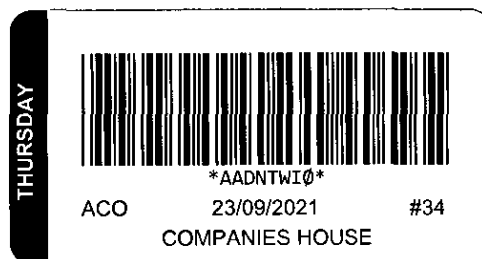


**Oxford Nanopore Technologies Limited**  
**Financial statements**  
**As at 30 April 2021**

Registered number: 05386273



**OXFORD NANOPORE TECHNOLOGIES LIMITED**  
**COMPANY INFORMATION**

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## **OXFORD NANOPORE TECHNOLOGIES LIMITED**

### **COMPANY INFORMATION**

<b>Directors</b>	P V Allen (Chairman) A J Aubrey S L Gordon-Wild J E O'Higgins G Harmelin A Hennah W Becker G S Sanghera J P Willcocks T Cowper C G Brown
<b>Company secretary</b>	H L Coote
<b>Company lawyer</b>	Slaughter and May Limited
<b>Registered office</b>	Gosling Building Edmund Halley Road Oxford Science Park Oxford OX4 4DQ United Kingdom
<b>Company number</b>	05386273
<b>Independent auditor</b>	Deloitte LLP Statutory Auditor Abbots House Abbey Street Reading RG1 3BD United Kingdom

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

## **REPORT OF THE INDEPENDENT AUDITOR TO OXFORD NANOPORE TECHNOLOGIES LIMITED FOR THE PURPOSE OF SECTIONS 92(1)(b) AND (c) OF THE COMPANIES ACT 2006**

### **Opinion concerning proper preparation of balance sheet**

We have audited the balance sheet and related notes of Oxford Nanopore Technologies Limited as at 30 April 2021 set out on pages 5 to 33, which have been prepared under the accounting policies set out therein.

In our opinion the balance sheet and related notes as at 30 April 2021 have been properly prepared in accordance with the provisions of the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRSs), which would have applied had the balance sheet been prepared for a financial year of the company.

### **Statement on net assets**

In our opinion, at 30 April 2021 the amount of the company's net assets (within the meaning given to that expression by section 831(2) of the Companies Act 2006) was not less than the aggregate of its called-up share capital and undistributable reserves.

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

The company's directors are responsible for the preparation of the balance sheet and related notes.

It is our responsibility to:

- report on whether the balance sheet has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied if it had been prepared for a financial year of the company with such modifications as are necessary by reason of that fact; and
- form an independent opinion concerning the relationship between the company's net assets and its called-up share capital and undistributable reserves at the balance sheet date.

### **Use of our report**

This report is made solely to the company for the purpose of compliance with sections 92(1)(b) and (c) of the Companies Act 2006. Our work has been undertaken so that we might state to the company those matters we are required to state to it in such 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 for our work, for this report, or for the opinions we have formed.

*Deloitte LLP.*

Deloitte LLP  
Statutory Auditor  
London, UK  
23 August 2021

# OXFORD NANOPORE TECHNOLOGIES LIMITED

## COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 April 2021

	<i>Notes</i>	<b>As at 30/04/2021 £000's</b>	<b>As at 31/12/2020 £000's</b>
<b>Non-current assets</b>			
Intangible assets	5	22,723	22,867
Property, plant and equipment	6	38,741	36,612
Right-of-use Assets	7	12,205	11,656
Investments in subsidiary undertakings	8	6,772	5,901
Investments in associates	9	-	548
		<u>80,441</u>	<u>77,584</u>
<b>Current assets</b>			
Inventory	10	42,572	34,736
Trade and other receivables	11	43,634	61,328
R&D tax credit recoverable	12	12,133	20,696
Derivative financial instruments	13	-	62
Other financial assets	14	10,273	-
Cash and cash equivalents	15	241,910	77,614
		<u>350,522</u>	<u>194,436</u>
<b>Total assets</b>		<u>430,963</u>	<u>272,020</u>
<b>Current liabilities</b>			
Trade and other payables	16	(42,308)	(65,200)
Derivative financial instruments	13	(40)	-
Lease liabilities	17	(1,370)	(1,296)
		<u>(43,718)</u>	<u>(66,496)</u>
<b>Net current assets</b>		<u>306,804</u>	<u>127,940</u>
<b>Non-current liabilities</b>			
Lease liabilities	17	(11,113)	(10,742)
Loan	18	(9,500)	(9,500)
Provisions	18	(12,011)	(1,355)
		<u>(32,624)</u>	<u>(21,597)</u>
<b>Total liabilities</b>		<u>(76,342)</u>	<u>(88,093)</u>
<b>Net assets</b>		<u>354,621</u>	<u>183,927</u>
<b>Equity</b>			
Share capital	19	35	36
Share premium reserve	20	200,622	610,544
Share Based Payment Reserve	22	37,974	35,079
Retained earnings / (accumulated deficit)	21	115,990	(461,732)
<b>Total equity</b>		<u>354,621</u>	<u>183,927</u>

The financial statements of Oxford Nanopore Technologies Limited (Registered number 05386273) were approved by the board of directors and authorised for issue on 23 August 2021. They were signed on its behalf by:

T Cowper



Director

# OXFORD NANOPORE TECHNOLOGIES LIMITED

## NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION for the period ended 30 April 2021

### 1. PRESENTATION OF THE FINANCIAL STATEMENTS

#### *General Information*

Oxford Nanopore Technologies Limited ("the Company") is a private company incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is Gosling Building, Edmund Halley Road, Oxford Science Park, Oxford, OX4 4DQ, United Kingdom.

The principal activities of the Company ('the Company' or 'Oxford Nanopore') and the nature of the Company's operations are to research, develop, manufacture and commercialise a nanopore-based technology platform that allows the real-time analysis of a range of molecules. The first products are designed to sequence deoxyribonucleic acid (DNA) or ribonucleic acid (RNA). This enables our customers to perform scientific research in a range of areas, including human genetics, cancer research, outbreak surveillance and pathogen/antimicrobial resistance analysis, microbiome analysis environmental analyses and plant or food analysis. Additional emerging uses beyond scientific research may potentially include applications in healthcare, agriculture, biopharma production, food/water supply chain surveillance, and education or consumer markets; anywhere where DNA or RNA information can tell a user about a sample: for example, its identity, whether it is changing, healthy, or diseased.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates and are rounded to the nearest thousand pounds. Foreign operations are included in accordance with the policies set out in note 3.

### 2. ADOPTION OF NEW AND REVISED STANDARDS

#### *New and amended IFRS standards adopted by the Company*

In the current year, the Company has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

#### *(i) Amendments to References to the Conceptual Framework in IFRS Standards*

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

#### *(ii) Amendments to IAS 1 and IAS 8 Definition of material*

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

## **OXFORD NANOPORE TECHNOLOGIES LIMITED**

### **NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)** **For the period ended 30 April 2021**

#### **3. SIGNIFICANT ACCOUNTING POLICIES**

##### *Basis of accounting*

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

These 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 fair value of 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 Company 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 these consolidated 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.

##### *Going concern*

As at 30 April 2021, the balance sheet reflects a net asset position of £354.6 million, with cash reserves of £252.2 million, of which £10.3 million was in short-term treasury deposits with maturity more than three months.

As part of the directors' consideration of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of severe scenarios have been reviewed, including the potential impact of any further Covid-19 restrictions and regulations. In particular, the effect on our customers budgets and resources, along with our proposed responses over the course of the next 18 months.

The directors have sensitised the revenue, profit and cash flow impact of reduced trading activity based on the following assumptions:

- continuing the Company's rapid scale up of production;
- maintaining revenues at the current level; and
- the impact of reduced availability of raw materials, pushing out revenues to later in the period under review.

The cash flows are most sensitive to the impact of reduced revenue from our customer base.

The key judgements under these scenarios, involve mitigating actions within management control and do not impact the ability to meet demand. These actions include reduced headcount expansion and redeployment of existing resources into other parts of the business.

We have assumed no significant structural changes to the business will be needed in any of the scenarios modelled.

Under all the scenarios modelled, after taking appropriate mitigating actions, the forecasts did not indicate an additional cash requirement. On the basis of these reviews, the directors consider it is appropriate for the going concern basis to be adopted in preparing these financial statements.

## OXFORD NANOPORE TECHNOLOGIES LIMITED

### NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED) For the period ended 30 April 2021

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

##### *Leased assets*

##### *The Company as a lessee*

The Company leases various offices and buildings. Rental contracts are typically made for fixed periods of 12 months to 5 years and may include extension and termination options. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company 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 Company 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 Company 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 Company 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.



## OXFORD NANOPORE TECHNOLOGIES LIMITED

### NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED) For the period ended 30 April 2021

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

Whenever the Company 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 life 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 Company 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 Company 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 profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient for a few leases.

#### *The Company as lessor*

The Company leases some of its devices to customers. Leases for which the Company 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.

When a contract includes both lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

#### *Foreign currencies*

The financial position of the Company is expressed in pounds sterling, which is the functional currency of the Company. In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are 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 translated 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 are recognised in profit or loss in the period in which they arise.

## OXFORD NANOPORE TECHNOLOGIES LIMITED

### NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)

For the period ended 30 April 2021

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

##### *Short-term and other long-term employee benefits*

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

##### *Taxation*

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

##### *Current tax*

The tax currently payable is based on taxable profit for the period. 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The 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 Company is entitled to claim tax credits in the United Kingdom for certain research and development expenditure.

The credit is paid in arrears once tax returns have been filed and agreed. The tax credit earned in the period, based on an assessment of likely receipt, is recognised in the consolidated income statement, within the taxation line, with the corresponding asset included within current assets in the balance sheet until such time as it is received.

##### *Deferred tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the 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.

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, in which case the deferred tax is also dealt with in other comprehensive income.

## OXFORD NANOPORE TECHNOLOGIES LIMITED

### NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED) For the period ended 30 April 2021

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Plant, machinery, fixtures and fittings are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives using the following rates:

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

The estimated useful lives, 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.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life 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 Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

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.

##### *Internally-generated intangible assets – research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred. The Company 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 Company are:

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

## OXFORD NANOPORE TECHNOLOGIES LIMITED

### NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED) For the period ended 30 April 2021

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

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

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

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

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

#### *Patents and license*

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives which is disclosed in note 5.

#### *Impairment of tangible and intangible assets excluding goodwill*

At each reporting date, the Company 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 Company 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 useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease 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.

## OXFORD NANOPORE TECHNOLOGIES LIMITED

### NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED) For the period ended 30 April 2021

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

##### *Inventories*

Inventories are stated at the lower of cost, calculated as standard cost based on average cost, and net realisable value.

Cost comprises direct materials and, when applicable, direct labour cost and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion.

##### *Financial instruments*

Financial assets, other than those at fair value through profit or loss (FVTPL), are assessed for indicators of impairment at each balance sheet date. In accordance with IFRS 9 impairment of financial assets is based on an expected credit loss ('ECL') model. The ECL model requires the Company 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 Company applies the IFRS 9 simplified approach to the measurement of the ECLs which uses a lifetime ECL for all trade receivables. The ECL on these trade receivables are estimated using a provision matrix for collective assessment based on the Company'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.

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

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

## **OXFORD NANOPORE TECHNOLOGIES LIMITED**

### **NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)** **For the period ended 30 April 2021**

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

##### ***Investments in subsidiaries***

Investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. Investments in subsidiaries are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in the Income Statement.

##### ***Investments in associates***

An associate is an entity over which the Company 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.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

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 Company's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company 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 or a joint venture. On acquisition of the investment in an associate, any excess of the cost of the investment over the Company'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 Company'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.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment.

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

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

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

##### ***Other financial assets***

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

## **OXFORD NANOPORE TECHNOLOGIES LIMITED**

### **NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)** **For the period ended 30 April 2021**

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

##### ***Trade and Other receivables***

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

##### ***Provisions***

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. Where 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.

##### ***Dilapidation provisions***

Provisions for the costs to restore leased plant assets to their original condition, as required by the terms and conditions of the lease, are recognised when the obligation is incurred, either at the commencement date or as a consequence of having used the underlying asset during a particular period of the lease, at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

##### ***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.

## OXFORD NANOPORE TECHNOLOGIES LIMITED

### NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED) For the period ended 30 April 2021

#### 4. CRITICAL ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In applying the Company'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 Company's accounting policies*

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

##### *Judgements:*

###### *i. Inventory provisioning*

Critical judgement is required in consideration of the need for an inventory provision against the Lampore inventory the Company holds.

In July 2020, the Company entered into a contract with the Department of Health and Social Care (DHSC) to deliver LamPore kits for the testing of the SARS-Cov-2 virus, as part of the UK Governments Test and Trace strategy. A number of kits were sold to the DHSC in 2020, but in April 2021, the DHSC determined that they no longer had a requirement for our product and terminated the contract before taking the maximum quantity allowable under the contract. As at 30 April 2021 the Company held inventory relating to LamPore. However, the directors do not expect to suffer any liability as a result of this contract termination and have used judgement to conclude that no provision is required against this inventory.

###### *ii. Employer social security taxes on Unapproved share options*

The Company has a constructive obligation to pay the employer social security costs when employees exercise unapproved share options. The liability included in the financial statements depends on a number of factors including; the fair value of the Company's shares at the balance sheet date, the share option exercise price, the number of options likely to vest and the employer social security rate of the relevant tax jurisdiction. As the Company's shares are not traded in an active market, the Directors estimated the fair value of the shares on its most recent fundraising share price. The liability at the balance sheet date was approximately £10.7 million. This was based on an estimated share fair value of £70 at the balance sheet date.

##### *Estimates*

###### *i. Share-based payments*

Details of the share-based payment schemes operated by the Group and share option valuation methods used are disclosed in note 22. During the period, awards which have a market performance vesting condition were valued using the Monte Carlo Simulation model. The model incorporates a number of assumptions based on Management's best estimate of when certain events are likely to take place. In particular, the probability of options vesting and the expected vesting period are considered to be key judgements taken by Management at the grant date and cannot subsequently be revised. The amount of share-based payments charging to reserve during the period ended 30 April 2021 was £2.9 million.



# OXFORD NANOPORE TECHNOLOGIES LIMITED

## NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED) For the period ended 30 April 2021

### 5. INTANGIBLE ASSETS

	Patent and License £000's	Capitalised development costs £000's	Total £000's
<b>Cost</b>			
At 1 January 2020	-	18,448	18,448
Additions from internal development	-	10,735	10,735
Additions	446	-	446
At 31 December 2020	446	29,183	29,629
Additions from internal development	-	3,000	3,000
At 30 April 2021	446	32,183	32,629
<b>Amortisation</b>			
At 1 January 2020	-	(1,927)	(1,927)
Charge for the year	-	(4,835)	(4,835)
At 31 December 2020	-	(6,762)	(6,762)
Charge for the period	(17)	(3,127)	(3,144)
At 30 April 2021	(17)	(9,889)	(9,906)
<b>Carrying amount</b>			
At 31 December 2020	446	22,421	22,867
At 30 April 2021	429	22,294	22,723

Development costs have been capitalised in accordance with IAS 38 Intangible Assets and are therefore not treated for dividend purposes, as a realised loss until recognised as an amortisation charge in the income statement.

There are no contractual commitments on these intangible assets as at 30 April 2021.

The amortisation periods for intangible assets are:

Development of Core Technology Platform	-	3 years
Development of Sequencing Kits	-	2 years
Patent and License	-	over the expected duration of the patent or license

During the period ended 30 April 2021, £16.3 million research and development cost was recognised as an expense in the profit and loss accounts.

# OXFORD NANOPORE TECHNOLOGIES LIMITED

## NOTES TO THE COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED) For the period ended 30 April 2021

### 6. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings £000's	Leasehold Improvements £000's	Plant and Machinery £000's	Assets subject to operating leases £000's	Equipment £000's	Total £000's
<b>Cost</b>						
At 1 January 2020	16,243	6,501	12,504	9,917	7,636	52,801
Additions	158	-	3,860	6,095	2,745	12,858
Disposals	-	-	(76)	(1,861)	(18)	(1,955)
Others	-	-	-	-	(18)	(18)
At 31 December 2020	16,401	6,501	16,288	14,151	10,345	63,686
Additions	12	-	1,544	3,073	588	5,217
Disposals	-	-	-	(124)	(4)	(128)
At 30 April 2021	16,413	6,501	17,832	17,100	10,929	68,775
<b>Accumulated depreciation</b>						
At 1 January 2020	(876)	(1,472)	(6,787)	(6,345)	(5,044)	(20,524)
Charge for the year	(1,344)	(34)	(1,624)	(3,629)	(1,870)	(8,501)
Eliminated on disposals	-	-	74	1,859	18	1,951
At 31 December 2020	(2,220)	(1,506)	(8,337)	(8,115)	(6,896)	(27,074)
Charge for the period	(410)	(34)	(590)	(1,310)	(699)	(3,043)
Eliminated on disposals	-	-	-	76	7	83
At 30 April 2021	(2,630)	(1,540)	(8,927)	(9,349)	(7,588)	(30,034)
<b>Carrying amount</b>						
At 31 December 2020	14,181	4,995	7,951	6,036	3,449	36,612
At 30 April 2021	13,783	4,961	8,905	7,751	3,341	38,741

On 1 June 2017 the Company purchased the building and land known as Gosling Building, Edmund Halley Road, Oxford Science Park, Oxford subject to a long leasehold. The remaining length of the lease at year end is 134 years and 5 months.

At 30 April 2021 and 31 December 2020, the Company did not enter into contractual commitments for the acquisition of property, plant and equipment.

# **OXFORD NANOPORE TECHNOLOGIES LIMITED**

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

**For the period ended 30 April 2021**

### **7. RIGHT-OF-USE ASSETS**

	<b>Buildings</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>
<b>Cost</b>		
At 1 January 2020	9,149	9,149
Additions	5,253	5,253
At 31 December 2020	14,402	14,402
Additions	930	930
At 30 April 2021	15,332	15,332
<b>Amortisation</b>		
At 1 January 2020	(1,281)	(1,281)
Charge for the year	(1,465)	(1,465)
At 31 December 2020	(2,746)	(2,746)
Charge for the period	(381)	(381)
At 30 April 2021	(3,127)	(3,127)
<b>Carrying amount</b>		
At 31 December 2020	11,656	11,656
At 30 April 2021	12,205	12,205

## OXFORD NANOPORE TECHNOLOGIES LIMITED

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

For the period ended 30 April 2021

#### INVESTMENT IN SUBSIDIARIES

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

Name	Registered address	Country of Incorporation	Share class	Proportion of ownership interest	
				30 April 2021	31 December 2020
Oxford Nanopore Technologies, Inc.	One Kendall Square, Building 200 Suite B2005	USA	Ordinary	100%	100%
Oxford Nanolabs Limited	Gosling Building, Edmund Halley Road, Oxford Science Park, OX4 4DQ	UK	Ordinary	100%	100%
The Genome Foundry Limited	Gosling Building, Edmund Halley Road, Oxford Science Park, OX4 4DQ	UK	Ordinary	100%	100%
Metrichor Limited	Gosling Building, Edmund Halley Road, Oxford Science Park, OX4 4DQ	UK	Ordinary	100%	100%
KK Oxford Nanopore Technologies	Tokyo Club Building 11F 3-2-6 Kasumigaseki, Chiyoda-ku, Tokyo 100-0013	Japan	Ordinary	100%	100%
Oxford Nanopore Diagnostics Limited	Gosling Building, Edmund Halley Road, Oxford Science Park, OX4 4DQ	UK	Ordinary	100%	100%
Nanopore Technologies Hong Kong Limited	Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	Hong Kong	Ordinary	100%	100%
Nanopore Technologies (Shanghai) Co. Limited	Room 2208, Tower 1, Grand Gateway 66, No. 1 Hongqiao Road, Xuhui District, Shanghai	China	Ordinary	100%	100%
Oxford Nanopore Technologies Singapore PTE Ltd	38 Beach Road, #29-11, South Beach Tower, Singapore (189767)	Singapore	Ordinary	100%	100%
Oxford Nanopore Technologies BV	Gustav Mahlerplein 2, 1082 MA Amsterdam	The Netherlands	Ordinary	100%	100%
Oxford Nanopore Technologies Australia PTY Ltd	Level 10, 171 Clarence Street, Sydney, NSW 2000	Australia	Ordinary	100%	100%
Oxford Nanopore Technologies Denmark ApS	c/o Crowe Rygårds Allé 104, 2009 Hellerup, Denmark	Denmark	Ordinary	100%	100%
Oxford Nanopore Technologies SARL	22 Rue de Londres, 75009 Paris 9	France	Ordinary	100%	100%
Oxford Nanopore Technologies GmbH	Augustenstr. 10, c/o Dr. Kleeberg & Partner GmbH, 80333 München	Germany	Ordinary	100%	n/a

## OXFORD NANOPORE TECHNOLOGIES LIMITED

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

For the period ended 30 April 2021

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

- Oxford Nanopore Technologies Inc. was set up on 23 September 2011 to provide sub-contracted R&D and other services in the USA to Oxford Nanopore Technologies Limited.
- Oxford Nanolabs Limited was set up on 20 March 2008, has never traded and is a dormant company.
- Metrichor Limited was set up on 17 May 2013 to offer analysis solutions vertically integrated to nanopore sensing devices, with the potential to enable a wide range of new users, applications and markets outside of the traditional laboratory-confined customers. The company is exempt from the requirements under the Companies Act 2006 relating to the audit of financial statements under section 479A of that Act. Oxford Nanopore Technologies Limited has provided a parent company guarantee over the liabilities of this subsidiary company, pursuant to section 479C of the Companies Act 2006.
- The Genome Foundry Limited was set up on 7 September 2015, has never traded and is a dormant company.
- KK Oxford Nanopore Technologies was set up on 25 May 2016 to provide services to Oxford Nanopore Technologies Limited in Japan.
- Nanopore Technologies Hong Kong Limited was set up on 26 March 2018.
- Nanopore Technologies (Shanghai) Co. Limited was set up on 4 June 2018 and is a 100% subsidiary of Nanopore Technologies Hong Kong Limited.
- Oxford Nanopore Technologies Singapore PTE Ltd was set up on 14 September 2018.
- Oxford Nanopore Diagnostics Limited was set up on 14 November 2018 and has not commenced trading. On 22 April 2020, the name of the company was changed firstly from Oxford Nanopore Manufacturing Limited to Oxford Nanopore Technologies Services Limited and then on 28 August 2020 to Oxford Nanopore Diagnostics Limited.
- Oxford Nanopore Technologies B.V. was set up on 31 October 2019 and commenced trading on 1 May 2020.
- Oxford Nanopore Technologies Australia PTY Ltd was set up on 6 January 2020 and commenced trading in November 2020.
- Oxford Nanopore Technologies Denmark ApS was set up on 29 September 2020 and commenced trading on 1 December 2020.
- Oxford Nanopore Technologies SARL was set up on 1 December 2020 and commenced trading on 1 January 2021.
- Oxford Nanopore Technologies GmbH was set up on 25 February 2021 and commenced trading on 1 April 2021.

	As at 30/04/2021	As at 31/12/2020
	£000's	£000's
Investment value at 1 January	5,901	3,476
Equity-settled instruments granted to employees of subsidiaries	871	1,995
Additions in the period	-	430
<b>Investment value at 30 April and 31 December</b>	<b>6,772</b>	<b>5,901</b>

## OXFORD NANOPORE TECHNOLOGIES LIMITED

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

For the period ended 30 April 2021

#### 9. INVESTMENT IN ASSOCIATES

An associate of Oxford Nanopore Technologies Limited is as follows:

Name	Principal activities	Country of Incorporation	Class of shares	Proportion of ownership interest	
				30/04/2021	31/12/2020
Veiovia Limited	Technology Development	UK	Ordinary	18.5%	18.5%

The above associate is accounted for using the equity method in these consolidated financial statements as set out in the Company's accounting policies in note 3.

- Pursuant to a shareholder agreement, the Company has the right to cast 18.5 per cent of the votes of Veiovia Limited.
- Although the Company holds less than 20 per cent of the equity shares of Veiovia Limited, and it has less than 20 per cent of the voting power at shareholder meetings, the Company exercises significant influence by virtue of its contractual right to appoint one director to the board of directors of that entity.
- For the purposes of applying the equity method of accounting, the financial statements of Veiovia Limited for the period ended 30 April 2021 have been used. Management has considered full impairment loss on the investment, as the recoverable amount of the investment falls below its carrying amount.
- Veiovia Limited's registered office is The University of York, Biology B/A/039, Wentworth Way, York, UK, YO10 5DD.

	As at 30/04/2021	As at 31/12/2020
	£000's	£000's
Investment at cost	548	548
Less: Impairment	(548)	-
Carrying amount of the Company's interest in the associate	-	548

#### 10. INVENTORY

	As at 30/04/2021	As at 31/12/2020
	£000's	£000's
Raw materials	15,331	11,733
Work in progress	21,018	14,203
Finished goods	6,223	8,800
	42,572	34,736

The carrying amount of inventories were not materially different from their replacement cost.

# OXFORD NANOPORE TECHNOLOGIES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the period ended 30 April 2021

### 11. TRADE AND OTHER RECEIVABLES

	As at 30/04/2021	As at 31/12/2020
	£000's	£000's
Trade receivables	12,965	45,164
Contract assets	3,885	1,873
Other debtors	9,096	666
Accrued interest income	-	16
Other taxes	6,843	2,926
Prepayments	8,746	10,683
Intercompany	2,099	-
	<u>43,634</u>	<u>61,328</u>

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

	Trade receivables (£000's) – days past due invoice date				
	not past due	30-60 days	61-90 days	91+ days	Total
Trade receivables					
At 30 April 2021	4,893	4,012	1,107	3,980	13,992
Loss allowance	(2)	-	-	(1,025)	(1,027)
	<u>4,891</u>	<u>4,012</u>	<u>1,107</u>	<u>2,955</u>	<u>12,965</u>
At 31 December 2020	32,103	5,182	2,598	6,233	46,116
Loss allowance	-	-	-	(952)	(952)
	<u>32,103</u>	<u>5,182</u>	<u>2,598</u>	<u>5,281</u>	<u>45,164</u>

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:

	Total £000's
<b>At 1 January 2020</b>	1,408
Net charges and releases to income statement	(421)
Amounts written off	(34)
<b>Balance at 31 December 2020</b>	953
Net charges and releases to income statement	74
<b>Balance at 30 April 2021</b>	<u>1,027</u>

The 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. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer.

## OXFORD NANOPORE TECHNOLOGIES LIMITED

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

For the period ended 30 April 2021

#### 12. R&D TAX CREDIT RECOVERABLE

	As at 30/04/2021 £000's	As at 31/12/2020 £000's
Balance at 1 January	20,696	17,479
Adjustment to R&D tax credit in respect of previous periods	-	762
Cash receipt	(9,763)	(8,479)
R&D tax credit for the period	1,200	10,934
Balance at 30 April and 31 December	<u>12,133</u>	<u>20,696</u>

#### 13. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial (liabilities) / assets	As at 30/04/2021 £000's	As at 31/12/2020 £000's
Foreign currency forward contracts	(40)	62
	<u>(40)</u>	<u>62</u>

#### 14. OTHER FINANCIAL ASSETS

	As at 30/04/2021 £000's	As at 31/12/2020 £000's
Treasury deposits	10,273	-
	<u>10,273</u>	<u>-</u>

#### 15. CASH AND CASH EQUIVALENTS

	As at 30/04/2021 £000's	As at 31/12/2020 £000's
Cash and cash equivalents	<u>241,910</u>	<u>77,614</u>

Cash and cash equivalents comprise cash of £222 million (2020: £18 million) and short-term bank deposits with an original maturity of three months or less of £20 million (2020: £60 million). The carrying amount of these assets is approximately equal to their fair value.

At 30 April 2021, the Company had £2.1 million restricted cash balance with Barclays bank for a duty deferment guarantee and the loan interest commitment. The Company also had £9.7 million (2020: £9.7 million) of undrawn facilities.



# OXFORD NANOPORE TECHNOLOGIES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 30 April 2021

### 16. CURRENT TRADE AND OTHER PAYABLES

	As at 30/04/2021 £000's	As at 31/12/2020 £000's
Trade payables and other creditors	14,954	30,025
Payroll taxation and social security	1,349	2,730
Accruals	10,991	16,255
Intercompany	-	1,059
Contract liabilities	15,014	15,131
	<u>42,308</u>	<u>65,200</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases by the Company is 47 days (2020: 89 days).

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 to their fair value.

Contract liabilities primarily relate to performance obligations on customer contracts which were not satisfied at 30 April. Management expects that majority of the transaction price allocated to unsatisfied performance obligations as of 30 April 2021 will be recognised as revenue during the next reporting period.

### 17. LEASE LIABILITIES

	As at 30/04/2021 £000's	As at 31/12/2020 £000's
<b>Maturity analysis – contractual undiscounted cash flows</b>		
Up to one year	1,948	1,853
One to five years	6,622	6,072
Greater than five years	9,655	9,940
<b>Total undiscounted lease liabilities at 30 April and 31 December</b>	<u>18,225</u>	<u>17,865</u>
Current	1,370	1,296
Non-current	11,113	10,742
<b>Lease liabilities included in the consolidated statement of financial position</b>	<u>12,483</u>	<u>12,038</u>

Total cash outflows from lease payment was £631,000, of which £146,000 lease interest was paid during the period ended 30 April 2021. Total lease interest accrued on the lease liabilities was £149,000.

## OXFORD NANOPORE TECHNOLOGIES LIMITED

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

For the period ended 30 April 2021

#### 18. LOANS AND PROVISIONS

Loans	As at 30/04/2021 £000's	As at 31/12/2020 £000's
Loan on Land and Building Purchase	9,500	9,500
<b>Balance at 30 April and 31 December</b>	<b>9,500</b>	<b>9,500</b>

During 2017 the Lease of land and accompanying purchase of Gosling Building (see note 6) was purchased for £16.2m. A Term loan facility of £9.5m was taken out with Barclays Bank plc to part fund the purchase (the balance being taken out of cash reserves). During 2020, the Company has refinanced the loan with Barclays Bank for a new term starting from 5 August 2020 for 4 years. The average interest rate charged in the period was 2.90% (2020: 2.63%). Barclays Bank has a legal charge on this leasehold property as security against the loan.

Provision	Employer social security taxes £000's	Dilapidation provision £000's	Total £000's
Balance at 1 January 2020	-	1,355	1,355
Additional provision in the year	-	-	-
Balance at 1 January 2021	-	1,355	1,355
Additional provision in the period	10,656	-	10,656
<b>Balance at 30 April 2021</b>	<b>10,656</b>	<b>1,355</b>	<b>12,011</b>

#### *The dilapidation provision*

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 properties.

The provision is non-current and expected to be utilised between 2 and 25 years.

The Company has reviewed the provision on the properties at the Oxford Science Park and considers that no additional charge was required during the period.

#### *Employer social security taxes on Unapproved share options*

Share options that are 'readily convertible assets (RCAs)' (i.e. where there is an arrangement in place that allows employees easy conversion of shares into cash) typically attract social security taxes on exercise.

On 31 March 2021, the Company informed its shareholders that it had started the process of preparing for a potential initial public offering (IPO). Whilst the timing of the IPO is not under the control of the Company, due to market conditions at that time, the Company intended the IPO to occur in the second half of 2021.

As a result, in accordance with Section 702 (Earnings and Pensions) Act 2003, share options granted under the Unapproved Share Option Scheme have become RCAs and will be subject to social security taxes on exercise. Based on the fair value of the shares as at 30 April 2021, the Company estimates employer social security taxes will be £10.7 million based on the number of outstanding unapproved share options.

## OXFORD NANOPORE TECHNOLOGIES LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) For the period ended 30 April 2021

#### 19. SHARE CAPITAL

	Number of shares		Par Value	As at	As at
	30/04/2021	31/12/2020		30/04/2021	31/12/2020
Issued Share Capital	Shares	Shares	£	£	£
Opening - ordinary shares	32,452,674	29,711,482	0.001	32,453	29,711
Opening - deferred shares	733,677	733,677	0.005	3,668	3,668
Issued - ordinary shares	2,958,357	2,741,192	0.001	2,958	2,742
Redeemed - deferred shares	(733,677)	-	0.005	(3,668)	-
Closing - ordinary shares	35,411,031	32,452,674	0.001	35,411	32,453
Closing - deferred shares	-	733,677	0.005	-	3,668
Total authorised, issued and fully paid Share Capital				35,411	36,121

During the period, Oxford Nanopore raised £202.1 million (2020: £132.8 million) through the issuance of 2,886,667 ordinary shares (2020: 2,505,915) at a share price of £70 per share (2020: £53). In addition, 71,690 ordinary shares (2020: 235,277) were issued as a result of share options exercised. Transaction costs for the issue of shares are offset against the Share Premium Reserve.

The ordinary shares do not carry any right to fixed income.

The deferred shares have no voting or dividend rights and only very limited capital return rights, which render them effectively valueless. The Company redeemed all the deferred shares in April 2021 for £0.01.

#### 20. SHARE PREMIUM

	As at 30/04/2021	As at 30/12/2020
	£000's	£000's
At 1 January	610,544	479,332
Premium arising on issue of equity shares	202,388	135,061
Share issue costs	(1,543)	(3,849)
Capital reduction	(610,767)	-
<b>At 30 April and 31 December</b>	<b>200,622</b>	<b>610,544</b>

On 13 April 2021, a special resolution was passed by shareholders of the Company to authorise a capital reduction through cancellation and extinguishment of the share premium account of the Company as at 29 March 2021. This reduction in capital was to offset against the Company's accumulated deficit account.

## OXFORD NANOPORE TECHNOLOGIES LIMITED

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

For the period ended 30 April 2021

#### 21. RETAINED EARNINGS / (ACCUMULATED DEFICIT)

	As at 30/04/2021 £000's	As at 31/12/2020 £000's
At 1 January	(461,732)	(398,237)
Total recognised loss for the period	(33,049)	(63,495)
Redemption of deferred shares	4	-
Capital reduction	610,767	-
<b>At 30 April and 31 December</b>	<b>115,990</b>	<b>(461,732)</b>

#### 22. SHARE-BASED PAYMENTS

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 10 years. The share options outstanding can be summarised as follows:

	As at 30/04/2021 £000's	As at 31/12/2020 £000's
At 1 January	35,079	28,215
Employee share-based payments	2,895	6,864
<b>At 30 April and 31 December</b>	<b>37,974</b>	<b>35,079</b>

**Oxford Nanopore Technologies Limited Share Option Plan 2018:** The Plan was approved by the Board in November 2018 and replaces the Oxford Nanopore Technologies Share Option Scheme. The first grant of awards was made in January 2019. All employees are eligible to be awarded approved share options. All awards granted to participants since 2019 were subject to either service conditions or both service and market performance conditions. Options cannot normally be exercised before the third anniversary of the date of grant.

**Oxford Nanopore Technologies Limited Share Option Scheme:** This Scheme was closed to new members in 2018. The Scheme was set up to allow the Company to award both HM Revenue & Customs approved Executive Management Incentive (EMI) share options to qualifying individuals and unapproved share options.

All unapproved options may be subject to performance criteria and vesting schedules set at the Board's discretion. All employees are eligible to be awarded unapproved share options.

# OXFORD NANOPORE TECHNOLOGIES LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the period ended 30 April 2021

### 22. SHARE-BASED PAYMENTS (CONTINUED)

The movement in share options outstanding is summarised in the following table:

	Period ended 30 April 2021		Year ended 31 December 2020	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of period	2,497,045	20.93	2,649,419	19.52
Granted during the period	138,228	42.40	144,050	24.50
Forfeited during the period	(4,329)	22.79	(61,147)	12.18
Exercised during the period	(111,802)	4.81	(235,277)	9.57
Outstanding at the end of the period	2,519,142	22.80	2,497,045	20.93
Exercisable at the end of the period	1,261,020	18.41	1,372,645	17.32

Share options outstanding at the end of the period have the following expiry and exercise prices:

Scheme	Grant year	Expiry year	Exercise price (£)	As at 30/04/2021 (Number)	As at 31/12/2020 (Number)
Oxford Nanopore Technologies Limited Share Option Scheme	2008 - 2018	2020 - 2028	0.70 - 27.90	1,421,029	1,534,565
Oxford Nanopore Technologies Limited Share Option Plan 2018	2019 - 2020	2029 - 2030	20.70-36.23	1,098,113	962,480
				2,519,142	2,497,045

The weighted average share price at the date of exercise for share options exercised during the period was £53.00 (2020: £53.00).

The options outstanding at 30 April 2021 had a weighted average exercise price of £22.80 (2020: £20.93), and a weighted average remaining contractual life of 6.1 years (2020: 6.0 years).

The Company recognised total expenses of £2.9 million (2020: £6.8 million) related to equity-settled share-based payment transactions in 2021.

#### Valuation models:

**Oxford Nanopore Technologies Limited Share Option Plan 2018:** The fair value of share options granted during the year was determined using the Monte Carlo Simulation model and Black Scholes model dependent on the performance vesting conditions. There were 138,228 options granted during the period (2020: 144,050)

## OXFORD NANOPORE TECHNOLOGIES LIMITED

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

For the period ended 30 April 2021

#### 22. SHARE-BASED PAYMENTS (CONTINUED)

**Black Scholes** - The following assumptions were used in the Black Scholes model in calculating the fair values of the options granted during the period:

	As at 30/04/2021		As at 31/12/2020
Weighted average share price	£53.00	£	53.00
Weighted average exercise price	£42.40	£	24.50
Expected volatility	48%		47%
Expected life	6.5 years		6.5 years
Risk-free rate	0%		0%
Expected dividend yields	Nil		Nil

The volatility assumption has been derived as the median volatility over a 5 year period of a bespoke comparator company. For options granted during the period ended 30 April 2021, the expected life assumption of 6.5 years assumes exercise will occur halfway through the total exercisable period, being the midpoint of years 3 and 10. The risk-free interest rate used reflects the UK Government 5-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 £27.45 (2020: £34.62) per option.

**Monte Carlo Simulation** - The following assumptions were used in the Monte Carlo Simulation model in calculating the fair values of the options granted during the period:

	As at 30/04/2021		As at 31/12/2020
Weighted average share price	£53.00	£	53.00
Weighted average exercise price	£42.40	£	24.50
Expected volatility	48%		47%
Expected life	2.5 years		2.5 years
Risk-free rate	0%		0%
Expected dividend yields	Nil		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 period determined using the Monte Carlo Simulation model at the grant date was £24.27 (2020: £33.72) per option.

The volatility assumption has been derived as the median volatility over a 5 year period of a bespoke comparator company. For options granted during the period ended 30 April 2021, the expected life represents the term until expected vesting and exercise. The risk-free interest rate used reflects the UK Government 5-year Gilt rate as reported by the Bank of England.

## OXFORD NANOPORE TECHNOLOGIES LIMITED

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

For the period ended 30 April 2021

#### 23. COMMITMENTS

As at 30 April 2021, the Company had the following non-cancellable commitments under research agreements. The total of future minimum non-cancellable payments due for each of the following periods are:

	As at 30/04/2021 £000's	As at 31/12/2020 £000's
Within one year	943	1,229
In the second to fifth years inclusive	295	339
<b>At 30 April and 31 December</b>	<b>1,238</b>	<b>1,568</b>

#### 24. RETIREMENT BENEFIT PLANS

The Company operates a defined contribution pension scheme for the benefit of its employees. Most of the employees who contribute to the Company's pension scheme do so via salary sacrifice.

As at 30 April 2021, contributions of £252,000 (2020: £174,000) due in respect of the current reporting period had not been paid over to the plans.

#### 25. RELATED PARTY TRANSACTIONS

At the end of the year, there were 67,368 (2020: 112,759) options outstanding in respect of options granted to non-executive directors and consultants.

The Company continued to fund the following subsidiaries during the year: Oxford Nanopore Technologies Inc. (ONT Inc), KK Oxford Nanopore Technologies, Nanopore Technologies (Shanghai) Co. Ltd, Oxford Nanopore Technologies Singapore PTE Ltd and Metrichor Limited. During the period, the Company paid these subsidiaries £2,859,000 (2020: £10,124,000) for the R&D and other services provided to it.

During the reporting period, the Company accrued commission fee on fund raising of £44,000 (2020: £660,000) to IP Group which is related to ONT by the shared directorship of A Aubrey.

## OXFORD NANOPORE TECHNOLOGIES LIMITED

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

For the period ended 30 April 2021

#### 26. POST BALANCE SHEET EVENTS

##### *Equity*

On 9 June 2021, the shareholders approved:

(a) a conditional retention equity award of up to 6.5% of the Company's equity to the Executive Directors. The grant is subject to achievement of performance conditions tied to revenue and share price and is subject to holding periods. On 22 June 2021 awards under this plan were granted to the executive directors of the company; and

(b) a limited anti-takeover non-voting share of £1.00 in the capital of the Company (a "LAT Share").

The Articles contain provision for three classes of "limited anti-takeover" share, each of £1.00 in the capital of the Company: (i) the class A "limited anti-takeover" share (the "A LAT Share"); (ii) the class B "limited anti-takeover" share (the "B LAT Share"); and (iii) the class C "limited anti-takeover" share (the "C LAT Share") (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*

The "Active LAT Share" shall be 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"); and
- 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.

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 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 (in which case the Active LAT Share will carry the voting rights set out below).

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.



## **OXFORD NANOPORE TECHNOLOGIES LIMITED**

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

**For the period ended 30 April 2021**

#### **27. POST BALANCE SHEET EVENTS (CONTINUED)**

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.

#### **27. LITIGATION AND CONTINGENT LIABILITIES**

PacBio filed a complaint against ONT Inc. in the United States District Court, District of Delaware on 15 March 2017, alleging infringement of US Patent No. 9,546,400 (US '400), a subsequent complaint filed on 25 September 2017, alleging infringement of US Patent Nos. 9,678,056 (US '056) and 9,738,929 (US '929) and an amended complaint filed on 28 March 2018 alleging infringement of US Patent No. 9,772,323 (US '323). PacBio also filed further complaints against ONT Ltd. with the effect that both ONT Ltd. and ONT Inc. (together, "Oxford Nanopore") are parties to the proceedings. On 18 March 2020, a federal jury in Delaware found in favour of Oxford Nanopore and invalidated all four patents asserted by PacBio in this litigation. Following the verdict, PacBio moved the Court for judgements as a matter of law overturning the jury's invalidity findings. On 30 July 2020, the trial judge, Chief Judge Leonard Stark, denied all of PacBio's motions. The final verdict was entered on 13 August 2020.

PacBio appealed the ruling to the U.S. Court of Appeals for the Federal Circuit. This appeal is limited to the determinations that the '400 and the '323 patents are invalid for lack of enablement. PacBio is also asking that the Federal Circuit grant PacBio a new trial because it alleges Oxford Nanopore's references to its efforts relating to coronavirus detection unfairly prejudiced the jury. On 11 May 2021, The U.S. Court of Appeals for the Federal Circuit issued a unanimous Precedential Opinion and Judgement affirming the jury's March 2020 verdict in the PacBio v. Oxford Nanopore case, that invalidated a number of PacBio patents. PacBio did not petition for a rehearing.

#### **28. ULTIMATE CONTROLLING PARTY**

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