

anything  
anyone  
anywhere

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

Oxford Nanopore Technologies plc Annual Report and Accounts 2021



# Annual Report and Accounts

2021



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Oxford Nanopore has developed a range of DNA/RNA sequencing devices, to support a broad range of user needs, from ultra-high throughput programmes to in-field analyses.

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# Strategic Report

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## Performance & Operational Highlights

### REVENUE

**£133.7m**

(FY 20: £113.9m) +17%

### GROSS PROFIT

**£73.2m**

(FY 20: £46.9m) +56.0%

### ADJUSTED OPERATING LOSS<sup>1</sup>

**£(82.9)m**

(FY 20: £(73.1)m) -13%

### ADJUSTED EBITDA<sup>2</sup>

**£(57.7)m**

(FY 20: £(55.2)m) -5%

### LOSS FOR THE YEAR

**£(167.6)m**

(FY 20: £(61.2)m) -174%

### CASH AND CASH EQUIVALENTS<sup>3</sup>

**£618.2m**

(FY 20: £80.9m) +664%

### LIFE SCIENCE RESEARCH TOOLS (LSRT) REVENUE

**£127.0m**

(FY 20: £65.5m) +94.0%

### COVID-19 TESTING REVENUE<sup>4</sup>

**£6.7m**

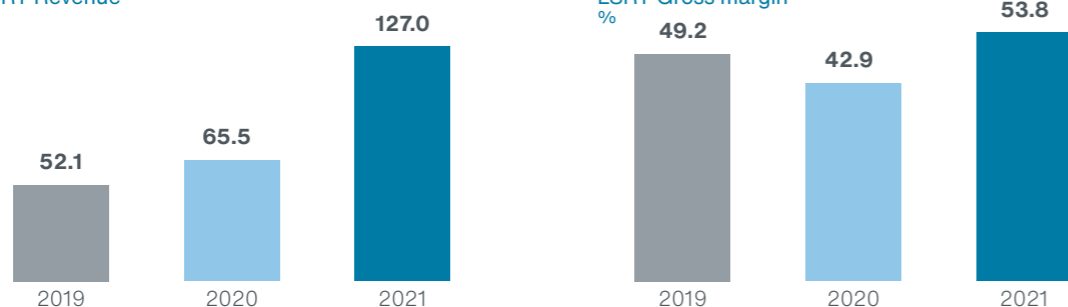
(FY 20: £48.3m) -86.0%

### HEADCOUNT (FTE)

**803**

(FY 20: 601 + 33.6%)

### LSRT Revenue £m



During 2021, the Group continued to invest in innovation and operational expansion in order to drive increased growth in adoption and utilisation of nanopore sequencing. Growth in its Life Science Research Tools (LSRT) business was substantial, and the Group was proud to continue addressing some of the world's most pressing scientific challenges.

### 2021 Strategic and operational highlights

- Launched Q20+ chemistry, a new kit and flow cells enabling raw read accuracy of greater than 99%;
- Announced the development of PromethION™ 2 (P2), a new hand-held device for high-throughput sequencing expected to launch in Q2 2022;
- Developed a new, high performance methylation detection algorithm, Remora, that will accelerate epigenetic discoveries on the nanopore platform;
- Demonstrated short-read mode, a new software setting that enables the sequencing of any read length (from 20 bases to millions of bases);
- More than 1,000 scientific publications featuring nanopore sequencing published across a plethora of research areas including human, cancer, animal, plant, pathogen and environmental genomics;
- Substantial increase in the user base and utilisation of nanopore sequencing; over 1,400 new accounts added in 2021, taking total active accounts to over 6,300 across all products;
- Increased global headcount to over 800, including key hires in senior commercial leadership, consistent with the Group's commitment to scale up rapidly and serve the global market;
- Strengthened Board of Directors with the appointments of Wendy Becker and Adrian Hennah as independent Non-Executive Directors;
- Established the Oxford Nanopore Diagnostics team to focus on future potential diagnostic uses of nanopore sequencing;
- Launched the ORG.one programme to support the sequencing of critically endangered species and address biodiversity loss; and
- Completed a successful initial public offering on the London Stock Exchange.

<sup>1</sup> Adjusted operating loss: Loss from operations adjusted for i) Share-based payment expense on founder LTIP ii) Employers' social security taxes on pre-IPP awards; and iii) IPO costs expensed in Income Statement (see pages 43 and 196).

<sup>2</sup> Adjusted EBITDA is the EBITDA adjusted for i) Share-based payment expense on founder LTIP ii) Employers' social security taxes on pre-IPP awards; iii) IPO costs expensed in Income Statement; and iv) Impairment of investment in associate (see pages 49 and 197).

<sup>3</sup> Cash and cash equivalents of £487.8 million and Treasury deposits of £130.4 million.

<sup>4</sup> On 31 March 2022, the Company and DHSC reached an amicable resolution of the dispute relating to the contract dated 30 July 2020 for the supply of certain LamPORE™ devices and testing kits – see page 17 and note 33.



## Chairman's Statement



**Peter Allen ACA**  
CHAIRMAN  
31 March 2022

### *“2021 was a year of remarkable achievements for Oxford Nanopore Technologies”*

#### Listed on the London Stock Exchange

The Group completed an initial public offering (IPO) on the London Stock Exchange in October 2021. The listing put the Group on a firm footing for the future, with ready access to global capital and enhanced liquidity for the Group's shares.

I would like to congratulate Gordon, Tim, Spike, Clive and the rest of the leadership team for this landmark step on the journey.

In addition, I would like to thank the Group's pre-IPO shareholders for their dedication over many years – in some cases stretching all the way back to 2005. Their capital made this journey possible.

Finally, I wish to welcome the Group's new shareholders. The IPO provided the opportunity to introduce the Group to a wide range of global investors and we are delighted with the evolution of the shareholder base.

#### A milestone in revenue generation for our core business

In 2021, Group revenues surpassed £133 million in total, including £127 million in the core LSRT business.

This represented annual growth in LSRT revenues of approximately 94%, reflecting the accelerating adoption of nanopore sequencing globally. Despite the challenges posed by COVID-19 during the year, the Group's customers continued to conduct ground-breaking research based on nanopore technology.

I was especially pleased with the breadth and diversity of the Group's revenue during 2021. All of our direct customer groups delivered user growth in excess of 24% based on both increased utilisation and new customer additions. All three major product families – MinION™, GridION™ and PromethION – contributed to the Group's growth. The Group's products have now been sold in more than 120 countries, showing the truly global impact of the Group's technology.

The rapid growth in publications during 2021 shows the diversity of research application that the technology is currently supporting from environmental conservation projects to human genetics, neurological disorders, rare disease and cancer. These landmark publications lay a strong foundation for continued growth as users turn these discoveries into every day tools.



Oxford Nanopore completed a listing on the London Stock Exchange in October 2021.

#### Contributed in real-time to a global fight against COVID-19, laying the groundwork to protect future public health

While the Group's technology was used in many areas of biological research in 2021, from human to cancer and plant genetics, one of its most visible applications was in the support of the global campaign against COVID-19. From the initial characterisation of the SARS-CoV-2 viral genome to the rapid identification of variants, researchers utilised nanopore sequencing to generate data essential to public health during the pandemic.

The Group's products have been used for COVID-19 sequencing in more than 80 countries to date, resulting in more than 990,000<sup>5</sup> uploads to the public Global Initiative on Sharing Avian Influenza Data (GISAID) database of sequences. Users of nanopore sequencing were among the first to sequence the Delta and Omicron variants in locations as diverse as Botswana, Vietnam and San Francisco.

It has been gratifying to see the Group's vision for rapid, distributed sequencing realised in the service of public health and to see the use of this knowledge to establish systems for ongoing pathogen surveillance and analysis, to prevent future outbreaks from becoming pandemics. Our users are also looking beyond pathogen epidemiology into rapid characterisation of infectious disease in more clinical settings.

#### Developed our organisation

The Group's employees demonstrated great resilience through the challenging times we all faced in 2021, and their achievements were all the more impressive under the circumstances.

The Group continued to make significant investments in the employee base, expanding headcount to 803 employees<sup>6</sup> by the end of 2021, including key senior hires in sales, marketing and support functions.

Important additions were made in all the functional areas and geographies, consistent with the Group's commitment to scale up rapidly and serve the global market for sequencing products.

Growth at this rate can strain any organisation. I commend Gordon and the team for preserving and nurturing the special culture of the Group – one that prioritises agile innovation and collaboration across disciplines – helping the Group's employees to thrive.

#### Strengthened our corporate governance

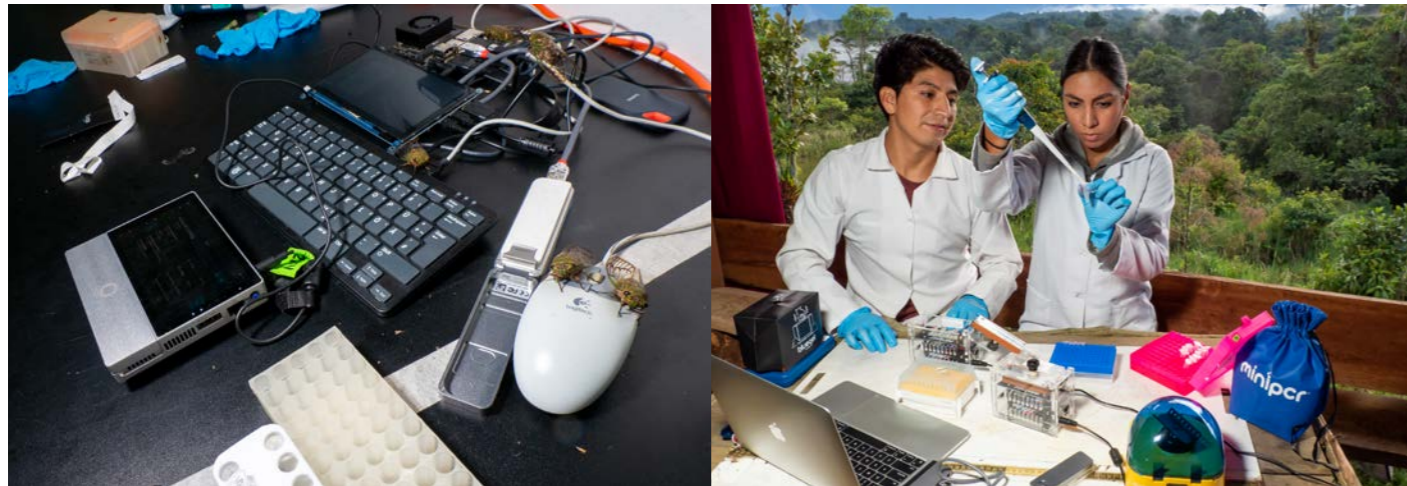
In 2021, we expanded our Board of Directors with the appointments of Wendy Becker and Adrian Hennah as independent Non-Executive Directors. Both are highly experienced directors with unique backgrounds and skillsets that will be of great benefit to the Board.

<sup>5</sup> At 15 March 2022.

<sup>6</sup> Full Time Equivalent (FTE).



## Chairman's Statement continued



Through field-based DNA sequencing courses using MinION, Zane Libke and his collaborators at the University of IKIAM are working to train Ecuadorian researchers and students in field genomics, at the Ecuadorian Andes, Sumak Kawsay research station. In Photo: Walter Quilumbaquin (left) & Grace Carolina (right). Photo credit: Zane Libke.

Upon completion of the IPO, Wendy became Chair of the Remuneration Committee, whilst Adrian became Chair of the Audit and Risk Committee. Wendy also became the Senior Independent Director in January 2022.

More details about our new members on the Board of Directors are presented in the Corporate Governance section of this annual report.

I would like also to take the opportunity to thank Alan Aubrey for his tenure as a Non-Executive Director, which concluded upon completion of the IPO. Alan led the first investment by IP Group in Oxford Nanopore in 2005, served on the Board for over 12 years including a number of years as Chair of the Audit and Risk Committee, and made enormous contributions to the success of the Group over those years.

Finally, I am pleased to report that we have aligned our governance with most aspects of the UK Corporate Governance Code. You can read about it in more details in the Corporate Governance section of this report.

### Our impact

Our mission is to bring the widest benefits to society through enabling the analysis of anything, by anyone, anywhere. Having a positive impact has always been core to our approach, but we also need to develop, implement and communicate a broader set of sustainability initiatives for Oxford Nanopore to maximise our sustainable impact and deliver value for our shareholders.

In 2021, as part of our wider strategy, the Group began the process of formally mapping and measuring its impact on the world, so that we can ensure that we have the most profound positive impact in our communities.

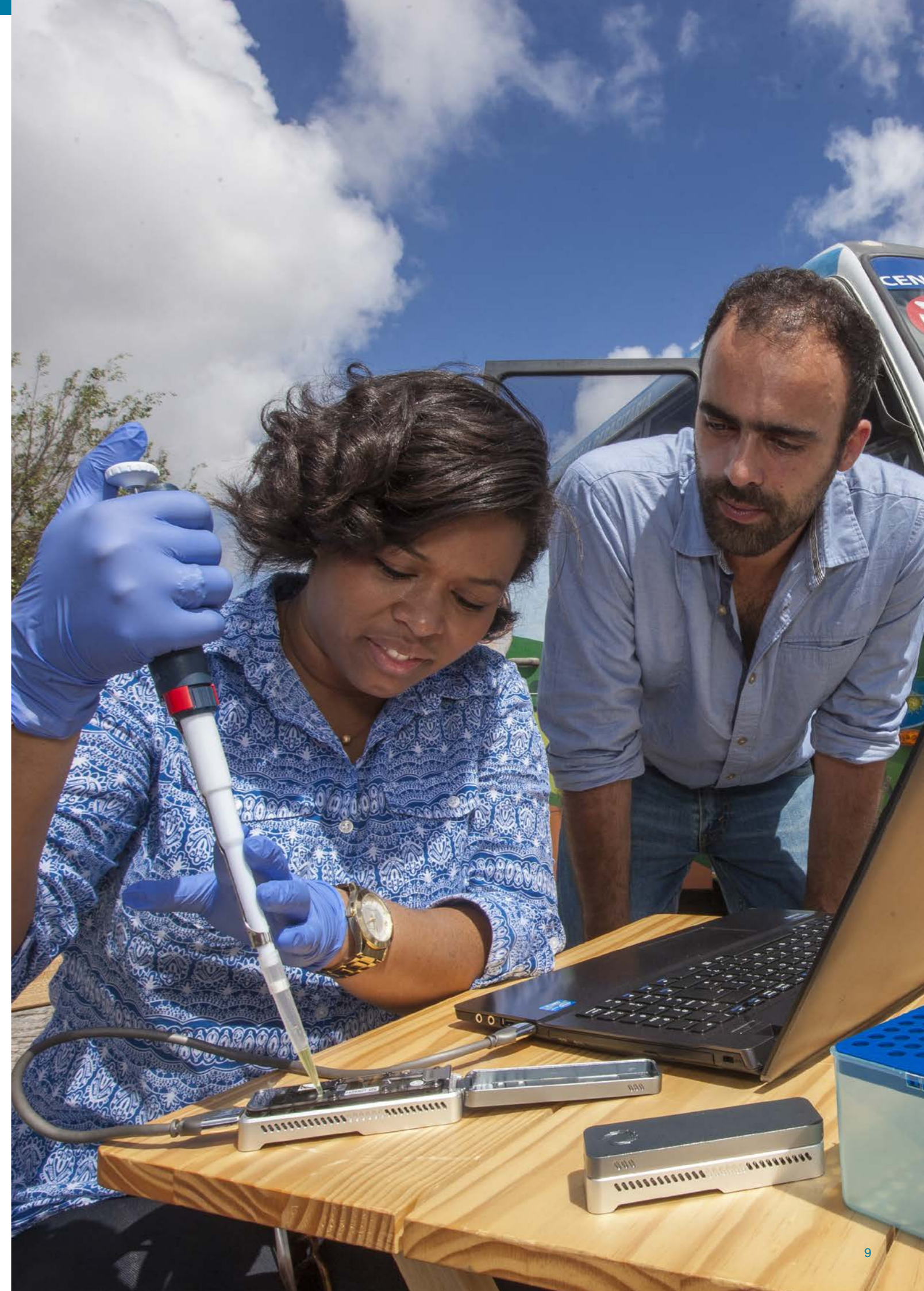
Scientists use the Group's products to address some of the most pressing environmental issues of the day, including sustainable agriculture, biodiversity and studying the effects of climate change on oceans and glaciers. Looking forward, the Group's technology has the potential to provide broad positive impact in diverse areas including human healthcare, in areas such as cancer,

neurology, genetic disease and transplantation. With accessibility a key driver behind product and service design, the Group aims for this impact to be as broad as possible.

At the same time, we must strive to reduce our carbon footprint and increase the diversity of our workforce. In the second half of 2022, the Group intends to publish its inaugural Sustainability Report. This report will describe the Group's positive impact and set out the steps being taken to reduce environmental, social and governance (ESG) risks over time.

