prosthetic hip joint, providing an early indication that the device could help to open out new applied markets. In 2018, customers started to access VolTRAX v2, which is designed to offer an expanded range of features including heating/cooling, to enable PCR on the device. This will be more broadly released in 2019.

Sample preparation – Ubik: This R&D project is focused on producing a very low-cost consumable device that does not rely on a power supply. The device will be designed to perform sample extraction from liquid media and prepare that sample for nanopore sequencing. Such a device could, we believe, open up true anyone/anywhere analyses, particularly for rural and remote settings. In May 2018, proof of concept was shown when Ubik was used on stage at our annual conference, London Calling. CTO Clive Brown provided saliva into the tube, which was agitated by hand to free oral microbiome and human DNA, subsequently sequenced with a MinION.

Sequencing - Flongle: this sequencing adapter is compatible with MinION and GridION. Designed to run smaller, low-cost flow cells, it is well suited for rapid, smaller tests in any environment. We anticipate that Flongle will serve research uses – for example, quality control or high-frequency tests with lower data volume requirements. However, the main benefit of Flongle is expected to be in the applied markets such as food/water testing or, potentially, diagnostics. It is a unique opportunity to provide the rich data that DNA/RNA sequencing can give, in combination with portability, rapidity and affordability. Flongle was released into early access in 2018, with successful data including analysis of genetic panels. Flongle was made available on the nanopore store in early 2019.

Data analysis - EPI2ME: many current nanopore customers are 'wet lab' scientists who would normally collaborate with bioinformaticians in order to interpret their results. Oxford Nanopore aims to provide analytical workflows that open up sequencing to scientists with little bioinformatics resource or skills. The EPI2ME platform has been developed in order to enable real-time analysis of nanopore data. Currently, customers are offered a selection of workflows including 'What's in my pot?' (WIMP), a real-time species ID analysis, barcoding, custom reference alignment and a human exome mapper.

Data analysis - MinIT: as the performance of MinION has increased, our customers sometimes need high specification laptops to use the MinION to its full potential. In 2018 we released MinIT, a powerful, preconfigured accessory for MinION, containing GPU technology. MinIT simplifies the IT experience for MinION and enables real-time data analysis in a small device.

Sequencing - MinION Mk1C: Oxford Nanopore is developing the MinION Mk1C, a single device that integrates a sequencer to run MinION flow cells or a Flongle adapter, with integrated GPU compute and a high-resolution screen. With mobile connectivity, the MinION Mk1C is designed to bring easy sequencing to more people in more locations. Pre-orders are being taken and release is expected in 2019.

Sequencing - SmidgION: Oxford Nanopore is currently developing SmidgION, a DNA/RNA sequencer, based on the same nanopore technology in current devices, that will work when connected to a smartphone. The Group is currently developing bespoke electronics to enable SmidgION, including a new, low power ASICr. Example uses could potentially include: analysis of blood/sputum/saliva at home or at the point of care; industrial testing in food, environment, or industrial settings; citizen science; diagnostics for pets and veterinary uses as well as for humans.

STRATEGIC REPORT (CONTINUED)

Fundraising

On 20 March 2018, Oxford Nanopore raised £100 million ($140 million) in new funding via a private placement of ordinary shares in the Group. The funds were raised from global investors from China, Singapore and Australia, as well as from existing investors and were raised to support the Group's next phase of commercial expansion. This includes a new high-volume, high-tech manufacturing facility in Oxford, to support accelerating demand for the Group's sequencing technology, the growth of the commercial team, which already serves more than 80 countries, and the support of the Group's R&D to expand its suite of nanopore analysis devices.

Going concern

The Group held £93.3m of cash, cash equivalents and other financial assets at the end of 2018. The Group started commercialising its products in mid-2015 and has continued to invest in R&D and commercial expansion, although the Group is loss making at present. The Group is targeting further significant increases in revenues and gross margins in order to achieve profitability and expects to significantly reduce cash burn by early 2020.

The directors have a reasonable expectation that, despite the current uncertain economic outlook, 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.

The Group intend to raise funds in 2019 to expand global commercial activities.

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.

Risk and/or uncertainty	*Mitigation*
Financial: the Group continues to invest in the expansion of the business, both pushing innovation and building commercial infrastructure. As such, it is loss-making at present and requires continued financial resources to increase its commercial and operational activities in order to achieve profitability.	On 20 March 2018, the Group announced that it had raised £100 m to fund the new manufacturing facility, commercial expansion and continued development of new innovative products. The Directors believe that the current financial resources are sufficient to fund operations for the foreseeable future.
Technological: the Group aims to drive sales by continuously improving the technology and expanding its range to address existing and new markets.	The Group sets ambitious targets for its technology development and aims to recruit and develop the best employees to fulfil these targets. During the period the Group has launched the PromethION, a very high throughput device, as well as numerous improvements to the technology that have developed yield (cost) and accuracy enhancements across the platform to levels that are increasingly competitive in the market. The continued culture of innovation is core to the success of the Group. The Group's strategy is to engage early with users of the technology to ensure that the technology is closest to what is needed by customers and to accelerate the debugging and adoption of technology iterations.
Commercial: in order to continue to increase its revenues and the number of customers, the Group must continue to expand its commercial presence and to deploy efficient commercial strategies to reach its target customers.	The Group is currently investing in increased commercial resources across more markets and territories, as well as spending more time developing applied solutions and putting in place more long-term relationships with larger customers, in different application areas.
Intellectual property: as the Group continues to expand its R&D and commercial activities, it must continue to develop and protect its patent portfolio in order to protect its intellectual property.	The Group treats intellectual property as a priority for the business. As well as expanding its collaborations with a number of leading academic institutions, the Group has invested considerable resources in protecting its current IP portfolio from litigation and lawsuits (see Note 28).

