22 March 2022

Oxford Nanopore Technologies plc

Preliminary results for the year ended 31 December 2021

A year of exceptional technical, commercial and financial progress; increase in 2022 and 2023 revenue guidance

Oxford Nanopore Technologies plc (the "Group"), the company behind a new generation of nanopore-based sensing technology, today announces its preliminary results for the year ended 31 December 2021.

Summary performance

	2021	2020
	£m	£m
Revenue[1]	£133.7	£113.9
Life Science Research Tools (LSRT) revenue	£127.0	£65.5
COVID-19 testing revenue	£6.7	£48.3
Gross Profit Margin	54.8%	41.2%
Adjusted Operating Loss[2]	(£82.9)	(£73.1)
Adjusted EBITDA[3]	(£57.7)	(£55.2)
Loss for the year	(£167.6)	(£61.2)

Full Year 2021 Financial highlights; record revenue growth in core business

- LSRT revenue of £127.0 million, compared to £65.5 million for 2020; a 94% increase during the period, reflecting growth across all customer groups.
- Total revenue of £133.7 million, compared to £113.9 million for 2020; £61.5 million increase in LSRT revenue partially offset by a £41.6 million[4] expected decrease in revenue from COVID-19 testing.
- Gross margin of 54.8%, compared to 41.2% for 2020; reflecting greater proportion of consumables revenue and higher margins on PromethION flow cells.
- Adjusted operating loss of £82.9 million, compared to an adjusted operating loss of £73.1 million for 2020; increase primarily due to continued investment in the business to support sustainable long term growth.
- Adjusted EBITDA of negative £57.7 million, compared to negative £55.2 million in 2020.
- Net loss of £167.6 million, compared to a net loss of £61.2 million for 2020, driven by the share based payment charge and IPO costs.
- Cash and cash equivalents and treasury deposits of £618.2 million as of 31 December 2021, which includes net proceeds of £407.1 million from the Group's IPO in October 2021.

2021 Strategic and operational highlights; continued innovation and operational expansion driving growth

Key technology highlights:

- Innovation drove performance enhancements across the nanopore sequencing platform, including:

[1] Certain numerical figures included herein have been rounded. Therefore, discrepancies in between totals and the sums may occur due to such rounding.
[2] Before adjusting items of £81.7m (FY20: £nil). See note 5 for alternative performance measures. These APMs are not defined within IFRS and are not considered to be a substitute for, or superior to, IFRS measures.
[3] Adjusting items total £82.9m and relate to the IPO costs (£4.8m); Founder LTIP awards (£37.6m) and Employer social security taxes on pre-IPO share awards (£39.3m) and impairment of investment in associate (£1.2m). See note 5 for alternative performance measures.
[4] Decrease in COVID-19 testing revenue primarily as a result of the conclusion of the Group's contract with the Department of Health and Social Care.

    - The launch of new technology updates ("Q20+" chemistry; the new "Kit 12" and R10.4 Flow Cells, in combination with new basecalling techniques) delivering >Q20 (>99%) raw read accuracy and approximately Q30 (>99.9%) accuracy using "Duplex" approach.
    - Continued investment in machine learning; launch of new basecaller Bonito, delivering algorithm improvements and increased accuracy.
- Initial release of Remora[5], a tool to enable high-accuracy, real time methylation analysis with nanopore sequencing, a key platform differentiator that supports multiple applications including cancer and human genetics.
- Continuous improvement of sequencing devices; announced the development of the palm-sized PromethION 2 (P2), expected to launch in 2022 in certain markets, as the most accessible low-cost, high-output nanopore sequencer.
- New kits to support specific uses of nanopore sequencing, including:
    - Rapid barcoding for low cost multi-sample analysis across a breadth of application areas
    - ARTIC Midnight kit for rapid, high-performance COVID-19 sequencing
    - Ultra-long sequencing kit to support the sequencing of high volumes of ultra-long DNA fragments, providing rich data across a breadth of application areas

Key user community highlights:

- Substantial increase in the user base and utilisation of nanopore sequencing in life science research; over 1,400 new accounts added in 2021, taking total active accounts to over 6,300 across all products.
- Growth in scientific impact of nanopore sequencing; more than 1,000 papers published by the Nanopore community in 2021, highlighting applications across a number of scientific research areas including human, cancer, animal, plant, pathogen and environmental genomics.
- In human genomics, scaleup of ultra-high throughput sequencing operations for the Emirati Genome Program and multiple large scale human genome pilots, such as: Genomics England in cancer, NIH in neurodegenerative disease.
- In pathogen genomics, extensive use of nanopore sequencing for rapid COVID-19 surveillance and sequencing of a range of other pathogens including TB, drug-resistant bacteria, and African Swine Fever.
- Research demonstrating potential clinical uses of nanopore sequencing for rapid profiling of central nervous system tumours, rapid characterisation of rare or neurological diseases, and rapid identification of pathogens in infectious disease samples.
- Launched the Org.one programme in April 2021 to support the sequencing of critically endangered species and address biodiversity loss; 30 whole genomes of critically endangered species completed by March 2022.

Key operational highlights:

- Increased global headcount to over 800, including key hires in senior sales, marketing and support leadership, consistent with the Group's commitment to scale up rapidly and serve the global market for sequencing products.
- Strengthened Board of Directors with the appointments of Wendy Becker and Adrian Hennah as independent non-executive directors.
- Established an Oxford Nanopore Diagnostics team, to focus on future potential diagnostic uses of nanopore sequencing.

Guidance:

The Group expects full year 2022 LSRT revenue to be in the range of £145 million to £160 million and full year 2023 LSRT revenue to be in the range of £190 million to £220 million. Revenue guidance accounts for an expected significant decline in COVID-19 sequencing revenue in 2022 and the recognition of revenue from the Group's largest customer in the fourth quarter of 2021, previously expected in the first quarter of 2022.

[5] Remora is expected to be fully released in March 2022.

As disclosed on 9 November 2021, the Group was previously targeting LSRT revenue in the range of £135 million to £145 million for full year 2022 and LSRT revenue in the range of £170 million to £190 million for full year 2023.

All other prior guidance remains unchanged.

Please note that, beginning next year, the Group plans to provide forward revenue guidance only for the then-fiscal year.

Gordon Sanghera, Chief Executive Officer, commented:
"We are proud of all that we achieved in 2021. We saw a significant increase in both existing and new research customers using our technology to address some of the world's biggest problems, from cancer and human genomics to public health and environmental genomics. The growing scientific impact of nanopore sequencing is reflected in the increase in scientific publications citing our technology, a 29% increase in active direct customer accounts and the near doubling in our core Life Science Research Tools revenue.

"We continued to expand and enhance our technology offering, which now enables even more comprehensive genomic insights, and breadth of application, while – crucially – remaining accessible in order to maximise potential benefits to society. We also continued to invest in growing our commercial capabilities to support our ambitious global growth goals.

"We see extraordinary 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 remain focused on our mission to bring the widest benefits to society through the analysis of anything, by anyone, anywhere. The progress we have made over the last year, combined with the new capital raised in our IPO, puts us in a strong position to achieve this goal."

Presentation details
Management will host a virtual presentation today, 22 March, at 9:30am GMT, followed by a Q&A session, accessible via conference call or webcast. To view the webcast and accompanying slide presentation please register here.

The webcast will be recorded and a replay will be available on the Company's Investor Relations website shortly after the presentation.

For details of the conference call please contact oxfordnanoporetechnologies@tulchangroup.com.

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About Oxford Nanopore Technologies plc:

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 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 and RNA directly and sequence short to ultra-long fragments 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.
For more information please visit: www.nanoporetech.com

Forward-looking statements

This announcement 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.

Chief Executive Officer's Statement
Dr Gordon Sanghera
Chief Executive Officer

"Towards the analysis of anything, by anyone, anywhere"

Our mission and our user community
We believe that we can enable greater democratisation of access to biological information, initially through sequencing of deoxyribonucleic acid (DNA) and ribonucleic acid (RNA), with our technology platform and highly differentiated business model. Enabling our broad user base to do breakthrough science is our everyday goal, and their incredible achievements inspire all of us at Oxford Nanopore.

The thriving community of scientists using nanopore sequencing published more than 1,000 papers in 2021, bringing the total, since Oxford Nanopore technology was first available, to more than 2,450 to date.

Oxford Nanopore technology is used to study a huge diversity of biology, from plants and animals to bacteria, viruses and, of course, in multiple human genomics and cancer research studies. Our users, who are in more than 120 countries, continue to use our technology in more traditional lab environments but expand the reach of science by sequencing in new environments such as jungles, deserts, in the Antarctic and on the International Space Station.

Delivering rich biological insights, rapidly and at scale
Our highest-throughput device, PromethION 48, is enabling information-rich DNA sequencing at unprecedented scale. This supports many types of programmes, most typically in our 'S3' group of customers and specifically those in human genomics, plant genomics, or service providers who offer sequencing to many other customers.