### Final note

After more than ten years as a Non-Executive Director, including over seven as Chair, I intend to complete my service to the Group during 2022. The Group has started a search process for my successor and further information will be communicated in due course. It has been my privilege and pleasure to accompany Gordon and the team on this journey. The next Chair will find a thriving, mission-driven company with a bright future.





## Chief Executive Officer's Statement



**Dr Gordon Sanghera**  
CHIEF EXECUTIVE OFFICER  
31 March 2022

*“2021 was a year of exceptional innovation, commercial, operational and financial progress”*

### 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 research papers in 2021, bringing the total, since Oxford Nanopore's technology was first available, to more than 2,450 to date.

Oxford Nanopore's 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 in 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)



Oxford Nanopore's PromethION 48 device is an ultra-high output sequencer that supports larger scale genomics programmes, such as population-scale sequencing of human genomes, high volume cancer genomics or for sequencing as a service.

is run by our partner G42 who have established a highly automated and 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's technology could help identify and 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 5 out of 12 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.

## Chief Executive Officer's Statement continued

### 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 are able to track viruses 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's (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 was 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.

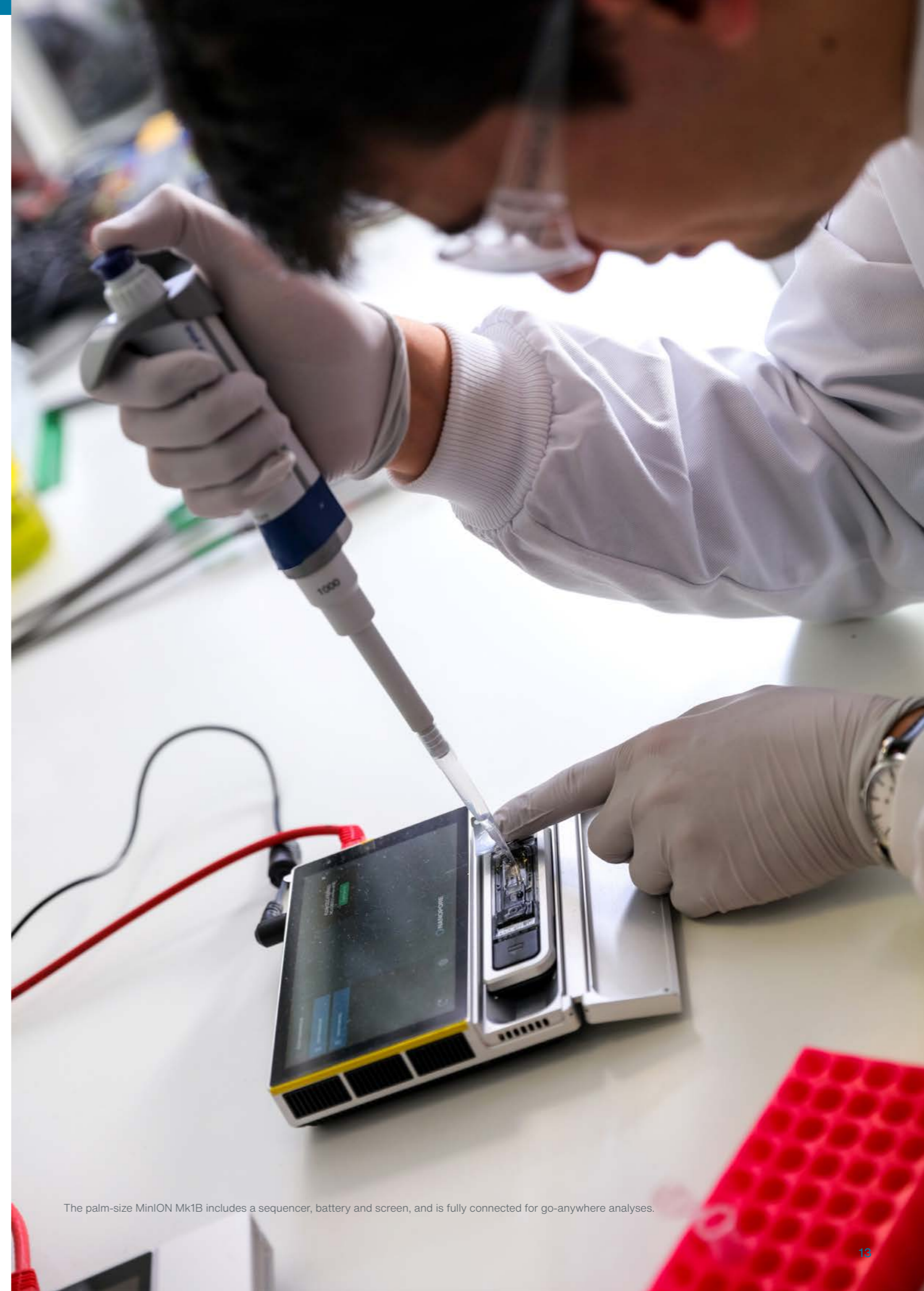
These unique, accessible and real-time capabilities enable rapid insights to be translated into action on local or national scale.

### 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 of often weeks. In 2021, researchers in Heidelberg, Germany, and collaborators, developed RAPID-CNS2<sup>7</sup>, using the Oxford Nanopore adaptive sampling 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.

<sup>7</sup> Rapid-CNS2: Rapid comprehensive adaptive nanopore-sequencing of CNS tumours, a proof of concept study, Areeba Patel et al., August 2021.



The palm-size MinION Mk1B includes a sequencer, battery and screen, and is fully connected for go-anywhere analyses.



## Chief Executive Officer's Statement continued

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 the 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 can 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 team, to focus on accelerating translational research into clinical markets.

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

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.

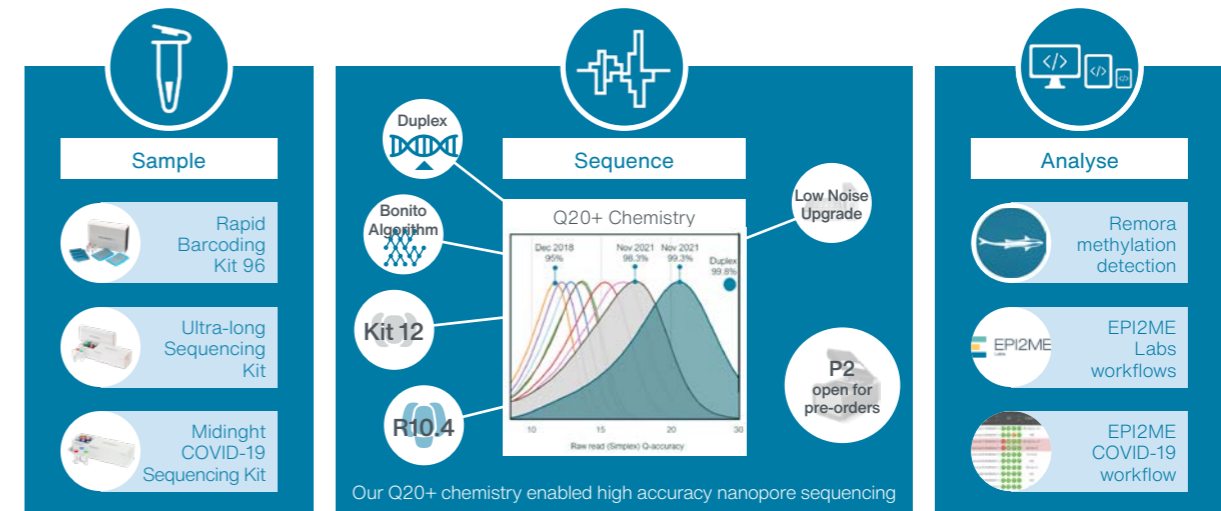
### Enabling a greater understanding of environmental challenges

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.



Loss of biodiversity is an urgent problem – genomics can help with existing conservation work as well as securing the DNA sequence of critically endangered species for future knowledge.



Key technology releases during 2021.

### 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 the 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 releases 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 rollout 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 commercially available 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 of 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 sequencing-by-synthesis (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 the Group owns or has in-licensed an

## Chief Executive Officer's Statement continued

industry-leading portfolio of more than 2,180 active patents and pending patent applications across more than 320 patent families<sup>8</sup>, 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, packaged and shipped from our UK site.

We completed the construction of our 35,500 square foot manufacturing facility near Oxford, UK, in 2019 with built-in capacity to meet our demand



The GridION sequencer provides scalable, on-demand and rapid analyses for a range of sample types.

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.



Oxford Nanopore opened a new high-tech manufacturing facility in the summer of 2019, preparing to support rapid growth key technology releases during 2021.

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 US\$25,000 per year per account. These users can be 'genomic explorers' who are key to providing new insights in biology by 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 Avantar (see page 40) 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 US\$25,000 and US\$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 the S2. 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 to 20 million of revenue in 2021 was driven by COVID-19 sequencing. Our PromethION P2 will be a key enabler and potential growth-driver for 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 US\$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 respect of the Emirati Genome Program (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), a growth of 93.1% over the year.

We address all of these groups through 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. On 31 March 2022, the Company and DHSC reached an amicable resolution of the dispute relating to the contract dated 30 July 2020 for the supply of certain LamPORE devices and testing kits and associated services by the Company to DHSC by entering into a settlement agreement without any

admission of liability. This included agreement as to the contract being brought to an end and a payment of £50 million from DHSC to the Company, as payment in full of amounts owed under the agreement.

In the FY 2022 results, the Company will record the payment within revenue within the COVID-19 Testing segment. The net assets associated with this contract (amounting to £12.8 million as at 31 December 2021) will be fully impaired and expensed in the Income Statement in FY 2022 following receipt of the payment from DHSC. The payment from DHSC will be presented within FY 2022 operating cash flows. 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 (see pages 52 to 63). We plan to publish our inaugural Sustainability Report in the second half of 2022, providing additional detail on our sustainability framework and setting out our plans to evolve and improve our impact over time.

<sup>8</sup> This data is accurate as of 21 March 2022.



## Chief Executive Officer's Statement continued



Oxford Nanopore R&D teams span a range of skills from chemistry to bioinformatics and AI.

### 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 with 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).







## Company Overview

### Introduction to the Company

The principal activities of Oxford Nanopore Technologies plc are to research, develop, manufacture and commercialise a nanopore-based sequencing platform that currently allows the real-time analysis of DNA or RNA, but could in the future be adapted for the analysis of other types of molecules, for example proteins. This enables the Group's customers to perform scientific/biomedical research in a range of areas, including human genetics, cancer research, viral outbreak surveillance, environmental analysis, pathogens/antimicrobial resistance, microbiome analysis and crop science.

The Group's mission is to enable the genetic analysis of anything, by anyone, anywhere. The Group's approach is to make molecular analysis simpler, faster, dynamic, scalable and more accessible, as well as provide richer biological data than legacy systems. The approach is designed to provide solutions for a broad range of possible applications in existing and new markets, and to deliver a positive impact on society.

The Group is a pioneer in the field of nanopore sequencing and serves customers across a wide range of scientific communities in more than 120 countries.



# Company Overview continued

## Our journey

Oxford Nanopore was founded in 2005 to develop a disruptive, electronic, single-molecule sensing system based on nanopore science. Some key milestones of the Group's journey are included below.

**2005**  
Oxford Nanopore was founded as Oxford Nanolabs by Dr Gordon Sanghera, Dr Spike Willcocks and Professor Hagan Bayley.

**2009**  
The Company relocated to the Oxford Science Park.

**2008**  
Dr John Milton and Clive Brown joined the executive management team, bringing previous experience of having developed DNA sequencing technology at Solexa, which was acquired and commercialised by Illumina.

**2012**  
At the Advances in Genome Biology and Technology (AGBT) conference, Oxford Nanopore presented the first ever nanopore sequencing data, and provided an overview of the hardware and software behind the GridION and MinION systems.

**2014**  
The MinION Access Programme (MAP) commenced and, at the American Society of Human Genetics (ASHG) conference, the concept design of PromethION was presented for the first time.

**2016**  
Registration for the VolTRAX™ Introduction Programme was announced. VolTRAX is a programmable, automated sample preparation device.

**2017**  
The GridION X5 was launched; a desktop system integrating five MinION Flow Cells with powerful compute. The same year Oxford Nanopore launched its direct RNA sequencing solutions enabling the detection of RNA modifications.

**2015**  
The first nanopore sensing conference was convened (London Calling) bringing our growing community of users together for two days of talks about how they were using nanopore in their research.

**2018**  
Oxford Nanopore announced its entry into the Chinese market and the novel method of direct RNA analysis using nanopores was published in Nature Methods.

**2019**  
PromethION came out of Early Access and was offered as two new high-throughput devices: P24 and P48;  
  
The Company launched Flongle™, an adapter for MinION or GridION with a disposable, low-cost consumable flow cell; and  
  
Oxford Nanopore's new manufacturing facility at Harwell, Oxfordshire, came online.

**2020**  
From the start of the year, Oxford Nanopore's technology was deployed in the genomic surveillance of the coronavirus outbreak;  
  
Oxford Nanopore showcased the potential of adaptive sampling, for real time targeted sequencing;  
  
The next generation of the portable MinION device became available (MinION Mk1C) which combines sequencing and analysis with a screen to provide an all-in-one portable and handheld sequencing device;  
  
The first Q-line products were announced — to support users who wish to develop tests based on nanopore sequencing;  
  
The LamPORE COVID-19 test became Oxford Nanopore's first diagnostic product, receiving CE marking for in vitro diagnostic use. LamPORE was shown to be highly accurate for the detection of SARS-CoV-2 – >99.5% sensitivity and specificity; and  
  
PromethION 48 delivered close to 10 Tb in a single sequencing run, a 30% increase from the previous year.

**2021**  
Ongoing support of the pandemic included the establishment of international collaborations looking beyond COVID to future pathogen analysis and surveillance, from drug resistant bacteria to influenza;  
  
The introduction of new "Q20+ chemistry", drove performance enhancements to >99% raw read accuracy and around Q30 (99.9%) Duplex sequencing accuracy;  
  
ORG. one was launched to support the sequencing of critically endangered species and open data sharing;  
  
A team from Guys & St Thomas' and The Quadram Institute developed a same-day workflow to identify secondary infections for patients on intensive care units in hours, rather than days;  
  
Building on the work of the ARTIC network, a protocol for SARS-CoV-2 whole genome sequencing was developed, which has enabled faster turnaround of samples, scalability, and a reduced price per sample;  
  
New high-throughput projects launched focusing on scaling up nanopore sequencing for human disease insights including projects from EGP, Genomics England and from the NIH Center for Alzheimer's and Related Dementias;  
  
Growing distributed networks of nanopore sequencing expertise around the world;  
  
Introduced PromethION 2 (P2) for high-throughput sequencing to anyone; and  
  
Oxford Nanopore Technologies plc enters the UK London Stock Exchange and becomes a public company.

2000s

2010s

2020s

## Company Overview continued

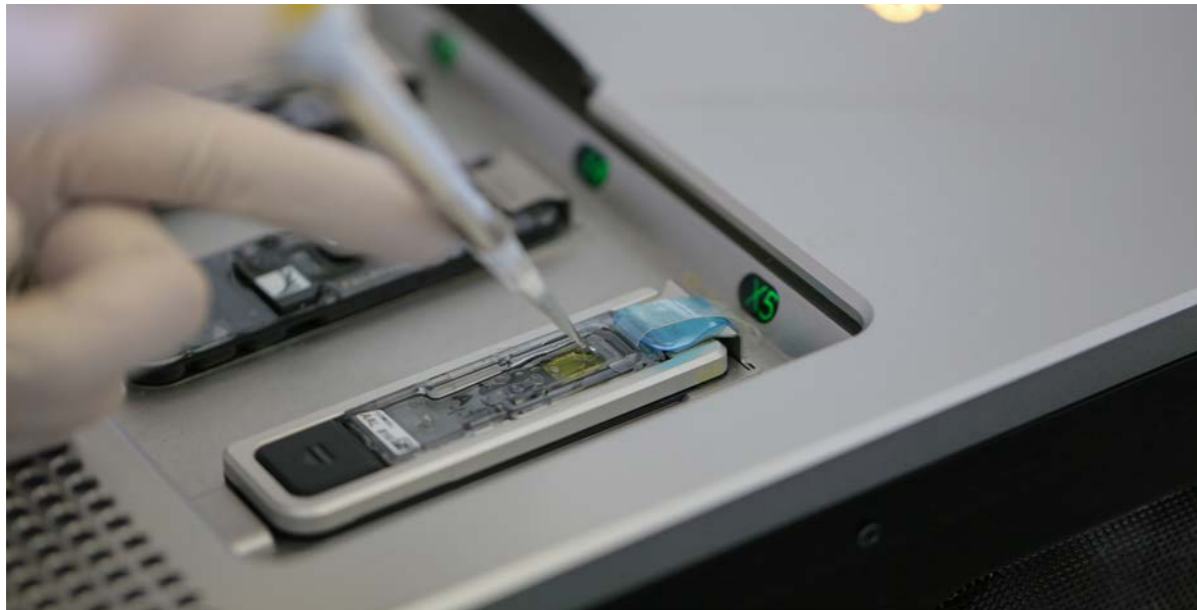
### The Group's Response to COVID-19

#### Maintaining operations and supporting a global response

During another challenging year, the Oxford Nanopore team managed not only to achieve the Group's objectives and surpass expectations but also respond successfully to the COVID-19 pandemic. This came as no surprise; we are proud to employ, we believe, the best and brightest in the industry, whether entry-level graduates or experienced leaders, who are united in their determination to deliver high-impact technology.

strategy for ensuring that all employees were safe. This included, firstly, the approach that employees who were able to work remotely had the full hardware and IT support to do so. As a result, critical staff managed to maintain social distancing at the Group's premises.