STRATEGIC REPORT (CONTINUED)

Risk and/or uncertainty	*Mitigation*
Expansion of manufacturing activity: as the Group expands usage of its current products, as well as increasing its range and volume of products, it will require additional manufacturing capacity to meet this demand.	The Group is currently building a new 35,000 square foot manufacturing plant in Oxfordshire, which will come online later in 2019. As with all high tech, complex manufacturing, the Group is precise about the nature of this manufacturing expansion. The nature and processes adopted by the Group will continue to evolve over time.
Reliance on suppliers: due to the complexity and diversity of its products, the Group works with a number of key suppliers across a broad range of items.	The Group is working towards mitigating these risks with alternative sources of supply, together with a culture of continuous improvement across all products.
Retention of and reliance on key employees: The Group has been developing its technologies since 2005 and aims to recruit the best possible employees across a range of disciplines that can be highly specialised.	The Group strives to provide a stable and motivating environment for all employees, with excellent employment packages designed to attract and retain key employees across all parts of the Group.
Regulation: The Group operates in a number of countries and sectors, some of which are highly regulated.	The Group's products are currently sold for Research use only, but in the future may be adopted for clinical or other regulated purposes. The Group is planning for this eventuality, both from a regulatory and manufacturing perspective and adding resources as required. During the year the Group achieved certification to ISO 9001.
Competitors: Many of the Group's competitors are considerably larger than the Group and have considerably more commercial and financial resources, as well as lobbying power.	The Group continues to monitor the activities of the competitors, and to present the advantages of our technology over incumbent technology. The Group aims to stay ahead by producing novel products that offer new properties and will compete on more traditional performance metrics, ambitious innovation and maintaining a close and authentic relationship with its customer community.
Cyber Security risks: including loss of data and website inaccessibility.	The Group continues to invest heavily in its technological assets. In 2017, the Group achieved accreditation to ISO 27001.
UK exit from European Union ("Brexit"): The impact of the UK's decision to leave the EU is not yet clear and could significantly affect the fiscal, monetary and regulatory landscape in the UK.	The Group has made contingency plans for a number of eventualities as a result of current negotiations which aim to reduce the impact on the business as far as possible. However, due to the uncertainty surrounding this issue, it is difficult to fully understand the impact will eventually have on the business.

The Group's processes to manage their principal financial risks are outlined in Note 16. Current litigation involving alleged patent infringement is described in Note 28.

On behalf of the board

G Sanghera, *Director*
2nd August 2019

OXFORD NANOPORE TECHNOLOGIES LIMITED

DIRECTORS' STATEMENT OF RESPONSIBILITIES

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 Company and of the profit or loss of the Company 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 Company'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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company 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

Director
G Sanghera

2nd August 2019

Director
T Cowper

2nd August 2019

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Oxford Nanopore Technologies Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (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.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows; and
- the related Notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on other legal and regulatory requirements

Opinions on other matters 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Report on other legal and regulatory requirements (continued)

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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

Andrew Evans.

Andrew Evans, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom
2nd August 2019

OXFORD NANOPORE TECHNOLOGIES LIMITED

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2018

	Note	2018 £000's	2017 £000's
Revenue	4	32,521	13,787
Cost of Sales		(16,506)	(7,061)
Gross Profit		16,015	6,726
Operating expenses			
Direct research & development expenses		(37,102)	(34,979)
Selling, General & Administrative expenses		(41,639)	(37,682)
Other Operating Income and Expenditure		(19)	48
Total operating expenses		(78,760)	(72,613)
Loss from operations		(62,745)	(65,887)
Finance costs, net of exchange loss	9	(423)	(519)
Finance income, net of exchange gain	9	1,143	540
Loss before tax	5	(62,025)	(65,866)
Tax credit	10	8,906	9,330
Loss for the year after tax		(53,119)	(56,536)

The results of the Group are all derived from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018 £000's	2017 £000's
Attributable to: Equity shareholders of the parent.		
Loss for the year	(53,119)	(56,536)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	118	(36)
Total comprehensive loss	(53,001)	(56,572)

OXFORD NANOPORE TECHNOLOGIES LIMITED

CONSOLIDATED BALANCE SHEET
As at 31 December 2018

	Note	2018 £000's	2017 £000's
Non-current assets			
Intangible assets	11	6,405	-
Property, plant and equipment	12	26,464	21,376
		32,869	21,376
Current assets			
Inventory	14	18,603	6,449
Trade and other receivables	15	20,816	8,715
Contract assets	2	1,000	184
R&D tax credit recoverable	10	8,579	14,786
Other financial assets	16	58,000	10,000
Cash and cash equivalents	23	35,321	57,797
		142,319	97,931
Total assets		175,188	119,307
Current liabilities			
Trade and other payables	17	(21,790)	(15,218)
		(21,790)	(15,218)
Non-current liabilities			
Loan	18	(9,500)	(9,500)
Provisions	18	(1,005)	(1,005)
Total liabilities		(32,295)	(25,723)
Net assets		142,893	93,584
Equity			
Share capital	19	33	31
Share premium reserve	20	450,231	351,409
Retained earnings	21	(307,231)	(257,618)
Translation reserve	22	(140)	(238)
Total equity		142,893	93,584

The financial statements of Oxford Nanopore Technologies Limited (Registered number 05386273) were approved by the board of directors and authorised for issue on 2nd August 2019. They were signed on its behalf by:

G Sanghera Director

OXFORD NANOPORE TECHNOLOGIES LIMITED

COMPANY BALANCE SHEET
As at 31 December 2018

	Note	2018 £000's	2017 £000's
Non-current assets			
Intangible assets	11	6,405	-
Property, plant and equipment	12	25,209	21,286
Investments	13	25	25
		31,639	21,311
Current assets			
Inventory	14	18,105	6,232
Trade and other receivables	15	20,484	7,203
Contract assets	2	466	86
R&D tax credit recoverable	10	8,579	14,786
Other financial assets	16	58,000	10,000
Cash and cash equivalents	23	34,368	57,453
		140,002	95,760
Total assets		171,641	117,071
Current liabilities			
Trade and other payables	17	(18,837)	(13,535)
		(18,837)	(13,535)
Non-current liabilities			
Loan	18	(9,500)	(9,500)
Provisions	18	(1,005)	(1,005)
Total liabilities		(29,342)	(24,040)
Net assets		142,299	93,031
Equity			
Share capital	19	33	31
Share premium reserve	20	450,231	351,409
Retained earnings	21	(307,965)	(258,409)
Total equity		142,299	93,031

As permitted by section 408 of the Companies Act 2006, the Company's statement of comprehensive income has not been included in these financial statements. The Company's loss for the year was £53.0m (2017: £56.9m).