In Abu Dhabi in 2019, the Department of Health launched one of the world's largest and most scientifically ambitious population-scale genome programmes, aimed at creating an Arab Reference Genome which will have an impact on improving health in the region through the use of genomics. The Emirati Genome Program (EGP) is run by our partner G42 who have established a highly automated scaled nanopore sequencing facility in Abu Dhabi. In 2021, this program expanded its operations significantly. Oxford Nanopore has played a pivotal role, providing the sequencing technology backbone to produce data from human genomes. We expect these data to include clinically significant insights only possible with nanopore sequencing.

PromethION is also supporting rapid, clinically relevant insights in whole human genomes. In 2021, our team collaborated with researchers at Stanford University who showed that ultra-rapid whole human genome sequencing using Oxford Nanopore technology could help identify/diagnose genetic diseases in critical care settings. The workflow took as little as 7 hours and 18 minutes from sample to clinically actionable data by using multiple PromethION flow cells simultaneously, in a real-time sequencing process analogous to cluster computing; the equivalent of one sequence of a human genome per 2.5 minutes.

The 12 patients in the study were in critical care for life-threatening cardiac or neurological symptoms that required genetic testing to elucidate genetic variants that the clinical researchers used to identify their conditions. However, the turnaround time of the standard-of-care genetic tests is typically weeks, potentially delaying clinical decisions. In this research study from Stanford, researchers were able to characterise the disease-causing variants in five out of twelve patients from the sequencing information produced on the same day highlighting the potential for same day diagnosis to inform rapid treatment. This method is a paradigm shift in the application of whole human genome sequencing with the potential to deliver highly accurate clinically actionable diagnoses from whole genome sequencing in just hours, compared to sometimes weeks. We believe this is only possible with nanopore sequencing, and that the low cost and platform accessibility has the potential to support broader adoption by clinicians of human whole genome sequencing in many environments.

The need for speed in infectious disease

Just as high-throughput users have taken advantage of Oxford Nanopore's real-time sequencing feature in human genomics, many pathogen researchers are taking advantage of the same feature to reach rapid answers – often in time sensitive environments like critical care. Researchers from Guy's and St Thomas' Hospital in London have reported results from a study to evaluate a same-day nanopore sequencing workflow to identify secondary infections in intensive care patients, resulting in the potential for actionable information in hours rather than the days that it takes to grow a culture. Their ground-breaking research demonstrates the potential power of nanopore sequencing to scan a patient's sample and provide data from which an inventory of single or multiple infections can be identified. This research shows the potential for metagenomic analysis, performed using nanopore sequencing, to enable clinicians to screen for multiple infection-causing pathogens with one rapid test, rather than multiple hypothesis-driven tests.

The accessible nature of our technology has meant that those in resource limited settings were able to track the virus without relying on large laboratories for analysis. In Africa, Oxford Nanopore, the Bill and Melinda Gates Foundation, Africa Centres for Disease Control and Prevention (CDC) and other partners are collaborating to transform disease surveillance in the continent, focusing not only on technology provision but also the development of networks and skills for longer term impact.

At the same time, with a global network of partners, Oxford Nanopore is developing a solution to address drug resistant tuberculosis (DR-TB), which has increased at least 10-fold in the past decade worldwide. A single test has the capability to detect more than 200 drug resistance associated mutations in less than seven hours, unlocking potential to enable affordable, scalable, and rapid TB drug-susceptibility testing.

Our COVID-19 contribution

In 2021, we scaled up our efforts to support the global campaign against COVID-19, building on the extensive work done by the ARTIC Network, which was critical in defining the methodologies used to sequence the SARS-CoV-2 genome. Our technology has been used in more than 80 countries so far in the pandemic, delivering sequence data for more than 990,000 positive samples to help epidemiologists and public health decision makers track the pandemic's evolution.

The rapid results possible with real-time nanopore sequencing have enabled rapid analysis and data sharing. A nanopore user in the African CDC laboratory of Dr Sikhulile Moyo was the first to identify and characterise the Omicron variant in Botswana. Professor Charles Chiu, Director of the University of California San Francisco (UCSF) clinical microbiology laboratory, delivered the first full Omicron sequence in the US, within 8 hours of receiving the patient sample. In Sri Lanka, China, Japan and other countries, a country-wide network of nanopore sequencing devices were established to support COVID-19 sequencing today, but with the potential to grow into networks for other types of pathogens or broader use in agriculture and human genetics. These unique accessible, real-time capabilities enable rapid insights to be translated into action on local or national scale.

The journey from the bench to the bedside: translational research

The journey to high-impact sequencing applications in healthcare typically starts with scientific researchers developing new methods of elucidating actionable information using sequencing technology. In 2021, we saw many examples in the nanopore user community, of publications describing new, faster and better techniques to understand disease, that take advantage of the unique combination of features of nanopore sequencing.

For example, the 2021 World Health Organisation (WHO) classification of central nervous system (CNS) tumours includes multiple molecular markers and patterns that are recommended for routine diagnostic use in addition to histology. If using traditional centralised sequencing infrastructures for complete molecular profiling, considerable investment may be required, while batching samples for sequencing and separate methylation profiling can lead to long turnaround times, often weeks. In 2021, researchers in Heidelberg, Germany, and collaborators, developed RAPID-CNS2[6], using the Oxford Nanopore adaptive sequencing method. This enables comprehensive mutational, methylation and copy number profiling of CNS tumours with a single, cost-effective sequencing assay. The method has the potential to be easy to perform and highly accessible, being able to run on MinION and GridION. This could radically reduce turnaround time and increase the variants identified delivering a better outcome.

In Australia, a new DNA sequencing-based test method has been developed by a team led by Ira Deveson, Head of Genomics Technologies at the Garvan Institute of Medical Research, and other collaborators. This has the potential to screen for more than 50 genetic neurological and neuromuscular diseases in a single test. Currently in research phase, this workflow accurately identifies diseases caused by unusually long, repetitive DNA sequences in a person's genes, known as short tandem repeat (STR) expansion disorders. Current genetic screening for these disorders can involve multiple tests, such as muscle or nerve biopsies, and take much longer, sometimes years of investigation to reach an answer.

With these latest developments, users are showing the potential of our technology to remove the diagnostic odyssey many patients with complex disorders go through, in order to begin addressing their conditions and improving their healthcare.

Our applied sequencing opportunities

Whilst our business today focuses on scientific research, we are excited about the potential to take nanopore sequencing into applied markets, including human healthcare, agriculture, food and environmental monitoring. In the long term, we believe there is potential to enter direct-to-consumer (DTC) health and wellness markets as researchers develop tailored personalised exercise regimes, diets and other applications based on genomic data.

In 2021, we established the Oxford Nanopore Diagnostics (OND) team, to focus on accelerating translational research into clinical markets.

An important pillar of our clinical strategy is our relationship with Oracle Corporation, who are also a new shareholder. In 2021, we signed a memorandum of understanding whereby our two companies will work together to explore potential new solutions for applied clinical markets.

[6] Rapid-CNS2: Rapid comprehensive adaptive nanopore-sequencing of CNS tumors, a proof of concept study, Areeba Patel et al., August 2021

We envisage that our partnership will leverage Oracle's reach into the healthcare market, together with their best-in-class data infrastructure, coupled to our real-time sequencing platforms. The development of end-to-end sample-to-answer workflows has the potential to provide clinical users an integrated solution, with the onward potential to couple directly into Electronic Health Records.

Enabling a greater understanding of environmental challenges

From the very beginning, users of nanopore sequencing have taken advantage of its portability to perform in-field analysis upon glaciers, above and below the ocean, and in the deep jungle or other environments, to understand the impact of climate change and gain direct insights into a shifting biodiversity. In 2021, we built on this offering by launching ORG.one, a programme to support the generation of whole genome sequencing data for critically endangered animals, where possible using technology in situ to support the local establishment of a sequencing capacity. As I write, the sequence data for around 30 species have been generated and released; sequence data can be used to understand the conservation of these species and to add to scientific understanding of the utility of sequence data as a conservation tool.

Our agile platform innovation

We deploy innovation to create high-performance products that are positioned to access, reshape and expand existing markets as well as creating entirely new markets. Innovation is at the centre of everything we do, and in 2021 we used our agile research and development (R&D) model to deliver multiple upgrades in software, flow cell chemistry, library preparation kits and hardware – all driving continuous improvement of our technology.

Driving continuous performance improvement: We delivered new product releases across all parts of our portfolio, including the release of new "Kit 12" that included a novel enzyme, and flow cells containing the new R10.4 nanopore. Paired with new breakthroughs in our neural network algorithms, these enabled greater than Q20 (>99%) raw read and around Q30 (99.9%) Duplex sequencing accuracy – this was known as "Q20+ chemistry". Furthermore, hardware upgrades of our PromethION range included the roll out of low noise electronics enabling customers to run the latest Q20+ chemistry at scale.

Expanding device range: Oxford Nanopore devices are designed to meet the need of a range of user types, from ultra-high throughput to portable. In 2021, we announced the development of the PromethION 2 (P2) device, which we plan to launch in certain markets during 2022. P2 is a 'hand-held' device that is designed to enable customers who did not previously have access to high-output nanopore sequencing technology, 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.