Furthermore, a routine surveillance infrastructure was created and implemented that enabled all laboratory and production staff to submit a sample weekly for highly accurate LamPORE-based screening. This surveillance infrastructure ensured the safety of our people by rapidly



The GridION sequencer provides scalable, on-demand and rapid analyses for a range of sample types.

In 2021, the Group was humbled to be able to contribute to the global campaign against COVID-19. Since the start of 2020 our technology had been rapidly deployed in China, and subsequently globally, for the surveillance of COVID-19. In 2021, Oxford Nanopore devices were a vital tool for the rapid, local detection of new variants emerging around the world, including the most recent Omicron variant. The accessible nature of the portable MinION meant that those in resource limited settings were able to track the virus without relying on large laboratories for analysis, enabling rapid insights to be translated into action on a local scale.

In order to support our customers in the fight against COVID-19, it was imperative for the Group to safely maintain its R&D and production facilities and functions fully operational. The Group rapidly created a comprehensive

detecting potential sources of infection. In addition, the Group's response to COVID-19 resulted in a minimum disruption to its operations. The Group also made available support from occupational health and mental health experts to all its employees during this difficult period.

At the same time, the Group relies on a limited number of key suppliers for certain components, which are crucial to the manufacturing and assembly of the Group's products. The COVID-19 pandemic continued to present risks for the Group with respect to the availability and cost of sourcing of raw materials and key components. As a result, the Group explored ways to control the incurred higher costs on purchase of certain electrical components as well as control costs associated with expedited fees on some components.

### Our Markets

#### DNA/RNA sequencing is a growing global market

Sales of DNA/RNA sequencing devices and consumables (which excludes services-related revenues) are estimated at US\$5.8 billion in 2021 and expected to grow with a compound annual growth rate (CAGR) of 18% between 2021 and 2024 to reach US\$9.4 billion in 2024<sup>9</sup>. The market is poised to exhibit a higher growth when compared to the period between 2018 and 2021 when the CAGR was 15%<sup>9</sup> confirming its growth dynamics. This market is composed primarily of users deploying sequencing for scientific research or in clinical laboratories, with a smaller amount used in in vitro diagnostics.

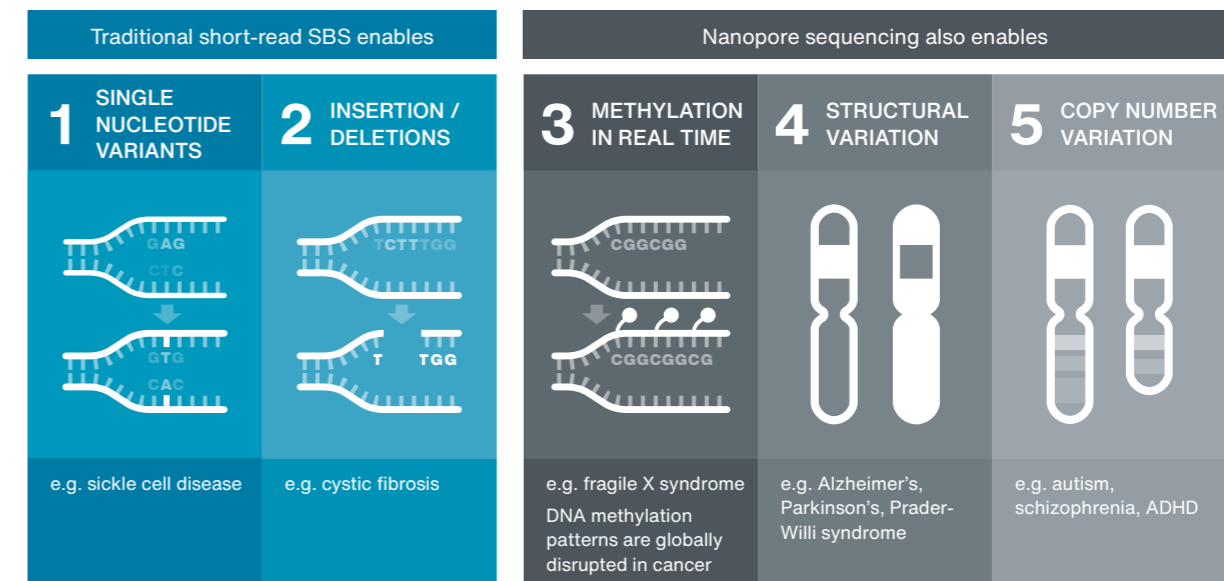
At present, the majority of our customers are using the technology for the purposes of scientific research. The Group's nanopore-based sensing platform has the potential to expand the DNA/RNA sequencing market to a range of uses, such as in health, agriculture, food and other sectors, where the market opportunity expands to tens of billions of US dollars, including broader opportunities in the applied market and multi-omics<sup>10</sup>.

#### Our market approach

The Group first entered the DNA/RNA sequencing market in 2014, with an early version of its sequencing technology that offered a novel combination of features not present in other technologies, such as the ability to sequence long, native fragments of DNA and RNA (giving richer biological data and characterising more of the genome), portability (for onsite sequencing in the lab or the field), direct detection of DNA molecules (for richer data including DNA modifications) and real-time data streaming (for rapid insights and dynamic workflows).

Released to a broad community in the MinION Access Programme (MAP), scientists used nanopore-based sequencing in innovative ways that was not possible with other platforms, such as performing on-site oceanic environmental analyses, rapidly understanding outbreaks of Salmonella or Ebola, completing bacterial genomes and even DNA sequencing on the International Space Station.

#### Why nanopore sequencing delivers richer genomic insights.



<sup>9</sup> DeciBio NGS Market Report, 2021 estimate of revenues for devices and consumables to manufacturers, excluding services.  
<sup>10</sup> Health Advances Report; Allied Market Research Reports.



## Company Overview continued



Over recent years, the Group has driven substantial improvements in the performance and range of its technology, which can generate increasingly large volumes of comprehensive, high-accuracy data, at a competitive cost. Alongside the novel benefits, this is also driving the adoption of the technology in more traditional areas of the sequencing market, for example, high-throughput human genomics, pathogen analysis and clinical research.

The Group is managing growth across three strategic customer groups (S1, S2 and S3). This approach is designed to ensure that efficient and effective commercial attention is given to different types of customers throughout the sales pipeline as well as closing new business and providing ongoing support for customer success. The three customer groups are fluid and movement between customer groups is possible.

### Our markets synthesis

In 2021 our markets were divided into the:

- **LSRT market:** where customers are typically situated in university, industrial or government research laboratories, or commercial laboratories that provide sequencing as a service to other scientists. The Group considered population genomics and public health to be within this market; and
- **Applied market:** where users are performing routine, end-to-end tests or analyses with an actionable outcome. This may include consumer tests, in vitro diagnostics, food safety, environmental and water testing or other agricultural analyses.

### Sequencing in the LSRT market

This market consists of users of the technology who are using the platform to understand biology or to develop methods that may ultimately be developed further to be used as routine tests. This market is substantial and currently represents the majority of the Group's customer base. The Group aims to drive growth in customers within the LSRT market and anticipates that it will continue to represent the majority of its customer base and revenue in the near term.

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

The portability of the Oxford Nanopore MinION Mk1B sequencer means that it can be deployed in a range of settings, with potential to provide rapid, on-site analyses in industrial environments, for example for food safety.



DNA/RNA are in every living thing, and give insights about those organisms – Oxford Nanopore technology can be used to provide biological information in a range of sample types.

### Sequencing techniques used by scientists in the LSRT market

The sequencing market for research purposes may be divided in a number of different ways. The Group believes that given the performance of its sequencing technology, the novel features that it provides and the expansion of its manufacturing and commercial infrastructure, the Group has a significant value proposition in each sector of the market, with the potential to reshape each sector by making new types of analysis possible, for more users. The range of sequencing analyses performed in the global LSRT market include:

#### Whole-genome sequencing

This type of sequencing accounted for approximately \$458 million of revenues within the life science research section of the sequencing market in 2020<sup>9</sup>;

#### Targeted sequencing

This accounted for approximately \$926 million of revenues within the life science research section of the sequencing market in 2020<sup>9</sup>;

#### Transcriptomics

This accounted for approximately \$566 million of revenues within the life science research section of the sequencing market in 2020<sup>9</sup>;

#### Metagenomics

This accounted for approximately \$64 million of revenues within the life science research section of the sequencing market in 2020<sup>9</sup>; and

### Epigenetics

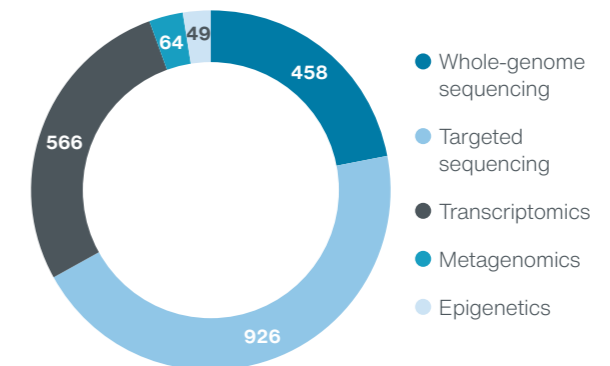


The Group believes the potential growth of epigenetic analysis may be substantial, as the market is still small with an estimated size of \$49 million in 2020<sup>9</sup>.

In addition to these broad techniques, there is a range of more detailed biological analyses that can be performed using nanopore sequencing.

For each of these techniques, Oxford Nanopore provides a menu of novel advantages that may include the ability to gain richer biological data due to native DNA/RNA sequencing, the ability to elucidate more variants due to longer fragments, or the ability to sequence dynamically using real time paradigms such as Adaptive Sampling.

### The global LSRT market



11 DeciBio Market Report, 2021.



## Company Overview continued

### Sequencing in the applied market

The customers within this market represent a significant future additional customer base and revenue for the Group in the medium-to-long term. At present, the Group's sales into this market have primarily consisted of sales of the CE-marked LamPORE test used for the detection of the SARS-CoV-2 virus that causes COVID-19, which has demonstrated equivalence to RT-PCR testing.

During 2021, the Group established the Oxford Nanopore Diagnostics team, to accelerate the commercial adoption of other tests. As the Group's technology matures, the Group intends to pursue additional substantial opportunities to develop products that address unmet needs in the applied market, which may include healthcare, agriculture, food, industrial or environmental analysis or education.



The portability of the Oxford Nanopore MinION Mk1B sequencer means that it can be deployed in a range of settings, with potential to provide rapid, on-site analyses including in the field, for example for environmental or water analysis.

### Sectors of the applied market

Potential sectors of the broad applied market may include:

- **Healthcare-related applications:** sequence data can provide information about the nature of a disease, and this information can be used to understand the disease and influence the treatment pathway. Sequence data may then be incorporated into diagnostic products across many areas of healthcare including oncology, infectious disease, immunology, reproductive health, microbiome and rare disease management;
- **Agriculture and farming:** sequence data can provide analyses that drive decisions in areas including livestock management/animal husbandry, crop management and productivity, and in aquaculture. This may include information about crop yields or responses to environment, or it may be other areas of management, for example, examining the marine microbiome in order to manage fish or seafood stocks;
- **Food safety and provenance:** sequence data can provide information to ensure that food processing and production systems are not contaminated with food-borne pathogens, and that ingredients are authentic;
- **Water:** sequence data can provide information to understand the microbial composition of wastewater during treatment, ensuring the safety of water for human consumption and monitoring of environmental water quality and composition;
- **Supply chain surveillance:** sequence data can provide distributed analyses across a supply chain that effectively allows for the real-time, end-to-end biological surveillance of that system – this may include food, water, environment or public health, which overlaps with the categories above;
- **Consumer genomics:** sequencing is already used in ancestry, pet and other consumer applications; this is generally a nascent set of markets relying on users to send samples to centralised laboratories. Many broad opportunities may exist for market expansion with a rapid, low-cost sequencing technology;
- **Microbiome:** sequencing can be used as a tool to

characterise or survey soil, water, fermentation, bioprocessing or health-related microbiomes in the mouth, skin or gastrointestinal tract; and

- **Education:** sequencing in undergraduate or high school environments can be used as a tool to teach biology, data analysis and experimental design.

### COVID-19

The COVID-19 pandemic continued to cause widespread disruption to normal business activity and markets across the globe in 2021. It affected the Group's operations, and those of its customers (particularly in the LSRT market), suppliers, dealers and distributors.

However, in response to COVID-19, governments increased funding in respect of pathogenic surveillance programmes as a tool to research and control the pandemic. Oxford Nanopore supplied products to customers to enable the sequencing of the SARS-CoV-2 virus, which contributed to improved revenues in the second half of 2021. The Group does not consider COVID-19 sequencing to be a major recurring opportunity beyond 2021 but is expected to continue to contribute (albeit to a lesser degree) to the Group's LSRT business in 2022. Our sequencing products continue to be used for the purposes of COVID-19 genomic surveillance, including variant identification, but these are included within the LSRT segment.

In 2021, the Group concluded its COVID-19 diagnostics offerings as a result of improvements in the availability of PCR supplies, evidence of the COVID-19 pandemic moving towards an endemic phase, and the conclusion of the Group's contract with the DHSC. Beyond 2021, no further sales of LamPORE or PCR tests are anticipated. The Group therefore remains strategically focused on driving growth in its core LSRT business.



New market opportunities remain attractive for Oxford Nanopore and its disruptive platform.

### Digital transformation and cloud computing

The technology platform developed by Oxford Nanopore is designed to drive a paradigm shift in the collection and streaming of biological information. The platform enables a business to consumer (B2C) interaction with sequencing where users set up accounts upon receipt of equipment and manage their interactions with Oxford Nanopore through this digital interface. Being a bioelectronic sensing technology, the full end-to-end workflow from consumable orders, QC, experiment logging, data analysis and collaborations can be tracked and managed. This digital interface enables the Group to scale sales and support functions to interact with thousands of users with relatively small teams.

From the MinION Access Programme, cloud informatics has been an active area of investment for the group with EPI2ME™, a cloud-based data analysis product, enabling real time nanopore analysis pipelines for our user base.

Throughout the pandemic it became more apparent that there is a growing need for digital innovation and adoption of digital technologies. Cloud computing, digital data and analytics tools are necessary to enable real-time, remote and smart digital health and well-being.



## Company Overview continued

The Group understood this dynamic from an early stage and in 2021, we signed a collaboration agreement with Oracle Corporation. The two companies will explore collaboratively a number of potential new solutions to address opportunities in the applied and clinical markets, and related go-to-market strategies where tight integrations with healthcare providers, for example, are key to driving broad adoption. As part of this collaboration, the Group intends to create a more regulated version of its EPI2ME platform linked to Oracle Corporation's cloud infrastructure for customers in the applied and clinical markets. The collaboration is intended to draw on the Group's strengths in sequencing and genetic analysis, together with Oracle Corporation's strengths in database and cloud technologies.

### The Group's market opportunities remain attractive

Nanopore-based sensing may be used to elucidate information about molecules that include large biological molecules, such as proteins or polynucleic acids (DNA/RNA), or small molecules (small biological molecules that may regulate biological processes, for example metabolites or drugs). There is overlap and interconnectivity between those customers using sequencing for the purposes of research to understand biology, customers using sequencing to develop services or products based on sequencing, and customers developing molecular tests.

Despite recent expansion of the DNA/RNA sequencing market, the traditional devices that have dominated this market for the last decade have been "mainframe-like" in their design and use. These traditional platforms typically rely on complex and expensive chemicals as part of the cyclical labelling reaction known as SBS. Unlike nanopore technology that reads the molecule itself, SBS platforms read a fluorescent label as a proxy for a DNA base, keeping them one step removed from the molecule itself.

The Group believes that the cost, complexity and other drawbacks of the SBS sequencing systems have hampered the availability of sequencing to much of the scientific community as well as broader potential users. As a result, the Group believes that there are opportunities to grow the use of its technology beyond the existing parameters of the market, into broader opportunities in applied markets. Molecular analyses may be used in larger-scale health or industrial-related opportunities, as nanopore may meet unmet needs for low-cost, rapid, near-sample solutions.

Beyond DNA/RNA sequencing, there are additional market opportunities for the Group's platform for performing analysis of other molecules. In particular, the Group is developing its platform for the electronic analysis of proteins. The proteomics market is substantial, with an estimated size of US\$21 billion in 2019<sup>12</sup>. The platform may also be potentially adapted for the analysis of small molecules; one estimate of the size of the metabolites and metabolomics market currently stands at US\$3.3 billion by 2023<sup>13</sup>.