The financial statements of Oxford Nanopore Technologies Limited (Registered number 05386273) were approved by the board of directors and authorised for issue on 2nd August 2019. 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 2018

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 2017	**31**	**351,203**	**(206,825)**	**(174)**	**144,235**
Loss for the year	-	-	(56,536)	-	(56,536)
Exchange gain on translation of subsidiary	-	-	28	(64)	(36)
Issue of share capital	-	311	-	-	311
Cost of share issue	-	(105)	-	-	(105)
Employee share-based payments	-	-	5,715	-	5,715
Balance at 31 December 2017	**31**	**351,409**	**(257,618)**	**(238)**	**93,584**
Loss for the year	-	-	(53,119)	-	(53,119)
Exchange gain on translation of subsidiary	-	-	20	98	118
Issue of share capital	2	100,324	-	-	100,326
Cost of share issue	-	(1,502)	-	-	(1,502)
Employee share-based payments	-	-	3,486	-	3,486
Balance at 31 December 2018	**33**	**450,231**	**(307,231)**	**(140)**	**142,893**

Company	Share Capital £000's	Share Premium Account £000's	Retained Earnings £000's	Total £000's
Balance at 1 January 2017	**31**	**351,203**	**(207,209)**	**144,025**
Loss for the year	-	-	(56,915)	(56,915)
Issue of share capital	-	311	-	311
Cost of share issue	-	(105)	-	(105)
Employee share-based payments	-	-	5,715	5,715
Balance at 31 December 2017	**31**	**351,409**	**(258,409)**	**93,031**
Loss for the year	-	-	(53,042)	(53,042)
Issue of share capital	2	100,324	-	100,326
Cost of share issue	-	(1,502)	-	(1,502)
Employee share-based payments	-	-	3,486	3,486
Balance at 31 December 2018	**33**	**450,231**	**(307,965)**	**142,299**

OXFORD NANOPORE TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	Note	**2018** **£000's**	2017 £000's
Net cash outflow from operating activities	23	(56,078)	(66,345)
Investing activities			
Purchases of property, plant and equipment		(11,184)	(19,724)
Capitalisation of Research & Development costs		(6,619)	-
Proceeds from the sale of fixed asset		-	65
Finance costs net of exchange loss		148	(493)
Interest received		383	569
Net cash used in investing activities		(17,272)	(19,583)
Financing activities			
Proceeds from issue of shares		100,326	311
Costs of share issue		(1,502)	(105)
Subscription receivable		-	20,000
Amounts transferred (to)/from other financial assets	16	(48,000)	50,000
Proceeds from bank borrowings		-	9,500
Net cash from financing activities		50,824	79,706
Net reduction in cash and cash equivalents before foreign exchange movements		(22,526)	(6,222)
Effect of foreign exchange rate changes gain/(loss)		50	(55)
Cash and cash equivalents at beginning of period		57,797	64,074
Cash and cash equivalents at end of period		35,321	57,797

OXFORD NANOPORE TECHNOLOGIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

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, and are rounded to the nearest thousand pounds.

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. The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

New standards and interpretations

The Group has adopted the following IFRSs in these financial statements.

- IFRS 9 Financial Instruments – The adoption of IFRS 9 and the other amendments listed below did not have any impact on the amounts recognised in the current and prior periods and is not expected to significantly affect future periods.
- IFRS 15 Revenue from contracts with customers (Note 3).

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):

		Effective for accounting periods beginning on or after
IFRS 3 (annual improvements)	Business Combinations	1 January 2019
IFRS 10 (amended)	Sale of Contribution of Assets between and investor and its associate or joint venture	Date not set
IFRS 11 (annual improvements)	Joint Arrangements	1 January 2019
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IFRS 9 (amended)	Prepayment Features with Negative Compensation	1 January 2019
IAS 12 (annual improvements)	Income Taxes	1 January 2019
IAS 19 (amended)	Employee Contributions	1 January 2019
IAS 23 (annual improvements)	Borrowing Costs	1 January 2019
IAS 28 (amended)	Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

IFRS 15 *Revenue from Contracts with Customers*

In the current year, the Group has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's consolidated financial statements are described below

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

The Group has adopted IFRS 15 applying the modified retrospective approach. No cumulative adjustment to equity was required at 1 January 2018 as there was no material impact in the way performance obligations have been recognised due to the implementation of IFRS 15, other than as identified below. In accordance with the requirements of the Standard, where the modified retrospective approach is adopted, prior year results are not restated.

In application of the standard, the Group has identified the following key areas of judgement within our contracts with customers:

i. the number of distinct performance obligations contained within each bundled contract which includes a lease of a device, sale of kits and flowcells and provision of support services through the duration, within a single contract;
ii. the nature of the sale of the device and whether that sale constitutes a lease to the customer (where considered a lease, revenue has been recognised under IAS 17);
iii. the appropriate allocation of revenue to each performance obligation to represent the stand-alone selling price of the obligation; and
iv. the appropriate recognition at a point-in-time or over time.

During 2018 the Group derived its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines. These have been consolidated consistently with IFRS 15 practical expedient to review contracts on a portfolio basis:

	£'000s
Device contract	5,810
Flowcell contract	11,797
Other IFRS 15 revenue	12,669
IAS 17 revenue	2,245
Total revenue	32,521

Contract balances
The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	Group		Company	
	2018	2017	**2018**	2017
	£'000s	£'000s	**£'000s**	£'000s
Trade receivables	10,575	4,311	7,479	2,796
Contract assets	1,000	184	466	86
Contract liabilities	(3,081)	(1,616)	(1,946)	(1,317)

The contract assets relate to the Group's rights to consideration for goods and services provided but not billed at the reporting date for devices and services provided. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to the upfront payments received from customers where additional goods (flowcells and kits) and services are still due to the customer, for which revenue will be recognised at the point in time these goods are provided or over the duration of the contract as services are received.

No revenue was recognised in 2018 for performance obligations satisfied in previous periods. Revenue recognised under IFRS 15 was materially recognised at point in time.

No information is provided about remaining performance obligations at 31 December 2018 that have an original expected duration of one year or less, as allowed by IFRS 15.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

IFRS 9 *Financial Instruments*

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policy but did not result in any material adjustments to amounts recognised in the financial statements. Accordingly, the prior period figures have not been restated in this regard.

The Group has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables for sale of inventory and from the provision of services; and
- contract costs relating to service and maintenance of contracts.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings was immaterial. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade and other receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract costs. This did not result in a material increase or decrease of the loss allowance on 1 January 2018.

IFRS 16 *Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (the lease liability) and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g. A change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Group plans to adopt IFRS 16 using the modified retrospective approach. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e. personal computers, printing and photocopying machines) that are considered low value.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Expectation is that the Group's operating profit will increase, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17. Management is continuing with its IFRS 16 assessment, reviewing contracts held and calculating the mechanics of the IFRS 16 impact. See Note 24 for details of the future operating lease payments under IAS 17 and thus an indication of the impact that will be seen under IFRS 16.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements relate solely to the activities of Oxford Nanopore Technologies Limited ('the Company') and its subsidiaries ('the Group', 'Oxford Nanopore', or 'ONT').

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.

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 13. Note 16 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 £53.1 million (2017: £56.5 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. On 20 March 2018, Oxford Nanopore raised £100 million ($140 million) in new funding via a private placement of ordinary shares in the Company.

The Group intend to raise funds in 2019 to expand global commercial activities, however, the going concern basis is not predicated on this.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The Group recognises revenue from the following major sources:

- Device contracts - where the customer is able to obtain an Oxford Nanopore device along with a number of ancillary products including flowcells, kits, access to customer support and a maintenance contract.
- Flowcell contracts - where the customer is able to bulk purchase flowcells for varying levels of discount, based on number of flowcells taken. A customer will select a shipping schedule over the course of this agreement at point of order.
- Other individually available items from Oxford Nanopore's store.

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.

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 (other financial assets). 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The group as a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The group as a lessee

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the beginning of the lease. The corresponding liability to the lessor is included in the balance sheet at a finance lease obligation.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost, calculated as standard cost based on average cost, and net realisable value. Cost comprises direct materials and, when applicable, direct labour cost and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion.

Financial instruments

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. In accordance with IFRS 9 impairment of financial assets is based on an expected credit loss ('ECL') model. The ECL model requires the Group to account for the ECLs and changes in those ECLs at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected, IFRS 9 also requires current and future events to be considered when making an impairment assessment.

The Group applies the IFRS 9 simplified approach to the measurement of the ECLs which uses a lifetime ECL for all trade receivables. The ECL on these trade receivables are estimated using a provision matrix for collective assessment based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, to the extent that these are expected to have an effect on recovery of trade receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics where relevant, and the days past due. The ECL percentage rates of default applied to trade receivables grouped by days past due are based on the payment profiles of sales over a selected period and the corresponding historical default (non-payment which resulted in the debt being written off) experienced in relation to these sales. The percentage rates of default are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the receivables where applicable.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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.

The Group is entitled to claim tax credits in the United Kingdom for certain research and development expenditure. The credit is paid in arrears once tax returns have been filed and agreed. The tax credit earned in the period, based on an assessment of likely receipt, is recognised in the consolidated income statement, within the taxation line, with the corresponding asset included within current assets in the balance sheet until such time as it is received.

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, or substantively 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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:

Land	- over lease period straight line
Building	- over 40 years straight line
Leasehold improvements	- over the expected duration of the lease straight line
Plant and machinery	- 3 to 10 years straight line
Office equipment	- 3 years straight line

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense 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".

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed until the asset is available for sale or until being sold. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Retirement costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation.

Critical accounting judgements and key sources of estimation uncertainty

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

i. 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.

ii. Internally Generated Intangible Assets - research and development expenditure

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 as per IAS 38 paragraph 57 for specific projects were met during the year and accordingly all amounts in relation to those projects have been capitalised as an intangible asset during the year. All other spend on research and development projects has been recognised within research and development expenses in the income statement during the period.

Critical judgement is required in consideration of the Useful Economic Life (UEL) of those assets capitalised during the year. The Directors believe that UELs identified are consistent with the definition in IAS 38 paragraph 8 of a useful life.

iii. Revenue recognition

The critical judgements required for the Group's revenue recognition policy are defined in Note 2. The Directors believe that the judgements made are consistent with the requirements in IFRS 15 and other related accounting standards.

4. REVENUE

The Group's DNA/RNA sequencing devices are manufactured within the UK and sold into the UK, Europe, US, China, Japan and Rest of World markets.

Geographical analysis

The following table provides an analysis of the Group's sales by geographical market:

	2018	2017
	£000's	£000's
USA	10,246	4,471
Europe	7,921	4,103
China	4,144	871
UK	2,953	1,273
Japan	2,250	1,314
Rest of World	5,007	1,755
	32,521	13,787

5. LOSS BEFORE TAX

	Note	2018 £000's	2017 £000's
This is after charging / (crediting):			
Staff costs	7	34,142	30,504
Depreciation of property, plant and equipment	12	6,142	1,794
Amortisation of internally generated intangible assets	11	214	-
Direct non-staff research and development costs		22,803	18,841
Payments under operating leases – land & property		1,695	1,478
Loss/(Profit) on disposal of fixed assets		20	(48)
Net foreign exchange (gain)/loss		(569)	500

All amounts relate to continuing operations.

6. AUDITOR'S REMUNERATION

The analysis of auditor's remuneration is as follows:

	2018 £000's	2017 £000's
Fees payable to the Group's auditor for the audit of the Group's annual accounts	122	42
Fees payable to the Group's auditor for other services to the Group	-	-
Total fees payable to the Group's auditor	122	42

7. STAFF COSTS

The average monthly number of employees (including 3 Non-Executive Directors) was:

	2018 No.	2017 No.
Research and Development	192	171
Production	108	76
Sales, General & Administration	108	96
	408	343

Staff costs, including directors, consist of:

	2018 £000's	2017 £000's
Wages and salaries	27,236	22,000
Pension costs	562	424
Social security costs	2,858	2,365
Share based payments (Note 25)	3,486	5,715
	34,142	30,504

8. DIRECTORS' AND KEY MANAGEMENT COMPENSATION

	2018 £000's	2017 £000's
Directors' emoluments consist of:		
Remuneration for management services	1,639	1,643
Amount paid as directors' fees	167	167
	1,806	1,810
Highest paid director:		
Remuneration for director's fees and management services	727	633
	727	633

The highest paid director exercised no share options (2017: nil) 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 £18,397 (2017: £17,317). All the emoluments relate to short-term employee benefits. No director received any post-employment benefit, other long-term benefit or termination benefit.

In 2018, none of the directors were granted any share options (2017: none) or exercised any share options (2017: none). The total number of share options held by directors is 84,652 (2017: 84,652).

Key Management Compensation

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

	2018 £000's	2017 £000's
Short term employee benefits	2,858	2,433

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 £16,474 (2017: £146,851).

9. FINANCE INCOME AND EXPENSE

	2018 £000's	2017 £000's
Finance income		
Bank interest receivable	574	540
Exchange gains	569	-
	1,143	540
Finance expense		
Bank interest payable and charges	(423)	(19)
Exchange losses	-	(500)
	(423)	(519)

10. TAX ON LOSS ON ORDINARY ACTIVITIES

	2018 £000's	2017 £000's
Current tax		
R&D tax credit for the period	(8,579)	(7,987)
Adjustment in respect of previous periods	(470)	(1,376)
Tax payable on foreign subsidiary	143	33
Total current tax	(8,906)	(9,330)

The deferred tax asset of £43,730,000 (2017: £38,364,000) 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 £250,907,000 (2017: £214,134,000).

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.

The standard rate of corporation tax applied to reported profit is 19% (2017: 19.25%) of the estimated taxable profit for the year in the income statement for the Group, which at 31 December 2018 was resident for tax purposes in England and Wales (2017: England and Wales). The current UK corporation tax rate of 19% will reduce to 17% from 1 April 2020 (substantively enacted on 6 September 2016). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The differences between the rate of corporate tax in the UK of 19% (2017: 19.25%) and the tax credit for the year are explained below:

	2018 £000's	2017 £000's
Loss before taxation	(62,025)	(65,866)
Standard tax rate for period as a percentage of losses at 19% (2017: 19.25%)	(11,785)	(12,679)
Effects of:		
R&D tax relief	(3,698)	(3,377)
Expenses not deductible	179	18
Adjustments to tax charge in respect of previous periods	(470)	(1,376)
Origination of unrecognised tax losses	6,895	7,366
Impact of share options	(27)	718
	(8,906)	(9,330)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

11. INTANGIBLE ASSETS

Group & Company	Internally generated assets £000's	Total £000's
Cost		
At 1 January 2017	-	-
Additions from internal development	-	-
At 31 December 2017	-	-
Additions from internal development	6,619	6,619
At 31 December 2018	6,619	6,619
Amortisation		
At 1 January 2017	-	-
Charge for the year	-	-
At 31 December 2017	-	-
Charge for the year	(214)	(214)
At 31 December 2018	(214)	(214)
Carrying amount		
At 31 December 2017	-	-
At 31 December 2018	6,405	6,405

Development costs have been capitalised in accordance with IAS 38 Intangible Assets and are therefore not treated for dividend purposes, as a realised loss.

The amortisation periods for internally generated assets incurred by the Group are:

Development of Core Technology Platform	-	3 years
Development of Sequencing Kits	-	2 years.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Land and Buildings £000's	Leasehold Improvements £000's	Plant and Machinery £000's	Equipment £000's	Total £000's
Cost					
At 1 January 2017	-	1,360	5,727	3,342	10,429
Additions	16,194	-	2,181	1,349	19,724
Disposals	-	-	(160)	(156)	(316)
Foreign exchange movements	-	-	(21)	(19)	(40)
At 31 December 2017	16,194	1,360	7,727	4,516	29,797
Additions	49	34	1,728	9,373	11,184
Disposals	-	-	(156)	(5)	(161)
Foreign exchange movements	-	-	16	109	125
At 31 December 2018	16,243	1,394	9,315	13,993	40,945
Accumulated depreciation					
At 1 January 2017	-	(1,123)	(3,636)	(2,198)	(6,957)
Charge for the year	(51)	(135)	(919)	(689)	(1,794)
Eliminated on disposals	-	-	145	153	298
Foreign exchange movements	-	-	19	13	32
At 31 December 2017	(51)	(1,258)	(4,391)	(2,721)	(8,421)
Charge for the year	(409)	(94)	(1,420)	(4,219)	(6,142)
Eliminated on disposals	-	-	135	5	140
Foreign exchange movements	-	-	(14)	(44)	(58)
At 31 December 2018	(460)	(1,352)	(5,690)	(6,979)	(14,481)
Carrying amount					
At 31 December 2017	16,143	102	3,336	1,795	21,376
At 31 December 2018	15,783	42	3,625	7,014	26,464

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Land and Buildings £000's	Leasehold Improvements £000's	Plant and Machinery £000's	Equipment £000's	Total £000's
Cost					
At 1 January 2017	-	1,360	5,477	3,129	9,966
Additions	16,194	-	2,179	1,303	19,676
Disposals	-	-	(160)	(156)	(316)
At 31 December 2017	16,194	1,360	7,496	4,276	29,326
Additions	49	34	1,695	7,670	9,448
Disposals	-	-	(156)	(5)	(161)
At 31 December 2018	16,243	1,394	9,035	11,941	38,613
Accumulated depreciation					
At 1 January 2017	-	(1,123)	(3,424)	(2,062)	(6,609)
Charge for the year	(51)	(135)	(895)	(648)	(1,729)
Eliminated on disposals	-	-	145	153	298
At 31 December 2017	(51)	(1,258)	(4,174)	(2,557)	(8,040)
Charge for the year	(409)	(94)	(1,403)	(3,598)	(5,504)
Eliminated on disposals	-	-	135	5	140
At 31 December 2018	(460)	(1,352)	(5,442)	(6,150)	(13,404)
Carrying amount					
At 31 December 2017	16,143	102	3,322	1,719	21,286
At 31 December 2018	15,783	42	3,593	5,791	25,209

On 1 June 2017 the Company purchased the building and land known as Gosling Building, Edmund Halley Road, Oxford Science Park, Oxford subject to a long leasehold. The remaining length of the lease at year end is 135 years and 9 months.

The total cost of the Land and Buildings is £16.2m of which £4.5m related to the lease of the land. The Directors deem that the freehold building has a useful economic life of 40 years.

At 31 December 2018 and 2017, the Group did not enter into contractual commitments for the acquisition of property, plant and equipment.

13. INVESTMENT IN SUBSIDIARIES

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

			Proportion of ownership interest	
Name	**Registered address**	**Country of Incorporation**	**31 December 2018**	**31 December 2017**
Oxford Nanopore Technologies, Inc.	One Kendall Square, Building 200 Suite B2005 Cambridge, MA 02139	USA	100%	100%
Oxford Nanolabs Limited	Gosling Building, Edmund Halley Road, Oxford Science Park, OX4 4DQ	UK	100%	100%
The Genome Foundry Limited	Gosling Building, Edmund Halley Road, Oxford Science Park, OX4 4DQ	UK	100%	100%
Metrichor Limited	Gosling Building, Edmund Halley Road, Oxford Science Park, OX4 4DQ	UK	100%	100%
KK Oxford Nanopore Technologies	Tokyo Club Building 11F 3-2-6 Kasumigaseki, Chiyoda-ku, Tokyo 100-0013	Japan	100%	100%
Oxford Nanopore Manufacturing Limited	Gosling Building, Edmund Halley Road, Oxford Science Park, OX4 4DQ	UK	100%	n/a
Nanopore Technologies Hong Kong Limited	Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	Hong Kong	100%	n/a
Nanopore Technologies (Shanghai) Co. Limited*	Room 2208, Tower 1, Grand Gateway 66, No. 1 Hongqiao Road, Xuhui District, Shanghai	China	100%	n/a
Oxford Nanopore Technologies Singapore PTE Ltd	38 Beach Road, #29-11, South Beach Tower, Singapore (189767)	Singapore	100%	n/a

Oxford Nanopore Technologies Inc. was set up on 23 September 2011 to provide sub-contracted R&D and other services in the USA to Oxford Nanopore Technologies Limited.

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

Metrichor Limited was set up on 17 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.

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

KK Oxford Nanopore Technologies was set up on 25 May 2016 to provide services to Oxford Nanopore Technologies Limited in Japan.

Nanopore Technologies Hong Kong Limited was set up on 26 March 2018.

*Nanopore Technologies (Shanghai) Co. Limited was set up on 4 June 2018 and is a 100% subsidiary of Nanopore Technologies Hong Kong Limited.

Oxford Nanopore Technologies Singapore PTE Ltd was set up on 14 September 2018.

Oxford Nanopore Manufacturing Limited was set up on 14 November 2018 and has not commenced trading.

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

14. INVENTORY

	Group		Company	
	2018	2017	**2018**	2017
	£000's	£000's	**£000's**	£000's
Raw materials	9,490	2,455	9,487	2,455
Work in progress	5,517	2,932	5,409	2,932
Finished goods and goods for resale	3,596	1,062	3,209	845
	18,603	6,449	18,105	6,232

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	**2018**	2017
	£000's	£000's	**£000's**	£000's
Trade receivables	10,575	4,311	7,479	2,796
Other debtors	862	405	614	336
Accrued interest income	303	112	303	112
Other taxes	3,119	1,764	3,000	1,764
Prepayments	5,957	2,123	5,903	2,095
Inter Company	-	-	3,185	100
	20,816	8,715	20,484	7,203

Ageing of past due trade receivables with loss allowance calculated using the Group's provision matrix.

	Trade receivables – days past due				
	not past due	<30 days	30 - 60 days	60+ days	Total
Trade receivables at 31 December 2018	3,637	2,367	2,118	3,324	11,446
Loss allowance	(29)	(71)	(106)	(665)	(871)
	3,608	2,296	2,012	2,659	10,575
Trade receivables at 31 December 2017	1,588	1,486	447	963	4,484
Loss allowance	(6)	(14)	(21)	(132)	(173)
	1,582	1,472	426	831	4,311

16. 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.

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 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.

Additional credit risk exists on trade receivables, which is managed by a centralised accounts receivable process including credit checks on initial order acceptance.

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 2018 approximately 21% (2017: 23%) of the Group's annual expenditures was denominated in US dollars and approximately 13% (2017: 10%) of the Group's expenditure was denominated in Euros. Substantially all of the Company's revenue is denominated in US Dollars.

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:

16. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (CONTINUED)

	Assets		Liabilities	
	2018	2017	**2018**	2017
	£000's	£000's	**£000's**	£000's
Financial assets and liabilities	8,726	6,846	(4,952)	(7,748)

Sensitivity analysis

A 5% strengthening of the US$ at 31 December 2018 would have resulted in changes to equity and profit or loss by the amounts shown below:

	2018	2017
	£000's	£000's
(Decrease)/Increase in loss for the period	(139)	28
(Increase)/Decrease in equity	(139)	28

The interest rate for short-term deposits is variable dependent on the rates offered by the Group's bankers. During the year ended 31 December 2018, the short-term deposits returned an average of 0.80% (2017: 0.77%).

The Group has considered its sensitivity to interest rate fluctuations and does not believe that a change in interest rates would have a material risk impact on the financial statements.

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.

	2018	2017
	£000's	£000's
Debt	9,500	9,500
Equity	142,893	93,584
Debt to Equity Ratio	6.6%	10.2%

Debt is defined as long- and short-term borrowings (excluding derivatives and financial guarantee contracts) as detailed in Note 18. Equity includes all capital and reserves of the Group that are managed as capital

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

16. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (CONTINUED)

The Group's maximum credit risk on financial instruments at the period end is £93 million (2017: £68 million). The Group places its deposits with several reputable financial institutions to minimise its credit risk.

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 2018		
Loans and receivables		
Fixed rate deposits	58,000	58,000
Cash and cash equivalents	35,321	35,321
Trade and other receivables	14,859	14,859
Other financial liabilities		
Trade and other payables	(18,709)	(18,709)
Loan on Land & Buildings	(9,500)	(9,500)
31 December 2017		
Loans and receivables		
Fixed rate deposits	10,000	10,000
Cash and cash equivalents	57,797	57,797
Trade and other receivables	6,592	6,592
Other financial liabilities		
Trade and other payables	(13,602)	(13,602)
Loan on Land & Buildings	(9,500)	(9,500)

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:

	2018 £000's	2017 £000's
Floating rate assets	35,321	57,797
Fixed rate assets	58,000	10,000
	93,321	67,797

The weighted average interest rate on the fixed term deposits was 0.81% (2017: 0.78%). The weighted average term of fixed interest rate deposits was 5.9 months (2017: 7.9 months).

17. CURRENT TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	**2018**	2017
	£000's	£000's	**£000's**	£000's
Trade payables	10,530	3,643	8,821	3,587
Payroll taxation and social security	2,156	1,733	2,130	1,712
Accruals	6,023	8,226	5,940	6,919
Deferred income	3,081	1,616	1,946	1,317
	21,790	15,218	18,837	13,535

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 39 days (2017: 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.

18. LOANS AND PROVISIONS

Group and Company	**2018** **£000's**	2017 £000's
Loan on Land and Building Purchase	9,500	9,500
Balance at 31 December	9,500	9,500

During 2017 the Lease of land and accompanying purchase of Gosling Building (see Note 12) was purchased for £16.2m. A Term loan facility of £9.5m was taken out with Barclays Bank plc to part fund the purchase (the balance being taken out of cash reserves). The term of the loan is 5 years. The average interest rate charged in the year was 2.54% (2017: 2.22%).

Group and Company	**2018** **£000's**	2017 £000's
Dilapidation Provision	1,005	1,005
Balance at 31 December	1,005	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 Group vacates the properties. The provision is non-current and expected to be utilised within three years. The Group has reviewed the provision and considers that no additional charge was required during the year.

19. SHARE CAPITAL

Issued Share Capital	2018 £	2017 £
Opening – 27,056,210 ordinary shares of £0.001 each (2017: 26,968,001)	27,056	26,968
Opening – 733,677 deferred shares of £ 0.005 each (2017: 733,677)	3,668	3,668
	30,724	30,636
Issued – 2,073,589 ordinary shares of £0.001 each (2017: 88,209)	2,074	88
	2,074	88
Closing – 29,129,799 ordinary shares of £0.001 each (2017: 27,056,210)	29,130	27,056
Closing – 733,677 deferred shares of £0.005 each (2017: 733,677)	3,668	3,668
Total issued and fully paid Share Capital	32,798	30,724

On 20 March 2018, Oxford Nanopore raised £100 million ($140 million) through the issuance of 1,932,368 ordinary shares at a share price of £51.75 per share. During the year 141,221 ordinary shares (2017: 88,209) were issued as a result of share options exercised. Transaction costs for the issue of shares are offset against the Share Premium Reserve. During 2017 £20 million was received in relation to the 2016 fundraising.

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.

20. SHARE PREMIUM

	2018 £'000s	2017 £'000s
Group and Company		
At 1 January	351,409	351,203
Premium on shares issued for cash	100,324	311
Cost associated with issue of shares	(1,502)	(105)
At 31 December	450,231	351,409

21. ACCUMULATED LOSSES

	Group		Company	
	2018	2017	**2018**	2017
	£'000s	£'000s	**£'000s**	£'000s
At 1 January	(257,618)	(206,825)	(258,409)	(207,209)
Total recognised loss for the year	(53,119)	(56,536)	(53,042)	(56,915)
Exchange gain on translation of subsidiary	20	28	-	-
Employee share-based payments	3,486	5,715	3,486	5,715
At 31 December	(307,231)	(257,618)	(307,965)	(258,409)

22. TRANSLATION RESERVE

	2018	2017
	£'000s	£'000s
Group		
At 1 January	(238)	(174)
Exchange loss / (gain) on translation of subsidiary	98	(64)
At 31 December	(140)	(238)

23. NOTES TO THE CASH FLOW STATEMENT

	2018	2017
	£000's	£000's
Group		
Loss before tax	(62,025)	(65,866)
Adjustments for:		
Depreciation	6,142	1,794
Amortisation	214	-
Loss/(Gain) on disposal of property, plant and equipment	20	(47)
Bank charges and net exchange loss	(390)	519
Net Interest income	(330)	(540)
Employee share benefit costs	3,486	5,715
Operating cash flows before movements in working capital	(52,883)	(58,425)
(Increase) in receivables	(12,726)	(3,140)
(Increase) in inventory	(12,154)	(6,109)
Increase in payables	6,471	1,329
Cash absorbed by operations	(71,292)	(66,345)
Income taxes – R&D tax credit received	15,256	-
Foreign tax paid	(42)	-
Net cash absorbed by operating activities	(56,078)	(66,345)

23. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

Cash and cash equivalents

	Group		Company	
	2018 £000's	2017 £000's	**2018 £000's**	2017 £000's
Cash and bank balances	**35,321**	57,797	**34,368**	57,453

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. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated reporting position as shown above.

24. COMMITMENTS

Operating lease arrangements

As at 31 December 2018, 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 £3,160,096 (2017: £1,371,612).

	2018 £000's	2017 £000's
Lease payments under operating leases recognised as an expense in the year	1,695	1,478

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:

	2018 £000's	2017 £000's
Within one year	1,333	961
In the second to fifth years inclusive	1,827	410
	3,160	1,371

24. COMMITMENTS (CONTINUED)

Research agreements

As at 31 December 2018, 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:

	2018 £000's	2017 £000's
Within one year	1,797	1,163
In the second to fifth years inclusive	170	258
	1,967	1,421

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

25. SHARE-BASED PAYMENTS

Equity-settled share option schemes

The Group operates two equity-settled share-based remuneration schemes for employees: the Oxford Nanopore Technologies Share Option Scheme and the Oxford Nanopore Technologies Limited Share Option Plan 2018.

Oxford Nanopore Technologies Share Option Scheme: The Scheme was set up to allow the Company to award both HM Revenue & Customs approved Executive Management Incentive (EMI) share options to qualifying individuals and unapproved share options. The Company no longer meets the qualifying tests to grant new EMI share options.

All unapproved options may be subject to performance criteria and vesting schedules set at the Board's discretion. All employees are eligible to be awarded unapproved share options. All options have a life of 10 years from date of grant.

In 2018, the Company granted the following options under the share option scheme over its ordinary shares of £0.001 nominal value: 107,500 options with an exercise price of £27.90. The aggregate of the estimated fair values of the options granted in 2018 was £1,922,100 (2017: £1,917,981).

The first grant under this scheme was in January 2019. All options have a life of 10 years from date of grant.

25. SHARE-BASED PAYMENTS (CONTINUED)

	Year ended 31 December 2018		Year ended 31 December 2017	
	Number of share options	**Weighted average exercise price (in £)**	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of period	2,007,419	15.06	2,100,702	14.05
Granted during the period	107,500	27.90	121,775	27.66
Forfeited during the period	(43,131)	22.69	(126,849)	18.59
Exercised during the period	(141,221)	2.15	(88,209)	3.52
Outstanding at the end of the period	1,930,567	16.55	2,007,419	15.06
Exercisable at the end of the period	1,818,834	12.93	1,792,050	9.29

The weighted average share price at the date of exercise for share options exercised during the period was £31.05 (2017: £27.90). The options outstanding at 31 December 2018 had a weighted average exercise price of £16.72 (2017: £15.06), and a weighted average remaining contractual life of 5.9 years (2017: 6.4 years).

	2018	2017
Weighted average share price	£27.90	£27.90
Weighted average exercise price	£27.90	£27.90
Expected volatility	50%	50%
Expected life	10 years	10 years
Risk-free rate	0.73%	0.58%
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 £3,485,773 and £5,714,701 related to equity-settled share-based payment transactions in 2018 and 2017 respectively.

Oxford Nanopore Technologies Limited Share Option Plan 2018: The Plan was opened in November 2018 to award approved share options to employees. All employees are eligible to be awarded approved share options, with the exception of our employees in Nanopore Technologies (Shanghai) Co. Limited due to local taxation rules. Our employees in Nanopore Technologies (Shanghai) Co. Limited are instead eligible to be remunerated under a local bonus scheme.

26. 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 17% of Pensionable Pay. The value of 2018 contributions was £1,598,286 (2017: £1,012,722).

27. RELATED PARTY TRANSACTIONS

Details of Directors' remuneration are given in Note 8.

At the end of the year, there were 164,389 (2017: 164,389) 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, KK Oxford Nanopore Technologies and Metrichor Ltd £4,104,274 (2017: £4,150,917) for the R&D and other services provided to it.

In addition, the Company made sales to its US subsidiary, ONT Inc, of $9,628,487, our limited risk distributor in the USA.

During the year the company purchased material services from IP Group, of £792,794 (2017: £nil), which is related to ONT by the shared directorship of A Aubrey.

Audit exemption

Oxford Nanopore Technologies Limited has given statutory guarantees against all outstanding liabilities of Metrichor Limited (Company registration number 08534345) at 31 December 2018 under Section 479A of the Companies Act 2006, thereby allowing this subsidiary to be exempt from the annual audit requirement for the year ended 31 December 2018.

28. LITIGATION AND CONTINGENT LIABILITIES

PacBio filed a complaint against Oxford Nanopore Technologies, Inc. in the United States District Court, District of Delaware on 15 March 2017, alleging infringement of US Patent No. 9,546,400. PacBio also filed a complaint against Oxford Nanopore Technologies, Inc. in the United States District Court, District of Delaware in March 2017 alleging infringement of US Patent No. 9,678,056, entitled Control of Enzyme Translocation in Nanopore Sequencing and US Patent No. 9,738,929 entitled Nucleic Acid Sequence Analysis. The latter case was consolidated with the former case. PacBio amended the complaint to add U.S. Patent No. 9,772,323. On August 23, 2018, PacBio filed a third amended complaint to add Oxford Nanopore Technologies, Ltd. as an additional defendant. The case is expected to be tried in March 2020. Oxford Nanopore will argue that it does not infringe the asserted patent and the asserted patents are invalid.

29. ULTIMATE CONTROLLING PARTY

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