Delivering richer information: We believe that we provide the only sequencing technology on the market today, that can be fitted to the breadth of the diverse needs of scientific researchers. Our sequencers are uniquely able to read DNA fragments from short (tens of bases) to long (thousands to hundreds of thousand bases) to ultra-long (millions of bases), enabling the elucidation of more genetic variation. We offer device formats ranging from the pocket-size MinION to the desktop GridION and PromethION 48, the latter we believe to be the highest throughput sequencing device in the world.

Critically, our technology allows the researcher to interrogate the native DNA molecule directly. As a result, nanopore sequencers can extract much more biological insight from DNA/RNA than incumbent or new SBS/fluorescence-based technologies relying on intermediate steps that produce bias into the reading. By 'mining' the electronic signal from a direct native nanopore read, we can draw far more information from DNA and RNA than other techniques. And with real-time data streaming from nanopore devices, combined with modular device formats, insights can be generated rapidly and on-demand.

In 2021, we further enhanced the ability to deliver richer data by releasing kits to enable sequencing of ultra-long fragments of DNA, and the early release of Remora, a tool to enable high-quality, real-time methylation analysis at no extra cost.

Protecting innovation: Our in-house innovation, combined with partnerships with other institutions, means that we have expanded our patent estate to more than 2,180 issued and pending patents across more than 320 families, reflecting clear technology leadership in our field. Our strategy has

been to build a sustainable innovation pipeline that feeds into our intellectual property portfolio, which is an important strategic asset.

We communicate regularly about our technical progress and I would invite you to follow our social media feed or visit our website to see the latest news throughout the year.

Manufacturing: a key pillar for innovation
Our commitment to innovation extends to our in-house developed manufacturing processes. This production model delivers low-cost high volume manufacturing capabilities for our sequencing platforms, kits and flow cells. The production model is a mix of internally and/or externally manufactured components that are assembled, quality controlled (QC), packaged and shipped from our UK site.

We completed the construction of our 35,5300 square feet manufacturing facility near Oxford, UK, in 2019 with built-in capacity to meet our demand over the following few years. Our in-house bioelectronics production allows us to meet the increasing demand for our flow cells while continually improving our processes and reducing costs.

During 2021, we have continued to scale up production, while delivering a 10.9 percentage point increase in LSRT gross margin in the period.

Like many businesses, we experienced significant strain on our supply chain in 2021 – particularly electronic components. However, we managed to maintain production without any stoppages by working closely with suppliers and investing in inventory. We remain highly vigilant whilst we monitor developments in our supply chain in 2022.

Our commercial strategy: address, reshape and expand
DNA sequencing has traditionally been a highly centralised market, relying on 'top down' access to technology and biological insights. In 2014, we started to disrupt that paradigm by providing scientists with the ability to sequence using their personal MinION device. We now provide technology for users at any scale, but have preserved the principle of accessibility, so that more scientists have the opportunity to do breakthrough science on nanopore devices.

In 2021, we drove growth in all three of our customer groups ("S1, S2 and S3"), through the deployment and execution of our innovation pipeline and expanding commercial capacity.

Our S1 customers generate revenue up to $25,000 per year per account. These users can be 'genomic explorers' who 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 also develop use cases that exploit real-time data streaming or field-based sequencing in some cases combining both unique features. Strategically this inclusive approach enables our customers to innovate and publish novel uses of nanopore sequencing.

These S1 customers tend to purchase our technology, using our digital resources and e-commerce platform, sometimes with additional support from our customer services team. Typically, MinION users – the total number of active accounts in this group reached 5,501 in 2021 growing by 24.1% (4,431 in 2020). As the MinION platform has matured, we entered into a distribution partnership with Avantor to extend our market reach to more generalist customers and to reach in key geographies, primarily in the S1 customer group.

Our S2 customers generate between $25,000 and $250,000 per year per account. These customers are often experienced users of genomics technology primarily through sending samples out to service providers or have an existing sequencing platform. Our technology gives these users access to affordable, accessible plug-and-play platforms to generate real-time sequencing data as part of their workflow.

The pandemic has catalysed the installation primarily of GridION in the laboratories of this customer base. In addition, in 2021 we saw an increase in demand from this customer group and a growth of 69.6% of active accounts. We estimate that £15-20 million of revenue in 2021 was driven by COVID-

19 sequencing. Our PromethION 2 will be a key enabler and drive growth in our S2 customer group in the coming year. Total active customer accounts in this group reached 782 in 2021 (461 in 2020).

Our S3 customers generate revenue greater than $250,000 per year per account. These customers are typically the established large, centralised sequencing researchers and service providers. Our growth in this group is driven by our PromethION 24 and 48. A key part of this market is Population Genomics where thousands of samples are sequenced for novel insights at scale. We have key partnerships with customers including G42 in the EGP, and other high-throughput human genomics projects including Genomics England with a cancer screening project, and National Institutes of Health (NIH) in the USA, which are using our information-rich data at scale for neurodegenerative screening. Total active customer accounts in this group reached 56 in 2021 (29 in 2020) with a growth of 93.1%.

We address all of these groups with a ground-breaking ‘capital free’ go-to-market strategy designed to break down traditional barriers to entry for scientists seeking to conduct their own sequencing. 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. We also offer a CapEx alternative for those customers who have funding for traditional systems and restrictive spending of this funding**.**

In 2021, we concluded our COVID-19 diagnostics offerings as a result of improvements in the availability of polymerase chain reaction (PCR) supplies, evidence of the COVID-19 pandemic moving towards an endemic phase, and the conclusion of the Group’s contract with the Department of Health and Social Care (DHSC). Beyond 2021, no further sales of LamPORE™ or PCR tests are anticipated. We therefore remain strategically focused on driving growth in our core LSRT business and looking ahead to other potential future translational and clinical opportunities.

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.

Like every business today we must evaluate the opportunities and risks for our business through the ESG lens. This process needs to be rigorous, standards-driven and inclusive of all our stakeholders.

We began this process in earnest during 2021 and you will find a brief section in this Annual Report describing our current ESG profile. We plan to publish our inaugural sustainability report in mid-2022, providing additional detail on our sustainability framework and setting out our plans to evolve and improve our impact over time.

Our people
Our employees demonstrated exceptional resilience during 2021 despite the severe limitations on office-based work and travel. I am grateful to everyone for this show of strength in the face of adversity.

To support our rapid growth, we made significant investments in our global organisation in 2021. Total FTE headcount reached 803 at the end of the year, up 33.6% from the prior year. We made key hires across geographies and functional areas including senior commercial leadership in Europe and USA and marketing leadership globally. As I mentioned before, in 2021 we also established the Oxford Nanopore Diagnostics team, bringing established clinical professionals into the organisation.

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, which we will continue in 2022 whilst enhancing our software teams and leading research and development scientists.

One of the hallmarks of Oxford Nanopore is the multi-disciplinary nature of our employee base driving our innovation.

Our IPO
In October 2021, we completed our IPO on the London Stock Exchange, raising £428 million in gross proceeds for the company and an additional £174 million in gross proceeds for selling shareholders.

An IPO in London was a natural step for a global business with headquarters and manufacturing in the UK. The event provided all shareholders the benefit from the increased liquidity of a public listing.

I am pleased to see a growing ecosystem of life sciences innovators in the UK, and I hope our IPO encourages others to list in London too.

Towards the internet of living things
As I have often said, we are only in the foothills of the opportunities that lie ahead of us.

We have established our platforms globally and our strategy is to enable our customers to develop novel applications, analogous to the 'apps' model for mobile phones. This permissive development approach is designed to accelerate our mission to enable the analysis of anything, by anyone, anywhere, propelling 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 precipice of creating the 'Internet of Living Things (IOLT)'.

Chief Financial Officer's Statement
Tim Cowper
Chief Financial Officer

Financial performance

Results at a glance

Year ended 31 December:	**2021**	**2020**	***% Change***
Revenue (£m)			
- LSRT revenue	£127.0	£65.5	*94%*
- COVID-19 testing	£6.7	£48.3	*(86)%*
	£133.7	£113.9	*17%*
Gross profit (£m)	£73.2	£46.9	*56%*
Gross margin (%)	54.8%	41.2%	*+13.6pts*
Adjusted Operating loss[7] (£m)	£(82.9)	£(73.1)	*(13)%*
Operating loss	£(164.5)	£(73.1)	*(125)%*
Adjusted EBITDA[8]	£(57.7)	£(55.2)	*(5)%*
Loss for the year	£(167.6)	£(61.2)	*(174)%*
Proceeds from issue of shares (£m)	£642.1	£164.0	*292%*
Cash and cash equivalents and Treasury deposits[9] at	£618.2	£80.9	*664%*
Net assets at period end (£m)	£704.0	£185.9	*279%*

Delivering top-line growth
In 2021, we delivered strong financial results, with £133.7 million of total revenue. Total revenue included £127.0 million in revenue from our core LSRT business, an increase of 94% over FY 2020. Our gross profit reached £73.2 million, an increase of 56%. Our adjusted operating loss increased to £82.9 million, as anticipated as the Group continues to implement its growth strategy for expanding into the current markets and penetrating new ones.

[7] Before adjusted items of £81.7m (FY20: £nil). See pages note 5 for alternative performance measures
[8] Adjusted items of £82.9m, of which £81.7m relates to the IPO.
[9] Cash and Cash equivalents of £487.8m plus Treasury deposits of £130.4m.

Our top-line growth benefited significantly from the partnership with the G42 Group, which launched one of the world's largest population scale genome programmes to improve health and wellbeing in the region (EGP). Oxford Nanopore played a pivotal role, providing the sequencing technology backbone to produce data from human genomes. We expect this dataset to include clinically significant insights only possible with nanopore sequencing.

In 2021, our technology supported the global effort to sequence COVID-19. Although it is not possible to foresee COVID-19 sequencing as a recurring opportunity beyond 2022, our longer-term ambitions are beyond the pandemic in areas such as pathogen surveillance and antimicrobial resistance.

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 5.

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

Rising value per customer account

In 2021, we experienced positive trends across the majority of our financial measures. These were underpinned by the strength of our customer group diversification. The accessibility to our products drove uptake and expanded our market opportunities.

Year ended 31 December (£m)	**2021**	**2020**	***% Change***
S1	23.1	18.6	*24%*
S2	38.4	23.7	*62%*
S3	55.7	17.8	*214%*
Indirect	9.7	5.4	*80%*
Total LSRT revenue	**127.0**	**65.5**	***94%***
COVID-19 testing revenue	6.7	48.3	*(86)%*
Total revenue	**133.7**	**113.9**	***17%***

The Group delivered solid revenues from the S1 customer group. The S2 customers exhibited a very strong growth through 2021 due to customers completing Starter Packs and purchasing consumables highlighting in the most emphatic way the success of our business financial model. Included in the S2 category are the public health laboratories that rapidly adopted our nanopore technology for COVID-19 sequencing. The S2 customers are expected to drive revenue growth over the medium term. In 2021, the S3 customer group exhibited great dynamism and demonstrated its potential by growing over 200%. Although, this growth was mainly led by the EGP, the S3 customer group exhibited revenue growth of 80% excluding the EGP. There is a significant revenue opportunity within S3 customers in coming years.

While a range of tools are used by biological researchers in their broad life science research, DNA/RNA sequencing is increasingly a method of choice.

We continued to bring on board new customers, typically situated in University, Industrial or Government research laboratories, or commercial laboratories that provide sequencing as a service to other scientists. The business also included population scale genomics and public health. Oxford Nanopore's focus in reshaping the market remains unchanged.

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

In August 2021, the Group finalised a global distribution agreement with VWR International, LLC (owned by Avantor, Inc.) ("Avantor"), a leading global provider of products and services to customers in the life sciences, advanced technologies and applied materials industries. Since September 2021, MinION Starter Packs, MinION Flow Cells and library preparation kits became available through Avantor's e-commerce platform alongside the Group's own e-commerce platform. The Group's commercial activities around MinION were enhanced by Avantor's sales and life science specialist teams, who provide local support for MinION users. The agreement included distribution for MinION devices and consumables in North America (the US, including Puerto Rico, and Canada from early 2022) and Europe (EU, UK, Norway and Switzerland). Other regions will be added in 2022.

This additional global sales distribution capacity has the potential to help expand the S1 customer community into under-reached groups. For example, to users in the pharmaceutical and biotechnology industries. Typically, this user group requires higher-output devices. However, there are many applications for which MinION would benefit these users, in turn resulting in greater familiarity with the platform and opportunities to later develop into S2 or S3 customers.

The Group currently works with:

- distributors in Turkey, South Korea, Russia, the UAE, India and parts of Africa;
- a network of partners in China;
- a strong dealer network in Japan; 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.

The mission to expand the Group’s broad geographic coverage is ongoing.

In 2021, the Group experienced success both in territories where it has an established footprint, as well as in globally distributed customers. The table below shows LSRT revenue by geographical region:

Year ended 31 December (£m)	**2021**	**2020**	***% Change***
Americas	33.3	19.7	*69%*
Europe & United Kingdom	33.4	23.1	*45%*
China	11.0	7.1	*55%*
United Arab Emirates	31.7	4.0	*693%*
Asia Pacific and Japan	11.1	7.4	*50%*
Emerging markets	6.4	4.2	*52%*
Total LSRT Revenue	**127.0**	**65.5**	***94%***

The UAE represented the largest growth region in 2021 led by the G42 Group. There has been strong growth in our largest markets (Americas and Europe & United Kingdom), as Oxford Nanopore expands traditional sales support teams in those areas. There is a strong opportunity for growth in these regions.

In Europe, the Group continued to expand by setting up subsidiaries in France, Denmark and Germany. In Oceania, the Group further strengthened its operations in Australia, while in the Middle East the Group inaugurated its service hub in UAE.

Growth in margins

Year ended 31 December (£m)	2021	2020
Gross Margin (%)	54.8%	41.2%

In 2021, a sharp acceleration was achieved in consumables revenue as customers moved from the Starter Pack phase to consumables ramp up. As a result, the Group benefited from an increase in revenue contribution from the sale of consumables relative to revenue generated from the sale of Starter Packs. These recurring purchases of sequencing consumables provide sustainable growth through repeat business, alongside more favourable gross margins.

The Group's gross profit and gross margin were positively impacted by these changes in the product mix as well as improvements in manufacturing automation, processes and designs. Furthermore, improved logistics, and recycling of costly components had also a positive impact.

Our growth in margins was also supported by significant investment in innovation. This includes the development of a new range of products and improvements to existing products, which has supported customer retention and drove further purchases of consumables.

Adjusted operating loss analysis

Year ended 31 December (£m)	2021 Reported	1	2	3	Sub-total	2021 Adjusted total	2020 Reported
Revenue	**133.7**				-	**133.7**	113.9
Gross profit	**73.2**				-	**73.2**	46.9
Research and development expenses	**(76.0)**	-	17.7		17.7	**(58.3)**	(48.6)
Selling, general and administrative expenses	**(161.8)**	37.6	21.5	4.8	63.9	**(97.9)**	(71.4)
Operating expenses	**(237.7)**	37.6	39.3	4.8	81.7	**(156.0)**	(119.9)
Loss from operations	**(164.5)**	37.6	39.3	4.8	81.7	**(82.9)**	(73.1)

Adjusting items include:

1. Share-based payment expense on founder LTIP
2. Employers' social security taxes on pre-IPO share awards
3. IPO costs expensed in Income Statement

Impact of headcount

Average headcount (Number of FTEs)	2021	2020	% *Change*
Research & Development	291	235	24%
Production	134	106	26%
Selling, general & administration	280	186	51%
Total	**705**	**527**	**34%**

In 2021, the Group increased its number of employees across all departments and functions highlighting in the most emphatic way our growth trajectory.

The Group invested in bringing onboard new R&D staff to support the research phase into early product release across its disruptive platform. Our R&D 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 Company with the goal to realise Oxford Nanopore's vision.

As the Group's manufacturing expanded to cater for increased demand from a growing client base a significant number of staff were added to production, covering all manufacturing stages and processes. The ability of the Group's manufacturing facilities to support modular expansion made it easy to grow the production teams without facing any problems.

The largest increase in the Group's average headcount took place in the selling, general and administration functions including legal functions and corporate executives. 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. The increased investment in IT and building facilities, including laboratories, was catalytic in supporting the Group's innovation engine.

Operational expenditure
The Group's total operating expenses increased by £117.8 million, or 98% from £119.9 million in FY 2020 to £237.7 million in FY 2021:

Year ended 31 December (£m)	**2021**	**2020**	**% *Change***
Research and development expenses	58.3	48.6	20%
Selling, general & administrative expenses	97.9	71.4	37%
Adjusting items:	81.7	-	n/a
• *Share-based payment charge on founder LTIP*	*37.6*	-	
• *Employers social security taxes on pre-IPO share awards*	*39.3*	-	
• *IPO costs expensed in Income Statement*	*4.8*	-	
Total operating expenses	**237.7**	**119.9**	**98%**

Research and development expenses
The Group's R&D expenditure is recognised as an expense in the period as it is incurred, except for the 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.

Year ended 31 December (£m)	**2021**	**2020**	**% *Change***
R&D expenses	58.3	48.6	20%
Capitalised development costs	9.3	10.7	(13)%
Total R&D and capitalised development costs	**67.6**	**59.3**	**14%**

Reported R&D expenses increased by £9.7 million to £58.3 million in FY 2021. This increase was principally due:

- to a 24% increase in headcount leading to a £3.4 million increase in payroll costs; and
- an increase in share-based payments (non-Founder LTIP) of £5.6 million.

Capitalised development costs reduced slightly by £1.4 million from £10.7 million in FY 2020 to £9.3 million in FY 2021.

Selling, general and administration costs
The Group's selling, general and administrative expenses in FY 2021 increased by £26.5 million, principally due to:

- a 22% increase in average headcount of staff within the Group's sales, marketing and distribution functions, leading to a £1.8 million increase in payroll costs. This is in line with our plan to expand our global sales team;
- a 114.1% increase in average headcount of staff within the Group's HR, finance, central administration, legal, applied functions and certain corporate executives to support business growth contributing to a £9.0 million increase in payroll costs;
- an increase in share-based payments (non-Founder LTIP) of £12.5 million;
- an increase in depreciation and amortisation of £5.6 million; and
- IPO costs of £4.8 million.

The increase was partially offset by a tax credit of £4.2 million claimed under the Research and Development Expenditure Credit (RDEC) tax relief scheme. In 2021, the Company qualified as a large company, so was no longer eligible to claim R&D tax relief available to small and medium enterprises in the UK. However, the Company is now eligible to claim tax relief in the UK through this RDEC scheme. The tax credit is included with selling, general and administrative expenses.

Balance sheet
Key elements of change in the balance sheet during the year comprised the following:

- Inventory of £63.1 million in FY 2021 has increased by £27.4 million from £35.6 million in FY 2020 due to our long-term agreements with key suppliers focussed on electric components. In particular, inventories related to flow cells have increased by £14.8 million, and devices have increased by £4.5 million;
- Trade receivables of £38.2 million in FY 2021 has reduced by £10.8 million from £49.0 million in FY 2020. The balance at the end of 2020 included a large amount of debt relating to LamPORE™ sales in December 2020, which was paid in early 2021; and
- Provisions of £35.4 million in FY 2021 (FY 2020: £1.5 million), primarily relates to a provision for employer social security taxes on share awards of £33.2 million.

Cash flow

- Cash and cash equivalents of £487.8 million and treasury deposits of £130.4 million, increased by £537.4 million over FY 2020 reflecting the two fundraisings in the year – gross funds raised of £202 million during April and May 2021 and £428 million at the IPO.

Manufacturing & operations
In order to achieve our scaling up goals, we have pursued non-stop manufacturing optimisation through continuous improvement ensuring that our platform can be manufactured at high volume and low cost.

As a result, we invested further in extending our manufacturing operations and the surrounding supply chain, with the aim of improving manufacturing automation, manufacturing processes and design. We will continue to bring manufacturing in-house over time to increase margins and to reduce associated risks and costs.

In 20201 the Group has successfully managed its supply chain, through challenging conditions, where we continue to see increasing costs of product supplies (particularly concerning electronics industry components, including ASICs and related processors).

Outlook
In 2022, Oxford Nanopore will continue its transformation journey achieving new heights of innovation and scientific excellence while delivering strong financial performance. 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 make me believe that Oxford Nanopore can target broad markets and achieve rapid growth.

The growth in our S3 and S2 customer groups is expected to drive our short-term revenue growth.

We anticipate the release of new kits or protocols to expand applications, as well as the release of new flow cell device formats to expand the repertoire of user types. Regarding the long-term pipeline, the Group has established programmes designed to deliver substantial step-changes to its platforms in the medium-to long-term (being the next 36-60 months), including a pipeline of new bioelectronic innovations.

Key Performance Indicators (KPIs)

The Group uses a range of financial and non-financial KPIs to measure strategic performance.

LSRT revenue growth
Definition: LSRT revenue this year compared to LSRT revenue in the previous year, expressed as a percentage.
Target: Our products are sold in a number of currencies including US Dollars, GB Pounds, Euros and Japanese Yen. However, management monitors revenues in GB pounds, as this is the Group's reporting currency. Management is targeting a minimum 30% year-on-year growth in line with Guidance.

Year ended 31 December (£m)	2021	2020	2019
LSRT revenue	£127.0	£65.5	£52.1
LSRT revenue growth	94%	26%	60%

FY 2021 performance: LSRT revenue rose by 94% in FY 2021. We are very pleased to have achieved this revenue growth in 2021, where growth was seen across all our devices and consumables and geographical territories.

LSRT gross margin percentage
Definition: Gross margin percentage is the LSRT gross profit expressed as a percentage of LSRT revenue.
Target: Management is expecting further improvement in LSRT gross margins, targeting an overall gross margin of greater than 60% in 2023, in line with Guidance.

Year ended 31 December (£m)	2021	2020	2019
LSRT revenue	127.0	65.5	52.1
LSRT gross margin	68.3	28.1	25.6
LSRT gross margin (%)	**53.8%**	**42.9%**	**49.2%**

FY 2021 performance: The gross margin of our LSRT segment was 53.8% (2020: 42.9%), due primarily to the change in product mix, with a larger contribution from consumables sold compared to Starter Packs, and also specific margin improvements from PromethION flow cells, as the product manufacturing process was refined.

Adjusted EBITDA
Definition: EBITDA is Loss for the year before finance income, loan interest, interest on lease, income tax, depreciation and amortisation.

Adjustment has been made to EBITDA (Adjusted EBITDA) for the following expenses:

- compensation arrangements granted prior to IPO and described in the Prospectus as Founder LTIPs;
- the employer social security taxes on pre-IPO share awards;
- the impairment of investment in associate; and
- IPO costs.

The Group believes that it is appropriate to treat these as adjusting items to provide a measure of the underlying performance of the business.

Adjusted EBITDA reconciles to Loss for the year as follows:

Target: Based on our plans for revenue growth and improvement in gross margin the Group is targeting a break-even Adjusted EBITDA by 2026.

Year ended 31 December (£m)	**2021**	**2020**	**2019**
Loss for the year	(167.6)	(61.2)	(72.2)
Tax expense / (credit)	1.6	(11.9)	(8.3)
Finance income	(0.2)	(0.1)	(0.5)
Loan interest	0.2	0.3	0.2
Interest on lease	0.7	0.5	0.4
Depreciation of property, plant and equipment	12.9	10.1	11.1
Depreciation of right-of-use Assets	2.7	2.4	2.0
Amortisation of internally generated intangible assets	9.1	4.8	1.7
EBITDA (£m)	**(140.6)**	**(55.2)**	**(65.6)**
Adjusting Items:			
Share-based payments expense on Founder LTIP	37.6	-	-
Employers social security taxes on pre-IPO share awards	39.3	-	-
Impairment of investment in associate	1.2	-	-
IPO costs	4.8	-	-
Adjusted EBITDA	**(57.7)**	**(55.2)**	**(65.6)**

FY 2021 performance: Adjusted EBITDA losses increased in 2021 (by £2.5 million). This was driven by an increase in share-based payments (excluding the charge relating to the Founder LTIP) of £18 million to £24.9 million in 2021 (2020: £6.9 million).

Number of publications
Definition: The number of scientific publications that include nanopore sequencing, as publicly available in online resources, including PubMed and BioRxiv. All efforts are made to avoid duplication of pre-print versus peer review publications, and to count these publications accurately.
Target: Publications are an indicator of the breadth and diversity of the use of nanopore sequencing in the scientific community. We aim to drive growth of nanopore usage in the scientific community, such that the number and breadth of publication consistently increase year on year.

Year ended 31 December	**2021**	**2020**	**2019**
Number of publications	1,011	821	325

FY 2021 performance: The number of publications increased by 190 in 2021, indicating both a traction of nanopore sequencing in the scientific community and expanding customer communities.

Staff attrition rate

Definition: The number of leavers in the period divided by the average number of employees in the period.
Target: Staff retention is a key mission of the Group. Management has targeted an attrition rate of less than 10%. The average voluntary turnover in Life Sciences industry for 2020 was 9.5%[10]. The Group recognises that some attrition is normal, and in fact it can have a positive impact on the business and its productivity if it is linked to poor performers. Employee attrition could benefit a company as it provides the opportunity to bring in new talent while understand how to enhance the existing talent. It also encourages the introduction of new ideas, the implementation of changes and the adoption of new approaches from new employees.

Year ended 31 December	**2021**	**2020**	**2019**
Number of Employees (FTE)	705	527	466
Number of Leavers	47	19	25
Staff attrition rate (%)	**6.7%**	**3.6%**	**5.4%**

FY 2021 performance: In 2020 the pandemic resulted in lower attrition due to the impact it had on the lives of our employees. As the pandemic lessened in 2021, we saw attrition rates rise slightly to 6.7%, marginally higher than pre-pandemic life in 2019.

[10] Source: Mercer Talent – All Access Report

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**2021**	*2020*
		£000	*£000*
Revenue	3	**133,661**	*113,860*
Cost of sales		**(60,466)**	(66,981)
Gross profit		**(73,195)**	(46,879)
Research and development expenses		**(75,976)**	(48,551)
Selling, general and administrative expenses		**(161,75**	(71,388)
Loss from operations		**(164,533)**	(73,060)
Finance income		**224**	*91*
Finance expense		**(908)**	*(747)*
Share of loss in associates		**(64)**	-
Other gains and losses		**504**	*563*
Impairment of investments in associates		**(1,227)**	-
Loss before tax		**(166,004)**	*(73,153)*
Tax (expense) / credit	7	**(1,609)**	*11,909*
Loss for the year		**(167,613)**	*(61,244)*
Other comprehensive income / (loss):			
Items that may be reclassified subsequently to profit or loss:			
Exchange gains / (losses) arising on translation on foreign operations		**388**	*(429)*
Other comprehensive income / (loss), net of tax		**388**	*(429)*
Total comprehensive loss		**(167,225)**	*(61,673)*

		2021	*2020*
		Pence	*Pence*
Loss per share	6	**23**	*9*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021	*2020*
		£000	*£000*
Assets			
Non-current assets			
Property, plant and equipment		**47,232**	*39,386*
Intangible assets		**23,004**	*22,867*
Investments in associates		**257**	*548*
Right-of-use assets		**14,687**	*13,815*
Deferred tax assets	7	**6,077**	*1,439*
		91,257	*78,055*
Current assets			
Inventories	8	**63,071**	*35,627*
Trade and other receivables	9	**54,796**	*65,906*
R&D tax credit recoverable	7	**14,274**	*20,696*
Derivative financial assets		**-**	*62*
Cash and cash equivalents	15	**487,840**	*80,863*
Other financial assets	10	**130,628**	-
		750,609	*203,154*
Total assets		**841,866**	*281,209*
Liabilities			
Non-current liabilities			
Loans and borrowings		**9,500**	*9,500*
Lease liabilities		**12,694**	*12,093*
Share based payment liabilities		**312**	-
Provisions	14	**10,339**	*1,499*
		32,845	*23,092*
Current liabilities			
Trade and other payables	11	**72,872**	*69,574*
Current tax liabilities	7	**4,418**	*570*
Lease liabilities		**2,610**	*2,039*
Derivative financial liabilities		**106**	-
Provisions	14	**25,039**	-
		105,045	*72,183*
Total liabilities		**137,890**	*95,275*
Net assets		**703,976**	*185,934*
Issued capital and reserves attributable to owners of the parent			
Share capital	12	**82**	36
Share premium reserve		**623,760**	610,544
Share based payment reserve		**96,350**	35,079
Translation reserve		**(314)**	(702)
Accumulated deficit		**(15,902)**	(459,023)
Total equity		**703,976**	*185,934*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2021

	Share capital	Share premium	Share based payment reserve	Foreign exchange reserve	Accumulated deficit	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2020	**33**	**479,332**	**28,215**	**(273)**	**(397,779)**	**109,528**
Loss for the year	-	-	-	-	(61,244)	(61,244)
Exchange loss on translation of foreign subsidiary	-	-	-	(429)	-	(429)
Comprehensive loss for the year	**-**	**-**	**-**	**(429)**	**(61,244)**	**(61,673)**
Issue of share capital	3	135,061	-	-	-	135,064
Cost of share issue	-	(3,849)	-	-	-	(3,849)
Employee share-based payments	-	-	6,864	-	-	6,864
Total contributions by and distributions to owners	**3**	**131,212**	**6,864**	**-**	**-**	**138,079**
At 31 December 2020	**36**	**610,544**	**35,079**	**(702)**	**(459,023)**	**185,934**
Loss for the year	-	-	-	-	(167,613)	(167,613)
Exchange loss on translation of foreign subsidiary	-	-	-	388	-	388
Comprehensive 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
Current 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**
Note	12		13			

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 DECEMBER 2021

	Note	**2021**	*2020*
		£000	*£000*
Net cash outflow from operating activities	15	**(53,826)**	*(63,806)*
Investing activities			
Purchase of property, plant and equipment		**(21,536)**	*(15,737)*
Capitalisation of development costs		**(9,281)**	*(10,735)*
Investment in associate		**(1,000)**	*(548)*
Interest received		**207**	*81*
Investment in other financial assets		**(130,375)**	*-*
Net cash outflow in investing activities		**(161,985)**	*(26,939)*
Financing activities			
Proceeds from issue of shares		642,144	163,955
Costs of share issue		(15,929)	(2,676)
Principal elements of lease payments	15	(2,361)	(2,058)
Interest paid		(283)	(229)
Interest paid on leases		(666)	(415)
Net cash inflow from financing activities		**622,905**	*158,577*
Net increase in cash and cash equivalents before foreign exchange movements		**407,094**	*67,832*
Effect of foreign exchange rate losses		**(117)**	*(61)*
Cash and cash equivalents at beginning of period		**80,863**	*13,092*
Cash and cash equivalents at end of period	15	**487,840**	*80,863*

1. Significant accounting policies

1.1. Basis of preparation

The unaudited preliminary financial information, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and extracts from the notes to the financial statements for the year ended 31 December 2021 has been prepared in accordance with International Accounting Standards, in conformity with the Companies Act 2006. The financial information incorporate the results of the Company and the entities under its control (together the 'Group').

The unaudited preliminary financial information has been presented in Sterling and on the historical cost basis, except for the revaluation of certain financial instruments.

The financial information does not constitute statutory financial statements within the meaning of Sections 434 to 436 of the Companies Act 2006 but are derived from those financial statements. Statutory financial statements for the financial year ended 31 December 2020 have been filed

with the Registrar of Companies and those for the financial year ended 31 December 2021 will be delivered in due course. The auditor has reported on the 2020 accounts, their report was unqualified and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

1.2. 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 5.

For the period ended 31 December 2021, share based payment charges associated with the Founder LTIP scheme, employer's social security charges on pre-IPO share awards, IPO costs and impairment of investment in associate have been included as adjusting items.

Share-based compensation is an important aspect of the compensation of our employees and executives. 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 understand the long-term performance of our core business.

The share-based compensation expenses of the other LTIPs and share award schemes are not treated as adjusting items.

1.3. Going concern

As at 31 December 2021, the Group held £618.2 million in Cash and cash equivalents and Treasury deposits (note 5) on the Statement of Financial Position, following the two significant fund raisings in the year:

- Oxford Nanopore received £202 million in April and May 2021, relating to a private placement of ordinary shares in the Group; and
- In September 2021, the Company undertook an Initial Public Offering (“IPO”) for admission to the standard listing segment of the Official List of the FCA and admission to trading on the main market or listed securities of London Stock Exchange plc (the “London Stock Exchange”) of the ordinary shares of the Company (the “Transaction”). £428 million in gross proceeds were raised at this time.

The going concern assessment period is the twelve months to March 2023.

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 2023, the going concern assessment period, and the impact of a range of severe, but plausible, scenarios, including the potential impact of any further COVID-19 restrictions and regulations. In particular, the impact of key business risks on revenue, profit and cash flow as follows:

- Reduced revenues due to customer, regulatory and R&D delays; and
- Increased costs due to supply chain restrictions, additional R&D requirements and 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.

2. Critical accounting judgements and sources of estimation uncertainty

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

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

Critical judgements in applying the Group's accounting policies
The following are the critical judgements 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 do 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, per the estimate below, this is then applied to other, non-employee-related development costs to ensure costs are consistently and appropriately capitalised. The net book value of internally generated capitalised assets at 31 December 2021 is £22.6 million (31 December 2020: £22.4 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 increased or decreased by 30%, revenue would decrease or increase by £1.4 million.

ii. Share-based payments
Details of the share-based payment schemes operated by the Group are disclosed in note 13. During the year, 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 to 30 June 2022 decreased by 34%, the Group recognised total expenses of £60.7 million (2020: £nil) relating to

equity-settled share-based payment transactions in 2021 would decrease by £1.9 million (2020: £nil).

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 during the period. Management capitalised development costs in relation to R&D projects based on estimating the percentage of time spent on the project by employees while the project is in its development phase. Capitalisation of R&D expenditure in 2021 was £9.1 million (2020: £10.7 million). If the percentage of time spent on the projects were to change by 5% then capitalisation of development costs would have varied between £8.6 million and £9.6 million (2020: £10.2 million and £11.3 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 as at the year end is £63.1 million (2020: £35.6 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 were to increase by 5% the group stock value would increase by £1.1 million and the revised stock value would be £64.1 million.

£11.7m of inventory is supported primarily with respect to income the Group expects to receive from one major customer of the Group. Should future income not be received from this customer, then the net realisable value of this inventory would be nil.

3. 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:

	2021 **£000**	*2020* *£000*
Geographical region		
Americas	**33,370**	*19,735*
Europe and United Kingdom	**40,103**	*71,375*
China	**10,975**	*7,094*
United Arab Emirates	**31,722**	*4,058*
Asia Pacific and Japan	**11,126**	*7,364*
Emerging markets	**6,365**	*4,234*
	133,661	*113,860*

	2021 **£000**	*2020* *£000*
Category		
Sale of goods	**117,401**	*106,057*
Rendering of services	**7,309**	*4,884*
Lease income	**8,951**	*2,919*
Total revenue from contracts with customers	**133,661**	*113,860*

4. Segment information

Products and services from which reportable segments derive their revenues.

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 under 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	In the year, the Group generated revenue from providing products for SAR-Cov-2 testing. It should be noted that its 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.

(a) Information about major customers
The Group has one major customer in the United Arab Emirates, which represents 23.4% of Group revenue. Revenues from this customer were £31.3 million (2020: £3.8 million) and reported within the LSRT segment. No other individual customer represents more than 10% of the Group's total revenue.

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable segment.

	LSRT £000	**Covid Testing £000**	**2021 £000**	*LSRT £000*	*Covid Testing £000*	*2020 £000*
Revenue						
Americas	**33,348**	**22**	**33,370**	*19,735*	*-*	*19,735*
Europe and United Kingdom	**33,425**	**6,678**	**40,103**	*23,097*	*48,278*	*71,375*
China	**10,975**	**-**	**10,975**	*7,094*	*-*	*7,094*
ted Arab Emirates	**31,722**	**-**	**31,722**	*4,009*	*49*	*4,058*
Asia Pacific and Japan	**11,126**	**-**	**11,126**	*7,364*	*-*	*7,364*
Emerging markets	**6,365**	**-**	**6,365**	*4,234*	*-*	*4,234*
Total Revenue	**126,961**	**6,700**	**133,661**	*65,533*	*48,327*	*113,860*

(b) Adjusted EBITDA
Adjusted EBITDA being loss for the period before finance income, finance costs (comprising interest on the term loan facility with Barclays Bank plc (the "Term Loan Facility") and interest on leases), tax(charged)/credit, depreciation and amortisation; Share based payments (Founder LTIP), Employers social security charge on share-based payments, IPO costs expensed and impairments.

	LSRT £000	**Covid Testing £000**	**2021 £000**	*LSRT £000*	*Covid Testing £000*	*2020 £000*
(Loss)/Profit for the year	**(168,942)**	**1,329**	**(167,613)**	*(75,945)*	*14,701*	*(61,244)*
Income tax expense /(credit)	**1,609**	**-**	**1,609**	*(11,909)*	*-*	*(11,909)*
Finance income	**(224)**	**-**	**(224)**	*(91)*	*-*	*(91)*
Loan interest	**242**	**-**	**242**	*251*	*-*	*251*
Interest on lease	**666**	**-**	**666**	*496*	*-*	*496*
Depreciation and	**23,075**	**1,616**	**24,691**	*16,839*	*496*	*17,335*
Share based payments (Founder LTIP)	**37,551**	**-**	**37,551**	*-*	*-*	*-*
Employer's social security charge on pre-IPO share-based payments	**39,291**	**-**	**39,291**	*-*	*-*	*-*
IPO costs expensed	**4,829**	**-**	**4,829**	*-*	*-*	*-*
Impairments	**1,227**	**-**	**1,227**	*-*	*-*	*-*
Adjusted EBITDA	**(60,676)**	**2,945**	**(57,731)**	*(70,359)*	*15,197*	*(55,162)*

(c) Supplementary information

	LSRT £000	**Covid Testing £000**	**2021 £000**	*LSRT £000*	*Covid Testing £000*	*2020 £000*
Depreciation of property, plant and equipment	**12,890**	**-**	**12,890**	*10,125*	*-*	*10,125*
Depreciation of right-of-use assets	**2,512**	**145**	**2,657**	*2,247*	*128*	*2,375*
Amortisation of internally generated intangible assets	**7,623**	**1,471**	**9,094**	*4,467*	*368*	*4,835*
Amortisation of acquired intangible assets	**50**	**-**	**50**	*-*	*-*	*-*
Additions to non-current assets*	**34,311**	**-**	**34,311**	*26,794*	*6,365*	*33,159*
Segment assets						
Investment in associates	**257**	**-**	**257**	*548*	*-*	*548*
Acquired intangible assets	**396**	**-**	**396**	*446*	*-*	*446*
Other segment assets**	**187,973**	**14,421**	**202,394**	*128,846*	*48,309*	*177,155*
Total segment assets	**188,626**	**14,421**	**203,047**	*129,840*	*48,309*	*178,149*
Deferred tax asset			**6,077**			*1,439*
R&D tax credit recoverable			**14,274**			*20,696*
Derivative financial instruments			**-**			*62*
Other financial assets			**130,628**			*-*
Cash and cash equivalents			**487,840**			*80,863*
Total Assets			**841,866**			*281,209*
Segment liabilities						
Total segment liabilities	**(127,167)**	**(1,223)**	**(128,390)**	*(84,411)*	*(1,364)*	*(85,775)*
Non-current borrowings			**(9,500)**			*(9,500)*
Total Liabilities			**(137,890)**			*(95,275)*

* Additions to non-current assets include all non-current assets except for investments and deferred tax asset.

** Other segment assets include inventory, trade and other receivables and non-current assets except for investments, acquired intangible 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**	**2021 £000**	*LSRT £000*	*Covid Testing £000*	*2020 £000*
Americas	**6,023**	**-**	**6,023**	*4,508*	*-*	*4,508*
Europe and United Kingdom	**76,451**	**2,302**	**78,753**	*69,565*	*2,125*	*71,690*
China	**320**	**-**	**320**	*340*	*-*	*340*
Asia Pacific and Japan	**83**	**-**	**83**	*36*	*-*	*36*
Emerging markets	**-**	**-**	**-**	*42*	*-*	*42*
	82,877	**2,302**	**85,179**	*74,491*	*2,215*	*76,616*

5. Alternative performance measures

The Group's performance is assessed using a number of financial measures which are not defined under IFRS and are therefore alternative performance measures (non-GAAP). These are set out as follows

- **Adjusted operating loss**, being the loss from operations for the period before share-based payments (Founder LTIP), Employer's social security charge on pre-IPO share-based payments and IPO costs expensed;
- **EBITDA**, being loss for the period before finance income, finance costs (comprising interest on the term loan facility with Barclays Bank plc (the "Term Loan Facility") and interest on leases), tax (charge) / credit, depreciation and amortisation;
- **Adjusted EBITDA**, being EBITDA, adjusted for Share-based payments (Founder LTIP), Employer's social security charge on pre-IPO share-based payments, IPO costs expensed and impairments; and
- **Cash and cash equivalents and Treasury deposits**, being 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.

The following table presents the Group's adjusted operating loss:

	2021 £000	*2020 £000*
Loss from operations	**(164,533)**	*(73,060)*
Share based payments (Founder LTIP)	**37,551**	*-*
Employer's social security charge on pre-IPO share-based payments	**39,291**	*-*
IPO costs expensed	**4,829**	*-*
Adjusted operating loss	**(82,862)**	*(73,060)*

The following table presents the Group's EBITDA and Adjusted EBITDA, together with a reconciliation to loss for the year:

	2021 £000	*2020 £000*
Loss for the year	**(167,613)**	*(61,244)*
Income tax expense / (credit)	**1,609**	*(11,909)*
Finance income	**(224)**	*(91)*
Loan interest	**242**	*251*
Interest on lease	**666**	*496*
Depreciation and amortisation	**24,691**	*17,335*
EBITDA	**(140,629)**	*(55,162)*
Share based payments (Founder LTIP)	**37,551**	*-*
Employer's social security charge on pre-IPO share-based payments	**39,291**	*-*
IPO costs expensed	**4,829**	*-*
Impairments	**1,227**	*-*
Adjusted EBITDA	**(57,731)**	*(55,162)*

The following table presents the Cash and cash equivalents and Treasury deposits:

	2021 £000	*2020 £000*
Cash and cash equivalents	**487,840**	*80,863*
Treasury deposits	**130,375**	*-*
Cash and cash equivalents and Treasury deposits	**618,215**	*80,863*

6. Loss per share

	2021 Pence	*2020* 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	**23**	*9*

	2021 £000	*2020 £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	**(167,613)**	*(61,244)*

	2021 Number	*2020 * 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	**731,938,586**	*705,337,946*

* The 2020 numbers were updated retrospectively to give effect to the subdivision of shares which occurred on 23 August 2021. See note 12.

There have been no events that have caused any retrospective adjustments between the date of the Statement of Financial Position and the date of issuance of the Financial Statements.

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. They could potentially dilute basic earnings per share in the future. Details relating to the share options are set out in note 13.

7. Tax on loss on ordinary activities

7.1 Income tax recognised in profit or loss

	2021	*2020*
	£000	*£000*
Current tax		
Tax on research and development expenditure	**-**	*(10,934)*
Notional tax on R&D expenditure credit (RDEC)	**800**	*-*
Prior year adjustment in respect of research and development tax credit	**69**	*(762)*
ear adjustment in respect of current tax	**(48)**	*386*
Tax payable on foreign subsidiary	**5,344**	*492*
Total current tax	**6,165**	*(10,818)*
Deferred tax		
Origination and reversal of temporary differences	**(4,556)**	*(1,091)*
Total deferred tax	**(4,556)**	*(1,091)*
	1,609	*(11,909)*

Current tax balances have been calculated at the rates enacted for the period. The effective rate of corporation tax is -0.97% (2020: 16.12%) of the loss before tax for the Group.

7. Tax on loss on ordinary activities (continued)

7.1 Income tax recognised in profit or loss (continued)

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:

	2021	*2020*
	£000	*£000*
Loss for the year	**(167,613)**	*(61,244)*
Income tax expense / (credit)	**1,609**	*(11,909)*
Loss before income taxes	**(166,004)**	*(73,153)*
Tax rate in the UK for period as a percentage of losses at 19% (2020: 19%)	**(31,541)**	*(13,900)*
Expenses not deductible for tax purposes	**1,180**	*716*
Adjustment in respect of overseas tax rates	**1,031**	*43*
Enhanced R&D relief	**(323)**	*(4,705)*
Adjustments to tax charge in respect of prior periods	**120**	*(376)*
Origination of unrecognised tax losses	**32,983**	*8,257*
Impact of share options	**(1,955)**	*(1,690)*
Other timing differences	**114**	*(254)*
Total tax expense / (credit)	**1,609**	*(11,909)*

7.2 Current tax liabilities

Corporation tax payable	**(4,418)**	*(570)*
	(4,418)	*(570)*

7.3 Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	2021	*2020*
	£000	*£000*
Deferred tax assets	**6,077**	*1,439*
	6,077	*1,439*

Tax on loss on ordinary activities (continued)

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 April 2023. Taxation for other jurisdictions is calculated at the rates prevailing in the respective territories.

In respect of share-based payments, to the extent that the tax deduction exceeds the amount of the related cumulative IFRS2 expense the excess of the associated current 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 £561,000.

A deferred tax asset of £6.1 million (2020: £1.4 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.

Recognised deferred tax balances are made up as follows:

Recognised Deferred Tax Assets

	2021	*2020*
	£000	*£000*
Share Awards	**6,160**	*1,675*
Provisions	**797**	*271*
Accelerated Capital Allowances	**(880)**	*(507)*
	6,077	*1,439*

A deferred tax asset of £202.9 million (2020: £80.9 million) relating to the UK and the US has not been recognised due to uncertainty that the asset will be utilised in the foreseeable future. This includes a deferred tax asset of £131.5 million (2020: £65.2 million) in relation to UK tax losses which has increased during the period.

Reconciliation of deferred tax

	2021	*2020*
	£000	*£000*
Balance at 1 January	**1,439**	*348*
Prior year adjustments	**(99)**	*12*
Credit / (charge) to the Statement of Comprehensive Income	**4,655**	*1,079*
Foreign exchange movements	**82**	-
Balance at 31 December	**6,077**	*1,439*

7.4 R&D tax credit recoverable

	2021	*2020*
	£000	*£000*
Balance at 1 January	**20,696**	*17,479*
Adjustment to R&D tax credit in respect of previous periods	**(69)**	*762*
Cash receipt	**(9,763)**	*(8,479)*
R&D tax credit for the period (SME)	**-**	*10,934*
R&D tax credit for the period (RDEC)	**4,210**	-
Notional tax charge on R&D tax credit for the period (RDEC)	**(800)**	-
Balance at 31 December	**14,274**	*20,696*

In 2021 the Company no longer qualifies for SME R&D tax relief, but instead is entitled to claim an R&D expenditure credit (RDEC). The RDEC is recognised in the consolidated income statement above the line of loss before tax. A notional tax charge is recognised within the tax line in the consolidated income statement, and the net asset is included within current assets in the consolidated statement of financial position.

8. Inventories

	2021 £000	*2020 £000*
Raw materials	**25,781**	*11,738*
Work in progress	**17,830**	*14,363*
Finished goods	**19,460**	*9,526*
	63,071	*35,627*

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

9. Trade and other receivables

	2021 £000	*2020 £000*
Trade receivables	**38,198**	*49,021*
Contract assets	**275**	*1,873*
Other debtors	**2,834**	*1,310*
Accrued interest income	**32**	*16*
Other taxes	**5,353**	*2,886*
Prepayments	**8,104**	*10,800*
	54,796	*65,906*

10. Other financial assets

	2021 £000	*2020 £000*
Treasury deposits	**130,375**	*-*
Other financial assets	**253**	*-*
	130,628	*-*

11. Trade and other payables

	2021 £000	*2020 £000*
Trade payables	**(20,486)**	*(31,007)*
Share based payments	**(1,416)**	*-*
Payroll taxation and social security	**(6,573)**	*(2,890)*
Accruals	**(22,767)**	*(17,849)*
Contract liabilities	**(21,630)**	*(17,828)*
	(72,872)	*(69,574)*

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 41 days (2020: 89 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 the performance obligations on customer contracts which were not satisfied at 31 December. Contract liabilities have increased by £3.8 million, this is mainly due to an overall increase in contract activity. Management expects that the majority of the transaction price allocated to unsatisfied performance obligations as of 31 December 2021 will be recognised as revenue during the next reporting period.

12. Share capital and Share premium

As at 31 December 2021, the Company's share capital comprised:	Nominal value	Number of shares issued	Aggregate nominal value £
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

12. Share capital and Share premium (continued)

As at 31 December 2020, the Company's share capital comprised:	Nominal value	Number of shares issued	Aggregate nominal value £
Share class			
Ordinary Shares	**£0.001**	**32,452,674**	**32,453**
Deferred Shares	**£0.005**	**733,677**	**3,668**
			36,121

Between 1 January 2021 and the period immediately preceding the Bonus Issue (defined below), the Company issued 166,464 ordinary shares following the exercise of share options for £1.2 million.

On the 29 March 2021, a resolution was passed to cancel and extinguish £610.8 million of the share premium account of the Company.

On 14 April 2021, the Company redeemed and cancelled 733,677 Deferred Shares (nominal value £0.005 per share).

On 29 April 2021 the Company raised £202 million through the private placement of 2,886,667 Ordinary shares at a share price of £70 per share (nominal value £0.001 per share).

On 23 August 2021, the Company issued its Ordinary Shareholders, on a pro rata basis, one bonus Ordinary Share for each Ordinary Share then in issue (the "Bonus Issue"). This amounted to 35,505,805 ordinary shares being issued (nominal value £0.001 per share).

Immediately following the Bonus Issue, on 23 August 2021, the Company effected a subdivision of its Ordinary Shares then in issue on a ten-for-one basis (the "Share Subdivision").

Between the Share Subdivision and 31 December 2021, the Company issued 111,441,547 Ordinary Shares (nominal value £0.001 per share) resulting in additional share premium of £438.9 million.

Transaction costs of £18.2 million for the issue of shares were offset against the Share Premium Reserve.

13. Share-based payments

	2021 £000	*2020 £000*
At 1 January	**35,079**	*28,215*
Equity settled share-based payment	**60,707**	*6,864*
Current tax in relation to share-based payments	**564**	*-*
At 31 December	**96,350**	*35,079*

	2021 £000	*2020 £000*
Expense arising from share-based payment transactions:		
Included in Research & development expenses	**8,666**	*3,115*
Included in Selling, general & administrative expenses	**53,787**	*3,749*
	62,453	*6,864*
Equity settled share-based payment expense	**60,707**	*6,864*
Cash settled share-based payment expense	**1,746**	*-*
	62,453	*6,864*

The total charge to equity settled share-based incentive plans in 2021 was £60.7 million (31 December 2020: £6.9 million). Of this amount, £23.1 million (31 December 2020: £6.8 million) arose from the Company Share Option and Share Incentive plans and £37.6 million (31 December 2020: £nil) arose from the Founder LTIP.

The Group operates a number of share schemes for certain employees of the Group. All schemes are equity settled with the exception of the Phantom Shares awarded under the Plc LTIP scheme, which are cash settled awards. 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

Oxford Nanopore Technologies Limited Long Term Incentive Plan 2021 (Founder LTIP): This is 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.

During the year, 46.1 million awards were granted and remained outstanding as at 31 December 2021 with a weighted average contractual life of 5 years.

Valuation models:
The fair value of awards granted during the year was determined using the Monte Carlo Simulation model and Black Scholes model dependent on the performance vesting conditions.

The inputs into the valuation models for Founder LTIP awards issued during the year 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 5-year period of a bespoke comparator group. 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 Founder LTIP awards granted during the year 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 during the period determined using the Monte Carlo simulation model at the grant date was £2.18 per award.

14. Provisions

	Dilapidation provisions 2021 £000	Employer taxes 2021 £000	Other 2021 £000	Total provisions 2021 £000
Balance at 31 December 2020	1,499	-	-	**1,499**
Additional provision for the year	-	33,183	683	**33,866**
Foreign exchange movements	4	9	-	**13**
Balance at 31 December 2021	1,503	33,192	683	**35,378**
Due within 1 year	-	24,356	683	**25,039**
Due after 1 year	1,503	8,836	-	**10,339**
Total 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 properties.

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

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

Employer taxes relates to the expected Employer's National Insurance contributions on share-based payments. This is expected to be utilised between 1 and 10 years.

15. Notes to the cash flow statements

	2021 £000	*2020* *£000*
Cash and cash equivalents	**487,840**	*80,863*

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.

	2021 £000	*2020* *£000*
Loss before tax	**(166,004)**	*(73,153)*
Adjustments for:		
Depreciation on property, plant and equipment	**12,890**	*10,125*
Depreciation on right-of-use assets	**2,657**	*2,375*
sation on intangible assets	**9,144**	*4,835*
Research and development expense tax credit	**(4,210)**	*-*
Loss on disposal of property, plant and equipment	**837**	*1*
Exchange loss	**449**	*69*
Interest on leases	**666**	*496*
Bank interest income	**(224)**	*(91)*
Bank interest expense	**242**	*251*
Non-cash movements on derivatives	**166**	*538*
Impairment of investment	**1,227**	*-*
Share of losses in associate	**64**	*-*
Employee share benefit costs	**62,453**	*6,864*
Operating cash flows before movements in working capital	**(79,643)**	*(47,690)*
Decrease / (increase) in receivables	**10,888**	*(41,484)*
(Increase) in inventory	**(27,444)**	*(15,592)*
Increase in payables	**33,571**	*33,655*
Cash used in operations	**(62,628)**	*(71,111)*
Income taxes - R&D tax credit received	**9,763**	*8,479*
Foreign tax paid	**(961)**	*(1,174)*
Net cash outflow from operating activities	**(53,826)**	*(63,806)*