It is the Group's belief that its highly differentiated technology can not only penetrate these markets but reshape and expand them as well as create entirely new markets.

## Our Business Model

### Our purpose

Our purpose, since our founding, is to bring to market a disruptive platform that will democratise the access to biological information. This, we believe, will drive a paradigm shift in areas such as health and wellbeing by providing unique, advanced, and innovative DNA/RNA sequencing tools for early, rapid, and in-situ detection of disease to scientists and researchers whilst also being able to address the global environmental and social challenges through the increased understanding of the world around us and our impact on it.

We are doing this by enabling the analysis of anything, by anyone, anywhere. Our customers can perform scientific research in a range of areas, including human genetics, cancer research, outbreak surveillance and pathogen/antimicrobial resistance analysis, microbiome analysis, environmental analyses and plant or food analysis. Additional emerging uses beyond scientific research may potentially include applications in healthcare, agriculture, biopharma production, food/water supply chain surveillance, and education or consumer markets.

Our business model is to grow the user base of our unique range of devices by providing a differentiated, high-performance technology that is made accessible through low-cost Starter Packs to reduce barriers to entry. This scales from the hand-held MinION, which enables personal or portable sequencing for scientists, to the PromethION, which provides cost effective high output sequencing and is used, for example, in high throughput human genomics projects.

Revenue is generated from the sale or lease of a range of products and services that users require to perform nanopore sequencing. The products are split into consumables (consisting of kits and flow cells), and devices. Typically, by making devices available through a range of Starter Packs, new customers are acquired.

To encourage early adoption, a Starter Pack consists of the use of a device, together with the supply of consumables to run experiments, and access to services to support successful analysis. Starter Packs are designed to be accessible to the customers' revenue budgets, and in most cases do not require access to capital funds. Alternatively, customers can choose to purchase the device through capital budgets using the CapEx option. Following the completion of the Starter Pack phase, the Group continues to sell consumables and services to customers.

### The Group's key strategies

The Group deploys an ambitious, long-term growth strategy that combines innovation, commercial, and operational and manufacturing strategies. These strategies are designed to drive the business by expanding its market share, growing existing markets and by creating entirely new markets.

Specifically, the Group uses the following core strategies to address the current LSRT market and prepare for future market opportunities:

1. Innovation strategy to create sustainable financial value through new, differentiated products and to continuously improve their performance and usability;
2. Commercial strategy that is designed to drive uptake and utilisation of the Group's disruptive platform, which catalyse change and growth in the market to reflect the technology features that the Group offers but competitors do not; and
3. Operational and manufacturing strategy delivering effective and innovative scale-up that is able to meet increasing demand from users.



<sup>12</sup> Allied Market Research Proteomics Market Report.  
<sup>13</sup> DeciBio Report, 2021.

# Company Overview continued

## 1. Innovation strategy – the sustainable creation of financial value through innovation

Our continuous innovation strategy includes a multifaceted approach to new and existing products, techniques, tools, markets, and applications. At the core of the innovation strategy lies an interdisciplinary R&D team that pushes the boundaries of sensing technology to create products with both novel properties and high performance, designed to reshape markets. This includes fundamental research; pipeline programmes to develop new technologies; programmes to improve the performance of the existing platform that have over recent years delivered substantial improvements in product performance; and manufacturing innovation programmes. Taking each in turn:

### Fundamental research

It is the foundation for all our innovation activities, for example programmes to aid the discovery and development of new types of nanopores that may either improve current DNA/RNA sequencing or support the future analysis of other molecules on the nanopore sensing platform, such as proteins and metabolomics.

### Pipeline

New product or technology development to deliver technologies that can offer new capabilities to the market. For example, the Company is currently developing a new device, P2, to enable high output nanopore sequencing in a compact, accessible format. The Company also has R&D

programmes to support easier end-to-end usage of nanopore sequencing, such as Ubik™, a sample extraction and preparation device and further EPI2ME analysis workflows. The Company is also developing a 'voltage chip' designed to deliver denser sensor arrays that have the potential to drive significant increases in data output per mm<sup>2</sup> and a reduction in time and cost for sequencing to the user.

### Continuous improvement of the existing sequencing platform

The aim is to further progression in technology performance. For example, the Company in summer 2021 started to release the newest "Q20+ kits" to customers. These kits have generated >99% single molecule accuracy, and with the novel Duplex method can achieve single molecule accuracies approaching Q30 or 99.9%, a highly competitive performance. The Company is also developing versions of its consumables that replace silicon with glass or polymers to drive down costs. The Company will provide further updates as these technologies are rolled out further to the user community.

### Manufacturing innovation

The Company continues to optimise its manufacturing process through innovation of processes and materials.

## 2. Commercial strategy – driving uptake and utilisation of the Group's disruptive platform

The Group has developed a highly differentiated commercial model in order to ensure early adoption of its products in the market, and to build on that by expanding into existing markets and reshaping or expanding these markets. The Group's commercial model is based around the strategy of driving growth through the increased use of consumables by customers on the Group's devices. This commercial strategy is unique and highly differentiated from the existing traditional providers. It is designed to break the historical high barriers to entry to the sequencing market, created by the expensive 'mainframe-like' traditional sequencing technologies.

The Group's differentiated commercial model allows for:

### The ability to price products in a way that is accessible to a broad range of scientists

Due to its electronics design, the Group is able to offer low-cost Starter Packs that can be purchased online and easily shipped to users for their immediate use. This contrasts with more complex processes for traditional SBS technologies;

### The ability to continuously drive performance upgrades with little disruption to the user

Most of the upgrades the Group delivers are on the flow cells, sample preparation kits, remote upgrades to the devices or data analysis methods. These upgrades, which can be achieved with little disruption to the user, have driven significant improvements in data yields, creating cost efficiencies for users and accuracy enhancements such that when nanopore-based sequencing is used with the latest tools, it offers not only competitive performance when compared to traditional SBS-based technologies, but in many cases richer data that is capable of being analysed more rapidly, and in a more convenient setting or easier workflow; and

### The ability to access markets through a choice of routes

The Group currently commercialises its DNA/RNA sequencing technology to a global user base, using a combination of direct sales and support, e-commerce and digital marketing and support, and relationships with distributors. As the Group evolves, a range of options for commercialisation remain available to drive growth.

In 2021, the Group continued to grow by investing in the expansion of its commercial organisation to drive further sales and increase geographical coverage while focusing on regional dynamics. The commercial teams (that include sales, market development, marketing, technical and customer support) and digital operations expanded further to reflect progression of the technology and to drive growth. Our focus in the US and Europe is supported by our infrastructure, which is now in place.

Our strong digital infrastructure means that a community of users can be supported efficiently and support each other. The Group has invested in a sophisticated e-commerce function that assists self-service by customers, as well as offering transparent, volume-stratified pricing structures, to enable and support commercial access for a broad range of scientists. Combined with easy 'plug and play' setup of the technology, this allows the Group to service a broad range of customers with efficient commercial and technology support teams. This contrasts with traditional sequencing technologies whose devices require high levels of capital investment and infrastructure, representing high barriers to entry and have an impact on requirements for sales and support teams of traditional sequencing technology providers.

The breadth of research applications is important not only for the current markets – largely in scientific research – but also when considering the applied market and its potential future sectors. The Group provides permissive access to its platform under the terms and conditions of sale attaching to its products, which encourages application development in collaboration between the Group and members of the broad user community. The Group is therefore well placed to be able to collaborate with users to maximise the commercial opportunity from broad applicability of its disruptive platform in a diverse array of markets and use cases.

Our commercial strategy has resulted in commercial traction, which is demonstrated by the ongoing usage of the Company's technology in a number of areas including:

### Broad genomics research

Across areas that include human biomedical and cancer research, plant, pathogen, animal and environmental analyses. During 2021, over 1,000 research publications were published by the nanopore user community, compared to 1,483 between 2014 and the end of 2020;

### Genomic epidemiology

As the COVID-19 pandemic continued during 2021, the use of nanopore sequencing was also continued globally. At March 2022 more than 990,000<sup>14</sup> COVID-19 genomes using nanopore sequencing appeared in the international GISAID database, from more than 80 countries. The Company supports customers who are seeking to expand the use of sequencing to perform surveillance of a broader range of pathogens that include seasonal or novel viruses as well as drug resistance in bacteria. The Group sees this as a fundamental shift in public health policy brought about by learnings from the pandemic; and

### High-throughput human genome sequencing

The use of nanopore sequencing in this area is increasing, as it is used to provide rich genomic insights (through a combination of the ability to sequence long reads, the ability to perform methylation analysis during the experiment), in a uniquely scalable format with the PromethION device. For example, during 2021, the Company has been pleased to support the scale up of the ambitious EGP, a high-throughput neurology programme with NIH in the USA, and a cancer genomics programme with Genomics England in the UK. Furthermore, the Group continues to build teams to approach future potential markets that include industrial applied markets, such as food safety or agriculture, and has established an Oxford Nanopore Diagnostics team.

It is apparent that the accessibility and transparency of the Group's disruptive platform, offering a broad range of innovative, affordable, easy to use devices and services to be deployed in a broad range of applications by a broad range of customers is driving uptake and utilisation.





## Company Overview continued

### 3. Operational and manufacturing strategy – delivering effective and innovative scale-up of the business

The Group's operations, manufacturing processes and supply chains continued to evolve in 2021. Oxford Nanopore continued to invest in scaling-up the manufacturing operations and the surrounding supply chain to ensure that production volumes can be scaled rapidly when required. The Group's high-tech manufacturing facility, the MinION building, is designed to enable modular expansion. It will allow the Group to ultimately scale flow cell production to almost one million per year – achieving an almost tenfold increase in the Group's capacity since 2016.

The Group further improved and optimised the architecture of its internally developed manufacturing system, Sawtooth, to support resilience and availability. The next stage of improvement for Sawtooth is aimed at supporting different types of manufacturing processes and complete location independence. This is part of the Group's operational and manufacturing strategy to increase capital investment in operations and manufacturing automation.

In addition, the Group worked continuously to reduce its manufacturing costs and establish and maintain reliable, high-volume manufacturing suppliers as it scales its operations. Our strategy is to retain high levels of inventory to mitigate the risk that components or raw materials that the Group purchases become unavailable or are found to be defective. The Group also continued to invest in its laboratories to assist R&D efficiency and manufacturing automation and thus complement its scaling-up in manufacturing.

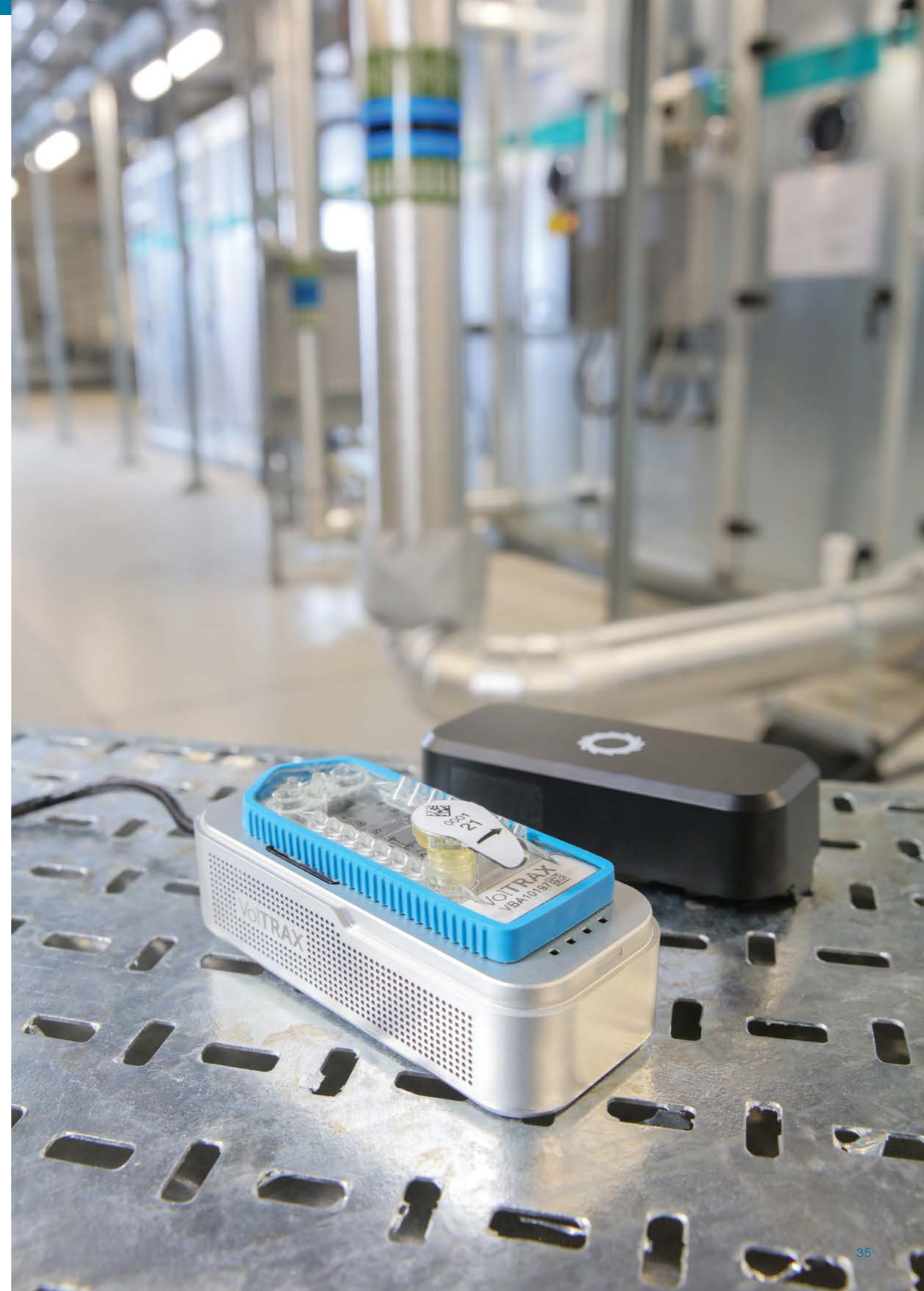
The Group's products are complex and involve several unique customised components and materials, many of which have been developed and produced solely for the Group and tailored to its specifications. These include the application-specific integrated circuit (ASIC) chip and wafer components contained within the MinION Flow Cell, as well as the sensor within the PromethION Flow Cell, which all require precision manufacturing and which are manufactured at the Group's third-party manufacturers' facilities.

In order to reduce associated risks and costs, and increase gross margin the Group continued to bring manufacturing in-house.

Furthermore, the Group's instruments and flow cells include a broad range of electronic components. For example, the GridION, PromethION and MinION Mk1C include Nvidia graphics processing units (GPUs) and solid-state drives (SSDs). As part of its operational and manufacturing strategy the Group seeks multiple sources for key components where it is practicable to do so, given the nature of such customised components.

Regarding its long-term approach, the Group has established programmes designed to deliver substantial step-changes to its platforms in the medium to long-term (being the next 36 to 60 months), including a pipeline of new bioelectronic innovations. The Group anticipates that these will deliver new generations of MinION, GridION, Flongle and PromethION formats that provide further scalability in manufacturing, with the potential to both substantially reduce the cost of sequencing to customers and increase the Group's gross margins.

Finally, the Group is determined to minimise any negative impacts of its operations and technology by integrating principles of sustainability into its product design and manufacturing processes. The Group is currently working to align itself with the United Nations Sustainable Development Goals and to expand the evaluation of its performance across ESG categories to improve its policies, business plans and processes (see pages 52 to 63).



# Chief Financial Officer's Statement



**Tim Cowper**  
CHIEF FINANCIAL OFFICER  
31 March 2022

*“Our ability to execute our business plan and carry out our strategy through sound financial management have rendered 2021 a great year for Oxford Nanopore.”*

## Focus on business strategy results in strong performance

### Business strategy

#### Our differentiated commercial model

We continued to grow the user base by providing a highly differentiated high-performance technology that is made accessible through cost efficient Starter Packs. The Starter Pack pricing is designed to enable access to the technology through consumable budgets whilst being affordable to the customers and covering our costs. This approach encourages broad adoption of our technology.

After using the initial purchase of consumables, customers may continue to buy DNA/RNA sequencing flow cells and kits under a transparent (publicly available) volume-based discount structure.

Our differentiated commercial model was designed to break the current high barriers to entry into the sequencing market and challenge the traditional sequencing technologies. Our market competitive product range begins with the entry level MinION Starter Pack, which is priced at US\$1,000. The objective of the

MinION Starter Pack is to allow the user to get familiar with the technology and its advantages before progressing to larger capacity set ups.

Following MinION, the GridION Starter Pack is priced at US\$49,995 and it includes 12 months use of the GridION device, 60 flow cells, and 10 sample preparation kits. This Starter Pack supports users in scaling up their projects. The Group's highest capacity sequencer, PromethION, enables production scale sequencing projects and is accessible through Starter Packs from US\$225,000.

The Group's focus is on delivering plug-and-play technology. We want to help customers start sequencing for themselves and continue to support them through the provision of consumables.

I am proud to report that our model has been delivering growth, driving the Group forward and creating unique business opportunities. Oxford Nanopore expanded its global direct customer base from 4,921 to 6,339 active accounts.

#### Investment in innovation

The Group's investment in R&D is vital to its long-term growth strategy and has been a principal driver of revenue growth. Our R&D programmes drive continuous iteration and improvement of the Group's products. These programmes focus on developing novel chemistry approaches around the nanopore, membranes and sample preparation processes, as well as complementary algorithm development to support improved analysis.

Moreover, the investment in R&D help us to expand the Group's product range and technology pipeline. The expansion of the product range facilitates the commercialisation of the Group's products and services into existing and new applied markets.

Our R&D advocates substantially easier-to-use, low-cost, portable analysis that enables adoption at scale across distributed networks. In addition, we drive cost efficiencies in the sequencing of large datasets (e.g. low-cost human genome sequencing).

Having developed the electronic platform to support nanopore sensing, as well as specific products for DNA/RNA sequencing, the Group also intends to develop products designed to analyse other types of molecules (e.g., electronic protein analysis).

We believe that Oxford Nanopore's highly differentiated technology can not only penetrate markets but reshape and expand them as well as create entirely new commercial markets.

#### Customer-centric and device-agnostic strategic approach

The Group, through the years, has developed strong links with a diverse group of customers, building on their feedback, collaboration and advocacy. Our customers have applied our technologies to expand the boundaries of genome sequencing and bring their ideas to life.

As a result, our strategic approach focuses on our customers and their needs and how the Group can provide them the optimum solution. This enables the customers to achieve their project objectives and complete their scientific missions without being constrained by corporate device sale strategies. Coupled with the Group's investment in innovation, the platform continually delivers novel biological insights fuelling new discoveries.

At Oxford Nanopore, we categorise our customers into strategic groups based on their annual revenue – S1, S2 and S3. Customers that generate annual revenues of up to US\$25,000 are included in the S1 customer group. This group includes customers sequencing for the first time – an entry point to nanopore projects. Typically, they have a MinION, Mk1B or Mk1C and tend to have smaller scale and varied frequency projects across a broad range of diverse use cases. S1 customers are innovators who develop new uses for our products and publish their research and findings in scientific journals and represent a stable growth opportunity for the Group.

Our S2 customers work on medium scale multi-month projects and generate annual revenues up to US\$250,000. This group also includes the tailwind of COVID-19 sequencing.

S3 customers are typically involved in large scale and multi-year projects generating annual revenues greater than US\$250,000. The revenue recognition from this group is irregular, which reflects their project implementation. However, substantial revenue is generated from a small number of projects, such as the EGP project with the G42 group. If we look at the S3 customer group excluding this project, we almost doubled the number of customers. In 2021, we had 55 customers with an average spend of over US\$625,000 per customer, representing revenue growth of 80%. S3 customers are

expected to continue to support the Group's short-term growth.

In the short-to-medium term (being the next 12 to 36 months), the Group's focus on life science research customers remains. However, the Group's nanopore-based sensing platform has the potential to expand the DNA/RNA sequencing market to a range of uses, such as in health, agriculture, food and other sectors.

#### Investment in our operational, commercial and Intellectual Property (IP) capabilities, and infrastructure

In 2021, the time was right to invest to drive ambitious growth. Our operational priority and core competence has been the rapid and seamless technology transfer from R&D to production and manufacturing.

In parallel with the investment in manufacturing, the scaling-up of recycling of costly finite components continued to achieve cost savings, particularly across the S3 customer group with which Oxford Nanopore maintains closer relationships.

As part of our growth strategy, we also continued to invest in the Group's infrastructure, targeted at accelerating revenue growth.

These investments included an increase in sales, marketing, and distribution operations to achieve the Group's objective of expanding its customer base.

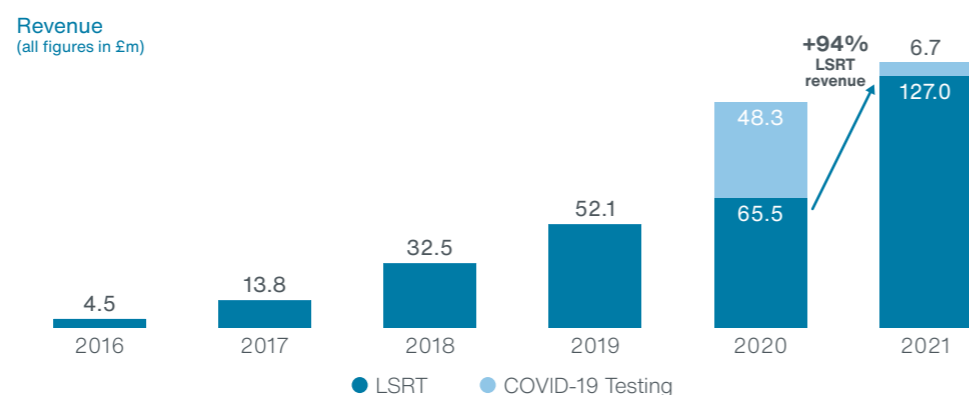
The Group continues to make material investments in building and protecting its IP portfolio, consisting of patents, trademarks, use of trade secrets and copyright, and academic collaborations.

Finally, the Group is also committed to the expansion of in-licensing and pursuing acquisitions, which may take the form of an asset acquisition, a business acquisition or the exclusive or non-exclusive licence of patented technology.



# Chief Financial Officer's Statement continued

## Financial performance



The LSRT core business continued to exhibit a healthy growth.

### Results at a glance

Year ended 31 December:	2021	2020	% Change
<b>Revenue (£m)</b>			
- LSRT revenue	£127.0	£65.5	94%
- COVID-19 testing	£6.7	£48.3	(86)%
	<b>£133.7</b>	<b>£113.9</b>	<b>17%</b>
Gross profit (£m)	£73.2	£46.9	56%
Gross margin (%)	54.8%	41.2%	+13.6pts
Adjusted Operating loss <sup>15</sup> (£m)	£(82.9)	£(73.1)	(13)%
Operating loss	£(164.5)	£(73.1)	(125)%
Adjusted EBITDA <sup>16</sup>	£(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 <sup>17</sup> at period end (£m)	£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.

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.

<sup>15</sup> Before adjusted items of £81.7 million (2020: £nil). See note 35 for alternative performance measures.

<sup>16</sup> Adjusting items total £82.9 million and relate to the IPO costs (£4.8 million); Founder LTIP awards (£37.6 million) and Employer social security taxes on pre-IPO share awards (£39.3 million) and impairment of investment in associate (£1.2 million). See note 35 for alternative performance measures.

<sup>17</sup> Cash and Cash equivalents of £487.8 million plus Treasury deposits of £130.4 million.

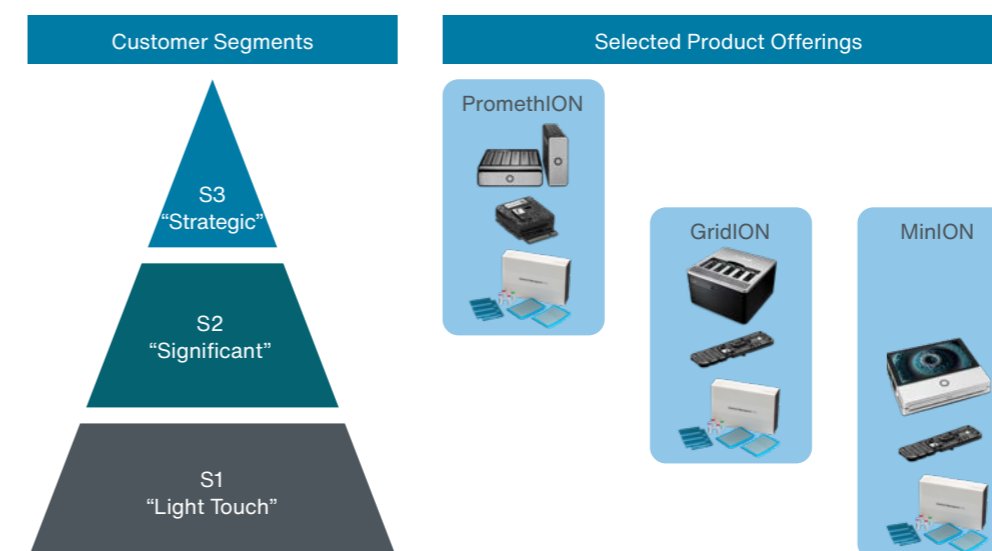
In 2021, our technology supported the global effort to sequence COVID-19. Although it is not possible to foresee COVID-19 sequencing as a recurring opportunity beyond 2022, our longer-term ambitions are beyond the pandemic in areas such as pathogen surveillance and antimicrobial resistance.

### Alternative performance measures

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 35 to the consolidated statements.

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

### Rising value per customer account



All three customer groups displayed strong growth with S3 leading from the front.

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.



## Chief Financial Officer's Statement continued

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)%
<b>Total revenue</b>	<b>133.7</b>	<b>113.9</b>	<b>17%</b>

The Group delivered solid revenues from the S1 customer group. The S2 customers exhibited a very strong growth throughout 2021 due to customers completing Starter Packs and purchasing consumables highlighting in the most emphatic way the success of our financial business 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.

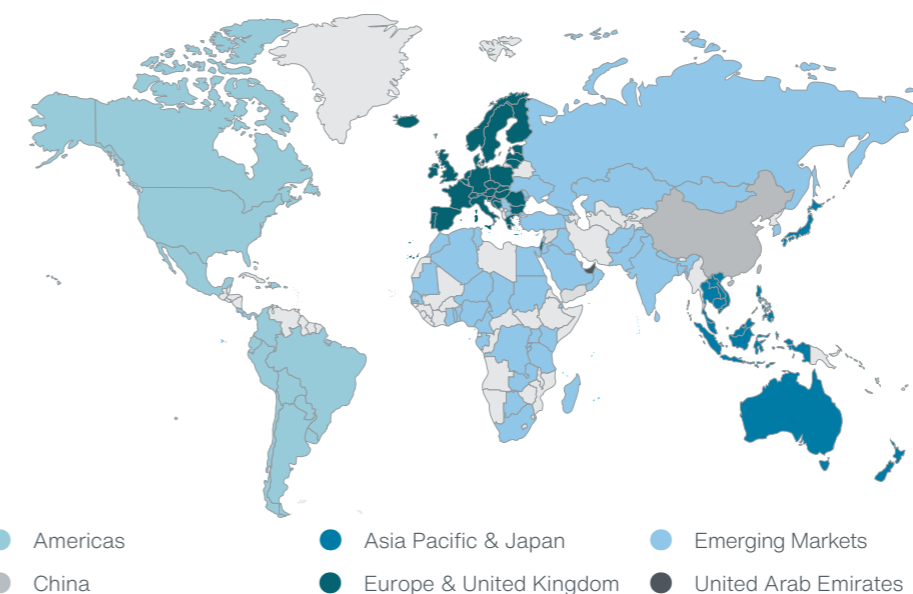
While a range of tools are used by biological researchers in their broad life science research, DNA/RNA sequencing is increasingly a method of choice.

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.



### Multiple potential routes to market to optimise commercial impact



**Direct:** Oxford Nanopore's own commercial teams sell and market to, and support the scientific research community and industrial users. Ecommerce reaches global customers.



**Distributors:** Partnerships with established sales teams who reach territories, or customers, that we do not reach.



**Collaborations or partnerships:** Options can include parties who can address specific markets, whether for diagnostic or industrial applications.

Oxford Nanopore sells to and supports customers in more than 120 countries with direct field sales and teams complementing local distributors through a growing infrastructure.

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 United Arab Emirates (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.



## Chief Financial Officer's Statement continued

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 IFRS	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%
<b>Total LSRT Revenue</b>	<b>127.0</b>	<b>65.5</b>	<b>94%</b>

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 also had 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

Year ended 31 December (£m)	2021 Reported	1	2	3	Sub-total	2021 Adjusted total	2020 Reported
Revenue (£m)	133.7	-	-	-	-	133.7	113.9
Gross profit (£m)	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:

- Share-based payment expense on founder Long Term Incentive Plan (LTIP)
- Employers' social security taxes on pre-IPO share awards
- IPO costs expensed in Income Statement

### Impact of headcount

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

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.

## Chief Financial Officer's Statement continued

### 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	-	
<b>Total operating expenses</b>	<b>237.7</b>	<b>119.9</b>	<b>98%</b>

### Research and development expenses

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

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

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 Human Resources (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 £27.5 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 from 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 2021, the Group has successfully managed its supply chain, through challenging conditions, where we continued to see increasing costs of product supplies (particularly concerning electronics industry components, including ASICs and related processors).



Oxford Nanopore invests in manufacturing innovation.



## Chief Financial Officer's Statement continued

### 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 to 60 months), including a pipeline of new bioelectronic innovations.

### 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 £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 generated from the Group's largest customer in the fourth quarter of 2021, which was previously expected in the first quarter of 2022.

The Group expects further improvement in gross margins, targeting an overall gross margin of greater than 60% in 2023.



## 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 (see page 46).

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:** 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 (see page 46).

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
<b>EBITDA (£m)</b>	<b>(140.6)</b>	<b>(55.2)</b>	<b>(65.6)</b>
<b>Adjusting items:</b>			
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	-	-
<b>Adjusted EBITDA</b>	<b>(57.7)</b>	<b>(55.2)</b>	<b>(65.6)</b>

**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).



## Key Performance Indicators (KPIs) continued

### 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 publications consistently increases 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 objective of the Group. Management has targeted an attrition rate of less than 10%. The average voluntary turnover in the Life Sciences industry for 2020 was 9.5%<sup>18</sup>. 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
<b>Staff attrition rate (%)</b>	<b>6.7%</b>	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.

<sup>18</sup> Mercer Talent – All Access Report.



# Our ESG Approach

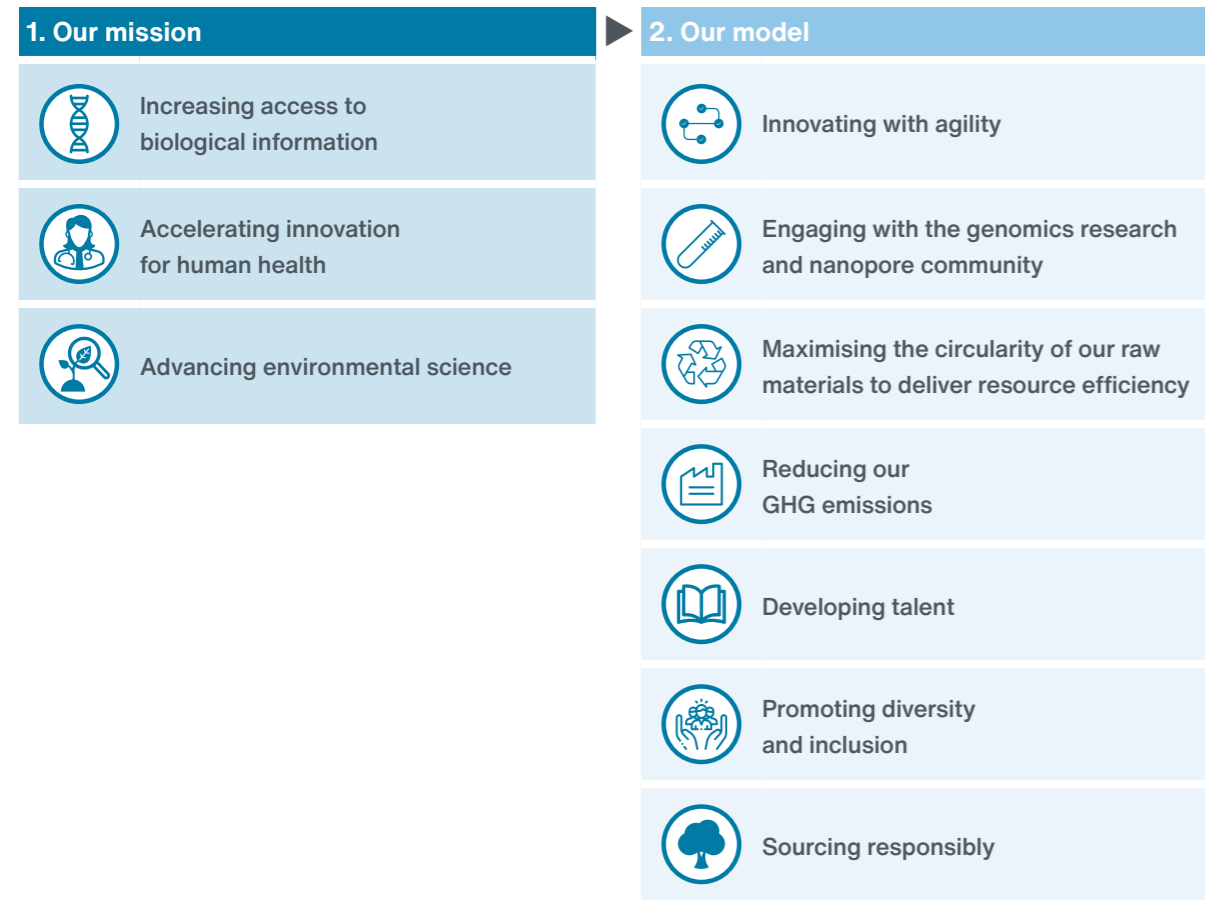
From day one, we have sought to make biological information more accessible to those who need it – our goal is to enable the analysis of anything, by anyone, anywhere. We are developing nanopore technology with this mission in mind, and work towards it every day.

As we grow, we are developing, implementing and beginning to communicate a broader set of environmental, social and governance (ESG) initiatives for Oxford Nanopore. These initiatives will align with the most material interests of our stakeholders, including our users, our shareholders, our employees, our suppliers, our partners and regulators.

Our IPO on the London Stock Exchange in 2021 has brought additional attention to our ESG profile. We plan to issue a standalone Sustainability Report aligned to the Sustainable Accounting Standards Board (SASB) in the second half of 2022.

In the meantime, we are pleased to use our inaugural Annual Report as a plc to set out our approach to ESG. Consistent with leading practice and in alignment with the United Nations (UN) Sustainable Development Goals (SDGs), we have worked with AccountAbility, an independent ESG advisory and standards firm, to formally define the ESG topics and issues that are material to our business and our stakeholders. We have also prioritised the SDGs towards which Oxford Nanopore can have the greatest impact.

Our approach is built on two pillars: our mission and our model.



The two pillars of our ESG approach.

## Our mission

*To bring the widest benefits to society through enabling the analysis of anything, by anyone, anywhere*

Seventeen years ago, Oxford Nanopore was established with the goal of developing accessible sequencing technology that could democratise biological analysis. Since then, we have developed a new generation of nanopore-based sensing technology that enables real-time, accurate, accessible, and scalable analysis of DNA and RNA. The technology has been used in more than 120 countries to understand the biology of humans, plants, animals, bacteria, viruses, and diseases.

Whether a user needs to identify plant pathogens to increase crop yields on their rural farmland, seeks to analyse environmental samples in the Antarctic, or requires high-throughput sequencing in a central laboratory, our goal is to provide the right technology to enable that user to answer their biological question.

To date, more than 2,450 scientific research papers have been published by members of our nanopore community. The reach and application of our products continues to expand in places and ways not previously conceivable, addressing some of the most pressing local and global issues in human health and environmental sciences.

### UN SDGs definitions

The 2030 Agenda for Sustainable Development, adopted by all UN Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 SDGs, which are an urgent call for action by all countries – developed and developing – in a global partnership<sup>19</sup>.

They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. The definitions of the individual SDGs relevant to the Group's ESG approach are included in the table on the next page:

<sup>19</sup> <https://sdgs.un.org/goals>



# Our ESG Approach continued

## SUSTAINABLE DEVELOPMENT GOALS

	<b>1 NO POVERTY</b> End poverty in all its forms everywhere		<b>10 REDUCED INEQUALITIES</b> Reduce inequality within and among countries
	<b>2 ZERO HUNGER</b> End hunger, achieve food security and improved nutrition and promote sustainable agriculture		<b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b> Ensure sustainable consumption and production patterns
	<b>3 GOOD HEALTH AND WELL-BEING</b> Ensure healthy lives and promote well-being for all at all ages		<b>13 CLIMATE ACTION</b> Take urgent action to combat climate change and its impacts
	<b>4 QUALITY EDUCATION</b> Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all		<b>14 LIFE BELOW WATER</b> Conserve and sustainably use the oceans, seas and marine resources for sustainable development
	<b>5 GENDER EQUALITY</b> Achieve gender equality and empower all women and girls		<b>15 LIFE ON LAND</b> Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
	<b>6 CLEAN WATER AND SANITATION</b> Ensure availability and sustainable management of water and sanitation for all		<b>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</b> Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
	<b>8 DECENT WORK AND ECONOMIC GROWTH</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all		<b>17 PARTNERSHIPS FOR THE GOALS</b> Strengthen the means of implementation and revitalize the global partnership for sustainable development
	<b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b> Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation		



### Increasing access to biological information

Prohibitive sequencing technology cost, size, and complexity has historically made genomic insight inaccessible to most of the world and an exclusive privilege of wealthy nations and institutions. We have brought solutions to the market that are affordable – with a starting price point of US\$1,000 – easy to use and portable, making nanopore sequencing technology accessible to anyone, anywhere.

The technology also provides a more comprehensive insight into genomics, able to read short to very long fragments of DNA, and can look directly at the individual bases that make up DNA and RNA, in a way not possible using other sequencing technology. As a result, a new generation of researchers is pushing biological science farther than previously possible.

Accessibility is also about disrupting access to technology within hierarchical institutional structures in wealthy economies. Traditionally funding is centred around a small number of expert institutions, with all other researchers send their samples through these central laboratories, often causing significant time delays and removing the ability for rapid trial and error which is so useful in the scientific process. Nanopore technology removes the need for this centralised processing, enabling rapid access to answers whatever the situation, and however wealthy the investigator. For example, a scientist whose father is an oncologist in the rural United States developed a rapid workflow for acute myeloid leukaemia analysis on a MinION because he had seen first-hand the inequalities facing rural patients who lacked access to sequencing technologies, an impediment overcome by the size and accessibility of nanopore sensing.

### Accelerating innovation for human health

Rapid sequencing opens the door to identifying dangerous pathogens and diagnosing patients in hours, rather than weeks, whilst richer biological insights provide the potential for more personalised approaches to treatment. Nanopore technology delivers biological information in real time, enabling rapid time to answer. As a result, our technology has been used to address some of the world's most significant infectious disease crises in recent years – including Ebola, Zika, Tuberculosis and most recently COVID-19.

#### CASE STUDY:

#### Sequencing to fundamentally change critical care

Traditionally, rapid characterisation of variants that cause genetic disease has been challenging, taking days or weeks to return a result. This timescale can be particularly problematic in time-critical contexts, such as identification of suspected pathogenic variants in a critically ill patient.

A team at Stanford University developed a rapid, whole genome sequencing approach using the PromethION device, reducing time to result to less than 8 hours. The study demonstrated the potential of nanopore technology to fundamentally change critical care for very ill patients who are very hard to diagnose, on the same day.

#### CASE STUDY:

#### Sequencing Cassava virus in East Africa

Around 800 million people worldwide rely on the cassava plant for their daily calorie intake. However, this crucial food source is under attack from various viruses.



Researchers sequencing cassava virus in East Africa.

In 2017, with the help of Oxford Nanopore's MinION, a team of researchers in East Africa were able to sequence these viruses in real time and suggest a more appropriate, disease-resistant version of cassava that the farmer could grow instead. Through this project, the farmer regained her crop and her livelihood, bringing positive benefits to a community. This is just one example of how this type of analysis and the resulting actions have a ripple effect on the development of local communities by improving food security, human health, and economic prosperity.

## Our ESG Approach continued



As the technology is also able to provide rich biological information from spanning very large regions of the DNA and looking at the individual bases directly, it is also being used to make new discoveries in cancer, rare diseases, neurological conditions and beyond. Research has uncovered underlying mechanisms of diseases, identified important disease-causing mutations, and established new approaches for investigating parts of the genome not previously visible to other sequencing technologies.

The technology has shown potential to provide real time information that could influence surgical strategy for brain tumour patients in the future. In the fight against antimicrobial resistance (AMR), identification of pathogens to ensure the best treatment option will be essential, and something that nanopore technology can do rapidly.

### CASE STUDY:

#### COVID-19 sequencing around the World

Since the initial outbreak of COVID-19, teams in more than 80 countries around the world have used nanopore technology to track the SARS-CoV-2 virus. The information gained by these scientists has informed public health decision making and enabled new variants to be detected quickly for a rapid response.

The sequencing methodologies for sequencing the SARS-CoV-2 genome were developed by the ARTIC network and their collaborators. These pioneering researchers were behind the deployment of nanopore technology during the Ebola and Zika outbreaks and it is due to their work that a technique for sequencing the SARS-CoV-2 genome was developed so quickly.



The Netherlands have used genomic epidemiology since the start of the COVID-19 pandemic, to identify circulating subtypes, community transmission and regional clusters — prompting an immediate change to public health interventions. 'The combination of real-time whole genome sequencing with the data from the National Public Health response team has provided information that helped decide on the next steps in the decision-making'. Oude Munnink et al. Nature Medicine<sup>2</sup>. In photo: Dr. Bas Oude Munnink. Photo credit: None.

Nanopore technology has been used to scale up sequencing in central laboratories but also to help establish more decentralised networks in locations that had not previously been able to access sequencing technology. The technology has enabled quick and easy sequencing of SARS-CoV-2 genomes – “from RNA to answer” in under 8 hours.



### Advancing environmental science

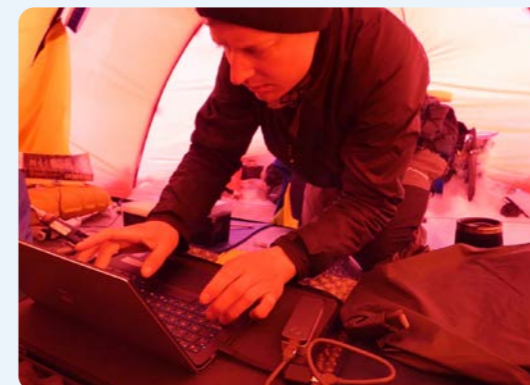
Nanopore sequencing is a powerful tool for furthering our understanding of natural ecosystems to advance research for the protection of our planet and all species living on it. Our devices provide unique opportunities to analyse, assess, and develop solutions and strategies to address issues such as biodiversity loss, antimicrobial resistance, veterinary diseases, and the impacts of climate change.

The nanopore community have been utilising the technology to improve our understanding of the causes of declining biodiversity in the world's oceans, identify microbes implicated in climate change, uncover wildlife crime on land and in the sea, and even for bioprospecting – the uncovering of environmental resources for use in green technology and pharmaceutical development.

### CASE STUDY:

#### The study of microbiomes on an Icelandic ice cap

Understanding the changing microbiome of extreme environments is a challenging science, as direct research must be carried out in very remote locations, so such changes are often under studied. In 2019, the Vatnajökull Expedition Team used a MinION on their 30-day entirely off-grid ice cap traverse expedition to examine microbial samples far away from any influences of civilisation. They powered the MinION using solar panels and revealed that 48% of their results could not be aligned to any previously known genome sequences, suggesting they may have uncovered completely novel organisms. Such studies are providing new insights into natural antimicrobial resistance reservoirs, the impacts of pollution, and the effects and speed of climate change.



Sequencing microbial samples on the MinION in a tent on an ice cap.

In 2021, we launched a pilot programme, ORG.one, to support the sequencing of critically endangered species on the International Union for Conservation of Nature (IUCN) Red List. We are providing free consumables to researchers on the programme to enable them to sequence these species before they are lost forever. In return, the data is shared publicly so that it can be used by other scientists to inform conservation strategies around the world. Through the pilot so far, more than 30 species have been sequenced, some in very remote parts of the world. We will be expanding this programme further in 2022.



Using MinION on the remote island of Whenua Hou, to sequence eDNA with the goal of helping to protect one of the most endangered species in the world — the Kākāpō.



## Our ESG Approach continued

### Our model

*Underpinned by seven interlinked focus areas that set out the guidelines for ensuring we contribute to the advancement of our business and society overall in a positive and inclusive manner*

Our model is embedded into our product design philosophy, our manufacturing process, how we interact with suppliers, and the feedback loops we utilise with our customers—all to facilitate users to answer important biological questions and tackle local and global challenges in health and beyond.

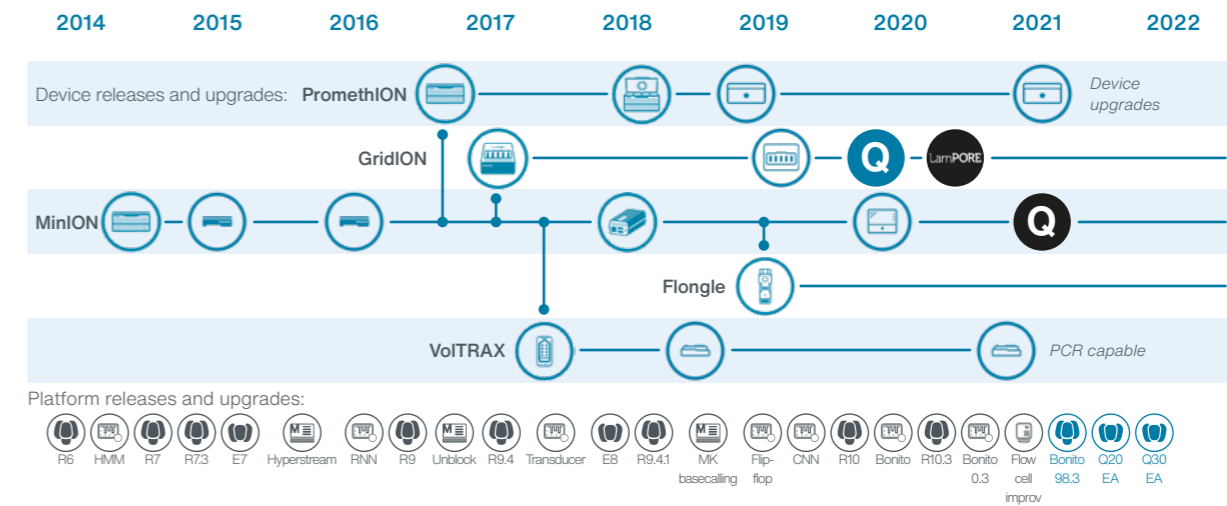


#### Innovating with agility

Key to the Group's long-term strategy from a technical perspective is its ability to innovate continuously and make frequent technology upgrades accessible to users. Our products have moved from enabling innovators and early adopters to now support the broader LSRT market. In order to maintain speed and agility, new products and improvements are regularly deployed into Early Access programmes aimed at innovators and early adopters to test out and stabilise the latest developments. Routine users may choose to wait for the products to enter a released phase before moving over.

Early Access programmes facilitate the rapid feedback loop in the iterative process of our product development, allowing us to bring the newest innovations to customers as quickly as possible. In addition to continuous engagement with users through the nanopore community forum and on social media, Oxford Nanopore has a public feature request portal that goes directly to our Product Management Team, so customers can advise on what kind of uses or changes they are seeking.

This continuous and direct dialogue with our users allows for dynamic adaptation and innovation. As we grow and our user base expands, we know that continuing to innovate with agility to meet new customer expectations will continue to be instrumental.



Upgrades drive performance enhancements, delivered through consumables.



#### Engaging with the genomics research & nanopore communities

Interacting with our nanopore community and the wider genomics research community is imperative to spurring collaborative, user-led innovation based on our technology and its applications. Our nanopore community is critical in supporting existing and new members alike in learning how to use our devices, plan and run experiments and keeping up to date with the latest technology updates.

Our biannual nanopore community Meetings bring together stakeholders from around the world to speak about their nanopore sequencing experiences and share their knowledge. These meetings provide a platform for scientists to demonstrate innovative approaches to common challenges and push one another to break boundaries in their research. This also helps us to further shape our technology with a permissive model that is facilitating and encouraging innovation on our platform.



**2,318**  
Total delegates online



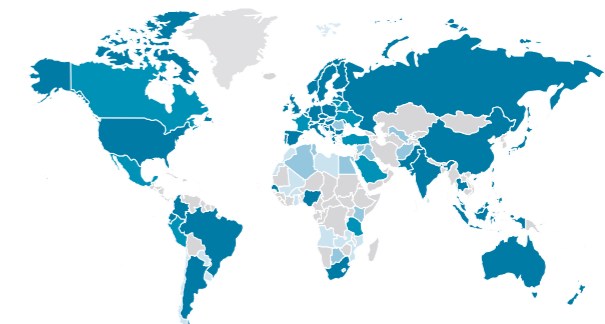
**111**  
Participating countries  
(Top 4: US, UK, Germany, Netherlands)



**10,746**  
Approximate collective time spent by delegates online



**19,030**  
Content views



NCM 2021 (December 2021) attendees from across the globe.

# Our ESG Approach continued



## Maximising the circularity of our raw materials to deliver resource efficiency

We are committed to conducting our operations and producing our devices in the most sustainable and resource-efficient manner possible. This has included internal processes, switching the packaging material in our distribution process, as well as increasing circularity in the life cycle of our products.

Oxford Nanopore's Starter Pack model places devices in users' hands through licences; they are not owned by the users. This simplifies the mechanisms for devices to be routinely upgraded, with the older versions returned to us so that they can be appropriately recycled.

We encourage users of our technology to return their used flow cells back to us once they have reached the end of their useful life, enabling us to recycle some of the electronic components and finite materials. The programme continues to grow and in 2021 we saw a 165% increase in the number of flow cells returned to us.

### CASE STUDY:

#### Woolcool®

Given the nature of our products, they need to be kept within a certain temperature range during distribution. Conventional temperature control methods commonly found in the biotechnology industry typically consist of single-use non-recyclable polystyrene containers filled with dry ice or cool packs, the disposal of which has significant negative impacts on the environment. To ensure our packing is as recyclable and sustainable as possible, starting in 2017, we began insulating our products with Woolcool®, a recyclable cardboard container with a wool-based insulator that keeps devices at the required temperature without the need for polystyrene. This innovative packaging system drastically reduces the waste associated with distribution and we encourage customers to return their used products in the same packaging, allowing us to reuse or recycle the materials, thereby creating a closed-loop system.

Additionally, the nanopore development team has worked to deliver reagent kits that are robust to ambient or cool shipping. This enables them to be shipped alongside our consumable flow cells and reduces the number of parcels required to ship to end users by 50% compared to other technologies that have to ship their consumables and reagents separately.



Oxford Nanopore's eco-packaging solution in partnership with Woolcool®



## Reducing our greenhouse gas emissions

Whilst we hope that the application of our technology in environmental science will lead to a deeper understanding of the underlying process and consequences of climate change, we also endeavour to reduce the greenhouse gas (GHG) emissions resulting from our own business.

To this end, we have undergone a Building Energy Use Audit to determine where energy efficiency improvements and reductions are possible in our main offices in Oxford, while also encouraging employees to join workplace energy reduction initiatives, such as our "Cycle to Work" commuter bicycle programme. Additionally, we are analysing our shipping and distribution process, to similarly increase energy efficiency and reduce emissions related to our distribution chain.

Through the combination of these efforts, we have successfully reduced tonnes of CO<sub>2</sub>e emitted per £m revenue by approximately 8% in 2021, compared to a target reduction of 2.5%. We aim to reduce tonnes of CO<sub>2</sub>e emitted per £m revenue by 2% for the year ending 31 December 2022.

In the table below, we have reported on all sources of GHG emissions and energy usage as required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

GHG emissions and energy usage data for years ended 31 December 2021 and 31 December 2020	Total 2021	Total 2020
Emissions from combustion of gas (Scope 1 – tonnes of CO <sub>2</sub> e) (Total Net CV)	392.9	359.2
Emissions from combustion of fuel for transport purposes (Scope 1 – tonnes of CO <sub>2</sub> e)	-	-
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2 – tonnes of CO <sub>2</sub> e)	1,177.4	1,091.7
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3 – tonnes of CO <sub>2</sub> e)	19.8	11.9
<b>Total gross CO<sub>2</sub>e (tonnes) based on above</b>	<b>1,590.1</b>	<b>1,462.8</b>
Energy consumption used to calculate emissions – kwh (Gas/Electric/Transport)	7,033,777	6,494,544
Tonnes of CO <sub>2</sub> e per £m revenue	11.90	12.84

Approximately 92% of our energy consumption is from our UK sites.

### Notes:

- Given the global nature of our business and the fact that we have shared occupancy in a number of locations, consumption data is a mix of direct readings, monthly leasing agreement charges and % occupancy. 85% of the data is derived directly from meter readings that the company has access to through a contracted energy management, the Utility Team and EON. The remaining 15% has been calculated using various government and agency resources, and lease holder charges to best calculate usage. When calculating kWh and related CO<sub>2</sub>e emissions for leased occupancy units, data has been calculated on a total meter reading linked to % occupancy by the lease holder based upon ft<sup>2</sup> estimates or, where a total meter reading is not available, an energy per ft<sup>2</sup> calculation based upon local data. For transport, the UK government guidance has been used; however, due to the fact that fuel type is not available, we have assumed UK averages and used the CO<sub>2</sub> and kWh figures for an upper medium vehicle running diesel.
- From 1 October 2021, all directly charged metered electricity was generated by REGO renewable wind sources through our supplier EON. This accounts for approximately 87% of our electricity supply post 1 October 2021.
- All measurable energy consumption data has been included whether through direct bills, % occupation of a leased unit, energy usage standards per ft<sup>2</sup> or fuel conversion standards from the government.
- Every effort has been made to collate the data accurately, or where estimates have been made appropriate sources have been used to base these calculations on.
- The data derived, has included: primary and secondary data, including industrial averages, and extrapolation/standards to calculate kWh and CO<sub>2</sub>e emissions.
- An assessment of our Scope 3 emissions was completed at a top level during 2021. Our estimated carbon footprint is as follows: 67,491 tonnes, including approximately 58% from purchased goods and 29% from distribution.

### Reporting boundary and methodology

We have followed the 2019 UK Government environmental reporting guidance. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2019 to calculate the above disclosures.



## Our ESG Approach continued



### Developing talent

Our industry-leading technology would not be possible without highly talented people.

At all times, we strive to attract the best talent available and provide opportunities for continuous growth at every stage of employee development. As our headcount has grown two-fold over the past five years, we have worked to maintain a culture that incentivises and rewards excellence, while encouraging long term relationships with the Group, resulting in our low attrition rates over the years, and the fact that nearly our entire executive team has a long-standing involvement with Oxford Nanopore spanning at least a decade.

In addition, we are investing in tomorrow's generation of scientists, be it through individual events, such as introducing sequencing to science, technology, engineering and mathematics (STEM)-interested school children at our London Stock Exchange IPO listing, or more formal and regular initiatives such as our internship programmes encouraging students to experience every aspect of our business. Our vision is that one day nanopore sequencing will be as widespread as computer sciences, inspiring a generation of "sequencing natives".



Students sequencing at the London Stock Exchange.



### Promoting diversity and inclusion

Our goal to support diversity is reflected across our business practices. For example, our flagship conferences, London Calling and the nanopore community Meeting, attract hundreds of speaker applications each year. We put multiple practices in place to ensure that speakers at the conference reflect the diversity and scientific excellence of the scientific community, with speakers well-balanced in respect of gender, geography and indeed multiple contributions from early career scientists.

In 2020, we set up a Diversity & Inclusion Framework, outlining the commitments and actions that build and maintain a diverse, equitable, and inclusive culture in our workplace and across Oxford Nanopore's entire value chain. Our line-managers have promoted a culture of inclusion and recognition with a weekly employee recognition programme, and monthly programmes bringing external researchers in to talk about how they are using Oxford Nanopore products. In addition to these less formal initiatives, we have also put in place a formal mentorship programme based on skills matching.



### Sourcing responsibly

Our commitment to sustainable practices extends beyond our internal operations and distribution, to encompass our entire value chain. We have implemented robust requirements and internal processes to ensure those suppliers who are within our sphere of influence comply with our Supply Chain Code of Conduct meeting similar responsible standards as those we are placing on ourselves.

As we continue to grow, we are aware of the increasing pressure we will impose on our supply chain in terms of volume and reliability. To mitigate these concerns, we seek to build long-term arrangements with all suppliers wherever possible. In times when global supply chains have been facing severe challenges, these collaborative relationships have underpinned our ability to continue delivering our products to our customers without interruptions, as even our suppliers are committed to our mission.

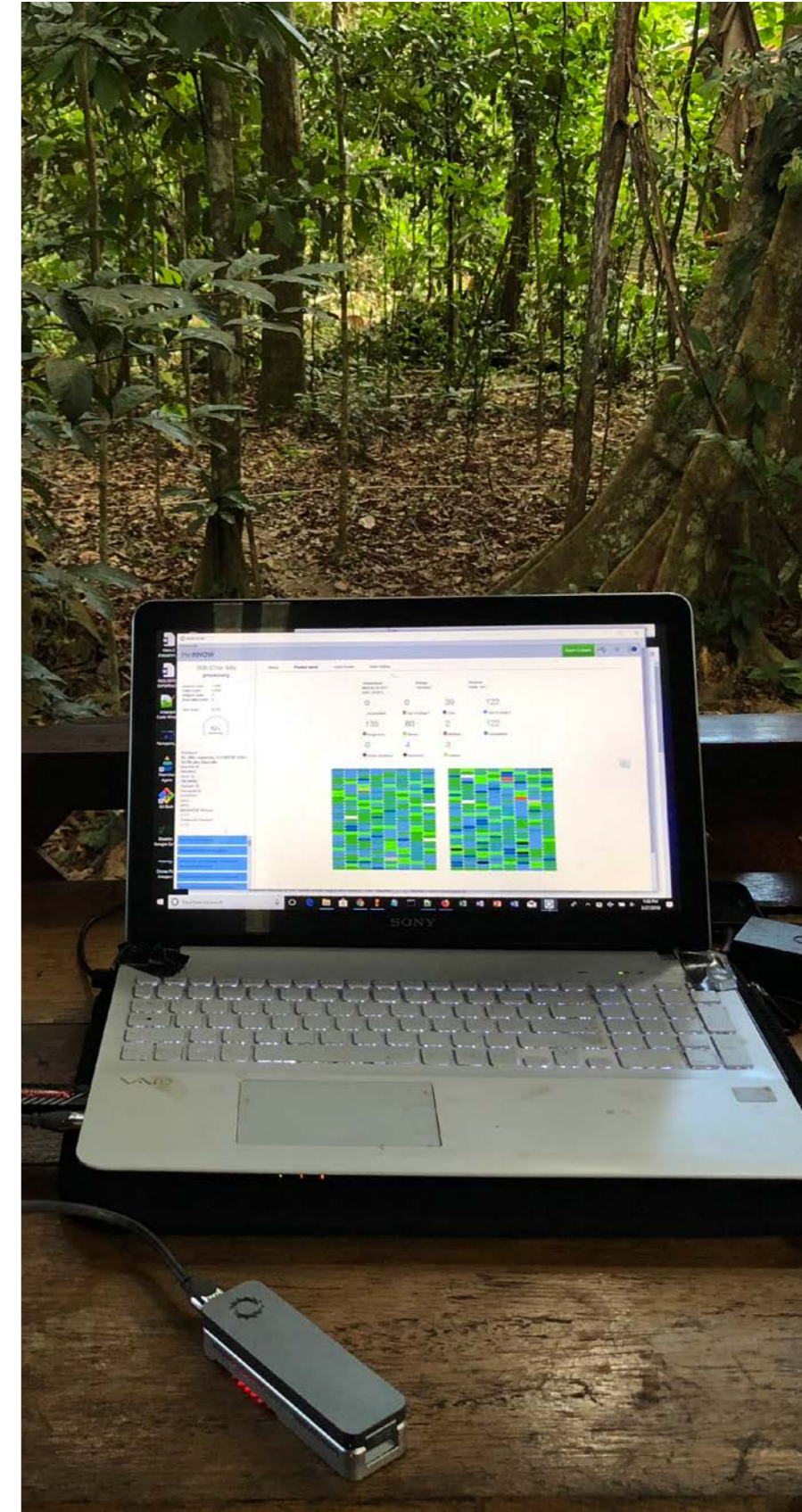
### Looking ahead

We recognise the importance of robust and formalised ESG strategy, governance, reporting, and disclosure – and we are committed to taking the necessary steps to address the expectations of our stakeholders with transparency and accountability.

We plan to publish our inaugural Sustainability Report in the second half of 2022 in alignment with the SASB. This report will expand upon the approach we have introduced in this Annual Report and set the foundation for a regular, compliant, and progressive ESG reporting practice.

Over the course of the coming year, we plan to engage our stakeholders to better understand their perspectives and priorities as part of a comprehensive materiality assessment process and formalise ESG-related objectives, targets, and the necessary governance frameworks for effective implementation. We have set up a cross-functional ESG Working Group to direct our efforts holistically.

We invite our stakeholders to participate in and contribute to our ESG journey, and welcome questions and suggestions as we seek to continuously improve our approach in collaboration with the nanopore community.





# Principal Risks Evaluation

## Risk management framework

The Group has established a risk management framework that includes:

- formal focused risk registers established for International Standards Organisation (ISO) 27001 and 9001 accreditations (Information Security and Process);
- a process for profiling risks; and
- a process to report risk to the senior leadership, who will approve mitigations and report to and consult with the Audit and Risk Committee.

## Risk profiling

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

- **Identify Risks** A detailed risk assessment is routinely performed to identify the significant risks in a timely fashion and provide accurate Financial Position and Prospects (FPP) information.
- **Identify mitigating controls** For each of the FPP risks that are identified, the Group considers and reviews the processes currently in place and identify the controls, which mitigate each risk.
- **Document mitigating controls** The mitigating controls are documented, and the Directors sign them off to confirm that the descriptions are appropriate and accurate.
- **Directors provide their FPP assertion** Based on the processes set out in step a-c above, the Directors are in a position to conclude on the effective mitigation of the risks identified and to make the assertion.

The risk profiling framework is primarily implemented by the Operating Committee:

- Risk is a standing discussion item in each Operating Committee meeting and each meeting of the Company's key tactical committees: Research and Development Manufacturing and Supply Chain, Legal/Finance, Strategic People and Organisation, IT, IP, and Commercial (each, a "Tactical Meeting");
- Based on a recommendation of the Chief Executive Officer (CEO), the Board defines and adjusts the Company's risk tolerance;

- Risks and mitigation plans are documented in the Group's risk register and plans of record of the Operating Committee. The plan of record identifies the risk discussed, the mitigation agreed, assigned next steps, and the responsible party;
- Representatives of each standing tactical meeting who serve on the Operating Committee escalate risks identified in the tactical meetings for review in the Operating Committee;
- Twice annually the Operating Committee, in coordination with the Vice President (Information Technology), reviews and updates the Risk Register;
- Twice yearly (and as needed on an ad hoc basis), the Operating Committee reports to the Audit and Risk Committee on risks and mitigation;
- The Audit and Risk Committee reports to the Board; and
- Direction from the Board is shared by the Operating Committee with each tactical team.

## Internal controls to mitigate risks

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

- High level reporting environment;
- Forecasting and budgeting;
- Management reporting;
- Financial and accounting reporting;
- Significant transactions and strategic projects; and
- IT.

The Group has engaged Grant Thornton to fulfil the responsibilities of an internal audit function to assess the adequacy of such internal controls.

## Principal risks and uncertainties

Based on information shared by the Operating Committee, the Audit and Risk Committee has assessed the principal risks facing the Group as at 15 March 2021. This included an assessment of the likelihood of each principal risk identified, and the potential impact of each risk after taking into account mitigating actions being taken. Risk levels were modified to reflect the current view of the relative significance of each risk.

The Principal Risks and Uncertainties (PRUs) identified are:

- Ability to make products: supply chain and manufacturing;
- Trade, war, pandemic and inflation;
- Concentrated revenue;
- Cyber-security;
- Intellectual property protection and competition;
- Founder led-company, succession planning and talent recruitment;
- Ability to introduce products to remain a technology leader;
- Ability to accurately forecast;
- Data privacy and data classification; and
- Environment, health and safety.

Additional risks, including those that are not currently known or that the Group currently deems immaterial, may individually or cumulatively also have a material effect on the Group's business, results of operations and/or financial condition.

### a. Ability to make products: supply chain and manufacturing

Supply chain issues driven by demand, logistics interruptions, the pandemic and the war in the Ukraine have made it increasingly challenging to source key electronic components in a timely and cost-effective basis. The Group's products include several unique customised components, many of which have been developed and produced solely for the Group and tailored to its specifications. The Group's products are manufactured or assembled either at the Group's manufacturing facilities located in the MinION Building in Oxfordshire or within the Group's laboratories and facilities within the Oxford Science Park or, in the case of certain components of the Group's products, including the ASIC chips and wafers for the MinION Flow Cell, at the Group's third-party manufacturers' facilities. The manufacture of the Group's products is highly exacting and complex, and problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols or defective materials and components. In addition, if the manufacturing facilities of third parties on whom the Group relies, become unavailable for any reason, the Group would need to secure alternative manufacturing facilities with the necessary capabilities or move such manufacturing processes in-house. This could require substantial lead times and (particularly if moving manufacturing in-house) substantial capital investment.

**Impact:** High

- Mitigation Strategy:**
- Policies and agreements to manage our suppliers including use of dual sourcing;
  - Detailed forecasting of requirements;
  - Maintaining large inventories of key components; and
  - Established a Business Continuity Plan (BCP) and conduct test scenarios on a regular basis.

### b. Trade, war, pandemic and inflation

The Group operates a global business and its business may be impacted by restrictions on trade, the war in the Ukraine, inflation, and the continuing pandemic, including the rise in infections and the corresponding government response in the People's Republic of China. Further, compliance with ever changing trade regulations, including export controls and sanctions is complex and expensive.

**Impact:** Medium

- Mitigation Strategy:**
- Maintaining large inventory of key components;
  - Minimising outsourcing of manufacture;
  - Robust export control policy;
  - Detailed training provided to staff; and
  - In-house legal team supported by access to external advice.



## Principal Risks Evaluation continued

### c. Concentrated revenues

The Group is reliant on a small number of customers for a high proportion of its revenue. A limited number of significant customers have historically accounted for a substantial portion of the Group's revenue. Despite growth in the Group's wider customer base, loss of one or more of these customers would have a significant impact on the financial capabilities of the Group.

**Impact:** Medium

**Mitigation Strategy:**

- Expansion of the global sales team to drive continued growth of our existing customer base;
- Expansion of commercial marketing operations to generate new customer leads; and
- Investment in field applications support to maximise potential of each customer.

### d. Cyber-security

The Group's systems, data (wherever stored), software, networks, and those of third parties, are vulnerable to security breaches (whether deliberate or unintentional), including unauthorised access from within the Group or by third parties (for the purpose of misappropriating financial assets, IP or sensitive information, or otherwise), computer viruses or other malicious code and other cyber threats that could corrupt data, cause operational disruption or otherwise have an adverse security impact. In addition, certain of its devices are similarly vulnerable when deployed by the Group's customers.

**Impact:** Medium

**Mitigation Strategy:**

- Regular training and awareness provided to the staff with at least an annual requirement to read Company policies;
- Regular ISO audits;
- Internal testing plan to test for vulnerabilities on a regular basis;
- Clear roles and responsibilities are established. Lessons learned from test scenarios are documented;
- Ransomware tabletop exercise completed in Q1 21;
- Incident reporting channels in place; and
- Firewalls and other technical safeguards are established to provide network protection.

### e. Intellectual property protection and competition

The Group's ability to add and create value and, therefore, its success, depends, in large part, on its ability to obtain, maintain and enforce a combination of patents, trademarks, copyrights, trade secrets and proprietary knowledge, and to impose confidentiality procedures and contractual and other restrictions, in all cases so as to establish and protect its proprietary IP rights. The failure to do so may lead to substantial harm to the Group and its ability to operate. The life science industry generally is litigious. The Group itself has in the past had to spend significant amounts of money and time defending itself from unsuccessful patent litigation.

**Impact:** Medium

**Mitigation Strategy:**

- IP treated as a priority;
- Increased resources in protecting IP;
- Training and awareness of staff;
- Controls around use of technology; and
- Experienced legal counsel.

### f. Founder led-company, succession planning and talent recruitment

The Group's future success depends to a large extent on the experience and knowledge of the Executive Directors, its executive team and other key employees, and loss of the services of one or more of such persons could adversely affect the Group's business. Risk is heightened in the event of a departure of the Group's Chief Executive Officer, Chief Strategy Officer (CSO) (who are also the Group's co-founders), Chief Technology Officer (CTO), Chief Financial Officer (CFO), or key employees, consultants, suppliers and/or advisers with specialist scientific and technical skills that the Group requires for its product development. The Group's success also depends on its ability to attract, train, motivate and retain key personnel.

**Impact:** Medium

**Mitigation Strategy:**

- Succession planning in-process;
- Recruitment and fostering development of emerging leadership;
- Implemented a competitive reward and recognition package;
- Established career development opportunities widely promoted; and
- Focus on culture, mission, and creating a stable and motivating environment for all staff.

### g. Ability to introduce products to remain a technology leader

The global life science research market is characterised by rapid and significant technological changes, frequent new product introductions and enhancements and evolving market standards. This may result in the Group's products becoming obsolete. The Group's success depends on its ability to continue delivering improvements to its products, as well as its ability to develop and introduce new products, in each case, to address the evolving needs of the Group's customers on a timely and cost-effective basis. In turn, this has an impact on the Group's ability to increase revenue and margin.

**Impact:** High

**Mitigation Strategy:**

- Continuous product release through Early Access channels to establish customer requirements and input into the product development pipeline;
- Investment in technology transfer groups that focus on prototype to production-ready manufacturing processes;
- Continuing manufacturing innovation and optimisation;
- Focus on dedicated teams to research alternative products designs to enable high volume and high-quality manufacturing;
- Continuous data collection at every critical point of manufacturing to drive production improvement projects; and
- Focus on strong Quality Management System (QMS).

### h. Ability to accurately forecast revenue

The Group's business is complex and it has a short history of significant revenue generation. As a result, the Group has found it challenging to accurately forecast revenue. The ability to accurately forecast and effectively address and manage customer and product demand is crucial to its commercial success. Inaccurate forecasting of demand and revenue in the short, medium and long term can inhibit the Group's ability to create an effective sales pipeline, scale production accordingly and meet revenue targets communicated to its shareholders.

**Impact:** Medium

**Mitigation Strategy:**

- Robust financial management framework with detailed reporting;
- Good visibility and monitoring of sales orders received;
- Fully integrated ERP to consolidate information and automate business processes;
- Production capability and planning;
- Further improvement of forecasting models to inform critical business decisions;
- Internal Audit and Risk Functions established;
- Enable continuous communication between commercial teams and finance; and
- Enable communication with customers.

## Principal Risks Evaluation continued

### i. Data privacy and data classification

The Group operates globally and relies on access to data relating to its customers, its employees and its research and development to conduct its operations. Properly collecting, classifying, and controlling this data to comply with often conflicting laws and in a manner to enable the Group to grow its business is expensive and challenging. In addition, the Group's ability to identify and protect its trade secrets while remaining nimble is also a challenge.

**Impact:** Medium

**Mitigation Strategy:**

- A data protection policy has been established;
- Segregation of duties within systems where personal data is handled has been established;
- The HR records are segregated from other data, and only limited access is available;
- A Data Protection Officer (DPO) role is active within Oxford Nanopore with independent responsibility for assuring security of personal information;
- General Data Protection Regulation (GDPR) practices employed to limit data processing;
- Regular training and awareness provided to the staff with at least an annual requirement to read Company policies; and
- Implementation of a system to enable classification of data and establishment of different controls based on such classifications.

### j. Environment, health and safety

The Group's R&D and manufacturing activities involve the use of hazardous materials, including chemicals, biological materials, solvents and radioisotope materials ("hazardous materials"). Accordingly, the Group is subject to laws, regulations and permits relating to environmental, health and safety matters, including, among others, those governing the use, storage, handling, exposure to and disposal of solvents and other hazardous materials and wastes, the health and safety of its employees, and the shipment, labelling, collection, treatment and disposal of non-hazardous and hazardous waste appropriately managed by internal staff and approved waste contractors. If the Group were found to have failed to handle hazardous materials with care and/or to have violated environmental, health and safety laws and regulations (in respect of past or future activities), as a result of human error (including failure to understand applicable laws and regulations), accident, equipment failure or otherwise, it may be subject to investigations, substantial fines and penalties, remediation costs, property damage and personal injury claims, suspension of production or product sales, loss of permits or a cessation of operations. This may result in potential fines, reputational damage and/or suspension of operations leading to an impact on financial results.

**Impact:** Medium

**Mitigation Strategy:**

- Dedicated Health & Safety (H&S) resources to ensure all rules are enforced;
- Software tools and third-party advisors to better enable compliance and incident avoidance;
- Regular training and awareness given to staff with at least an annual requirement to read Company policies;
- Full regulatory assessment and identification of any compliance gaps and actions to mitigate these; and
- Legal support in-house.





# Viability Statement

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

In doing so, the Directors have considered the Group's prospects taking into account its current financial position, its recent historical performance, its business model and strategy (pages 21 to 68) and the PRUs (pages 65 to 68).

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

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

The planning process is led by the Chief Executive Officer and the Chief Financial Officer through the Operating Committee and in conjunction with relevant functions. The Board participates fully in the annual process and has the task of considering whether the plan continues to take appropriate account of the external environment including technological, social and macro-economic changes. The most recent plan was approved by the Board in November 2021.

As set out in the Audit and Risk Committee Report at pages 100 to 106, the Audit and Risk Committee reviews and discusses with management the schedules supporting the assessments of going concern and viability.

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

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

## Assessment period

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

## Viability scenario frameworks

To assess the viability of the Group throughout this period, the Directors have built upon the analyses supporting the Going Concern assertion so as to represent plausible yet severe scenarios the Group may encounter over the viability period of three years, testing throughout the threshold at which the Group's continued operations might become unviable. These are outlined in detail below.

In the event that scenarios such as those tested were to occur, the Directors would have a number of options available to maintain the Group's financial position including cost reduction measures. The fourth and final scenario – which combines the prior three standalone scenarios together as one extreme scenario – shows that the Group would remain viable even in this particularly extreme scenario, without any cost mitigation actions.

Principal considerations relating to four potential scenarios and how they could affect Oxford Nanopore's viability.

### 1. Revenue Scenarios

Rapid changes to the LSRT market resulting in significant technological changes, may result in the Group's products becoming less desirable, resulting in a no-growth period. During this period the Group continues to invest for growth and recovery throughout with no cost saving measures.

- Principal considerations**
- Impact to revenues;
  - Product and customer strategies;
  - Salesforce restructuring and customer success trends;
  - Route to market; and
  - Damage containment and actions for reputational repair.

- Principal risks considered in the scenario:**
- Ability to introduce products to remain a technology leader (PRU: a).

### 2. Cost Scenario

Significant macro event leading to supply chain issues, resulting in shortages and consequential material cost price inflation for entire period. During this period the Group continues to invest for growth with no cost saving measures.

- Principal considerations**
- Extended periods of raw material cost inflation considered;
  - Supply chain and deployment risks considered; and
  - No changes to the revenue profile of Group.

- Principal risks considered in the scenario:**
- Ability to introduce products to remain a technology leader (PRU: a); and
  - Trade, war, pandemic and inflation (PRU: b).

### 3. Balance Sheet Scenario

Significant macro events and recessionary impact lead to increase in supply chain issues eg raw material shortages, cost price inflation, increasing lead times. During this period the Group continues to invest for growth with no cost saving measures.

- Principal considerations**
- Cost price inflation on key raw materials considered;
  - Relationships with suppliers;
  - Finding new suppliers; and
  - No changes to revenue profiles of Group.

- Principal risks considered in the scenario:**
- Ability to introduce products to remain a technology leader (PRU: a); and
  - Trade, war, pandemic and inflation (PRU: b).

### 4. Combined Worst-Case Scenario

In each variation of the three non-combined scenarios, the Group is forecast to have sufficient resources to continue to meet its liabilities as they fall due, and for each of the revenue, cost, and balance sheet scenarios, cost saving actions were not instigated as part of the analysis. In the event that any of these adverse scenarios were to occur in reality, controllable mitigating actions are available to the Group should they be required.

Even when the scenarios are combined into an extreme 'worst case' scenario the Group remains viable in the period, still without any cost saving mitigations.

## Viability Statement continued

### Confirmation of longer-term viability

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

The Audit and Risk Committee reviewed the process undertaken and challenged whether management's assessment of the principal and emerging risks facing Oxford Nanopore and their potential impact were appropriate. This involved reviewing Oxford Nanopore's financial performance, Budgets for 2022 and cash flow projections. The Audit and Risk Committee also considered whether there were any additional risks which could impair solvency or which, whilst not necessarily principal risks in themselves, could become severe if they occur in conjunction with other risks. The Admission to the London Stock Exchange in October 2021 has given Oxford Nanopore substantial cash reserves available to draw down upon and the directors consider Oxford Nanopore is in a strong position to weather any further uncertainty. Trading to date in 2022 has been in line with or in excess of management's forecasts.

**Tim Cowper**  
Chief Financial Officer

## Section 172 Statement and Stakeholder Engagement

The Board is committed to strong, regular, and transparent engagement with the Company's stakeholders.

Our purpose is the enablement of the analysis of any living thing by anyone, anywhere. We have developed our technology to make it accessible for those who need it, whether in developed markets or more resource limited settings. For more details on the Company's approach to sustainability, please see pages 52 to 63.

The Company's stakeholders are the people, communities and organisations, which have an interest in our vision, purpose and strategy or who may otherwise be affected by decisions made by its Board.

The following table describes how the Board has had regard to the matters set out in section 172 of the Companies Act 2006 as amended by the Companies (Miscellaneous Reporting) Regulations 2018. Please also refer to the following disclosures throughout the Annual Report:

Section 172 factor	Disclosure
<b>The likely consequences of any decision in the long-term</b>	Our mission (page 10) Our business model (page 31) Our strategy (pages 31 to 34 and 36 to 37)
<b>The interests of the Company's employees</b>	Diversity and Inclusion (pages 62 and 98) Developing talent (page 62)
<b>The need to foster the Company's business relationships with suppliers, customers and other</b>	Governance (pages 76 and 77)
<b>The impact of the Company's operations on the community and the environment</b>	Our ESG Approach (page 52)
<b>The desirability of the Company maintaining a reputation for high standards of business conduct</b>	Culture (pages 88 and 89) Governance (pages 84 to 91 and 104 to 105) Internal controls (pages 64, 91 and 104)
<b>The need to act fairly between members of the Company</b>	Annual General Meeting (page 91) Rights attaching to shares (pages 133 to 134)





## Section 172 Statement continued

### Our shareholders

Engagement with the Group's shareholders is key to its success. The Board seeks to treat all shareholders fairly and ensures decisions are made for the benefit of all of our shareholders including its employee shareholders.

#### How the Board engages

- Meetings and calls directly with shareholders and consultation on key issues;
- Investor roadshows;
- Analyst events;
- Regulatory announcements;
- Updates on website and social media;
- Annual Report and Accounts;
- AGM; and
- Extensive engagement with investors during IPO roadshow.

#### Key topics that matter

- Execution and delivery of strategy;
- The Group's progress and performance, from a technology, operational, commercial and financial perspective;
- ESG matters;
- Long-term growth and vision;
- Developments in customer markets and the competitive landscape;
- Capital allocation considerations; and
- Executive remuneration.

#### How stakeholder interest influences Board discussions and principal decisions

- The Board and management take into account shareholder opinions when developing the Group's strategy and performance, Directors' remuneration policy, capital structure and dividend policy;
- The Board engaged with shareholders regularly over a number of years regarding a potential listing. Please see the principal decision case example on pages 78 and 79 for details of how the Board considered all relevant stakeholder interests in respect of its Admission;
- The Group engaged with its shareholders in advance of the conditional pay awards made to the Executive Directors of the Company at Admission. In particular, the feedback from shareholders was considered when setting the performance hurdles for the awards and to ensure the hurdles were in line with the aim to reward ambitious, sustainable growth; and
- The Group engaged with its shareholders regarding its Limited Anti-Takeover ("LAT") shares and allowed the Group to explain that the LAT shares are necessary to ensure the Group has time to realise the opportunity it believes is available to it with its new generation of sensing technology and to maximise long-term shareholder value.

### Our people

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

#### How the Board engages

- Appointment of a designated Non-Executive Director for workforce engagement (please see pages 88 and 89 for more details);
- All Employee Meetings (AEM), including AEM's specific to different jurisdictions;
- Employee Q&As on relevant topics;
- Employee intranet;
- Updates on technological and commercial goals;
- Weekly customer news bulletins;
- Internal training sessions;
- Externally-facilitated whistleblowing hotline;
- The Board receives an update on employee metrics (including the staff attrition KPI) at each Board meeting; and
- Consultations with employees on key topics, including changes to pension arrangements in 2021.

#### Key topics that matter

- The Group's strategy;
- Purpose and culture;
- Training and development;
- Diversity and inclusion;
- Reward and benefit structures; and
- Wellbeing.

#### How stakeholder interest influences Board discussions and principal decisions

- Please see the principal decision case example on pages 78 and 79 for details of how the Board considered all relevant stakeholder interests in respect of its Admission;
- The ability to recruit and develop the most talented employees who believe in the Group's purpose and motivating employees towards a common goal, is a priority for the Board in its decision making;
- The safety and wellbeing of our people was the highest priority when the Board considered its COVID-19 policy throughout 2021. The Group has COVID-19 business continuity ratings in place for each of its regions and appropriate measures were in place across its different jurisdictions to keep people safe. These measures included remote working where possible, social distancing in laboratories, manufacturing plant and offices and a number of other COVID-19 safeguarding measures in its work locations, such as regular COVID-19 testing, sanitising and mask wearing in communal areas; and
- The Board considered the interests of employees when exploring changes to its pension arrangements for UK employees. The Group ran a 60-day consultation period and invited employees to find out about and provide feedback on the proposed changes to its pension arrangements. Following consultation, the default contribution rates were increased to 6% from the Group (previously 3%) and 6% from employees (previously 4%).

## Section 172 Statement continued

### Our customers

The Group considers itself part of a broader scientific community of users of its technology. The Group collaborates deeply with its customers, as well as supporting them from a technical and customer services perspective.

The Group's business is built on its ability to retain existing and win new customers. As such, understanding, engaging and responding to customer needs is a critical priority.

#### How the Board engages

- Regular meetings/calls with senior leadership team to understand customer views and needs;
- Direct customer feedback;
- Group conferences including London Calling and National Community Meeting;
- The Board receives updates and feedback on the Group's markets, customers and operational performance at every Board meeting; and
- The Group completes regular Strategy Planning processes, which include every part of the business and take into account both existing and future customer needs and trends over the next five years.

#### Key topics that matter

- Technology, vision, purpose and progress and how this relates to market opportunities;
- Customer and Group strategy and operational performance;
- Market development: the range of applications that customers are performing using the Group's technology and how the Group is supporting new application development through its technology pathway;
- Overall performance of the sector in relation to the Group's disruptive approach to the market; and
- The Group's approach to ESG.

#### How stakeholder interest influences Board discussions and principal decisions

- