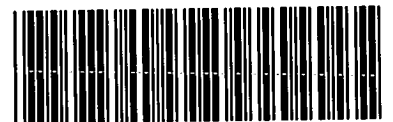


Real-time sequencing wherever you are.
Short to ultra-long reads.

Enabling the analysis of
anything, by anyone,
anywhere.

Annual Report
and Accounts 2022

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Oxford Nanopore
Technologies

Real-time sequencing wherever you are.
Short to ultra-long reads.

Oxford Nanopore

Essential read

Our vision

To enable the analysis of anything, by anyone, anywhere.

Our mission

We deliver highly differentiated, high performance products and platforms that enable broad scientific communities to explore novel biological information and deploy it in an accessible and sustainable way to transform research, health, food, agriculture and the environment.

PREPARE
SEQUENCE
ANALYSE

Oxford Nanopore Technologies plc was founded in 2005 as a spin-out from the University of Oxford. The company now employs over 1,000 employees from multiple disciplines including nanopore science, molecular biology and applications, informatics, engineering, electronics, manufacturing, operations, sales, marketing, digital and support.

Oxford Nanopore Technologies' goal is to bring the widest benefits to society through enabling the analysis of anything, by anyone, anywhere. The company has developed a new generation of nanopore-based sensing technology that is currently used for real-time, high-performance, accessible, and scalable analysis of DNA and RNA.

The technology is used today in more than 120 countries, to understand the biology of humans, plants, animals, bacteria, viruses and environments as well as to understand diseases such as cancer. Oxford Nanopore's technology also has the potential to provide broad, high impact, rapid insights in a number of areas including healthcare, food and agriculture.

Oxford Nanopore devices sequence DNA/RNA directly and can sequence any fragment length. This provides the ability to generate short, long and ultra-long reads of DNA, for a truly comprehensive picture of the genome. Data is streamed in real-time and can enable rapid insights. The technology is fully scalable — from pocket-sized to ultra-high throughput devices.

With the product roadmap and engagement of a broad scientific community, this technology has the future potential to transform our understanding and monitoring of health, food, agriculture, the environment and other applications.

Understanding genomics

Genomics is the study of DNA, present in all living things

These studies can take two forms:

- 1 Genetics:**
Understanding genetic material, including genes and heredity, and genetic variation between individuals
- 2 Epigenetics:**
Changes in the DNA that do not involve alterations to the underlying sequence (may be chemical alterations to those bases)

Definitions

- | | |
|--|---|
| 1. DNA: contains an organism's genetic code - the instructions for how to build that organism | 5. Genome sequencing: the process of identifying the order of bases in an organism's genome |
| 2. Genome: the entire DNA of an organism that determines its characteristics | 6. Variants: Changes in the DNA sequence. These could be a single letter (a single nucleotide variant, SNV), or a string of letters that have moved or are missing (structural variant, SV). Some of these differences cause disease, some can cause different visual traits |
| 3. Genes: the instructions for making proteins, from which living things are built | 7. RNA: a messenger molecule that carries the instructions encoded in genes, to be turned into proteins |
| 4. Bases: DNA is made up of four nucleotide bases. The names for these are abbreviated to A, T, C and G | |

The Central
Dogma
of molecular
biology

DNA
Instructions

RNA
Messenger

Protein
Product

Genetics

What is the sequence? What variants are present? What do they mean?

To fully understand an organism, you need to know these two things together.

Nanopore sequencing provides genetic and epigenetic information at the same time, from across the entire genome.

Epigenetics

Is the DNA accessible, so that an RNA copy can be made?

Each species will have a different number of bases in its genome:

Human bases

3.2bn

Blue whale bases

2.7bn

Smallpox bases

180,000

E.coli bases

5m

Wheat bases

16bn

The sequence of a genome is determined by sequencing fragments of DNA, then 'assembling' this jigsaw of pieces. Traditional Next Generation Sequencing (NGS) technology requires DNA to be fragmented to pieces around 200 bases long, while nanopore sequencing can use fragments millions of bases in length. This makes assembling the genome much simpler.

Proteins are the building blocks of life – therefore changes in DNA directly impact how organisms develop and interact with their environment.

Nanopore sequencing

We have developed a new generation of sensing technology that uses nanopores – nano-scale holes – embedded in high-tech electronics, capable of real-time, scalable analysis of different types of molecules. Our first application is DNA/RNA sequencing but the platform can be adapted, to analyse other types of molecules in the future, for example, proteins or small molecules.

Nanopore sequencing

Unique features and benefits of our technology

| Unrestricted read length | Direct sequencing | Real-time analysis |
|--|--|---|
| What this means The ability to sequence any DNA/RNA fragment length from short (20 bases) to ultra-long (>4 million bases). | What this means Direct, PCR-free sequencing of native DNA/RNA, to generate highly accurate, content-rich data. | What this means Data is available in real time, providing rapid insights and analyses that can respond to results in real time. |
| Why is this important? Nanopore sequencing can read any fragment length on the same platform. This enables applications such as cell-free DNA, or single-cell analysis through to whole genome sequencing and assembly using long and ultra-long reads. Sequencing DNA or RNA fragments in one continuous read enables the analysis of small and large genetic variations such as structural variants. It also enables phasing (the assignment of variants to maternal or paternal chromosomes) and assembly of whole genomes. In contrast, traditional technologies are restricted to sequencing short fragments of 150 to 300 bases, missing large variants and limiting biological insights. | Why is this important? Direct, native reads enable the analysis of epigenetic modifications (e.g. methylation) of all molecules during the experiment, without the requirement for additional sample preparation. The understanding of epigenetics is key to many aspects of biology, including the understanding of cancer. In contrast, traditional sequencing technologies typically require an additional, costly and complex sample preparation step in order to characterise methylation and other nucleotide modifications. This adds potential cost, complexity, errors and time to the overall workflow for users. | Why is this important? Unlike the legacy systems, Oxford Nanopore is capable of providing real-time data, providing users with immediate access to actionable results. This unique feature has enabled sample-to-answer workflows where pathogen or even whole human genome sequencing occurs in under eight hours. The real-time nature of nanopore-based sequencing also enables a feature called adaptive sampling, in which a strand can be selected or rejected while it is being sequenced. This feature can be used in several situations, such as to select one or more samples from a mixture of samples, or to enrich regions of interest from within a genome. Typically, traditional sequencing technologies analyse data at the end of a run (which typically lasts one to several days). |

How it works

All Oxford Nanopore sequencing devices use flow cells which contain an array of tiny holes — nanopores — embedded in an electro-resistant membrane. Each nanopore corresponds to its own electrode connected to a channel and sensor chip, which measures the electric current that flows through the nanopore.

1. The nanopore processes the length of the DNA or RNA fragment presented to it. The user can control fragment length through the library preparation protocol utilised, enabling experiments to characterise anything from ultra-long fragments of DNA to short fragments originating from cell-free DNA in blood.
2. An enzyme motor controls the speed at which the DNA or RNA strand passes through the nanopore. Once the DNA or RNA has passed through, the motor protein detaches and the nanopore is ready to accept the next fragment.
3. Nanopore reader – when a molecule passes through the nanopore, the current is disrupted. Fluctuations in the current are decoded using basecalling algorithms to determine the DNA or RNA sequence in real time.
4. An electrically resistant membrane means all current must pass through the nanopore.

Watch our video
explaining the process

| Scalable | Accessible & affordable | Rapid & simple |
|--|--|---|
| <p>What this means The ability to scale from portable devices to ultra-high throughput desktop devices, sequencing anything, anywhere.</p> | <p>What this means No upfront capital cost and competitive cost per Gb. Whole human genome sequencing from \$345 per genome.</p> | <p>What this means Plug-and-play solutions enabled through rapid, simple and automated, library prep, creating ease of use and versatility.</p> |
| <p>Why is this important? Our product range is suitable for a broad range of users and includes miniature, portable devices, such as MinION and larger scale desktop devices such as PromethION for more power. In contrast, most traditional technologies require high-end optical technology in product design, resulting in large and complicated devices that are typically deployed in expert laboratory settings.</p> <p>The scalable devices from Oxford Nanopore enable any lab to perform sequencing. In addition, portable sequencing removes the need to transport samples back to a lab, significantly decreasing the turnaround time of results, whether that is at the centre of a novel viral outbreak or, potentially, in the future, at the point of care.</p> | <p>Why is this important? Traditional mid to high throughput sequencing devices are typically very expensive, from \$225,000 to over \$1.25m for the device alone and require substantial extraneous infrastructure to scale to high-throughput formats, further increasing set-up costs and ongoing overheads.</p> <p>In contrast, our customers are offered 'starter packs' of consumables which come with the provision of the device at no extra cost, removing the need to purchase or rent equipment in order to start using the technology. Whole human genome sequencing is available for as little as \$345 per genome, with no additional cost for the device or methylation.</p> | <p>Why is this important? Sample preparation for traditional DNA sequencing requires a skilled lab technician and several hours of their time. With nanopore sequencing, libraries can be prepared from extracted DNA in as little as 10 minutes.</p> <p>This reduction in time and skill barrier means even high school students can generate sequencing libraries. Combined with intuitive software and real-time data analysis, answers can be arrived at more quickly across a range of applications and audiences, who previously would not have had access to DNA sequencing and the benefits it brings.</p> |

One core technology at any scale

Our nanopore-based sequencing chemistry is integrated into consumable flow cells which include arrays ranging from tens to thousands of electronic sensing channels. Users may deploy a range of different devices with these flow cells, which are designed to support any level of sequencing experiment, from go-anywhere, on-demand small analyses to ultra-high output projects, such as human population-scale sequencing. All devices can run the same nanopore-based sequencing chemistries, enabling users to scale their applications according to their needs.

Flow cells

| | |
|-------------------------|-----------------------|
| Flongle 2.8Gb | MinION 50Gb |
|-------------------------|-----------------------|

Devices

| MinION 50Gb | MinION Mk 1C 50Gb | GridION 250Gb |
|--|--|---|
| Truly portable, real-time devices for DNA and RNA sequencing | | |
| MinION provides the power of nanopore sequencing in an accessible, fully portable device. Weighing only 100g and running off a laptop, MinION generates tens of gigabases of real-time data in the field or lab. | An all-in-one nanopore-based sequencer with touch screen, GPU, pre-installed operating and analysis software and connectivity for self-contained, portable sequencing. | A flexible, self-contained, benchtop nanopore sequencer, running up to five MinION or Flongle Flow Cells that can respond to the needs of multiple users on demand, across varied applications. |

Output of devices and flow cells shown is the theoretical maximum output. Actual output varies according to library type, run conditions etc

PromethION
290Gb

| PromethION 2 Solo 580Gb | PromethION 2 580Gb | PromethION 24 7Tb | PromethION 48 14Tb |
|---|---|---|---|
| Flexible, high-output nanopore sequencing for every lab | | Flexible, large-scale, direct DNA and RNA sequencing | |
| A compact, affordable sequencer for two PromethION Flow Cells, utilising analysis resource within the GridION or other suitable compute, to enable accurate, high-output nanopore sequencing. This format enables whole human genomes for under \$950 in any lab. | A self-contained benchtop nanopore sequencer containing a powerful GPU and running two high-output PromethION Flow Cells. P2 is expected to be released to a small group of developers in the first half of 2023. | Provides single or multiple users with on-demand access to terabases of sequencing data. Offering the flexibility of 24 independently controllable, high-output flow cells and leveraging state-of-the-art algorithms and GPU technology. | Our most powerful sequencing device, with 48 independently controllable, high-output flow cells. It delivers twice the capacity and output of PromethION 24 making it ideal for large and production-scale sequencing projects. |

Our customers

We categorise customers into three groups to ensure efficient but effective commercial attention is given to different types of customer throughout the sales pipeline, to close new business and provide ongoing support for customer success. The three customer groups are fluid and movement between customer groups is possible.

S3 **Strategic**
 >\$250,000¹

S3 typical customer profile:
These customers are typically PromethION users, with larger, complex or often national projects. They are predominantly larger organisations, including universities, commercial sequencing service providers and major production labs with medium to high-level usage. A key part of this market is large-scale human genomics, where thousands of samples are sequenced for novel insights at scale. Customers include G42 (the Emirati Genome Program or EGP), Genomics England, and National Institutes of Health (NIH) in the USA.

S2

LSRT revenue by customer group

| | |
|----------|--------|
| S1 | £29.8m |
| S2 | £52.3m |
| S3 | £46.7m |
| Indirect | £18.1m |

S3 customer numbers (excluding EGP)

72

S3 average revenue per account (excluding EGP)

~\$581,000

Significant
\$25,000 to \$250,000¹

¹ annual revenue per account

S2 typical customer profile:

These users are typically experienced users of genomics technology, research teams or smaller departments in university, government or industrial research settings. They often have a traditional sequencing device (or access to one) and are taking their first steps into nanopore-based sequencing to add greater biological value, insights or faster results to their experiments or services. In other cases, these are accounts that do not have access to large capital budgets but wish to control their sequencing experiments, having previously sent samples out to service providers.

S2 customer numbers

989

S2 average revenue per account

~\$66,000

S1

Light Touch
<\$25,000¹

S1 typical customer profile:

These users are key to providing new insights in biology, exploiting the unique richness and rapidity of nanopore sequence data, or everyday users of sequencing technology for routine analyses. In addition, these customers develop use cases that exploit real-time data streaming or field-based sequencing, in some cases combining both unique features. Customers in this group tend to purchase our technology, using our digital resources and e-commerce platform or, more recently, through our global distributor, Avantor.

S1 customer numbers

7,210

S1 average revenue per account

~\$5,200

Who we are

Oxford Nanopore Technologies' goal is to enable the analysis of anything, by anyone, anywhere. The company has developed a new generation of nanopore-based sensing technology that is currently used for real-time, accurate, accessible, and scalable analysis of DNA and RNA.

Our technology

Life science research tools ("LSRT") market

Sequence data is used throughout scientific research, whether in university, government, or industrial research groups, to help biologists answer a range of questions. The majority of users of Oxford Nanopore's sequencing technology are currently research scientists.

• Read more on page 30

Clinical and applied markets

Outside scientific research, DNA/RNA information can be used to support 'real life' decision making, whether that is in healthcare, industrial or other environments. Our goal is to open up new applications that have a profound, positive impact on society, by providing a new generation of accessible technology. This market represents a significant future additional customer base and revenue in the medium-to-long term.

• Read more on page 31

Applications of our technology

Microbiology

Microbiome

Plant

Infectious disease

Human research

Clinical research

Transcriptome

Large scale human
genomics

Environmental
research &
conservation

Animal

Cancer research

Public health

Global commercial footprint

Global offices

13

Distributors

11

Commercial team

291

- Customers
- Distributors
- Offices or labs

Financial performance

Total revenue

£198.6m

(FY21: £133.7m)
(including £51.8m non-recurring
Covid testing revenue)

LSRT revenue

£146.8m

(FY21: £127.0m)

LSRT revenue breakdown

£146.8m
LSRT revenue

| | |
|---|-----|
| ● Starter packs¹ | 29% |
| Starter packs consist of the use of a device, together with the supply of consumables to run experiments, and access to services to support successful analysis | |
| ● Consumables | 65% |
| Flow cells and sample preparation kits for our sequencing devices | |
| ● Service & other | 6% |
| Software licence and device warranty fees and provision of services, such as technical training | |

¹ Includes revenue from customers that either lease or own the device

Key facts

Founded

2005

Customers

8,283

Publications²

>8,200

Employees

>1,000

Countries served

>120

Active patents

>2,500

² Reported on a cumulative basis - see page 37

Investment case

Six reasons to invest

1.

Significant, growing market

The global DNA sequencing equipment and consumables market is worth \$6.2 billion and is expected to continue growing in the low double digits, driven by increased research funding and adoption of the technology into clinical and industrial applied markets.

We believe that in the long term, as well as furthering scientific research, future clinical and applied market opportunities will be enabled by our single platform offering rapid insights, scalable formats and comprehensive biological information. These potential total addressable markets are expected to grow significantly, to tens of billions of US dollars. Beyond DNA/RNA analysis, longer term opportunities include nanopore-based analysis of other types of molecules including proteins and small molecules.

It is our belief that our highly differentiated technology can not only penetrate these markets, but reshape and expand them as well as create entirely new markets.

\$10s bn

long-term market potential

•• Read more on page 31

2.

Purpose-driven, high impact business

Our vision is to enable the analysis of anything, by anyone, anywhere. Accessibility is central to our business, from product and pricing design to logistics and how we serve our customers. We have broken down historically high barriers to entry with our low-cost starter pack model, plug-and-play scalable devices and digital ecosystem, to broaden access to genomics.

Scientists use our products in more than 120 countries to address some of the most pressing biological issues of the day, including sustainable agriculture, biodiversity and studying the effects of climate change on oceans and glaciers. Our technology has the potential to provide a broad positive impact in diverse areas including human healthcare, in areas such as cancer, neurology, genetic disease and transplantation.

>8,200

scientific publications

•• Read more on page 37

3.

Disruptive, innovation led technology platform

Our electronics-based molecular sensing platform offers several advantages over existing sequencing technologies. Oxford Nanopore is the only company that offers portable to ultra-high throughput scalability, real-time/rapid data delivery and the ability to reveal highly accurate, rich biological data through the analysis of short to ultra-long fragments of native DNA or RNA in a single technology.

We retain our competitive advantage through constant innovation to drive product improvement and the development of new technologies. Innovation is protected by our intellectual property portfolio, which comprises more than 2,500 active patents across more than 350 patent families, reflecting clear technology leadership in our field.

>2,500

active patents

•• Read more on page 34



Oxford Nanopore has the only technology that reads native DNA/RNA, of any fragment length. This unlocks significant biological insights that are simply not accessible with traditional sequencing technologies.”

Dr Gordon Sanghera
Chief Executive Officer

4.

Infrastructure built to scale

We have built a diversified global supply chain and significantly invested in manufacturing specific innovation and infrastructure, allowing us to scale rapidly across geographies to meet volume growth.

In 2019, we opened a high-tech manufacturing facility in the UK designed to scale production capacity. This has enabled a tenfold increase in capacity since 2016. The manufacturing process has been designed to allow incremental, rapid scale-up, with low capital and personnel cost to match our growth trajectory.

We continue to focus on building a best in class, resilient supply chain, optimising manufacturing processes through innovation to enable long term growth and drive margin expansion.

5.

Track record of strong, resilient growth

We have a track record of consistently delivering robust revenue growth, underpinned by our unique commercial model and diverse customer base of >8,200 accounts. In the period from FY19 to FY22 S1, S2 and S3 customer groups revenue grew at a CAGR of 24%, 46% and 41% respectively.

The business also has a strong balance sheet that supports continued investment in innovation to fuel growth, with £558 million cash, cash equivalents and other liquid investments at 31 December 2022. We continue to see strong momentum across the business, with growing demand for our technology platform, with its unique combination of features.

6.

Experienced, global team

The executive team, led by Dr Gordon Sanghera, CEO, has extensive experience in the development, manufacturing and commercialisation of disruptive technologies including DNA sequencing. We have invested in the core functions needed to scale production and distribution of our technology from innovation to sales, contracts to production.

Our global team of >1,000 employees have diverse and complementary backgrounds, including electronics, chemistry, biology and data science. Focusing on a clearly defined set of core values, the workforce is aligned on the delivery of high-impact technology to the greatest range of users and to the rapid, sustainable growth of the business.

+64%

increase in manufacturing space

• Read more on page 35

41%

3 year LSRT revenue CAGR

• Read more on page 36

100+

combined years experience of Executive Directors

• Read more on page 106

anything
anyone
anywhere

Financial Highlights 2022

Total revenue

£198.6_m

(FY21: £133.7m) +49%

LSRT revenue

£146.8_m

((FY21: £127.0m) +16%

Gross profit

£123.8_m

(FY21: £73.2m) +69%

LSRT gross margin

56.3%

(FY21: 53.8%) +250bps

Adjusted EBITDA

£(78.6)_m

(FY21: £(57.7)m) -36%

Loss for the year

£(91.0)_m

(FY21: £(167.6)m) +46%

Invested in R&D

£93.9_m

(FY21: £67.6m) +39%

Cash and cash equivalents¹

£558.0_m

(December 21: £618.2m)

Business Highlights 2022

Continued innovation driving sustainable growth

- Introduction of "best of both" sequencing chemistry, combining the latest R10.4.1 flow cells with the latest Kit 14 to deliver high accuracy, high-output sequencing data, achieving 99.6% accurate single molecule raw-read simplex data and 99.92% duplex data, with tunable runs for further flexibility and optimisation
- Early access launch of PromethION 2 Solo (P2 Solo) device, a high-output, low-cost nanopore sequencer, designed to make high-throughput sequencing more accessible
- Release of Remora, a tool to enable real-time, high-accuracy epigenetic insights with nanopore sequencing
- Release of Short Fragment Mode to enable nanopore sequencing of fragments as short as 20 bases

Continued growth in customers and scientific impact

- Increase of 1,938 active customer accounts in the period, taking total active accounts to 8,283
- More than 8,200 papers published by the Nanopore Community to date (31 December 2021: ~5,200), highlighting applications across a number of scientific research areas including human, cancer, animal, plant, pathogen and environmental genomics

Investment in people to support growth strategy

- Increased global headcount to 1,009 (31 December 2021: 803), including key hires in senior sales, marketing and support leadership
- Duncan Tatton-Brown appointed as Non-Executive Chair, adding extensive experience as an Executive and Non-Executive Director of FTSE companies

¹ Cash, cash equivalents and other liquid investments includes cash and cash equivalents, treasury deposits and investment bonds

Strategic report

18—99

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Chair's statement

Duncan Tatton-Brown
Chair



2022 has been a year of exciting science and strong innovation alongside continued revenue growth.”

Overview

I am pleased to introduce our 2022 Annual Report. This is my inaugural report as Chair of Oxford Nanopore, having joined the Board in August 2022. It is an exciting time to join Oxford Nanopore and we were delighted to see the Telomere-to-Telomere Consortium finish and publish the first truly complete, more than 3 billion base pair sequence of the human genome during the year. Oxford Nanopore's high accuracy and ultra-long sequencing capabilities finally removed technological barriers to allow the final 8% of the genome to be revealed.

2022 has been a year of exciting and record-breaking science for customers using our technology, from Stanford University, who developed a workflow for ultra-rapid nanopore sequencing that resulted in actionable characterisation of genetic disease in under eight hours, right through to the University of Washington and Seattle Children's Hospital, who developed an ultra-rapid analysis using whole genome sequencing to target a single gene to characterise inheritance of specific familial variants in under three hours from birth. We are incredibly proud that our technology can be used in such varied and inspiring situations.

2022 also marked our first full year as a public company and I would like to congratulate Gordon and the rest of the executive team's success leading the Group through its first full year following the IPO. I would also like to personally congratulate Gordon for being named as a Commander of the Most Excellent Order of the British Empire (CBE) in the 2023 New Year honours. This achievement reflects Gordon's enormous contribution to the technology sector during his career.

On behalf of both the Board and our shareholders, I would also like to express our thanks and gratitude to my predecessor, Peter Allen, for his support, guidance and long service to Oxford Nanopore.

A year of strong innovation

Continuous innovation is at the heart of our growth strategy and 2022 was another strong year for Oxford Nanopore. During the year, our research and development (R&D) team successfully modified the nanopore, chemistry and run conditions to achieve high-accuracy, high-performance and high-yield nanopore data. The latest update included a new V14 chemistry kit which can be used alongside flow cells that include a new nanopore R10.4.1. These upgrades allowed our users to achieve Q20+ (>99%) simplex raw-read accuracy with high sequencing yield. In addition to simplex reads, our new Kit 14 chemistry and R10.4.1 nanopore combination can also produce duplex reads to further increase accuracy to Q30 (>99.9%).

During 2022, and in line with our vision to enable the analysis of anything by anyone, anywhere, we also expanded our device range with the launch of the highly accessible PromethION 2 Solo (P2 Solo) device. The P2 Solo is designed to make high-output sequencing more accessible to users at a low-cost entry point, enabling cost-effective high output sequencing with relatively low sample runs. The P2 Solo allows customers to conduct rapid, competitively priced sequencing of whole human genomes, transcriptomes, single cells, plants, animals or highly multiplexed targeted samples or pathogens.

More information on other innovations during the year can be found on page 44.

Financial performance

In 2022, Group total revenues were £198.6m, which included £146.8m of life science research tools (LSRT) revenue and £51.8m of Covid testing revenue from the conclusion of the DHSC contract - no future revenues are expected from this segment.

Our financial performance was in line with our LSRT revenue guidance. The total LSRT revenues represented 16% annual growth on a reported basis and 10% on a constant currency basis. On an underlying basis, excluding the Emirati Genome Project (EGP) and COVID-19 sequencing, growth was approximately 36% on a reported basis and approximately 30% on a constant currency basis. This strong performance against a challenging economic environment reflects the increased demand for our technology globally across many areas of scientific research. Revenue from COVID-19 sequencing grew by around £8.6 million in 2022 to £26.1 million (2021: £17.5 million), but we expect this to decline in 2023.

We were delighted to see continued growth across different geographies, and in particular in the Americas. Our 2022 LSRT gross margin increased to 56.3% compared to 53.8% gross margin in the previous year. We are pleased with the continued progress in this area and look forward to continuing this progress into 2023.

Corporate governance

As a Board and as a company, we are committed to strong corporate governance. Following my appointment as independent Chair and Wendy Becker's appointment as Senior Independent Director during the year, we ended 2022 in full compliance with the UK Corporate Governance Code.

Following my appointment, I was pleased to speak with a number of our largest institutional shareholders, who remain supportive of Oxford Nanopore and excited about our future possibilities. I look forward to the continued engagement in 2023 and beyond.

We are committed to diversity, in its widest sense, both at Board level and throughout the company. During 2022, we increased our gender diversity target for the Board to 40% within three years of our IPO. We expect to further strengthen our Board in 2023 with the addition of at least one new Non-Executive Director.

Outlook for 2023

Oxford Nanopore is only in the early stages of its journey and is well placed for continued growth in 2023 and beyond. We enter the year in a strong financial position and with a continued deep commitment to deliver on our vision to enable the analysis of anything, by anyone, anywhere.

I would like to thank our shareholders for their continued support and our employees for their continued commitment and dedication and we look forward to another exciting year ahead and to updating shareholders on our strategic and operational progress in 2023.

Duncan Tatton-Brown

Chair

20 March 2023

Our impact

Our vision is to bring the widest benefits to society through enabling the analysis of anything, by anyone, anywhere. This has always been at the core of Oxford Nanopore and in 2022, we continued to develop a broader set of sustainability initiatives and also worked on collating data so that we are more able to measure our impact.

We have updated our method to more accurately identify publications and by using this method, we have been able to identify over 8,200 publications. The increase of approximately 3,000 publications during the year illustrates the broad range of use for our technology, ranging from human genetics, rare diseases, cancer, food safety and environmental conservation.

We are publishing our first report on our findings against the Task Force on Climate-related Financial Disclosures (TCFD) framework. This includes an overview of our carbon risks and opportunity. We look forward to publishing our first detailed Sustainability Report shortly after the Annual Report.

Read more about our approach to sustainability on pages 62 to 85.

Our sustainability strategy

This year, we are introducing a new sustainability strategy: product, planet and people. This is part of our commitment to apply a sustainability-embedded mindset throughout the business.

• Read more on page 62

CEO's statement

Dr Gordon Sanghera
Chief Executive Officer

A year of exceptional
innovation, commercial,
operational and financial
progress



2022 was another year of significant progress. Demand for our differentiated technology continues to grow around the world and across many areas of scientific research, including human, cancer, animal, plant, pathogen and environmental genomics. This has underpinned a 30.5% growth in active customer accounts and strong growth in core revenue.”

It has been a great privilege to lead Oxford Nanopore through our first full year as a listed business. Our technology platform, with its unique combination of features, and commercial model continue to deliver strong results against a challenging macroeconomic backdrop and global supply chain constraints. We have continued to innovate, delivering new technologies and products to the market and expanded our customer base to 8,283 active accounts; a net increase of 1,938 customers over the period.

The thriving community of scientists using nanopore-based sequencing published approximately 3,000 peer-reviewed publications in 2022, bringing the total, since Oxford Nanopore technology was first available, to more than 8,200. Oxford Nanopore's technology is used to study a huge diversity of biology, including human genetics, cancer, plants, animals, bacteria, viruses and fungi. On the foundations of this scientific research, scientific communities are beginning to drive translational programmes, developing methods that use nanopore-based sequencing to generate insights that answer real-world problems in health, agriculture, food and environments. This is reflected in recent collaboration announcements for clinical and applied markets, and our expanding teams working to establish future partnerships. Enabling our broad user base to conduct breakthrough science that creates foundations for this long-term goal is our everyday business, and their incredible achievements inspire all of us at Oxford Nanopore.

Our users, who are in more than 120 countries, continue to use our technology in traditional laboratory environments and in the field, including in jungles, deserts, in the Antarctic and on the International Space Station. Sequencing samples at or near the source of origin is unlocking new uses of sequencing – whether in public health, food safety, manufacturing quality control, or as a tool in laboratory developed tests in healthcare settings.

Robust performance

The Group delivered revenue of £146.8 million in our core LSRT business, up 16% on a reported basis and 30% on an underlying basis, excluding foreign exchange, revenue from the Emirati Genome Program (EGP) and COVID-19 sequencing. This performance exceeds the original guidance we set out in November 2021 and within the revised guidance we issued in March 2022. In the period from FY19 to FY22, LSRT revenue grew over 41% on a CAGR, inline with our medium-term target of greater than 30% CAGR, on a rolling three-year basis. The strong results we continue to deliver, in a challenging market are a testament to our highly differentiated sequencing technology platform and the strength and dedication of our teams across the globe. Revenue from COVID-19 sequencing grew by around £8.6 million in 2022 to £26.1 million (2021: £17.5 million), but we expect this to decline in 2023.

The continued increase in the user base and utilisation of our technology is reflected in the growth of both consumables and starter pack revenue during the period, which grew by 12% and 23% respectively. From a customer group perspective, the S2 and S3 groups were core drivers of LSRT revenue growth. S3 revenue, excluding EGP, increased by 33% to £33.5million and revenue from the S2 customer group increased by 36% to £52.3 million. Total revenue in the period increased to £198.6 million, reflecting growth in LSRT revenue and non-recurring Covid Testing revenue of £51.8 million following the conclusion of our contract with the Department of Health and Social Care (DHSC) in March 2022.

LSRT gross margin increased by 250 basis points to 56.3% (FY21: 53.8%), predominantly driven by automation, improvements in manufacturing techniques and the recycling of electronic components in our hardware and consumables.

We saw strong growth across all regions in 2022, excluding the UAE. Revenues continue to be driven by our two largest regions, with Americas revenue up 45% (32% on a constant currency¹ basis) and Europe, up 30% (29% on a constant currency basis). This strong growth reflects our increased commercial capacity in these regions. There was 76% growth in China (66% on a constant currency basis) and Asia Pacific and Japan revenue increased by 28% (26% on a constant currency basis). UAE revenue declined by 52%, (54% on a constant currency basis), reflecting a £17.4 million decrease in revenue from the EGP, in part due to accelerated orders of flow cells in the fourth quarter of 2021, reducing demand for flow cells in the first quarter of 2022.

Looking beyond financial performance, we achieved much more in 2022. We executed key product launches and platform upgrades, including the early access release of the PromethION 2 Solo, which we believe to be the world's most affordable and accessible high-output sequencer. We expanded our manufacturing capacity and continued to optimise production processes to drive margin improvements. In addition, we continued to invest in our most important asset, our people, and achieved the target we set out at IPO of doubling our commercial teams within 18 months. Building our international commercial and support teams has enabled us to drive adoption across the global scientific community. You can read more about these achievements and overall progress in 2022 in this report.

Life Science Research Tools (LSRT) revenue

£146.8m

¹ Constant currency: the application of the same exchange rate to both the FY22 and FY21 non-GBP results, based on FY21 rates.

A year of disruptive innovation, enabling breakthrough science

2022 was a pivotal year for Oxford Nanopore, culminating in the announcement of the rollout of our highest-accuracy, highest-output chemistry to the broad user community. This brings together the disruptive properties of nanopore sequencing, that our scientific community has used to break new boundaries, with high performance and cost effectiveness for comprehensive sequencing of whole genomes or genomic regions of interest.

The scientific journal *Nature Methods* pronounced the ability to sequence long fragments of DNA/RNA as 2022 Method of the Year: "To large-scale projects and individual labs, long-read sequencing has delivered new vistas and long wish lists for this technology's future."

In 2022 we continued to drive performance improvement through new product and platform releases, including the early access launch of Q20+ chemistry, consisting of Kit 14 sample preparation kits and flow cells containing the new R10.4.1 nanopore chemistry. Q20+ chemistry combines very high single-molecule accuracy with the ability to reach all parts of the genome and characterise all types of genetic variation, through the ability to sequence any length fragments of native DNA/RNA. The platform now delivers Simplex accuracy (when a single strand is read by the nanopore) of over 99%. Simplex accuracy delivers market leading Single Nucleotide Polymorphism (SNP), Structural Variant (SV) and methylation. This mode is extensively used by all large studies of plants, animals and humans.

For the most challenging of applications, such as 'Telomere-to-Telomere' assembly of genomes or rare variant detection, Duplex accuracy delivers over 99.9% single molecule accuracy. Duplex data is generated when both template and complement strands are sequenced and combined. Duplex refers to the analysis of combined measured signals from double-stranded DNA to produce a base-pair sequence read.

With the platform as it stands, our users are rapidly moving from technology evaluation to technology deployment as we deliver complete genomes, discover novel variants that are highly linked to challenging problems such as cancer and rare disease. Our technology now fully delivers on accuracy, variant detection, methylation detection, on any read length; all of this while retaining our unique features of scalability, accessibility and real-time sequencing.

In the first six months of the year, we released Short Fragment Mode (SFM) to enable nanopore-based sequencing of fragments as short as 20 bases. This latest release enables users to generate highly accurate information-rich data, rapidly, in real time, on any molecule from 20 bases to millions of bases long; a true technology differentiator in a market currently divided into long or short-read platforms. SFM enables customers to deploy nanopore-based sequencing in emerging exciting areas such as liquid biopsy research for early detection of cancer.

In line with our goal to make DNA sequencing accessible to anyone, anywhere, we expanded our device range with the early access release of the palm-sized PromethION 2 Solo (P2 Solo) device. The P2 Solo is designed to make high-output sequencing more accessible to users with lower sample processing requirements and allows customers to conduct rapid, whole human genome sequencing for under \$950. The launch of the P2 Solo was well received and we started shipping devices globally at the end of 2022. In addition to the P2 Solo we have also developed the PromethION 2 (P2), a self-contained benchtop device with fully-integrated compute and a screen for generating, analysing and visualising nanopore-based sequencing data. The P2 is available for pre-order and is expected to be available to a small

group of developers in the first half of 2023 and is expected to progress to early access launch by the end of 2023. The P2 Solo and P2 devices are vital to enabling high output sequencing beyond our large S3 customers by broadening the growing user base of our PromethION platform.

During the period, we further enhanced our ability to deliver richer data by releasing Remora, a high-performance tool for methylation analysis, into our operating software, MinKNOW. This now means that all Oxford Nanopore users have easy access to precise whole genome methylation detection from PCR-free nanopore-based sequencing by using Remora. Nanopore-based sequencing is now the most comprehensive technology for characterising methylation, which has an important role in cancer and many other areas of genomics.

Oxford Nanopore has the only technology that reads native DNA and RNA in any fragment length. This unlocks significant biological insights that are simply not accessible with traditional sequencing technologies, including epigenetic characteristics (i.e. the 'methylome') as well as larger scale structural and copy number variations which are the subject of increasing scientific interest. Recent publications have highlighted that as much as 34% of all disease-causing variation is made up of variants that are larger than single base pair substitutions. This 'richness' of nanopore-based sequencing data sets us apart from every other player in the market. Oxford Nanopore is the first and currently only company that provides native DNA sequencing. We place agile innovation at the centre of our strategy to retain our leadership position in nanopore sequencing. R&D will continue to be the highest priority in the company and the principal driver of growth over the long term.

Life science research: the foundation for future applied uses

Human genomics and genetics: The mission to sequence the whole human genome started more than 30 years ago and we were delighted to see the Telomere-to-Telomere Consortium led by Karen Miga at UCSC finish and publish the first truly complete genome. Oxford Nanopore's high accuracy and ability to sequence ultra-long DNA fragments finally removed technological barriers and enabled the completion of the human genome.

We continue to see multiple publications shedding light on genetic aberrations that are not possible to read using short-read methods.

Cancer: Globally, we are excited to see programmes emerging that seek to bring whole cancer genome insights leveraging nanopore native DNA sequencing closer to clinical care. Genomics England are pioneering new methods to deliver comprehensive whole cancer genome data and related insights, with a goal to introduce these discoveries into the NHS that have the potential to improve patient cancer diagnosis and care. We have been proud to collaborate on this work, and in 2022 we were delighted to embark on the next phase of this programme with Genomics England. However, the ability of sequencing in cancer is not limited to whole genomes. The ability of nanopore-based sequencing to provide native methylation has continued to develop with multiple publications in 2022 continuing to provide insights in our understanding of cancer.

Microbial organisms /pathogens: Researchers are using nanopore sequencing to overcome the challenges associated with traditional short-read sequencing technologies to fully characterise microbial genomes – bacteria, fungi, viruses, as well as small DNA molecules such as plasmids. This can shed new light on microbial evolution, pathogenicity, and antimicrobial resistance. Nanopore sequencing is also proving to be integral in many biopharma/industrial quality screening processes, such as characterising the genome integrity and purity of plasmid constructs and Adeno-associated virus (AAV) vectors that are in development for gene therapy.

In a post-pandemic COVID-19 world the international public health community continues to deploy nanopore-based sequencing for the surveillance of human and animal outbreaks, from avian flu to tuberculosis (TB), in addition to ongoing tracking of coronaviruses, providing near real-time reporting of evolution and transmission of pathogens. This real-time reporting is critical to help us better understand and combat known or yet-to-emerge unknown pathogens, and provide the necessary context for effective preparation for and responses to future pandemics. Globally, scientific communities seek to blend these insights with public healthcare system approaches to managing infectious disease.

The journey from the bench to the bedside

In 2022, we saw strong growth in foundational research in human genetics, cancer research and monitoring infectious disease, alongside 'translational' method development to take research discoveries from the bench into distributed applied testing markets. Over the longer term, our thesis is that the very fast, scalable, information-rich, real-time nanopore sequencing will address unmet needs in health as well as industrial sectors such as agriculture, food and environmental applications. We have established cross-functional teams and processes to deliver our 'Q line' platform that will deliver nanopore sequencing for regulated applied markets such as clinical labs and biopharma QC/QA labs.

Human genomics and genetics: The increasing deployment of our technology in human genomics research programmes highlights the scientific community's need for these increasingly comprehensive analyses along with speed and accessibility. For example, a whole human genome was sequenced in approximately two hours by teams at Stanford, who were also able to resolve more cases in their rare disease study.

Our Strategy

We are focused on delivering sustainable, long-term growth by making sequencing more valuable and more accessible to genomics researchers worldwide, and over time to build on research advances with methods that provide actionable insights for real-world problems across health, agriculture, food and the environment. Our long-term growth strategy is based on three strategic pillars: disruptive innovation, commercial execution, and operational excellence. These strategic priorities are designed to create sustainable long-term growth, by expanding our market share, growing existing markets and by creating entirely new markets.

Our strategy has three pillars:

Disruptive innovation

Our commitment to continuous innovation is central to our strategy for growth. Our R&D team push the boundaries of sensing technology to create highly differentiated products and drive platform improvements of these, such that they deliver industry-leading performance. Our innovation stems across our manufacturing, scale-up and is paired with a highly differentiated business model designed to re-shape the market.

Commercial execution

Our commercial model focuses on driving rapid adoption and utilisation of our products. We believe this will catalyse change and growth of the sequencing and analysis market. Our accessible starter packs break down existing barriers to entry and broaden the user base. We support our users with a strong digital and e-commerce presence and drive growth by expanding our geographical footprint and bolstering our direct sales, field application specialists and support teams. Our direct teams are complemented with a number of strategic distributor relationships to ensure our product is accessible anywhere.

Operational excellence

We are investing in and improving our operational and manufacturing infrastructure and processes to enable long-term growth and drive margin expansion. This includes building a best-in-class, resilient supply chain, optimising manufacturing processes through innovation to drive efficiency and building strong global teams, with a focus on culture and people development.

- Read more about our strategy and our progress against these pillars on page 34



We enter 2023 with good momentum. Our balance sheet remains strong and we will continue to invest in ground-breaking innovations and operational expansion to support continuous growth and deliver long-term value for shareholders."

A team from University of Washington and Seattle Children's Hospital also used Oxford Nanopore sequencing technology to perform an ultra-rapid analysis using whole genome sequencing and prior information about a genetic disease to target a single gene, showing the ability to characterise inheritance of specific familial variants in under three hours from birth.

Oncology cancer research: The coupling of methylation with the new short fragment mode (SFM) enabled delivery of a breakthrough publication by Stanford University, showing that Oxford Nanopore technology is able to analyse cell-free DNA from blood samples to track the methylation load of cancer samples through diagnosis, treatment, remission, and reoccurrence – paving the way for a future blood-based cancer screening method to support doctors and patients managing cancer. Our technology has also proven to be a critical tool for users interested in developing methods for rapidly characterising blood cancers. For example, research teams at Walter and Eliza Hall Institute of Medical Research and also the University of Florence have been able to further understand chemotherapy resistance in chronic lymphocytic leukemia and acute myeloid leukemia respectively, and teams at Université de Montréal in Canada are aiming to generate comprehensive and precise transcriptomic profiles for diagnosis, classification, and treatment selection of acute lymphoblastic leukemia (ALL) for use in precision medicine, this groundbreaking study highlighted a method to characterise ALL in just five minutes.

Microbial organisms /pathogens: The same properties of nanopore-based sequencing that enable distributed surveillance – real-time sequencing with accessible, easy-to-use devices – has supported the development of methods for rapid infectious disease management in critical care. At Guys and St Thomas Hospital, a pilot respiratory metagenomics programme uses Oxford Nanopore's products in a critical care setting to detect all bacterial/fungal pathogens and their resistance profiles within hours versus several days with traditional methods, from a single analysis. In addition, Oxford Nanopore successfully completed phase one of a drug-resistant tuberculosis research study as part of Seq&Treat, work funded by Unitaaid and led by FIND, the global alliance for diagnostics. This involved the development of a rapid end-to-end sequencing workflow to identify over 100 mutations associated with drug resistance across the TB genome, directly from clinical samples as part of a research study.

Future applied market opportunity; to deliver real-world benefits and impact

In 2021, we established Oxford Nanopore Diagnostics (OND) to drive the process of translating nanopore sequencing from research towards 'applied' clinical uses of the technology. In 2022, our collaborative programmes have started to translate the benefits of nanopore sequencing in human genetics to deliver real-world benefits and impact. Our partners Omixon and GenDx announced assays that can perform high-resolution Human Leukocyte Antigen (HLA) typing within hours, to enable transplant patients to be rapidly matched with donors. We also established a collaboration with Asuragen, a BioTechne company, to develop an expanded carrier screening assay, using nanopore sequencing to enable the family planning process. As Oxford Nanopore continues to work with large human genomics programmes that are the basis for future personalised medicine, we are proud to be building collaborations that have the potential to give rise to broad types of future applications in human genetics, including the important resolution of previously uncharacterised rare genetic diseases.

Manufacturing innovation

Our commitment to innovation extends to our in-house developed manufacturing processes. We continued to invest in scaling up the manufacturing operations and the supporting supply chain during 2022, to ensure that production volumes can be scaled rapidly when required. In the first half of 2022, we separated our technology transfer operation from production, for greater resilience and continued to invest in manufacturing innovation to increase the efficiency and effectiveness of production processes. During the period, we made good progress automating parts of flow cell manufacturing, to increase efficiency and scale. To further optimise and scale flow cell manufacturing, we have invested in multi-function automation systems for assembly of MinION and PromethION Flow Cells. These new systems will reduce footprint, simplify processes and double throughput. These systems have been designed, prototyped and developed through 2022 and are now being prepared for introduction into the flow cell manufacturing process; starting with MinION Flow Cells in the first half of 2023 and PromethION Flow Cells in the second half of 2023.

Like many businesses, we experienced constraints on our supply chain in 2022, with increasing costs of product supplies, particularly generic electronic components. We successfully navigated unprecedented global supply chain disruption to deliver the devices our customers ordered, reflecting the strength of both our relationships with suppliers and our core internal capabilities.

Our operations teams were able to navigate supply shortages by purchasing and adapting generic components to work in our products. This effort involved a degree of redesigning every product, recertifying and manufacturing redesigned products, such that alternate electronics could be used when the original components were unavailable. We also benefitted from our decision to enter 2022 with higher levels of inventory than normal, learning from Brexit and prior disruptive events.

During the period, we expanded our facilities in Harwell, Oxfordshire, adding 22,600 square feet of manufacturing space (the Genesis building), to support scaling of biologics manufacturing and production of our sample preparation kits at scale. Further to this, we secured a new site in South Oxfordshire, which we will develop with a focus on warehousing, logistics and technical laboratories to build the organisational capability we require to continue to supply product volumes to sustain rapid market growth globally.

• Read more about manufacturing innovation on Page 52

Maximising our sustainable impact

From day one, we have sought to make biological information more accessible to those who need it and we are delighted to see how nanopore users are bringing our tools to bear on the challenges facing the world. In 2022, we continued to develop a broader set of sustainability initiatives to measure our impact.

This year we are introducing a new sustainability strategy – product, planet, people – that encapsulates the consistency of our wider business strategy and sustainability outcomes. Climate change, food security and human health are defining issues of our time that Oxford Nanopore can positively impact. In particular, the window for climate action is closing rapidly. We are adapting to, and mitigating against, climate change risks and impacts, through commitments to improved efficiencies throughout Oxford Nanopore's operations, including in our products, facilities and value chain. Our products are already designed to minimise packaging and waste, to dramatically reduce dependencies on cold-chain shipping and to include recycling of key components into our business processes.

More details can be found in the sustainability section of this report, including our findings against the Task Force on Climate-related Financial Disclosures (TCFD) framework. This includes an overview of our carbon risks and opportunity. We look forward to publishing our first detailed Sustainability Report in the first half of the year.

• Read more about our approach to sustainability on Page 62

Our People

Our people are vital to the success of our business; one of the hallmarks of Oxford Nanopore is the multi-disciplinary nature of our employee base driving our innovation. We have continued to grow rapidly in 2022 as we expand our commercial presence, scale our production operations and accelerate the development of our products.

To support our rapid growth, we made significant investments in our global organisation in 2022. Total headcount reached 1,009 at the end of the year, up 26% from the prior year. We made key hires across geographies and functional areas including senior commercial leadership in Europe and the US and marketing leadership globally. In February 2023, our commercial team headcount reached 301 achieving the goal we set out at IPO of doubling the commercial team.

Alongside commercial expansion, we have continued to grow our operational capabilities with the addition of experienced leadership in our biologics production and supply chain. In R&D, we have made significant investments in the expansion of our machine learning and artificial intelligence (AI) teams, whilst enhancing our software teams and recruiting leading research and development scientists.

Improved onboarding and talent development through initiatives such as Butcher Bailey Leadership training, mentoring programmes, six-sigma programmes in production and operations, and challenger sales training for our commercial teams will ensure we are building a solid foundation for the future.

• Read more on Page 82

Outlook

We are seeing increasing demand around the world for our unique platform and are hugely proud of the new ground that our customers are breaking with the aid of our technology, in areas spanning population genomics, viral surveillance, neurological disorders, cancer, biopharmaceutical production and environmental conservation. This breadth underlines the scale of the opportunity we see ahead, as we seek to bring the widest benefits to society through the analysis of anything, by anyone, anywhere.

The strength of our balance sheet combined with significant investment in platform development, bespoke electronics, IP, infrastructure and our greatest resource, our people, puts us in a strong position to achieve this goal. We see significant opportunities ahead, reflected both in the progress we have made in the current research market and in the preparations that we are making to address many potential uses for our technology in applied markets, from infectious disease to agricultural optimisation.

We have established our platforms globally and our long-term strategy is to enable our customers to develop novel applications, analogous to the 'apps' model for mobile phones. Enabling our customers to develop on the platform will propel us toward a world of real-time, distributed access to DNA/RNA information. As we begin to understand and measure the biological world around us and use that information to make decisions with positive impacts from health to the environment, we are on the cusp of creating the 'Internet of Living Things'.

Dr Gordon Sanghera

Chief Executive Officer

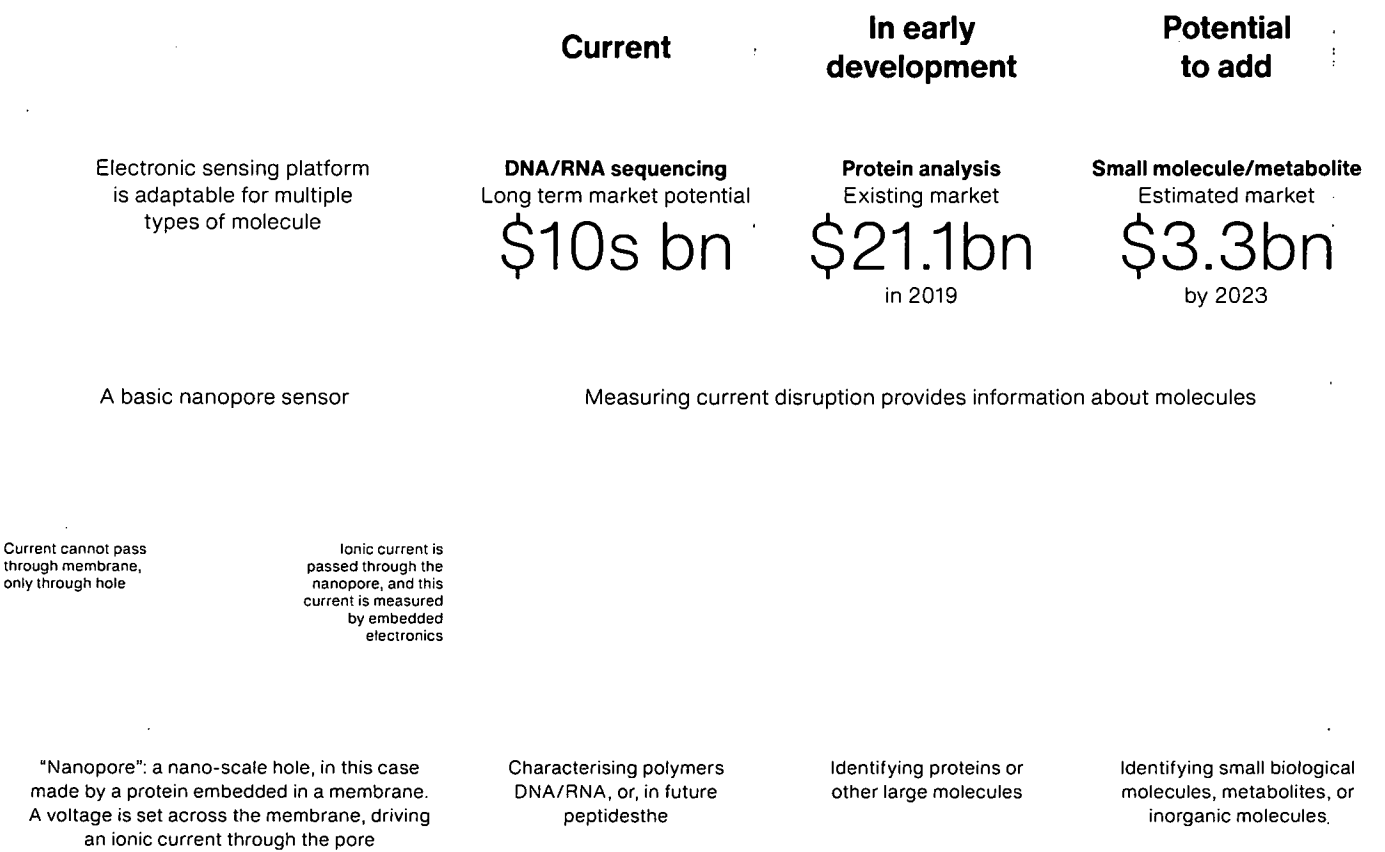
Market opportunity

Oxford Nanopore's first market is in scientific research (life science research tools or LSRT), where DNA or RNA sequencing can answer foundational questions about the biology of humans, cancer, animals, plants, pathogens and in environments. Our teams are now driving expansion from use in LSRT for scientific discovery, through the translational journey where methods are developed and piloted that address needs in future clinical diagnostic or industrial "applied market" applications.

In 2022, \$6.2 billion was spent globally on DNA/RNA sequencing devices and consumables, and we believe that this market is positioned to be expanded and reshaped with our technology. In particular, analysis shows that the potential future market opportunities for DNA/RNA sequencing in healthcare and other applied markets could reach tens of \$billions. It is our thesis that these long-term markets can be unlocked by a new generation of technology that uniquely provides real-time, information-rich insights, in formats that can be scaled from palm sized to ultra-high output.

Beyond DNA and RNA sequencing, the Oxford Nanopore platform can be adapted for the analysis of other types of biological molecule, like proteins, unlocking opportunities to access and reshape broader scientific markets such as proteomics; these markets present a tens of \$billions additional opportunity, on the same fundamental sensing platform with the same disruptive features.

One sensing technology platform, for the analysis of multiple types of molecule
As applications expand, operational and manufacturing synergies drive value



Market opportunity: DNA/RNA sequencing

DNA/RNA sequencing is the first deployment of Oxford Nanopore's new generation sensing platform. The current \$6.2 billion market for sequencing devices and consumables grew at ~22% between 2020-2022, but there exists substantial opportunities for disruption and future growth, particularly in future clinical and applied markets.

Life Science Research Tools (LSRT)

Life science research: a foundational market

Oxford Nanopore defines its LSRT market to include biomedical or non-medical fundamental research, as well as research conducted in clinical and industrial environments. These users may be working at universities, government or industrial organisations. The majority of our users are in this category at the moment. The breakthrough science performed by this scientific community – for example, the discovery of new cancer biomarkers using novel nanopore approaches, the design of new methods to sequence pathogen DNA from lung samples, or new methods to analyse plant DNA – are the foundation for future applied markets.

The majority of our customers today

Oxford Nanopore's sequencing technology is enabling new approaches to, and broad discoveries in, biological research.

Foundation for

Biomedical research

Non-human research

\$3.1

2022 market. Capacity for rapid growth and reshaping with nanopore sequencing

- Existing funding streams, for example government research grants or industrial research budgets, that favour innovation
- Appetite to shift expectations towards richer scientific information, obtained more easily and quickly
- New, disruptive use cases emerge from this group
- Established and growing commercial teams are driving traction and shifting expectations in science

LSRT: Life science research

Typical user: researcher at university, government or industrial research laboratory. May be working in:

Biomedical research

Human genomics/genetics: from fundamental understanding of the human genome (DNA) and transcriptome (RNA), to the discovery of new biomarkers associated with disease, these programmes lay the foundations for future clinical opportunities. They range from smaller users with targeted biological questions, to population-scale analyses.

Cancer genomics: cancer is a disease of the genome. DNA/RNA research gains more understanding of causes of the disease, and methods of identifying cancer. This includes solid tumours, blood cancers, and methods to analyse cell-free DNA in the blood that may originate from cancer. Oxford Nanopore technology can perform real-time methylation and characterise a broad range of genetic variation.

Non-human research

Pathogen/microbial research: sequencing enables better understanding of bacteria, fungi or viruses, including drug resistance, in humans, animals or environments.

Genomic surveillance: rapid sequencing of pathogens provides critical public health data, as seen during COVID-19, flu and many other outbreaks.

Microbiome research: to understand their composition and whether they are changing, with relevance to human health, environments such as oceans, and industrial environments such as biofilms.

Plant genomics: understanding the genomics of crops, plants and biodiversity. Lays a foundation for development of solutions to challenges across agriculture, food security and the environment.

Animals: whether sequencing livestock, pets or diverse animal species, promotes understanding and foundational to future uses in farming and veterinary fields, and managing biodiversity.

Applied markets

Rapidly emerging

The scientific community is increasingly translating the unique combination of benefits of nanopore sequencing into methods that are being piloted for real-world impact and routine use in clinical labs

Potential for substantial impact

This market represents substantial upside over the long term

Clinical Diagnostics Applied Industrial

Clinical labs, clinical research Industrial

Long-term market opportunity \$10s billion¹

\$2.4bn²

2022 market. Capacity for rapid growth and reshaping with nanopore sequencing

- Existing funding streams to deploy sequencing in clinical laboratories as Lab-develop tests or equivalent, or to pilot clinical use in research environment
- Newer teams are now establishing programmes

\$0.7bn²

Current market needs have not yet been met by traditional technologies; capacity for expansion

- Huge potential for new, nanopore-based applications to address unmet needs
- Regulatory landscape, commercialisation strategies and product are all considerations

LSRT: translational/clinical research

Typical user: researcher in 'translational' healthcare/industrial environment focused on developing clinical uses of technology, or industrial equivalent, or advanced clinical or industrial laboratory with certain accreditations.

Human genetics: research programmes that pilot the deployment of sequencing methods for characterising genetic diseases in clinical samples, including paediatric rare disease, tissue typing for transplantation. Clinical laboratories with certain regulatory status can operationalise routine analyses.

Cancer: similar, for cancer clinical samples. Whole cancer genome sequencing or targeted cancer sequencing to rapidly characterise the disease.

Infectious disease: methods to detect/profile known diseases and their drug resistance (e.g. tuberculosis, sepsis), or to rapidly characterise unknown pathogens in clinical samples (clinical metagenomics).

Industrial sequencing: piloting methods that may in future be scaled up. For example, using sequencing for food safety or authentication, bioprocessing e.g. mRNA vaccine production; quality control in life sciences e.g. in CRISPR/other genetic modification processes; in agrigenomics such as to enable breeding programmes, plant/crop.

Applied markets

More regulated tests, where rapid, scalable and comprehensive nanopore sequencing addresses unmet market needs, have substantial long term potential. These also require time and investment in their development and go-to-market strategies including establishing partnerships, in order to reshape and expand the market. Clinical research acts as a foundation for these applied markets.

¹ Source: Health Advances Report; Allied Market Research Reports

² Source: DeciBio 2022 NGS Market Report, DeciBio analysis. Manufacturers market includes devices and consumables but excludes services

Our business model

Our mission

We deliver highly differentiated, high-performance products and platforms that enable broad scientific communities to explore novel biological information and deploy it in an accessible and sustainable way to transform research, health, food, agriculture and the environment

Key strengths and resources

Our people and culture

Attracting, developing and retaining high calibre employees is important. We strive to build a purpose-driven culture based on our values and shared vision

•• Read more on page 37

Research & development

Innovation is at the heart of everything we do and it delivers highly differentiated products and drives continuous improvement to deliver value to our users

Intellectual property

Innovation is protected by our IP portfolio, which comprises more than 2,500 active patents across more than 350 patent families

The Nanopore Community

We drive open innovation together with our community, who develop novel applications for our technology every day

Suppliers

We have a diverse, global supply chain. Our suppliers contribute to innovative processes by developing their own products and services

Manufacturing

State-of-the-art in-house manufacturing increases resilience, speed to market, and minimises leakage of know-how

Sales & marketing

We support our customers in over 120 countries. Our commercial teams are highly specialised, with an in-depth knowledge across the full range of products and applications

Balance sheet

We have a strong balance sheet enabling us to continue to invest in R&D, people and infrastructure to drive future growth

How we create value

Our core activities

1. Innovation

Our R&D team pushes the boundaries of sensing technology to create products with both novel properties and high performance, designed to reshape markets. This includes fundamental research, pipeline programmes to develop new technologies and programmes to improve the performance of the existing platform.

• Read more on page 44

2. Intellectual property

We continue to invest in building and protecting our IP portfolio, which consists of patents, trademarks, registered designs, trade secrets and copyright. Our IP team find and protect the important innovations which can add value to the company, now and in the future. To complement internally developed IP, we have fostered long-standing links with a number of leading academic institutions worldwide.

• Read more on page 52

3. Manufacture and supply

We manufacture three main categories of physical products: the sequencing devices, the sequencing components (flow cells) and the sample preparation consumables (kits), from our high-tech manufacturing facilities in Oxfordshire, UK. Manufacturing involves a combination of sourcing components from third-party suppliers as well as in-house manufacturing and assembly. We maintain close control over, and internally manufacture or assemble, the key components of our products to ensure the required levels of quality, service and delivery are met.

• Read more on page 52

4. Route to market

We drive adoption and broaden access to genomics through our capital-free go-to-market model and global distribution channels. Customers are currently offered 'starter packs' of consumables, which come with the provision of the device at no extra cost, removing the need to purchase equipment in order to start using the technology. We ship products globally from our four international distribution hubs and work with various distributors to support our commercial activities in certain regions including China, Japan, Turkey, India, South Korea and parts of Africa. We have multiple potential routes to market to optimise future commercial impact, including direct channels, distributors, collaborations and partnerships.

• Read more on page 55

5. Customers

We manage growth across our three strategic customer groups (S1, S2 and S3) to ensure that efficient and effective commercial attention is given to different types of customers throughout the sales pipeline, as well as closing new business and providing ongoing support for customer success. Through feedback and collaboration our customers also play an important role in our product development process.

• Read more on page 56

6. Sales & Marketing

We support our customers in over 120 countries. Our commercial teams are highly specialised with an in-depth knowledge across the full range of products. Since January 2023, the sales teams consists of three regional team verticals, led by Commercial Directors in the Americas, EMEA and APAC. To capture opportunities outside LSRT, we also have an expert Diagnostics, Applied & Industrial Markets group exploring new market opportunities in AgBio, Veterinary and Bio-Manufacturing.

• Read more on page 56

Value created and shared

For shareholders

We believe executing against our strategy and growing the business will drive long-term value creation for shareholders.

3 year LSRT revenue CAGR

>41%

Employees

We make significant investments in recruiting and developing our people, and ensuring their wellbeing, to maintain the culture and rapid pace of innovation that continues to underpin our success.

Total training hours

8,832

For society and environment

Our products are used around the world to advance the global understanding of biology and causes of disease. We are also committed to limiting the impact of our operations on the environment.

Recycled packaging

79%

Investment in the business

Continued investment in R&D, people and infrastructure to drive long-term sustainable growth. R&D will continue to be the highest priority and key driver of growth.

Investment in R&D

£94m

For customers

Our customers benefit from our highly differentiated technology platform and technical support allowing them to gain deeper biological insights.

Growth in customer base

>30%

• Read more Page 34

Our strategy

We are focused on delivering sustainable, long-term growth by making sequencing more valuable and more accessible to genomics researchers worldwide. Our long-term growth strategy is based on three pillars: disruptive innovation, commercial execution, and operational excellence. These strategic priorities are designed to create sustainable long-term growth, by expanding our market share, growing existing markets and by creating entirely new markets.

Strategic pillar

Disruptive innovation

Our commitment to continuous innovation is central to our strategy for growth. Our R&D team pushes the boundaries of sensing technology to create highly differentiated products and drive performance to deliver novel insights, designed to expand and reshape markets. Innovation includes fundamental research, pipeline programmes to develop new technologies and programmes to improve the performance of the existing platform. It additionally extends to novel manufacturing processes and partners with our highly differentiated commercial model.

Performance in 2022

- Continued investment in R&D; £93.9 million invested in 2022
- Early access launch of P2 Solo, a high-output, low-cost nanopore sequencer, designed to make high-throughput sequencing more accessible
- Early access launch of Q20+ chemistry; a platform release to deliver high-accuracy, high-output sequencing data, achieving >99% accurate single molecule raw-read simplex data and >99.9% duplex data
- Integration of Remora, our high-accuracy methylation detection tool, into our operating software enabling simple, high accuracy epigenetic analysis
- Release of Short Fragment Mode to enable nanopore sequencing of fragments as short as 20 bases; enabling short to ultra-long fragments in a single technology

Priorities for 2023

- Drive rapid adoption of P2 Solo and Q20+ chemistry
- Progress innovation pipeline including products such as P2 and MinION Mk1D
- Continued development of novel chemistries such as protein sensing and outy chemistry

Links to KPIs

- LSRT revenue
- LSRT gross margin
- Adjusted EBITDA
- Publications

**Our strategy
is underpinned
by our three
sustainability pillars**

¹ Excluding EGP

² Cumulative publications to 31 December 2022

Strategic pillar**Commercial execution**

Our commercial model focuses on driving rapid adoption and utilisation of our products to catalyse change and growth of the sequencing and analysis market. Our accessible starter packs break down existing barriers to entry and broaden the user base. We support our users with a strong digital and e-commerce presence and drive growth by expanding our geographical footprint and bolstering our direct sales, field application specialists and support teams. Our direct teams are complemented with a number of strategic distributor relationships to ensure our product is accessible anywhere.

Performance in 2022

- Grew and diversified our customer base through new customer acquisition and expansion; active accounts increased from 6,345 to 8,283
- Increased consumables revenue by 12%, reflecting increased utilisation across the user base
- Delivered strong underlying revenue growth across all three customer groups, excluding the EGP. Revenue in S1, S2 and S3 customer groups grew at 29%, 36% and 33%¹ respectively. Strong growth in Americas and Europe of 45% and 30% respectively, driven by increased commercial resources
- Increased demand for technology, reflecting in growing number of publications; more than 8,200 papers have been published by the Nanopore Community²

Priorities for 2023

- Continued focus on growing and diversifying our global customer base in the LSRT market, and laying the foundations for future growth in applied and clinical markets
- Focus on optimising customer experience and increasing accessibility through continuous improvement to logistics, manufacturing and technical support

Links to KPIs

- LSRT revenue
- LSRT gross margin
- Adjusted EBITDA
- Publications

Strategic pillar**Operational excellence**

We are investing in and improving our operational and manufacturing infrastructure and processes to enable long-term growth and drive margin expansion. This includes optimising manufacturing processes through innovation to drive efficiency, building a best-in-class, resilient supply chain and strong global teams, with a focus on culture and people development.

Performance in 2022

- Delivered 250 basis points increase in LSRT gross margins, driven by automation, improvements in manufacturing techniques and the recycling of electronic components
- Operations teams successfully navigated unprecedented global supply chain disruption, reflecting the strength of both our relationships with suppliers and our core internal capabilities. For example, we were able to navigate supply shortages by purchasing and adapting alternative generic components to work in our products
- Expansion of manufacturing capacity to support scaling of biologics manufacturing, logistics and warehousing
- Implementation of several new initiatives to attract, retain and upskill our personnel

Priorities for 2023

- Build further resilience in our supply chain and maintain strong relationships with suppliers
- Invest in operational and manufacturing infrastructure and processes to unlock value and drive margin expansion
- Implementation of contract management system to increase efficiency and improve the customer experience

Links to KPIs

- LSRT revenue
- LSRT gross margin
- Adjusted EBITDA
- Staff Attrition

Product

• Read more Page 68

Planet

• Read more Page 72

People

• Read more Page 82

Key performance indicators

The Group monitors several key metrics to track the financial and non-financial performance of its business.

Financial KPIs

| LSRT revenue | LSRT Gross Margin | Adjusted EBITDA ¹ |
|--|---|---|
| 146.8 | 56.3% | (78.6) |
| <p>Definition: LSRT revenue is derived from the sale of our sequencing products to global customers who are using our technology for scientific research and public health. For now, it also includes a small amount of revenue from customers using our sequencing products for clinical and applied uses.</p> <p>Why is it important? Revenue growth is crucial for sustainable long-term growth and is driven through increasing and diversifying our customer base and, in turn, the number of starter packs and consumables sold.</p> <p>Performance Revenue in our core LSRT business increased by 15.6% on a reported basis and 9.8% on a constant currency basis², driven by the continued increase in the user base and utilisation of our technology. In the period from FY19 to FY22 LSRT revenue grew at a CAGR of 41.3%.</p> <p>Link to strategy:</p> <p>Associated risks: 1 2 3 4 5 7 8 10</p> | <p>Definition: Gross margin percentage is LSRT gross profit expressed as a percentage of LSRT revenue.</p> <p>Why is it important? LSRT gross margin is a key metric for monitoring the Group's earnings quality and potential.</p> <p>Performance: LSRT gross margin increased by 250 basis points to 56.3% driven by automation, improvements in manufacturing techniques and the recycling of electronic components.</p> <p>Link to strategy:</p> <p>Associated risks: 1 2 3 4 5 7 8 10</p> | <p>Definition: Adjusted EBITDA is Loss for the year before finance income, loan interest, interest on lease, income tax, depreciation and amortisation and exceptional items. See reconciliation on page 196.</p> <p>Why is it important? Adjusted EBITDA is used to assess the trading performance of the Group's business.</p> <p>Performance: Adjusted EBITDA decreased by 36%, driven by increased operating expenses due to scaling up resources across the business, primarily staff and continued investment in R&D.</p> <p>Link to strategy:</p> <p>Associated risks: 1 2 3 4 5 7 8 10</p> |

1. Alternative Performance Measures as defined in the Glossary on page 213.

2. Constant currency - the application of the same exchange rate to the FY22 and FY21 non-GBP results, based on FY21 rates.

Non-financial KPIs

Staff Attrition

12%

Definition:

The number of leavers in the period divided by the average number of employees in the period.

Why it is important?

Attracting and retaining the best employees is critical to the successful execution of our strategy.

The Group recognises that some employee attrition is beneficial as it provides the opportunity to bring in new talent and also encourages the introduction of new ideas, the implementation of changes and the adoption of new approaches from employees.

Performance:

The increase in the attrition rate reflects the accumulative impact post IPO and the pandemic.

Link to strategy:

Associated risks:

2 5 6 7 9 10

Publications³

>8,200

Definition:

The cumulative number of scientific publications that include nanopore sequencing as an experimental method, as publicly available in online resources.

Why it is important?

Publications are an indicator of the breadth and diversity of the use of nanopore sequencing in the scientific community, reflecting expanding utility and acceptance in genomics research.

Performance:

The increase in publications reflects the growing momentum for the Group's sequencing technology in the scientific research community. This also reflects the impact of the Group's strategy of broadening access to genomics through more accessible technology as publications appear from diverse scientific communities.

Link to strategy:

Associated risks:

1 5 7 9

³ Publications

Cumulative peer review publications, identified through databases including Google Scholar and PubMed, and demonstrating primary research using Oxford Nanopore sequencing technology. Excludes review articles, book chapters, editorials, protocols, and conference proceedings. English language only.

Note: methodology for searching for and categorising publications was enhanced in early 2022, for example, expanding search into wider databases and adopting broader search terms. This resulted in a larger number of publications being identified not only in 2022 but in prior years.

Principal Risk and Uncertainties

- 1 Ability to make products: supply chain and manufacturing
- 2 Trade, war, pandemic and inflation
- 3 Concentrated revenues
- 4 Cyber security
- 5 Intellectual property and competition
- 6 Founder-led company, succession planning, talent recruitment and retention
- 7 Ability to successfully introduce products to remain a technology leader
- 8 Ability to achieve medium-term revenue growth targets
- 9 Data privacy and data classification
- 10 Environment, health and safety

Link to strategy

Disruptive innovation

Commercial execution

Operational excellence

Financial review

Tim Cowper
Chief Financial Officer

Key Highlights

We delivered strong, resilient growth in our core LSRT business through execution of our strategy

LSRT revenue grew by

16%

(Constant currency: 10%)

LSRT gross margin increased by

250bps

Underlying LSRT revenue grew by

30%

Active customers grew by

30%

Cash, cash equivalents and other liquid investments

£558m

Reduction in cash in the year by

£60.2m

Confidence in the future

- Broad, diverse user base of >8,200 active accounts provides stability
- Disruptive technology platform and robust innovation pipeline continues to drive growth
- Resilient supply chain and multiple levers to drive gross margin expansion

FY26 medium-term targets

- Grow LSRT revenue by >30% on a rolling 3-year CAGR
- Increase LSRT gross margin to >65%
- Achieve adjusted EBITDA breakeven



Our full-year performance was strong, with underlying growth in both customer numbers and revenues.”

2022 performance

I am proud to report our first full year as a listed company has seen our strategy and differentiated platform continue to deliver strong results. To provide a better picture of performance since our IPO we have also compared FY22 to FY20 below.

The Group delivered total revenue of £198.6 million, including £146.8 million in revenue from our core LSRT business. LSRT revenue increased by 16% on a reported basis and 10% on a constant currency basis. Underlying LSRT revenue growth, excluding the Emirati Genome Program (EGP) and COVID-19 sequencing, was approximately 36% on a reported basis and approximately 30% on a constant currency basis. This performance was principally driven by the expansion of our global customer base from 6,345 to 8,283 active accounts; an increase of over 30% during the year. Compared to FY20 total revenue was up 74.4% and LSRT revenue was up 124.1%. Revenue from COVID-19 sequencing grew by around £8.6 million in 2022 to £26.1million (2021: £17.5 million), but we expect this to decline in 2023.

Group gross profit increased to £123.8 million, up 69.1% in the period. This includes LSRT gross profit of £82.7million (FY21: £68.3 million), with the remainder (£41.1 million) coming from the proceeds, less associated costs, arising from the conclusion of the DHSC contract, which was terminated in 2021. LSRT gross margin increased by 250 bps during the period and by 1,340 bps compared to FY20. Group operating loss decreased to £98.5 million (FY21: £164.5 million), reflecting the growth in revenue and gross profit.

These results, which were achieved against a challenging macro-economic backdrop and global supply chain pressures, reflect the growing demand for our technology, our unique commercial model and the strength of our teams.

During 2022, we continued to invest in research and development to drive both continuous improvement in the performance and usability of our technology, and to deliver new products and technologies that address a broader range of applications and users' needs. We also continued to expand our global sales and marketing team during 2022. Commercial and marketing headcount grew to 291 employees at 31 December, up by 51% during the year.

Despite continuing investment in innovation and sales and marketing, we finished the year with cash, cash equivalents and other liquid investments of £558.0 million (2021: £618.2 million) resulting in a reduction in cash of £60.2 million.

Results at a glance

| Year ended 31 December: | 2022 £m | 2021 £m | % change FY22 vs. FY21 | Two-year basis | |
|---|------------|------------|---------------------------|----------------|------------------------------|
| | | | | 2020 £m | % change FY22 vs. FY20 |
| Total revenue | 198.6 | 133.7 | +48.5% | 113.9 | +74.4% |
| - LSRT revenue | 146.8 | 127.0 | +15.6% | 65.5 | +124.1% |
| - Covid testing revenue | 51.8 | 6.7 | +673.1% | 48.3 | +7.2% |
| Gross profit | 123.8 | 73.2 | +69.1% | 46.9 | +164.0% |
| Gross margin (%) | 62.3% | 54.8% | +750 bps | 41.2% | +2,110 bps |
| LSRT gross margin (%) | 56.3% | 53.8% | +250 bps | 42.9% | +1,340 bps |
| Operating loss | (98.5) | (164.5) | +40.1% | (73.1) | (34.7)% |
| Adjusted EBITDA | (78.6) | (57.7) | (36.2)% | (55.2) | (42.4)% |
| Loss for the year | (91.0) | (167.6) | +45.7% | (61.2) | (48.7)% |
| Cash, cash equivalents and other liquid investments | 558.0 | 618.2 | (9.7)% | 80.9 | +589.8% |
| Net assets at period end | 693.6 | 704.0 | (1.5)% | 185.9 | +273.1% |

Alternative performance measure

The Group has identified Alternative Performance Measures (APMs) that it believes provide additional useful information on the performance of the Group. These APMs are not defined within International Financial Reporting Standards (IFRS) and are not considered to be a substitute for, or superior to, IFRS measures. These APMs may not be necessarily comparable to similarly titled measures used by other companies. All adjusted measures are reconciled to the most directly comparable measure prepared in accordance with IFRS in note 34 to the consolidated statements.

Directors and management use these APMs alongside IFRS measures when budgeting and planning, and when reviewing business performance.

Glossary

Adjusted EBITDA: EBITDA adjusted for: i) share-based payment expense on Founder LTIP awards; ii) employer's social security taxes on pre-IPO share awards; iii) IPO costs expensed in the Statement of Comprehensive Income; iv) impairment of investment in associate; v) gain on sale of property; and vi) settlement of the Covid testing contract. See reconciliation in note 34

bps: basis points

CAGR: Compound annual growth rate

Cash, cash equivalents and other liquid investments: Cash and cash equivalents, treasury deposits and investment bonds

Constant Currency: the application of the same exchange rate to the FY22 and FY21 non-GBP results, based on FY21 rates

EBITDA: Loss for the year before income tax expense, finance income, loan interest, interest on lease, depreciation and amortisation

IFRS: International Financial Reporting Standards

LTIP: Long Term Incentive Plan

Underlying LSRT revenue growth: LSRT revenue growth excluding EGP and COVID sequencing revenue.

Underlying LSRT revenue growth on a constant currency basis: LSRT revenue growth excluding EGP and COVID sequencing revenue on a constant currency basis.

Working capital: inventory plus trade and other receivables less trade and other payables

Revenue by customer group

At a customer group level, revenue growth was driven by S2 and S3 customers, excluding EGP, as well as strong growth through our distributor business in China, boosting indirect sales. We were particularly pleased to see the strong growth in S1 customers in the second half of 2022, as a result of our commercial partnership with Avantor, which helps expand our reach and improve accessibility for entry level products such as MinION. We continue to focus on driving revenue growth through both rapid expansion and diversification of the customer base, as well as increasing revenue per customer account.

| | 2022 (£m) | 2021 (£m) | % change |
|---------------------------|--------------|--------------|-------------|
| S1 | 29.8 | 23.1 | +29% |
| S2 | 52.3 | 38.4 | +36% |
| S3 | 46.7 | 55.7 | (16)% |
| - EGP | 13.2 | 30.6 | (57)% |
| - S3 excluding EGP | 33.5 | 25.1 | +33% |
| Indirect | 18.1 | 9.7 | +86% |
| Total LSRT revenue | 146.8 | 127.0 | +16% |
| COVID-19 testing revenue | 51.8 | 6.7 | +673% |
| Total revenue | 198.6 | 133.7 | +49% |

S3 revenue grew by 33%, excluding the EGP, in 2022. Total S3 revenue declined by 16% to £46.7 million; strong underlying growth was offset by a £17.4 million decline in revenue from the EGP during the period. This, in part, was due to phasing of flow cell delivery in the fourth quarter of 2021, previously expected in the first quarter of 2022. The number of active customers in this group (excluding EGP) increased from 55 to 72 during the period with average revenue per customer of approximately \$581,000. This group consists of a number of Population Genomics studies, particularly focusing on rare diseases, as well as COVID-19, and other Public Health Labs, focusing on COVID-19 and other genomic surveillance. Whilst these two groups represent the majority of the S3 revenue due to certain large projects, the majority of customers in the S3 group are focused on clinical research, cancer and human genomics as well as certain microbial, plant and animal genetic projects. It is these customers that we believe are in the early stages of developing new disruptive-use cases for our technology.

S2 revenue grew by 36% during the period to £52.3 million. Active customers in this group grew by 26% to 989 in 2022, with an average annual revenue of approximately \$66,000 per customer. S2 customers are key to our expansion over the medium term, as we provide localised high-quality sequencing capabilities at competitive prices. These customers are able to manage their own projects rather than continuing to be dependent on centralised sequencing services, where they have to wait for their samples to be processed. They engage in a wide range of genomics applications from infectious disease work to plant and animal projects, with human disease and cancer genetic variation research at the heart. The increase in this group has come from the need to find the genetic explanation for unexplained disease and to gain a better understanding of infectious diseases, whether in surveillance, its impact on economies, or rapid identification of the causative agent for informed decision making.

Revenue by customer group

S1 (£m) **+29%**

S2 (£m) **+36%**

S3 (£m) **+33%**¹

■ EGP

Indirect (£m) **+86%**

¹ Excluding EGP

S1 revenue grew by 29% during the period to £29.8 million, reflecting continued demand for our entry-level and portable sequencing devices. Active customers in this group grew by 31% to 7,210 in 2022, with an average annual revenue of approximately \$5,200 per customer. Growth across the S1 customer base came from two areas, expansion of end users within organisations and new accounts in new organisations, with Mk1B being the most popular device. To date we have had less direct contact with this customer group with most conversations taking place at conferences, in forums and in our Nanopore Community. In 2021 we announced we were beginning a collaboration with Avantor to provide direct contact with these smaller customers; who are embracing the ability to sequence when they need to and access new genomic information. Avantor increased its contribution to the growth of this group in the second half of 2022. Avantor is performing equally in the UK & Europe and Americas regions, as well as maintaining the balance of new business (starter pack revenue) to ongoing consumable business. The direct contact has also seen the reactivation of devices already in customers' hands.

• Read more about customer groups on pages 57 to 61

Geographical trends

The Group aims to make its technology available to a broad range of scientific users, and currently supports users in more than 120 countries.

LSRT revenue by region (£m)

| Key | |
|--------------------|-----|
| ● Americas | 33% |
| ● Europe | 30% |
| ● China | 13% |
| ● UAE | 10% |
| ● APAC & Japan | 10% |
| ● Emerging markets | 4% |

| | 2022 (£m) | 2021 (£m) | % change actual | % change CC |
|---------------------------|--------------|--------------|--------------------|----------------|
| Americas | 48.3 | 33.3 | +45% | +32% |
| Europe | 43.3 | 33.4 | +30% | +29% |
| China | 19.3 | 11.0 | +76% | +66% |
| UAE | 15.4 | 31.7 | (52)% | (54)% |
| Asia Pacific & Japan | 14.3 | 11.1 | +28% | +26% |
| Emerging markets | 6.2 | 6.4 | (2)% | (12)% |
| Total LSRT Revenue | 146.8 | 127.0 | +16% | +10% |

At a regional level, revenues were predominantly driven by growth in our two largest regions, Europe and the Americas, as well as strong growth in China.

Growth in Americas reflects increased investment in commercial resources in the region. Revenue growth in this region is principally driven by research in human disease and genomic surveillance in USA and Canada, but also reflects the expansion into South America, through an emerging network of distributors.

Revenue in Europe increased by 30%, reflecting the increased commercial headcount across the region. Revenue across China grew by 76%. Increased demand in this region is driven by strong performance of MinION and GridION for infectious disease.

UAE Revenue declined by 52% impacted by a decline in EGP revenue during the period.

Revenue grew by 28% in Asia Pacific and Japan. In this region, we have seen customers taking advantage of our technology to gain a more complete picture of the whole genome to expand the knowledge about the influence of genetic variation in human disease. During the period, we further strengthened operations in Australia and Singapore and post period end, we announced a new logistics hub in Singapore, which will be our distribution hub for Asia Pacific.

Following the global sanctions against Russia, the Emerging markets fell slightly in the year as the growth in other countries was more than offset by the cessation of trade in Russia.

In some territories the Group works with distributors to achieve or enhance its own commercial presence. The Group currently works with:

- a network of partners in China;
- a strong dealer network in Japan;
- distributors in South Korea, India, Turkey, the United Arab Emirates and Qatar; and
- specialist logistics brokers who can work directly with the Group's customers in harder-to-ship-to areas, including Mexico, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Nicaragua, Panama, Uruguay and parts of Africa.

Growth in margins

| Year ended 31 December | 2022 | 2021 | Change |
|------------------------|-------|-------|----------|
| Gross Margin (%) | 62.3% | 54.8% | +750 bps |
| LSRT Gross margin (%) | 56.3% | 53.8% | +250 bps |

2022 was an unprecedented year for pressure on supply chain reliability, quality and lead times. Our technical teams worked closely with our core suppliers, to ensure that product performance and availability were not affected by these conditions. During the year, we continued to focus on manufacturing innovation, improved production techniques and automation, all designed to increase efficiency and gross margins.

Despite significant supply chain disruptions during 2022 we delivered a 250 bps increase to LSRT gross margin, reflecting improvements in manufacturing techniques, automation, processes and designs as well as changes in product mix and recycling of costly components.

We remain committed to our medium-term target of continual margin improvement across all products and will continue to invest in innovation, to deliver this goal.

Growth in margins

Gross margin (%)

+750bps

LSRT gross margin (%)

+250bps

Impact of headcount

| Average headcount (FTEs) | 2022 | 2021 | Change (%) |
|--------------------------|------------|------------|-------------|
| R&D | 380 | 291 | +30% |
| Production | 149 | 134 | +11% |
| SG&A | 393 | 280 | +40% |
| Total | 922 | 705 | +31% |

In 2022, the average number of employees across all functions increased by 31%. The Group invested in bringing onboard new Research and development staff to support the research phase into early product release across our disruptive platform. Our Research and development teams work on fundamental research for novel sensing applications, membrane chemistry, sequencing chemistry, nanopores, enzymes, algorithms, software electronics and arrays to deliver future platforms and improvement on current products. As a result, high-calibre scientists and researchers have been attracted to join the Group with the goal to realise Oxford Nanopore's vision.

The Group's manufacturing capabilities continued to expand to cater for increased demand from a growing client base. Production staff increased by 11% in the year, covering all manufacturing stages and processes.

The largest increase in the Group's average headcount took place in the selling, general and administration functions including legal functions and corporate executives, with an increase of 40%. The significant expansion of the commercial teams in key geographic regions supports the Group's business growth objectives globally. In addition, the investment in in-field teams and customer support teams was necessary to maintain and increase customer loyalty and customer retention.

Research and development expenses

The Group's research and development expenditure is recognised as an expense in the period as it is incurred, except for development costs that meet the criteria for capitalisation as set out in IAS 38 (intangible assets). Capitalised development costs principally comprise qualifying costs incurred in developing the Group's core technology platform and sequencing kits.

| | 2022 (£m) | 2021 (£m) |
|---|-------------|-------------|
| Research and development expenses | 64.8 | 76.0 |
| Adjusting items: | | |
| Employer's social security taxes on pre-IPO share awards | 9.9 | (17.7) |
| Adjusted R&D expenses | 74.7 | 58.3 |
| Capitalised development costs | 19.2 | 9.3 |
| Total R&D expenses and capitalised development costs | 93.9 | 67.6 |

Adjusted research and development expenses increased by £16.4 million to £74.7 million in FY22 (FY21: £9.7 million to £58.3 million). This increase was principally due to a 31% increase in headcount (FY21: 24% increase) leading to a £7.1 million increase in payroll costs (FY21: £2.4 million).

Capitalised development costs increased by £9.9 million to £19.2 million in FY22 (FY21: decreased by £1.5 million to £9.3 million). This included £10.4m of staff costs (FY21: £5.5 million) and £8.8 million of third-party costs (FY21: £3.8 million), across a number of projects that occurred during the year.

Overall investment in research and development was £93.9 million (FY21: 67.6 million); an increase of £26.3 million (FY21: £8.3 million) over the prior year.

Selling, general and administration expenses

The Group's adjusted selling, general and administrative expenses in FY22 increased by £18.1 million to £116.0 million in FY22 (FY21: increased by £26.5 million to £97.9 million).

| | 2022 (£m) | 2021 (£m) |
|---|--------------|-------------|
| Selling, general and administration expenses | 157.4 | 161.8 |
| Adjusting items: | | |
| Share-based payment expense on Founder Long Term Incentive Plan (LTIP) | (53.2) | (37.6) |
| Employer's social security taxes on Founder LTIP and pre-IPO share awards | 11.7 | (21.5) |
| IPO costs expensed in Income Statement | - | (4.8) |
| Adjusted selling, general and administration expenses | 116.0 | 97.9 |

The main changes were:

- a 48% increase in average headcount of staff within the Group's sales, marketing and distribution functions (FY21: 22% increase), leading to a £11.7 million increase in payroll costs (FY21: £1.8 million increase). This is in line with our plan to expand our global sales team
- a 30% increase in average headcount of corporate staff within the Group's Human Resources (HR), finance, central administration, legal, applied functions and certain corporate executives to support business growth (FY21: 114% increase), contributing to a £7.9 million increase in payroll costs (FY21: £8.3 million)
- an increase in depreciation and amortisation of £2.7 million (FY21: increase of £5.6 million); partially offset by a decrease in share-based payments (non-Founder LTIP) of £6.9 million (FY21: increase of £12.5 million)

Balance sheet

Our balance sheet remains strong, with £558.0 million of Cash, cash equivalents and other liquid investments at 31 December 2022. Key movements during the year are outlined below:

| | 2022 (£m) | 2021 (£m) |
|--|--------------|--------------|
| Property, plant and equipment | 37.3 | 47.2 |
| Intangible assets | 30.0 | 23.0 |
| Right-of-use assets | 25.9 | 14.7 |
| Net Deferred tax asset | 7.7 | 6.1 |
| Working capital | 70.4 | 45.0 |
| Other assets and liabilities | 11.6 | 9.9 |
| Provisions | (13.3) | (35.4) |
| Cash and cash equivalents and other liquid investments | 558.0 | 618.2 |
| Loans | – | (9.5) |
| Lease Liabilities | (34.1) | (15.3) |
| Net assets | 693.6 | 704.0 |

Property, plant and equipment

Property, plant and equipment additions of £23.1 million were made in the year (FY21: £21.5 million), including £12.6 million on devices with customers (FY21: 12.7 million) and £8.1 million was spent on manufacturing facilities and laboratories across our sites in the UK (FY21: £6.0 million).

On 8 July 2022, the Company sold its interest in the Gosling Building (the Property) to The Oxford Science Park (Properties) Limited (TOSP) for £42.5 million. TOSP immediately granted to the Company an occupational lease of the Property for 10 years at a rent of £1.8 million per annum (for which a right-of-use asset and related lease liability were recognised). Overall, the transaction resulted in a reduction in property, plant and equipment of £15.6 million, and a gain on disposal of £18.6 million.

On completion of the sale and leaseback of the Property, the term loan facility of £9.5 million with Barclays Bank plc was fully repaid.

Intangible assets

Intangible asset additions of £19.2 million (2021: £9.3 million) were made in the year relating to capitalised development costs.

Right-of-use assets

During the year Right-of-use asset additions were £15.5 million (2021: £3.5 million), predominantly as a result of the sale and leaseback of the Gosling Building, resulting in a net book value at 31 December 2022 of £25.9 million (2021: £14.7 million). As at 31 December 2022, the outstanding balance sheet liability in respect of the right-of-use assets was £34.1 million (2021: £15.3 million).

Working capital

The working capital balance of £70.4 million (2021: £45.0 million) predominantly reflects inventory of £87.7 million (2021: £63.1 million), trade and other receivables of £62.9 million (2021: £54.8 million) and trade and other payables of £80.3 million (2021: £72.9 million).

The increase in working capital was due primarily to increased inventory due to our long-term agreements with key suppliers focused on electric components. In particular, inventories related to flow cells have increased by £18.8 million, and devices have increased by £11.1 million in the period.

Provisions

Provisions of £13.3 million at 31 December 2022 (2021: £35.4 million), primarily relates to a provision for employer social security taxes on share awards of £10.8 million (2021: £33.2 million). The provision is estimated at each reporting period with reference to both the expected number of awards vesting and their expected value, using the share price at the reporting date. The release of the provision during the year is reflective of the reduction in share price from £6.99 at 31 December 2021 to £2.47 at 31 December 2022.

Cash, cash equivalents and other liquid investments

Cash, cash equivalents and other liquid investments were £558.0 million at 31 December 2022, a decrease of £60.2 million in the period.

Cash flow

In 2022, there was a net cash outflow of £49.4 million from operations (FY21: a net outflow of £53.2 million).

Cash outflows from investing activities were £65.8 million. This includes:

- the purchase of financial assets of £130.0 million, offset by the proceeds of other financial assets of £60.5 million
- the purchase of property, plant and machinery of £23.1 million
- the capitalisation of development costs of £19.2 million
- offset by the proceeds from the sale of the Gosling Building (£42.5 million) and interest received of £3.4 million

Cash outflows from financing activities were £13.7 million (2021: inflow of £622.9 million), which includes:

- the repayment of bank borrowings of £9.5 million (2021: £nil)
- lease and interest payments of £5.6 million (2021: £3.0 million), offset partially by
- proceeds from issue of shares of £3.7 million (2021: £642 million) less costs of share issue of £2.4 million (2021: £15.9 million)

Outlook

We remain focused on our vision to bring the widest benefits to society through the analysis of anything, by anyone, anywhere. The continuous strengthening of our team, the establishment of strategic partnerships across the globe, together with significant investment in platform development, bespoke electronics, IP and infrastructure, combined with the strength of our balance sheet, puts us in a strong position to achieve this goal and continue to deliver strong growth.

Delivering innovation

Innovation is core to our strategy and a key strength that will ultimately deliver our long-term goal of enabling the analysis of anything, by anyone, anywhere. Innovation is embedded throughout the entire company from platform research, development, scale-up and commercial execution to address, reshape and expand the markets in which we operate.

Investment in Research and Development

£93.9m

We invest in innovation to i) create new platforms and products that enable a broad range of applications within DNA/RNA sequencing and beyond, ii) drive improvements in performance and usability of our existing products such that they can address a broadening range of users and iii) develop novel manufacturing methods and processes that can deliver our products profitably at volume and deliver exceptional value to our users. In 2022 we invested £93.9 million in Research and development and launched multiple new product and platform upgrades.

Research & Development

At the heart of our innovation strategy is our Research and Development (R&D) team, focused on delivering breakthrough innovation. Our R&D team explore the nanopore platform both independently and in collaboration with 34 global external academic and commercial institutions, with whom we have active IP licensing arrangements. Nanopores, paired with our sensing platform, can cover a very broad range of target molecules. Together with our collaborators, we cover a range of topics on nanopore-based sensing, including the development of novel types of nanopores and novel uses of nanopores, for example, in protein analysis.

Taking a scientific discovery from concept to product brings together a group of engineers, electronics specialists, chemists, molecular biologists, software developers, algorithms and machine learning expertise, bioinformaticians as well as integration experts and manufacturing innovators. Our internal R&D teams work on fundamental research for novel sensing applications, membrane and sequencing chemistry, nanopores, enzymes, algorithms, and software electronics to develop our platforms of the future. In addition, the teams drive performance improvements on current products. Our products are continually evolving through improved performance focused around accuracy, output, robustness and usability as well as the addition of features requested by the user community. Our innovation engine extends from fundamental research into manufacturing and process development where methods are devised and developed to manufacture this novel technology at scale.

Product and platform development

We have an agile approach to product development and release, which leads to more user-focused products and faster time to market. This approach, pioneered by the software industry, is based on an iterative development methodology whereby a product is released and iterated in field through cycles of incremental improvements based on continuous engagement with users. This is in contrast to the traditional 'waterfall' approach which is sequential, whereby product specifications are established early in the design phase, leaving limited capability to adapt to the changing market and user needs. Our modular product design, enables different aspects of the platform to be worked on in parallel and resulting in accelerated performance improvements. For example, nanopores, which are contained in the flow cells, can be enhanced by the nanopore team and shipped as an upgraded flow cell. In the meantime, the motor protein, contained in the sample preparation kit, can be improved by the chemistry team, and shipped as a subsequent improvement. Areas such as nanopores, sequencing chemistry, sequencing software and bioinformatics are all worked on in parallel and brought together by the development team before launch.

Product release phases

We look to engage with a broad spectrum of users, from users who want to push the boundary of what is possible to customers who develop high-value workflows on our technology. To facilitate this, we categorise our products so that users can choose where to engage.

① ② ③ ④

1.

Developer access: Trial release of new innovations to a small group of developers to confirm functionality and explore early use cases. Available by request only.

① ② ③ ④

3.

Released: Products are stocked available to all customers. Iterations can still be expected but are more controlled with one-to-three months change notifications.

① ② ③ ④

2.

Early access: All customers have access to the latest innovation. Products are available to order in the main or private store. Products are subject to availability and regular changes.

① ② ③ ④

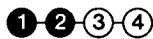
4.

Fully released: These products are mature, with users receiving change notifications three to six months in advance.

Key to our ability to deliver at speed has been the design of the system, whereby performance enhancements are deployed through consumables or software, meaning users do not need to invest in device upgrades to achieve the latest performance. Through this approach we have delivered significant improvements to the accuracy and output of our sequencing technology. Raw-read accuracy has increased from approximately 80% in 2014 to more than 99% in 2022 using the latest algorithms and chemistries. The data output that can now be achieved by users from a single MinION Flow Cell has increased approximately 100-fold since it was initially introduced in 2014, making the product more cost effective and driving utility in broader applications. As we grow and our user base expands, continuing to innovate with agility to meet new customer expectations will be to key to achieving our long-term goal of enabling the analysis of anything, by anyone, anywhere.

Key product launches and upgrades in 2022

Product

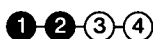


P2 Solo: high-output sequencing for every lab

In line with our vision to make DNA sequencing accessible to anyone, anywhere, we expanded our device range with the early access launch of our PromethION 2 Solo (P2 Solo) device. The P2 Solo utilises PromethION Flow Cells that generate hundreds of gigabases, to enable PromethION-scale benefits in small to medium-sized labs. The P2 Solo is designed to make high-output sequencing more accessible to users with lower sample processing requirements (up to approximately 200 flow cells per year). It allows customers to conduct rapid, competitively priced sequencing of whole human genomes, transcriptomes, single cells, plants, animal or highly multiplexed targeted samples or pathogens. We believe that this will drive the creation of new user types for high-output sequencing.

In addition to the P2 Solo we have also developed the PromethION 2 (P2), a self-contained benchtop device that can run up to two PromethION Flow Cells at a time. It contains fully integrated compute and a screen for generating, analysing and visualising nanopore data. The P2 is available for pre-order and is expected to be available to a small group of developers (developer access release) to confirm functionality in the first half of 2023 and is expected to progress to early access launch by the end of 2023.

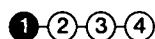
Platform

**Q20+ chemistry**

Our newest platform update ensures the highest accuracy and output for all read lengths and all biology.

This update offers Q20+ ($\geq 99\%$) raw-read accuracy with high sequencing output. An updated enzyme of V14 chemistry in our sample preparation kits coupled with the new R10.4.1 nanopore in the flow cells, provides the highest accuracy for nanopore sequencing on measures such as SNP (a variation in DNA where a single nucleotide in the genome sequence is altered) and INDEL (insertion or deletion of nucleotides) scores, along with gold-standard performance for methylation (base modification). V14 chemistry also includes previous updates, such as a higher capture rate of DNA to enable lower flow cell loading amounts and fuel fix technology, allowing users to run longer experiments without the need for fuel addition during the run.

In addition to simplex reads, V14 chemistry and R10.4.1 nanopore combination can also produce duplex reads to further increase accuracy. Duplex reads combine data from both strands into one basecall to generate single molecule accuracy to Q30+ ($>99.9\%$). The duplex approach with V14 chemistry has already demonstrated perfect reads up to 72 kb in length and Q30 reads at 260 kb.

**High Duplex flow cells**

Duplex reads combine data from both strands into one basecall to generate single molecule accuracy to Q30+ ($>99.9\%$). The duplex approach with V14 chemistry has already demonstrated perfect reads up to 72 kb in length and Q30 reads at 260 kb. While most sequencing applications, particularly those looking at variant detection, work incredibly well in Simplex, Duplex can add tremendous value for de-novo assembly or rare variant detection approaches. Our standard release of Kit 14 and R10.4.1 can achieve Duplex rates of 20–30% per flow cell. Through various optimisations such as ligation conditions and flow cell optimisations, rates as high as 70% can be achieved. The High Duplex method is with a small number of developers and already providing exciting outcomes in Telomere-to-Telomere assemblies.

Short Fragment Mode

In 2022 we released Short Fragment Mode (SFM), a new tool for real-time sequencing of short fragments of DNA. This latest software development has enabled Oxford Nanopore to unlock the ability to sequence the shortest of DNA fragments, down to 20 bases in length. SFM was remotely integrated into MinKNOW, our operating software that drives nanopore devices, enabling all customers to gain instant access to this feature at no extra cost across all our sequencing devices. SFM enables our users to deploy nanopore sequencing for use in exciting areas such as liquid biopsy research or cell-free DNA analysis, while benefitting from our existing capabilities, such as: highly scalable outputs, amplification-bias-free workflows and the detection of methylation without additional preparation.

Nanopore technology is designed to enable a user to sequence whatever DNA fragment length they present to the pore. Having already demonstrated sequencing reads greater than four million bases in length, nanopore sequencing is the only technology on the market capable of sequencing short to ultra-long reads in a single technology, requiring no extra instruments or sample preparation methods.

Workflows

Remora

During the period, we further enhanced our ability to deliver richer data with the release and integration of Remora into MinKNOW, to enable high-quality, real-time methylation analysis at no extra cost.

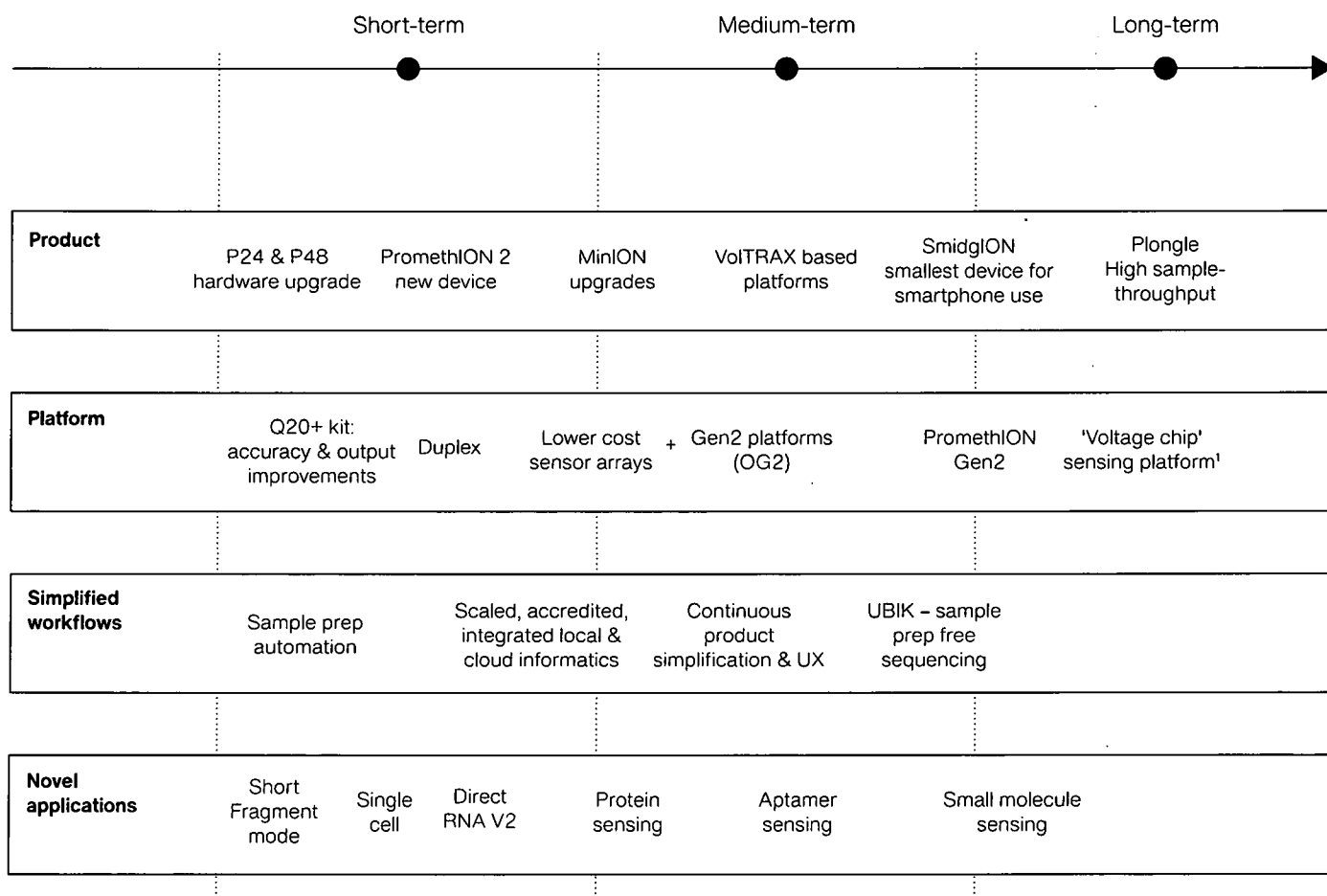
Methylation detection has traditionally been done using short-read bisulphite sequencing. Whilst this method led to the initial discovery of methylation sites, it also has limitations and increases the cost and complexity of sequencing, owing to the requirement to repeat the run for essential comparison. Additionally, bisulphite sequencing cannot easily differentiate between methylation types such as 5mC and 5hmC, or other types of epigenetic modification.

In contrast, nanopore sequencing does not require additional, complex sample preparation and epigenetic modification analysis can be performed across the whole genome during the experiment, without the need for additional toxic chemistry. Using Remora, nanopore sequencing can also differentiate between modifications such as 5mC and 5hmC and other novel modifications, ensuring a complete methylation picture from a single experiment, significantly more methylation events than detected by bisulphite and with a simpler experimental process. Oxford Nanopore is now the most comprehensive technology for characterising methylation, achieving 99.8% accuracy for 5mC in CpG contexts.

Pipeline

Towards anyone, anything, anywhere

We have a robust innovation pipeline, which focuses on the development of new technologies to broaden access to genomics and deliver new capabilities to the market. In the short term we are focused on the launch of our PromethION 2 device and our new tablet based device, the MinION MK1D, as well as the early access release of our High Duplex flow cells (currently in developer access). In the medium term, we have R&D programmes to support easier end-to-end usage of nanopore sequencing, such as Ubik™, a sample extraction and preparation device. We are also developing a 'voltage chip' designed to deliver denser sensor arrays that have the potential to drive significant increases in data output in the long term, as well as a reduction in time and cost for sequencing to the user.



¹ VolTRAX-integrated platforms: Development of nanopore sensors integrated with existing automated sample preparation technology is designed to enable 'walk-away' applications that automate sample to answer workflows.

Rosemary Sinclair Dokos
Senior Vice President,
Product and Programme
Management

Q+A

An interview discussing innovation and the future.

Q | What are you most proud of in 2022?

The first answer has to be the accuracy improvements we delivered in 2022, and this resonates most strongly because it takes every person in our team to make this happen. We have improved the nanopore, the enzyme, the software, the algorithms, the analysis pipelines, modification detection and tightened all of the requirements on hardware. It is also something that many in the industry had said long ago was not achievable, and now we are here, delivering single reads of native DNA at over 99% accuracy. I have to fit a second answer into this question, and that is the P2 Solo that is currently in Early Access. I personally joined Oxford Nanopore because of MinION; for me the idea of a sequencer of that size and affordability is completely transformational. The P2 Solo takes this aspiration to a new level of democratisation with people now being able to do a whole human genome in any lab at a very affordable price. Our P2 platform is in early stages of roll-out, with all the learnings that come from that, but it truly is a platform that can broaden the user base for high output genomics which fuels creativity and open innovation and I'm excited about the applications our customers will design around this new capability.

Q | Where does inspiration from new products come from?

We have a very strong vision at Oxford Nanopore, to enable the analysis of anything, by anyone, anywhere. Our leadership is highly connected with the platform and provide strong direction of where we believe we can get to. Clive leads our innovation team, who all come from a very broad background including engineering, algorithms, chemistry, biochemistry and software. We have a strong portfolio of academic collaborations who work on nanopore fundamentals and industry collaborations on compute and electronics. We also have a broad user community, from individual university students to large sequencing providers and in addition, there are many people who currently don't use sequencing as a tool that contact us routinely with problems they believe our platform could solve. So to answer the question, the inspiration can come from a myriad of places, our leadership, our innovation team, our current customers or future potential ones. And being open minded as to where inspiration may come from enables us to create products and platforms that address future market needs. A great example is of course MinION, that was led by Clive and our innovation team as a product that could bring a new concept to the sequencing space, and GridION that was inspired by a user in Japan sending us a picture of multiple MinIONs running in a jumble of cabling and wiring. Open Innovation is key for us to ensure we're connected to industry breakthroughs, customer needs and of course to that we add some Nanopore vision.

Q | How do you work with the manufacturing team to bring new products to market?

Our teams are highly connected and aligned to deliver continuous improvements on our current platform as well as launch new products. We have well-established processes to take our new products from a small set of developers to a broader Early Access Programme and finally to a released status. This journey is supported by our development, technical transfer, pilot production and full production teams. In addition, we're highly involved with our supply chain teams as we plan for scale and volume to ensure we can deliver to demand. We often place our products in store for pre-order so that we can judge interest ahead of launch and resource the product accordingly. Leading product launches through our digital community means we can keep in touch with all of our early users as the product matures. This mechanism works both for our physical and our software products.

Q | Accuracy has improved significantly over the last few years - what has driven this and how much further is there to go?

Our innovation team focus heavily on our platform performance including output, robustness and accuracy. We can drive improvements through chemistry and software improvements. Our Q20+ release includes upgrades to our nanopores, enzymes and algorithms. We now achieve >99% accurate single molecule raw-read simplex data and >99.9% duplex data accuracy. Alongside platform improvements, we work with downstream analysis tool developers to ensure our variant detection metrics are highly accurate. There is always more to come, however the performance we now deliver on variant detection, epigenetic analysis and assembly is very high and users are adopting the technology for their routine applications.

Q | With increasing competition how does Oxford Nanopore technology remain differentiated?

Our technology is fundamentally different from other market players in that we read native DNA or RNA molecules that deliver information-rich data. These can be of any size, short, long, ultra-long, without having to modify flow cells or methods. With Native DNA or RNA molecules comes the ability to see epigenetic modifications, and this goes beyond simple ones like 5mC; the platform can detect all modifications and our algorithm teams are working through unveiling more and more modifications each year. The read length we have also enables the analysis of larger genetic variation such as structural variants, something short-read technologies struggle to see. Alongside the richness of information, we have one platform, scaled across multiple products, so an experiment run on a P48 PromethION can be scaled to a P2 PromethION or a MinION or a Flongle depending on the application and there is no need to change the sample preparation or data analysis for this. Our data is available in real time, enabling users to design rapid time-to-answer experiments where time is a critical factor and our device flexibility means that batching of samples is not required in order to reach low price points. Aside from our product and platform differentiators, we have our business model where devices are available as part of very affordable consumable starter packs, most of our upgrades are shipped through consumable and software changes meaning customers don't need to invest in new hardware each time we release improvements, and as and when new devices do enter our portfolio, we provide our userbase with simple upgrade routes as we strongly believe that our customers' funding should be focused on generating novel insights.

Q | Where are you on cost per genome today and how much further is there to go?

Users running at scale, placing one genome per flow cell, are achieving costs per genome under \$700. It's important to note that these genomes are more complete than other technologies as they contain not just the small variants but also large structural variant information and epigenetic information. At this scale, our PromethION P48 can deliver close to 5,000 genomes per year. Our teams are focussed on enabling 2 genomes per flow cell bringing this price down to under \$350 and the capacity of a P48 to close to 10,000 genomes per year. These are direct Oxford Nanopore consumable costs only, so when talking to cores we need to remember the value they bring with their sample preparation skills and data interpretation. Users investing in the P2 and P2 Solo, who are not running at such large scale, will still be able to achieve human genomes for under \$900. There is always further to go and we believe we will be delivering three genomes per flow cell in the future as well as developing higher-density nanopore arrays. For now however, we feel that with human genomes routinely at scale for under \$700, with all variants and no upfront capital expense that needs to be amortised, we're a very competitive solution.

Q | What can we expect in the future?

You will continue to see our teams drive improvements into our existing platforms. Alongside that, you will see our teams, many of who have been with us for 15 years, develop novel chemistries such as outy and protein sensing. As our DNA and RNA sequencing platforms mature, we will deliver locked-down versions to enable the deployment of this technology in applied markets. Finally, we will continue to introduce new formats of our platform – aimed at lowering the barrier to entry for sequencing with low-cost disposable flow cells, and lowering the cost per human genome with our voltage chip programmes. Finally, in order to truly democratise sequencing, we are working on developing lab-free methodologies, making sequencing as simple as a lateral flow test in the years to come.

Manufacturing innovation

QR code

Scan this code to watch a virtual tour of the MinION building, our high-tech manufacturing facility

Delivering high-quality, innovative products

Oxford Nanopore manufactures three main categories of physical products: the sequencing devices, the sequencing components (flow cells) and the sample preparation consumables (kits), from our high-tech manufacturing facilities in Oxfordshire, UK. Manufacturing involves a combination of sourcing components from third-party suppliers as well as in-house manufacturing and assembly.

We procure components, raw materials, finished and semi-finished products and packaging materials from suppliers globally. These include electronic components and metalwork for devices; sensors, electronics and mouldings for flow cells; biologics and chemicals for sequencing kits. We work closely with our suppliers to ensure high quality and continuity of supply. To mitigate risk, we seek multiple sources of key components where it is practicable to do so, such as Field Programmable Gate Arrays (FPGAs) and other electronic components or chemicals.

We maintain close control over, and internally manufacture or assemble, the key components of our products. We outsource certain parts of our manufacturing processes where necessary to obtain specialised expertise or to reduce cost without undue risk to quality or our intellectual property. For example, materials and assembly of MinION devices are outsourced but testing is done in house. Third-party suppliers are closely monitored, from onboarding through to ongoing performance monitoring and annual re-evaluation, to ensure the required levels of quality, service and delivery are met.

Products are shipped globally from our four international distribution hubs in the UK, Europe, the USA and China and we work with various distributors to support our commercial activities in certain countries and regions including China, Japan, Turkey, India, South Korea, UAE, Latin America and parts of Africa. In February 2023, we announced an extension of our collaboration with UPS Healthcare to accelerate the delivery of our sequencing

products and consumables across the Asia Pacific region. The collaboration will strengthen our supply chain throughout Asia's main markets and our customers will benefit from faster delivery with less complexity. Flow cells will be stored in UPS Healthcare's temperature-controlled distribution facility in Singapore for the first time and be delivered within 24 to 48 hours through UPS's distribution capabilities to destinations across the Asia Pacific.

Investing in innovation to drive efficiency

Our commitment to innovation is core to everything we do and extends to our in-house developed manufacturing processes to deliver low-cost, high-quality, high-volume manufacturing capabilities for our sequencing platforms, kits and flow cells. Since 2016 we have demonstrated a 10-fold improvement in single shift capacity for flow cell assembly and our cross-group continuous improvement projects will deliver further opportunities to optimise manufacturing processes at a higher scale.

In 2022, we continued to invest in manufacturing innovation to optimise manufacturing processes and unlock value. We re-engineered and simplified the flow cell testing process resulting in a significant reduction in cycle time, building on an existing sixfold decrease in the required compute for the test achieved since 2015.

In addition, we continued to optimise production of flow cell components. For example, we increased the effectiveness and efficiency of wafer and chip production by replacing manual processes with automation, including "off-the-shelf" commercial systems and systems developed in-house. Manufacturing of the membrane support structure, the micro-scaffold, now includes fully automatic equipment to batch process cassettes of wafers.

Building on the increase in single shift capacity, we continued to make good progress automating parts of flow cell manufacturing during the period, to increase efficiency and scale. To further optimise and scale flow cell manufacturing we have invested in multi-function automation systems for assembly of MinION and PromethION Flow Cells. These new systems will reduce footprint, simplify processes and double throughput. These systems have been designed, prototyped and developed through 2022 and are now being prepared for introduction into the flow cell manufacturing process; starting with MinION Flow Cells in the first half of 2023 and PromethION Flow Cells in the second half of 2023.

In addition to flow cells, we have continued to add automation to our vialing and plating process used throughout the manufacturing of our sequencing preparation kits, which were previously filled manually by pipette.



Since 2016 we have demonstrated a 10-fold improvement in single shift capacity for flow cell assembly, and our cross group continuous improvement projects will deliver further opportunities to optimise manufacturing processes at a higher scale."

Rhod Davies

Vice President, Operations

Further, we have continued to develop innovative solutions to reduce our dependency on solvents for cleaning with the introduction of new cleaning systems. These systems not only dramatically reduce our consumption of solvent use, but also, through automation of the process, significantly increase our cleaning capacity.

Supply chain

We successfully navigated unprecedented global supply chain disruption in 2022, reflecting the strength of both our relationships with suppliers and our core internal capabilities.

The main areas of impact we felt were supplies of key components to our third-party manufacturers. We found solutions through our internal expertise and experience, as well as the strength of our supply chain, both in terms of the relationships we have and the far-reaching capabilities we share. For example, we were able to navigate supply shortages by purchasing and adapting alternative generic components to work in our products. To achieve this, our relationships were vital to ensure quick response times were achieved to support the changes required to maintain our ability to make and deliver. We also benefited from our existing strategies of maintaining high inventory levels which were originally initiated to deal with the predicted supply chain issues attributed to border controls due to Brexit and learning from prior disruptive events. We continue to refine our ability to improve resilience in our supply chain through the application of planning and risk management tools to ensure supply chain risks are balanced and to inform operations planning and execution.

Enabling the future

During the period, we continued to invest in operational and manufacturing infrastructure ensure our future capacity requirements are met to support growth. We expanded our capabilities at Harwell through the onboarding of a new lab, cleanroom and offices to support scaling of biologics manufacturing. Further to this, we secured a new site in south Oxfordshire which we will develop with a focus on warehousing, logistics and technical labs to build the organisational capability we require to continue to supply product volumes to sustain rapid market growth.

In order to reduce associated risks and costs, and drive gross margin growth we will continue to bring manufacturing in-house. We have also established programmes designed to deliver substantial step changes to our platforms in the medium to long term, including a pipeline of new bioelectronic innovations. We anticipate that these will deliver new disruptive generations of sequencing platforms and provide further scalability in manufacturing, with the potential to both substantially reduce the cost of sequencing to customers and increase gross margins.

Finally, we are committed to minimising any negative impacts of our operations and technology by integrating principles of sustainability into product design and manufacturing processes.

•• Read more on page 64

Serving our community

We have a broad customer base of more than 8,200 active customer accounts. Our customers include university, industrial or government research laboratories and commercial laboratories that provide sequencing as a service to other scientists. Increasingly, public health labs, clinical labs and larger programmes such as population genomics or cancer genomics are using nanopore sequencing. Behind the customer accounts there is a broader community of more than 41,000 users (the Nanopore Community), who communicate and collaborate with each other, as well as with Oxford Nanopore through a hosted online community.

Active customer accounts

>8,200

Nanopore Community members

>41,000

Differentiated commercial model

We are committed to providing accessible products that can be used by scientists in any environment, in both well-resourced and resource-limited settings. We have developed a highly differentiated commercial model in order to ensure broad adoption of our products and not only penetrate but reshape and expand the sequencing market. Our 'capital free' go-to-market strategy is designed to break down historical high barriers to entry, created by the expensive 'mainframe-like' traditional sequencing technologies. Customers are offered 'starter packs' of consumables, which come with the provision of the device at no extra cost, removing the need to purchase or rent equipment in order to start using the technology. After consuming the initial purchase of consumables customers may continue to buy sequencing consumables under a transparent volume-based discount structure. Our commercial model is based around a strategy of driving growth through increased utilisation (the use of consumables). This approach is unique and highly differentiated from the existing traditional providers.

Commercial delivery

Integrated approach to compete, sell and deliver

Our commercial infrastructure supports a growing decentralised business, whether through e-commerce, direct or indirect channels. Customers across a wide range of scientific communities, in more than 120 countries, are completing their projects supported by our teams who work to drive commercial execution and customer success. Teams across the business are aligned to deliver on the key business drivers of new account acquisition, increased utilisation and extended commercial reach, both geographically and within priority market segments. With utilisation as a key growth driver, we make sure the speed at which we can sell and ship consumables is matched by the speed at which our customers can get up and running. A broad range of remote and in-person training is offered, where appropriate, for customers to meet their deadlines.

In the fourth quarter of 2022, we restructured the global sales and support teams into three regions (Americas, EMEA and APAC) to ensure we are closely aligned with the needs of our users. We sell and support our customers through these three regional verticals, led by our commercial directors in Europe, Middle East, Africa and India (EMEA), North East Asia, South East Asia, Australia, New Zealand and Greater China (APAC) and US, Canada and Latin America (Americas). Regional teams are supported by territory-level management, with room to expand across all geographies.

At territory level there are field-based local account teams (Strategic or Key Account Managers and Field Application Scientists) – and office-based teams (Nanopore Account Specialists and Technical Application Scientists) – who take care of the relationships, existing and new, and expand utilisation. Within regions, channel partners expand our reach in specific countries and customer segments and provide local know-how. To capture opportunities outside research Life sciences, we also have a small, but expert Applied & Industrial Markets group to penetrate new segments such as AgBio, Veterinary and Bio Manufacturing

Highly skilled, experienced commercial team

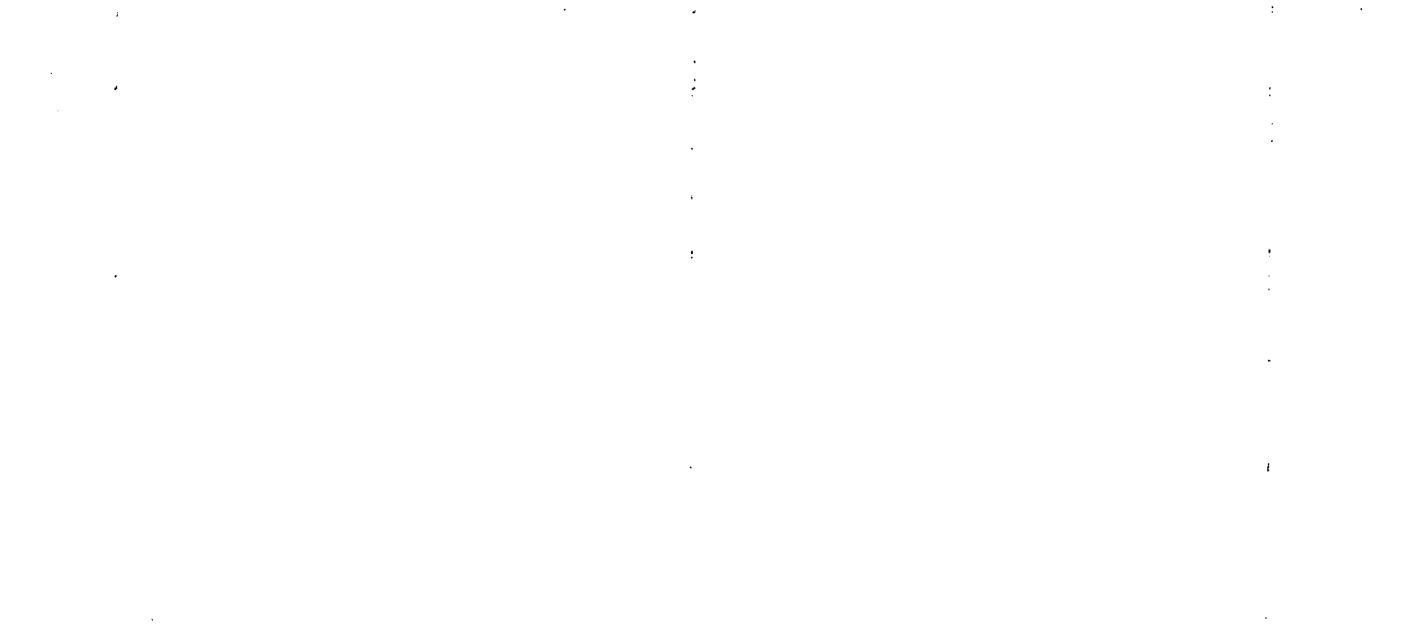
The commercial function includes sales, marketing, technical and customer service and digital teams. We have grown our commercial team to 301 employees as at February 2023, delivering our IPO target of doubling the commercial team within 18 months. The sales and technical services teams include many Masters and PhD graduates, as well as postdoctoral researchers, who have made the transition into commercial roles. It is a smart, experienced team who have been hired not just for their relevant commercial profile but because they share the desire to disrupt the status quo and bring the latest innovations to the genomics marketplace. Most importantly this is a group of individuals that our target customers can relate to and discuss their research goals with high credibility.



We delivered strong revenue growth across all three customer groups in 2022, reflecting our unique commercial model and differentiated technology platform. Oxford Nanopore technology is being increasingly chosen for large scale programmes that require the combination of scalability with the ability to see more genetic variation."

Richard Compton

SVP Sales & Commercial Operations



- Customers
- Distribution centres
- Manufacturing facilities

● Read more about regional performance on page 41.

Americas

Products are sold directly via our sales and marketing teams or through an increasing number of channel partners.

Our Channel Partner programme is led in US and Canada by Avantor, helping to expand our commercial reach for entry level products.

UPS Healthcare support our distribution into US and Canada, and are also helping us expand into Latin America.

We are committed to supporting regionalisation, with local language support for sales, customer solutions and technical support being provided across the Americas.

Major geographies: United States, Canada, South America

Percentage of LSRT revenue
33%

EMEA

Products are sold directly via our own sales and marketing organisation. In addition, we work with Avantor to expand our commercial reach for entry-level products.

Sales, customer solutions, and technical support are provided in local languages whether field or office based.

Movianto, based in the Netherlands, supports our distribution into Europe.

The Emerging Markets team manages channel partners with local know-how, who sell on our behalf, allowing us to expand quickly into under-served markets. In markets served by channel partners, for example, Africa and India, sales, customer solutions and technical support is provided locally with access to a wider network of support from the UK if needed.

Major geographies: UK, France, Germany, Italy, Benelux, Nordics, Middle East, Africa and India

Percentage of LSRT revenue
44%

APAC

We sell and market our products through channel partners across China. Our network of channel partners in China are supported by local direct sales, customer solutions and technical support teams.

We sell and market our products directly and through channel partners across Japan and increasingly, the Southeast Asian region. Sales, customer solutions and technical support are present across the region.

UPS Healthcare support our distribution into the region.

Major geographies: Japan, Australia, Singapore, Indonesia

Percentage of LSRT revenue
23%

NB Regions based on 2023 analysis.

S3

Strategic

- Typically large, multi-year customer projects
- Significant short-term opportunity

• Read more on p60

S2

Significant

- Medium scale, multi-month customer projects
- Medium-term high growth opportunity

• Read more on p59

S1

Light touch

- Smaller scale, varied frequency customer projects
- Easy entry point for nanopore sequencing

• Read more on p58

Strategic customer groups

We categorise customers into three groups to ensure efficient but effective commercial attention is given to different types of customer throughout the sales pipeline to close new business and provide ongoing support for customer success. The three customer groups are fluid and movement between customer groups is possible. We expect a sub-set of S1 customers to scale their usage of our devices and ultimately, these customers may move into the S2 customer group. Similarly, larger S2 customers may transition to the S3 category over time.

In 2022, we delivered strong growth across all customer groups, excluding the EGP (read more on page 35).



We delivered 66% constant currency revenue growth in China in 2022, driven by strong performance of MinION and GridION for infectious disease research."

Thomas Bray

Senior Director Sales, APAC



Growth in Americas was driven by research in human disease and genomic surveillance in USA and Canada. It also reflects the expansion into South America, through an emerging network of distributors."

Chris Busa

Vice President Sales, Americas

Strategic customer groups

S1

S1 Performance summary

| | 2022 | 2021 | Change |
|----------------------------------|-------|-------|--------|
| Revenue (£m) | 29.8 | 23.1 | 29% |
| Active customer accounts | 7,210 | 5,501 | 31% |
| Average revenue per account (\$) | 5,200 | 5,800 | (10)% |

LSRT revenue contribution

20%

Our S1 customers generate revenue up to \$25,000 per year per customer account. S1 users are typically users of the MinION Mk1B or Mk1C devices, for which starter packs can be purchased from \$1,000. This group includes highly engaged early adopters who contribute actively in open feedback or with method developments on the platform, enabling product improvements, as well as smaller research groups who may use MinION at varying rates of consistency and frequency, depending on their scientific requirements. These users are key to providing new insights in biology, exploiting the unique richness and rapidity of nanopore sequence data, or everyday users of sequencing technology for routine analyses. They also represent an easy entry point for nanopore sequencing; many S1 users progress to larger-scale genomics projects, or develop methods for small format devices to potentially be used at scale (for example, in future applied markets for near-sample analyses).

S1 customers are supported with a 'light touch' customer journey. We drive sales in this customer group primarily through digital marketing, delivered in a marketing mix that includes multi-channel content, events and community programmes. Customers in this group tend to make their purchasing decision using our digital resources and e-commerce platform. The devices are couriered directly to the user, to be installed by them, supported by online instructions, training and support. The global Customer Solutions team offer frontline support – with 24 hour, five days per week availability.

In August 2021, we signed a distribution agreement with Avantor, a leading global provider of products and services to customers in the life sciences, advanced technologies, and applied materials industries. Since September 2021, customers have been able to purchase MinION starter packs, MinION Flow Cells and sequencing preparation kits through Avantor's e-commerce platform across North America and Europe. Our sales and support teams are enhanced by Avantor's sales and life science specialist teams, who provide local support for MinION. All users of MinION continue to be supported within the online Nanopore Community, where they can keep up to date with latest product news and collaborate with other nanopore users.

2022 performance

The total number of active customer accounts in this group increased by 31% to 7,210 at 31 December 2022. Growth across the S1 customer base came from two areas; expansion of end users within organisations and new accounts in new organisations, with Mk1B being the most popular device.

To date we have had less direct contact with this customer group, with most conversations taking place at conferences, in forums and in our nanopore community. Avantor increased its contribution to the growth of this group in the second half of 2022. Avantor is performing equally in Europe and the Americas region, as well as maintaining the balance of driving new business (starter pack revenue) to ongoing consumable business. The direct contact has also seen the reactivation of devices already in customers' hands.

Case study

In-surgery rapid tumour profiling

Brain tumour patients' prognosis and suitability for surgery are currently determined with imaging and biopsies. These approaches can be inaccurate, invasive, and time-intensive: it is generally not possible to tell the type of tumour a patient has until weeks afterwards, which may be too late to intervene appropriately, particularly in the case of aggressive tumours.

Luna Djirackor (Oslo University Hospital, Norway) used MinION to analyse more than 100 tumour samples and in just a couple of hours had results to match those that were returned weeks later by current methods. The approach also correctly classified tumour tissue that had given inconclusive histology results, suggesting that even on really small pieces of tissue without much tumour the nanopore data could get the correct result. Luna then tested the same approach on intraoperative samples, demonstrating the ability to classify brain tumours in as little as 91 minutes – quick enough for results to be returned to the operating table during brain surgery. Strikingly, in 60% of the samples sequenced in the study, the information obtained would have altered the pre-planned surgical strategy, demonstrating how this approach has the potential to significantly improve surgical outcomes in the future.

S2

S2 Performance summary

| | 2022 | 2021 | Change |
|----------------------------------|---------------|--------|--------|
| Revenue (£m) | 52.3 | 38.4 | 36% |
| Active customer accounts | 989 | 782 | 26% |
| Average revenue per account (\$) | 66,000 | 67,600 | (2)% |

LSRT revenue contribution

36%

S2 customers generate revenue between \$25,000 and \$250,000 per year per customer account. S2 customers are mid-range users and may be users of the MinION, GridION or PromethION devices. S2 customers are typically research teams or smaller departments in university, government or industrial research settings, and include labs providing internal sequencing core facilities or commercial service providers. Often S2 customers have a traditional sequencing device (or access to one) and are taking their first steps into nanopore-based sequencing to add greater biological value, insights or faster results to their experiments or services. In other cases, these are accounts that do not have access to large capital budgets but wish to control their sequencing experiments, having previously sent samples out to service providers. These customers benefit from our consumable-based starter pack model and plug-and-play devices to generate real-time sequencing data as part of their workflow. We believe that the S2 customer group will benefit from the introduction of the new PromethION 2 device, widening access for users who wish to take their first steps into information-rich, high-yield sequencing.

Oxford Nanopore offers an affordable solution for customers with smaller, but still significant projects, to complete their sequencing when they need to, rather than waiting for a slot on a shared device in a core lab. In addition there are growing opportunities for the GridION and PromethION, to address these projects to provide a

more complete picture of genomes at any scale, as a result of the uniqueness of the technology. As the market sees more customers publishing and presenting their work at a scale that matches the capacity of these devices, we believe that this S2 group of customers has significant potential to expand and develop. Customer Solutions teams offer front-line response and triage to any S2 customer query. Technical support and sales account management is led by subject matter and device experts to ensure the best knowledge is available to support the customer's work.

2022 performance

S2 revenue grew by 36% during the period to £52.3 million, driven by new customer acquisition and expansion. Active customers in this group grew by 26% to 989, whilst maintaining an average annual spend of approximately \$66,000 per customer.

These customers still engage in a wide range of genomics applications from infectious disease work to plant and animal projects, with human disease and cancer genetic variation research at the heart. The increase in this group has come from the need to find the genetic explanation for unexplained disease and better understanding of infectious disease, whether in surveillance, its impact on economies, or rapid identification of the causative agent for informed decision-making.

Case study

Thidathip Wongsurawat, Faculty of Medicine at Siriraj Hospital, Mahidol University, Thailand.

At Siriraj Long-read Lab (Si-LoL) Mahidol University in Thailand, Oxford Nanopore sequencing technology is supporting a number of research groups to understand the biology of pathogens, cancer, animal genomes, HLA-typing, metagenomes, transcriptomes, epitranscriptomes, and mRNA vaccine QC; and to translate some of those findings to address clinical questions.

For example, bacterial identification using targeted sequencing has the potential to support treatment decisions because nanopore provides species level-resolution. Many local bacterial species which cannot be identified by currently-used platform have been identified with this method. Adaptive sampling without amplification allows team to achieve bacterial whole genome with anti microbial resistance gene information.

In cancer, the teams are using nanopore sequencing to characterise copy number variants associated with central nervous system tumours, and methods of identifying deletions of CDKN2A/B for glioma diagnosis and grading within four hours for potential use in clinical settings. The teams have now developed a pipeline which aim to integrate into clinical service.

Strategic customer groups

S3

S3 Performance summary

| | 2022 | 2021 | Change |
|--------------------------------------|--------------------|--------------------|-------------------|
| Revenue (£m) | 46.7 | 55.7 | 33% ¹ |
| Active customer accounts | 73 | 56 | 30% |
| Average revenue per account (\$000s) | 581.0 ¹ | 629.8 ¹ | (8)% ¹ |

¹ Excludes The Emirati Genome Program

LSRT revenue contribution

32%

S3 customers generate revenue of more than \$250,000 per year per customer account. S3 customers are typically PromethION 24 or 48 users with larger, complex or often national projects. They are predominantly larger organisations including universities, commercial sequencing service providers and major production labs with medium-to high-level usage, who are seeking to deploy the properties of nanopore sequencing to their project or service offering, at scale. A key part of this market is Population Genomics where thousands of samples are sequenced for novel insights at scale, and which are typically designed to be a foundation for future personalised medicine programmes in their countries. Examples of S3 include programmes run by Genomics England for human and cancer genomics, G42 for the Emirati Genome Program for high-throughput human genomics, National Institutes of Health (NIH) in the USA, which are using our information-rich data for understanding neurodegenerative diseases at scale.

Case study

A new frontier in rare disease characterisation

Current methods of clinical testing for rare genetic conditions can take months or years to complete, and after this full workup, around 50% of children remain undiagnosed.

Danny Miller (University of Washington) is working to increase the rate of genetic diagnosis and shorten the amount of time it takes to make a genetic diagnosis. He has been using nanopore technology to identify disease-causing variants in clinical research samples not identified by standard testing and believes this has the potential to end the 'diagnostic odyssey' that many families with rare genetic disorders have found themselves on.

Using a flexible, computational targeted sequencing approach he was able to look at specific regions of the genome in real-time for analysis — a method only possible using nanopore technology. Using this targeted-sequencing approach the team were able to clarify complex structural changes and identify missing variants. In addition, they could generate these results quickly — in one case, in just 18 hours.

Danny argues that this approach could be used as a single sequencing test to replace nearly all other clinical genetic tests offered today. This would in turn reduce cost, reduce wait times, increase treatment options, and allow patients and families to make better decisions around care.

The sales process for S3 typically has more complex procurement requirements and require a factory-scale workflow. These customers are supported by field-based territory account managers and Field Applications Specialists (FAS). The FAS ensure new accounts and projects are successfully optimised for rapid scale-up. Where required, additional expertise is provided from the marketing teams, specialist support for large cohort projects incorporating automation and data management, to support senior level relationships and integration of new protocols or workflows.

2022 performance

S3 revenue grew by 33%, excluding the EGP, in 2022. Total S3 revenue declined by 16% to £46.7 million; strong underlying growth was offset by a £17.4 million decline in revenue from the EGP during the period. This, in part, was due to phasing of flow cell delivery in the fourth quarter of 2021, previously expected in the first quarter of 2022. The number of active customers in this group (excluding EGP) increased from 55 to 72 during the period with average revenue per customer of approximately \$581,000

The Nanopore Community



The Nanopore Community is an astonishingly creative and collaborative network of amazing scientists. They constantly push and redefine our understanding of genomics, transcriptomics and epigenomics by adapting and applying nanopore technology to their pioneering work.”

Dan Turner

Senior Vice President, Applications

Behind the 8,283 customer accounts there is a broader community of more than 41,000 users (the Nanopore Community), who communicate and collaborate with each other, as well as with Oxford Nanopore through a hosted online community. Here, users can also manage their accounts as well as accessing information, training and support materials.

The Nanopore Community plays an important role in our product development process through their feedback and collaboration. It is also vital in supporting existing and new members alike in learning how to use our devices, plan and run experiments and keeping up to date with the latest technology updates.

The contribution of the scientific community to the development of our nanopore-based sequencing technology and its associated uses has been, and continues to be, significant. This includes not only continuous feedback, but the development of a myriad of analysis tools and scientific methods, and collective support and sharing of best practice. Users in the community typically publish their work using nanopore-based sequencing, either as rapid 'pre-prints' for the immediate digestion of the scientific community, or as publications in peer review journals. This is one of many ways in which the community is strengthened and the utility of the technology becomes better understood among a broader scientific community. At present, more than 8,200 publications have been published by the Nanopore Community, which describe the use of nanopore-based sequencing across a range of application areas.

We invest in many channels and activities that enable community members to connect with each other to share ideas, best practice and to collaborate, and which facilitate interactions between the company and our diverse user base. Our flagship events, London Calling and the Nanopore Community Meeting, provide a platform for hundreds of scientists to present their work in presentations, discussions or posters. Typically, these are shared online so that an ever-increasing body of work on nanopore sequencing can be accessed, and insights used by others to improve their practice. In addition, we operate continuous communications channels that support the community, including social media channels, newsletters and online forums. The online customer community website provides customers with a range of training and support materials including technical documentation, protocols, how-to guides and training modules. Customers can also discuss technical matters with peers or our support teams.

Our sustainable impact

At Oxford Nanopore, we are committed to innovating and growing in a sustainable way that honours our core values even as we maintain our cutting-edge technology advantage. Advancing biological sciences, human and environmental health and improving food and agricultural outcomes are consistent with and enabled by our product and our business model. And yet, we recognise that a commitment to sustainability and positive impact must extend through every facet of our business, from our product to our footprint and our team. This year, we are proud to announce our sustainability strategy focused on three areas of **product, planet and people**, in which we set clear targets to hold ourselves accountable to the highest sustainable standards that will help guide us as we enter this next phase of growth.



Oxford Nanopore's vision is grounded in positive, global impact, and we are proud of our commitment to carry out our vision sustainably by building environmental, social and governance considerations into our products and our business operations."

Dr Gordon Sanghera
Chief Executive Officer

Dr Gordon Sanghera
Chief Executive Officer

Oxford Nanopore was founded in 2005 with a goal of developing and deploying a new generation of electronics-based molecular sensing technology. In 2014 we released our first version of this; a DNA/RNA sequencing platform that provides highly accurate, information-rich genetic information with unprecedented accessibility which is enshrined in our technology design and business model.

Our vision is to enable the analysis of anything by anyone, anywhere. This vision has framed our role in expanding the reach and uses of our technology to empower broad communities of scientific users in answering a wide range of essential biological questions. This scientific work by the research community is the foundation for the development of future analysis methods to address real-world problems in health (e.g. human genetics, cancer, infectious disease, public health), food and agriculture, environment, education and more.

Our goal is to have a profoundly positive and sustainable impact on society by enabling our customers to access the advanced scientific data to support their work; whether in fundamental scientific research or subsequent uses in health, food/agriculture or the environment. We do this by breaking down barriers to acquiring and using our sophisticated sequencing tools. After our initial decade of fundamental R&D that resulted in novel technology features for broad communities – such as portability and the ability to sequence longer fragments of DNA/RNA – we have also invested deeply in continuous improvement of our technology. We strive to ensure that their accessibility is matched by the quality and comprehensive nature of the data generated on Oxford Nanopore sequencers. We are proud of the incredible innovation and productivity of our technology's user community, who have published more than 8,200 peer-reviewed papers in scientific journals using nanopore sequencing.

We are in a phase of rapid international growth, as our technology is used by more scientists to answer more biological questions. We are committed to growing responsibly. Alongside our business strategy grounded in positive global impact, we are also committed to building environmental, social and governance (ESG) considerations into our products and our business operations. This is to ensure that we manage environmental impact, as well as addressing risks in the business and in the delivery of our vision.

This year we are introducing a new sustainability strategy – **product, planet, people** – that encapsulates the consistency of our wider business strategy and sustainability outcomes. Climate change, food security and human health are defining issues of our time that Oxford Nanopore can positively impact. In particular, the window for climate action is closing rapidly. We are adapting to, and mitigating against, climate change risks and impacts, through commitments to improved efficiencies throughout Oxford Nanopore's operations, including in our product packaging, facilities and value chain. Our products are already designed to minimise packaging and waste, to dramatically reduce dependencies on cold chain shipping and to include recycling of key components into our business processes. Beyond our environmental footprint, we recognise that the success of our products is only possible through the strength of our team. We are incredibly proud of our people and the dynamic, interdisciplinary culture we have created and continue to foster through a variety of talent development programmes, which we introduced and strengthened in this last year.

Although we are still in the foothills of our ESG journey, we are committed to building sustainability considerations into the foundations of our long-term growth. This year we will be publishing our first sustainability report, which provides an update on our progress throughout FY22. Thank you for following along our journey.

2022 Highlights

Product

- We continued to design and support products that enable scientific communities to make a positive impact in biological sciences, and onward uses in health, food/agriculture and the environment
- We continued to build on accessibility by establishing improved logistics through a collaboration with UPS Healthcare, furthering our mission to enable product utilization by anyone, anywhere
- In 2022 across all our products and services, we were able to source 91 tonnes (79%) of packaging from recycled materials
- We continued to insulate our products with Woolcool® and make the best use of Credo Cube Boxes (reusable iceless insulating containers) resulting in a reduction in plastic use
- Our return programme for used products continues to grow and in 2022 we saw an increase in the percentage returned to us. We successfully received back more than half of our shipped flow cells and we were able to reuse a proportion for external customers, R&D activities and in Configuration Test Cells (CTCs)
- We approved a new Conflict Minerals Policy to document our commitment to sourcing components and materials from companies that share our values for human rights, integrity and environmental responsibility. This includes the responsible sourcing of minerals through our global supply chain

Recycled packaging

79%
(91 tonnes)

Used products returned

5.2 tonnes

Planet

- In 2022, we reported against TCFD and completed a full scope 3 emissions assessment for the first time
- We introduced LED lighting at two facilities at our Oxford campus, with plans to expand this programme within our operation in 2023
- We aimed to reduce the tonnes of CO₂e emitted per £m revenue by 2% in 2022. We have successfully reduced tonnes of CO₂e per £m revenue by approximately 25.47% in 2022
- In December 2022, we published a new company-wide Environment, Health and Safety (EHS) Policy, committing to provide safe and healthy work conditions by eliminating hazards and occupational health risks and reducing our impact on the environment through pollution prevention and waste minimisation
- In 2022, environmental training was provided to employees through EHS Inductions, management training, communications via our Resource Centre and through discussions at the EHS Steering Committee meetings. We are planning on further expanding our environmental training in 2023
- We continue to support and drive the ORG.one programme, designed to support sequencing of critically endangered species; 50 species have now been sequenced in this programme

Reported for the first time

TCFD

CO₂e intensity reduction

25.47%

2022 Highlights

People

- In September 2022 we launched Values in Action, a global collaboration to increase inclusivity by optimising connectivity for all our people wherever they work for Oxford Nanopore. This framework creates an employee pathway for everyone in the company to contribute their voice through 42 employee representatives, selected with extensive inclusion criteria
- In July 2022 we launched our Mastery series of leadership, management and personal development programmes: a suite of modular content that supports personal effectiveness through to strategic thought leadership
- In September 2022, we launched a three-year commitment with the Broadening Horizons initiative with the Royal Society of Chemistry to sponsor the promotion of careers in chemistry for underrepresented minority graduates and PhDs
- In 2022, 8,832 total training hours were completed in 2022 of which 1,353 of these hours were completed through LinkedIn Learning

Governance

- We are committed to high standards of corporate governance and in 2022, following the appointment of Wendy Becker as Senior Independent Director and Duncan Tatton-Brown as our new Chair, we achieved 100% compliance with the Corporate Governance Code

Total training hours

8,832 hrs

Compliance with Corporate Governance code

100%

Our Sustainability Strategy

Our mission is to deliver high-performance innovations that enable broad scientific communities to access, understand and use biological information for research, and enable sustainable, accessible impact in health, food, agriculture and environments. Creating positive, lasting impact is at the core of what we do.

Alongside our company strategy, this year we are launching our sustainability strategy as part of our commitment to apply a sustainability-embedded mindset to our entire value chain, from our products, to our team and to our global footprint.

Sustainability strategy

Strategy pillar 1:

Accessibility & Impact

Design our business and innovate our products to increase accessibility within the broader scientific communities who are driving solutions to global challenges in health, food and the environment

Strategy pillar 4:

Inclusivity & Wellbeing

Promote a culture that is inclusive, embraces diversity and prioritises the development of our people and their wellbeing

Strategy pillar 2:

Sustainable Innovation

Continuous innovation of our technology through creative and flexible approaches to maintaining our competitive advantage without sacrificing our core values

Strategy pillar 3:

Responsible Scaling

Maintain high growth in a responsible way by protecting the planet through energy efficiency and ensuring that our commitment to sustainable practices extends beyond our internal operations and distribution to encompass our entire value chain

Product

Sustainable innovation has been key to developing a product line that fulfils our mission to increase global access to genomic information, while minimising our environmental impact.

Our commitments: Accessibility & Impact

Guiding principle

Design our business and innovate our products to increase accessibility within the broader scientific communities who are driving solutions to challenges in health, food and the environment

Commitments

- Continue to establish global support and logistics to fulfil our mission to enable anyone, anywhere to use Oxford Nanopore products
- Continue to iterate on product design to develop smaller, easier to use, and lower cost formats to enable more people in broader communities to use this technology
- Host an ISO 201201-accredited nanopore community meeting in May in a hybrid format to maximise opportunity for global scientific community access and engagement
- Introduce strategies to enable people earlier in their learning journey to use sequencing for biological discovery, with the goal of broadening communities who can use sequencing to answer real-world problems

Related Sustainable Development Goals (SDGs)

Sustainable Products

Accessibility & Impact

With a goal to increase access to genomics and optimise for positive, global impact, we have designed our business model and innovated our products to broaden accessibility for global scientific communities who are driving solutions to challenges in health, food and the environment. Our vision is to put these tools directly into the hands of existing scientific communities so that researchers no longer need to rely on external partners to perform their experiments.

Accessibility

The cost, size and complexity of legacy sequencing technologies have historically made genomic insight inaccessible to much of the world, and have resulted in imbalances in the most developed countries. We have brought solutions to the market that increase access to high-quality sequencing. Our products are easy to use and portable, making nanopore sequencing technology accessible to anyone, anywhere.

Accessibility at Oxford Nanopore also involves disrupting access to technology within hierarchical institutional structures in wealthier economies. Traditional academic research funding and even commercial sequencing mechanisms have been centred around a small number of expert institutions, with researchers traditionally sending their samples through these central laboratories. This often causes significant time delays, removing the ability for real-time insights and rapid trial and error, which is useful in the scientific process. Oxford Nanopore technology removes the need for this centralised processing, enabling rapid, high-throughput insights to help answer whatever the scientific question, however capitalised the investigator. We have been proud to play a part in a changed market dynamic as researchers are increasingly able to take control of their own sequencing.

Impact

Oxford Nanopore technology is positioned to provide solutions to many of the world's greatest challenges. Scientists continue to use our technology in more traditional laboratory environments in universities, industry or government facilities, but many are also expanding the reach of science by sequencing in new environments such as jungles, deserts, in the Antarctic and on the International Space Station.

Our technology provides a more comprehensive insight into genomics with the ability to read short to long fragments of DNA, as well as being able to look directly at the individual bases that make up DNA and RNA in a way not possible using other sequencing technology. As a result, a new generation of research is pushing biological science further than previously possible.

| Impact | | Why is this important? |
|--|---|--|
| Impact in biomedical research and human health | Infectious disease: rapidly understanding the genomic sequence of pathogens can identify the disease and any drug-resistance characteristics. Oxford Nanopore tech rapidly characterises pathogens, on-demand and in environments near the sample. | Lower respiratory infections remain the 4th most common cause of death. Infectious diseases including tuberculosis, viral hepatitis, rare disease and sexually-transmitted infections were forecast to kill an estimated 4 million people in 2020 (World Health Organisation: December 2020). |
| | Human genetics: from discovery of new drug targets for various diseases, to understanding the cause of rare disease and characterising tissue for rapid transplants, the impact of comprehensive genomic insights is broad. | It is estimated that 5.3% of newborns will suffer from a genetic disorder and 34% of all disease-causing variation is made up of variants that are larger than a single base-pair substitution, making long sequencing reads vital. |
| | Cancer: DNA/RNA is altered in cancer. Understanding those changes can help design best treatment pathways and identify new drug candidates. Oxford Nanopore tech provides the most comprehensive characterisation of cancer DNA, including methylation (chemical corruption of the DNA), and 'liquid biopsy' samples that identify cancer markers directly from blood. | Worldwide there will be 27.5 million new cases of cancer each year by 2040. |
| Food security and agriculture | Genomics can help grow a more efficient crop/livestock, reduce food spoilage and enable quality assurance. Oxford Nanopore tech provides accessible, high-performance analyses to users in broad environments. | Around 795 million people face hunger daily and more than two billion people lack vital micronutrients, affecting their health and life expectancy. 30% of food production is lost to pests and pathogens. |
| Environment | Oxford Nanopore tech is enabling researchers to find out quickly, and often in situ, if a species is endangered and how to support it. Our tech also helps to further knowledge of changing environments such as the ocean microbiome. | Three-quarters of the land-based environment and roughly 66% of the marine environment have been significantly altered by human actions and 1 million species are now threatened with extinction. Loss of biodiversity is therefore shown to be not only an environmental issue, but also a developmental, economic, security, social and moral issue as well. |

Product

| Our commitments: Sustainable innovation | Sustainable innovation |
|---|--|
| <p>Guiding principle</p> <p>Continuous innovation of our technology through creative and flexible approaches to maintaining our competitive advantage without sacrificing our core values</p> <p>Commitments</p> <ul style="list-style-type: none">Minimise the environmental impact of our product packaging by:<ul style="list-style-type: none">Further investing in recyclable materials and packaging, committing to maintaining around 80% of packaging from recycled or other sustainably sourced material in 2023 and looking for opportunities to improve where possibleMinimising packaging weight, while ensuring the protection of the productFor sub-components, using reusable packaging for transport where feasibleIf using plastics, selecting those that are recyclableCompiling SKU data on all packaging weights by types and material component and continuing to reduce SKU packaging variability to reduce packaging wasteStrengthen our supply chain by identifying opportunities to replace disposables with reusables in all points of the value chain | <p>Resource efficiency and materials</p> <p>We are committed to conducting our operations and producing our devices in the most sustainable and resource-efficient manner possible. We have focused on internal processes, switching the packaging material in our distribution process, as well as increasing circularity in the life cycle of our products.</p> <p>We are constantly reviewing and optimising our manufacturing processes and use of materials to reduce our environmental impact.</p> <p>In 2022, we maximised the circularity of our raw materials to deliver resource efficiency by taking back 5.2 tonnes of our used products (3.3 tonnes of devices, and 1.9 tonnes of consumables).</p> <p>Boosting innovation</p> <p>We continue to integrate sustainability into our product design and delivery as new materials and components become available. We consider and respond to environmental issues throughout every stage of our product lifecycle, and our high-efficiency products play a role in helping the economy move to a low-carbon future.</p> <p>Packaging</p> <p>To ensure our packaging is as recyclable and sustainable as possible, starting in 2017, we began insulating our products with Woolcool®, a recyclable cardboard container with a wool-based insulator to keep products at the required temperature without the need for polystyrene. In 2022, we continued to insulate our products with Woolcool® and make best use of Credo Cube Boxes (reusable iceless insulating containers) resulting in a reduction in plastic use. Overall, in 2022 across all our products and services, we were able to source 91 tonnes (79%) of packaging from recycled materials.</p> <p>Additionally, the nanopore development team has worked to deliver reagent kits that are suitable for ambient or cool shipping. This enables them to be shipped alongside our consumable flow cells and reduces the number of parcels required to ship to end-users by 50% compared to other technologies that have to ship their consumables and reagents separately.</p> |
| <p>Related Sustainable Development Goals (SDGs)</p> | |

Quality

Oxford Nanopore is committed to providing high quality products. We have a Quality Management System in place, which was certified to ISO 9001:2015 at year end.

Our Quality Policy outlines our commitment to:

- meet and exceed customer expectations by delivering high-quality products and services
- maintain compliance with applicable external regulations and standards
- ensure through quality system feedback processes that the voice of the customer (internal and external) is heard throughout the organisation so opportunities for improvement are identified and acted upon

Responsible sourcing

Our commitment to sustainable practices extends beyond our internal operations and distribution, to encompass our entire value chain. Oxford Nanopore seeks to work with worldwide suppliers who operate under principles that are similar to Oxford Nanopore's business conduct and ethics. All suppliers must comply with the laws of applicable legal systems and apply the United Nations Guiding Principles on Business and Human Rights to all business operations.

Supply Chain Code of Conduct

Oxford Nanopore has a Supply Chain Code of Conduct in place, and we have implemented robust, risk-based requirements and internal processes to ensure all suppliers comply. It is important that Oxford Nanopore works with suppliers who have a consistent set of ethical standards and who conduct business legally, fairly and with integrity.

Environmental factors are included within our Supplier Code of Conduct such as the reduction of waste, pollution, water and energy use.

We are implementing a new supply chain risk monitoring system that will automate some of our supplier audit processes, allowing us to increase our audit coverage of suppliers and obtain much more relevant and substantial data. The solution is a combination of systems and processes which will, in the future, allow us to not only look into a larger number of suppliers but also into the 2nd, 3rd, and further tiers of our key suppliers' supply chains.

Conflict Minerals

Oxford Nanopore is committed to the responsible sourcing of minerals throughout its global supply chain. We have a Conflict Minerals Policy in place, approved by the Board. Oxford Nanopore is not mandated to directly register with The U.S. Securities and Exchange Commission ('SEC') on its dealings with conflict minerals. However, as a responsible organisation, we aim to follow best practice in all of our dealings. We routinely evaluate our suppliers to ensure that they are adhering to our expectations and values. We will immediately suspend or discontinue engagement with any suppliers where we identify a reasonable risk that they are sourcing from, or linked to, any party committing human rights abuses.

Planet

We believe that high growth does not need to come at the expense of the planet – and we are committing to scaling responsibly by making choices that protect our environment.

| |
|--|
| Our commitments: Responsible Scaling |
| Guiding principle Maintain high growth in a responsible way by protecting the planet through energy efficiency and ensuring that our commitment to sustainable practices extends beyond our internal operations and distribution to encompass our entire value chain. |
| Commitments <ul style="list-style-type: none">• Reduce the carbon intensity of our operations by identifying projects to reduce carbon emissions• Align our EHS programmes with the international standards for the environment (ISO 14001) and occupational health and safety (ISO 45001) by 2024• Continue to work with key suppliers on social and environmental factors, ensuring all key suppliers (covering 48% of total spend) meet our standards on factors including human rights, environmental protection, health and safety and more• Further embed a culture of ESG awareness with suppliers by updating our procurement process to focus on ESG and Risk |
| Related Sustainable Development Goals (SDGs) |

Environmental Leadership

| |
|---|
| Responsible Scaling |
| At Oxford Nanopore, our devices contribute to research designed to analyse, assess and develop solutions and strategies to address the impacts of climate change that affect us all globally. |
| We are committed to protecting the environment and reducing our impact within all our operations. |
| We are adapting to, and mitigating against, climate change risks and impacts, through commitments to improved efficiencies throughout Oxford Nanopore's operations, including in our buildings and value chain. Our commitment to transparency includes the disclosure of our carbon emissions and reporting against the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, which includes details of our oversight, risk assessment and strategy of climate-related issues. |

| |
|---|
| Managing environmental performance Our EHS Policy sets out our environmental arrangements and the Board has ultimate responsibility for environmental matters. The EHS Policy applies to all employees. In 2022, environmental training was provided to employees through EHS Inductions, management training, communications via our Resource Centre and through discussions at the EHS Steering Committee meetings. We are planning on further expanding our environmental training in 2023. |
| We strive to improve our environmental performance throughout all of Oxford Nanopore's global operations. We are committed to pollution prevention; the reduction of waste, releases, emissions and water use; and to the efficient use of energy. |
| Oxford Nanopore also has an environmental team who were formed in late 2022, whose aim is to facilitate the implementation of employee ideas to improve the environmental performance of Oxford Nanopore. |
| Oxford Nanopore incurred no environmental fines or penalties in the year ended 31 December 2022. |
| Energy and greenhouse gas emissions Oxford Nanopore has committed to reduce the carbon intensity of our operations. With support from a number of environmental consultants, we have begun to recognise opportunities to understand and improve sustainability, and we have placed a specific focus on identifying projects to reduce carbon emissions. |
| For the year ending 31 December 2022, we aimed to reduce the tonnes of CO ₂ e emitted per £m revenue by 2%. We have successfully reduced tonnes of CO ₂ e emitted per £m revenue by approximately 25.47% in 2022. |
| In 2023, we have set an updated target to reduce the tonnes of CO ₂ e emitted per £m revenue by 2.5%. |
| To calculate our emissions and energy usage data, we have followed the 2019 UK Government environmental reporting guidance. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2019. In 2022, for the first time, we will be reporting against all material categories of our scope 3 emissions. Our reporting of scope 1 and 2 emissions and energy data covers 100% of our global operations. Furthermore, our reporting of scope 3 emissions covers 100% of our upstream and downstream value chain. |
| The change in emissions data year-on-year is due to increased throughput and energy saving efforts. |

Energy consumption and emissions data

| | FY22 | | | FY21 | | |
|---|-----------|------------------|-----------|-----------|------------------|-----------|
| | UK | Global (excl UK) | Total | UK | Global (excl UK) | Total |
| Emissions (tCO₂e) | | | | | | |
| Scope 1 (tCO ₂ e) Total | 403 | 45 | 448 | 358 | 35 | 393 |
| Scope 2 – location based (tCO ₂ e) | 1,118 | 165 | 1,283 | 1,094 | 84 | 1,177 |
| Total scope 1 & 2 (location) | 1,521 | 210 | 1,731 | 1,452 | 118 | 1,570 |
| Intensity ratio (tCO ₂ e per £m revenue) – Scope 1 & 2 | - | - | 8.72 | - | - | 11.7 |
| Energy (kWh) | | | | | | |
| Total energy consumption (kWh) | 7,710,813 | 706,002 | 8,416,815 | 6,450,022 | 516,349 | 6,966,371 |

Energy consumption (renewable/non-renewable)

| | FY22 | FY21 |
|--|-----------|-----------|
| Energy (kWh) | | |
| Total renewable energy consumption | 4,956,743 | 4,373,704 |
| Total non-renewable energy consumption | 3,460,073 | 2,604,895 |

Scope 3 Emissions (tCO₂e)

| Category | FY22 (tCO ₂ e) | | FY22 (tCO ₂ e) |
|---|---------------------------|--|---------------------------|
| Purchased goods and services | 49,014 | Downstream transportation and distribution | 1,053 |
| Capital goods | - | Processing of sold products | - |
| Fuel-and-energy-related activities (not included in Scope 1 or 2) | 489 | Use of sold products | 479 |
| Upstream transportation and distribution | 204 | End-of-life treatment of sold products | 37 |
| Waste generated in operations | 66 | Downstream leased assets | - |
| Business travel | 1,078 | Franchises | - |
| Employee commuting | 1,057 | Investments | 306 |
| Upstream leased assets | 420 | Total Downstream Scope 3 | 1,875 |
| Total Upstream Scope 3 | 52,328 | Total Scope 3 | 54,203 |
| | | Total Scope 1, 2 & 3 (location) | 55,934 |

For the year ending 31 December 2022, we aimed to reduce the tonnes of CO₂e emitted per £m revenue by 2%. We have successfully reduced tonnes of CO₂e emitted per £m revenue by approximately 25.47% in 2022.

In 2023, we have set an updated target to reduce the tonnes of CO₂e emitted per £m revenue by 2.5%.

Water consumption

Oxford Nanopore's operations are not particularly water intensive; however, we are expanding our environmental risk management process to assess and prioritise risk. This will allow us to assess and manage the impact that our water use has on the environment.

| | 2022 | 2021 | 2020 |
|------------------------------------|----------|----------|----------|
| Freshwater usage (m ³) | 4,311.26 | 2,557.61 | 3,304.14 |

The above water consumption data covers four locations at our Oxford and Harwell campuses.

Waste management

Within all our operations, we aim to reduce, reuse and recycle waste, both hazardous and non-hazardous. Our EHS management system covers waste and hazardous materials, with our offices and labs including recycling facilities for paper and other recyclable items.

All businesses have a duty of care to ensure they segregate, store and transport waste appropriately and securely. We have recently introduced a total waste management process. This will allow us to increase waste segregation options, establish a waste hierarchy and provide us with transparent waste data and metrics, while also reducing costs.

Planet

Task Force on Climate-related Financial Disclosures

In 2022, we have continued making progress towards our climate strategy. This report covers the Group's governance of climate change, the integration with overall risk management, strategy in managing climate-related issues and opportunities, and the metrics to measure progress towards our targets. In line with the 'comply or explain' requirement under Listing Rule 14.3.27R, the following pages set out our climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures, as detailed in "Recommendations of the Task Force on Climate-related Financial Disclosures" (2017), except as outlined in this paragraph.

These disclosures also take into account the additional guidance as set out in the TCFD 2021 Annex, "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures" ("TCFD Annex"). In respect of 'Strategy-Recommended Disclosure b)', we are working towards full alignment with the TCFD Annex; whilst we have established a target to reduce tCO₂e per £m revenue by 2.5% from the prior year, we are carrying out further analysis with a view of preparing a detailed plan by the end of 2023 that will set out how we will achieve net zero. In the meantime, we are closely monitoring proposals in the UK to introduce mandatory transition plans and also the emergence of transition plan frameworks, such as the ongoing work of the UK Transition Plan Taskforce.

| Governance | | |
|--|---|---------|
| Disclose the organisation's governance around climate-related risks and opportunities | a) Describe the Board's oversight of climate-related risks and opportunities | Page 75 |
| | b) Describe management's role in assessing and managing climate-related risks and opportunities | Page 75 |
| Strategy | | |
| Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material | a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term | Page 77 |
| | b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning | Page 77 |
| | c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario | Page 77 |
| Risk Management | | |
| Disclose how the organisation identifies, assesses, and manages climate-related risks | a) Describe the organisation's processes for identifying and assessing climate-related risks | Page 76 |
| | b) Describe the organisation's processes for managing climate-related risks | Page 76 |
| | c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management | Page 76 |
| Metrics and Targets | | |
| Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material | a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process | Page 81 |
| | b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks | Page 72 |
| | c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets | Page 81 |

Governance

Board level

The Board has responsibility for climate change management, including oversight of climate-related risks and opportunities. The Board is supported and informed on climate-related issues via two channels, which ensures that any potential impacts of climate change are incorporated into the review of Group strategy, business plans and risk management. An operational and strategic channel reports into the Board. In addition, the risk channel monitors and informs the Board of climate-related risks through the Audit and Risk Committee, supported by the Operating Committee.

The Board monitors Scope 1, 2 and 3 emissions, as well as progress against the annual carbon emission intensity target. Additionally, the Board will be made aware of any key strategic or financial issues arising from the management of climate-related risks and opportunities by the Operating Committee (refer to management-level below). As of 2023, the Board considers this topic at least once annually.

The Audit and Risk Committee meets four times each year and reviews all risks at least twice each year, with the Chair of the Audit and Risk Committee referring key matters of risk to the Board, which include climate-related issues if deemed material.

Management-level

The EHS Steering Committee is a cross-functional committee which has responsibility at management-level over all environmental issues facing the Group, including climate-related risks and opportunities. This committee reports to the Operating Committee and Gordon Sanghera (CEO). The EHS Steering Committee monitors and reports on matters relevant to climate-related risks and opportunities such as the status of the energy efficiency efforts underway in the business, including the installation of LED lighting, EV charging points and the REGO contracts for electricity procurement. The Operating Committee is responsible for identifying, assessing, and mitigating risk under the direction of the Audit and Risk Committee. The Operating Committee enables the flow of information to and from the Board and from across the company to the senior management. Twice yearly (and as needed on an ad hoc basis), the Operating Committee reports to the Audit and Risk Committee on risks and mitigation. The Audit and Risk Committee reports to the Board who provide direction on risk profiling and mitigation.

Operational/Strategic Pathway

Risk Pathway

Board

Overall climate change responsibility

Audit and Risk Committee

Four meetings p/a

Operating Committee

Led by CEO, monitors related risks

EHS Steering Committee

Cross-functional committee and responsibility over environmental issues

Planet

Risk management

Oxford Nanopore's climate-related risk management is integrated into the Group's overall risk management framework. All climate-related risks are assessed in the same manner as other Group risks, so that their relative significance is comparable and risks are assessed in the short, medium and long-term. The Group's Risk Register categorises all existing and emerging risks, including climate-related risks, with the register covering the probability of the risk occurring, the degree of the potential impact and whether they first occur within the short- (0 to 1 year), medium- (1 to 3 years), or long-term (3 years+). The short-term horizon covers our immediate in-year actions, the medium-term horizon includes our near-term business strategy, and the long-term time horizon encompasses our asset life and sufficient time period for certain climate-related risks to manifest. Risks that first occur in short- or medium-term may persist into the long-term. Climate-related risks and opportunities relevant to the Group are identified in collaboration with internal stakeholders and senior management. All categories of climate-related risk and opportunity from the TCFD guidance are considered. All risks are assessed on a 5x5 matrix incorporating an assessment of both impact and likelihood, which allows for the prioritisation of risks. Risk impact (materiality) is determined based on materiality limits agreed with the external auditors, as currently defined by the table below:

Risk likelihood is defined by under five categories: Remote, Unlikely, Possible, Probably, Highly Probable.

Any mitigation factors for risks, including climate-related, are also included in the Risk Register and this combined exposure informs the decision for managing risks (e.g., further mitigation, accept, or control), with this decision determined by the options for mitigation, cost of mitigation and overall risk management strategy. The Risk Register is reviewed and updated twice annually to reflect new and developing areas in the operating environment which might impact business strategy. Internally, the cost of mitigation is described (where possible) along with an explanation of how this is derived. Risks are subject to ongoing refinement and quantification over time, and assist with incorporating climate-related risks into the ongoing strategy, budgets and financial statements, if required.

| Impact | Insignificant | Minor | Moderate | Major | Catastrophic |
|------------|---|--|---|---|--|
| Financial* | Estimated impact or lost opportunity of <£1.65m | Estimated impact or lost opportunity of £1.66m - £3.2m | Estimated impact or lost opportunity of £3.3m - £6.5m | Estimated impact or lost opportunity of £6.5m- £13.1m | Estimated impact or lost opportunity of > £13.2m |

* The materiality limits will be updated in line with the Group's financial statement materiality levels.

Strategy

Climate change has had observable effects on the environment and at Oxford Nanopore we realise climate change may present both risks and opportunities to the business. Due to the nature and locations of our biotechnology manufacturing operations, the Group's overall climate exposure is "Minor". For example, in assessing all locations for physical climate-change risks, it was concluded that the risk was found to be extremely limited. Only three sites are deemed to be business critical; The Head Office and manufacturing sites in Oxford and Harwell, all of which have a low riverine flood risk. Other locations represent a small portion of the global headcount and would result in very limited loss of business productivity in the event of travel or site-related disruption. Additionally, established home working procedures, insurance recovery in the event of natural disasters, and short-term leases of facilities, further mitigate physical risk.

Other physical climate-related risks (higher mean temperatures, rising sea levels, wildfires, severe weather) are also not seen as having any impact over the forecast period.

Transitional risks that were considered but deemed immaterial include reputation, policy and legal and technology risks.

We have used scenario analysis to improve our understanding of how different climate outcomes may affect the behaviour of certain risks, and thereby improve the resilience of our business to climate change. We selected three climate-related scenarios, looking forward to 2050:

- Net Zero 2050 (NZE)*: a normative scenario which sets out a narrow but achievable pathway for the global energy sector to achieve net zero CO₂ emissions by 2050. It does not rely on emissions reductions from outside the energy sector to achieve its goals. This meets the TCFD requirement of using a "below 2°C" scenario and is included as it informs the decarbonisation pathways used by the SBTi.
- Stated Policies Scenario (STEPS)*: a scenario which represents the roll forward of already announced policy measures. This scenario outlines a combination of physical and transitions risk impacts as temperatures rise by 2.5°C by 2100 from pre-industrial levels, with a 50% probability. This scenario is included as it represents a mid-way pathway with a trajectory implied by today's policy settings.
- RCP 8.5** : where global temperatures rise between 4.1-4.8°C by 2100. This scenario is included for its extreme physical climate risks as the global response to mitigating climate change is limited.

We have analysed how each of our climate-related risks behaves under the three scenarios. In respect of the climate risks identified below, we have also quantified our exposure against each risk (please see further detail on page 78). When taken in aggregate, we assess our overall climate-related risk exposure to be "Minor" in consideration of our exposure, risk mitigation strategies, disclosure, and ambition. We believe Oxford Nanopore has financial resilience and strategic robustness to mitigate climate change. As no climate-related risks are currently deemed to be significant, their effects have not been reflected in judgements and estimates applied in the financial statements as a result. We will continue to develop our analysis as new data is made available both internally and externally and we will continue to monitor our climate exposures and action plans through the Group's risk management framework. The opportunities identified continue to be developed in line with the company strategy and objectives.

* IEA (2022), World Energy Outlook 2022, IEA, Paris <https://www.iea.org/reports/world-energy-outlook-2022>

**IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change

Planet

Risks

Three key climate-related risks have been identified as follows:

| Risk | 1. Carbon pricing in operations | 2. Carbon pricing in the supply chain | 3. Water risk in the supply chain |
|---|--|--|--|
| Type | Transition (Current and Emerging Regulation) | Transition (Current and Emerging Regulation) | Physical (Flood Disruption, Water Scarcity) |
| Area | Own Operations | Upstream | Upstream |
| Primary potential financial impact | Higher costs associated with energy (Operations) | Higher costs associated with energy and other inputs (Supply chain and/or value chain) | Lost production/revenues (Supply chain and/or value chain) |
| Time horizon | Medium-term | Medium-term | Medium-term |
| Likelihood | Highly Probable | Highly Probable | Possible |
| Impact | Minor | Moderate | Minor |
| Location or service most impacted | United Kingdom | Purchased Goods & Services | Purchased Goods & Services |
| Related metric(s) | Scope 1 & 2 Emissions | Scope 3 Emissions | Annual Supplier Risk Assessment |

1) Carbon pricing in operations

The scope of carbon pricing (applied directly or indirectly) is expected to expand over the medium-term, and the price of carbon is expected to rise in the drive to make businesses more responsible for their energy use and carbon emissions. The following table shows The International Energy Agency's ('IEA') forecasts for carbon pricing under NZE and STEPS scenarios:

| | Carbon price estimates (US\$/t) | | |
|-------------------------|---------------------------------|------|------|
| | 2030 | 2040 | 2050 |
| Scenario - STEPS | | | |
| EU (as worst case) | 90 | 98 | 113 |
| Scenario - NZE | | | |
| Advanced Economies | 140 | 205 | 250 |

* Used as Global est. Source: IEA (2022), World Energy Outlook 2022, <https://iea.blob.core.windows.net/assets/c282400e-00b0-4edf-9a8e-6f2ca6536ec8/WorldEnergyOutlook2022.pdf>

We have quantified the financial impact on operating expenses of carbon prices on FY22 Scope 1 and 2 emissions under NZE and STEPS scenarios using the financial impact magnitudes outlined previously on page 76. The data assumes no mitigations have been put in place. The analysis has shown the impact to be "Minor" in magnitude. Mitigations include actions being taken to reduce emissions, including the introduction of solar panels at the Oxford and Harwell sites, which are currently under proposal. Also, where possible, Oxford Nanopore seeks to procure renewable electricity alongside reducing consumption through energy efficiency gains within production, shipping and distribution. For example, retrofitting of LED lighting is being evaluated for three buildings in Oxford.

2) Carbon pricing in the supply chain

Similarly to Risk 1, carbon pricing is expected to expand and apply to upstream activities of businesses (Scope 3). Based on the IEA's forecasts as previously outlined and Oxford Nanopore's supply-related Scope 3 emissions for the 2022 financial year (purchased goods and services and upstream transportation and distribution), the below heatmap indicates the associated financial impact projected forward under NZE and STEPS scenarios. The heatmap uses corresponding colours matching the financial impact magnitudes outlined previously on page 76. This data assumes no mitigations have been put in place and Scope 3 emissions are unchanged in the future. The carbon footprinting assessment indicated that purchased goods and services formed the largest component of total emissions, reflecting that a large portion of potential carbon pricing risk is associated with the embedded carbon from supplied goods. We assess the impact of this risk to be "Moderate" in magnitude, taking into account potential mitigating factors. Passing on the increased costs to consumers is one possibility to mitigate against this risk. Additionally, the introduction of supply chain risk management software will provide data on the carbon impact of suppliers, something the Group is currently investigating. This will aid us to direct emissions reduction strategies and focus engagement with suppliers.

| Scope 3 (purchased goods & services and upstream transportation & distribution) carbon price impact | | | | | |
|---|----------|----------|--------------|-------|-------|
| STEPS Scenario | | | NZE Scenario | | |
| 2030 | 2040 | 2050 | 2030 | 2040 | 2050 |
| Moderate | Moderate | Moderate | Moderate | Major | Major |

3) Water risk in the supply chain

Extreme weather events are expected to rise in both frequency and magnitude as an impact of climate change. Global temperatures rise in all three scenarios we studied, peaking only in 2050. Under STEPS, extreme rainfall is expected to occur up to twice as often as today and be three-to-four-times more intense. RCP 8.5 is more extreme. Under these scenarios, the risk of riverine flooding could be expected to increase along with changes in precipitation patterns and weather extremes which could influence water availability in regions with water scarcity risks within the Group's supply chain. Geospatial modelling found that two supplier sites (United States) are located in regions of high water stress when projected out to 2030, and one supplier site (Malaysia) is located in an area of high riverine and coastal flood risk. Modelled under the RCP 8.5, drought risk at the US locations is forecast to progressively intensify when projected to 2030, 2050 and beyond. In addition, exposure to storm surge and precipitation risk at the Malaysia site is forecast as very high throughout these time horizons. Supply chain risk management software, as previously discussed, will provide further context to the supplier's resilience to these physical risks. Whilst the sites don't represent a significant proportion of our supply chain, alternative supply precautions have also been initiated for all three sites to introduce redundancy within the overall supply chain. More data will be required going forward in order to calculate the financial impact of this risk.

Planet

Opportunities

We have currently identified the following two climate-related opportunities:

| Opportunity | 1. Energy & Waste Savings | 2. Renewable Energy |
|------------------------------------|-----------------------------------|------------------------------|
| Type | Resource Efficiency, Resilience | Energy Source |
| Area | Own Operations | Own Operations |
| Primary potential financial impact | Decreased costs (Operations) | Decreased costs (Operations) |
| Time horizon | Medium-term | Medium-term |
| Likelihood | Probable | Possible |
| Impact | Moderate | Moderate |
| Location or service most impacted | United Kingdom | United Kingdom |
| Related metric(s) | Consumption and Scope 2 emissions | % renewable energy |

1) Energy & Waste Savings

Decreasing energy consumption by reducing energy use and increasing efficiency may decrease outgoing costs and mitigate against the cost of future carbon pricing. This will have the emergent benefit of mitigating the impact of Risk 1 above. A Building Energy Use Audit at our Oxford corporate headquarters identified significant opportunities to reduce the building's energy consumption. Reductions in waste will also act as a decrease in operating costs and reduce associated emissions with disposal which would positively impact Risk 2. Consequently, we continue to maximise the circularity of raw materials and improve the material efficiency of the manufacturing process to deliver resource efficiency. Measures to reduce the weight of packaging, as well as the plastic content, are ongoing.

2) Renewable Energy

Transitioning to renewable energy sources (self-generation or power purchase agreements) can help in reducing market-based emissions to zero. Based on this, the effect of carbon pricing on Scope 2 emissions would be mitigated. Installation of solar panels at primary UK sites are currently under proposal. Other office locations in leased buildings with shared occupancy require negotiations with landlord's power purchase agreements.

Metrics and targets

For the year ending 31 December 2023, the Group has established a target related to climate change, to reduce tCO₂e per £m revenue by 2.5% from the prior year. We report on relevant cross-industry metrics such as our Scope 1, 2, and 3 greenhouse gas (GHG) emissions, calculated in-line with the GHG protocol. We also disclose total renewable and non-renewable energy consumption. These have been linked to the identified climate-related risks and opportunities on pages 78.

In line with the TCFD recommendations, the remuneration policy of the executive board members includes performance metrics related to climate change. In 2023, one of the performance measures of the annual bonus for the executive board members is to advance Oxford Nanopore's ESG strategy, with climate change being a substantial element of this. Further details of this metric can be found on page 128.

Whilst acknowledging the recommendation to integrate an internal carbon price, as Risk 1 highlights, it is not financially material and therefore deemed unnecessary to implement. However, it may be used in assessing future large capex and investment activities.

Additional metrics that monitor the climate-related risks and opportunities, such as material efficiency metrics, are being considered for future reporting.

People

Building an inclusive culture that supports the health, wellbeing and development of our people is a key driver to the success of our business.

| |
|--|
| Our commitments: Inclusivity & wellbeing |
| Guiding principle Promoting a culture which is inclusive, embraces diversity and prioritises the development of our people and their wellbeing |
| Commitments <ul style="list-style-type: none">• Embed the Values in Action programme to support a culture of high engagement where employees have a voice to amplify and evolve ideas that support key decisions• Align our variable pay arrangements to the furthering of our societal impact and our inclusive work environment• Continue to strengthen the skills of our employees through ongoing customised learning and development |
| Related Sustainable Development Goals (SDGs) |

Health and safety

Health and safety is of paramount importance to us as a responsible employer. We strive to safeguard all our employees' health, safety and wellbeing, including visitors and contractors. Our EHS Policy sets out our arrangements for Health and Safety with the Board having ultimate responsibility and accountability. Performance against the objectives of the EHS policy is reviewed at least every six months at the Oxford Nanopore EHS Steering Committee meetings.

Leaders at all levels of the organisation have been trained and are required to communicate Oxford Nanopore's health and safety expectations and ensure appropriate resources are provided to achieve a high health and safety performance standard. All employees are responsible for their health and safety through compliance with Oxford Nanopore's EHS policy, procedures and EHS performance expectations. Employees are also responsible for the health and safety of their colleagues, contractors, and visitors by highlighting and reporting health and safety risks and concerns, and where safe to do so, taking action.

Safety first

Oxford Nanopore is in the process of developing an EHS management system, and we are continuing to align our EHS programmes with the international standards for the environment (ISO 14001) and occupational health and safety (ISO 45001) with an objective to be certified in 2024.

We provide all of our employees with health and safety training, including general and role specific EHS training. General training includes EHS induction, manual handling, ergonomics, fire and evacuation procedures. Employees are also given specific training based upon their role, such as managerial responsibilities and accountability awareness, best laboratory practices, first aid and fire marshal training.

Safety performance

We are committed to preventing occupational accidents, diseases and illnesses, to ultimately achieve an accident-free workplace. Health & Safety hazards are identified and associated controls enacted; the process is documented and disseminated through formal risk assessments.

Health and Safety metrics are recorded using a cloud-based EHS management system EcoOnline and we actively encourage the reporting of injuries, incidents, improvement suggestions, near misses and hazards. There have been no fatalities of employees or contractors in 2022 and in all prior years.

Our LTIR is defined as total number of lost time incidents in a year, divided by the total number of hours worked, multiplied by 200,000. We define a lost time incident as an incident that occurs when a worker sustains a lost time injury that results in time off from work, or loss of productive work.

In FY22, we only had one reported RIDDOR incident (Reporting of Injuries, Diseases and Dangerous Occurrences) making our RIDDOR rate 0.046.

Health and wellbeing

We believe that our employees' wellbeing is a critical component of the company's success. Both physical and mental wellbeing are of importance to us, and we take steps to proactively assist all our employees. We aim to make sure that we provide them with the support they need to stay healthy and to have easy access to help, advice and treatment when they may need it.

We have various programmes and provide a range of benefits to support their health and wellbeing including private medical insurance and an Employee Assistance Programme (EAP). The EAP is an employee benefit designed to help employees deal with personal and professional problems which could be affecting their home or work life, health and general wellbeing.

We consistently review the range of support we provide and to continue our focus on employee's mental health, we will provide Mental Health First Aid (MHFA) training to selected employees in 2023.

Our people

Our people believe in the purpose and vision of Oxford Nanopore. Effective engagement aligns employees with our strong culture and core values, ensuring everyone works together towards a shared vision.

We look after our employees, support their training and development, recognise cultural differences, respect their human rights and promote a fair working environment with equal opportunities for all.

Engagement

It is important to us that we engage with our employees. With a distributed, growing team of more than 1,000 employees, we launched Values in Action (ViA) in 2022 as a global collaboration with senior sponsorship from each strategic business unit and region to increase engagement by optimising connectivity for all our people wherever they work for Oxford Nanopore. It is a framework that will create a pathway to optimise engagement and offer everyone in the company the chance to contribute, in line with one of our three core values, "Contributors". Through 42 employee representatives, selected with extensive inclusion criteria, voices will be heard company wide and given expression to evolve our culture and employee experience.

Sarah Gordon Wild is Oxford Nanopore's designated Non-Executive Director with responsibility for employee engagement and inclusion. The ViA community will also be an opportunity for Sarah to engage with employees, to explore and validate the lived culture and Values in Action of our organisation, and report back to the wider Board.

Diversity and inclusion

At Oxford Nanopore, we actively recruit people from diverse backgrounds with varied experience and perspectives, who truly reflect the global scientific community we serve. Diversity is reflected across our entire business practice; there are currently 55 different nationalities employed at Oxford Nanopore. Our ambition is to build and maintain a diverse, equitable, and inclusive culture in the workplace and across Oxford Nanopore's value chain.

We value people as individuals with diverse opinions, cultures, lifestyles, and circumstances and believe in equality of opportunity, following practices which are free from unfair and unlawful discrimination. We are committed to creating a supportive and inclusive environment where respect and understanding are fostered, and the diversity of both people and perspective is positively valued.

Oxford Nanopore has an Equality and Diversity Policy in place, applicable to all employees. The Board has overall responsibility for this policy.

We have clear procedures in place that enable job candidates and employees to raise a grievance or make a complaint if they feel that they have been unfairly treated.

• For a breakdown of gender diversity across the business, please see page 105

Our Diversity Commitments

- Creating an environment in which individual differences and your contributions are recognised and valued
- Providing a working environment that promotes dignity and respect for all, where no form of intimidation, bullying or harassment is tolerated
- Providing training, development and progression opportunities for all
- Understanding equality in the workplace is good management practice
- Reviewing all our employment practices and procedures to ensure fairness
- Reviewing our recruitment practices to ensure they are fair, consistent and free from unconscious bias
- Full support of this policy by senior management
- Monitoring and reviewing this policy annually
- Having clear procedures that enable candidates for jobs and employees to raise a grievance or make a complaint if you feel that you have been unfairly treated
- Treating breaches of our equality and diversity policy as misconduct which could lead to disciplinary proceedings

People

Talent and career management

Our goal is to attract, develop, and retain talent at Oxford Nanopore, as well as inspire and nurture the next generation of scientists through provision of accessible technology and educational support. To strengthen these efforts, we conduct a number of internal and external programmes.

The Nomination Committee is responsible for ensuring that appropriate talent development programmes are in place to maximise the potential of our employees.

We have worked to maintain a culture that incentivises and rewards excellence, while encouraging long term relationships with Oxford Nanopore, resulting in our low attrition rates over the years. In 2022, our attrition rate was 12% (2021: 6.7%).

Training

We are committed to offering training for all levels, providing opportunities for our employees to engage in life-long learning. LinkedIn Learning is a resource offered to all employees worldwide, with the exception of China where another solution is being sourced. This allows unlimited access to personal effectiveness, management and skills based learning.

Career Development

We are committed to promoting career development. 41 Senior Leaders are participating in a four-month accelerated Senior leadership Development Programme, which is delivered by executive and organisational development consultancy The Butcher Bailey Partnership. The programme stimulates thought leadership and strategic input from delegates through faculty sessions with internal and external industry leaders, testing perspectives, biases, and an individual's capability to apply their learning for the benefit of Oxford Nanopore.

Internships and Apprenticeships

In addition to our highly successful R&D annual internships, hosting 19 undergraduate and post-doctoral researchers, we sponsor the RSC Broadening Horizons programme, which actively promotes careers in chemistry for underrepresented candidates, especially those from disadvantaged backgrounds. Five candidates have been prioritised for our 2023 intern programme as part of our commitment to further support and empower our culture of inclusion.

In 2022, we supported two apprenticeship contracts within our production area. As part of our long-term Early Careers/Future Talent strategy, initial relationship building was undertaken with local Apprenticeship and TLevel providers, as research to inform programme design, with an aim launch a comprehensive programme in 2023.

The Group has policies and codes of conduct in place to ensure consistent ethics and compliance governance. These include but are not limited to; a Code of Conduct, the Group's Anti-Bribery and Corruption Policy, Modern Slavery Statement, Whistleblowing Policy, Anti-Facilitation of Tax Evasion Policy, Conflicts of Interest Policy, Privacy Policy, Data Retention Policy and Securities Dealing Code.

Modern slavery

Oxford Nanopore supports the Modern Slavery Act 2015 and is committed to ensuring that slavery, human trafficking, child labour, forced labour or any other abuse of human rights has no place in its business or its supply chain. All employees who engage in purchasing activities are trained to ensure they are aware of the Modern Slavery Act and both the company's, and their own responsibilities. The Board is ultimately responsible for compliance. The Group has published its Modern Slavery Statement on its website at <https://nanoporetech.com/about-us/modern-slavery-policy>.

We have delivered training in a number of areas of human rights, including modern slavery. Our modern slavery statement confirms that Oxford Nanopore is committed to ensuring that slavery, human trafficking, child labour or any other abuse of human rights has no place in our business or supply chain.

Anti-Bribery And corruption

We are committed to conducting all of our business in an honest and ethical manner and we are proud of our ethical standards. Oxford Nanopore has a zero-tolerance approach to bribery and corruption at all levels with the organisation globally and expects high standards of integrity from our people, agents, consultants, interns and subcontractors and any other person associated with the Company in business dealing and relationships worldwide. The Board is ultimately accountable for the Company's Anti-Bribery and Corruption Policy, and the responsibility for reviewing the Company's systems and controls for preventing these are delegated to the Audit and Risk Committee.

Our Anti-Bribery and Corruption Policy, including our policy on gifts and hospitality, is available for all our people to access on our internal policy hub. The Policy is mandatory and should be considered an integral element of the Group's workplace rules.

Human rights

We support the principles set out in the UN Declaration of Human Rights. We respect and uphold human rights and fully comply with applicable human rights legislation in all the countries in which we operate. This includes upholding the right to freedom of association and collective bargaining, equal remuneration, minimum living wages, prohibition of child labour and forced labour, and protection against discrimination.

Information systems and technology

Oxford Nanopore considers that it has appropriately robust and secure information technology systems, and has a Data Privacy Policy in place.

The Group has processes in place to reduce risk such as internal vulnerability testing on a regular basis, and penetration testing. Oxford Nanopore is certified to ISO 27001:2013, Information Security Management System and is also now certified to ISO 22301:2019, Business Continuity Management System. Business continuity plans and incident response procedures are in place, and tested at least every three years. Regular cybersecurity training and awareness is provided to staff with at least an annual requirement to read Company policies.

Data protection

The Group collects and processes personal data from its customers and employees in the ordinary course of its business. As a result, the Group is subject to the data protection and privacy laws and regulations of the jurisdictions in which it operates.

Among other things, these data protection laws impose certain restrictions on what the Group can and cannot do with the data it collects and gives data subjects certain rights in relation to their data. To facilitate compliance with the various data protection and privacy laws and regulations that are applicable to it, the Group maintains and regularly reviews its written policies in areas such as data protection and data retention.

Moreover, compliance with data protection and privacy laws and regulations are regularly considered at Board-level as part of the Group's general compliance and risk management processes. The Group maintains, regularly reviews, and updates a separate Human Genomic Data policy that sets out the Group's approach to the handling and protection of Human Genomic Data. Under the terms and conditions of sale attaching to the Group's products, any data generated by or through a customer's use of a Group product (whether that product has been sold to or leased by the customer) that constitutes biological data, which includes Human Genomic Data, is owned and controlled by the customer alone.

Tax transparency

The Group is committed to acting with integrity and transparency in all tax matters and is committed to anti-facilitation of tax evasion as part of its Corporate Governance policies. The Group has policies and procedures in place designed to promote and commit to compliance with all applicable tax laws and regulations, which are continually reviewed as the Group expands its operations in existing and new jurisdictions. The Group does not engage in artificial tax arrangements, which are those without business or commercial substance. We do not seek to avoid tax using 'tax havens' or transactions we would not fully disclose to a tax authority. The Group does not operate in any countries listed by the EU on 14 February 2023 as being non-cooperative jurisdictions for tax purposes.

Case study

Mentoring at Oxford Nanopore

For Omnia Mohamed, a Protein Biochemist from the Biologics Department, Oxford Nanopore's mentorship programme has helped her find her footing, strengthen her voice as a professional - and chart her career path within the company. When Omnia joined Oxford Nanopore straight out of university, she navigated self-doubt in addition to an abrupt transition from student to full-time working professional. Three years into the job, she was encouraged to sign up for the mentorship programme and started working with talent development director Helen Cresswell. Helen provided a safe space for Omnia to talk through her career, share concerns and seek out advice. With Helen's help and the support and guidance of her current management team, Omnia was able to identify what she wanted - a customer facing role and a chance to live and work abroad. Omnia is now getting ready to move to the UAE to join the commercial services team. Omnia has now been with Oxford Nanopore for four years and is really enjoying the work. "I've always been a shy person, and the mentoring programme really helped me get out of my comfort zone. I now have more clarity and confidence to grow and achieve my goals," she said.

Principal risks evaluation

Risk management framework

The Group has established a risk management framework that includes:

- a. formal focused risk registers established for International Organisation for Standardisation (ISO) 27001 and 9001 accreditations (Information Security and Process)
- b. a process for profiling and scoring risks
- c. a process to report risk to the senior leadership team, who will approve mitigations and report to and consult with the Audit and Risk Committee
- d. a process for sharing direction from the Audit and Risk Committee on risk tolerance and mitigation with leadership and in turn, their reports

Risk management framework

The Group has created a risk profiling framework wherein the Operating Committee (either directly or through delegation to department leadership) is responsible for identifying, assessing, and mitigating risk under the direction of the Audit and Risk Committee. The Operating Committee enables the flow of information to and from the Board and across the company to the senior management. The risk profiling procedure consists of the steps as described below.

1 Identify risks

A detailed risk assessment is routinely performed to identify the significant risks in a timely fashion and provide accurate Financial Position and Prospects (FPP) information

6 Regular review

The risk register is formally reviewed by the risk owners and senior management team twice each year to ensure that the risks identified are accurate and up-to-date

2 Score risks

Risks are scored based on agreed materiality thresholds

Our risk management framework

5 Directors assess mitigation

Based on the processes set out in steps 1-4, the Directors conclude on the effective mitigation of the risks identified

3 Identify mitigating controls

For each of the risks that are identified, the Group considers and reviews the processes currently in place and identifies the controls which mitigate each risk

4 Document mitigating controls

The mitigating controls are documented, and the Audit and Risk Committee signs them off to confirm that the descriptions are appropriate and accurate

Risk profiling

Top Down

Board

- Based on a recommendation of the Chief Executive Officer, the Board defines and adjusts the Group's risk tolerance
- Direction from the Board is shared with the Operating Committee

Audit and Risk Committee

- Twice yearly (and as needed on an ad hoc basis), the Operating Committee reports to the Audit and Risk Committee on risks and mitigation
- The Audit and Risk Committee review the risk register twice each year
- The Audit and Risk Committee reports to the Board

Operating Committee

- Risk is a standing discussion item in each Operating Committee meeting
- Risks and mitigation plans are documented in the Group's risk register and the Operating Committee's minutes. The minutes identify the risk discussed, the mitigation agreed, assigned next steps, and the responsible party
- Direction from the Board is shared by the Operating Committee with each department
- Twice annually the Operating Committee, in coordination with the VP Finance and Risk & Controls Manager, reviews and updates the Risk Register

Departmental meetings/committees

- Risk is a standing item at the following departmental meetings/committees: Research and Development, Manufacturing and Supply Chain, Legal/Finance, Strategic People and Organisation, IT, IP, and Commercial
- Representatives of each standing departmental meeting who serve on the Operating Committee escalate risks identified in the departmental meetings for review in the Operating Committee

Bottom Up

Internal controls to mitigate risks

The Group has established controls, which provide a solid basis for making proper judgements on an ongoing basis as to its FPP. These controls cover:

- High-level reporting environment
- Forecasting and budgeting
- Management reporting
- Financial and accounting reporting
- Significant transactions and strategic projects
- Technology

The Group has engaged Grant Thornton to fulfil the responsibilities of an internal audit function to assess the adequacy of such internal controls. In 2022, Grant Thornton completed internal audits of four functions.

Principal risks and uncertainties

Based on information shared by the Operating Committee, the Audit and Risk Committee has assessed the principal risks facing the Group as at 31 December 2022. This included an assessment of the likelihood of each principal risk identified, and the potential impact of each risk after taking into account mitigating actions being taken. Risk levels were modified to reflect the current view of the relative significance of each risk.

The Principal Risks and Uncertainties (PRUs) identified are:

- 1 Ability to make products: supply chain and manufacturing
- 2 Trade, war, pandemic and inflation
- 3 Concentrated revenues
- 4 Cyber security
- 5 Intellectual property protection and competition
- 6 Founder-led company, succession planning, talent recruitment and retention
- 7 Ability to successfully introduce products to remain a technology leader
- 8 Ability to achieve medium-term revenue growth targets
- 9 Data privacy and data classification
- 10 Environment, health and safety

Principal risks and uncertainties

| 1. Ability to make products: supply chain and manufacturing | Mitigation Strategy | Impact |
|---|--|----------------------|
| <p>Supply chain issues driven by demand, logistics interruptions, the pandemic, heightened geopolitical tensions – particularly between the United States and the People's Republic of China, and the war in Ukraine – have made it increasingly challenging to source key electronic components on a timely and cost-effective basis. The Group's products include several unique customised components, many of which have been developed and produced solely for the Group and tailored to its specifications. The Group's products are manufactured or assembled either at the Group's manufacturing facilities located in the MinION Building in Oxfordshire or within the Group's laboratories and facilities within the Oxford Science Park or, in the case of certain components of the Group's products, including the ASIC chips and wafers, at the Group's third-party manufacturers' facilities. Unavailability of or the lack of timely availability of electronic components used in building the Group's goods required the Company to use substitute components on a temporary basis in order to meet demand, which increased the cost of manufacture and support, and this may continue. The manufacture of the Group's products is highly exacting and complex, and problems may arise during manufacturing or shipment for a variety of reasons, including equipment malfunction, failure to follow specific protocols or defective materials and components. In addition, if the manufacturing facilities of third parties on whom the Group relies, become unavailable for any reason, the Group would need to secure alternative manufacturing facilities with the necessary capabilities or move such manufacturing processes in-house. This could require substantial lead times and (particularly if moving manufacturing in-house) substantial capital investment. If this were to include unavailability of access to parts designed, fabricated or assembled in Taiwan, the Company may not be able to continue to manufacture its products or meet growing demand.</p> | <ul style="list-style-type: none"> • Policies and agreements to manage our suppliers, including use of dual sourcing • Detailed forecasting of requirements • Maintaining large inventories of key components • Developing alternative components, suppliers and/or products • Maximising internal manufacture • Established a Business Continuity Plan (BCP) and conduct test scenarios on a regular basis | <p>High</p> |
| 2. Trade, war, pandemic and inflation | Mitigation Strategy | Impact |
| <p>The Group operates a global business and its business has been and may continue to be impacted by restrictions on trade, the war in Ukraine, inflation, and the continuing pandemic – particularly this past year in the People's Republic of China. Further, compliance with ever-changing trade regulations, including export controls and sanctions, is complex and expensive.</p> | <ul style="list-style-type: none"> • Investment in sales and marketing in the US and Europe • Maintaining large inventory of key components • Minimising outsourcing of manufacture • Robust export control policy • Detailed training provided to staff • In-house legal team supported by access to external advice | <p>Medium</p> |
| 3. Concentrated revenues | Mitigation Strategy | Impact |
| <p>Although the concentration of the Group's revenue decreased in 2022, one or more large-scale human genomic projects can have a material impact on its results. Moreover, flow cell utilisation by a relatively small number of customer accounts for a high proportion of the Group's revenue. Despite growth in the Group's wider customer base across S1 and S2 sectors, loss of (or even interruptions in the work of) a few of these customers would have a significant impact on the financial performance of the Group.</p> | <ul style="list-style-type: none"> • Expansion of the global sales team for utilisation by our existing customer base • Expansion of commercial marketing operations to generate new customer leads focusing on customer prospects with the potential for significant demand • Expansion of technical support services to improve service to customers • Investment in field applications support to maximise potential of each customer | <p>Medium</p> |

| 4. Cyber security | Mitigation Strategy | Impact |
|---|---|--------|
| <p>The Group's systems, data (wherever stored), software, networks, and those of third parties, are vulnerable to security breaches (whether deliberate or unintentional), including unauthorised access from within the Group or by third parties (for the purpose of misappropriating financial assets, IP or sensitive information, or otherwise), computer viruses or other malicious code and other cyber threats that could corrupt data, cause operational disruption or otherwise have an adverse security impact. In addition, certain of its devices are similarly vulnerable when deployed by the Group's customers.</p> | <ul style="list-style-type: none"> Investment in resources to protect the data held by the Group and the use of it Regular training and awareness provided to all employees with at least annual requirement to read Company policies ISO 27001 certified and regular ISO audits Internal testing plan to test for network vulnerabilities on a regular basis and annual penetration testing Established a Business Continuity Plan and conduct test scenarios periodically Incident reporting channels in place Firewalls and other technical safeguards are established, including encryption of wireless networks and deployment of end-point detection and response tools, to provide network protection | Medium |
| 5. Intellectual property protection and competition | Mitigation Strategy | Impact |
| <p>The Group's ability to add and create value and, therefore, its success, depends, in large part, on its ability to obtain, maintain and enforce a combination of patents, trade marks, copyright, trade secrets and proprietary knowledge, and to impose confidentiality procedures and contractual and other restrictions, in all cases so as to establish and protect its proprietary IP rights. The failure to do so may lead to substantial harm to the Group and its ability to operate. The life science industry generally is litigious. The Group itself has in the past had to spend significant amounts of money and time defending itself from unsuccessful patent litigation.</p> | <ul style="list-style-type: none"> IP treated as a priority Increased resources in protecting IP Training and awareness of staff Controls around use of technology Experienced legal counsel | Medium |
| 6. Founder-led company, succession planning, talent recruitment and retention | Mitigation Strategy | Impact |
| <p>The Group's future success depends to a large extent on the experience and knowledge of the Executive Directors, its executive team and other key employees, and loss of the services of one or more of such persons could adversely affect the Group's business. Risk is heightened in the event of a departure of the Group's Chief Executive Officer, and Chief Strategy Officer (who are also the Group's co-founders), Chief Technology, Innovation and Product Officer, Chief Financial Officer, or key employees, consultants, suppliers and/or advisers with specialist scientific and technical skills that the Group requires for its product development. The Group's success also depends on its ability to attract, train, motivate and retain key personnel.</p> | <ul style="list-style-type: none"> Competitive remuneration package including a Long Term Incentive Plan (LTIP) in place to retain executive talent Succession planning in process Expanding leadership team and depth Recruitment of and fostering development of emerging leadership Implemented a competitive reward and recognition package Established career development opportunities widely promoted Focus on culture, mission, and creating a stable and motivating environment for all staff | Medium |

Principal risks and uncertainties continued

| 7. Ability to successfully introduce products to remain a technology leader | Mitigation Strategy | Impact |
|--|--|---------------|
| <p>The global life science research market is characterised by rapid and significant technological changes, frequent new product introductions and enhancements and evolving market standards. This may result in the Group's products becoming obsolete. The Group's success depends on its ability to continue delivering improvements to its products, as well as its ability to develop and introduce new products, in each case, to address the evolving needs of the Group's customers on a timely and cost-effective basis. In turn, this has an impact on the Group's ability to increase revenue and margin.</p> | <ul style="list-style-type: none"> • Continued focus and investment in R&D activities and cross-functional communications to bring new products to market • Executive team focus and regular monitoring • Continuous product release through early access channels to establish customer requirements and input into the product development pipeline • Investment in technology transfer groups that focus on prototype to production-ready manufacturing processes • Continuing manufacturing innovation and optimisation • Focus on dedicated teams to research alternative product designs to enable high volume and high-quality manufacturing • Continuous data collection at every critical point of manufacturing to drive production improvement projects • Focus on strong Quality Management System (QMS) | High |
| 8. Ability to achieve medium-term revenue growth targets | Mitigation Strategy | Impact |
| <p>The Group continues to be loss making, with negative cash flow expected for the next few years. The Group is investing and will continue to invest in its technology and continuous improvement of its products. The Group is also continuing to invest in growth. This means expanding its commercial and technical support teams globally and investing in its digital offerings to improve the customer experience. As a result of these investments, the Group is expected to continue to incur net losses and experience negative cash flow from operations over the next few years. This could increase the Group's vulnerability to general adverse economic and industry conditions, limit its ability to react to changes in the Group's business and the industry in which it operates and place it at a disadvantage to its competitors. The Group's ability to achieve (and, if achieved, sustain) profitability is based on numerous factors (some of which are not fully within its control), including its ability to attract new customers, grow revenue, increase market penetration, expand the market for its products, and successfully develop its current and future product pipeline. If the Group's revenues from its operations do not sufficiently increase to offset its ongoing expenditures, or if the Group's expenditures exceed its current expectations, it may not achieve (and, if achieved, sustain) profitability.</p> | <ul style="list-style-type: none"> • Expanding commercial team • Development of new markets through collaborations with partners and potential customers • Development of applications demonstrating unique features of the platform and innovative research that can be done on the platform • Regular improvements to the platform and products • Expanded manufacturing capability • Development of indirect sales channels | Medium |

| 9. Data privacy and data classification | Mitigation Strategy | Impact |
|--|--|--------|
| <p>The Group operates globally and relies on access to data relating to its customers, its employees and its research and development to conduct its operations. Properly collecting, classifying, and controlling this data to comply with often conflicting laws and in a manner to enable the Group to grow its business is expensive and challenging. In addition, the Group's ability to identify and protect its trade secrets while remaining nimble is also a challenge.</p> | <ul style="list-style-type: none"> Investment in resources to protect the data held by the Group and the use of it Data protection policy in place Segregation of duties within systems where personal data is handled has been established The HR records are segregated from other data, and only limited access is available A Data Protection Officer (DPO) role is active within Oxford Nanopore with independent responsibility for assuring security of personal information General Data Protection Regulation (GDPR) practices employed to limit data processing Regular training and awareness provided to the staff with at least annual requirement to read Company policies Implementation of a system to enable classification of data and establishment of different controls based on such classifications | Medium |
| 10. Environment, health and safety | Mitigation Strategy | Impact |
| <p>The Group's R&D and manufacturing activities involve the use of hazardous materials, including chemicals, biological materials, solvents and radioisotope materials ("hazardous materials"). One or more of the kits sold by the Group include a chemical that may be deemed hazardous. Accordingly, the Group is subject to laws, regulations and permits relating to environmental, health and safety matters, including, among others, those governing the use, storage, handling, exposure to and disposal of solvents and other hazardous materials and waste, the health and safety of its employees, and the shipment, labelling, collection, treatment and disposal of non-hazardous and hazardous waste appropriately managed by internal staff and approved waste contractors. If the Group were found to have failed to handle hazardous materials with care and/or to have violated environmental, health and safety laws and regulations (in respect of past or future activities), as a result of human error (including failure to understand applicable laws and regulations), accident, equipment failure or otherwise, it may be subject to investigations, substantial fines and penalties, remediation costs, property damage and personal injury claims, suspension of production or product sales, loss of permits or a cessation of operations. This may result in potential fines, reputational damage and/or suspension of operations leading to an impact on financial results.</p> | <ul style="list-style-type: none"> Dedicated Health & Safety (H&S) resources to ensure all rules are enforced Complete and accurate safety data sheets are prepared and maintained for all products Software tools and third-party advisors to better enable compliance and incident avoidance Training and awareness given to staff with at least annual requirement to read Company policies Full regulatory assessment and identification of any compliance gaps and actions to mitigate these Legal support in-house and engagement of third-party consultants as SMEs | Medium |

Section 172 statement and stakeholder engagement

Oxford Nanopore's purpose is the enablement of the analysis of any living thing by anyone, anywhere. We have developed our technology to make it accessible for all those who need it, whether in developed markets or more resource limited settings. Our technology is being used by scientists around the world to make a positive impact on society and we are committed to running our business in a sustainable and ethical way and this is firmly embedded in our culture.

The Group's stakeholders are the people, communities and organisations, which have an interest in our vision, purpose and strategy or who may otherwise be affected by decisions made by its Board. The Board is committed to open, transparent dialogue with stakeholders and believes that effective engagement is critical to drive long-term value creation.

The Board confirms that throughout the year ended 31 December 2022, it had regard to the matters set out in section 172 of the Companies Act 2006 as amended by the Companies (Miscellaneous Reporting) Regulations 2018. Further information on each of the matters set out in s172 is detailed in the table opposite.

In addition to the Group's key stakeholders, the Board engages with and considers the interest of any other stakeholders who may be interested in the Group's business or otherwise be impacted by its decisions. Examples of other stakeholders include governments and governmental bodies, research partners, academic institutions, analysts, governance bodies, which include proxy advisors and regulators.

Pages 93 to 96 detail the ways in which the Board engages with our key stakeholders to deepen their understanding of the issues that matter to them and to allow for stakeholder views to be taken into account in Board decision making.

| Section 172 factor | Disclosure |
|---|--|
| The likely consequences of any decision in the long-term | Our mission (page 32) Our business model (page 32) Our strategy (page 34) KPIs (page 36) Viability statement and going concern (page 98) |
| The interests of the Group's employees | Diversity and Inclusion (page 83) Developing talent (page 84) Our People (page 83) |
| The need to foster the Group's business relationship with suppliers, customers and others | Our business model (page 32) Our strategy (page 34) Sustainability (page 62) Governance (page 104) |
| The impact of the Group's operations on the community and the environment | Sustainability (page 62) TCFD (page 74) |
| The desirability of the Group maintaining a reputation for high standards of business conduct | Culture (page 111) Governance (page 104) Internal controls (page 87) |
| The need to act fairly between members of the Group | Annual General Meeting (page 115) Rights attaching to shares (page 144) |

Engaging with our stakeholders

Our people

Our people believe in the purpose of the Group and share the vision of the Group. Effective engagement aligns employees with the Group's strong culture and core values, ensuring everyone works together towards a shared vision.

Key topics that matter

- Execution and delivery of strategy
- Purpose and culture
- Training and development
- Diversity and inclusion
- Reward and benefit structures
- Wellbeing

How the Board and the Company engages

- Designated Non-Executive Director for workforce engagement
- All Employee Meetings
- Monthly US team calls with quarterly Q&A with the CEO
- "Pizza Thursdays" – sharing great customer case studies
- Employee intranet
- Values in Action initiative (see page 111 for further details)
- Internal talent development programme
- Externally-facilitated whistleblowing hotline

How stakeholder interest influences Board discussions

- The Board encouraged the launch of the Group's Values in Action initiative, the Group's employee experience initiative
- The ability to recruit and develop the most talented employees who believe in the Group's purpose and motivating employees towards a common goal, is a priority for the Board in its decision making
- The Board receives regular updates on employees including KPIs around headcount, attrition and diversity. The Board considered the interests of employees and the need for the Group to grow, alongside external factors such as inflation, when approving the Group's annual budget



The Group appreciates that high engagement, critical to success, is an outcome of positive employee experience. During 2022, the HR team has introduced new initiatives designed to enhance that experience, including leadership training, mentorship and culture development, alongside supporting the remarkable growth of the Group worldwide, through talent attraction, enhanced remuneration benefits, and elevating our approach to onboarding."

Sarah Lapworth
VP Global HR

Stakeholder engagement in action : Engaging with our people – Pizza Thursdays

Our Pizza Thursday initiative has been a long tradition at Oxford Nanopore as a way of sharing examples of breakthrough, high-impact work with all of our internal teams from production to R&D to commercial, so that our colleagues are aligned and motivated to deliver on our goals and mission. We were delighted to welcome some of our customers to join us for sessions during 2022:

- John Gorzynski, Postdoctoral Scholar at the Stanford University School of Medicine, joined us to speak about the Stanford team's Guinness World Record breaking study using PromethION to improve the prognosis of critically ill patients, in less than eight hours
- Andrew Beggs, Professor of Cancer Genetics & Surgery in the Institute of Cancer and Genomic Sciences, University of Birmingham described some of the exciting clinical applications that are emerging from nanopore sequencing, from typing organs for transplant to rapidly detecting brain tumours
- Mattie Rodrique, Head of Science Operations at OceanX, talked to us about nanopore sequencing onboard the RV OceanXplorer and shared some of the fantastic discoveries that she and her team made

Engaging with our stakeholders continued

Our customers, research partners and collaboration partners

The Group considers itself part of a broader scientific community of users of its technology. The Group collaborates deeply with its customers, as well as supporting them from a technical and customer services perspective. The Group also collaborates with a number of third parties. As such, understanding, engaging and responding to customer and partner needs is a critical priority.

Key topics that matter

- Accuracy of our technology
- The ability of our technology to enable advancements of science and to be used in applied settings
- Vision, purpose and progress and how this relates to market opportunities
- Strategy and operational performance
- The range of applications that customers are performing and how the Group is supporting new application development
- Overall performance of the sector in relation to the Group's disruptive approach to the market
- Sustainability

How the Board and the Company engages

- Meetings/calls with senior leadership team and Board members
- Direct customer feedback
- London Calling and Nanopore Community Meeting (NCM) conferences
- Strategy planning processes, taking into account both existing and future customer needs and trends over the next five years

How stakeholder interest influences Board discussions

- Following customer engagement and insight gathered from ongoing market intelligence and customer relationships, the Board reviews and provides input on strategy, resource allocation and prioritisation across markets and customers
- The Board continued to drive the senior leadership team to deliver disruptive, high performing technology into existing markets and to create new markets and utilise good business practice with all stakeholders
- The Board receives updates and feedback on the Group's markets, customers and operational performance at every Board meeting

London Calling 2022

| Total registrations: | |
|----------------------|-------|
| London Calling | NCM |
| 5,384 | 4,246 |

| Total number of unique talks & posters: | |
|---|-----|
| London Calling | NCM |
| 115 | 127 |

| Number of countries people joined from: | |
|---|-----|
| London Calling | NCM |
| 112 | 111 |

Our shareholders

Engagement with and an aligned vision with the Group's shareholders is key to our success. The Board treats all shareholders fairly and ensures decisions are made for the benefit of all shareholders.

Key topics that matter

- Execution and delivery of strategy
- Technology, operational, commercial and financial performance
- Sustainability
- Long-term growth and vision
- Developments in customer markets and the competitive landscape
- Capital allocation considerations
- Executive remuneration

How the Board and the Company engages

- Annual General Meeting
- Meetings and calls
- Investor roadshows
- Analyst events
- Regulatory announcements
- Annual Report and Accounts
- Dedicated Investor Relations function
- Updates on website and social media

How stakeholder interest influences Board discussions

- The Board takes into account shareholder opinions when developing and discussing the Group's strategy to deliver long-term and sustainable growth. The Board considered the interests of all stakeholders, including shareholders, when it discussed the Group's medium-term plan
- The Board ensures that the Group has sufficient capital to achieve its purpose and pursue its long-term strategic aims. The Board considered the capital needs of the Group throughout 2022 and in particular, when approving the Group's financial statements
- The Audit and Risk Committee reviews the internal and external audit processes to ensure the Group has a strong framework of controls to protect shareholder investment

Our suppliers

The Group has a complex and robust supply chain, and our suppliers contribute to innovative processes by developing their own products and services, which are sometimes bespoke to achieve the Group's goals. The Group aims to build honest, respectful and transparent relationships with suppliers who comply with applicable regulations and share our commitment to the highest standards of corporate governance.

Key topics that matter

- Responsible business practices and due diligence
- Conduct and ethics
- Fair business terms and prompt payment
- Robustness and flexibility of supply chain
- Sustainability

How the Board and the Company engages

- Supply chain team reports directly to Chief Financial Officer
- The Group's supply chain team continually engages with new suppliers and existing suppliers
- Due diligence on suppliers

How stakeholder interest influences Board discussions

- The Board discussed the Group's suppliers when deciding on the Group's inventory levels and approving purchase order requests
- The Board considered key risks in relation to its supply chain when reviewing its risk register and discussing risk. This included regular discussion of the global electronics shortage during 2022 and the need to maintain strong levels of inventory for key components
- The Board received regular reporting on matters concerning suppliers, including key procurement reviews

Engaging with our stakeholders continued

Our communities and the environment

Our communities comprise those living and working in close geographic proximity to the Group's operations, those with whom the Group does business and more broadly the wider members of society whose lives the Group aims to positively impact with its technology.

The Group's products and operations are designed to enable access to sequencing technology for the public good, whether this is in rapid pathogen analysis in outbreak situations, in human genetics or in crop science in developing countries or those with lower incomes.

The Group is committed to limit the impact of its operations on the environment. Please see page 72 for further details.

Key topics that matter

- Vision and purpose
- Problem solving where genomics may be a solution at a strategic level e.g., with governments and senior corporate leadership
- Sustainability

How the Board and the Company engages

- An internal working group has been established which will produce the Group's first Sustainability Report
- The Board has overall accountability for the Group's sustainability strategy and receives updates on sustainability
- Sponsorship programmes, including for universities and the Royal Society of Chemistry's Broadening Horizons programme

How stakeholder interest influences Board discussions

- The interests of our communities and the wider environment were considered when the Remuneration Committee agreed to implement certain ESG metrics into the Group's remuneration targets
- The Board regularly discusses the positive impact of the Group's technology on communities and the environment
- The Board receives regular operational reports on the impact of our customers' work, in areas across science and society

Royal Society of Chemistry: Broadening Horizons in the Chemical Sciences

As a company, we actively recruit people from diverse backgrounds who reflect the global scientific community we serve

We are a proud sponsor of the Broadening Horizons in the Chemical Sciences initiative. This three-year pilot programme will support chemistry students and graduates from minoritised racial and ethnic backgrounds to pursue careers in chemistry.

Stakeholder engagement in action

Principal decision: Sale and leaseback of office headquarters

In July, the Board approved a sale of the Group's interest in the Gosling Building, its headquarters in Oxford, to The Oxford Science Park (Properties) Limited (TOSP) for £42.5m. As part of the transaction, the TOSP immediately granted the Group an occupational lease for 10 years, at a cost of £1.8m per annum. The rationale for the decision included consideration of the Group's strategy for further growth, including in logistics and manufacturing. The Board considered the fact that the proceeds from the sale could be used for these development purposes.

Following consideration, the Board concluded that the sale and leaseback would be in the best interests of all stakeholders. When making the decision, the Board had regard to the following stakeholders:

- **Employees based at Gosling Building:** The Board noted that the Gosling Building is the Group's headquarters and considered the interests of employees who work at the building. It was noted that the transaction would not affect the working arrangements of employees and there would be no major changes required as a result of the transaction.
- **Employees based elsewhere:** For those employees who do not work in the Group's headquarters, it was noted that the transaction may have positive consequences. For example, the proceeds from the sale could be used to expand the Group's capabilities in manufacturing, logistics and commercial which would have a positive impact on employees working in those areas who may be based in the Group's factory in Harwell or elsewhere. For example, the Group subsequently entered into an agreement for lease for a building in Abingdon to be used predominately for logistics and warehousing purposes.
- **Shareholders:** The Board discussed the potential impact of the decision on shareholders. It was concluded that the transaction would be beneficial for shareholders as it would further increase the Group's cash reserves and help the Group to execute on its growth strategy.
- **TOSP:** Under the transaction, TOSP was the proposed purchaser of the Group's interest in Gosling Building, the proposed landlord under the lease. The Board noted that TOSP was also landlord in relation to certain of the Group's properties on the Oxford Science Park. The Board noted that the Group ran a fair process in respect of the proposed purchasers of the Group's interest and that there was no conflict with TOSP in respect of its other properties.
- **Other stakeholders:** The Board also considered its wider stakeholders and noted that the transaction would either have no impact on the stakeholders or have a positive impact on wider stakeholders. For example, the renewed commitment to the Oxford Science Park space may create opportunities for life sciences jobs with the Group or more widely.

Non-financial information statement

Oxford Nanopore's Non-financial information statement is presented in this section, complying with Sections 414CA and 414CB of the Companies Act 2006. The following table incorporates the Group's approach on relevant non-financial matters.

| Reporting Requirement | Oxford Nanopore's policies and standards | Where to read more in this report |
|---|---|--|
| Business model | N/A | Business model pages 32 to 33 |
| Non-financial KPIs | N/A | Key performance indicators pages 36 to 37 |
| Principal risks | Risk Register | Risk management pages 86 to 87 |
| | ISO 27001 and 9001 accreditations | Principal risks and uncertainties pages 88 to 91 |
| | | Business model pages 32 to 33 |
| | | Audit and Risk Committee report pages 118 to 123 |
| Stakeholders | Group Data Protection Policies including Privacy Policy, Human Genomic Policy and Data Retention Policy | Stakeholder engagement pages 93 to 96 |
| | | s172 statement page 92 |
| | | Board activities pages 110 to 115 |
| | | Our sustainable impact pages 62 to 85 |
| | | Employee engagement page 93 |
| | | Corporate Governance report pages 100 to 147 |
| | | Audit and Risk Committee report pages 118 to 123 |
| Employees | Flexible Working Policy | Our sustainable impact pages 62 to 85 |
| | Whistleblowing Policy | s172 statement page 93 |
| | Directors' Remuneration Policy | How the Board assesses and monitors culture page 111 |
| | Environment, Health, and Safety Policy | |
| Human rights | Modern Slavery Statement | Risk management pages 86 to 87 |
| | Board Diversity Policy | Nomination Committee Report pages 116 to 117 |
| | Conflict Minerals Policy | Our sustainable impact pages 62 to 85 |
| Social matters | Modern Slavery Statement | Our sustainable impact pages 62 to 85 |
| | | Directors' report pages 144 to 146 |
| Anti-bribery and anti-corruption | Anti-Bribery and Anti-Corruption Policy | Our sustainable impact pages 62 to 85 |
| | Conflicts of Interest Policy | Audit and Risk Committee report pages 118 to 123 |
| Environmental matters | Environment, Health and Safety Policy | Our sustainable impact pages 62 to 85 |

The Group has policies and codes of conduct in place to ensure consistent governance. For the purpose of the non-financial reporting requirements these include but are not limited to Anti-Bribery and Corruption Policy, Modern Slavery Statement, Whistleblowing Policy, Anti-Facilitation of Tax Evasion Policy, Conflicts of Interest Policy, Privacy Policy, Data Retention Policy and Securities Dealing Code.

Viability statement

The Directors have voluntarily complied with Provision 31 of the Code, in which the Directors are required to issue a Viability statement declaring whether they believe the Group is able to continue to operate over an appropriate period and state whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due throughout this period.

In doing so, the Directors have considered the Group's prospects taking into account its current financial position, its recent historical performance, its business model and strategy (pages 32 to 35) and the Principal Risks and Uncertainties (PRUs) (pages 87 to 91).

The Group's prospects are assessed primarily through its strategic planning process. This includes an annual review which considers forecast profitability and cash flows over three years. The first year of the forecast is the Group's annual budget. The second and third years are prepared using the same calculation methodology as the budget with a top-down strategic overlay.

The Group's financial forecasts are based on modelling of revenue by product group. Detailed financial forecasts are then prepared for the Group that considers orders, revenue, gross profit, capital expenditure, working capital, cash flow and key financial ratios.

The planning process is led by the Chief Executive Officer and the Chief Financial Officer through the Operating Committee and in conjunction with relevant functions. The Board participates fully in the annual process and has the task of considering whether the plan continues to take appropriate account of the external environment including technological, social and macro-economic changes. The most recent plan was approved by the Board in November 2022.

As set out in the Audit and Risk Committee Report at pages 118 to 123, the Audit and Risk Committee reviews and discusses with management the schedules supporting the assessments of going concern and viability.

Forecasts have been sensitised based on a series of scenarios incorporating plausible yet severe impacts on revenue, cost inflation, and consequently the Group's consolidated cash position. In constructing these scenarios the Directors have assessed the viability of the Group's operations while considering the following fundamental properties of the business:

- A fast-growth revenue model;
- A variable cost structure which allows the Group to mitigate adverse financial conditions via the flexing of its major cost items; and
- The strong liquidity position of the Group.

Assessment period

The Directors have reviewed the period in which to frame the viability assessment and determined a three-year period of assessment to 31 December 2025 to be most appropriate. This period aligns considerations of viability with the Group's internal planning framework and revenue expectations.

Assessment of viability

The output of the Group's strategic planning process reflects the Board's best estimate of the future prospects of the business. To make the assessment of viability, additional scenarios have been modelled over and above those in the ongoing plan. These scenarios were overlaid into the plan to quantify the potential impact of one or more of the Group's PRU's crystallising over the assessment period.

The Group's PRUs are set out on pages 87 to 91. Each of the Group's principal risks has a potential impact and has therefore been considered as part of the assessment; however only those that represent severe but plausible scenarios have been modelled. These were:

| Scenario modelled | Principal risks include in the scenario |
|--|---|
| 1. Significant trading shortfall | |
| To consider the possibility that the Group is unable to continue delivering improvements in its LSRT products as well as its ability to develop and introduce new products which could lead to a sustained adverse impact on trading, we have modelled a significant reduction in revenue and gross profit. This is intended to capture the possibility of a reduction in new customers and the loss of some existing customers. | <ul style="list-style-type: none"> Ability to successfully introduce products to remain a technology leader |
| During this period the Group continues to invest for growth and recovery throughout with no cost-saving measures. | |
| 2. Cost pressure | |
| A risk leading to the potential for supply chain disruption, resulting in shortages and consequential material cost price inflation, given reports across the wider economy of rising raw material costs, labour inflation and rising energy prices. This could lead to an adverse impact on gross profit where margins would be adversely impacted as well as increasing overheads. | <ul style="list-style-type: none"> Ability to make products: supply chain and manufacturing Trade, war, pandemic, and inflation |
| During this period the Group continues to invest for growth with no cost-saving measures. | |

The above scenarios were considered in isolation and cumulatively. The results of the scenario modelling showed that the business would be able to withstand a combination of both scenarios, without recourse to mitigating actions.

In the event that scenarios such as those tested were to occur, the Directors would have a number of controllable mitigating options available to maintain the Group's financial position including cost-reduction measures should they be required.

Confirmation of longer-term viability

Based on the assessments as outlined above, the Directors have assessed the prospects of the Group over a period they deem to be appropriate and confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending December 2025.

The Audit and Risk Committee reviewed the process undertaken and challenged whether management's assessment of the principal and emerging risks facing Oxford Nanopore and their potential impact were appropriate. This involved reviewing Oxford Nanopore's financial performance, Budgets for 2023 and cash flow projections. The Audit and Risk Committee also considered whether there were any additional risks which could impair solvency or which, whilst not necessarily principal risks in themselves, could become severe if they occur in conjunction with other risks. The Admission to the London Stock Exchange in October 2021 has given Oxford Nanopore substantial cash reserves available to draw down upon and the Directors consider Oxford Nanopore is in a strong position to weather any further uncertainty. Trading to date in 2023 has been in line with or in excess of management's forecasts.

The Strategic Report, which has been prepared in accordance with the requirements of the Companies Act 2006, has been approved by the Board and signed on its behalf.

On behalf of the Board

Duncan Tatton-Brown
Chair of the Board

20 March 2023

Corporate Governance

100–147

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Chair's corporate governance statement

Duncan Tatton-Brown
Chair



Our vision to enable the analysis of anything, by anyone, anywhere, is supported by our commitment to high standards of corporate governance. The Board believes that effective corporate governance means continuous improvement and ensuring our processes remain appropriate for our fast-growing company and remain relevant in an evolving external landscape.”

Dear Shareholder

On behalf of the Board, I am pleased to present our corporate governance report for the financial year ended 31 December 2022. This report is the first to cover a full year of operations as a listed company and the first report since my appointment as Chair. I am delighted to join Oxford Nanopore and on behalf of the shareholders and the Board, I would like to thank my predecessor, Peter Allen, for his commitment and enormous contribution to Oxford Nanopore over his 11-year tenure.

It is a very exciting time to join Oxford Nanopore as we grow quickly and make progress on our vision to enable the analysis of anything, by anyone, anywhere. Good governance processes will be critical to successfully capitalising on the opportunities available to us. At the Company's IPO in 2021, the Board was clear about its commitment to strong corporate governance, including voluntary compliance with the UK Corporate Governance Code 2018 (Code) which is available at www.frc.org.uk/directors/corporate-governance/uk-corporate-governance-code#current-edition. The report explains the key features of the Group's governance framework and how it complies with the Code. 2022 was the first full year the Group applied the Code, and I am pleased to report that as at 31 December 2022 the Group is in full compliance with the Code.

Culture and strategy

Being new to Oxford Nanopore, it has been great to experience the company culture first-hand. I have had the opportunity to meet with colleagues in different areas of the business, to meet with customers, to attend a nanopore sequencing workshop, and to complete a tour of the Company's factory. I have appreciated seeing the values of Contribution, Determination and Good Judgement in action. I have also had the opportunity to speak with some of the Company's shareholders who remain supportive of the company and its ability to deliver against its strategic objectives.

Board composition

Following Peter Allen's indication that he wished to retire in 2022, as he was no longer considered independent under the Code due to his long tenure on the Board, a comprehensive recruitment process was conducted which resulted in my appointment in August 2022. Following my appointment, the Group is now in compliance with Provision 19 of the Code.

In addition, Wendy Becker, who joined the Board in June 2021, was appointed as Senior Independent Director in January 2022. Following Wendy's appointment as Senior Independent Director, the Group is now in compliance with Provision 12 of the Code.

Board diversity

The composition of the Board is regularly reviewed to ensure that it has the requisite skills, experience and balance, including with respect to diversity.

During the year and in line with the new targets in the Listing Rules, the Board updated its Board Diversity Policy to increase its target of female representation from 33% to 40%, within three years of its IPO in October 2021. Whilst the Nomination Committee base Board appointments on merit and consider a balanced list of the best candidates, it will focus on increasing female representation on the Board through its next appointment, anticipated to occur in 2023.

Oxford Nanopore meets the ethnic minority representation targets set out in the Parker Review and the new Listing Rules. We also meet the Listing Rule recommendation to have a female director in at least one senior Board position.

Board effectiveness review

An annual effectiveness review of the Board is a critical feature of a strong governance framework. The first review was launched before I joined and was completed during the second half of the year. This was an internally facilitated review and the outcomes of the review and suggested action points were discussed and agreed at the November Board meeting. We will report on progress against key action points in our 2023 Annual Report. More detail can be found on page 114.

The Board intends to comply with Code Provision 21 whereby an externally facilitated review will take place at least every three years.

Stakeholders

Stakeholder engagement and trust is critical for us to achieve the Group's strategic aims. We recognise the importance of having open and effective communication with stakeholders and understanding the range of matters that are important to stakeholders so that these form part of the Board's discussions and decision making. More information regarding shareholder engagement, including the key stakeholder groups and engagement activities that have taken place during the year can be found on pages 93 to 96.

Annual General Meeting ("AGM")

The Company's first AGM was held on 23 June 2022 and we were pleased to receive in excess of 94% of votes cast in favour for all of the resolutions.

The 2023 AGM is scheduled to take place at the Company's offices as Gosling Building, Edmund Halley Road, Oxford Science Park, Oxford, OX4 4DQ at 11am on Monday 12 June 2023. The Notice of AGM contains details of the resolutions to be proposed at the meeting and explanatory notes on those resolutions.

Looking forwards

As a Board, we will continue to focus on delivering our strategic aims, maintaining good corporate governance and continuing to enhance the Company's culture of innovation.

Duncan Tatton-Brown

Chair

Key sections in this Report

| UK Corporate Code section | Location of Information |
|--|--|
| Board Leadership and Company Purpose | Governance at a glance (pages 104 to 105) |
| | Board of Directors (pages 106 to 109) |
| | Board activities in 2022 (pages 110 to 115) |
| | Workforce engagement (page 111) |
| | How the Board assesses and monitors culture (page 111) |
| Division of Responsibilities | The role of Board and Committees (pages 112 to 113) |
| Composition, Succession and Evaluation | Board of Directors (pages 106 to 109) |
| | Board effectiveness review (page 114) |
| | Nomination Committee report (pages 116 to 117) |
| Audit, Risk and Internal Control | Audit and Risk Committee report (pages 118 to 123) |
| Remuneration | Remuneration Committee report (pages 124 to 143) |

Governance at a glance

2022 Board activities

Board meeting attendance

| Director | Meetings attended | Percentage of meetings attended |
|---------------------|-------------------|---------------------------------|
| Peter Allen | 4/4 | 100% |
| Wendy Becker | 6/6 | 100% |
| Clive Brown | 6/6 | 100% |
| Tim Cowper | 6/6 | 100% |
| Sarah Gordon Wild | 6/6 | 100% |
| Dr Guy Harmelin | 6/6 | 100% |
| Adrian Hennah | 6/6 | 100% |
| John O'Higgins | 6/6 | 100% |
| Dr Gordon Sanghera | 6/6 | 100% |
| Duncan Tatton-Brown | 2/2 | 100% |
| Dr Spike Willcocks | 5/6 | 83% |

* Peter Allen retired from the Board on 31 July 2022.

** Duncan Tatton-Brown was appointed to the Board on 1 August 2022.

*** Spike Willcocks was unable to attend one meeting due to serious injury.

Board composition as at 31 December 2022

Board composition

| | |
|---------------------------------------|---|
| ● Chair | 1 |
| ● Executive Directors | 4 |
| ● Independent Non-Executive Directors | 5 |

Board tenure

| | |
|----------------|---|
| ● 0-2 years | 4 |
| ● 3-6 years | 3 |
| ● Over 6 years | 3 |

Independent Director tenure (excluding Chair)

| | |
|----------------|---|
| ● 0-2 years | 3 |
| ● 3-6 years | 1 |
| ● Over 6 years | 1 |

Gender diversity as at 31 December 2022

Board

| | |
|----------|---------|
| ● Male | 8 (80%) |
| ● Female | 2 (20%) |

Operating Committee direct reports

| | |
|----------|----------|
| ● Male | 32 (56%) |
| ● Female | 25 (44%) |

1 Excluding administrative support

Operating Committee

| | |
|----------|---------|
| ● Male | 7 (64%) |
| ● Female | 4 (36%) |

All employees

| | |
|----------|-----------|
| ● Male | 596 (58%) |
| ● Female | 423 (42%) |

Board of Directors

Chair

Duncan Tatton-Brown
Non-Executive Chair

| | |
|---------------------|------------------|
| Appointed: | 1 August 2022 |
| Tenure: | Less than 1 year |
| Independent: | N/A |

Skills and experience:

Duncan joined the Group as Non-Executive Chair with effect from 1 August 2022. Duncan brings extensive, relevant experience as an executive and Non-Executive Director of FTSE companies, growth and founder-led technology businesses, and, in particular, where UK-born businesses have grown to have a strong international commercial presence. He has had a distinguished career across a wide range of innovative businesses in the technology, retail and media sectors, including serving as Chief Financial Officer of Ocado Group plc from 2012 to 2020, during which time the business expanded from being a pure-play online grocer to a leading UK technology business serving clients around the world, with revenue growing 3.5 times and technology headcount growing 10-fold.

Duncan holds a master's degree in Engineering from King's College, Cambridge.

Current external appointments:

Duncan serves on the boards of Trainline plc, Cazoo Group Limited; and chairs Wednesday Topco Limited, the company behind loveholidays.com.

Committee memberships:

N

Executive Directors

Dr Gordon Sanghera
Chief Executive Officer

| | |
|---------------------|-------------|
| Appointed: | 23 May 2005 |
| Tenure: | 17 years |
| Independent: | No |

Skills and experience:

Gordon is one of the co-founders of the Company and was appointed Chief Executive Officer of the Group in June 2005. He has over 20 years of experience in the design, development and global launch of disruptive platform sensor technologies. Gordon spent 16 years at MediSense, Inc. ("MediSense"). Following its acquisition by Abbott Laboratories, Gordon held both UK and US vice president and director-level positions, including as Vice President (for world-wide marketing), Research Director and Manufacturing Process Development Director. Before its acquisition by Abbott Laboratories, Gordon led MediSense's R&D function, where he was instrumental in the launch of several generations of blood glucose bio-electronic systems for the consumer and hospital medical markets.

Gordon has a doctorate in bio-electronic technology and a degree in chemistry from Cardiff University.

Current external appointments:

None

Committee memberships:

N

Dr Spike Willcocks
Chief Strategy Officer

| | |
|---------------------|-------------|
| Appointed: | 24 May 2006 |
| Tenure: | 16 years |
| Independent: | No |

Skills and experience:

Spike is one of the co-founders of the Company and has served on the Board since May 2006. He was appointed Chief Business Development Officer of the Group in November 2016 and now serves as Chief Strategy Officer. Spike was one of the initial members of IP Group plc ("IP Group") following its landmark partnership with the University of Oxford's Department of Chemistry. Ultimately leading its life science team, Spike's role encompassed all aspects of technology commercialisation, including spin-out company formation and business and corporate development, as well as private and public equity financings. While at IP Group, Spike was a key player in the creation of 14 life science businesses based on technology from three universities, leading proposals for the investment of seed financing from IP Group and serving as director and chair for six portfolio companies. Working alongside the executive teams of the portfolio companies, Spike played an integral role in out-licensing transactions, co-development deals and acquisitions. As well as supporting fundraising for portfolio biotechnology companies, he also assisted with IP Group's IPO in 2003 on the London Stock Exchange.

Spike has a doctorate in biological sciences and a degree in chemistry from the University of Oxford.

Current external appointments:

Veiovia Limited

Committee memberships:

None

Clive Brown

Chief Technology, Innovation and Product Officer

| | |
|---------------------|-------------------|
| Appointed: | 19 September 2019 |
| Tenure: | 3 years |
| Independent: | No |

Skills and experience:

Clive is the Group's Chief Technology, Innovation and Product Officer, having joined as director of bioinformatics and IT in 2008. He has served on the Board since September 2019. Clive joined the Group from the Wellcome Trust Sanger Institute in Cambridge, UK, where he played a key role in the adoption and exploitation of 'next generation' DNA sequencing platforms. In 2003, he was appointed director of Computational Biology and IT at Solexa Limited (acquired by Illumina, Inc. in 2007), where he was central to the development and commercialisation of the Genome Analyzer. Clive has also held various management and consulting positions at Glaxo Wellcome (now GlaxoSmithKline plc), Oxford Glycosciences plc and other EU and US based organisations.

Clive holds degrees in genetics and computational biology from the University of York.

Current external appointments:

SCO Group Limited

Committee memberships:

None

Tim Cowper

Chief Financial Officer

| | |
|---------------------|------------------|
| Appointed: | 13 December 2018 |
| Tenure: | 4 years |
| Independent: | No |

Skills and experience:

Tim was appointed Chief Financial Officer of the Group in March 2021, having previously served as Vice President, Finance. He joined the Group as Financial Controller in 2012 and became Commercial Operations Director in 2013. Tim took the role of Finance Director in 2017 and joined the Board in 2018. Having qualified as an accountant at Ernst & Young, Tim became Financial Controller of Celltech, serving as a key member of their IPO team and managing several of their transactions as a listed company. He went on to serve as Financial Controller at Sterilox Medical. Tim has also been Finance Director at British Biotech plc (Vernalis plc) and has previously worked in management roles at other biotech and technology companies, including the AIM-listed Bioventix plc.

Tim has an economics degree from the University of Sussex and is a qualified chartered accountant.

Current external appointments:

None

Committee memberships:

None

Key to Committees

- A** Audit and Risk Committee
- N** Nomination Committee
- R** Remuneration Committee
- Chair

Non-Executive Directors

Wendy Becker

Non-Executive Director &
Senior Independent Director

| | |
|---------------------|--------------|
| Appointed: | 24 June 2021 |
| Tenure: | 1 year |
| Independent: | Yes |

Skills and experience:

Wendy previously served as Chief Executive Officer at Jack Wills Limited, a British-based brand name clothing manufacturer and retailer, having been promoted from Chief Operating Officer after turning around its historical operational difficulties and pursuing new growth avenues. Previously she worked in the telecoms industry as Group Chief Marketing Officer at Vodafone Group plc and Managing Director at TalkTalk. Wendy was also previously a partner at McKinsey & Company and spent the last five years on the board at FTSE 250 property business Great Portland Estates plc, stepping down in July 2022. Wendy started her career in brand management at The Procter & Gamble Company after gaining a bachelor's degree in economics from Dartmouth College. She also holds a Master of Business Administration from Stanford University's Graduate School of Business and has been named by the FT in the "Top 50 Women to Watch in International Business".

Current external appointments:

Wendy is the current Chair of NASDAQ-listed Logitech International SA and is a non-executive director of Sony Corporation. Wendy is also on the board of the British Heart Foundation and a member of the University of Oxford's executive governing body. She also has directorships at the Oxford University Press and Said Business School, Oxford.

Committee memberships:

R N

Sarah Gordon Wild

Non-Executive Director

| | |
|---------------------|-----------------|
| Appointed: | 01 January 2015 |
| Tenure: | 8 years |
| Independent: | Yes |

Skills and experience:

From 1983 to 2003, Sarah worked as a biotechnology analyst, based on Wall Street for the majority of this time. She served as a Management Committee member and senior healthcare analyst at Lone Pine Capital LLC between 1998 and 2003.

Sarah has a master's degree in social and economic aspects of science and technology in industry from Imperial College, London and a zoology degree from Aberdeen University.

Current external appointments:

Sarah currently serves as a non-executive director of Evox Therapeutics Limited and Redx Pharma plc, and as a partner at Duke's Auctioneers (Duke's 1823 LLP). She is also a board member of Lone Pine Capital LLC's offshore funds. Sarah is also a director of Larkham Limited, SGW Research Limited and The Bridport Literary Festival Limited.

Committee memberships:

N R

Dr Guy Harmelin

Non-Executive Director

| | |
|---------------------|-------------------|
| Appointed: | 17 September 2020 |
| Tenure: | 2 years |
| Independent: | Yes |

Skills and experience:

Guy has extensive experience in healthcare and technology investment and entrepreneurship. He was previously on the leadership team at Harel Insurance Investments and Financial Services Ltd ("Harel"), the largest insurance group in Israel. He has invested and worked with multiple companies including Lemonade, Inc., Innoviz Technologies Ltd, American Well Corporation, Ecoppia Scientific Ltd, Ayala Pharmaceuticals, Inc., Biond Biologics Ltd, Tabit Technologies Ltd, Assured Allies (Assured, Inc.), QM Technologies, Inc., Rafael and Ein-Tal Hospitals. Prior to joining Harel, Guy was a co-founder and chief executive officer of RondinX Ltd, a computational drug target discovery company that was acquired by BiomX, Inc. in 2017.

Guy has a Doctor of Medicine (Summa Cum Laude) from the University of Florence and served as a resident physician at the Tel Aviv Medical Centre.

Current external appointments:

Guy is currently a director of Ecoppia Scientific Ltd and Tsumego Ltd.

Committee memberships:

A N R

Adrian Hennah

Non-Executive Director

| | |
|---------------------|--------------|
| Appointed: | 24 June 2021 |
| Tenure: | 1 year |
| Independent: | Yes |

Skills and experience:

Adrian spent 18 years in Chief Financial Officer roles at three FTSE 100 companies and his executive career spans healthcare, engineering, and fast-moving consumer goods. He was CFO at Reckitt Benckiser Group plc and held the same positions at Smith & Nephew plc and Invensys plc (now Invensys Limited). Prior to this, he spent 18 years at GlaxoSmithKline plc working in both finance and operations. Adrian has also recently completed a nine-year term as a director on the board of RELX plc. Adrian began his career working in audit and consultancy with PwC and Stadtsparkasse KölnBonn, the German regional bank.

Adrian holds a degree in law and economics from the University of Cambridge.

Current external appointments:

Adrian currently serves as a non-executive director of Unilever plc and J Sainsbury plc where he is also Chair of the Audit Committee. Adrian also serves as an external member of the Finance Committee of Oxford University Press and a Trustee of the charity, "Our Future Health".

Committee memberships:

A N

John O'Higgins

Non-Executive Director

| | |
|---------------------|-------------------|
| Appointed: | 19 September 2019 |
| Tenure: | 3 years |
| Independent: | Yes |

Skills and experience:

From 2006 to 2018 John was the Chief Executive Officer of Spectris plc, an international productivity enhancing instrumentation and controls business, where he led rapid global growth and evolution of the company as it pursued multiple market applications from a board technology platform. From 2010 to 2015, he was a non-executive director of Exide Technologies, Inc. a US-based supplier of battery technology to automotive and industrial users.

John has a Master of Business Administration from INSEAD and a master's degree in mechanical engineering from Purdue University.

Current external appointments:

John currently serves as senior independent director of Johnson Matthey plc and as chairman of Elementis plc. John is also a director of Envea Global SA. He is also a trustee of the Wincott Foundation.

Committee memberships:

A N R

Key to Committees

- A** Audit and Risk Committee
- N** Nomination Committee
- R** Remuneration Committee
- Chair

Corporate governance report

Board Leadership and Company Purpose

Dr Gordon Sanghera
Chief Executive Officer

Duncan Tatton-Brown
Chair

The Board

The Board is responsible for establishing the purpose, values and strategy for the Group and has overall authority for the management and conduct of its business. The Board is also responsible for approving strategic plans, financial statements, acquisitions and disposals, major contracts, projects and capital expenditure. The Board is focused on ensuring the long-term sustainable success of the Group and the continuous creation of value for its shareholders and stakeholders.

Compliance with the Code

The Group is committed to a high standard of corporate governance and continues to focus on the evolution of its corporate governance framework. As at 31 December 2022 and following the appointments of Duncan Tatton-Brown as Chair and Wendy Becker as Senior Independent Director during the year, the Company was in full compliance with the provisions of the Code.

Matters reserved for the Board

The Board has identified certain reserved matters for its approval. The schedule of matters reserved for the Board, along with the terms of reference for each of the Audit & Risk, Remuneration and Nomination Committees can be found on the Company's website at <https://nanoporetech.com/about-us/investors/corporate-governance>. The schedule was reviewed during 2022 and it was concluded that no updates were required.

Key matters reserved for the Board

Strategy and management

- Establishing the Group's purpose, values, objectives, strategic and long-range plan and monitoring culture
- Approval of strategic aims
- Approval of budgets

Structure and capital

- Approving or recommending changes to share capital
- Approving major changes to corporate structure

Financial reporting and controls

- Approval of annual report and accounts
- Approval of half-yearly report
- Approval of treasury policies

Audit, internal controls and risk management

- Overseeing maintenance of a sound system of internal control and risk management

Contracts

- Approving major capital projects, contracts, commitments, expenditures or disposals

Stakeholder engagement and communication

- Receiving reports on, and reviewing the effectiveness of dialogue with shareholders and wider stakeholders
- Considering balance of stakeholder interests in accordance with s172 obligations

Board membership and other appointments

- Overseeing Nomination Committee, which leads on Board appointments and succession planning
- Approves Board appointments

Remuneration

- Oversees Remuneration Committee

Delegation of authority

- Agrees division of responsibility between Chair and CEO
- Approves delegated levels of authority

Corporate governance matters

- Undertakes review of its own performance, committee performance and individual director performance

Policies

- Approves formal corporate policies

How the Board assesses and monitors culture

The Board recognises that the Group's culture is key to ensuring its long-term success and understands that everyone who works for Oxford Nanopore shares in the vision to create a positive impact in society. The Group's purpose of enabling the analysis of anything, by anyone, anywhere drives and motivates a deep level of commitment from its employees and wider workforce, which facilitates a positive, determined and supportive culture.

Since Oxford Nanopore originated as a disruptive start-up, conversation, challenge and connection has been essential to our success and defines our culture to this day. As we expand and develop, we have considered how this culture can continue to ignite our imagination and inspire our approach.

Values in Action (ViA)

Our values, developed by our founders are as follows:

Contribution

Determination

Good Judgement

We live our values in a way that continues to express our culture. Our Values in Action (ViA) initiative was launched during the year by CEO Gordon Sanghera to create an employee pathway for everyone in the Company to have a voice. The initiative will optimise connectivity for all of our people wherever they work.

The Group now has over 1,000 employees with over 50 nationalities across multiple regions. As the Group embarks on its next phase of growth, it is important that we continue to impact communities and support our people in the most positive way.

Our ViA community will facilitate ongoing and interdependent connection between interest groups, business leaders, sponsors, our CEO and the Board. An open, business-led flow of information and decision-making will empower employee experience and maximises our collective impact.

The ViA has six interest groups (known as 'pods') to represent the core themes which drive a highly engaged and impactful organisation: Diversity and Inclusion, Wellbeing, Social and Community, Internal Communications, Career Development and Environment. Our pods will be supported in their activity by our senior leadership team, through two roles:

- Business unit Advocates who help pod members navigate contacts and themes in a specific business area
- Sponsors who mentor a specific pod and support emergent ideas for the benefit of the whole organisation

Each quarter, members of each pod will meet with the CEO in the ViA Hub where they can share their thoughts and creative solutions to enrich our working environment and champion our collective success. The members who attend will rotate each quarter to ensure diverse representation. Preparatory work for each pod was completed at the end of 2022 and the first meetings with the CEO took place in January 2023.

In order to further enhance the engagement between the Board and the Company's workforce, Sarah Gordon Wild acts as our designated Non-Executive Director responsible for workforce engagement. The ViA community will allow Sarah Gordon Wild to engage with employees, to explore and validate the lived culture and Values in Action of our organisation and report back to the wider Board. Sarah joined the ViA launch meeting to show her support for the initiative and gain an insight into issues that matter to our employees.

Division of Responsibilities

To maximise its effectiveness and ensure sufficient time can be devoted to matters requiring its attention, the Board has delegated authority in certain areas to its Board Committees. Each Board Committee has terms of reference which are reviewed annually.

Board

Executive Directors

- Chief Executive Officer
- Chief Strategy Officer
- Chief Technology, Innovation and Product Officer
- Chief Financial Officer

Audit and Risk Committee Pages 118 to 123

The Audit and Risk Committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, and to:

- review the Company's financial statements and accounting policies, internal and external audits and controls
- review and monitor the scope of the annual audit and the extent of the non-audit work undertaken by external auditors
- advise on the appointment of external auditors
- review the effectiveness of the internal audit, internal controls, whistleblowing and fraud systems in place within the Company

The Audit and Risk Committee meets at least four times each year and otherwise as required.

Remuneration Committee Pages 124 to 143

The Remuneration Committee's role is to:

- develop the policy on executive remuneration including bonuses, incentive payments and pension arrangements
- determine the levels of remuneration for the Chair, the Executive Directors, the Company Secretary, senior management and such other members of the Company's management as determined by the Board
- oversee the implementation of the Company's employee share plans
- ensure that a report on the Directors' remuneration policy and practices is included in the Annual Report (please see pages 140 to 143) and that such policy is submitted to the Ordinary Shareholders for approval at the AGM

The Remuneration Committee meets at least twice each year and otherwise as required.

Nomination Committee Pages 116 to 117

The Nomination Committee's role is to:

- review the leadership needs of the Company and lead the process for the appointments of Directors and senior management
- review the balance of skills, knowledge, experience, independence and diversity of the Board and senior management
- be responsible for succession planning to ensure the long-term success of the Company

The Nomination Committee meets at least twice each year and otherwise as required.

Operating Committee Page 113

The Operating Committee is a committee of senior managers responsible for developing the Company's purpose, values, objectives, culture, strategic and long-range plans. The Operating Committee is also responsible for the Company's market disclosure requirements and oversees compliance with the Market Abuse Regulation.

The Operating Committee meets on a monthly basis and otherwise as required.

Delegated authorities

The Company has a formal delegation of authority policy in place, which was adopted by the Board in 2021. The policy establishes a clear framework for the use of any authority delegated from the Board to certain individuals within the Company in order to facilitate effective and efficient management of the business of the Company. The policy also details financial authority limits for employees at all levels within the business.

Roles and responsibilities of the Board

| | |
|---|---|
| Chair | <ul style="list-style-type: none"> Leads and manages the business of the Board Ensures clear structure for effective operation of the Board and its Committees Promotes high standards of governance Sets Board agenda and ensures sufficient time is allocated for effective debate and discussion of issues Ensures effective communication with shareholders |
| Chief Executive Officer | <ul style="list-style-type: none"> Leads on development and delivery of strategy with the Chief Strategy Officer Responsible for the day-to-day management of the business and sets operational targets Leads delivery of the Company's operating plans and budgets Ensures the Company's financial structure and capacity supports the Company's objectives and implements the Board's decisions Maintains an active dialogue with shareholders in respect of the Company's performance |
| Chief Financial Officer | <ul style="list-style-type: none"> Responsible for the Company's financial and operational matters Ensures the Company remains appropriately funded Responsible for Supply Chain, Logistics, Health and Safety, Investor Relations, Customer Services and Global IT, Business Systems and Digital |
| Chief Strategy Officer | <ul style="list-style-type: none"> Leads on development and delivery of strategy with the Chief Executive Officer including <ul style="list-style-type: none"> (i) intellectual property strategy and development (ii) business development strategy (iii) pricing strategy (iv) indirect sales strategy |
| Chief Technology, Innovation and Product Officer | <ul style="list-style-type: none"> Leads the innovation of breakthrough technologies and product development Leads research and development team Develops and implements technological strategy in line with Group's goals |
| Non-Executive Directors | <ul style="list-style-type: none"> Use outside expertise to support the Executive Directors and the senior leadership team Provide constructive challenge to the development of strategy |
| Senior Independent Director | <ul style="list-style-type: none"> Acts as a sounding board for the Chair and acts as intermediary between the Chair and the other Directors Available to shareholders to discuss their views |
| Company Secretary | <ul style="list-style-type: none"> Ensures the right Board policies and procedures are in place and followed Advises the Board on corporate governance matters |

Operating Committee

Committee Members

Clive Brown (Chief Technology, Innovation and Product Officer)
 Rich Compton (SVP, Sales & Commercial Operations)
 Tim Cowper (Chief Financial Officer)
 Jordan Herman (SVP, General Counsel)
 Sarah Lapworth (VP, Global Human Resources)
 Louisa Ludbrook (VP, Commercial Market Development)
 Zoe McDougall (VP, Strategic Communications and Corporate Affairs)
 Dr Gordon Sanghera (Chief Executive Officer)
 John Schoellerman (SVP, Corporate and Business Development)
 Rosemary Sinclair Dokos (SVP, Product & Programme Management)
 Dr Spike Willcocks (Chief Strategy Officer)

Purpose and responsibilities

The Committee's role is to assist the Board with its remit of responsibilities in relation to corporate operations, including to:

- Develop the Group's purpose, values, objectives, culture, strategic and long-range plans;
- Develop annual operating and capital expenditure budget targets;
- Align Group priorities;
- Facilitate communications and engagement with key meetings;
- Identify and mitigate risk and review and approve updates to risk register;
- Develop Board agenda;
- Review and manage key projects, strategic and significant transactions and major litigation;
- Review financial updates, including revenue update, material budget variances; and
- Act as Disclosure Committee and oversee the Company's compliance with its disclosure obligations.

The Operating Committee meets on a monthly basis.

Operating Committee's focus on risk

Risk is a standing discussion item in each Operating Committee meeting. Based on a recommendation of the CEO, the Board defines and adjusts the Company's risk tolerance. The risks and mitigation are documented in the Company's Risk Register.

The representatives of each departmental meeting who serve on the Operating Committee escalate risks identified in the departmental tactical meetings for review in the Operating Committee. The Operating Committee reviews and updates the Risk Register twice each year and reports to the Audit and Risk Committee on risks and mitigation twice yearly (and as needed on an ad hoc basis).

The Audit and Risk Committee reports to the Board. The Operating Committee shares the direction from the Board with each department.

Composition, Succession and Evaluation

Board composition

As at 31 December 2022, there were ten Directors on the Board. The biographies for each Director are provided on pages 106 to 109.

In August 2022, the Board welcomed Duncan Tatton-Brown as Non-Executive Chair of the Company. Peter Allen, who served on the Board for over 11 years, retired from the Board at the end of July. Wendy Becker, who joined the Board in 2021, was appointed as Senior Independent Director in January 2022.

The Board unanimously recommends to shareholders the appointment of Duncan Tatton-Brown. Duncan brings extensive, relevant experience as an Executive and Non-Executive Director of FTSE companies, growth and founder-led technology businesses, and where UK businesses have grown to have a strong international commercial presence.

The Board is satisfied that, having considered the other demands on his time, Duncan has sufficient time to devote to his role as Chair of the Board and to be an effective Chair of the Nomination Committee. All other Directors will be offering themselves for re-election at the 2023 AGM. The Board further recommends to the shareholders the reappointment of all other Directors.

Non-Executive Directors and independence

The Non-Executive Directors constructively challenge and scrutinise the performance of the Executive Directors and senior management team. The Company regards each of its Non-Executive Directors as independent within the meaning of the Code. There are no circumstances which are likely to impair, or could impair, each Non-Executive Director's independence. The Company complies with the Code recommendation that at least half of the Board (excluding the Chair) should be independent.

Board meetings and provisions of information

The Board meets at least six times each year with further ad hoc meetings as required.

Board evaluation

The Board completed its first internal Board evaluation during 2022. In light of the fact the Company appointed a new Chair during the year, the evaluation was led by the Senior Independent Director, with the support of the Company's SVP General Counsel and the Company Secretary. The Board viewed its first evaluation as a publicly listed company as an opportunity to assess its strengths, its discussions and decision-making and identify areas for development to help the Board continue to improve and perform at the highest level. The Board will continue to perform annual evaluations to ensure the effectiveness of the Board and ensure alignment with the interests of stakeholders.

The review included a questionnaire which was completed by each Director. The process also involved questions around the operation and effectiveness of each of the Board Committees. The results of the evaluation were presented to the Board and discussed by the Board in November. This allowed the Board the chance to reflect on a full year of activities following its IPO in October 2021. Overall, the results demonstrated that the Board and its Committees fulfil their responsibilities, operate effectively and there is a clear structure and division of responsibilities between the Board and its Committees. The maturity of the Company's governance and controls, along with the increased quality of Board materials and presentations, were commented on.

Following the conclusion of the evaluation, the Board discussed and agreed the following priorities for 2023:

- to hold an annual dedicated strategy session to have a more detailed open and constructive discussion around strategy
 - to bring more formality to the succession plans for the Company's Executive Directors and other members of the Operating Committee and to keep the succession plans updated
 - to focus on improving diversity at the Board level, with a particular focus on gender diversity
 - to increase the opportunities for Board informal communications including Board dinners
- Progress against the action points will be monitored and a further internal Board evaluation will be completed during 2023.

Succession planning

Details of the Company's succession planning are set out on page 117 of the Nomination Committee report.

Board support

The Directors have access to advice and services from both the Company's SVP General Counsel and the Company Secretary. Directors are also able to take independent professional advice.

Audit, risk and internal controls

The Board is responsible for determining the Company's risk appetite, agreeing the approach to risk management and assessing the Company's principal risks. The Company has in place an ERM framework and a risk register, which allows the Audit & Risk Committee to assess risks across different areas of the business.

The Company appointed Grant Thornton as its internal auditors during 2021 and has worked with Grant Thornton to develop a three-year internal audit plan, which has been approved by the Audit & Risk Committee.

The Company has carried out a robust assessment of the Company's emerging and principal risks. Further details are set out on pages 86 to 91.

Operations of the Board

Director conflicts of interest

The Company has a formal system in place for the Directors to declare conflicts of interest and for such conflicts to be considered for authorisation. The authorisation of any conflict and the terms of any such authorisation may be reviewed by the Board at any time. The Board has no reason to believe its formal system to deal with conflicts is not operating effectively.

Induction of new directors and training

As a new director, Duncan Tatton-Brown received a comprehensive induction process. This included the following:

Directors have access to the expertise from senior management and receive presentations on different areas of the business at Board meetings. Directors received ongoing training on their responsibilities and received a written briefing on key legislative and regulatory matters in November 2022.

Engagement with stakeholders

Details of how the Company engaged with its stakeholders can be found on pages 93 to 96.

Annual General Meeting (AGM)

The Company's AGM is scheduled to take place at 11am on 12 June 2023 and will be held at the Company's offices at Gosling Building, Edmund Halley Road, Oxford Science Park, Oxford, OX4 4DQ.

Duncan Tatton-Brown

Chair of the Board

20 March 2023

Nomination Committee report



The Nomination Committee plays an important role in ensuring the Board and the Board Committees are well balanced and have the necessary experience, skills, and diversity to deliver our strategy.”

Duncan Tatton-Brown
Nomination Committee Chair

Overview

- The Nomination Committee is comprised of the Chief Executive Officer, Chair and all Non-Executive Directors
- All members have relevant commercial and operating experience
- Three formal meetings were held during the year along with two ad hoc meetings
- The Group's VP, Global HR is invited by the Committee to attend meetings

Committee Roles and Responsibilities

- Review the structure, size and composition of the Board
- Review the balance of skills, knowledge, experience, independence and diversity of the Board and senior management
- Review the leadership needs of the Group
- Lead the process for the appointments of Directors and senior management
- Ensure adequate succession planning to ensure the long-term success of the Group

Main Committee Activities in 2022

- Recommended the appointment of Duncan Tatton-Brown as Non-Executive Chair and Chair of the Nomination Committee
- Performed first Board effectiveness review and agreed action points
- Discussed succession planning for Executive Directors
- Reviewed Committee Terms of Reference

Committee Focus Areas for FY2023

- Agree more formal succession plans for the Executive Directors
- Review the size and diversity of the Board with a particular focus on increasing gender diversity
- Further develop the internal talent pipeline
- Act on the findings of the 2022 effectiveness review
- Perform 2023 annual effectiveness review

| Committee member | Meetings attended ^{1,4} | Percentage of meetings attended |
|--|----------------------------------|---------------------------------|
| Duncan Tatton-Brown (Chair of the Committee) ² | 1/1 | 100% |
| Dr Gordon Sanghera ³ | 1/1 | 100% |
| Wendy Becker | 3/3 | 100% |
| Sarah Gordon Wild | 3/3 | 100% |
| Dr Guy Harmelin | 3/3 | 100% |
| Adrian Hennah | 3/3 | 100% |
| John O'Higgins | 3/3 | 100% |

(1) Three formal meetings were held during the year and two ad hoc meetings.
Dr Guy Harmelin did not attend one ad hoc meeting.

(2) Duncan Tatton-Brown was appointed to the Board on 1 August 2022.

(3) Dr Gordon Sanghera did not attend the meetings held by a sub-committee of the Nomination Committee formed in relation to the search for a replacement Chair.

(4) Peter Allen, the previous Chair, did not attend any meetings as all meetings held prior to his retirement were in relation to the search for a replacement Chair.

Dear Shareholders,

I am pleased to present the Nomination Committee report for the year ended 31 December 2022. In the Nomination Committee report for last year, the Company set out several focus areas for 2022 and a key focus for the Nomination Committee was to lead the search for a new Chair of the Board. I am delighted to join Oxford Nanopore, both as Chair of the Board and Chair of the Nomination Committee. Details of the progress against other key focus areas are set out in this report.

Meetings

The Nomination Committee met five times during the year and four of these meetings were a sub-committee of the Nomination Committee which was appointed in relation to the search for a new Chair. Two of these sub-committee meetings were ad hoc meetings. The sub-committee was formed of independent directors only and excluded Gordon Sanghera and the previous Chair Peter Allen. A majority of the members of the Nomination Committee (85.7%) are independent in accordance with the Corporate Governance Code.

Board and Operating Committee changes

During the year, the Nomination Committee recommended the appointment of Duncan Tatton-Brown as Non-Executive Chair of the Company and as Chair of the Nomination Committee. The appointment was unanimously approved by the Board.

Russell Reynolds, an independent external search firm advised the Committee on the appointment of Duncan ensuring that in all cases, a diverse set of candidates was presented to the Committee for consideration. Russell Reynolds is an external search firm which has no other connection with the Company or its individual directors. Russell Reynolds is a signatory to the Voluntary Code of Conduct for Executive Search Firms.

During the year, Rich Compton, SVP Sales & Commercial Operations, joined the Company's Operating Committee, the Group's decision-making body, with responsibility for the day-to-day management of the company. This appointment will add further diversity of thought to the Operating Committee.

Diversity

The Company is committed to, and recognises the benefits of, diversity at all levels throughout the organisation. The Company places great importance on ensuring the members of the Board reflect diversity in its broadest sense and believe that greater diversity is essential to deliver the Company's strategy and can provide the Company with a competitive edge. The Company adopted a Board Diversity Policy in 2021 which was updated during the year to reflect the new Listing Rule with respect to Board Diversity.

The Company has a commitment to increasing its gender diversity to at least 40% female representation on its Board within three years of its initial public offering. The Board meets the Listing Rule recommendation that at least one of its senior board positions (its Senior Independent Director) is held by a female director as set out in the Listing Rules. The Board meets the Listing Rule recommendation and Parker Review recommendation on ethnic diversity representation.

The Nomination Committee will consider diversity, with a particular focus on increasing gender diversity, in relation to future appointments to the Board.

Succession planning

The Nomination Committee has responsibility for ensuring that plans are in place for orderly succession to both the Board and senior management positions. Succession planning ensures that any changes are effectively managed and ensures the Group continues to execute on its strategy. During the year, the Nomination Committee agreed a process to formalise succession plans for the Executive Directors. This process will continue in 2023 and the Nomination Committee will work closely with the VP, Global Human Resources to further develop succession plans for Executive Directors and begin to develop succession plans for the other members of the Operating Committee.

As part of its succession planning, the Nomination Committee has regard to the tenure of its Non-Executive Directors. Sarah Gordon Wild will have been on the Board for nine years at the end of 2023 and will no longer be considered independent from 1 January 2024. The Nomination Committee has commenced a search for a suitable replacement and expects to recommend at least one additional Non-Executive Director to the Board for appointment during 2023.

The Nomination Committee is also responsible for ensuring that appropriate talent development programmes are in place to maximise the potential of the Group's employees. Our Group Talent Development team offers a series of trainings at all levels. In July 2022, we launched a mastery series of leadership, management and personal development programmes: a suite of modular content that supports personal effectiveness through to strategic thought leadership.

The Group also launched an accelerated Senior Leadership programme in October 2022 which will allow over 40 senior leaders within the business to engage in a challenging executive development experience over three modules. Additionally we launched an Essential Manager Skills programme which will develop first-line leadership capability for more than 200 managers from launch to July 2023.

Board evaluation

The Board undertook its first internal Board evaluation during the year. This evaluation including an evaluation of each of the Board Committees. Details of the evaluation are set out on page 114 within the Governance Report. Progress against the action points identified in the evaluation will be reported on in the Company's 2023 Annual Report.

The Board intends to comply with the Code recommendation that an externally facilitated evaluation should take place every three years.

Terms of reference

The terms of reference describe the roles and responsibilities of the Nomination Committee and can be found on our website at <https://nanoporetech.com/about-us/investors/corporate-governance>.

The terms of reference were adopted by the Company at the time of its IPO and were reviewed in November 2022. It was concluded that no updates were required at this time.

Duncan Tatton-Brown

Chair of the Nomination Committee

20 March 2023

Audit and Risk Committee report



The Company has continued to build upon the solid control and risk management foundations established pre-IPO.”

Adrian Hennah

Audit and Risk Committee Chair

Overview

- The Audit and Risk Committee (“Committee”) comprises three Independent Non-Executive Directors
- Adrian Hennah is considered by the Board to have recent and relevant financial and accounting experience. All members have relevant commercial and operating experience
- Five meetings were held during the year
- The CEO and CFO, members of management, the internal auditors and the external auditors attend the meetings by invitation
- The Committee members meet for private discussion with the external auditors and the internal auditors

Committee Roles and Responsibilities

- Monitoring external financial reporting
- Overseeing relationship with external auditor
- Monitoring effectiveness of internal controls and risk management systems
- Ensuring effective internal audit and governance arrangements
- Ensuring establishment of fraud prevention and whistleblowing arrangements

Main Committee Activities during FY22

- Oversaw and scrutinised the preparation of the financial statements for FY22
- Approved the audit plan and fee for FY22
- Discussed key areas of financial judgement, including revenue recognition and capitalised development costs
- Oversaw the implementation of disclosures in accordance with the TCFD framework and ensured that climate-related disclosures were appropriately included within the Annual Report and Accounts
- Reviewed the effectiveness of Deloitte LLP as external auditor
- Approved the internal audit plan and oversaw the progress of the internal auditor in FY22

- Assisted the Board in its review of the effectiveness of the Group’s internal control and risk management systems
- Reviewed the Group’s evaluation of principal risks and uncertainties, including emerging risks
- Reviewed the Group’s whistleblowing procedures

Committee Focus Areas for FY23

- Oversee and scrutinise the preparation of the financial statements for FY23
- Discuss key areas of financial judgement and estimates used by management
- Assist the Board in its review of the effectiveness of the Group’s internal control and risk management systems
- Review and monitor the principal risks identified by management and ensure continued appropriate mitigation
- Review the performance of the external auditor
- Assess the internal auditor and monitor the progress of their internal audit plan

| Committee member | Meetings attended | Percentage of meetings attended |
|---|-------------------|---------------------------------|
| Adrian Hennah (Chair of the Committee) | 5/5 | 100% |
| John O’Higgins | 5/5 | 100% |
| Dr Guy Harmelin | 5/5 | 100% |

Dear Shareholder,

I am pleased to present the Group's Audit and Risk Committee report. The report provides a summary of the Committee's role and activities for the financial period ended 31 December 2022 and sets out the work that the Committee has performed in respect of this Annual Report.

During FY22, the Committee comprised three Independent Non-Executive Directors: Adrian Hennah, John O'Higgins and Dr Guy Harmelin. Adrian Hennah fulfils the requirement for a committee member to have recent and relevant financial experience and all members (and therefore the Committee as a whole) have relevant commercial and operational experience. The biographies of each member of the Committee are set out on pages 106 to 109.

The Committee's Terms of Reference include monitoring the integrity of the Group's financial reporting; effectiveness of the internal control and risk management framework; internal audit; and the independence and effectiveness of external audit. The internal audit function is outsourced to Grant Thornton LLP, who provide the Group with specialist expertise in delivering a risk-based rolling review programme. Grant Thornton LLP has attended all Committee meetings held during the year.

The Group's external auditor, Deloitte LLP, attended all five Committee meetings held during the year. The CEO, CFO and other members of management attended by invitation. Both the external auditor and the internal auditors will continue to regularly attend future meetings.

The Committee has reviewed the content in the Annual Report and considers that it explains the Group's strategic objectives and is fair, balanced and understandable. Whilst this Audit and Risk Committee report contains some of the matters addressed during the year, it should be read in conjunction with the external auditor's report starting on page 148 and the Oxford Nanopore Technologies plc financial statements in general. At the 2023 AGM, shareholders will vote on the Board's recommendation to reappoint Deloitte LLP as the Group's external auditor. During the year, the Committee performed a review of the external auditor's performance and concluded that the external auditor remained effective.

I would like to thank my fellow Committee members John O'Higgins and Guy Harmelin, whose focus and contributions have enabled the Committee to perform its duties effectively.

Adrian Hennah

Chair of the Audit and Risk Committee

20 March 2023

Purpose and responsibilities

The Committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including:

- Monitoring the integrity of the Group's Annual Report and financial statements and any other formal announcements relating to its financial performance and reviewing the significant financial reporting judgements made in connection with their preparation
- Overseeing and maintaining an appropriate relationship with the Company's external auditor and reviewing the independence, objectivity and effectiveness of the audit process
- Monitoring and reviewing the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems
- Ensuring that internal audit and governance arrangements are appropriate and effective
- Ensuring that fraud prevention and whistleblowing arrangements are established which minimise the potential for fraud and financial impropriety

As the Committee, we assist the Board in its oversight of the Group's financial reporting, internal control and risk management and in doing so seek to ensure that shareholders' and other stakeholders' interests are protected and the Company's long-term strategy is supported.

Terms of reference

The terms of reference for the Committee describe the roles and responsibilities of the Committee and can be found on our website at <https://nanoporetech.com/about-us/investors/corporate-governance>. The terms of reference were adopted by the Company on its initial public offering in October 2021. They are reviewed on an annual basis and updates made where appropriate in order to reflect current market practice.

Financial reporting

The primary role of the Committee in relation to financial reporting is to review and monitor the integrity of the financial statements, including annual and half-year reports, and any other formal announcement relating to the Group's financial performance.

In the preparation of the Group's 2022 financial statements, the Committee assessed the accounting principles and policies adopted, whether management had made appropriate estimates and judgements and assessed the appropriateness of the disclosures in note 4 of the Financial Statements.

In doing so, the Committee discussed management reports and enquired into judgements made. The Committee reviewed the reports prepared by the external auditor on the 2022 audit. The Committee, together with management, identified significant areas of financial statement risk and judgement as described below.

Audit and Risk Committee Report continued

Significant accounting matters

The Committee received reports from management in relation to the identification of significant accounting matters, judgements and key sources of estimation uncertainty, significant accounting policies and proposed disclosures in the 2022 Annual Report and Accounts. The Committee is satisfied that the judgements made by management are reasonable, and that appropriate accounting policies have been adopted and appropriate disclosures have been made in the accounts.

The Committee's review of the full-year financial statements focused on the following:

- the materiality of the areas; and
- the nature of matter to the extent that they require significant judgement or estimation.

All such matters of focus were discussed and addressed with our external auditor throughout the external audit process. There were no significant differences between management and the external auditor.

The key matters of focus are set out below:

Revenue Recognition

Revenue recognition for the Group's revenue is a particular area of focus due to:

- LSRT revenue, and revenue growth, being key performance indicators;
- revenue from significant contracts within the period;
- application of IFRS15 for the sale of bundled goods and services, specifically the performance obligations and the allocation of the transaction price on these significant contracts; and
- where sales are made around the year end, ensuring that revenue is recognised in the correct year.

How the Issue was Addressed

The Committee reviewed the assumptions and disclosure around revenue recognition made by management.

Particular focus was placed upon:

- terms of significant contracts;
- application of IFRS15 to contract bundles which include the lease of PromethION or GridION sequencing devices; and
- revenue cut-off.

IFRS 2: Share-based payment valuation and Employer's social security taxes

The Group issued a number of share options to the Executive Directors of the Group, in particular in preparation for the IPO. These included:

- conditional retention awards representing up to 6.5% of the overall share capital, with expected vesting over a period of between two and five years and subject to achievement of a number of performance conditions linked to the Group's revenue and share price; and
- limited anti-takeover (LAT) non-voting shares issued to the Chief Executive Officer, Chief Strategy Officer, and Chief Technology, Innovation and Products Officer (see page 144).

The retention awards require the use of valuation models and certain assumptions in determining their fair value at grant date and the recognition of charges in the income statement under IFRS2 Share-based payments.

The employer's social security taxes on share options are accrued over the vesting period of the awards. The accrual is based on the market price at the period end.

There is a risk that the expense recognised in the year may be materially misstated due to unreasonable assumptions or error.

How the Issue was Addressed

The Committee reviewed the assumptions made by management (which were based on advice from FIT Remuneration Consultants) on the conditional retention equity awards (Refer to Directors' remuneration report on pages 124 to 143).

Inventory Provisioning

The Group holds significant inventory balances across a number of locations for the purposes of fulfilling sales orders and contractual obligations. Additionally, certain components of inventory are held for use within research and development. Furthermore, the Group has increased inventory levels to mitigate anticipated supply chain issues caused by Brexit, the COVID-19 pandemic and latterly the Ukraine/Russia conflict.

Inventory is held at the lower of cost and net realisable value, in line with IAS2. Consideration is made of the technical properties of the inventory and its effect on net realisable value.

Management judgement is primarily used to assess future revenues of product lines and where there is a doubt over its future net realisable value a provision is made.

How the Issue was Addressed

The Committee discussed with management the level of provisioning and reviewed the assumptions made by management and considered whether the inventory provision was at an appropriate level.

Fair, balanced and understandable

A key governance requirement is for the Board to ensure that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model, and strategy.

To assist it in making this determination, the Board has requested the advice of the Committee.

To assist the Committee in making its assessment, it received drafts of the Annual Report at key points in the production process in order to provide its feedback and also reviewed papers from leadership highlighting the supporting evidence for the report's key messages. Any disclosures that the Committee believed required additional information or clarification were highlighted and the necessary edits made during the subsequent drafting phase. The Committee also reviewed narrative reporting in the front half of the Annual Report to ensure its consistency with the financial reporting in the back half, and that the overall layout and linkage between each section of the report were clear and understandable.

Having completed its assessment, the Committee concluded that the disclosures throughout the Annual Report and Financial Statements were appropriate and that the 2022 Annual Report and Financial Statements was fair, balanced and understandable, allowing the Committee to provide positive assurance to the Board to assist it in making the statement required by the Code.

Internal Controls and Risk Management Environment

The Board is ultimately responsible for the operation of an effective system of internal control and risk management appropriate to the business.

Oxford Nanopore has aligned with provisions of the Code in the period to the date on which these financial statements were approved.

Day-to-day operating and financial responsibility rests with senior management and performance is closely monitored on a monthly basis.

Set out below is further comment on the areas of internal control and risk management.

Internal Control Environment

The following key elements comprise the internal control environment which has been designed to identify, evaluate and manage, rather than eliminate, the risks faced by the Group in seeking to achieve its business objectives and ensure accurate and timely reporting of financial data for the Group:

- an appropriate organisational structure with clear lines of responsibility
- systems of control procedures and delegated authorities which operate within defined guidelines, and approval limits for capital and operating expenditure and other key business transactions and decisions
- a robust financial control, budgeting and rolling forecast system, which includes regular monitoring, variance analysis, key performance indicator reviews and risk and opportunity assessments at Board level
- procedures by which the Group's consolidated financial statements are prepared, which are monitored and maintained through the use of internal control frameworks addressing key financial reporting risks arising from changes in the business or accounting standards
- robust IT systems with significant investment in cyber security
- an experienced and commercially focused legal function that supports the Group's operational and technical functions
- established policies and procedures setting out expected standards of integrity and ethical standards which reinforce the need for all employees to adhere to all legal and regulatory requirements
- an experienced, qualified and adequately resourced finance function which regularly assesses the possible financial impact of the risks facing the Group and
- an ongoing risk management programme.

Risk Management Framework

Oxford Nanopore has a robust risk management process that follows a sequence of risk identification, assessment of probability and impact, and assigns an owner to manage mitigation activities. A register is kept of all identified corporate risks and is monitored by senior management and reported to the Committee.

The risk register and the methodology applied is the subject of continuous review by senior management, which includes the ongoing process of categorising and prioritising risks already identified in addition to reflecting new and developing areas which might impact business strategy. This risk management framework includes risks identified at the time it was implemented as part of the IPO process in 2021, updated to the present and also seeks to capture emerging risks that might impact the business in the coming years.

The Committee will continue to review the risk register throughout the year and assess the actions being taken by senior management to monitor and mitigate the risks. Those risks which are considered to be the principal risks of the Group are presented on pages 86 to 91.

Anti-bribery and corruption

The Company has a zero-tolerance approach to bribery and corruption at all levels within the organisation globally and expects high standards of integrity from our people, agents, consultants, interns and subcontractors and any other person associated with the Company in business dealings and relationships worldwide. Whilst the Board is ultimately accountable for the Company's anti-bribery and corruption efforts, responsibility for reviewing the Company's systems and controls for preventing these have been delegated to the Committee.

The Company has in place a clear Anti-Bribery and Corruption Policy, which is available for our people to access on our internal policy hub. The Company requires everyone at Oxford Nanopore to attest to this policy on joining the business. The Company also provides mandatory online training to ensure our people understand their responsibilities in preventing bribery and corruption.

Whistleblowing

Whilst the Board is ultimately responsible, it has delegated oversight of the Group's whistleblowing policies and procedures to the Committee. We expect all our people to act professionally, honestly and ethically in their dealings with people, whether they are within the organisation, customers, suppliers or any other external partner they may have contact with. The behaviours and standards expected of our people are set out in our policy, to which everyone who joins Oxford Nanopore must sign up.

The Company also provides mandatory online training to ensure our people understand the whistleblowing policy. A confidential incident reporting facility is available, provided by an independent specialist firm Safeline, for circumstances where an individual wishes to report an issue anonymously. Monitoring the effectiveness and appropriateness of the whistleblowing policy falls within the remit of the Committee. No incidents were reported during 2022.

Review of Effectiveness

The Committee, on behalf of the Board, has reviewed the effectiveness of the internal control systems and risk management processes during FY22. This work has been supported by our internal auditor. The effectiveness review included regular meetings with the Internal Auditor, and review and approval of a plan of work having considered the Group's principal, strategic and operational risks.

The Committee will continue to review the ongoing development of the internal control systems and risk management processes.

Going concern and long-term viability

The Committee reviewed the Group's going concern and long-term viability disclosures in this Annual Report, together with the reports prepared by the leadership team in support of each statement and advised the Board on their appropriateness. As part of its review, the Committee considered amongst other things a number of scenarios modelled by the business (including a "severe but plausible" downside scenario) and reverse stress tests carried out to assess the strength of the Group's finances.

The going concern and long-term viability statements were reviewed by the external auditor, which discussed its findings and the conclusions drawn by leadership in producing each statement with the Committee.

More detailed information about the Group's approach to its going concern and long-term viability assessments can be found on pages 98 and 99 of the Strategic Report.

Independence and Performance of the auditor

The Committee oversees and maintains the relationship with the external Auditor on behalf of the Board. Deloitte was appointed as the auditor of Oxford Nanopore in the year ended 31 December 2010 and became the auditor of the Company on its admission to listing on the London Stock Exchange on 5 October 2021. The current audit partner is Sukhbinder Kooner who was appointed at the time of the IPO.

The audit was last tendered in 2010 and Deloitte has been in place as Oxford Nanopore's auditor for more than 11 years. Auditors are required to report regularly on and confirm their independence in their role. Whilst we do not consider it necessary to have a policy for the rotation of the external audit firm given the short period of time since Oxford Nanopore's IPO, we plan to keep this possibility under review in the coming years and will continue to comply with the audit tender rules applying to Oxford Nanopore.

The Committee has primary responsibility for conducting any tender process and making recommendations on appointment, reappointment and removal of auditors, and approving the terms of engagement and the remuneration of the external auditor. The Committee keeps under review the requirements on audit tendering and rotation as set out in Regulation EU/537/2014 (as retained in UK law) and from the Competition and Markets Authority. At the latest, Oxford Nanopore will be required to tender the audit for the year ending 31 December 2030 and to change its audit firm for the year ending 31 December 2040.

For the financial year ending 31 December 2023, the Committee has recommended to the Board that Deloitte be reappointed as external auditor and the Company will be seeking shareholder approval for the reappointment of Deloitte at its AGM to be held in June.

The Committee has developed and recommended to the Board a formal policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements.

During 2022, Deloitte received total fees of £0.7 million (2021: £2.1 million), comprising £0.6 million of audit fees (2021: £0.7 million) and £0.1 million (2021: £nil) for assurance related non-audit services. In 2021, Deloitte received £1.4 million of IPO related non-audit services. The fees for non-audit services during the year related to work undertaken on the interim financial review.

The fees paid for these other non-audit services during the year represented 13% of the fees paid for the statutory audit and audit-related assurance services together. Further details of these amounts are included in note 9 of the accounts.

On behalf of the Audit and Risk Committee

Adrian Hennah

Chair of the Audit and Risk Committee

20 March 2023

Directors' remuneration report



The Company's remuneration arrangements have been designed to encourage long-term, sustainable growth and to provide market competitive overall remuneration for the achievement of stretching targets aligned to the business strategy."

Wendy Becker

Remuneration Committee Chair

Committee Overview

- The Remuneration Committee ("Committee") comprises four independent Non-Executive Directors.
- All members have relevant commercial and operating experience, as well as experience of serving on the boards of other businesses.
- Four Committee meetings were held in 2022.
- The Chair and the Chief Executive Officer may, by invitation, attend Committee meetings except when their own remuneration is discussed. The Group HR Director and the Group Head of Reward are also invited by the Committee to provide their views and advice. The Chief Financial Officer may also attend to provide performance context to the Committee during its discussions about target setting. Information on meetings held and Director attendance is disclosed in the corporate governance report.
- No individual takes part in any decision related to his or her own remuneration.

Committee Roles and Responsibilities

- Recommendations to the Board on the remuneration policy as applied to the Chair of the Board, Executive Directors, and the Executive Committee.
- Setting, reviewing and approving individual remuneration arrangements for the Chair of the Board, Executive Directors and Executive Committee members including terms and conditions of employment.
- Determining arrangements in relation to termination of employment of the Executive Directors and other designated senior executives.
- Ensuring that remuneration outcomes are appropriate in the context of underlying business performance and that remuneration practices are implemented in accordance with the approved remuneration policy.
- Reviewing the wider workforce remuneration policies and practices.

Full terms of reference for the Committee are available on the Company's website at <https://nanoporetech.com/about-us/investors/corporate-governance>

Main Committee Activities during FY22

Key actions and areas of review by the Committee during the year included:

- Oversight of Director's Remuneration Policy (the "Policy") and its implementation.

- Ensuring the right remuneration governance policies and processes are in place through the first full year post-IPO.
- Approval of vesting of a proportion of legacy share awards.
- Considering issues relating to wider workforce pay position.
- Review and approval of Annual Bonus Plan (ABP) performance measures for 2023.
- Review and approval of performance measures for awards to be granted in 2023 under the Long term Incentive Plan 2021 (LTIP).

Committee Focus Areas for 2023

The Committee is planning to undertake a number of key activities during the coming year on a range of matters including:

- Determination of the 2022 Annual Bonus Plan outcomes.
- Review and approval of the Annual Bonus Plan targets for 2024.
- Review ongoing implementation of the Policy to ensure it operates appropriately.
- Monitoring of the external remuneration environment, including developments in best practice and all-employee remuneration.

| Committee member | Meetings attended | Percentage of meetings attended |
|---------------------------------------|-------------------|---------------------------------|
| Wendy Becker (Chair of the Committee) | 4/4 | 100% |
| Dr Guy Harmelin | 4/4 | 100% |
| John O'Higgins | 4/4 | 100% |
| Sarah Gordon Wild | 4/4 | 100% |
| Peter Allen | 2/2 | 100% |

Advice to the Committee

Since listing on the London Stock Exchange, the Committee has appointed FIT Remuneration Consultants LLP (FIT) as their independent advisor following a competitive tender process. FIT is a member of the Remuneration Consultants' Group and, as such, voluntarily complies with its Code of Conduct which sets out guidelines to ensure that its advice is independent and free of undue influence. FIT has no other connection with the Company. The Committee is therefore satisfied that the advice provided by FIT is independent and objective. The fees paid to FIT in relation to advice provided to the Committee were £50,392 (inc. VAT) and were determined on a time and expenses basis.

Annual statement by the Chair of the Remuneration Committee

Dear Shareholder

As Chair of the Remuneration Committee, I am pleased to present the Directors' remuneration report for the year ended 31 December 2022, the Company's first full financial year as a listed company. The Report comprises three sections:

- My statement, which outlines the activities and the focus of the Committee throughout the year.
- The Annual Report on Remuneration, which provides details of the remuneration earned by the Directors in 2022 and how the Policy will be operated in 2023.
- A summary of the Policy, which was approved at the 2022 Annual General Meeting on 23 June 2022.

At the 2022 AGM, shareholders supported the first annual vote on the remuneration report, with 99.39% of shareholders voting in favour and the Policy (to be submitted at least every three years) was approved with a similar level of support (99.7%).

2022 context

2022 marked the first full year as a public company. The global economic and social backdrop has remained uncertain throughout the year due to the ongoing spikes in COVID-19, the war in Ukraine, and the cost-of-living crisis that has now emerged.

Whilst this uncertainty has impacted financial performance and disrupted our supply chain, consistent with 2021, no COVID-19 related government support or equivalent loans were sought.

Despite these challenges, the Company has shown resilience, skill, creativity, focus, and determination and 2022 has been a year which has seen breaking science through the use of our technology by Euan Ashley and his team at Stanford University and Danny Miller and his team at the University of Washington and Seattle's children's hospital.

These record-breaking achievements have created an immense sense of pride throughout the workforce and fuelled the desire to continue to innovate to push further the boundaries of science.

With regards to innovation, which is at the heart of our growth strategy, 2022 proved to be another strong year for Oxford Nanopore. In 2022, the R&D team successfully modified the nanopore chemistry and run conditions to achieve high accuracy, high performance, and high yield nanopore data. 2022 also saw the launch of the highly accessible, low cost PromethION 2 Solo (P2 Solo) device, supporting our vision to make DNA sequencing available to anyone, anywhere.

Recognising that our employees are key to driving the future success of the Company, a number of new initiatives were launched during 2022 to support the attraction, retention and development of employees, notably:

- The ABP was launched at the beginning of 2022, with a common set of performance measures underpinning the bonus outcomes for all employees and Executive Directors. Performance against these measures for 2022 is outlined on page 130 of the Annual Report on Remuneration.
- The first grant was made under the rules of the newly introduced LTIP, with all employees eligible for a restricted share award based on their individual performance. Senior management employees are also eligible for a Performance Share Award, which links the variable remuneration of these employees in the same way as the Executive Directors to the creation of shareholder value and return.
- Various employee development programmes were launched, ensuring access to learning and upskilling opportunities across the workforce.

Performance and Reward for FY22

The Annual Bonus plan measures and targets were set at the start of FY22 and comprised:

- Financial measures: Life Sciences Research Tools (LSRT) revenue growth (45% weighting);
- Gross profit margin (25% weighting); and
- Strategic Scorecard measures (30% weighting) to underpin innovation as being core to the Company's strategic advantage. These measures assessed the level of completion of three key product launches during 2022:
 - "Kit 12": higher accuracy sequencing (combining chemistry, consumables, and algorithm upgrades);
 - The development of the new P2 device;
 - The upgrade of the PromethION fleet in field for accuracy and robustness.

All targets were set on a stretching basis and the weighting for each measure reflected the significance of each for the delivery of future growth and value.

With regards to the performance against each of the financial measures, as noted previously 2022 presented a challenging year with regards to the macro-economic backdrop. Despite this, the revenue growth from LSRT was 15.7% demonstrating a continuing strengthening in the underlying customer base and across different locations and was very encouraging when compared to key competitors. However, the Committee noted that the threshold target of 20% LSRT revenue growth was not achieved and hence the bonus element for this measure was determined to be zero.

LSRT Gross Profit margin for FY22 was 56.3%, showing a continuing improvement year on year. This achievement equated to a bonus multiple of 1.52 of the target level (c.75% of max), allocated to this measure.

Innovation was strong in 2022, the three product launches noted above, which were the focus of the strategic scorecard measure, were all delivered to the targets set and in the case of the Kit 12 chemistry, the maximum achievement was met. The bonus outcome for this measure equated to a bonus multiple of 1.75 (c. 87.5% of max) of the target level allocated to this measure.

Further detail on the performance against these measures can be found on page 131.

The resulting bonus equated to 45.25% of the maximum bonus opportunity for the four Executive Directors. The Committee believes that the formulaic outcomes of the bonus calculations are appropriate in light of the Company and individual performance delivered in the year and so has not applied discretion. In line with the Policy, 33% of the bonus will be deferred into shares, 50% of which must be held for one year and 50% for two years.

No long-term incentives were due to vest in relation to the performance period ended 31 December 2022, the first vesting of post-IPO share awards will be April 2025.

Legacy Pre-IPO Awards (performance based) vesting

As noted in my letter last year, the grant of a one-off legacy conditional performance-related equity award was made to the Executive Directors under the Oxford Nanopore Technologies Limited Long-Term Incentive Plan 2021 ("Founder LTIP") to retain and incentivise them through the IPO process and beyond. This one-off, exceptional award was made with the approval of the Company's shareholders and at a time when the Company was a private company and does not form part of the "go forward" remuneration package offered to the Executive Directors as a listed company and there is no provision in the policy for equivalent awards in the future.

The vesting of this award is subject to the achievement of performance conditions tied to revenue and share price performance, the recipient's ongoing service with the Group, and a post-vesting holding period (as explained both in the Prospectus and on page 127 of last year's Report).

On 28 January 2022, the Committee evaluated and confirmed that a Share Price Condition hurdle was met through the achievement of a "Highest Share Price Average" over a 3-month period since admission (623.73p being the Highest Share Price Average for the period 8 October 2021 to 7 January 2022). This resulted in the vesting of 47.91% of the shares allocated to the Share Price Condition for each of the Executive Directors. These shares will be released to the Executive Directors on 22 June 2024, being the third anniversary of the grant date.

With regards to the Revenue Condition, on 12 October 2022, following confirmation of the half-year results and Gross Revenue of £197.1m for the twelve months to 30 June 2022, the Committee confirmed that Revenue hurdle had been met. This resulted in the vesting of 54.24% of the shares allocated to the Revenue Condition for each of the Executive Directors. These shares will be released to the Executive Directors on 12 October 2024.

In addition, the Gross Revenue for FY22 of £198.59m, has resulted in an additional vesting of shares allocated to the Revenue Condition. This results in a total of 54.79% of shares allocated to this condition having vested. It is anticipated that this additional vesting will receive approval at the next Committee meeting following audit confirmation of the full-year results and the related shares will be released to the Executive Directors on the second anniversary of that meeting.

Overall, 51.07% of the shares granted under this award have vested, details can be found on page 133 of this report and the value of the shares at the date of vesting has been included in the Single Figure Table of Remuneration as required, even though it relates to a pre-IPO award and is not part of the ongoing policy. The remainder of the shares allocated to this award will be released, should further hurdles be met, by 22 June 2026.

Implementation of the Policy for 2023

The importance of the alignment of the remuneration structure throughout the workforce, is a key focus for the Committee also when making decisions on executive base pay. The base salaries for the Executive Directors were set at IPO and were not increased during FY22. For FY23 there will be an increase of 4% for the CEO, CFO and CSO, which is below the average employee pay increase across the Company's wider workforce of just under 5%. The CTO will receive an increase of 10% in recognition for the expanded and significance scope of his role since IPO, in addition his job title has been changed to Chief Technology, Innovation and Product Officer (CTI&PO) in recognition for the breadth of his additional responsibilities.

Bonus arrangements will operate in line with the Policy, with a maximum opportunity of 200% of salary for the CEO and 160% for the other Executive Directors, with 33% of any bonus earned subject to deferral into awards over shares in the Company.

The FY23 bonus will be assessed against a combination of financial and non-financial objectives which are set out on pages 140 and 143. To recognise the Company's commitment to establishing an ESG Strategy and my own confirmation in my statement introducing last year's Directors' remuneration report to the inclusion of a measure to align the focus on ESG to variable pay arrangements, the 2023 ABP will have an ESG measure, which will carry a weighting of 10% of the overall bonus outcome. This weighting, we consider is appropriate to ensure continued focus on the delivery of the financial measures.

LTIP awards will be granted in 2023 over shares worth 250% of salary in the case of the CEO and 200% of salary in respect of the other Executive Directors. To recognise the decline in the Company's share price since the April 2022 LTIP grant, the Committee has determined that a scale back of 30% of the number of share awards granted to each senior management participant be applied. These awards are subject to stretching TSR performance conditions with 25% vesting at median, rising to full vesting at upper quartile. TSR is measured, as to 50%, relative to a bespoke group of 17 international life sciences companies and, as to the other 50%, relative to the constituents of the FTSE350 (excluding investment trusts).

Conclusions

FY22 has been a year in which, despite being faced with a challenging economic backdrop, the Company has continued to strengthen its customer base and make good strides in the area of innovation. The Committee therefore regards the reward outcomes for the Executive Directors to be appropriate without the exercise of any discretion.

We are pleased with the support we have received from the shareholders with over 99% approval from the votes cast at the last AGM for both the Policy and also the annual remuneration report for 2021.

As a Committee, we continue to be committed to supporting the Company's ambition to be a high performing organisation by incentivising and rewarding performance, and therefore driving the delivery of the corporate strategy and investor goals.

We look forward to welcoming you and receiving your support at the AGM.

Wendy Becker

Chair of the Remuneration Committee

20 March 2023

Directors' remuneration report continued

Annual remuneration report

This section of the Directors' remuneration report provides details of:

- How we propose to implement our Policy for 2023; and
- How Directors were paid for the year ending 31 December 2022.

Implementation of Policy for 2023

| Component of Pay | | Implementation for FY23 | | | | | | | | | | | | | | | | | | | | | | | |
|--------------------------|---|-------------------------|---|-----------------|--------------------------|----------|-----------|-----------------|----------|--------|-----------|-------------------------|-------------------|---------|-------|------------|----------------|------|--------------|--|-------------------|--|--|---------------------|--|
| Base salaries | CEO: £832,000 | CFO: £520,000 | CTI&PO £660,000 | CSO: \$852,800* | | | | | | | | | | | | | | | | | | | | | |
| | <ul style="list-style-type: none">• Base salaries will increase by 4% effective 1 April 2023 (with the CTI&PO's base salary increasing by 10% to recognise the expanded scope and impact of his role). <p>* The CSO also receives a £12,000 annual fee in respect of the undertaking of Oxford Nanopore Technologies plc board duties.</p> | | | | | | | | | | | | | | | | | | | | | | | | |
| Benefits and pension | For CEO, CFO and CTI&PO a pension contribution or allowance of 6% of base salary. For CSO, a Company matching contribution of 6% to the US Section 401(k) defined contribution plan. No changes to benefit provision. | | | | | | | | | | | | | | | | | | | | | | | | |
| Annual bonus | CEO: Maximum 200% of base salary CFO, CTI&PO and CSO: Maximum 160% of base salary (target bonus is 50% of maximum). Subject to the following performance conditions: <ul style="list-style-type: none">• Group revenue growth – 45% weighting.• Group gross profit margin – 25% weighting.• Non-financial – 20% weighting, which will consist of a range of measures linked to key strategic projects in FY23.• ESG – 10% weighting, which will consist of a range of measures linked to the Company's approach to ESG. Consistent with market practice, the target ranges are currently commercially sensitive and will be reported next year. | | | | | | | | | | | | | | | | | | | | | | | | |
| LTIP | CEO: Maximum award of 250% of base salary. CFO, CTI&PO and CSO: Maximum award of 200% of base salary. To recognise the decline in the Company's share price since the April 2022 LTIP grant, the Committee has determined that a scale back of 30% of the number of share awards granted be applied Subject to the following performance conditions: Relative Total Shareholder Return (TSR) 100% weighting as follows: <ul style="list-style-type: none">• 50% of the performance measure depending on the Company's TSR position against a group of comparators consisting of 17 global life sciences and other companies; and• 50% depending on the Company's TSR position against the constituents of the FTSE350, excluding investment trusts. Details of the peer group are as follows: <table><tr><td>Adaptive Biotechnologies</td><td>Guardant</td><td>Quanterix</td></tr><tr><td>Berkeley Lights</td><td>Illumina</td><td>Qiagen</td></tr><tr><td>Biotechne</td><td>Nanostring Technologies</td><td>Twist Biosciences</td></tr><tr><td>Cellink</td><td>Olink</td><td>908devices</td></tr><tr><td>Exact Sciences</td><td>Seer</td><td>10X Genomics</td></tr><tr><td></td><td>Singular Genomics</td><td></td></tr><tr><td></td><td>Pacific Biosciences</td><td></td></tr></table> | | | | Adaptive Biotechnologies | Guardant | Quanterix | Berkeley Lights | Illumina | Qiagen | Biotechne | Nanostring Technologies | Twist Biosciences | Cellink | Olink | 908devices | Exact Sciences | Seer | 10X Genomics | | Singular Genomics | | | Pacific Biosciences | |
| Adaptive Biotechnologies | Guardant | Quanterix | | | | | | | | | | | | | | | | | | | | | | | |
| Berkeley Lights | Illumina | Qiagen | | | | | | | | | | | | | | | | | | | | | | | |
| Biotechne | Nanostring Technologies | Twist Biosciences | | | | | | | | | | | | | | | | | | | | | | | |
| Cellink | Olink | 908devices | | | | | | | | | | | | | | | | | | | | | | | |
| Exact Sciences | Seer | 10X Genomics | | | | | | | | | | | | | | | | | | | | | | | |
| | Singular Genomics | | | | | | | | | | | | | | | | | | | | | | | | |
| | Pacific Biosciences | | | | | | | | | | | | | | | | | | | | | | | | |
| NED fees | Chair fee: £275,000 Non-Executive Director base fee: £72,500 (effective 1 Apr 23) | | Audit and Remuneration Committee Chairs: £20,000 Senior Independent Director Fee : £20,000 | | | | | | | | | | | | | | | | | | | | | | |

Projected total remuneration scenarios

The graphs below illustrate scenarios for the projected total remuneration of each of the Executive Directors at four different levels of performance: minimum, target, maximum, and maximum including assumed share price appreciation of 50% on the LTIP. The impact of potential share price movements and dividends is excluded from the other three scenarios. These charts reflect projected remuneration for the financial year ending 31 December 2023.

Basis of calculations and assumptions

- 1) Salary represents annual base salary effective 1 April 2023. Benefits such as private medical insurance are included based on the full calendar year.
- 2) Pension represents the value of the annual pension allowance for the Executive Directors as 6% of base salary.
- 3) Minimum performance comprises salary, benefits and pension only with no bonus awarded and no LTIP awards vesting.
- 4) Target performance comprises annual bonus and LTIP pay-outs at "target" level (50% of maximum for the bonus and 25% for the LTIP – with no share price appreciation).
- 5) Maximum performance comprises annual bonus and LTIP pay-outs at maximum level (100% of maximum – with no share price appreciation).
- 6) Maximum with share price growth comprises 5) above plus an assumed increase of 50% in the value of the LTIP award to take account of potential share price appreciation.

Directors' remuneration report continued

Remuneration Outcomes for 2022

Single figure table for Executive Directors (audited)

The following tables set out the single total figures of remuneration for Executive and Non-Executive Directors for the period from 1 January 2022 to 31 December 2022 with comparative information for the period 1 January 2021 to 31 December 2021.

| £ | Gordon Sanghera | | Tim Cowper | | Clive Brown | | Spike Willcocks | |
|--|-----------------|-----------|------------|-----------|-------------|-----------|-----------------|-----------|
| | FY22 | FY21 | FY22 | FY21 | FY22 | FY21 | FY22 | FY21 |
| Salary and fees | 800,000 | 625,910 | 500,000 | 362,950 | 600,000 | 490,560 | 668,260 | 515,730 |
| Benefits | 759 | 4,318 | 2,559 | 4,468 | 2,559 | 4,318 | 18,137 | 18,325 |
| Pension | 48,000 | 11,619 | 30,000 | 7,262 | 36,000 | 8,714 | 14,645 | 687 |
| Total fixed remuneration | 848,759 | 641,847 | 532,559 | 374,680 | 638,559 | 503,592 | 701,042 | 534,745 |
| Annual Bonus | 724,000 | 827,731 | 362,000 | 383,750 | 434,400 | 513,362 | 475,134 | 524,309 |
| Legacy LTIP | 27,624,274 | 2,215,500 | 6,278,247 | 1,972,000 | 25,112,990 | 2,218,500 | 22,601,705 | 3,105,900 |
| Total variable remuneration | 28,348,274 | 3,043,231 | 6,640,247 | 2,355,750 | 25,547,390 | 2,731,862 | 23,076,839 | 3,630,209 |
| Other One-off payment | 15,384 | 11,805 | 425 | 1,000 | 11,538 | 9,632 | 12,620 | - |
| Total other pay | 15,384 | 11,805 | 425 | 1,000 | 11,538 | 9,632 | 12,620 | - |
| Total remuneration | 29,212,417 | 3,696,883 | 7,173,231 | 2,731,430 | 26,197,487 | 3,245,086 | 23,790,501 | 4,164,951 |
| Total remuneration excluding legacy awards | 1,588,143 | 1,481,383 | 894,984 | 759,430 | 1,084,497 | 1,026,586 | 1,188,796 | 1,059,051 |

| £ | Peter Allen | | Wendy Becker | | Dr Guy Harmelin | | Adrian Hennah | | John O'Higgins | | Sarah Gordon Wild | | Duncan Tatton-Brown | |
|--------------------|-------------|---------|--------------|--------|-----------------|--------|---------------|--------|----------------|--------|-------------------|--------|---------------------|------|
| | FY22 | FY21 | FY22 | FY21 | FY22 | FY21 | FY22 | FY21 | FY22 | FY21 | FY22 | FY21 | FY22 | FY21 |
| Salary and fees | 130,684 | 162,500 | 108,888 | 41,167 | 70,000 | 63,750 | 90,000 | 41,167 | 70,000 | 63,750 | 70,000 | 64,325 | 115,273 | - |
| Benefits | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Pension | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total remuneration | 130,684 | 162,500 | 108,888 | 41,167 | 70,000 | 63,750 | 90,000 | 41,167 | 70,000 | 63,750 | 70,000 | 64,325 | 115,273 | - |

1. Base salaries of the Executive Directors have been rounded to the nearest £10.
2. Remuneration for Spike Willcocks has been converted to sterling from US Dollars using an exchange rate of 1.2495 which is the average rate for FY22. Base salary and fees include a £12,000 annual fee in respect of plc board duties. Spike Willcocks is paid in US Dollars.
3. Benefits comprise private medical insurance for all Executive Directors. In addition, Tim Cowper and Clive Brown participate in the UK SIP and the benefits number includes matching shares with a value of £1,800.
4. All UK based Executive Directors receive cash in lieu of pension contributions. The pensions value for Spike Willcocks is the matching employer contribution to the US 401K plan.
5. The Annual Bonus plan is the bonus payable for performance year 2022. One third of the cash bonus amount will be deferred into awards over Oxford Nanopore shares under the Deferred Bonus Plan (DBP) in line with the Policy. The bonus payable to Spike Willcocks has been converted to sterling from US Dollars using an exchange rate of 1.2495 which is the average rate for FY22.
6. The LTIP figure reported for each of the Executive Directors comprises the value of the awards that have vested relating to the Share Price Performance Condition and Revenue Condition. The value shown is the closing price on the vesting dates of 28 January 2022 and 12 October 2022. In addition, a further performance condition was met in respect of the shares allocated to the Revenue Condition based on the full year revenue outcome for 2022. The value of these shares has been included using the average share price for the 3 months to 31 December 2022. Further detail is provided at 133. All awards relate to legacy pre-IPO plans and are not part of the ongoing Policy.
7. The one-off payment received by Gordon Sanghera, Clive Brown and Spike Willcocks represents a payment in lieu of holiday that could not be taken during and shortly after the IPO period. The one-off payment received by Tim Cowper represents a ten-year loyalty award made under the company's long-service award scheme.
8. Fees received by Peter Allen are for the period 1 January 2022 to 31st July 2022, when he stepped down as Chair of the Board of Directors.
9. Fees received by Duncan Tatton-Brown are for the period commencing on the date of appointment as Chair of the Board of Directors (1 August 2022) to 31 December 2022.

Notes to the single figure table for Executive Directors (audited)

Annual Bonus Plan (ABP) (audited)

The maximum ABP opportunity for 2022 was 200% of salary for the CEO and 160% for the other three Executive Directors (unchanged from FY21 for the period from IPO). The ABP performance measures were based on the achievement of Group financial targets and a scorecard of quantifiable strategic objectives. Performance targets and actual outturn as a percentage of the target bonus are summarised below.

| Performance measures | Weighting | Threshold | Target | Maximum | Actual 2022 Achievement | Bonus outcome (% of max. bonus) |
|-------------------------------------|-------------|---|---|---|-------------------------|---------------------------------|
| Financial measures | | | | | | |
| Group revenue growth | 45% | 20% | 30% | 40% | 15.7% | 0% |
| Group gross profit margin | 25% | 50% | 55% | 57.5% | 56.3% | 38% |
| Strategic Scorecard measures | 30% | | | | | |
| Key product launch – Kit 12 | | Released and in the kit types that generate 40% of the kit revenue. | Released and in the kit types that generate 60% of the kit revenue. | Released and in the kit types that generate 80% of the kit revenue. | 20% | 20% |
| P2 | | Proof of concept completed internally for the P2 and the "P2 Solo". | P2 prototypes devices with developers. | P2 Early Access programme underway. | 17.5% | 17.5% |
| P24 / P48 in-field upgrades | | 25% of in field devices upgraded. | 50% of devices in field upgraded. | 5% of devices in field upgraded. | 15% | 15% |
| Total | 100% | | | | | 90.5% |

The performance measures were set at the start of the year based on internal budgets, external forecasts and a broader view of the macroeconomic environment. All targets were set on a stretching basis.

With regards to Revenue Growth, despite growth of 15.7%, the threshold target of 20% was not achieved due to the tough macro-economic backdrop and hence the bonus outcome for this measure was zero.

Gross Profit Margin showed a continuing improvement year on year. The 56.3% margin for 2022 exceeded the target of 55% and based on a straight-line calculation between target and maximum, an outcome of 38% of the target bonus was achieved.

Innovation was strong in 2022. All three of the strategic scorecard measures met their target deliverables, with the P2 solo overachieving significantly and 69% of the in-field upgrades of the P24/P48 achieved. These achievements provided a combined outcome of 52.5% of the target bonus.

In summary, these achievements against each of the performance measures provided an overall bonus outcome of 90.5% of target and 45.25% of the maximum bonus payable.

ABP payments are calculated using base salary as at 31 December 2022, in line with the global policy that applies to other employees across the Company. Consistent with the Policy, one-third of the entire bonus will be deferred into an award of shares under the DBP, with a holding period of 1 year for 50% of the award, and two years for the remaining 50% of the award, with vesting subject to continued employment.

None of the value of the ABP awards relates to share price appreciation.

Directors' remuneration report continued

Awards granted in 2022

Long Term Incentive (LTIP) (audited)

On 11 April 2022, the Executive Directors received awards of shares under the LTIP as a percentage of salary in line with the terms of the Policy. The three-year performance period over which performance will be measured is from 1 January 2022 to 31 December 2024. The performance measures and targets for awards made in April 2022 are outlined below:

| 2022 LTIP | Relative TSR – depending on the Company's TSR position against a group of comparators consisting of 17 global life sciences and other companies. | Relative TSR – depending on the Company's TSR position against the constituents of the FTSE 350, excluding investment trusts. |
|-------------------------------|--|---|
| Weighting target range | 50% median to upper quartile | 50% median to upper quartile |

- 25% of the LTIP awards will vest at threshold, with vesting up to 100% only if upper quartile performance is achieved for both measures;
- A ranking position between median and upper quartile will result in a vesting outcome calculated on a straight-line basis by ranking with interpolation between positions;
- A 3-month backward looking averaging period will be used (starting from 3 months prior to the start and end of the performance period (i.e. October to December);
- The TSR of each company in the 17 life sciences and other companies group will be measured in local currency.

The Committee will reserve discretion as to the treatment of companies which delist.

In accordance with the plan rules, the number of performance shares granted under the LTIP, as shown in the table below, was calculated using the average closing price for the five trading days prior to the date of grant.

LTIP awards granted during the year

| Name | Date of grant | Face value of LTIP Performance Share award on grant | Price per Share | Number of Shares subject to LTIP award |
|------------------------------|---------------|---|-----------------|--|
| Gordon Sanghera | 11-Apr-22 | £2,000,000 | £3.82 | 523,560 |
| Tim Cowper | 11-Apr-22 | £1,000,000 | £3.82 | 261,780 |
| Clive Brown | 11-Apr-22 | £1,200,000 | £3.82 | 314,136 |
| Spike Willcocks ¹ | 11-Apr-22 | £1,260,565 | £3.82 | 329,991 |

1. The face value of the share award on grant for Spike Willcocks was converted to sterling from US dollars using the exchange rate of US\$1.301:£1, which was the closing exchange rate on the last working day before the grant.

Deferred Bonus Plan (DBP) (audited)

On 11 April 2022, shares awards were granted under the DBP to the Executive Directors for the deferred element (one third) of their FY21 annual bonus.

DBP awards granted during the year

| Name | Date of grant | Face value of DBP award on grant ¹ | Price per Share ² | Number of Shares subject to DBP Award |
|------------------------------|---------------|---|------------------------------|---------------------------------------|
| Gordon Sanghera | 11-Apr-22 | £275,903 | £3.82 | 72,226 |
| Tim Cowper | 11-Apr-22 | £127,916 | £3.82 | 33,486 |
| Clive Brown | 11-Apr-22 | £171,116 | £3.82 | 44,795 |
| Spike Willcocks ³ | 11-Apr-22 | £185,044 | £3.82 | 48,441 |

1. Equates to one third deferral of FY21 bonus

2. Calculated by using the five-day closing average share price prior to the date of grant

3. The face value of the share award on grant for Spike Willcocks was converted to sterling from US dollars using the exchange rate of US\$ 1.301:£1, which was the closing exchange rate on the last working day before the grant.

Legacy Pre-IPO Awards (performance based) vesting in 2022 – audited

The legacy pre-IPO awards were granted under the Founder LTIP to the Executive Directors on 22 June 2021. These awards vest on the achievement of two performance conditions: the Share Price Performance Condition comprises 50% of the total award with the Revenue Condition making up the remaining 50%. The detail of each of the performance conditions and the operation of these awards is as follows:

- In the case of the share price hurdles, vesting occurs in equal portions at 120% of the Company's share price at IPO (i.e. £5.10), £7.70 per share and £10.45 per share, and on a straight-line basis between hurdles.
- In the case of the revenue hurdles, vesting occurs in equal portions at £140 million annual revenue, £231 million annual revenue and £308 million annual revenue to be achieved by the end of 2026, and on a straight-line basis between hurdles.
- The Retention Awards are also subject to post-vesting holding periods which, together with the hurdles, are designed to retain the executive talent and tie executive rewards to increased shareholder value. The effect of the retention awards is accounted for within share-based payments within operating expenses in the Company's accounts.
- If a vesting event occurs within three years of grant, the relevant portion of the award will not be released until at least a 2-year period has elapsed. No element of the award may be released until at least 3 years of the award date. At the end of the performance period (31 December 2026) any element that has vested will be released and any unvested element of the award will lapse.

During 2022, following evaluations of the Share Price Performance Condition and the Revenue Condition, the Remuneration Committee approved the vesting of 51.07% of the shares allocated to the two conditions as follows:

- On 28 January 2022, 47.91% of the shares allocated to the Share Price Condition. This was as a result of the achievement the Highest Share Price Average over a 3-month period since Admission of 623.73p (based on the period 8 October 2021 to 7 January 2022).
- On 12 October, 54.24% of the shares allocated to the Revenue Condition. This was as a result of the actual revenue for the 12 months ending 30 June 2022 of £197.1m. In addition, based on confirmation of gross revenue of £198.6m for FY22, a further 0.54% of the shares allocated to this condition will vest following announcement of the full-year financial results.
- The table below shows the number of vested shares and their value at 31 December 2022 based on a share price of 246.5p. None of the value of the awards which vested relates to share price appreciation.

2021 Pre-IPO retention awards vesting in 2022 under Founder LTIP

| Name | Maximum number of shares | Share Price Performance Condition payout % of maximum | Revenue Condition payout-% of maximum | Number of shares vesting | Value of share vesting at 31.12.22 |
|-----------------|--------------------------|---|---------------------------------------|--------------------------|------------------------------------|
| Gordon Sanghera | 15,601,160 | 23.95% | 27.12% | 7,968,291 | 19,641,837 |
| Tim Cowper | 3,545,720 | 23.95% | 27.12% | 1,810,976 | 4,464,055 |
| Clive Brown | 14,182,880 | 23.95% | 27.12% | 7,243,905 | 17,856,225 |
| Spike Willcocks | 12,764,600 | 23.95% | 27.12% | 6,519,267 | 16,069,993 |

Directors' remuneration report continued

Summary of Outstanding Share Awards (audited)

The table below details the share awards and options granted to the Executive Directors under the various pre- and post- IPO arrangements and granted during FY22 under the DBP and LTIP.

| Director | Name of Share Plan | Exercise price | Award Grant Date | As at 1.1.22 | Granted during year ended 31.12.22 | Exercised during 2022 | As at 31.12.22 | Vested but not exercised during 2022 | Earliest date shares can be acquired/ released | Date of Lapse of award |
|------------------------|---------------------------|----------------|------------------|--------------|------------------------------------|-----------------------|----------------|--------------------------------------|--|------------------------|
| Gordon Sanghera | CSOP approved | £1.035 | 14-Jan-19 | 28,980 | - | - | 28,980 | 4,840 | 14-Jan-22 | 14-Jan-29 |
| | Founder LTIP ¹ | - | 22-Jun-21 | 15,601,160 | - | - | 15,601,160 | 7,968,291 | 22-Jun-24 | 22-Jun-26 |
| | USOP unapproved | £1.035 | 14-Jan-19 | 641,020 | - | - | 641,020 | 145,180 | 14-Jan-22 | 14-Jan-29 |
| | USOP unapproved | £3.0625 | 15-Jun-21 | 2,400,000 | - | - | 2,400,000 | 800,000 | 15-Jun-24 | 15-Jun-31 |
| | Deferred Bonus Plan | - | 11-Apr-22 | - | 72,226 | - | 72,226 | - | 11-Apr-23 | - |
| Tim Cowper | LTIP | - | 11-Apr-22 | - | 523,560 | - | 523,560 | - | 11-Apr-27 | - |
| | CSOP approved | £1.035 | 14-Jan-19 | 28,980 | - | - | 28,980 | 4,840 | 14-Jan-22 | 14-Jan-29 |
| | Founder LTIP ¹ | - | 22-Jun-21 | 3,545,720 | - | - | 3,545,720 | 1,810,976 | 22-Jun-24 | 22-Jun-26 |
| | Options - UK unapproved | £1.20 | 10-Nov-16 | 162,836 | - | - | 162,836 | - | 10-Nov-19 | 10-Nov-26 |
| | USOP unapproved | £1.035 | 14-Jan-19 | 771,020 | - | - | 771,020 | 128,520 | 14-Jan-22 | 14-Jan-29 |
| | USOP unapproved | £3.0625 | 15-Jun-21 | 1,600,000 | - | - | 1,600,000 | 533,340 | 15-Jun-24 | 15-Jun-31 |
| | Deferred Bonus Plan | - | 11-Apr-22 | - | 33,486 | - | 33,486 | - | 11-Apr-23 | - |
| Clive Brown | LTIP | - | 11-Apr-22 | - | 261,780 | - | 261,780 | - | 11-Apr-27 | - |
| | CSOP approved | £1.035 | 14-Jan-19 | 28,980 | - | 28,980 | - | - | 14-Jan-22 | 14-Jan-29 |
| | Founder LTIP ¹ | - | 22-Jun-21 | 14,182,880 | - | - | 14,182,880 | 7,243,905 | 22-Jun-24 | 22-Jun-26 |
| | Options - UK unapproved | £0.13 | 03-Dec-12 | 65,002 | - | - | 65,002 | - | 03-Dec-15 | 30-Jun-23 |
| | Options - UK unapproved | £1.20 | 10-Nov-16 | 1,300,000 | - | - | 1,300,000 | - | 10-Nov-19 | 10-Nov-26 |
| | USOP unapproved | £1.035 | 14-Jan-19 | 871,020 | - | - | 871,020 | 145,180 | 14-Jan-22 | 14-Jan-29 |
| | USOP unapproved | £3.0625 | 15-Jun-21 | 1,800,000 | - | - | 1,800,000 | 600,000 | 15-Jun-24 | 15-Jun-31 |
| | Deferred Bonus Plan | - | 11-Apr-22 | - | 44,795 | - | 44,795 | - | 11-Apr-23 | - |
| Spike Willcocks | LTIP | - | 11-Apr-22 | - | 314,136 | - | 314,136 | - | 11-Apr-27 | - |
| | Founder LTIP ¹ | - | 22-Jun-21 | 12,764,600 | - | - | 12,764,600 | 6,519,518 | 22-Jun-24 | 22-Jun-26 |
| | Options - UK unapproved | £.0668 | 05-May-21 | 148,660 | - | - | 148,660 | - | 05 May 2021 | 30-Jun-23 |
| | USOP unapproved | £1.035 | 02-Jul-19 | 1,260,000 | - | - | 1,260,000 | 210,000 | 02-Jul-22 | 02-Jul-29 |
| | USOP unapproved | £3.0625 | 15-Jun-21 | 1,600,000 | - | - | 1,600,000 | 533,340 | 15-Jun-24 | 15-Jun-31 |
| | Deferred Bonus Plan | - | 11-Apr-22 | - | 48,441 | - | 48,441 | - | 11-Apr-23 | - |
| | LTIP | - | 11-Apr-22 | - | 329,991 | - | 329,991 | - | 11-Apr-27 | - |

1. The award granted under the Founder LTIP can be referenced to page 255 of the prospectus where it is cited as "Conditional Award". The market value per share at the date of award was £3.50. Vested awards are subject to a holding requirement as defined by the plan rules.

2. All CSOP and unapproved share options met their performance conditions pre-IPO and are now subject only to the employee's ongoing employment and holding periods.

UK Share Incentive Plan (SIP) shares awarded (audited)

The UK SIP is a tax-favoured all-employee plan that enables UK employees to save out of pre-tax salary. Monthly contributions are used by the plan trustee to buy Oxford Nanopore shares (partnership shares). The Company funds an award of an equal number of shares (matching shares). The current maximum contribution is £150 per month. Shares held in the plan for five years will be free of income tax and National Insurance, as well as Capital Gains Tax if retained in the plan until sold. The table below shows all SIP shares awarded to the UK based Executive Directors from 1 January 2022 to 20 March 2023.

| Director | Shares held at 1.1.22 | Partnership shares acquired to 31.12.22 | Matching shares acquired to 31.12.22 | Free Shares awarded to 31.12.22 | Total Shares held 31.12.22 | Partnership & Matching Shares acquired between 1.1.23 & 21.3.23 |
|------------------------|-----------------------|---|--------------------------------------|---------------------------------|----------------------------|---|
| Gordon Sanghera | 633 | 0 | 0 | 0 | 633 | 0 |
| Tim Cowper | 677 | 558 | 558 | 0 | 1,793 | 392 |
| Clive Brown | 633 | 558 | 558 | 0 | 1,749 | 392 |

Directors' interests in the share capital of the Company (audited)

The table below summarises the Directors' interests in shares, including unvested awards under employee share schemes, as at 31 December 2022. Further details of all outstanding awards are provided on page 134.

The Shareholding Requirement for each of the Executive Directors as set out in the Policy is 300% of base salary.

| | Ordinary Shares held at 31.12.22 | Retention Awards unvested and subject to performance conditions | Retention Awards vested and subject only to employment condition | Deferred Bonus Plan Share Awards subject only to holding period | CSOP approved Options vested but not exercised | Unapproved Options vested but not exercised | Unapproved Options unvested subject only to employment condition | LTIP Awards unvested and subject to performance condition | SIP (Restricted) | % of salary under Remuneration Policy shareholding guidelines ² | Shareholding requirement met |
|--------------------------------|----------------------------------|---|--|---|--|---|--|---|------------------|--|------------------------------|
| Executive Directors | | | | | | | | | | | |
| Gordon Sanghera | 10,373,893 | 7,632,869 | 7,968,291 | 72,226 | 28,980 | 1,841,020 | 1,200,000 | 523,560 | 633 | 4576% | yes |
| Tim Cowper | 186,419 | 1,734,744 | 1,810,976 | 33,486 | 28,980 | 1,733,856 | 800,000 | 261,780 | 1,793 | 722% | yes |
| Clive Brown | 1,463,927 | 6,938,975 | 7,243,905 | 44,795 | - | 3,136,022 | 900,000 | 314,136 | 1,749 | 2458% | yes |
| Spike Willcocks | 4,729,700 | 6,245,082 | 6,519,518 | 48,441 | - | 2,208,660 | 800,000 | 329,991 | - | 3160% | yes |
| Non-executive Directors | | | | | | | | | | | |
| Dr Guy Harmelin | 0 | - | - | - | - | - | - | - | - | - | - |
| Adrian Hennah | 14,125 | - | - | - | - | - | - | - | - | - | - |
| Wendy Becker | 9,008 | - | - | - | - | - | - | - | - | - | - |
| John O'Higgins | - | - | - | - | - | - | - | - | - | - | - |
| Sarah Gordon Wild | 101,678 | - | - | - | - | - | - | - | - | - | - |
| Duncan Tatton-Brown | 180,000 | - | - | - | - | - | - | - | - | - | - |

1. Ordinary shares comprise all shares held in Oxford Nanopore Technologies including those held by spouses or in trust.

2. The % of base salary held in share interests has been calculated using a share price of 246.5p as of 31 December 2022. The value of the shareholding for each Executive Director is the summation of the value of any ordinary and SIP shares held at 31 December 22, the gross gain on any CSOP option and the net gain of any unvested (subject to employment condition only) and vested unapproved options. This is then expressed as a percentage of base salary (base pay for Spike Willcocks has been converted to Sterling from USD at 1.2495).

3. The Chair and Non-Executive Directors are not awarded incentive schemes and are not subject to a shareholding requirement

4. Spike Willcocks participated in the US Employee Share Purchase Plan (ESPP) for the offering period 1 November 2021 to 31 December 2022. 5,932 shares were purchased on 12 January 2023 with contributions made throughout the offering period. The purchase price was £2.47.

The shareholding as a percentage of salary relates to those awards not subject to ongoing performance conditions. The share price used is 246.5p being the closing price as at 31 December 2022.

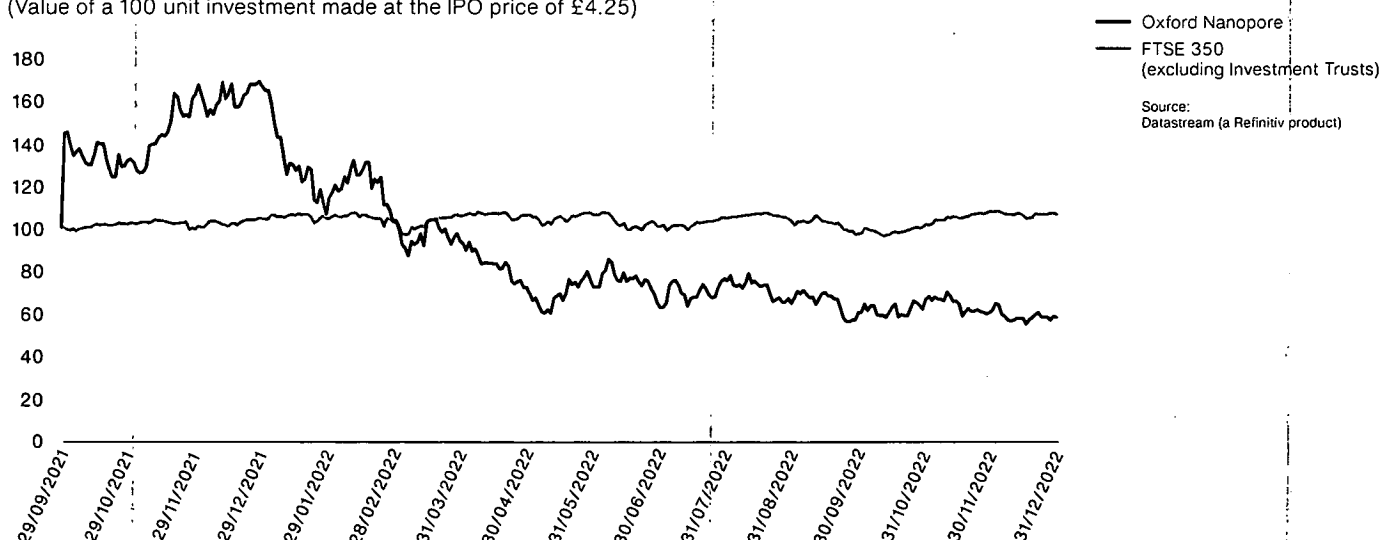
Directors' remuneration report continued

Performance graph against FTSE 350

The following chart shows the value of £100 invested in the Company (at the IPO share price of £4.25) compared with the value of £100 invested in the FTSE 350 Index in both cases for 2022. The FTSE 350 Index (excluding Investment Trusts) has been chosen as it provides the most appropriate and widely recognised index for benchmarking the Company's corporate performance.

Total Shareholder Return

(Value of a 100 unit investment made at the IPO price of £4.25)



CEO remuneration

The table below sets out the CEO's single figure of total remuneration for the year ended 31 December 2022 together with the percentage of maximum bonus awarded and long-term incentive awards that vested over the same period.

| | 2021 | 2022 |
|--|------------|-------------|
| Total remuneration | £3,696,883 | £29,212,417 |
| Annual bonus (as a % of maximum opportunity) | 100% | 45.25% |
| Performance Shares vesting (as a % of maximum opportunity) | N/A | 51.07% |

Percentage change in Directors' remuneration

The table below sets out the percentage change from 31 December 2021 to 31 December 2022, in base salary, the value of taxable benefits and bonus for all Directors compared with the average percentage change for UK based employees.

Table 5 – Percentage Change in Directors' remuneration

| | % change in salary 21/22 | % change in benefits 21/22 ¹ | % change in annual bonus 21/22 |
|----------------------------------|--------------------------|---|--------------------------------|
| Gordon Sanghera | 27.8% | (82.4%) | (12.53%) |
| Tim Cowper | 37.7% | (42.7%) | (5.67%) |
| Clive Brown | 22.3% | (40.7%) | (15.38%) |
| Spike Willcocks | 29.5% | (1.00%) | (9.38%) |
| Duncan Tatton-Brown ² | - | - | - |
| Dr Guy Harmelin | 9.8% | - | - |
| Adrian Hennah ³ | 0% | - | - |
| Wendy Becker ³ | 21% | - | - |
| John O'Higgins | 9.8% | - | - |
| Sarah Gordon Wild | 8.8% | - | - |
| Peter Allen ⁴ | 38.5% | - | - |
| Average of UK employees | 7.9% | (82.4%) | 40.67% |

1. The percentage decrease in benefits from 2021 to 2022 for Gordon Sanghera, Tim Cowper, Clive Brown and UK employees reflects the £3,600 free shares award made in 2021 under the UK SIP. No free share award under the UK SIP was made in 2022.

2. Duncan Tatton-Brown joined the Board on 1 August 2022, therefore there is no comparable remuneration for 2021.

3. Fees for 2021 have been annualised for Wendy Becker and Adrian Hennah for comparative purposes, their appointments commenced on 24 June 2021. The percentage change for Wendy has arisen as effective 21 January 2022, Wendy started to receive a fee of £20,000 per annum for her role as Senior Independent Director.

4. Fees for 2022 have been annualised for Peter Allen to allow a comparison to 2021. Peter resigned as Chair of the Board of Directors on 31 July 2022.

5. Bonuses for the Executive Directors reduced in 2022 compared to 2021 as maximum payment was achieved in 2021 compared to 45.2% of the maximum in 2022.

6. Average bonus payments for UK employees has increased by 40.67% in 2022 due to the introduction of new bonus plans post-IPO, to ensure market alignment and of remuneration arrangements in order to attract and retain key talent.

CEO pay ratio

| Financial year | Calculation Methodology | Element | P25 | P50 | P75 | CEO |
|----------------|-------------------------|--|---------|---------|---------|-------------|
| 2021 | A | CEO Pay ratio | 97:1 | 65:1 | 42:1 | |
| | | Total Pay and benefits | £10,752 | £16,031 | £24,704 | £1,037,779 |
| | | Salary | £6,873 | £10,042 | £16,656 | £193,650 |
| 2022 | A | CEO Pay ratio | 698:1 | 509:1 | 329:1 | |
| | | Total Pay and benefits | £41,874 | £57,415 | £88,773 | £29,212,417 |
| | | CEO Pay ratio excluding legacy awards | 38:1 | 28:1 | 18:1 | |
| | | Total Pay and Benefits excluding legacy awards | £41,874 | £57,415 | £88,773 | £1,588,143 |
| | | Salary | £36,000 | £50,000 | £70,768 | £800,000 |

The Company has chosen to use Option A as defined by the relevant regulations, as Oxford Nanopore recognise that this is the most statistically accurate method for calculating the ratio. For 2021, the above covers the period from admission on 5th October 2021 to 31 December 2021. For the CEO and each UK employee employed on 31 December 2022, the Single Total Figure of Remuneration comprises the summation of base pay and benefits received for the period 1 January to 31 December 2022, including the value of any SIP free and matching shares, income derived from LTIPs, employer pension contributions or cash equivalent and includes the full-year bonus for FY 2022. Base pay and bonus have been included on a full-time equivalent basis. To account for the volatility in the Single Total Figure of Remuneration, a CEO pay ratio excluding Founder LTIP awards is included. Ignoring legacy awards, the CEO pay ratio has decreased at each quartile, this reflects the impact of the introduction of new plc aligned variable pay arrangements throughout the workforce.

Directors' remuneration report continued

Relative importance of spend on pay

The table below shows the Group's expenditure on employee pay (wages and salaries) compared to distributions to shareholders for the year ended 31 December 2022, compared to the year ended 31 December 2021.

Table 6 – Relative importance of spend on pay

| £'000 | FY22 (£000) | FY21 (£000) | % change |
|------------------------------|-------------|-------------|----------|
| Employee Costs | 81,613 | 54,421 | 50.0% |
| Distribution to Shareholders | – | – | 0% |

Payments for loss of office and/or payments to former Directors (audited)

No payments for loss of office, nor payments to former Directors were made from 1 January to 31 December 2022.

Dilution limits

It is the Company's intention to use newly issued shares to satisfy awards made under all executive and employee share plans. The Company's share plans comply with the IA guidance on dilution limits and the position at 31 December 2022 was:

Table 7 – Dilution limits

| | |
|---|--------------|
| Limit of 5% in any ten years under all executive share plan | Actual 0.61% |
| Limit of 10% in any ten years under all share plans | Actual 0.73% |

Statement of shareholding voting

The binding resolution on the Policy was passed at the AGM in 2022. The advisory vote on the Directors' Remuneration Report also received sufficient shareholder support at the 2022 AGM. The table below shows the votes cast by shareholders:

Table 8 – Statement of shareholding voting

| | Remuneration Policy (2022 AGM) | | Remuneration report (2022 AGM) | |
|-----------------|--------------------------------|-------|--------------------------------|-------|
| | Votes | % | Votes | % |
| Votes in favour | 589,737,541 | 99.70 | 588,537,846 | 99.39 |
| Votes against | 1,777,387 | 0.03 | 3,611,314 | 0.61 |
| Votes withheld | 35,944,210 | – | 35,309,978 | – |

Executive Director's service contracts

The 3 UK based Executive Directors are employed under rolling contracts of employment with Oxford Nanopore Technologies plc. The US based Executive Director is employed under a rolling contract of employment with Oxford Nanopore Technologies, Inc. Each Executive Director's service agreement is effective from the date of admission to trading on the Main Market of the London Stock Exchange with a notice period of 12 months from the Company and the Executive Director.

The Executive Directors' Service Agreements are available for inspection at the Company's registered office.

Non-Executive Directors' letters of appointment

All Non-Executive Directors, including the Chair are on three-year terms which are expected to be extended up to a total of nine years. The dates of initial appointment to the Board are shown in the table below. The appointments continue on a rolling basis until terminated by either party on three written months' notice.

| | Date of appointment | Date of Expiry of Initial Term |
|---------------------|---------------------|--------------------------------|
| Duncan Tatton Brown | 1 August 2022 | 31 July 2025 |
| Wendy Becker | 24 June 2021 | 24 June 2024 |
| Dr Guy Harmelin | 17 September 2020 | 17 September 2021 – extended |
| Adrian Hennah | 24 June 2021 | 24 June 2024 |
| John O'Higgins | 19 September 2019 | 19 September 2022 – extended |
| Sarah Gordon Wild | 1 January 2015 | 1 January 2018 – extended |

Peter Allen served as Chair of the Board of Directors under an appointment letter dated 1 January 2015 and left the Company on 31 July 2022.

The Chair of the Board and the NEDs are subject to confidentiality undertakings without limitation in time, and a non-compete restrictive covenant for the duration of their appointments and for nine months after the termination of their appointments.

Directors' remuneration report continued

Summary of the Directors' Remuneration Policy

The Policy was approved by shareholders at the 2022 AGM and will operate for three years from the 2021 AGM. The design of the Policy is intended to meet the following objectives: Clarity; Simplicity; Risk; Predictability; Proportionality and Alignment to Culture.

The table below summarises the Policy and explains how each element operates and how it links to the corporate strategy. A full copy of the Policy may be inspected on the Company's website (on pages 112 to 116 of the Company's 2021 annual report and accounts).

| Base Salary | |
|-------------------------------------|--|
| Purpose and link to strategy | <ul style="list-style-type: none"> To support the attraction and retention of the best global talent with the capability to deliver Oxford Nanopore's strategy. |
| Operation | <ul style="list-style-type: none"> Base salaries will normally be reviewed annually or following a change in responsibilities with changes usually taking effect from 1 April. The Remuneration Committee will consider a number of factors when setting base salaries including (but not limited to): <ul style="list-style-type: none"> Pay increases for other employees across the group. Where increases are awarded in excess of the wider employee population, rationale for this will be provided in the relevant year's Directors' Remuneration Report. The individual's performance, skills and responsibilities. Base salaries at companies of a similar size, international scope, in similar sectors and geographical locations as Oxford Nanopore, with roles typically benchmarked against these. |
| Maximum potential value | <ul style="list-style-type: none"> There is no monetary maximum salary level but salary increases will normally be in line with increases awarded to other employees across the Group. The Committee retains the discretion to increase salaries above this rate where appropriate, for example where there is a change in role or responsibility, or the need to align an Executive Director's salary to market level over time. The current base salaries for the Executive Directors are set out on page 130. |
| Performance metrics | <ul style="list-style-type: none"> Not applicable. Individual performance, in addition to the overall performance of the Group, is however considered as part of the annual review process. |
| Benefits | |
| Purpose and link to strategy | <ul style="list-style-type: none"> To provide market competitive and cost-effective benefits to enable the attraction and retention of the best global talent. |
| Operation | <ul style="list-style-type: none"> The benefits package may include insurance coverage, such as life, medical, dental, income protection, accidental death and disability insurance, and other benefits provided more widely across the Group from time to time. A full annual health check may also be included. The Committee has the discretion to offer additional allowances, or benefits, to Executive Directors, if considered appropriate and reasonable. These may include travel allowances, the provision of a company car or car allowance, relocation expenses, housing allowances and school fees where a Director has to relocate from his/her home location as part of their appointment. |
| Maximum potential value | <ul style="list-style-type: none"> As the cost of benefits will depend on an individual's personal circumstances, there is no specific monetary maximum although it is not expected to exceed what the Committee considers a normal market level. |
| Performance metrics | <ul style="list-style-type: none"> Not applicable |

| Post-retirement provision | |
|-------------------------------------|--|
| Purpose and link to strategy | <ul style="list-style-type: none"> To provide cost-effective retirement plans to support the attraction and retention of the best global talent. |
| Operation | <ul style="list-style-type: none"> Provision of market competitive pension arrangements, or a cash alternative based on a percentage of base salary. The approach to pension arrangements for the Executive Directors is in line with the wider workforce. |
| Maximum potential value | <ul style="list-style-type: none"> In the UK, Executive Directors are eligible to participate in the Group's defined contribution pension scheme, with a maximum Company contribution aligned with that of the wider workforce, currently 6% of base salary (but subject to periodic review), which they may opt to receive as a cash allowance in lieu of employer pension contributions. Executive Directors based in the US will be offered participation in the US Section 401(k) defined contribution plan, with the Company matching contributions up to, currently, a maximum of 6% of salary (subject to periodic review). |
| Performance Metrics | <ul style="list-style-type: none"> Not applicable. |
| Annual Bonus Plan | |
| Purpose and link to strategy | <ul style="list-style-type: none"> To incentivise and reward the achievement of annual financial and non-financial corporate targets in line with the Company's short-term financial and strategic objectives. To align with shareholders' and wider stakeholders' interests. |
| Operation | <ul style="list-style-type: none"> Executive Directors are eligible to participate in the Annual Bonus Plan ("ABP") at the discretion of the Committee. Measures and stretching targets are determined in respect of each financial year of the Company by the Committee and may vary to ensure alignment with the Company's business plan and strategy. The level of award is determined with reference to the Company's overall financial and strategic performance and is paid out after the end of the relevant financial year. At least 1/3 of any bonus earned will be deferred into an award of shares under the Deferred Bonus Plan (DBP) with a holding period of at least one year for 50% of the award, and at least two years for the remaining 50% of the award. Awards granted under the DBP may incorporate the right to receive an amount of cash or shares equal in value to the dividends that are paid on the shares that vest during the holding period. This amount may assume re-investment of dividends. The Committee has discretion to adjust the level of payment if it is not deemed to reflect appropriately the individual's contribution, the Company's overall business performance and such other factors as the Committee considers appropriate. Any discretionary adjustments will be detailed in the relevant year's Directors' Remuneration Report. Malus and/or clawback provisions apply as set out on pages 118 and 119 of last year's annual report and accounts. Bonus awards are non-pensionable and are payable at the Committee's discretion. |
| Maximum potential value | <ul style="list-style-type: none"> The maximum opportunity is 200% of base salary in respect of any financial year for outstanding performance. For threshold performance, up to 50% of base salary may be earned, with up to 100% of base salary earned for on-target performance. |
| Performance metrics | <ul style="list-style-type: none"> The Committee will determine the performance measures and targets each year taking into account the Company's key strategic objectives at that time. Performance measures may include financial, strategic, operational, ESG and/or personal objectives. At least 60% will be linked to financial measures. The performance measures for FY23 are set out on page 128. |

Directors' remuneration report continued

| Long-Term Incentives | |
|-------------------------------------|---|
| Purpose | <ul style="list-style-type: none"> To incentivise and reward the delivery of long-term shareholder value through the achievement of long-term financial and strategic objectives. To align with shareholders' interests and to create a long-term mindset. |
| Operation | <ul style="list-style-type: none"> Executive Directors are eligible to participate in the Oxford Nanopore Technologies plc Long-Term Incentive Plan 2021 (the "PLC LTIP"). Awards will normally vest after a period of at least three years, subject to the achievement of the relevant performance conditions and continued employment. The Committee will then also normally impose a further post-vesting holding period of two years. The level of vesting is determined by the Committee after the performance period, taking into account the degree to which the performance conditions have been met. In determining the final vesting outcome, the Committee may also consider the underlying performance of the business, as well as the value created for shareholders and any other factors it considers relevant. The Committee has discretion to adjust the formulaic outcomes of awards (within the Policy limits) to ensure alignment of pay with the underlying performance of the business over the performance period. Any adjustments would be explained to shareholders. Awards granted under the PLC LTIP may incorporate the right to receive an amount of cash or shares equal in value to the dividends that are paid on the shares that vest during the vesting period and the holding period. This amount may assume re-investment of dividends. Malus and/or clawback provisions apply as set out on pages 118 and 119 of last year's annual report and accounts. |
| Maximum potential value | <ul style="list-style-type: none"> The maximum annual award is 300% of base salary in respect of any financial year. There is a threshold vesting level of no more than 25% of maximum, with pro rata vesting up to 100% at maximum. |
| Performance metrics | <ul style="list-style-type: none"> Performance measures and stretching targets will be determined annually by the Committee for each new award to align with the Company's longer-term strategic priorities at that time. The measures that may be considered include financial and shareholder value metrics, in addition to strategic non-financial measures. At least 50% will be linked to financial (including TSR) measures. Details of the measures, weightings, and targets applicable for FY23 are provided on page 128. |
| Employee Share Plans | |
| Purpose and link to strategy | <ul style="list-style-type: none"> To encourage wider share ownership through locally "tax-approved" plans (such as an Employee Stock Purchase Plan in the United States). To align with shareholders' interests. |
| Operation | <ul style="list-style-type: none"> Executive Directors are eligible to participate in all-employee share plans offered by the Group on the same basis as is offered to the Group's other eligible employees. The Company operates tax-efficient all-employee share plans in various jurisdictions. |
| Maximum potential value | <ul style="list-style-type: none"> Limits for all employee share plans are set by the relevant local tax authorities. The Company may choose to set its own lower limits. |
| Performance metrics | <ul style="list-style-type: none"> Not applicable. |

| Shareholding Requirements | |
|--------------------------------|---|
| Purpose | <ul style="list-style-type: none"> To ensure alignment between the interests of Executive Directors and shareholders, To create a long-term mindset. |
| Operation | <ul style="list-style-type: none"> Shareholding guidelines are in place whereby Executive Directors are expected to build and maintain over time a shareholding in the Company. Executive Directors have five years from the date of their appointment to the Board in which to build up their shareholding. Unvested shares not subject to performance conditions (e.g. deferred share-based awards and vested LTIP awards subject to a holding period) will count towards the shareholding requirement (assuming shares have been sold to settle tax). Executive Directors will normally be required to continue to hold 100% of the in-employment shareholding requirement (or, if lower, their actual shareholding on cessation) for two years after leaving the Company unless the Committee determines, by exception, that it is not appropriate to so require. Details of the Executive Directors' current shareholding are provided in the Directors' Remuneration Report. |
| Maximum potential value | <ul style="list-style-type: none"> The shareholding requirement is 300% of base salary. |
| Performance metrics | <ul style="list-style-type: none"> Not applicable. |

Policy for Chair and Non-Executive Directors (the "NEDs")

The following table summarises the fee policy for the Chair and NEDs.

| Fees | |
|------------------|--|
| Purpose | <ul style="list-style-type: none"> To provide a competitive fee to support the attraction and retention of high-quality NEDs with skills and experience relevant to the Company. |
| Operation | <ul style="list-style-type: none"> Fees are determined annually based on the responsibility and time commitment required, and with reference to appropriate market comparisons carried out by non-conflicted members of the Board. Fees for the Chair are set by the Committee. NEDs are paid a base fee for membership of the Board, with additional fees being paid for the role of chair or membership of a Board Committee, to reflect their additional responsibilities and the workload required. The Company has the discretion to pay an additional fee to NEDs, should the Company require significant additional time commitment in exceptional or unforeseen circumstances. Any such fees will be time-limited in nature. Fees are normally paid in cash. NEDs are not eligible to participate in the Company's pension or incentive arrangements. NEDs do not currently receive any benefits but may do if considered appropriate and consistent with roles at other listed companies. Travel and other reasonable expenses incurred in the course of performing their duties are reimbursed. Any tax due on travel and accommodation benefits may be paid by the Company. The Chair of the Board and the NEDs have the benefit of the Company's directors' and officers' liability insurance policy. |

This Directors' remuneration report was approved by the Board and signed in its behalf by

Wendy Becker

Chair of the Remuneration Committee

20 March 2023

Directors' report

The Directors present their report, together with the audited financial statements for Oxford Nanopore Technologies plc and its subsidiary companies, for the year ended 31 December 2022.

The Directors' report, together with the Strategic Report on pages 18 to 99, represent the management report. The Strategic Report contains matters required to be disclosed in the Directors' report, in accordance with the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the UK Corporate Governance Code 2018. The Corporate Governance Report on pages 100 to 147 is incorporated into the Directors' Report by reference.

| Subject matter | Page reference |
|---|----------------|
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| Corporate governance statement | 102 |
| How the Board assesses and monitors culture | 111 |
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Directors

The following Directors currently hold office or did so during 2022:

Peter Allen (former Chair) (resigned on 31 July 2022)

Clive Brown

Tim Cowper

Wendy Becker

Sarah Gordon Wild

Dr Guy Harmelin

Adrian Henna

John O'Higgins

Dr Gordon Sanghera

Duncan Tatton-Brown (Chair) (appointed on 1 August 2022)

Dr Spike Willcocks

Biographical details of each Director are set out on pages 106 to 109 and details of the Directors' interests in the shares of the Company are detailed on page 135. Details of share awards granted to Executive Directors under the Company's share schemes during the reporting period are in the Directors' remuneration report on pages 132 to 133.

The powers of the Directors are determined by the Company's Articles of Association and the legislation and regulations in force in the UK, together with any specific authorities that may be given to the Directors by the Company's shareholders, such as in relation to the allotment of shares. The rules governing the appointment and retirement of Directors are set out in the Company's Articles of Association, the Companies Act and other related legislation.

Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 December 2022. The Company does not currently have a formal dividend policy.

Branches outside of the UK

The Group's subsidiaries, including subsidiaries located outside of the UK, are set out on page 204 of the financial statements.

Share capital and related matters

The Company has a Standard Listing on the London Stock Exchange. The Company has four share classes as set out below:

| Share Class | Number of shares as at 31 December 2022 |
|---|---|
| Ordinary Shares | 825,570,509 |
| A limited anti-takeover share ("A LAT Share") | 1 |
| B limited anti-takeover share ("B LAT Share") | 1 |
| C limited anti-takeover share ("C LAT Share") | 1 |

Ordinary Shares

The Ordinary Shares of £0.0001 each rank equally for voting purposes. On a show of hands each holder of Ordinary Shares has one vote and, on a poll, each Ordinary Shareholder has one vote per Ordinary Share held.

Each Ordinary Share ranks equally for any dividend declared. Each Ordinary Share ranks equally for any distributions made on a winding up of the Company. Each Ordinary Share ranks equally in the right to receive a relative proportion of shares in the case of a capitalisation of reserves.

There are no restrictions on the free transferability of the Ordinary Shares.

LAT Shares

The Articles contain provisions for three classes of "limited anti-takeover" shares, each of £1.00 each in the capital of the Company: the A LAT Share, the B LAT Share and the C LAT Share being, collectively, the LAT Shares. The rights attaching to the LAT Shares are set out below.

The Active LAT Share is determined as follows:

- the Active LAT Share shall be the A LAT Share unless, for any reason, Dr Gordon Sanghera ceases to be a director or employee of any company in the Group (including by reason of death) or is given, or gives, notice of the same (a "GS Disqualifying Event");
- if a GS Disqualifying Event occurs, then the Active LAT Share shall be the B LAT Share unless, for any reason, Dr James Willcocks ceases to be a director or employee of any company in the Group (including by reason of death) or is given, or gives, notice of the same (a "JW Disqualifying Event");
- if a GS Disqualifying Event and a JW Disqualifying Event has occurred, then the Active LAT Share shall be the C LAT Share unless, for any reason, Clive Brown ceases to be a director or employee of any company in the Group (including by reason of death) or is given, or gives, notice of the same (a "CB Disqualifying Event");

- if, at any time, each of a GS Disqualifying Event, a JW Disqualifying Event and a CB Disqualifying Event has occurred then, from the last of those events to occur, there shall no longer be any Active LAT Share; and
- the holder of a LAT Share will have the right to attend and speak at any general meeting of the Company. However, no LAT Share will carry any separate voting rights (other than in respect of a separate class meeting of the LAT Shares or any class of them (as a separate class)) until a Change of Control of the Company.

Immediately on a Change of Control of the Company, the Active LAT Share will automatically carry such number of votes on any resolution put to the shareholders at a general meeting as shall be necessary to ensure the effective passing of such shareholder resolution if those votes are cast by the holder of the Active LAT Share in favour of, or to ensure the defeat of, such shareholder resolution if those votes are cast by the holder of the Active LAT Share against such shareholder resolution.

For the purposes of this summary, a Change of Control will broadly arise if there is an acquisition by any person of an interest in Ordinary Shares which (when taken together with the Ordinary Shares in which that person and any persons acting in concert with them are interested) carry more than 50% of the voting rights exercisable by the shareholders on a poll in a general meeting (excluding those attributable to the Active LAT Share). In circumstances where an offer is made for the Ordinary Shares, a Change of Control will occur: (a) on a scheme of arrangement under Part 26 of the Companies Act 2006 at the point at which the scheme of arrangement becomes effective; and (b) on a takeover offer under Part 28 of the Companies Act 2006, at the point at which the takeover offer becomes unconditional in all respects.

No LAT Share will entitle any holder to receive any dividend or other distribution of the Company whether out of profits or on the winding-up of the Company or otherwise.

LAT Shares are not capable of transfer (unless pursuant to a purchase or cancellation by the Company of any LAT Shares following the sunset period (as set out below)) and the broader transfer provisions under the Articles applicable to the Ordinary Shares will not apply.

The rights attributable to a LAT Share will cease (and that LAT Share will be capable of being repurchased or cancelled by the Company) on the earlier of: (a) the date falling three years after the date of the issue of that LAT Share; (b) the transfer of that LAT Share to any person; and (c) a GS Disqualifying Event, JW Disqualifying Event or CB Disqualifying Event (as relevant).

The rights attached to the LAT Shares (or any class of them) shall not be capable of being varied or abrogated in any respect whatsoever without the prior written consent of the holder of each affected class of the LAT Shares.

Substantial shareholdings

The Company received notice of the following interest of 3% or more in its Ordinary Shares as at 31 December 2022 and 28 February 2023:

| Shareholder | Percentage of ordinary shares as at 31 December 2022 | Percentage of ordinary shares as at 28 February 2023 |
|-----------------------------------|--|--|
| IP Group | 10.10 | 10.09 |
| Tencent Holdings | 7.65 | 7.64 |
| Baillie Gifford ⁽¹⁾ | 6.11 | 5.98 |
| G42 | 5.37 | 5.37 |
| GIC | 4.71 | 4.71 |
| Oracle | 4.28 | 4.27 |
| Invesco | Below 3 | 3.47 |
| Lansdowne Partners ⁽²⁾ | 3.42 | 3.39 |
| Redmile Group ⁽³⁾ | 3.06 | Below 3 |

1. Not all underlying clients delegate authority to Baillie Gifford to vote the shares it manages on their behalf.

2. Funds affiliated with Lansdowne Partners (UK) LLP.

3. Fund affiliated with Redmile Group, LLC.

Significant agreements

The Company does not have any significant agreements that take effect, alter or terminate upon a change of control.

The Company does not have any agreements between holders of securities that may restrict transfer of securities or voting rights.

There are no agreements between the Group and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid, except that the provisions of the Group's share plans may allow options and awards granted to Directors and employees to vest on completion of a takeover offer.

Employees with disabilities

The Company is an equal opportunities employer and is committed to recruiting people from diverse backgrounds including people with disabilities. Any person who identifies as having a disability is given fair consideration for a vacancy against the requirements of the role and where possible, the Company makes reasonable accommodations for employees who identify as having a disability. All employees are giving the same training, development and job opportunities.

Should any employee experience any situation where they become disabled during their employment, the Company would ensure all efforts are made to retrain and adjust employees' environments and/or working patterns where possible to allow them to continue to maximise their potential.

Articles of Association

The Company's Articles may be amended by special resolution at a general meeting of the shareholders.

Insurance and indemnities

During the past year, the Company has maintained liability insurance in respect of its Directors. The Company has provided a qualifying third-party indemnity to each Director as permitted by section 234 of the Companies Act 2006 ("CA 2006") and by the Articles, which remain in force at the date of this report.

Political expenditure and donations

Although it is the Company's policy not to incur political expenditure, as a result of the broad definitions in the CA 2006, normal business activities of the Group such as funding conferences, which may not be considered political donations or expenditure in the normal sense, may possibly fall within the restrictions of the CA 2006. The Company obtained shareholder approval in June 2022 at the Company's AGM, in line with best practice, to authorise the Company to make political payments up to a maximum aggregate of £100,000. The Company intends to propose the same resolution for approval at the 2023 AGM.

The Group did not make any political donations during 2022.

Disclosure of information to auditors

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the steps that they ought to have taken as a Director of the Company to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern

The Directors confirm that they have a reasonable expectation that the Group will have adequate resources to continue in operational existence for at least the next 12 months from the date of the accounts and accordingly they continue to adopt the going concern basis in preparing the financial statements. The Company's viability statement is on page 98.

The Directors' Report, which has been prepared in accordance with the requirements of the CA 2006, has been approved by the Board and signed on its behalf by:

Hannah Coote

Company Secretary

20 March 2023

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. 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.

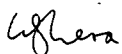
Each of the directors confirms that, to the best of their knowledge:

- the Group financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole
- the Directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the necessary information for shareholders to assess the Group's position, performance, business model and strategy

By order of the Board

Dr Gordon Sanghera
Director

20 March 2023



Tim Cowper
Director

20 March 2023

Independent Auditor's report to the members of Oxford Nanopore Technologies plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Oxford Nanopore Technologies plc (the "Company") and its subsidiaries (the "Group") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB);
- the Company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards 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:

Group

- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 34.

Company

- the Company statement of financial position;
- the Company statement of changes in equity;
- the Company cash flow statement; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

2. 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 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Revenue Recognition – Accuracy and Cut-off;
- IFRS 2: Share-based payments and employer social security taxes provision valuation; and
- Inventory Provisioning.

Materiality

The materiality that we used for the Group financial statements was £3,300,000 which was determined with reference to benchmarks including revenue, operating expenses and net assets.

Scoping

We selected two components where we performed a full scope audit of the component's financial information.

These two components comprise 99% of revenue, 94% of operating expenses and 99% of net assets.

Significant changes in our approach

We have made no significant changes in our audit approach in the year. Our key audit matter associated with share options has been expanded to include the associated employer social security taxes provision given the material change in the value of the provision in the year.

4. Conclusions relating to going concern

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

Our evaluation of the Directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key forecasting assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to going concern;
- Testing the integrity and mechanical accuracy of the going concern model by recalculating the cash headroom available in each of the scenarios prepared by management and approved by the Directors;
- Performing sensitivity analysis based on contradictory evidence, including consideration of market, latest third-party economic forecasts and FY23 results to date; and
- Assessing the appropriateness of the going concern disclosures made in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Revenue Recognition – Accuracy and Cut-off

Key audit matter description

The Group generates revenue primarily through the manufacture and sale of DNA and RNA sequencing products. Products are either sold on a stand-alone basis or as part of a larger bundle of goods and services.

In cases where revenue relates to the sale of bundled goods and services including multiple performance obligations, management is required to allocate the total bundle price between the different performance obligations, such that the appropriate revenue is recognised either at a point in time or over time depending on the goods or service provided to the customer. This considers the requirements of IFRS 15 Revenue from Contracts with Customers.

During 2022, the Group recognised £198.6 million of revenue (2021: £133.7 million). The increase in revenue is in part associated with revenue of £51.8 million following the conclusion of the Group's COVID-19 testing contract with the Department of Health and Social Care.

In addition, the Group has significant individual sales contracts where the combinations of goods and services included differ to the standard offerings of the Group.

We have identified the performance obligations and the allocation of the transaction price within such significant contracts (including the revenue from the Group's COVID-19 testing contract with the Department of Health and Social Care) as a key audit matter. Determining the revenue recognition profile for such contracts is complex and requires management judgement, and as such increases the risk of error.

Revenue could be misstated if the various performance obligations are not properly identified, and if the transaction price is inappropriately allocated between these obligations. Furthermore, the process for recording revenue on such contracts involves manual calculations and postings, which also increases the risk of error.

In addition, where goods are shipped to customers around the year end date, this can create the need for judgement in determining whether the Group had completed the relevant performance obligation within the year. As a result, there is a risk that revenue is not recognised in the correct year.

Further details on the Group's accounting policy for revenue recognition can be found in note 3 on page 163. Management have also identified revenue recognition as one of their critical accounting judgements and sources of estimation uncertainty within note 4 on page 170.

Refer also to page 118 of the report of the Audit and Risk Committee which includes consideration of revenue recognition.

How the scope of our audit responded to the key audit matter

- We obtained an understanding of management's process and tested relevant controls over revenue recognition;
- We challenged management's assessment on the accounting for each significant sales contract in the year. This included considering corroborative and contradictory evidence in cases where management had made judgements or estimates in determining the performance obligations and allocation of the total contract price to each of these obligations;
- In the case of significant contracts, we assessed whether revenue is accounted for and recognised in line with the contractual terms by agreeing to the sales contract or agreement. We also assessed whether revenue recognised was in line with the requirements of IFRS 15 *Revenue from Contracts with Customers*;
- We selected samples of transactions recorded in revenue and assessed whether revenue recorded was in line with the allocation of revenue to that performance obligation set out by management in their revenue recognition assessment of the relevant contract; and
- We selected samples from a population of transactions around the year end to assess whether revenue has been recognised in the correct period and at the correct transaction price.

Key observations

We concluded that revenue is being recognised appropriately and in line with the requirements of IFRS 15.

5.2 IFRS 2: Share-based payments and employer social security taxes provision valuation

| | |
|---|---|
| Key audit matter description | <p>In June 2021, the Group issued a number of share options to the Executive Directors of the Group. These include:</p> <ul style="list-style-type: none"> • conditional retention equity awards of up to 6.5% of the Company's equity, which is subject to achievement of a number of performance conditions linked to the Group's revenue and share price; and • limited anti-takeover ("LAT") non-voting shares issued to the Group's Executive Directors. <p>These share options have a vesting period of three to five years, and accordingly the charge is recorded over the vesting period, including a charge in 2022. The Group has recognised a charge of £70.0 million in 2022 (2021: £62.4 million) in relation to these, and other, share-based payments.</p> <p>Management prepared a calculation of the charge required under IFRS 2 Share-based payment with reference to considering the expected value of the shares and the likelihood of performance conditions being achieved. For options with a share price linked condition, these assumptions are determined at the point of granting the options and these are then not revised over the vesting period. For options with a revenue linked condition, at the end of the reporting period management are required to reassess the likelihood of vesting based on their latest best estimate.</p> <p>Additionally, management has recorded a provision as at 31 December 2022 of £10.8 million (2022: £33.2 million) for employer social security taxes which will be due at the point of exercise of the share options. This provision is recorded in line with the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and requires estimates to be made about the likelihood of vesting and the social security taxes payable at the point of exercise.</p> <p>The key audit matter relates to the judgement of the valuation and accounting treatment of the share options issued in June 2021 and the associated employer social security taxes provision. The valuation is estimated through a model which required a number of assumptions, including the likelihood of vesting. Some of the inputs used are not market observable and are based on estimates derived from available data. In certain cases, management engaged an expert to assist in determining these assumptions.</p> <p>Further details are included in note 26 to the financial statements in relation to share-based payments. Additionally, details on the Group's accounting policy for share-based payments can be found in note 3 on page 169, whilst it is identified as one of the key sources of estimation uncertainty within note 4 on page 170.</p> <p>Refer also to page 118 of the report of the Audit and Risk Committee which includes consideration of share based payment accounting.</p> |
| How the scope of our audit responded to the key audit matter | <ul style="list-style-type: none"> • We obtained an understanding of the relevant controls over the recognition of the share-based payment charge which involves a detailed review of underlying calculations and valuations; • We inspected the plan rules and evidence of plan approval, including signed and approved remuneration committee minutes and evidence of shareholder approval; • We challenged, with reference to supporting and contradictory information, management's assessment of the accounting for the share options and employer social security taxes provision. This included assessing relevant valuations provided by management's expert relating to certain key assumptions; • Where relevant, we involved internal specialists to assess the appropriateness of the approach adopted, and the models used to value the share-based payments granted during the period and certain key assumptions used in the IFRS 2 calculation; • We obtained the forecasts used in estimating the vesting of the revenue linked options, which we agreed to the Board approved forecasts. We challenged the appropriateness of the forecasts with reference to current and historical performance and sales contracts signed to date and external communications made by the Group to investors; and • We recalculated the amounts recorded in the year based on the inputs and assumptions. |
| Key observations | <p>We concluded that the charge recorded in relation to the share-based payments in the year is appropriate. The assumptions used in the valuation are within an acceptable range and the charge recorded in the income statement is in line with the requirements of IFRS 2. We also concluded that the valuation of the employer social security taxes provision is appropriate and consistent with the requirements of IAS 37.</p> |

5.3 Inventory Provisioning

Key audit matter description

The Group holds inventory across a number of locations for the purposes of fulfilling sales orders and contractual obligations. Additionally, certain components of inventory are held for use within research and development. Net inventory as at the year end is £87.7 million (2021: £63.1 million). In line with the requirements of IAS 2 Inventories, inventory is stated at the lower of cost and net realisable value.

Management is required to make a number of estimates around the net realisable value of inventory, which represents the estimated selling price less all estimated costs of completion. In cases where the net realisable value is below cost, management records a provision such that inventory is held at the lower of cost and net realisable value.

To estimate the inventory provision, management uses inputs based on the location and status of inventory held by the Group. This includes the intended use of the inventory, including whether it is expected to be sold or used for research and development purposes.

Management makes assumptions around the net realisable value of each category of inventory. These estimates are then applied to the inventory balance, based on its cost, location and intended use, to record a provision in cases where the net realisable value is below cost.

Given the uncertainty and judgement required by management, we have identified inventory provisioning as a key audit matter.

Further details are included in note 18 to the financial statements in relation to inventory. Additionally, details on the Group's accounting policy for inventory can be found in note 3 on page 168.

Refer also to page 118 of the report of the Audit and Risk Committee which includes consideration of inventory provisioning.

How the scope of our audit responded to the key audit matter

- We obtained an understanding around management's process for estimating the inventory provision balance, and tested the relevant controls over management's determination of the inventory provisioning estimates;
- We challenged the key judgements made by management in the calculation of the inventory provision, including with reference to forecast sales and considering any contradictory evidence which would indicate the net realisable value of inventory was below the cost;
- We assessed the historical accuracy of the inventory provision;
- For a sample of items, we challenged both the finance and supply chain teams on management's intended use of those items; and
- Whilst not directly part of the key audit matter, to audit the gross stock balance, we attended stocktakes at key locations which held significant levels of inventory, and performed confirmation procedures where stock was held at third-party locations. This included observing the condition of inventory and assessing the expected use of the stock. Additionally, we evaluated the cost of gross stock before any provisions were recorded.

Key observations

We concluded that the inventory provision recorded by management is appropriate such that inventory is stated at the lower of cost and net realisable value in line with the requirements of IAS 2.

Independent Auditor's report continued

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

| | Group financial statements | Company financial statements | | | | | | | | |
|--|--|-------------------------------|---------------------------------|---------|-------------------|--------------------|-------------------|------------|-------------------|--|
| Materiality | £3,300,000 (2021: £2,750,000) | £2,700,000 (2021: £2,250,000) | | | | | | | | |
| Basis for determining materiality | <p>In determining our benchmark for materiality we considered the metrics used by investors and other readers of the financial statements. In particular, we considered Revenue, Operating Expenses (with certain adjustments for share based payment charges and employer social security taxes provision releases), and Net Assets.</p> <p>Using professional judgement we have determined materiality to be £3,300,000.</p> <table><tr><th>Metric</th><th>Materiality as a % of benchmark</th></tr><tr><td>Revenue</td><td>1.7% (2021: 2.1%)</td></tr><tr><td>Operating Expenses</td><td>1.5% (2021: 1.2%)</td></tr><tr><td>Net Assets</td><td>0.5% (2021: 0.4%)</td></tr></table> | Metric | Materiality as a % of benchmark | Revenue | 1.7% (2021: 2.1%) | Operating Expenses | 1.5% (2021: 1.2%) | Net Assets | 0.5% (2021: 0.4%) | <p>We determined materiality in a manner consistent with the approach to the Group financial statements, however capped this at 82% (2021: 82%) of Group materiality in order to address the risk of aggregation when combined with other components of the Group.</p> |
| Metric | Materiality as a % of benchmark | | | | | | | | | |
| Revenue | 1.7% (2021: 2.1%) | | | | | | | | | |
| Operating Expenses | 1.5% (2021: 1.2%) | | | | | | | | | |
| Net Assets | 0.5% (2021: 0.4%) | | | | | | | | | |
| Rationale for the benchmark applied | <p>The Group's key activities are in its Research and Development, primarily in relation to the DNA sequencing technology. These Research and Development costs are the primary constituent of operating expenses. Additionally, revenues of the Group continue to grow and are a key metric for users, whilst net assets are also considered a key metric following the significant funds raised during 2021 by the Group's IPO, which support the ability of the Group to continue the aforementioned operating expenses. As such we consider Revenue, Operating Expenses (with certain adjustments for share based payment charges and employer social security taxes provision releases) and Net Assets to be appropriate bases for determining materiality.</p> | | | | | | | | | |

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

| | Group financial statements | Company financial statements |
|--|---|--|
| Performance materiality | 70% of Group materiality (2021: 70%) | 70% of Company materiality (2021: 70%) |
| Basis and rationale for determining performance materiality | <p>In determining performance materiality, we primarily considered our risk assessment together with the Group's overall control environment, the history of aggregated uncorrected prior period adjustments and our assessment of the competence of key management and accounting personnel.</p> | |

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £165,000 (2021: £140,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

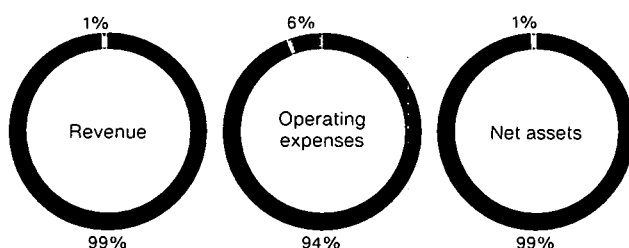
7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The nature of the Group's structure means that the Company acts as the main trading company for the Group's UK operations. As such, the Company was subject to a full scope audit. Additionally, the Group's operating company for USA was also subject to a full scope audit.

The charts below show the coverage on each of consolidated Revenue, Operating Expenses and Net Assets based on this scoping.

All procedures were completed by the Group engagement team. We did not engage component auditors. This is with the exception of certain procedures which required in person audit procedures, such as inventory counts, which were performed by local audit teams.

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.



- Full audit scope
- Review at Group level

7.2. Our consideration of the control environment

We obtained an understanding of controls over revenue, the financial close and reporting and management's review of judgements and estimates. We have not taken a control reliance approach as the control environment is still developing.

7.3 Our consideration of climate-related risks

In planning our audit, we considered the potential impacts of climate change on the Group's business and its financial statements. The Group has set out in the Strategic Report its reporting with respect to its greenhouse gas emissions (GHGs), in addition to future plans to reduce the GHG emissions resulting from the Group's business.

As a part of our audit, we have performed a risk assessment, including enquiries of management, to understand how the impacts of climate change, including the physical or transition risks of climate change, may affect the financial statements and our audit. There was no impact of this work on our key audit matters.

Within the Strategic Report the Group has highlighted its plan to publish a Sustainability Report in 2023 whereby the Group expects to set out more detailed reporting with respect to sustainability.

We have read the disclosures of climate-related information in the annual report and considered whether they are materially consistent with the financial statements and our knowledge obtained in the audit. We have not been engaged to provide assurance over the accuracy of the climate-related information in the Annual Report.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

9. 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 Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

10. 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.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the legal function including the Group's General Counsel and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, pensions, IT and financial instruments specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the area of revenue recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

11.2 Audit response to risks identified

As a result of performing the above, we identified 'Revenue Recognition – Accuracy and Cut-off' as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and legal counsel (both in-house and external) concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with 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.

In the light of the knowledge and understanding of the Group and 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.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the Board of Directors in 2010 to audit the financial statements for the year ending 31 December 2010 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 12 years, covering the years ending 31 December 2010 to 31 December 2022. The year ending 31 December 2022 is our second year as Auditors of the Company since it completed its Initial Public Offering during 2021.

14.2. Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

15. 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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.



Sukhbinder Kooner (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

20 March 2023

156—209

Financial Statements

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Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

| | Note | 2022 £000 | 2021 £000 |
|--|------|------------------|---------------|
| Revenue | 5 | 198,603 | 133,661 |
| Cost of sales | | (74,793) | (60,466) |
| Gross profit | | 123,810 | 73,195 |
| Research and development expenses | | (64,842) | (75,976) |
| Selling, general and administrative expenses | | (157,447) | (161,752) |
| Loss from operations | | (98,479) | (164,533) |
| Finance income | 11 | 5,941 | 224 |
| Finance expense | 11 | (1,628) | (908) |
| Other gains and losses | 12 | 13,186 | 504 |
| Share of loss in associate | 17 | (238) | (64) |
| Impairment of investment in associate | 17 | (2,193) | (1,227) |
| Loss before tax | 7 | (83,411) | (166,004) |
| Tax expense | 13 | (7,614) | (1,609) |
| Loss for the year | | (91,025) | (167,613) |
| Other comprehensive income: | | | |
| Items that will or may be reclassified subsequently to profit or loss | | | |
| Fair value movements on investment bonds | 12 | 936 | – |
| Exchange gains arising on translation on foreign operations | | 4,021 | 388 |
| Other comprehensive income for the year, net of tax | | 4,957 | 388 |
| Total comprehensive loss | | (86,068) | (167,225) |
| | Note | 2022 Pence | 2021 Pence |
| Loss per share | 8 | 11 | 23 |

The notes on pages 162 to 196 form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2022

| | Note | 2022 £000 | 2021 £000 |
|---|------|----------------|----------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 15 | 37,294 | 47,232 |
| Intangible assets | 14 | 30,039 | 23,004 |
| Investment in associate | 17 | 826 | 257 |
| Right-of-use assets | 16 | 25,906 | 14,687 |
| Other financial assets | 20 | 84,144 | - |
| Deferred tax assets | 13 | 7,681 | 6,077 |
| | | 185,890 | 91,257 |
| Current assets | | | |
| Inventories | 18 | 87,698 | 63,071 |
| Trade and other receivables | 19 | 62,905 | 54,796 |
| R&D tax credit recoverable | 13 | 9,148 | 14,274 |
| Other financial assets | 20 | 119,411 | 130,628 |
| Derivative financial assets | 21 | 2,060 | - |
| Cash and cash equivalents | 27 | 356,778 | 487,840 |
| | | 638,000 | 750,609 |
| Total assets | | 823,890 | 841,866 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Loans | 23 | - | 9,500 |
| Lease liabilities | 24 | 19,049 | 12,694 |
| Share-based payment liabilities | | 108 | 312 |
| Provisions | 23 | 8,645 | 10,339 |
| | | 27,802 | 32,845 |
| Current liabilities | | | |
| Trade and other payables | 22 | 80,249 | 72,872 |
| Current tax liabilities | 13 | 1,639 | 4,418 |
| Lease liabilities | 24 | 15,049 | 2,610 |
| Derivative financial liabilities | 21 | 962 | 106 |
| Provisions | 23 | 4,633 | 25,039 |
| | | 102,532 | 105,045 |
| Total liabilities | | 130,334 | 137,890 |
| Net assets | | 693,556 | 703,976 |
| Issued capital and reserves attributable to owners of the parent | | | |
| Share capital | 25 | 83 | 82 |
| Share premium reserve | 25 | 627,557 | 623,760 |
| Share-based payment reserve | 26 | 168,200 | 96,350 |
| Translation reserve | | 3,707 | (314) |
| Accumulated deficit | | (105,991) | (15,902) |
| TOTAL EQUITY | | 693,556 | 703,976 |

The financial statements on pages 158 to 196 were approved and authorised for issue by the Board of Directors on 20 March 2023 and were signed on its behalf by:

G. Sanghera
Director



The notes on pages 162 to 196 form part of these financial statements.

Consolidated Statement of Changes in Equity

as at 31 December 2022

| | Share capital £000 | Share premium £000 | Share-based payment reserve £000 | Translation reserve £000 | Accumulated deficit £000 | Total equity £000 |
|---|-----------------------|-----------------------|---|--------------------------------|--------------------------------|----------------------|
| At 1 January 2021 | 36 | 610,544 | 35,079 | (702) | (459,023) | 185,934 |
| Loss for the year | - | - | - | - | (167,613) | (167,613) |
| Exchange gain on translation of foreign operations | - | - | - | 388 | - | 388 |
| Comprehensive gain/(loss) for the year | - | - | - | 388 | (167,613) | (167,225) |
| Issue of share capital | 13 | 642,145 | - | - | - | 642,158 |
| Bonus shares issued | 37 | - | - | - | (37) | - |
| Cancellation of deferred shares | (4) | - | - | - | 4 | - |
| Share premium cancellation | - | (610,767) | - | - | 610,767 | - |
| Cost of share issue | - | (18,162) | - | - | - | (18,162) |
| Employee share-based payments | - | - | 60,707 | - | - | 60,707 |
| Tax in relation to share-based payments | - | - | 564 | - | - | 564 |
| Total contributions by and distributions to owners | 46 | 13,216 | 61,271 | - | 610,734 | 685,267 |
| At 31 December 2021 | 82 | 623,760 | 96,350 | (314) | (15,902) | 703,976 |
| Loss for the year | - | - | - | - | (91,025) | (91,025) |
| Exchange gain on translation of foreign operations | - | - | - | 4,021 | - | 4,021 |
| Fair value movements on investment bonds | - | - | - | - | 936 | 936 |
| Comprehensive gain/(loss) for the year | - | - | - | 4,021 | (90,089) | (86,068) |
| Issue of share capital | 1 | 3,796 | - | - | - | 3,797 |
| Cost of share issue | - | 1 | - | - | - | 1 |
| Employee share-based payments | - | - | 71,165 | - | - | 71,165 |
| Tax in relation to share-based payments | - | - | 685 | - | - | 685 |
| Total contributions by and distributions to owners | 1 | 3,797 | 71,850 | - | - | 75,648 |
| At 31 December 2022 | 83 | 627,557 | 168,200 | 3,707 | (105,991) | 693,556 |
| Note | 25 | 25 | 26 | | | |

The notes on pages 162 to 196 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2022

| | Note | 2022 £000 | 2021 £000 |
|---|------|------------------|--------------|
| Net cash outflow from operating activities | 27 | (49,387) | (53,204) |
| Investing activities | | | |
| Purchase of property, plant and equipment | | (23,071) | (21,536) |
| Proceeds from sale of property | 15 | 42,500 | - |
| Capitalisation of development costs | 14 | (19,163) | (9,281) |
| Investment in associate | | - | (1,000) |
| Interest received | | 3,443 | 207 |
| Purchase of other financial assets | | (129,962) | (130,375) |
| Proceeds from other financial assets | | 60,459 | - |
| Net cash outflow from investing activities | | (65,794) | (161,985) |
| Financing activities | | | |
| Proceeds from issue of shares | | 3,751 | 642,144 |
| Costs of share issue | | (2,378) | (15,929) |
| Principal elements of lease payments | | (4,111) | (2,361) |
| Repayment of bank borrowings | | (9,500) | - |
| Interest paid | | (221) | (283) |
| Interest paid on leases | | (1,256) | (666) |
| Net cash (outflow)/inflow from financing activities | | (13,715) | 622,905 |
| Net (decrease)/increase in cash and cash equivalents before foreign exchange movements | | (128,896) | 407,716 |
| Effect of foreign exchange rate movements | | (2,166) | (739) |
| Cash and cash equivalents at beginning of year | | 487,840 | 80,863 |
| Cash and cash equivalents at end of year | 27 | 356,778 | 487,840 |

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

1. General information

Oxford Nanopore Technologies plc (the "Company") is a public limited company incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Company's registered office is at Gosling Building, Edmund Halley Road, Oxford Science Park, Oxford, Oxfordshire, OX4 4DQ. These consolidated financial statements comprise the Company and its subsidiaries (collectively the "Group" and individually "Group companies"). The Group is primarily involved in researching, developing, manufacturing and commercialising the world's only commercial nanopore based sequencing platform that allows the real-time analysis of deoxyribonucleic acid ("DNA") or ribonucleic acid ("RNA"). This enables our customers to perform scientific/biomedical research in a range of areas, including human genetics, cancer research, outbreak surveillance, environmental analysis, pathogens/antimicrobial resistance, microbiome analysis and crop science. 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.

The Company is the parent entity and the ultimate parent company of the Group.

The financial statements are presented in UK Sterling because that is the currency of the primary economic environment in which the Group operates, and are rounded to the nearest thousand pounds. Foreign operations are included in accordance with the policies set out in the accounting policies.

2. Adoption of new and revised standards

New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

| Amendments to IFRS 3 | Reference to the Conceptual Framework |
|---|---|
| Amendments to IAS 16 | Property, Plant and Equipment Proceeds before Intended Use |
| Amendments to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Annual Improvements to IFRS Standards 2018-2020 Cycle | Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture |

New and revised IFRS standards in issue but not yet effective

At the date of authorisation of the consolidated financial statements, the Group has not applied the following new and revised IFRS standards that have been issued but are not yet effective:

| | |
|---|---|
| Amendments to IFRS 17 (including the June 2020 Amendments to IFRS 17) | Insurance Contracts |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non current |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to IAS 8 | Definition of Accounting Estimates |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the Financial Statements of the Group in future periods.

3. Significant accounting policies

3.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain 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 consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The principal accounting policies adopted are set out below.

3.2 Going concern

As at 31 December 2022, the Group held £558.0 million in cash, cash equivalents and other liquid investments (note 34) on the Statement of Financial Position.

The going concern assessment period is the 12 months to the end of March 2024.

In order to satisfy the going concern assumption, the Directors of the Group review its budget periodically, which is revisited and revised as appropriate in response to evolving market conditions.

The Directors have considered the budget and forecast prepared through to March 2024, the going concern assessment period, and the impact of a range of severe, but plausible, scenarios, including supply chain issues driven by demand, logistics interruptions, the pandemic, heightened geopolitical tension; particularly between the United States of America and the People's Republic of China and the war in Ukraine. In particular, the impact of key business risks on revenue, profit and cash flow are as follows:

- Reduced revenues due to customer, regulatory and research and development ("R&D") delays; and
- Increased costs due to supply chain restrictions, rising utilities costs, rising wages & salary costs, additional R&D requirements and rising costs of component parts.

Under all scenarios, the Group had sufficient funds to maintain trading before taking into account any mitigating actions that the Directors could take. Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and at least one year from the date of approval of the financial statements. On the basis of these reviews, the Directors consider it remains appropriate for the going concern basis to be adopted in preparing these financial statements.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at this time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

3.4 Revenue recognition

The Group manufactures and sells a range of DNA and RNA sequencing products and also provides a range of technical training and consultancy services to customers. Products are either sold on a stand-alone basis or as part of a larger bundle of goods and services.

Revenue is recognised when control of the products has transferred, typically being when the products are delivered to the customer at the location specified during the sales ordering process. Revenue from providing services is recognised in the period in which the services are rendered because the customer receives and uses the benefits simultaneously.

Revenue from the sale of bundled goods and services include multiple performance obligations which are separately recognised. For example, a bundled contract might include the lease of a sequencing device, software licences required to operate the device, sequencing consumables and technical training services. Each deliverable is accounted for as a separate performance obligation and the transaction price for the bundle is allocated to each performance obligation based on the stand-alone selling prices of each deliverable observed on the Group's online store. In instances where there is no directly observable stand-alone selling price, management estimate this based on an expected cost plus margin approach. As each performance obligation in the bundle is satisfied, revenue is recognised either at the point in time when the consumables are delivered or, in the case of the lease of the sequencing device or provision of software licence, recognised over the period to which they relate.

Notes for the Consolidated Financial Statements continued

3. Significant accounting policies continued

In the case of bundled goods and services contracts, customers either pay for the whole contract in advance of delivery of all the goods and services on the contract or are invoiced as the goods and services are delivered. If the transaction price allocated to the goods delivered or services rendered by the Group exceeds the payment received from a customer, a contract asset is recognised. If the payment exceeds the transaction price allocated to the goods delivered or services rendered by the Group, a contract liability is recognised. In the case of non-bundled goods and services contracts, payment of the transaction price is typically due when the customer receives the goods or services.

For bill-and-hold arrangements in respect of the supply and delivery of goods, revenue is recognised when the customer has obtained control of the goods. Control is deemed to have transferred when the goods have been delivered to the specified delivery location. Under bill-and-hold arrangements it is deemed appropriate to recognise revenue provided the customer has requested the bill-and-hold arrangement for substantive purposes, for example, because it lacks the physical space/facilities to store the goods. In addition, the goods must be able to be identified as belonging to the customer and cannot be used to satisfy orders for other customers, meaning that the customer can redirect or determine how the goods are used or where the goods are delivered to.

3.5 Alternative performance measures

Alternative performance measures are used by the Directors and Management to monitor business performance internally and exclude certain cash and non cash items which they believe are not reflective of the normal day-to-day operating activities of the Group. The Directors believe that disclosing such non-IFRS measures enables a reader to isolate and evaluate the impact of such items on results and allows for a fuller understanding of performance from year to year. Alternative performance measures may not be directly comparable with other similarly titled measures used by other companies. A detailed reconciliation between reported and adjusted measures is presented in note 34.

Share-based compensation is an important aspect of the compensation of our employees and executives, but Management believes it is useful to specifically exclude the Founder LTIP and employer's social security taxes on pre-IPO share awards from adjusted profit measures to better understand the long term performance of the core business.

The share-based compensation expenses of the other LTIPs and share award schemes are not treated as adjusting items.

3.6 Leased assets

The Group as a lessee

The Group leases various offices and buildings. Rental contracts are typically made for fixed periods of 12 months to 21 years and may include extension and termination options. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and Useful Economic Life (UEL) of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included within "Operating expenses" in the statement of comprehensive income.

A sale and leaseback transaction is where the Group sells an asset and immediately reacquires the use of the asset by entering into a lease with the buyer. A sale occurs when control of the underlying asset passes to the buyer. A lease liability is recognised, the associated property, plant and equipment asset is derecognised, and a right-of-use asset is recognised at the proportion of the carrying value relating to the right retained. Any gain or loss arising relates to the rights transferred to the buyer.

The Group as a lessor

The Group leases some of its devices to customers. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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. See note 5 for income from leases.

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

3.7 Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see note 28); and
- exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into pounds using exchange rates prevailing at the end of each reporting period. 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 the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

3.8 Employee benefits

(i) Retirement costs

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

(ii) 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.

Notes for the Consolidated Financial Statements continued

3. Significant accounting policies continued

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.

3.9 Taxation

The tax expense represents the sum of current and deferred taxes.

Current tax

Current tax 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 reporting period date.

A current tax provision is recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Tax liabilities are recognised when it is considered probable that there will be a future outflow of funds to a taxing authority. Provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

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. An estimate of the tax credit expected to be received is recognised in the consolidated income statement above the line of profit before tax. A notional tax charge on the credit is recognised within the taxation line in the consolidated income statement, and the corresponding net asset is included within current assets in the consolidated statement of financial position until such time as it is received.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. It 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 reporting 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. In considering the recoverability of deferred tax assets, the Group assesses the likelihood of their being recovered within a reasonably foreseeable timeframe, being typically a period of between three to five years, taking into account the future expected profit profile and business model of each relevant company or country, and any potential legislative restrictions on use.

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 reporting date.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or in equity.

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

3.10 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

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

| | |
|------------------------------------|---|
| Leasehold land | over lease period straight line |
| Buildings | over 40 years straight line |
| Leasehold improvements | over the expected duration of the lease straight line |
| Plant and machinery | 3-10 years straight line |
| Office equipment | 3 years straight line |
| Assets subject to operating leases | 2-3 years straight line |

Assets under construction are not depreciated.

The UELs, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.11 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(i) Patents and licences

Patents and licences are measured initially at purchase cost and are amortised on a straight-line basis over the expected duration of the patent or licence.

(ii) Capitalised development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if all of the following 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 above. 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.

The Group regularly assesses the development expenditures against the criteria for development costs to be recognised as an asset, as set out in IAS 38 "Intangible Assets". 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

Impairment of 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. 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 UEL 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 and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

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.

Notes for the Consolidated Financial Statements continued

3. Significant accounting policies continued

3.12 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. The net realisable value of inventories expected to be used as part of Research and Development is nil.

3.13 Financial instruments

Financial assets, other than those at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI), 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 is 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.

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.

Assets that are held at fair value through other comprehensive income are those that are held to collect contractual cash flows on the repayment of principal and interest and which are held to recognise a capital gain through the sale of the asset. Movements in the carrying amount are recognised in other comprehensive income except for the recognition of impairment, interest income and foreign exchange gains or losses which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income is included in finance income using the effective interest rate method.

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 the statement of comprehensive income.

3.14 Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3.15 Trade and other receivables

Trade receivables are recognised at cost less allowances for expected credit losses. They arise principally through the provision of goods and services to customers. The provision is based on the Group's expected credit loss.

3.16 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 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.

3.17 Trade and other payables

Trade payables are non-interest bearing and are stated at cost which equates to their fair value.

3.18 Other financial assets

Other financial assets comprise unlisted investments, short-term deposits, and investment bonds held with banks that do not meet the IAS 7 definition of a cash equivalent.

3.19 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 the 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.20 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.

Notes for the Consolidated Financial Statements continued

4. Critical accounting judgements and sources of estimation uncertainty

In applying the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Group's accounting policies

The following are the critical judgements and estimates 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 the financial statements.

Judgements

i. Internally generated intangible assets research and development expenditure ("R&D")

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 period and accordingly all amounts in relation to the development phase of those projects have been capitalised as an intangible asset during the period. All other spend on R&D projects has been recognised within R&D expenses in the income statement during the period.

Management does not have a formal timesheet process for monitoring time spent by employees on projects in their development stage. Instead, Management consults with the relevant project leaders on a regular basis to understand and estimate the time spent on projects in their development stage. When a percentage allocation has been agreed, in line with the estimation process described below, this is then applied to other, non-employee related development costs to ensure that costs are consistently and appropriately capitalised. The net book value of internally generated capitalised assets at 31 December 2022 was £29.7 million (2021: £22.6 million).

Estimates

i. Non-standard customer contracts

As noted in the revenue recognition accounting policy, revenue contracts for the sale of bundled goods and services require the allocation of the total contract price to individual performance obligations based on their stand alone selling prices. The Group occasionally enters into larger bespoke contracts which might include a clause linked to the performance of the products and options on the total units of certain consumables to be purchased under the contract. This requires Management to estimate the number of items likely to be delivered under the contract. If the estimated number of additional consumables required to fulfil the contract had increased or decreased by 30%, revenue for 2022 would have decreased or increased by up to £1.5 million (2021: £1.4 million).

ii. Share-based payments

Details of the share-based payment schemes operated by the Group are disclosed in note 26. In June 2021, awards were granted to the Executive Directors of the Company under the Oxford Nanopore Technologies Limited Long Term Incentive Plan 2021 (Founder LTIP). Half of the awards are subject to a non-market revenue performance condition which drives number of awards expected to vest depending on when certain revenue targets are met. At each reporting date, management make an estimate as to the extent to which the revenue condition is expected to be achieved by the end of each future reporting period. This is driven by revenue forecasts. Whilst management may make an appropriate estimate of the annual revenue target on grant date, this estimate might change in future periods. If the annual revenue forecast over the vesting period decreased by 7.5%, the Group recognised total expenses of £71.2 million relating to equity-settled share-based payment transactions would decrease by £1.0 million.

In addition, the Founder LTIP awards in issue give rise to an associated employer's social security liability. Management update the estimate for this liability at each reporting period with reference to both the expected number of awards vesting and their expected value, using the share price at the period end date. For Founder LTIP awards linked to a share price condition, the assumptions used in determining the IFRS 2 charge are determined at the point of granting the awards and are not subsequently adjusted over the vesting period. However, management have estimated the proportion likely to vest for the purposes of assessing the employer's social security contributions to accrue at each period end using a Monte Carlo simulation model which requires a number of assumptions and a large number of randomly generated projections of the Company's future share price. At 31 December 2022, the expected vesting of the share price linked awards was estimated at 56.3%, which is reflective of the reduction in share price, which has contributed to the employer's social security provision credit of £21.5 million in the year.

iii. Internally generated intangible assets research and development expenditure ("R&D")

Critical estimates are made in determining the capitalisation of costs in relation to the development phase of R&D projects. Management capitalises development costs in respect of R&D projects based on an estimate of the percentage of time spent on the project by employees while the project is in its development phase. Development costs capitalised in 2022 amounted to £19.2 million (2021: £9.3 million). If the estimated time spent on these projects had varied by up to 5% then the development costs capitalised in 2022 would have been in the range £18.2 million to £20.2 million (2021: £8.8 million to £9.8 million).

iv. Inventory

The Group holds inventory across a number of locations for the purposes of fulfilling sales orders and contractual obligations. Additionally, certain components of inventory are held for use within research and development. Net inventory at 31 December 2022 was £87.7 million (2021: £63.1 million). In line with the requirements of IAS 2 Inventories, inventory is stated at the lower of cost and net realisable value.

Management is required to make a number of estimates around the net realisable value of inventory, which represents the estimated selling price less all estimated costs of completion. In cases where the net realisable value is below cost, management records a provision such that inventory is held at the lower of cost and net realisable value.

To estimate the inventory provision, Management uses inputs based on the location and status of inventory held by the Group. This includes the intended use of the inventory, including whether it is expected to be sold or used for research and development purposes.

Management makes assumptions around the net realisable value of each category of inventory. These estimates are then applied to the inventory balance, based on its cost, location and intended use, to record a provision in cases where the net realisable value is below cost.

If the net realisable value had increased by 5%, then the value of inventory would have increased by £1.2 million and the revised stock value would have been £88.9 million (2021: £1.1 million and £64.2 million respectively).

5. Revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following categories and geographical regions:

| | 2022 £000 | 2021 £000 |
|--|----------------|----------------|
| Geographical region | | |
| Americas | 48,300 | 33,370 |
| Europe and United Kingdom | 95,123 | 40,103 |
| China | 19,290 | 10,975 |
| United Arab Emirates | 15,379 | 31,722 |
| Asia Pacific and Japan | 14,286 | 11,126 |
| Emerging markets | 6,225 | 6,365 |
| Total revenue from contracts with customers | 198,603 | 133,661 |

| | 2022 £000 | 2021 £000 |
|--|----------------|----------------|
| Category | | |
| Sale of goods | 177,672 | 117,401 |
| Rendering of services | 9,902 | 7,309 |
| Lease income | 11,029 | 8,951 |
| Total revenue from contracts with customers | 198,603 | 133,661 |

| | 2022 £000 | 2021 £000 |
|--|----------------|----------------|
| Timing of revenue recognition | | |
| At a point in time | 177,672 | 117,401 |
| Over time | 20,931 | 16,260 |
| Total revenue from contracts with customers | 198,603 | 133,661 |

Notes 19 and 22 disclose assets and liabilities the Group has recognised in relation to contracts with customers.

Revenue recognised in relation to contract liabilities:

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| Revenue recognised that was included in the contract liability balance at the beginning of the year | 17,670 | 12,230 |

Notes for the Consolidated Financial Statements continued

6. Segment information

Products and services from which reportable segments derive their revenues are set out below.

The information reported to the Group's senior management team, which is considered the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance is defined by market rather than product type. The segment measure of profit evaluated by the CODM is Adjusted EBITDA, as this is considered to give the most appropriate information in respect of profitability of the individual segments.

The Directors consider that the Group reportable segments in accordance with IFRS 8 Operating Segments are as set out below:

| Reportable segments | Description |
|--------------------------------------|---|
| Life Science Research Tools ("LSRT") | Oxford Nanopore's core business, generating revenue from providing products and services for research use, including research and development expenditure and corporate expenditure. |
| Covid Testing | Revenue from providing products for SAR-Cov-2 testing. It should be noted that sequencing products continue to be used for the purposes of covid genomic surveillance, including variant identification, but this is reporting within the LSRT segment. |

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

(a) Information about major customers

In the year the Group had two major customers i) the Department of Health and Social Care, the revenue from this customer was £51.8 million, which represented 26.0% of Group revenue (2021: £5.3 million, or 4% of total revenue) and ii) a customer in the United Arab Emirates with revenue of £14.7 million which represented 7.4% of Group revenue (2021: £31.3 million or 23.4% of total revenue).

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable segment.

| | LSRT £000 | Covid Testing £000 | 2022 £000 | LSRT £000 | Covid Testing £000 | 2021 £000 |
|---------------------------|----------------|-----------------------|----------------|----------------|-----------------------|----------------|
| Revenue | | | | | | |
| Americas | 48,300 | - | 48,300 | 33,348 | 22 | 33,370 |
| Europe and United Kingdom | 43,335 | 51,788 | 95,123 | 33,425 | 6,678 | 40,103 |
| China | 19,290 | - | 19,290 | 10,975 | - | 10,975 |
| United Arab Emirates | 15,379 | - | 15,379 | 31,722 | - | 31,722 |
| Asia Pacific and Japan | 14,286 | - | 14,286 | 11,126 | - | 11,126 |
| Emerging markets | 6,225 | - | 6,225 | 6,365 | - | 6,365 |
| Total revenue | 146,815 | 51,788 | 198,603 | 126,961 | 6,700 | 133,661 |

(b) Adjusted EBITDA

| | LSRT £000 | Covid Testing £000 | 2022 £000 | LSRT £000 | Covid Testing £000 | 2021 £000 |
|---|------------------|-----------------------|-----------------|------------------|-----------------------|------------------|
| (Loss)/Profit after tax | (128,824) | 37,799 | (91,025) | (168,942) | 1,329 | (167,613) |
| Tax expense | 7,614 | - | 7,614 | 1,609 | - | 1,609 |
| Finance income | (5,941) | - | (5,941) | (224) | - | (224) |
| Finance expense | 221 | - | 221 | 242 | - | 242 |
| Interest on lease | 1,382 | 25 | 1,407 | 666 | - | 666 |
| Depreciation and amortisation | 31,799 | 72 | 31,871 | 23,075 | 1,616 | 24,691 |
| Share-based payments (Founder LTIP) | 53,182 | - | 53,182 | 37,551 | - | 37,551 |
| Employer's social security taxes on Founder LTIP and pre-IPO share awards | (21,634) | - | (21,634) | 39,291 | - | 39,291 |
| IPO costs expensed | - | - | - | 4,829 | - | 4,829 |
| Gain on sale of property | (18,620) | - | (18,620) | - | - | - |
| Settlement of COVID-19 Testing contract | - | (37,896) | (37,896) | - | - | - |
| Impairments | 2,193 | - | 2,193 | 1,227 | - | 1,227 |
| Adjusted EBITDA | (78,628) | - | (78,628) | (60,676) | 2,945 | (57,731) |

Adjusted EBITDA is defined as loss for the year before income tax expense, finance income, loan interest, interest on lease, depreciation and amortisation, adjusted for: i) share-based payment expense on Founder LTIP awards; ii) employer's social security taxes on Founder LTIP and pre-IPO share awards; iii) IPO costs expensed in the statement of comprehensive income; iv) impairment of investment in associate; v) gain on sale of property; and vi) settlement of the COVID-19 testing contract.

Adjusted EBITDA is used as a key profit measure because it shows the results of normal, core operations exclusive of income or charges that are not considered to represent the underlying operational performance, excluding exceptional items.

(c) Supplementary information

| | LSRT £000 | Covid Testing £000 | 2022 £000 | LSRT £000 | Covid Testing £000 | 2021 £000 |
|--|----------------|-----------------------|------------------|----------------|-----------------------|------------------|
| Depreciation of property, plant and equipment | 15,968 | - | 15,968 | 12,890 | - | 12,890 |
| Depreciation of right-of-use assets | 4,403 | 72 | 4,475 | 2,512 | 145 | 2,657 |
| Amortisation of internally generated intangible assets | 11,378 | - | 11,378 | 7,623 | 1,471 | 9,094 |
| Amortisation of acquired intangible assets | 50 | - | 50 | 50 | - | 50 |
| Additions to non-current assets* | 57,775 | - | 57,775 | 34,311 | - | 34,311 |
| Segment assets | | | | | | |
| Investment in associate | 826 | - | 826 | 257 | - | 257 |
| Acquired intangible assets | 346 | - | 346 | 396 | - | 396 |
| Other segment assets** | 243,496 | - | 243,496 | 187,973 | 14,421 | 202,394 |
| Total segment assets | 244,668 | - | 244,668 | 188,626 | 14,421 | 203,047 |
| Deferred tax assets | | | 7,681 | | | 6,077 |
| R&D tax credit recoverable | | | 9,148 | | | 14,274 |
| Derivative financial assets | | | 2,060 | | | - |
| Other financial assets | | | 203,555 | | | 130,628 |
| Cash and cash equivalents | | | 356,778 | | | 487,840 |
| Total assets | | | 823,890 | | | 841,866 |
| Segment liabilities | | | | | | |
| Total segment liabilities | (127,733) | - | (127,733) | (122,643) | (1,223) | (123,866) |
| Derivative financial liabilities | | | (962) | | | (106) |
| Current tax liabilities | | | (1,639) | | | (4,418) |
| Non-current borrowings | | | - | | | (9,500) |
| Total liabilities | | | (130,334) | | | (137,890) |
| Net assets | | | 693,556 | | | 703,976 |

* Additions to non-current assets include all non-current assets except for investments, and deferred tax assets.

** Other segment assets include inventory, trade and other receivables and non-current assets except for investments, acquired intangible assets, other financial assets and deferred tax assets.

The Group's non-current assets, excluding deferred tax assets, by geographical location are detailed below:

| | LSRT £000 | Covid Testing £000 | 2022 £000 | LSRT £000 | Covid Testing £000 | 2021 £000 |
|---------------------------|----------------|-----------------------|----------------|---------------|-----------------------|---------------|
| Americas | 11,255 | - | 11,255 | 6,023 | - | 6,023 |
| Europe and United Kingdom | 166,401 | - | 166,401 | 76,452 | 2,302 | 78,754 |
| China | 96 | - | 96 | 320 | - | 320 |
| Asia Pacific and Japan | 335 | - | 335 | 83 | - | 83 |
| United Arab Emirates | 122 | - | 122 | - | - | - |
| | 178,209 | - | 178,209 | 82,878 | 2,302 | 85,180 |

Notes for the Consolidated Financial Statements continued

7. Loss before tax

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| This is after charging/(crediting): | | |
| Non-staff research and development costs | 32,651 | 27,101 |
| Amortisation of intangible assets | 11,428 | 9,144 |
| Depreciation of property, plant and equipment | 15,968 | 12,890 |
| Depreciation of right-of-use assets | 4,475 | 2,657 |
| (Gain)/loss on disposal of property, plant and equipment | (16,740) | 837 |
| Cost of inventories | 42,559 | 38,615 |
| Write-down of inventories | 6,045 | 4,368 |
| Short-term lease costs | 602 | 180 |
| Impairment of intangible assets | 736 | - |
| Impairment of investment in associate | 2,193 | 1,227 |
| Net foreign exchange (gain)/loss | (2,490) | 1,468 |

All amounts relate to continuing operations.

Amortisation of internally generated intangible assets is included within selling, general & administration expenses in the consolidated statement of comprehensive income.

8. Loss per share

| | 2022 Pence | 2021 Pence |
|--|----------------|----------------|
| (a) Basic and diluted loss per share | | |
| Total basic and diluted loss per share attributable to the ordinary equity holders of the Group from continuing operations | 11 | 23 |
| | 2022 £000 | 2021 £000 |
| (b) Reconciliation of earnings used in calculating earnings per share | | |
| Loss attributable to the ordinary equity holders of the Group used in calculating basic and diluted loss per share from continuing operations | (91,025) | (167,613) |
| | 2022 Number | 2021 Number |
| (c) Weighted average number of shares used as the denominator | | |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating basic and diluted earnings per share | 823,742,709 | 731,938,586 |

Options

Options granted to employees under the Oxford Nanopore Technologies Share Option Scheme and the Oxford Nanopore Technologies Limited Share Option Plan 2018 are considered to be potential ordinary shares. These options have not been included in the determination of the basic and diluted loss per share as shown above, because they are anti-dilutive for the year ended 31 December 2022 and 31 December 2021. These options could potentially dilute basic earnings per share in the future. Details relating to the share options are set out in note 26.

9. Auditors' remuneration

During the year, the Group obtained the following services from the Group's auditors:

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Audit of the Group's financial statements | 465 | 595 |
| Audit of the Group's subsidiary financial statements | 129 | 57 |
| Assurance-related non-audit services | 89 | - |
| IPO-related non-audit services | - | 1,437 |
| | 683 | 2,089 |

10. Staff costs

Employee benefit expenses (including Directors) comprise:

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Wages and salaries | 81,613 | 54,421 |
| Social security costs | 8,671 | 5,534 |
| Pension costs | 3,183 | 1,267 |
| Share-based payment expenses | 70,009 | 62,453 |
| Social security (credits)/costs (share awards) | (21,222) | 39,296 |
| Other staff costs | 1,834 | 947 |
| | 144,088 | 163,918 |

Directors and key management personnel

Directors and key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors of the Company listed in the section of the annual report labelled Board of Directors.

Director and key management personnel compensation consisted of:

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Salaries, bonuses and benefits in kind | 7,260 | 5,655 |
| Amounts paid as directors' fees | 655 | 437 |
| Share-based payment expenses | 86,097 | 16,441 |
| | 94,012 | 22,533 |

Further information on the remuneration of the Directors is given in the sections of the annual report on remuneration labelled as audited in the Directors' Remuneration Report.

Notes for the Consolidated Financial Statements continued

10. Staff costs continued

Employee numbers

The monthly average number of employees was as follows:

| | 2022 Number | 2021 Number |
|-----------------------------------|----------------|----------------|
| Research and development | 380 | 291 |
| Production | 149 | 134 |
| Sales, general and administration | 393 | 280 |
| | 922 | 705 |

11. Finance income and expense

| | 2022 £000 | 2021 £000 |
|--|----------------|--------------|
| Finance income | | |
| Bank interest | 4,477 | 95 |
| Interest on treasury deposits | 1,464 | 129 |
| Total finance income | 5,941 | 224 |
| Finance expense | | |
| Bank interest | (221) | (242) |
| Interest on lease | (1,407) | (666) |
| Total finance expense | (1,628) | (908) |
| Net finance income/(expense) recognised in profit or loss | 4,313 | (684) |

12. Other gains and losses

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| (Loss)/gain on derivative financial instruments | (5,434) | 504 |
| Gain on sale of property (see note 15) | 18,620 | - |
| | 13,186 | 504 |

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| Fair value movements on investment bonds (included in other comprehensive income) | 936 | - |

Further information on derivative financial instruments is disclosed in note 21.

13. Tax on loss on ordinary activities

13.1 Income tax recognised in profit or loss

| | 2022 £000 | 2021 £000 |
|---|--------------|----------------|
| Current tax | | |
| Notional tax on R&D expenditure credit (RDEC) | 1,187 | 800 |
| Prior year adjustment in respect of research and development tax credit | 159 | 69 |
| Prior year adjustment in respect of current tax | 519 | (48) |
| Tax payable on foreign subsidiary | 6,059 | 5,344 |
| Total current tax | 7,924 | 6,165 |
| Deferred tax | | |
| Origination and reversal of temporary differences | (310) | (4,556) |
| Total deferred tax | (310) | (4,556) |
| Total tax expense | 7,614 | 1,609 |

Current tax balances have been calculated at the rates enacted for the period. The effective rate of Corporation Tax is -9.13% (2021: -0.97%) of the loss before tax for the Group.

The reasons for the difference between the actual tax charge for the year and the standard rate of Corporation Tax in the United Kingdom applied to losses for the year are as follows:

| | 2022 £000 | 2021 £000 |
|--|-----------------|------------------|
| Loss for the year | (91,025) | (167,613) |
| Income tax expense | 7,614 | 1,609 |
| Loss before income taxes | (83,411) | (166,004) |
| Tax rate in the UK for period as a percentage of losses at 19% (2021: 19%) | (15,848) | (31,541) |
| R&D incentives | 813 | (323) |
| Expenses not deductible for tax purposes | 1,014 | 1,180 |
| Adjustment in respect of overseas tax rates | 1,104 | 1,031 |
| Adjustments to tax charge in respect of prior periods | 62 | 120 |
| Impact of share options | 12,337 | (1,955) |
| Movement on unrecognised deferred tax | 7,845 | 32,983 |
| Other timing differences | 287 | 114 |
| Total tax expense | 7,614 | 1,609 |

13.2 Current tax liabilities

| | 2022 £000 | 2021 £000 |
|-------------------------|----------------|----------------|
| Corporation Tax payable | (1,639) | (4,418) |
| | (1,639) | (4,418) |

13.3 Deferred tax assets

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. The rate of UK Corporation Tax will increase to 25% from 1 April 2023. Taxation for other jurisdictions is calculated at the rates prevailing in the respective territories. £7.4 million of the net deferred tax asset relates to the US subsidiary, which is profitable.

In respect of share-based payments, to the extent that the tax deduction (or future estimated tax deduction) exceeds the amount of the related cumulative IFRS2 expense, the excess of the associated current or deferred tax has been recognised in equity and not in the consolidated statement of comprehensive income. For current tax this increases the charge to the consolidated statement of comprehensive income by £0.1 million (2021: £0.6 million). For deferred tax this reduces the credit to the consolidated statement of comprehensive income by £0.5 million (2021: £nil).

Notes for the Consolidated Financial Statements continued

13. Tax on loss on ordinary activities continued

13.3 Deferred tax assets (continued)

A deferred tax asset (DTA) of £9.4 million (2021: £6.1 million) has been recognised in relation to future share option exercises and other timing differences in Oxford Nanopore Technologies, Inc. and other overseas subsidiaries, because it is probable that the asset will be utilised in the foreseeable future. A deferred tax asset has been recognised in relation to Oxford Nanopore Technologies plc of £5.9 million, being the amount equal to the deferred tax liability in the same entity.

Recognised deferred tax balances are made up as follows:

Recognised deferred tax assets and liabilities

| | 2022 £000 | 2021 £000 |
|--|----------------|--------------|
| Deferred tax assets | | |
| Provisions | 2,487 | 797 |
| Losses | 5,912 | - |
| Share Awards | 6,360 | 6,160 |
| Share Awards (Equity) | 543 | - |
| Total recognised deferred tax assets | 15,302 | 6,957 |
| Deferred tax liabilities | | |
| Accelerated Capital Allowances | (1,741) | (880) |
| Intangibles | (5,880) | - |
| Total recognised deferred tax liabilities | (7,621) | (880) |
| Net recognised deferred tax asset | 7,681 | 6,077 |

Reconciliation of deferred tax

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Balance at 1 January | 6,077 | 1,439 |
| Prior year adjustments | 616 | (99) |
| (Charge)/credit to the Statement of Comprehensive Income | (306) | 4,655 |
| Credit to equity | 523 | - |
| Foreign exchange movements | 771 | 82 |
| At 31 December | 7,681 | 6,077 |

Deferred tax assets and liabilities have been offset where the group has a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same tax authority on the same taxable entity.

A DTA of £156.2 million (2021: £202.9 million) has not been recognised due to uncertainty that the asset will be utilised in the foreseeable future. This DTA relates to the UK (2021: UK and US). This includes a deferred tax asset of £128.3 million (2021: £131.5 million) in relation to UK tax losses. The losses and deductible temporary differences are expected to be available indefinitely.

Unrecognised deferred tax assets

| | 2022 Gross amount £000 | 2022 Tax effected £000 | 2021 Gross amount £000 | 2021 Tax effected £000 |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| Losses | 513,111 | 128,278 | 526,163 | 131,541 |
| Provisions | 11,050 | 2,762 | 527 | 132 |
| Share Awards | 71,454 | 17,863 | 67,365 | 16,841 |
| Share Awards (Equity) | 14,503 | 3,626 | 242,869 | 61,671 |
| Accelerated Capital Allowances | 5,924 | 1,481 | (16,818) | (4,204) |
| RDEC | 8,584 | 2,146 | 3,200 | 800 |
| Intangibles | - | - | (15,481) | (3,870) |
| Total unrecognised deferred tax assets | 624,626 | 156,156 | 807,825 | 202,911 |

13.4 R&D tax credit recoverable

In the statement of comprehensive income the R&D expenditure credit (RDEC) is recognised in the loss before tax and a notional tax charge is recognised in the tax expense. The net asset is recognised within current assets in the statement of financial position. The current asset is made up as follows:

| | 2022 £000 | 2021 £000 |
|---|--------------|---------------|
| At 1 January | 14,274 | 20,696 |
| Adjustment to R&D tax credit in respect of previous periods | 678 | (69) |
| Cash receipt | (10,864) | (9,763) |
| R&D tax credit for the period (RDEC) | 6,247 | 4,210 |
| Notional tax charge on R&D tax credit for the period (RDEC) | (1,187) | (800) |
| At 31 December | 9,148 | 14,274 |

14. Intangible assets

| | Capitalised development costs £000 | Patents and licenses £000 | Total £000 |
|--|---|---------------------------------|---------------|
| Cost | | | |
| At 1 January 2021 | 29,183 | 446 | 29,629 |
| Additions from internal development | 9,281 | - | 9,281 |
| At 31 December 2021 | 38,464 | 446 | 38,910 |
| Additions from internal development | 19,163 | - | 19,163 |
| Foreign exchange movements | 36 | - | 36 |
| At 31 December 2022 | 57,663 | 446 | 58,109 |
| Accumulated amortisation and impairment | | | |
| At 1 January 2021 | 6,762 | - | 6,762 |
| Charge for the year | 9,094 | 50 | 9,144 |
| At 31 December 2021 | 15,856 | 50 | 15,906 |
| Charge for the year | 11,378 | 50 | 11,428 |
| Impairment | 736 | - | 736 |
| At 31 December 2022 | 27,970 | 100 | 28,070 |
| Net book value | | | |
| At 31 December 2021 | 22,608 | 396 | 23,004 |
| At 31 December 2022 | 29,693 | 346 | 30,039 |

Development costs have been capitalised in accordance with IAS 38 Intangible Assets and are therefore not treated as a realised loss until recognised as an amortisation or impairment charge in the statement of comprehensive income.

Notes for the Consolidated Financial Statements continued

15. Property, plant and equipment

| | Land & Buildings £000 | Leasehold improvements £000 | Plant and machinery £000 | Assets under construction £000 | Assets subject to operating leases £000 | Equipment £000 | Total £000 |
|--|--------------------------|--------------------------------|-----------------------------|-----------------------------------|--|-------------------|---------------|
| Cost or valuation | | | | | | | |
| At 1 January 2021 | 16,401 | 6,529 | 16,420 | 191 | 20,002 | 11,136 | 70,679 |
| Additions | - | 745 | 3,544 | 1,791 | 12,711 | 2,745 | 21,536 |
| Disposals | - | - | (23) | - | (2,725) | (232) | (2,980) |
| Transfers between classes | (1,344) | 1,636 | (391) | - | - | 99 | - |
| Foreign exchange movements | - | (2) | 7 | - | 87 | 14 | 106 |
| At 31 December 2021 | 15,057 | 8,908 | 19,557 | 1,982 | 30,075 | 13,762 | 89,341 |
| Additions | - | 350 | 1,249 | 6,897 | 12,627 | 1,985 | 23,108 |
| Disposals | (15,057) | (1,607) | (317) | (691) | (3,921) | (87) | (21,680) |
| Transfers between classes | - | 2,822 | 2,059 | (5,356) | - | 475 | - |
| Foreign exchange movements | - | 20 | 49 | - | 1,064 | 130 | 1,263 |
| At 31 December 2022 | - | 10,493 | 22,597 | 2,832 | 39,845 | 16,265 | 92,032 |
| Accumulated depreciation and impairment | | | | | | | |
| At 1 January 2021 | 2,226 | 1,506 | 8,612 | - | 11,494 | 7,455 | 31,293 |
| Charge for the year | 298 | 1,139 | 2,552 | - | 6,450 | 2,451 | 12,890 |
| Disposals | - | - | (9) | - | (2,130) | (4) | (2,143) |
| Transfers between classes | (1,293) | 1,293 | - | - | - | - | - |
| Foreign exchange movements | - | 1 | 3 | - | 52 | 13 | 69 |
| At 31 December 2021 | 1,231 | 3,939 | 11,158 | - | 15,866 | 9,915 | 42,109 |
| Charge for the year | 149 | 1,276 | 3,112 | - | 9,086 | 2,345 | 15,968 |
| Disposals | (1,380) | (640) | (114) | - | (2,036) | (46) | (4,216) |
| Impairments | - | 28 | 117 | - | - | - | 145 |
| Foreign exchange movements | - | 5 | 41 | - | 588 | 98 | 732 |
| At 31 December 2022 | - | 4,608 | 14,314 | - | 23,504 | 12,312 | 54,738 |
| Net book value | | | | | | | |
| At 31 December 2021 | 13,826 | 4,969 | 8,399 | 1,982 | 14,209 | 3,847 | 47,232 |
| At 31 December 2022 | - | 5,885 | 8,283 | 2,832 | 16,341 | 3,953 | 37,294 |

On 8 July 2022, the Company sold its interest in the Gosling Building (the "Property") to The Oxford Science Park (Properties) Limited ("TOSP") for £42.5 million. TOSP immediately granted to the Company an occupational lease of the Property for ten years at a rent of £1.8 million per annum (for which a right-of-use asset and related lease liability were recognised). Overall, the transaction resulted in a reduction in net property, plant and equipment of £15.6 million, and a gain on disposal of £18.6 million.

The Group leases some of its devices to customers. Lease payments in relation to these devices are received either in advance or within the year. Therefore, no maturity analysis of lease payments has been included.

16. Right-of-use assets

| | Total £000 |
|---------------------------------|---------------|
| Cost | |
| At 1 January 2021 | 18,141 |
| Additions | 3,494 |
| Disposals | (1,398) |
| Foreign exchange movements | 65 |
| At 31 December 2021 | 20,302 |
| Additions | 15,504 |
| Disposals | (973) |
| Foreign exchange movements | 586 |
| At 31 December 2022 | 35,419 |
| Accumulated depreciation | |
| At 1 January 2021 | 4,326 |
| Charge for the year | 2,657 |
| Disposals | (1,398) |
| Foreign exchange movements | 30 |
| At 31 December 2021 | 5,615 |
| Charge for the year | 4,475 |
| Disposals | (782) |
| Foreign exchange movements | 205 |
| At 31 December 2022 | 9,513 |
| Net book value | |
| At 31 December 2021 | 14,687 |
| At 31 December 2022 | 25,906 |

Additions in the year included £5.0 million for the lease of the Gosling Building. See note 15 for further details of this transaction.

Notes for the Consolidated Financial Statements continued

17. Investment in associate

The following entity has been included in the consolidated financial statements using the equity method:

| Name of associate | Principal activities | Country of incorporation | 2022 | 2021 |
|-------------------|------------------------|--------------------------|------|------|
| Veiovia Limited | Technology Development | UK | 26.1 | 23.3 |

The carrying value is calculated as follows:

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Investment cost | 4,548 | 1,548 |
| Share of loss | (302) | (64) |
| Impairment | (3,420) | (1,227) |
| Carrying value of the interest in the associate | 826 | 257 |

Reconciliation of investment in associate

| | 2022 £000 | 2021 £000 |
|-----------------------|--------------|--------------|
| At 1 January | 257 | 548 |
| Further investment | 3,000 | 1,000 |
| | 3,257 | 1,548 |
| Share of loss | (238) | (64) |
| Impairment | (2,193) | (1,227) |
| At 31 December | 826 | 257 |

The above associate is accounted for using the equity method in these consolidated financial statements as set out in the Group's accounting policies in note 3. It is held directly by the Company.

- (i) Pursuant to a shareholder agreement, the Company has the right to cast 26.1% of the votes of Veiovia Limited (2021: 23.3%).
- (ii) The Company holds more than 20% of the equity shares of Veiovia Limited, and exercises significant influence by virtue of its contractual right to appoint one director to the board of directors of that entity (also see note 29).
- (iii) For the purposes of applying the equity method of accounting, the financial statements of Veiovia Limited for the year ended 31 December 2022 have been used. The Company's share of the net asset value of the investment is significantly below the investment amount. Management has recorded an impairment loss of the investment to the recoverable amount.
- (iv) Veiovia Limited's registered office is The University of York, Biology B/A/039, Wentworth Way, York, UK, YO10 5DD.

18. Inventories

| | 2022 £000 | 2021 £000 |
|------------------|---------------|---------------|
| Raw materials | 41,852 | 25,781 |
| Work in progress | 34,960 | 17,830 |
| Finished goods | 10,886 | 19,460 |
| | 87,698 | 63,071 |

The carrying amount of inventories was not materially different from their replacement cost.

19. Trade and other receivables

| | 2022 £000 | 2021 £000 |
|-------------------------|---------------|---------------|
| Trade receivables | 38,097 | 38,198 |
| Contract assets | 3,084 | 275 |
| Other debtors | 4,724 | 2,834 |
| Accrued interest income | 1,065 | 32 |
| Other taxes | 5,262 | 5,353 |
| Prepayments | 10,673 | 8,104 |
| | 62,905 | 54,796 |

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

The ageing of trade receivables and the loss allowance calculated using the Group's provision matrix was as follows:

| | Not past due £000 | 30-60 days £000 | 61-90 days £000 | 91+ days £000 | Total £000 |
|---------------------|----------------------|--------------------|--------------------|------------------|---------------|
| At 31 December 2022 | 28,654 | 3,390 | 2,696 | 5,971 | 40,711 |
| Loss allowance | (930) | (262) | (315) | (1,107) | (2,614) |
| | 27,724 | 3,128 | 2,381 | 4,864 | 38,097 |
| At 31 December 2021 | 21,368 | 11,715 | 1,129 | 6,941 | 41,153 |
| Loss allowance | (8) | (45) | - | (2,902) | (2,955) |
| | 21,360 | 11,670 | 1,129 | 4,039 | 38,198 |

The following table shows the movement in lifetime Expected Credit Loss that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

| | £000 |
|---|--------------|
| At 1 January 2021 | 1,958 |
| Net charges and releases to statement of comprehensive income | 1,013 |
| Foreign exchange movement | (16) |
| At 31 December 2021 | 2,955 |
| Net charges and releases to statement of comprehensive income | (464) |
| Foreign exchange movement | 123 |
| At 31 December 2022 | 2,614 |

Notes for the Consolidated Financial Statements continued

20. Other financial assets

| | 2022 £000 | 2021 £000 |
|------------------------|----------------|----------------|
| Treasury deposits | 101,274 | 130,375 |
| Investment bonds | 100,898 | - |
| Other financial assets | 1,383 | 253 |
| | 203,555 | 130,628 |

These items were analysed as follows:

| | 2022 £000 | 2021 £000 |
|-------------|----------------|----------------|
| Current | 119,411 | 130,628 |
| Non-current | 84,144 | - |
| | 203,555 | 130,628 |

21. Derivative financial assets and liabilities

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| Derivative financial assets | | |
| Foreign currency forward contracts | 2,060 | - |
| | 2,060 | - |
| Derivative financial liabilities | | |
| Foreign currency forward contracts | 962 | 106 |
| | 962 | 106 |

22. Trade and other payables

| | 2022 £000 | 2021 £000 |
|--------------------------------------|---------------|---------------|
| Trade payables | 23,103 | 20,486 |
| Share-based payments | 460 | 1,416 |
| Payroll taxation and social security | 2,585 | 6,573 |
| Accruals | 33,801 | 22,767 |
| Contract liabilities | 20,300 | 21,630 |
| | 80,249 | 72,872 |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases by the Group is 59 days (2021: 57 days).

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 their fair value.

Contract liabilities primarily relate to performance obligations on customer contracts which were not satisfied at 31 December. In 2022 they decreased by £1.3 million (2021: increase of £3.8 million). Management expects that most of the transaction price allocated to unsatisfied performance obligations as at 31 December 2022 will be recognised as revenue during the following year.

23. Loans and provisions

| | 2022 £000 | 2021 £000 |
|-------------------------------------|--------------|--------------|
| Loans | | |
| Loan for land and building purchase | - | 9,500 |
| | - | 9,500 |

On 8 July 2022, the Company completed the sale of its interest in the Gosling Building to The Oxford Science Park (Properties) Limited for £42.5 million. On completion of the sale, the term loan facility of £9.5 million with Barclays Bank plc was fully repaid. The average interest rate charged in the year was 3.51% (2021: 2.90%).

| | Dilapidation provisions £000 | Employer taxes £000 | Other £000 | Total provisions £000 |
|------------------------------------|------------------------------------|---------------------------|---------------|-----------------------------|
| Provisions | | | | |
| At 31 December 2021 | 1,503 | 33,192 | 683 | 35,378 |
| Movement in provision for the year | 826 | (21,463) | (141) | (20,778) |
| Payments | - | (1,093) | (389) | (1,482) |
| Foreign exchange movements | 17 | 136 | 7 | 160 |
| At 31 December 2022 | 2,346 | 10,772 | 160 | 13,278 |
| Current | - | 4,473 | 160 | 4,633 |
| Non-current | 2,346 | 6,299 | - | 8,645 |
| At 31 December 2022 | 2,346 | 10,772 | 160 | 13,278 |
| Current | - | 24,356 | 683 | 25,039 |
| Non-current | 1,503 | 8,836 | - | 10,339 |
| At 31 December 2021 | 1,503 | 33,192 | 683 | 35,378 |

The dilapidation provision relates to the leased properties, representing an obligation to restore the premises to their original condition at the time the Group vacates the related properties.

The provision is non-current and expected to be utilised between two and 21 years.

Employer's social security taxes relates to the expected employer's taxes on share-based payments. This is expected to be utilised between one and ten years. The provision is based on the best estimate of the liability, which is reviewed and updated at each reporting period. The provision is accrued over the vesting period to build up to the required liability at the point it is ultimately due.

Notes for the Consolidated Financial Statements continued

24. Lease liabilities

| | 2022 £000 | 2021 £000 |
|--|---------------|---------------|
| Current | 15,049 | 2,610 |
| Non-current | 19,049 | 12,694 |
| Lease liabilities included in the statement of financial position | 34,098 | 15,304 |

| | 2022 £000 | 2021 £000 |
|--|---------------|---------------|
| Maturity analysis - contractual undiscounted cash flows | | |
| Up to one year | 6,459 | 3,265 |
| Two to five years | 22,996 | 8,786 |
| Greater than five years | 17,705 | 8,802 |
| Total undiscounted lease liabilities at 31 December | 47,160 | 20,853 |

The increase in the current year included a £12.6 million liability arising in respect of the lease of the Gosling Building. See note 15 for more details on this transaction.

Information on the associated right-of-use assets is included in note 16.

25. Share capital and share premium

Share capital comprised the following:

| | Nominal value | Number of shares issued | Aggregate nominal value |
|--|---------------|----------------------------|----------------------------|
| At 31 December 2022 | | | |
| Share class | | | |
| Ordinary Shares (fully paid) | £0.0001 | 825,570,509 | 82,557 |
| Issued Class A Limited Anti-takeover share of £1 | £1 | 1 | 1 |
| Issued Class B Limited Anti-takeover share of £1 | £1 | 1 | 1 |
| Issued Class C Limited Anti-takeover share of £1 | £1 | 1 | 1 |
| | | | 82,560 |

| | Nominal value | Number of shares issued | Aggregate nominal value |
|--|---------------|----------------------------|----------------------------|
| At 31 December 2021 | | | |
| Share class | | | |
| Ordinary Shares (fully paid) | £0.0001 | 821,557,647 | 82,156 |
| Issued Class A Limited Anti-takeover share of £1 | £1 | 1 | 1 |
| Issued Class B Limited Anti-takeover share of £1 | £1 | 1 | 1 |
| Issued Class C Limited Anti-takeover share of £1 | £1 | 1 | 1 |
| | | | 82,159 |

The increase in Ordinary Shares is due to the issuance of shares relating to employee share schemes. This resulted in an increase in the share premium reserve of £3.8 million.

26. Share-based payment reserves

| | 2022 £000 | 2021 £000 |
|---|----------------|---------------|
| At 1 January | 96,350 | 35,079 |
| Equity settled share-based payment transactions | 71,165 | 60,707 |
| Tax in relation to share-based payment transactions | 685 | 564 |
| At 31 December | 168,200 | 96,350 |
| Share-based payment transactions | | |
| Expense arising from share-based payment transactions: | | |
| Included in research & development expenses | 6,883 | 8,666 |
| Included in selling, general & administrative expenses | 63,126 | 53,787 |
| | 70,009 | 62,453 |
| Equity settled share-based payment transactions | 71,165 | 60,707 |
| Cash settled share-based payment transactions | (1,156) | 1,746 |
| | 70,009 | 62,453 |

The total charge to equity settled share-based plans in 2022 was £71.2 million (31 December 2021: £60.7 million). Of this amount, £12.8 million (31 December 2021: £23.1 million) arose from share option plans and £53.2 million (31 December 2021: £37.6 million) arose from the Founder LTIP plan, with the balance relating to the remaining share-based payment award schemes.

The Group operates a number of share schemes. Awards are normally granted to employees to acquire shares but in some circumstances may be settled in cash. The schemes are as follows:

- Oxford Nanopore Technologies Limited Share Option Plan
- Oxford Nanopore Technologies Limited Share Option Plan 2018
- Oxford Nanopore Technologies Limited Long-Term Incentive Plan 2021 (Founder LTIP)
- Oxford Nanopore Technologies plc Long-Term Incentive Plan 2021 (plc LTIP)
- Oxford Nanopore Technologies Deferred Bonus Plan 2021
- Oxford Nanopore Technologies Share Incentive Plan 2021
- Oxford Nanopore Technologies 2021 Employee Stock Purchase Plan

Share options

Options under each scheme have been aggregated. Share options have been awarded under two equity-settled share-based remuneration schemes: the Oxford Nanopore Technologies Share Option Scheme and the Oxford Nanopore Technologies Limited Share Option Plan 2018. The contractual life of all options is ten years.

Oxford Nanopore Technologies Limited Share Option Plan 2018

This plan replaced the Oxford Nanopore Technologies Share Option Scheme and closed to new members following the Company's admission to the London Stock Exchange in 2021. All unexercised awards will have expired by 2031.

All employees were eligible to be awarded approved share options, with the exception of employees in some foreign subsidiaries. These employees were instead eligible to be remunerated under a local phantom bonus scheme. Awards granted to participants were subject to either service conditions or both service and market performance conditions. Options were not normally able to be exercised before the third anniversary of the date of grant.

Notes for the Consolidated Financial Statements continued

26. Share-based payment reserves continued

The movement in share options outstanding is summarised in the following table:

| | 2022 | | 2021 | |
|----------------------------|-------------------------|---|-------------------------|---|
| | Number of share options | Weighted average exercise price (pence) | Number of share options | Weighted average exercise price (pence) |
| At 1 January | 55,450,832 | 176 | 49,940,900 | 105 |
| Granted | - | - | 19,558,520 | 295 |
| Forfeited | (821,783) | 240 | (497,106) | 150 |
| Exercised | (3,789,563) | 99 | (13,551,482) | 85 |
| Outstanding at 31 December | 50,839,486 | 181 | 55,450,832 | 176 |
| Exercisable at 31 December | 40,403,625 | 155 | 34,084,864 | 125 |

Share options outstanding at the end of the year have the following expiry and exercise prices:

| | Grant year | Expiry year | Exercise price (pence) | 2022 Number | 2021 Number |
|---|-------------|-------------|------------------------|-------------|-------------|
| Oxford Nanopore Technologies Limited Share Option Scheme | 2008 - 2018 | 2020 - 2028 | 4 - 140 | 16,517,490 | 18,625,927 |
| Oxford Nanopore Technologies Limited Share Option Plan 2018 | 2019 - 2021 | 2029 - 2031 | 181 - 306 | 34,321,996 | 36,824,905 |
| | | | | 50,839,486 | 55,450,832 |

The weighted average share price at the date of exercise for share options exercised during the period was £3.65 (31 December 2021: £4.29). The options outstanding at 31 December 2022 had a weighted average exercise price of £1.81 (31 December 2021: £1.76), and a weighted average remaining contractual life of 6.0 years (2021: 6.8 years).

Valuation models:

Oxford Nanopore Technologies Limited Share Option Plan 2018

There were no options granted during the year (2021: 19.6 million). The fair value of share options granted during the prior year was determined using the Monte Carlo Simulation model and Black Scholes model dependent on the performance vesting conditions.

Black Scholes: The following assumptions were used in the Black Scholes model in calculating the fair values of the options granted:

| | |
|---------------------------|---------------|
| Range of share prices | £2.65 - £3.50 |
| Range of exercise prices | £2.12 - £3.50 |
| Expected volatility range | 47% - 50% |
| Expected life | 6.5 years |
| Risk-free rate range | 0% - 0.4% |
| Expected dividend yields | Nil |

The volatility assumption has been derived as the median volatility over a five-year period of a bespoke comparator group. For options granted during 2021, the expected life assumption of six and a half years assumes exercise will occur halfway through the total exercisable period, being the midpoint of years three and ten. The risk-free interest rate used reflects the UK Government five-year Gilt rate as reported by the Bank of England.

The weighted average fair value of options granted during the period determined using the Black Scholes model at the grant date was £nil (2021: £1.74) per option.

Monte Carlo Simulations The inputs into the Monte Carlo Simulation model for options issued were as follows:

| Weighted average share price | £2.65 |
|---------------------------------|-----------|
| Weighted average exercise price | £2.12 |
| Expected volatility | 48% |
| Expected life | 2.5 years |
| Risk-free rate | 0% |
| Expected dividend yields | Nil |

The Monte Carlo Simulation model has been used to value the portion of the awards which have a market performance vesting condition (achievement of a target company valuation). The model incorporates a discount factor reflecting this performance condition into the fair value of this portion of the award. The weighted average fair value of options granted during the year determined using the Monte Carlo Simulation model at the grant date was £nil (2021: £1.21) per option.

The volatility assumption has been derived as the median volatility over a five-year period of a bespoke comparator group. For options granted during 2021, the expected life represents the term until expected vesting and exercise. The risk-free interest rate used reflects the UK Government five-year Gilt rate as reported by the Bank of England.

Long term Incentive Plans

Oxford Nanopore Technologies Limited Long Term Incentive Plan 2021 (Founder LTIP):

This was a one-off discretionary share plan, under which the Company granted awards over 6.5% of the Company's Ordinary Share capital (at the date of grant) to the Executive Directors. The Founder LTIP awards are free to the recipient. The plan was approved by the board on 22 June 2021. Awards were granted as conditional awards of Ordinary Shares ("Conditional Awards") subject to achievement of performance obligations tied to revenue and share price and is subject to holding periods.

There were no awards granted during the year (2021: 46.1 million) and all remained outstanding as at 31 December 2022 with a weighted average remaining contractual life of four years.

Valuation models:

The inputs into the valuation models for Founder LTIP awards were as follows:

| | Monte Carlo | Black Scholes |
|--------------------------|-------------|---------------|
| Share price at grant | £3.50 | £3.50 |
| Share price | £4.50 | n/a |
| Expected volatility | 50.14% | 50.14% |
| Expected term | 2.16 years | 5 years |
| Risk-free rate | 0.4% | 0.4% |
| Expected dividend yields | Nil | Nil |

The volatility assumption has been derived as the median volatility over a five-year period of a bespoke comparator group. The risk-free interest rate used reflects the UK Government five-year Gilt rate as reported by the Bank of England.

The weighted average fair value of Founder LTIP awards granted, determined using the Black Scholes model at the grant date, was £3.22 per award.

The weighted average fair value of Founder LTIP awards granted, determined using the Monte Carlo simulation model at the grant date, was £2.18 per award.

Notes for the Consolidated Financial Statements continued

27. Notes to the cash flow statements

| | 2022 £000 | 2021 £000 |
|---------------------------|--------------|--------------|
| Cash and cash equivalents | 356,778 | 487,840 |

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.

| | 2022 £000 | 2021 £000 |
|---|-----------------|------------------|
| Loss before tax | (83,411) | (166,004) |
| Depreciation on property, plant and equipment | 15,968 | 12,890 |
| Depreciation on right-of-use assets | 4,475 | 2,657 |
| Amortisation on intangible assets | 11,428 | 9,144 |
| Loss on disposal of property, plant and equipment | 1,880 | 837 |
| Research and development expense tax credit | (7,084) | (4,210) |
| Foreign exchange movements | 5,556 | 1,071 |
| Interest on leases | 1,407 | 666 |
| Bank interest income | (5,941) | (224) |
| Bank interest expense | 221 | 242 |
| Non-cash movements on derivatives | (1,203) | 166 |
| Impairment of investment | 2,193 | 1,227 |
| Impairment of operating assets | 1,173 | - |
| Share of losses in associate | 238 | 64 |
| Gain on sale of property - see note 15 | (18,620) | - |
| Employee share benefit costs including employer's social security taxes | 48,784 | 62,453 |
| Operating cash flows before movements in working capital | (22,936) | (79,021) |
| (Increase)/decrease in receivables | (7,402) | 10,888 |
| Increase in inventory | (24,717) | (27,444) |
| Increase in payables | 4,434 | 33,571 |
| Cash used in operations | (50,621) | (62,006) |
| Income taxes - R&D tax credit received | 10,864 | 9,763 |
| Foreign tax paid | (9,630) | (961) |
| Net cash outflow from operating activities | (49,387) | (53,204) |

(i) Non cash transactions

Additions to right-of-use assets during the year of £15.5 million (2021: £3.5 million) were financed by new leases.

(ii) Changes in liabilities arising from financing activities

The table below details change in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

| | Bank loan £000 | Lease liabilities £000 | Total £000 |
|----------------------------|-------------------|------------------------------|---------------|
| At 1 January 2021 | 9,500 | 14,132 | 23,632 |
| Non-cash changes | | | |
| New leases | - | 3,494 | 3,494 |
| Interest | - | 666 | 666 |
| Foreign exchange movements | - | 39 | 39 |
| Cash changes | | | |
| Principal repaid | - | (2,361) | (2,361) |
| Interest paid | - | (666) | (666) |
| At 31 December 2021 | 9,500 | 15,304 | 24,804 |
| Non-cash changes | | | |
| New leases | - | 22,523 | 22,523 |
| Lease surrendered | - | (191) | (191) |
| Interest | - | 1,407 | 1,407 |
| Foreign exchange movements | - | 422 | 422 |
| Cash changes | | | |
| Bank loan repaid | (9,500) | - | (9,500) |
| Principal repaid | - | (4,111) | (4,111) |
| Interest paid | - | (1,256) | (1,256) |
| At 31 December 2022 | - | 34,098 | 34,098 |

28. Financial instruments – risk management**(i) Classes and categories of financial instruments and their fair values**

The following table combines information about:

- classes of financial instruments based on their nature and characteristics
- the loan on land and buildings held at amortised cost
- the carrying amount of financial instruments
- the fair value of financial instruments (except financial instruments when carrying amount approximates their fair value)

| | Total Carrying Value £000 | Fair value £000 |
|----------------------------------|---------------------------------|--------------------|
| 31 December 2022 | | |
| Financial assets | | |
| Cash and cash equivalents | 356,778 | 356,778 |
| Trade and other receivables | 46,970 | 46,970 |
| Treasury deposits | 101,274 | 101,274 |
| Investment bonds | 100,898 | 100,898 |
| Other financial assets | 1,383 | 1,383 |
| Derivative financial assets | 2,060 | 2,060 |
| Financial liabilities | | |
| Trade and other payables | (77,204) | (77,204) |
| Derivative financial liabilities | (962) | (962) |

Notes for the Consolidated Financial Statements continued

28. Financial instruments – risk management continued

| | Total Carrying Value £000 | Fair value £000 |
|----------------------------------|------------------------------|--------------------|
| 31 December 2021 | | |
| Financial assets | | |
| Cash and cash equivalents | 487,840 | 487,840 |
| Trade and other receivables | 41,339 | 41,437 |
| Treasury deposits | 130,375 | 130,375 |
| Other financial assets | 253 | 253 |
| Financial liabilities | | |
| Trade and other payables | (65,077) | (65,077) |
| Loan on land & buildings | (9,500) | (9,500) |
| Derivative financial liabilities | (106) | (106) |

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

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.

Treasury deposits are short-term deposits held with banks that do not meet the IAS 7 definition of a cash equivalent, as well as investment grade quoted bonds classified as fair value through other comprehensive income. See note 12.

Investment bonds have been classified as Level 1 investments based on three categories depending on the inputs used in the valuation technique. The categories used are as follows:

- Level 1: quoted prices for identical instruments;
- Level 2: directly or indirectly observable market inputs, other than Level 1 inputs; and
- Level 3: inputs which are not based on observable market data.

Fixed forward contracts

Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates.

During the year, a number of fixed forward contracts were entered into. At 31 December 2022 eight contracts remained unsettled, with various settlement dates, the latest being 12 October 2023 (2021: six contracts remained unsettled, the latest being 15 November 2022). They are included in the balance sheet as follows:

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| Derivative financial assets | | |
| Foreign currency forward contracts | 2,060 | - |
| | 2,060 | - |
| Derivative financial liabilities | | |
| Foreign currency forward contracts | 962 | 106 |
| | 962 | 106 |

(ii) 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. Following the share capital raised in 2020 and the IPO in October 2021, the Group has a substantial cash balance to fund its operations.

At 31 December 2022, the Group had the following financing arrangements:

| | 2022 £000 | 2021 £000 |
|---|---------------|---------------|
| Maturity analysis | | |
| - Expiring within one year (undiscounted lease liabilities) | 6,459 | 3,265 |
| - Expiring beyond one year (undiscounted lease liabilities and bank loan) | 40,701 | 27,088 |
| | 47,160 | 30,353 |

The loan on land and buildings for £9.5 million had a term of four years from 5 August 2020. It was repaid in 2022; the average interest rate in 2022 was 3.51% (2021: 2.65%).

The amounts disclosed in this table for lease liabilities are based on contractual undiscounted cash flows.

The Directors consider that except for lease and loan liabilities, 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.

Management monitors rolling forecasts of the Group's financing arrangements (comprising the lease liabilities and bank loan above) and cash and cash equivalents (note 27) on the basis of expected cash flows.

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 three 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.

At year end, the Group placed £542 million (2021: £430 million) deposits with several reputable financial institutions to minimise its credit risk. £310 million (2021: £250 million) of this is placed in institutions with a grade of AAA, with the remainder all being placed at Grade A or higher institutions in line with the Group's treasury policy.

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

Credit approvals and other monitoring procedures are also in place to ensure that follow up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced and remain at the same level for the foreseeable future. Trade receivables consist of a large number of customers, spread across diverse geographical areas.

Of the trade receivables balance at the end of the year, £4.9 million (2021: £12.7 million) was due from the Group's largest customer, G42.

At 31 December 2022, an amount of £2.61 million (2021: £2.95 million) measured at an amount equal to 12-month expected credit losses was estimated as a loss allowance in accordance with IFRS 9 (see note 19).

The credit risk on liquid funds and derivative financial instruments are measured at an amount equal to lifetime expected credit losses. Their credit risk is considered as limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

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 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.

Derivatives are only used for economic hedging purposes and not as speculative investments.

In addition, significant amounts of US Dollars were held during the year. In the year ended 31 December 2022 approximately 17% (2021: 18%) of the Group's annual expenditures was denominated in US dollars and approximately 13% (2021: 16%) of the Group's expenditure was denominated in Euro. A significant portion of the Group's revenue is denominated in US Dollars.

Notes for the Consolidated Financial Statements continued

28. Financial instruments – risk management continued

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

| | Assets | | Liabilities | |
|----------------------------------|--------------|--------------|--------------|--------------|
| | 2022 £000 | 2021 £000 | 2022 £000 | 2021 £000 |
| Financial assets and liabilities | 25,065 | 50,965 | (13,729) | (17,165) |

Sensitivity analysis

A 5% strengthening of the US Dollar relative to UK Sterling at 31 December 2022 would have resulted in an increase in Group equity of £0.3 million (2021: £0.4 million).

The interest rate for short-term deposits is dependent on the rates offered by the Group's bankers. During the year ended 31 December 2022, the short-term deposits returned an average of 1.48% (2021: 0.19%).

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 historical financial information.

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

In 2022, the term loan facility of £9.5 million with Barclays Bank plc was fully repaid. The Debt to Equity ratio of the Group is nil (2021: 1.3%).

Debt is defined as long and short-term borrowings (excluding derivatives and financial guarantee contracts) as detailed in note 23. Equity includes all capital and reserves of the Group that are managed as capital.

29. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

In 2022 the Company invested a further £3.0 million in its associate, Veiovia Limited, which is related to the Company by shared directorship of JP Willcocks. A total of £4.5 million has now been invested in Veiovia Limited. During the year, an impairment of £2.2 million was recognised through the statement of comprehensive income.

The Company paid academic research costs in 2022 of £0.5 million (2021: £0.2 million) to the University of Oxford, which is related to the Company by shared directorship of W Becker.

30. Retirement benefit plan

The Group operates a defined contribution pension scheme for the benefit of its employees. Most of the employees who contribute to the Group's pension scheme do so via salary sacrifice.

The total expense recognised in the consolidated income statement of £3.2 million (2021 £1.3 million) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme. As at 31 December 2022, contributions of £0.5 million (2021: £0.4 million) due in respect of the current reporting period had not been paid over to the plans.

31. Commitments

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Within one year | 1,768 | 1,173 |
| In the second to fifth years inclusive | 721 | 750 |
| | 2,489 | 1,923 |

Commitments relate to research agreements with universities and research institutions as well as licence payments required under intellectual property and other licences. The amounts are not risk-adjusted or discounted.

32. Events after the reporting date

The Group performed a review of events subsequent to the balance sheet date through to the date the financial statements were issued and determined that there were no such events requiring recognition or disclosure in the financial statements.

33. Controlling party

There is no ultimate controlling party of the Group as ownership is split between the Company's shareholders. The most significant shareholders at 31 December 2022 were as follows: IP Group (10%), Tencent Holdings (8%), Baillie Gifford (6%), G42 (5%) and GIC Asset Management (5%).

34. Alternative performance measures

The Group's performance is assessed using a number of financial measures which are not defined under IFRS and are which therefore comprise alternative (non-GAAP) performance measures. These are as follows:

- **Underlying LSRT revenue growth:** LSRT revenue growth excluding EGP and COVID sequencing revenue;
- **Underlying LSRT revenue growth on a constant currency basis:** LSRT revenue growth excluding EGP and COVID sequencing revenue, on a constant currency basis;
- **Adjusted research and development expenses:** research and development expenses after adjusting for employer's social security taxes on pre-IPO share awards;
- **Adjusted selling, general and administrative expenses:** selling, general and administrative expenses after adjusting for share-based payments expense (Founder LTIP), employer's social security taxes on Founder LTIP and pre-IPO share awards and IPO costs expensed;
- **EBITDA:** loss for the year before income tax expense, finance income, loan interest, interest on lease, depreciation and amortisation;
- **Adjusted EBITDA:** EBITDA adjusted for: i) share-based payment expense on Founder LTIP awards; ii) employer's social security taxes on Founder LTIP and pre-IPO share awards; iii) IPO costs expensed in the statement of comprehensive income; iv) impairment of investment in associate; v) gain on sale of property; and vi) settlement of the COVID-19 testing contract; and
- **Cash and cash equivalents and other liquid investments:** total cash and cash equivalents, which comprise cash in hand, deposits held at call and other short-term highly liquid investments with a maturity of three months or less at the date of acquisition. Other liquid investments comprise investment bonds in which a fixed sum is invested in an asset-backed fund, treasury deposits, and investment bonds, which comprise deposits held with banks that do not meet the IAS 7 definition of a cash equivalent.

The following table presents the adjusted underlying LSRT revenue growth

| | 2022 £000 | 2021 £000 |
|---|----------------|--------------|
| LSRT Revenue | 146,815 | 126,961 |
| Adjusting Items: | | |
| EGP revenue | (13,172) | (30,562) |
| COVID sequencing revenue | (26,112) | (17,545) |
| Underlying LSRT revenue | 107,531 | 78,854 |
| Growth | +36.4% | |
| Impact of foreign exchange | (5,370) | - |
| Underlying LSRT revenue on a constant currency basis | 102,161 | 78,854 |
| Growth | +29.6% | |

The following table presents the adjusted research and development:

| | 2022 £000 | 2021 £000 |
|--|---------------|--------------|
| Research and development expenses | 64,842 | 75,976 |
| Adjusting Items: | | |
| Employer's social security taxes on pre-IPO share awards | 9,890 | (17,748) |
| Adjusted research and development expenses | 74,732 | 58,228 |
| Capitalised development costs | 19,163 | 9,281 |
| Adjusted R&D expenses and capitalised development costs | 93,895 | 67,509 |

Notes for the Consolidated Financial Statements continued

34. Alternative performance measures continued

The following table presents the adjusted selling, general and administrative expenses

| | 2022 £000 | 2021 £000 |
|---|----------------|----------------|
| Selling, general and administrative expenses | 157,447 | 161,752 |
| Adjusting Items: | | |
| Share-based payment expense on Founder Long Term Incentive Plan (LTIP) | (53,182) | (37,551) |
| Employer's social security taxes on Founder LTIP and pre-IPO share awards | 11,743 | (21,544) |
| IPO costs expensed in the statement of comprehensive income | - | (4,829) |
| Adjusted selling, general and administrative expenses | 116,008 | 97,828 |

The following table presents the Group's EBITDA and Adjusted EBITDA, together with a reconciliation to loss for the year:

| | 2022 £000 | 2021 £000 |
|---|-----------------|------------------|
| Loss for the year | (91,025) | (167,613) |
| Tax expense | 7,614 | 1,609 |
| Finance income | (5,941) | (224) |
| Loan interest | 221 | 242 |
| Interest on lease | 1,407 | 666 |
| Depreciation and amortisation | 31,871 | 24,691 |
| EBITDA | (55,853) | (140,629) |
| Share-based payments (Founder LTIP) | 53,182 | 37,551 |
| Employer's social security (credit)/charge on Founder LTIP and pre-IPO share-based awards | (21,634) | 39,291 |
| Gain on sale of property | (18,620) | - |
| Settlement of COVID-19 testing contract | (37,896) | - |
| Impairment of investment in associate | 2,193 | 1,227 |
| IPO costs expensed in the statement of comprehensive income | - | 4,829 |
| Adjusted EBITDA | (78,628) | (57,731) |

The following table presents cash, cash equivalents and other liquid investments:

| | 2022 £000 | 2021 £000 |
|--|----------------|----------------|
| Cash and cash equivalents | 356,778 | 487,840 |
| Treasury deposits | 101,274 | 130,375 |
| Investment bonds | 100,898 | - |
| Less: fair value movements on investment bonds | (936) | - |
| Cash, cash equivalents and other liquid investments | 558,014 | 618,215 |

Company Statement of Financial Position

as at 31 December 2022

| | Note | 2022 £000 | 2021 £000 |
|--|------|----------------|----------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 4 | 30,379 | 43,521 |
| Intangible assets | 3 | 29,077 | 23,004 |
| Right-of-use assets | 5 | 21,983 | 11,701 |
| Investments in subsidiaries | 6 | 44,108 | 25,083 |
| Investment in associate | 7 | 826 | 257 |
| Other financial assets | 10 | 84,144 | - |
| | | 210,517 | 103,566 |
| Current assets | | | |
| Inventories | 8 | 86,295 | 61,566 |
| Trade and other receivables | 9 | 53,381 | 45,684 |
| R&D Tax credit recoverable | | 9,148 | 14,274 |
| Other financial assets | 10 | 118,028 | 130,375 |
| Derivative financial assets | 12 | 2,060 | - |
| Cash and cash equivalents | 18 | 348,106 | 478,592 |
| | | 617,018 | 730,491 |
| Total assets | | 827,535 | 834,057 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Loans | 14 | - | 9,500 |
| Lease liabilities | 15 | 16,531 | 10,636 |
| Share-based payment liabilities | 17 | 108 | 312 |
| Provisions | 14 | 8,084 | 9,704 |
| | | 24,723 | 30,152 |
| Current liabilities | | | |
| Trade and other payables | 13 | 97,330 | 78,855 |
| Lease liabilities | 15 | 13,620 | 1,686 |
| Derivative financial liabilities | 12 | 962 | 106 |
| Provisions | 14 | 4,317 | 23,670 |
| | | 116,229 | 104,317 |
| Total liabilities | | 140,952 | 134,469 |
| Net assets | | 686,583 | 699,588 |
| Issued capital and reserves attributable to owners of the Company | | | |
| Share capital | 16 | 83 | 82 |
| Share premium reserve | 16 | 627,557 | 623,760 |
| Share-based payment reserve | 17 | 168,200 | 96,350 |
| Accumulated deficit | | (109,257) | (20,604) |
| TOTAL EQUITY | | 686,583 | 699,588 |

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 £89.6 million (2021: £169.6 million).

The financial statements on pages 197 to 209 were approved and authorised for issue by the Board of Directors on 20 March 2023 and were signed on its behalf by:

G. Sanghera
Director

The notes on pages 200 to 209 form part of these financial statements.

Company Statement of Changes in Equity

as at 31 December 2022

| | Share capital £000 | Share premium £000 | Share-based payment reserve £000 | Accumulated deficit £000 | Total equity £000 |
|---|-----------------------|-----------------------|---|--------------------------------|----------------------|
| At 1 January 2021 | 36 | 610,544 | 35,079 | (461,732) | 183,927 |
| Loss for the year | - | - | - | (169,606) | (169,606) |
| Comprehensive loss for the year | - | - | - | (169,606) | (169,606) |
| Issue of share capital | 13 | 642,145 | - | - | 642,158 |
| Bonus shares issued | 37 | - | - | (37) | - |
| Cancellation of deferred shares | (4) | - | - | 4 | - |
| Share premium cancellation | - | (610,767) | - | 610,767 | - |
| Cost of share issue | - | (18,162) | - | - | (18,162) |
| Employee share-based payments | - | - | 60,707 | - | 60,707 |
| Tax in relation to share-based payments | - | - | 564 | - | 564 |
| Total contributions by and distributions to owners | 46 | 13,216 | 61,271 | 610,734 | 685,267 |
| At 31 December 2021 | 82 | 623,760 | 96,350 | (20,604) | 699,588 |
| Loss for the year | - | - | - | (89,589) | (89,589) |
| Fair value movements on investment bonds | - | - | - | 936 | 936 |
| Comprehensive loss for the year | - | - | - | (88,653) | (88,653) |
| Issue of share capital | 1 | 3,796 | - | - | 3,797 |
| Cost of share issue | - | 1 | - | - | 1 |
| Employee share-based payments | - | - | 71,165 | - | 71,165 |
| Tax in relation to share-based payments | - | - | 685 | - | 685 |
| Total contributions by and distributions to owners | 1 | 3,797 | 71,850 | - | 75,648 |
| At 31 December 2022 | 83 | 627,557 | 168,200 | (109,257) | 686,583 |
| Note | 16 | 16 | 17 | | |

Company Statement of Cash flows

for the year ended 31 December 2022

| | Note | 2022 £000 | 2021 £000 |
|---|------|------------------|--------------|
| Net cash outflow from operating activities | 18 | (55,957) | (63,282) |
| Investing activities | | | |
| Purchase of property, plant and equipment | | (17,548) | (18,507) |
| Proceeds from sale of property | 4 | 42,500 | - |
| Capitalisation of development costs | 3 | (18,237) | (9,281) |
| Investment in associate | | - | (1,000) |
| Investment in subsidiaries | | (10) | (52) |
| Interest received | | 3,429 | 208 |
| Purchase of other financial assets | | (129,962) | (130,375) |
| Proceeds from other financial assets | | 60,459 | - |
| Net cash outflow from investing activities | | (59,369) | (159,007) |
| Financing activities | | | |
| Proceeds from issue of shares | - | 3,751 | 642,144 |
| Costs of share issue | | (2,378) | (15,929) |
| Principal elements of lease payments | | (2,729) | (1,499) |
| Repayment of bank borrowings | | (9,500) | - |
| Interest paid | | (219) | (233) |
| Interest paid on leases | | (1,088) | (594) |
| Net cash (outflow)/inflow from financing activities | | (12,163) | 623,889 |
| Net (decrease)/increase in cash and cash equivalents before foreign exchange movements | | (127,489) | 401,600 |
| Effect of foreign exchange rate movements | | (2,997) | (622) |
| Cash and cash equivalents at beginning of year | | 478,592 | 77,614 |
| Cash and cash equivalents at end of year | 18 | 348,106 | 478,592 |

Notes to the Company Financial Statements

for the year ended 31 December 2022

1. Accounting policies

The principal accounting policies adopted, key estimates and judgements are set out within the consolidated financial statements, notes 3 and 4.

2. Staff costs

Employee benefit expenses (including Directors) comprise:

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| Wages and salaries | 57,015 | 41,142 |
| Social security costs | 6,824 | 4,487 |
| Pension costs | 2,398 | 1,086 |
| Share-based payment expenses | 51,675 | 43,888 |
| Social security (credit)/costs (share awards) | (19,283) | 36,644 |
| Other staff costs | 632 | 282 |
| | 99,261 | 127,529 |

Directors and key management personnel

Directors and key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the Directors of the Company listed in the section of the annual report labelled Board of Directors.

Director and key management personnel compensation consisted of:

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Salaries, bonuses and benefits in kind | 4,416 | 3,644 |
| Amounts paid as Directors' fees | 655 | 437 |
| Share-based payment expenses | 59,628 | 10,096 |
| | 64,699 | 14,177 |

Employee numbers

The monthly average number of employees was as follows:

| | 2022 Number | 2021 Number |
|---------------------------------|----------------|----------------|
| Research & development | 354 | 278 |
| Production | 148 | 134 |
| Sales, general & administration | 239 | 191 |
| | 741 | 603 |

3. Intangible assets

| | Capitalised development costs £000 | Patents and licenses £000 | Total £000 |
|--|---|---------------------------------|---------------|
| Cost | | | |
| At 1 January 2021 | 29,183 | 446 | 29,629 |
| Additions from internal development | 9,281 | - | 9,281 |
| At 31 December 2021 | 38,464 | 446 | 38,910 |
| Additions from internal development | 18,237 | - | 18,237 |
| At 31 December 2022 | 56,701 | 446 | 57,147 |
| Accumulated amortisation and impairment | | | |
| At 1 January 2021 | 6,762 | - | 6,762 |
| Charge for the year | 9,094 | 50 | 9,144 |
| At 31 December 2021 | 15,856 | 50 | 15,906 |
| Charge for the year | 11,378 | 50 | 11,428 |
| Impairment | 736 | - | 736 |
| At 31 December 2022 | 27,970 | 100 | 28,070 |
| Net book value | | | |
| At 31 December 2021 | 22,608 | 396 | 23,004 |
| At 31 December 2022 | 28,731 | 346 | 29,077 |

Development costs have been capitalised in accordance with IAS 38 Intangible Assets and are therefore not treated as a realised loss until recognised as an amortisation or impairment charge in the statement of comprehensive income.

Notes to the Company Financial Statements continued

4. Property, plant and equipment

| | Land & buildings £000 | Leasehold improvements £000 | Plant and machinery £000 | Assets under construction £000 | Assets subject to operating leases £000 | Equipment £000 | Total £000 |
|--|--------------------------|--------------------------------|-----------------------------|-----------------------------------|--|-------------------|---------------|
| Cost or valuation | | | | | | | |
| At 1 January 2021 | 16,401 | 6,501 | 16,097 | 191 | 14,151 | 10,345 | 63,686 |
| Additions | - | 720 | 5,206 | 96 | 9,994 | 2,491 | 18,507 |
| Disposals | - | - | (23) | - | (1,923) | (232) | (2,178) |
| Transfers between classes | (1,344) | 1,636 | (2,087) | 1,696 | - | 99 | - |
| At 31 December 2021 | 15,057 | 8,857 | 19,193 | 1,983 | 22,222 | 12,703 | 80,015 |
| Additions | - | - | 1,197 | 6,894 | 7,690 | 1,800 | 17,581 |
| Disposals | (15,057) | (1,607) | (317) | (691) | (3,169) | (87) | (20,928) |
| Transfers between classes | - | 2,822 | 2,059 | (5,356) | - | 475 | - |
| At 31 December 2022 | - | 10,072 | 22,132 | 2,830 | 26,743 | 14,891 | 76,668 |
| Accumulated depreciation and impairment | | | | | | | |
| At 1 January 2021 | 2,220 | 1,506 | 8,337 | - | 8,115 | 6,896 | 27,074 |
| Charge for the year | 297 | 1,133 | 2,524 | - | 4,641 | 2,271 | 10,866 |
| Disposals | - | - | (9) | - | (1,433) | (4) | (1,446) |
| Transfers between classes | (1,287) | 1,287 | - | - | - | - | - |
| At 31 December 2021 | 1,230 | 3,926 | 10,852 | - | 11,323 | 9,163 | 36,494 |
| Charge for the year | 149 | 1,187 | 3,066 | - | 6,992 | 2,180 | 13,574 |
| Disposals | (1,379) | (641) | (114) | - | (1,744) | (46) | (3,924) |
| Impairments | - | 28 | 117 | - | - | - | 145 |
| At 31 December 2022 | - | 4,500 | 13,921 | - | 16,571 | 11,297 | 46,289 |
| Net book value | | | | | | | |
| At 31 December 2021 | 13,827 | 4,931 | 8,341 | 1,983 | 10,899 | 3,540 | 43,521 |
| At 31 December 2022 | - | 5,572 | 8,211 | 2,830 | 10,172 | 3,594 | 30,379 |

On 8 July 2022, the Company sold its interest in the Gosling Building (the "Property") to The Oxford Science Park (Properties) Limited ("TOSP") for £42.5 million. TOSP immediately granted to the Company an occupational lease of the Property for ten years at a rent of £1.8 million per annum (for which a right-of-use asset and related lease liability were recognised). Overall, the transaction resulted in a reduction in net property, plant and equipment of £15.6 million, and a gain on disposal of £18.6 million.

The Company leases some of its devices to customers. Lease payments in relation to these devices are received either in advance or within the year. Therefore, no maturity analysis of lease payments has been included.

5. Right-of-use assets

| | Total £000 |
|---------------------------------|---------------|
| Cost | |
| At 1 January 2021 | 14,402 |
| Additions | 1,784 |
| Disposals | (719) |
| At 31 December 2021 | 15,467 |
| Additions | 13,267 |
| Disposals | (383) |
| At 31 December 2022 | 28,351 |
| Accumulated depreciation | |
| At 1 January 2021 | 2,746 |
| Charge for the year | 1,739 |
| Disposals | (719) |
| At 31 December 2021 | 3,766 |
| Charge for the year | 2,833 |
| Disposals | (231) |
| At 31 December 2022 | 6,368 |
| Net book value | |
| At 31 December 2021 | 11,701 |
| At 31 December 2022 | 21,983 |

Additions in the year included £5.0 million for the lease of the Gosling Building. See note 4 for further details of this transaction.

Notes to the Company Financial Statements continued

6. Investment in subsidiaries

| Name | Registered office | Country of incorporation | Principal activity |
|--|---|--------------------------|----------------------------------|
| Oxford Nanopore Diagnostics Limited | Gosling Building, Edmund Halley Road, Oxford Science Park, OX4 4DQ | UK | Dormant |
| Oxford Nanopore Technologies, Inc. | 1209 Orange Street, Wilmington, Delaware, 19801, County of New Castle | USA | R&D and Limited risk distributor |
| Oxford Nanolabs Limited | Gosling Building, Edmund Halley Road, Oxford Science Park, OX4 4DQ | UK | Dormant |
| The Genome Foundry Limited | Gosling Building, Edmund Halley Road, Oxford Science Park, OX4 4DQ | UK | Dormant |
| Metrichor Limited | Gosling Building, Edmund Halley Road, Oxford Science Park, OX4 4DQ | UK | R&D support |
| KK Oxford Nanopore Technologies | Tokyo Club Building 11F3 2 6 Kasumigaseki, Chiyoda ku, Tokyo 100 0013 | Japan | Sales and marketing support |
| Nanopore Technologies Hong Kong Limited | Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay | Hong Kong | Investment company |
| Nanopore Technologies (Shanghai) Co. Limited | Room 2208, Tower 1, Grand Gateway 66, No. 1 Hongqiao Road, Xuhui District, Shanghai | China | Sales and marketing support |
| Oxford Nanopore Technologies Singapore PTE Ltd | 38 Beach Road, #29 11, South Beach Tower, Singapore (189767) | Singapore | Sales and marketing support |
| Oxford Nanopore Technologies B.V. | Oxfordlaan 55, 6229EV Maastricht, Netherlands | The Netherlands | Sales and marketing support |
| Oxford Nanopore Technologies Australia PTY Ltd | Level 10, 171 Clarence Street, Sydney, NSW 2000 | Australia | Sales and marketing support |
| Oxford Nanopore Technologies Denmark ApS | c/o Crowe Rygårds Allé 104, 2009 Hellerup | Denmark | Sales and marketing support |
| Oxford Nanopore Technologies SARL | 22 Rue de Londres, 75009 Paris 9 | France | Sales and marketing support |
| Oxford Nanopore Technologies GmbH | München Geschäftsanschrift: Augustenstr. 10, c/o Dr. Kleeberg & Partner GmbH, 80333 München | Germany | Sales and marketing support |
| Oxford Nanopore Technologies Gulf Limited | Office No. 303 A, Level 3 Incubator Building Masdar City, Abu Dhabi | United Arab Emirates | Sales and marketing support |

All the Company's subsidiary undertakings are effectively 100% held and have been consolidated in the Group financial statements.

All subsidiaries are directly held by the Company, except for Nanopore Technologies (Shanghai) Co. Limited which is a 100% subsidiary of Nanopore Technologies Hong Kong Limited. Nanopore Technologies (Shanghai) Co. Limited has a branch in Beijing – Nanopore Technologies (Shanghai) Co., Beijing Branch.

Metrichor Limited (company registration number 08534345) is exempt from the requirements under the Companies Act 2006 relating to the audit of the Financial Statements under section 479A of that Act. The Company has provided a parent company guarantee over the liabilities of this subsidiary company, pursuant to section 479C of the Companies Act 2006.

| | 2022 £000 | 2021 £000 |
|---|---------------|---------------|
| At 1 January | 25,083 | 5,901 |
| Equity-settled instruments granted to employees of subsidiaries | 19,015 | 19,130 |
| Additions in the year | 10 | 52 |
| At 31 December | 44,108 | 25,083 |

7. Investment in associate

See note 17 of the consolidated financial statements for information on investments in associates.

8. Inventories

| | 2022 £000 | 2021 £000 |
|------------------|---------------|---------------|
| Raw materials | 41,848 | 25,781 |
| Work in progress | 34,938 | 17,775 |
| Finished goods | 9,509 | 18,010 |
| | 86,295 | 61,566 |

The carrying amount of inventories were not materially different from their replacement cost.

9. Trade and other receivables

| | 2022 £000 | 2021 £000 |
|-------------------------|---------------|---------------|
| Trade receivables | 27,986 | 30,704 |
| Contract assets | 2,992 | 140 |
| Other debtors | 3,543 | 1,870 |
| Accrued interest income | 1,065 | 32 |
| Other taxes | 4,945 | 5,338 |
| Prepayments | 10,551 | 7,600 |
| Intercompany | 2,299 | - |
| | 53,381 | 45,684 |

Contract assets relate to the Company's rights to consideration for goods and services provided but not billed at the reporting date for goods and services provided. They are transferred to receivables when the rights become unconditional. This usually occurs when an invoice is issued to the customer.

The ageing of trade receivables and the loss allowance calculated using the Company's provision matrix was as follows:

| | Not past due £000 | 30-60 days £000 | 61-90 days £000 | 91+ days £000 | Total £000 |
|---------------------|----------------------|--------------------|--------------------|------------------|---------------|
| At 31 December 2022 | 19,581 | 3,162 | 2,299 | 4,853 | 29,895 |
| Loss allowance | (628) | (227) | (247) | (807) | (1,909) |
| | 18,953 | 2,935 | 2,052 | 4,046 | 27,986 |
| At 31 December 2021 | 17,488 | 9,614 | 679 | 4,712 | 32,493 |
| Loss allowance | (8) | (45) | - | (1,736) | (1,789) |
| | 17,480 | 9,569 | 679 | 2,976 | 30,704 |

The following table shows the movement in lifetime Expected Credit Loss that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

| | £000 |
|---|--------------|
| At 1 January 2021 | 952 |
| Net charges and releases to statement of comprehensive income | 837 |
| At 31 December 2021 | 1,789 |
| Net charges and releases to statement of comprehensive income | 120 |
| At 31 December 2022 | 1,909 |

Notes to the Company Financial Statements continued

10. Other financial assets

| | 2022 £000 | 2021 £000 |
|-------------------|----------------|--------------|
| Treasury deposits | 101,274 | 130,375 |
| Investment bonds | 100,898 | - |
| | 202,172 | 130,375 |

These items were analysed as follows:

| | 2022 £000 | 2021 £000 |
|-------------|----------------|--------------|
| Current | 118,028 | 130,375 |
| Non-current | 84,144 | - |
| | 202,172 | 130,375 |

11. Deferred taxation

Deferred tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date. UK deferred tax assets and liabilities have been calculated at the substantively enacted Corporation Tax of 25% applicable from 1 April 2023.

A deferred tax liability of £5.9 million (2021: nil) has been recognised on intangibles. A matching deferred tax asset of £5.9 million (2021: nil) arising on losses has been recognised on the basis that the deferred tax liability relates to the same taxation authority and is expected to reverse in periods into which a tax loss arising from the deferred tax asset can be carried forward.

Unrecognised deferred tax assets

| | 2022 Gross amount £000 | 2022 Tax effected £000 | 2021 Gross amount £000 | 2021 Tax effected £000 |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| Losses | 513,111 | 128,278 | 526,163 | 131,541 |
| Provisions | 11,050 | 2,762 | 527 | 132 |
| Share Awards | 71,454 | 17,863 | 67,365 | 16,841 |
| Share Awards (Equity) | 14,503 | 3,626 | 190,451 | 47,613 |
| Accelerated Capital Allowances | 5,924 | 1,481 | (16,818) | (4,204) |
| RDEC | 8,584 | 2,146 | 3,200 | 800 |
| Intangibles | - | - | (15,481) | (3,870) |
| Total unrecognised deferred tax asset | 624,626 | 156,156 | 755,407 | 188,853 |

R&D tax credit recoverable

See note 13 of the consolidated financial statements for information on R&D tax credit recoverable.

12. Derivative financial assets and liabilities

See note 21 of the consolidated financial statements for information on derivative financial instruments.

13. Trade and other payables

| | 2022 £000 | 2021 £000 |
|--------------------------------------|---------------|---------------|
| Trade payables | 21,196 | 18,735 |
| Share-based payments | 460 | 1,416 |
| Payroll taxation and social security | 2,384 | 6,284 |
| Accruals | 28,203 | 20,496 |
| Contract liabilities | 14,076 | 18,181 |
| Intercompany | 31,011 | 13,743 |
| | 97,330 | 78,855 |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The Company 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 their fair value.

Contract liabilities primarily relate to the performance obligations on customer contracts which were not satisfied at 31 December.

14. Loans and provisions

| | 2022 £000 | 2021 £000 |
|-------------------------------------|--------------|--------------|
| Loans | | |
| Loan for land and building purchase | - | 9,500 |
| | - | 9,500 |

On 8 July 2022, the Company completed the sale of its interest in the Gosling Building to The Oxford Science Park (Properties) Limited for £42.5 million. On completion of the sale, the term loan facility of £9.5 million with Barclays Bank plc was fully repaid. The average interest rate charged in the year was 3.51% (2021: 2.90%).

| | Dilapidation provisions 2022 £000 | Employer taxes 2022 £000 | Other 2022 £000 | Total provisions 2022 £000 |
|------------------------------------|--|-----------------------------------|-----------------------|-------------------------------------|
| Provisions | | | | |
| At 31 December 2021 | 1,355 | 31,336 | 683 | 33,374 |
| Movement in provision for the year | 688 | (19,904) | (294) | (19,510) |
| Payments | - | (1,074) | (389) | (1,463) |
| At 31 December 2022 | 2,043 | 10,358 | - | 12,401 |
| Current | - | 4,317 | - | 4,317 |
| Non-current | 2,043 | 6,041 | - | 8,084 |
| At 31 December 2022 | 2,043 | 10,358 | - | 12,401 |
| Current | - | 22,987 | 683 | 23,670 |
| Non-current | 1,355 | 8,349 | - | 9,704 |
| At 31 December 2021 | 1,355 | 31,336 | 683 | 33,374 |

The dilapidation provision relates to the leased properties, representing an obligation to restore the premises to their original condition at the time the Company vacates the related properties.

The provision is non-current and expected to be utilised between two and 21 years.

Employer's social security taxes relates to the expected employer's taxes on share-based payments. This is expected to be utilised between one and ten years. The provision is based on the best estimate of the liability, which is reviewed and updated at each reporting period. The provision is accrued over the vesting period to build up to the required liability at the point it is ultimately due.

Notes to the Company Financial Statements continued

15. Lease liabilities

| | 2022 £000 | 2021 £000 |
|--|---------------|---------------|
| Current | 13,620 | 1,686 |
| Non-current | 16,531 | 10,636 |
| Lease liabilities included in the statement of financial position | 30,151 | 12,322 |

| | 2022 £000 | 2021 £000 |
|--|---------------|---------------|
| Maturity analysis contractual undiscounted cash flows | | |
| Up to one year | 4,907 | 2,243 |
| One to five years | 20,218 | 6,626 |
| Greater than five years | 17,705 | 8,802 |
| Total undiscounted lease liabilities at 31 December | 42,830 | 17,671 |

The increase in the current year included a £12.6 million liability arising in respect of the lease of the Gosling Building. See note 4 for more details on this transaction.

Information on the associated right-of-use assets is included in note 5.

16. Share capital and share premium

See note 25 of the consolidated financial statements for information on share capital.

17. Share-based payment reserves

See note 26 of the consolidated financial statements for information on share-based payments.

18. Notes to the cash flow statements

| | 2022 £000 | 2021 £000 |
|---------------------------|--------------|--------------|
| Cash and cash equivalents | 348,106 | 478,592 |

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.

| | 2022 £000 | 2021 £000 |
|---|-----------------|------------------|
| Loss before tax | (88,244) | (168,738) |
| Depreciation of property, plant and equipment | 13,574 | 10,866 |
| Depreciation of right-of-use assets | 2,833 | 1,739 |
| Amortisation of intangible assets | 11,428 | 9,144 |
| Research and development expense tax credit | (7,084) | (4,210) |
| Loss on disposal of property, plant and equipment | 1,419 | 731 |
| Foreign exchange movements | 4,825 | 604 |
| Interest on leases | 1,240 | 594 |
| Bank interest income | (5,927) | (224) |
| Bank interest expense | 219 | 234 |
| Non-cash movements on derivatives | (1,203) | 167 |
| Impairment of investment | 2,193 | 1,227 |
| Impairment of operating assets | 1,173 | - |
| Share of losses in associate | 238 | 64 |
| Gain on sale of property | (18,620) | - |
| Employee share benefit costs including employer's social security taxes | 32,392 | 43,888 |
| Operating cash flows before movements in working capital | (49,544) | (103,914) |
| (Increase)/decrease in receivables | (6,955) | 15,675 |
| (Increase) in inventory | (24,964) | (26,830) |
| Increase in payables | 14,642 | 42,024 |
| Cash used in operations | (66,821) | (73,045) |
| Income taxes - R&D tax credit received | 10,864 | 10,632 |
| Foreign tax paid | - | (869) |
| Net cash outflow from operating activities | (55,957) | (63,282) |

Further Information

210—214

| | Further Information |
|-----|---|
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| 213 | Glossary |
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Alternative Performance Measures (APMs) and other non-statutory measures

The Group tracks a number of performance measures (KPIs) including Alternative Performance Measures (APMs) in managing its business, which are not defined or specified under the requirements of IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measures calculated and presented in accordance with IFRS or are calculated using financial measures that are not calculated in accordance with IFRS.

The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. These APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board.

These APMs should be viewed as supplemental to, but not as a substitute for, measures presented in the consolidated financial statements relating to the Group, which are prepared in accordance with IFRS. The Group believes that these APMs are useful indicators of its performance. However, they may not be comparable with similarly titled measures reported by other companies due to differences in the way they are calculated.

| Metric | Definition | Rationale | APM | KPI |
|--|---|---|-----|-----|
| Revenue | Revenue per financial statements | Helps evaluate growth trends, establish budgets and assess operational performance | No | No |
| LSRT Revenue growth | LSRT Revenue per Group's operating segment in current year compared to prior year, expressed as a percentage | Helps evaluate growth trends, establish budgets and assess operational performance | No | Yes |
| Underlying LSRT Revenue growth | LSRT Revenue growth per Group's operating segment adjusted for EGP revenue and the impact of FX, expressed as a percentage | Helps evaluate growth trends, establish budgets and assess operational performance | Yes | No |
| COVID-19 testing Revenue growth | COVID-19 testing Revenue per Group's operating segment in current year compared to prior year, expressed as a percentage | Helps evaluate growth trends, establish budgets and assess operational performance | No | No |
| Gross profit | Revenue less cost of sales. Cost of sales is disclosed in the consolidated statement of comprehensive income | Helps evaluate growth trends, establish budgets and assess operational performance and efficiencies | No | No |
| Gross margin % | Gross profit divided by Revenue | Helps evaluate growth trends, establish budgets and assess operational performance and efficiencies | Yes | No |
| LSRT Gross margin % | LSRT Gross profit divided by LSRT revenue | Helps evaluate growth trends, establish budgets and assess operational performance and efficiencies | Yes | Yes |
| EBITDA | Earnings for the year before income tax expense, finance income, loan interest, interest on leases, expense, depreciation of right of use assets, depreciation and amortisation | EBITDA is used as profit measure because it shows the results of normal, core operations exclusive of income or charges that are not considered to represent the underlying operational performance | Yes | No |
| Adjusted EBITDA | EBITDA adjusted for: i) share-based payment expense on Founder LTIP awards ii) employer's social security taxes on Founder LTIP and pre-IPO share awards; iii) IPO costs expensed in the statement of comprehensive income; iv) impairment of investment in associate v) gain on sale of property; and vi) settlement of the COVID 19 testing contract. | Adjusted EBITDA is used as key profit measure because it shows the results of normal, core operations exclusive of income or charges that are not considered to represent the underlying operational performance, excluding exceptional items | Yes | Yes |

Alternative Performance Measures (APMs) and other non-statutory measures continued

| Metric | Definition | Rationale | APM | KPI |
|---|--|---|-----|-----|
| Number of publications | The cumulative number of peer reviewed scientific publications identified through databases, including Google Scholar and PubMed, that include nanopore sequencing. Excluding review articles, book chapters, editorials, protocols, and conference proceedings. English language only. | Publications are a key indicator of the breadth and diversity of the use of nanopore sequencing in the scientific community | Yes | Yes |
| Staff attrition rate | The number of leavers in the period divided by the average number of employees in the period | Staff attrition rate is a key metric of the Group and helps assess a key mission of the Group to retain talent | Yes | Yes |
| Adjusted research and development expenses | Research and development expenses adjusted for employer's social security taxes on pre-IPO shares | Adjusted research and development is a measure that shows the underlying R&D expenditure | Yes | No |
| Adjusted selling, general and administrative expenses | Selling, general and administrative expenses adjusted for i) share-based payment expense (Founder LTIP), employer's social security charge on Founder LTIP and pre-IPO share-based payments and IPO costs expensed | Adjusted research and development is a measure that shows the underlying selling, general and administrative expenses | Yes | No |
| Cash and cash equivalents and other liquid investments | The total cash and cash equivalents, which comprise cash in hand, deposits held at call and other short-term highly liquid investments with a maturity of three months or less at the date of acquisition and treasury deposits which comprise deposits held with banks that do not meet the IAS 7 definition of a cash equivalent | Cash, cash equivalents and other liquid investments is a measure that shows the underlying cash reserves | Yes | No |

Glossary

| Term | Definition |
|-------------------|---|
| AEM | All-Employee Meetings |
| AI | Artificial intelligence |
| APMs | Alternative Performance Measures |
| ASIC | Application-specific integrated circuit |
| B2C | Business to consumer |
| BCP | Business Continuity Plan |
| CAGR | Compound annual growth rate |
| CARD | Center for Alzheimer's and Related Dementias |
| CDC | Centers for Disease Control and Prevention |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| CNS | Central nervous system |
| CSO | Chief Strategy Officer |
| CTI&PO | Chief Technology, Innovation and Product Officer |
| DHSC | Department of Health and Social Care |
| DNA | Deoxyribonucleic acid |
| DPO | Data Protection Officer |
| DR-TB | Drug-resistant tuberculosis |
| DTC | Direct-to-consumer |
| EGP | Emirati Genome Program |
| ERM | Environmental Resources Management |
| ESG | Environmental, social and governance |
| FPP | Financial Position and Prospects |
| FTC | Federal Trade Commission |
| FTE | Full-Time Equivalent |
| GDPR | General Data Protection Regulation |
| GHG | Greenhouse gas |
| GISAID | Global Initiative on Sharing Avian Influenza Data |
| GPUs | Graphics processing units |
| H&S | Health & Safety |
| IFRS | International Financial Reporting Standards |
| IP | Intellectual Property |
| IPO | Initial public offering |
| ISO | International Organization for Standardization |
| IT | Information Technology |
| KPIs | Key Performance Indicators |
| LAT | Limited Anti-Takeover |
| LSRT | Life Science Research Tools |
| MAP | MinION Access Programme |
| NEDs | Non-Executive Directors |
| NCM | Nanopore Community Meetings |
| NIH | National Institutes of Health |
| PCR | Polymerase chain reaction |
| PRUs | Principal Risks and Uncertainties |
| QC | Quality controlled |
| QMS | Quality Management System |
| R&D | Research & Development |

| Term | Definition |
|-----------------|--|
| RDEC | Research and Development Expenditure Credit |
| RNA | Ribonucleic acid |
| SASB | Sustainable Accounting Standards Board |
| SBS | Sequencing by synthesis |
| SDGs | Sustainable Development Goals |
| SG&A | Selling, general and administrative expenses |
| SIP | Share Incentive Plan |
| SSD | Solid-state drives |
| STEM | Science, technology, engineering and mathematics |
| STR | Short tandem repeat |
| TSR | Total Shareholder Return |
| UAE | United Arab Emirates |
| UCSF | University of California San Francisco |
| UN | United Nations |
| USD | United States Dollars |
| ViA | Values in Action |
| VP | Vice President |
| WHO | World Health Organization |

Company information

| | | | |
|--------------------------|------------------------------|-----------------------------|----------------------------------|
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Forward-looking statements

This report contains certain forward-looking statements. For example, statements regarding expected revenue growth and profit margins are forward-looking statements. Phrases such as "aim", "plan", "expect", "intend", "anticipate", "believe", "estimate", "target", and similar expressions of a future or forward-looking nature should also be considered forward-looking statements.

Forward-looking statements address our expected future business and financial performance and financial condition, and by definition address matters that are, to different degrees, uncertain. Our results could be affected by macroeconomic conditions, the COVID-19 pandemic, delays in our receipt of components or our delivery of products to our customers, suspensions of large projects and/or acceleration of large products or accelerated adoption of pathogen surveillance. These or other uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements.

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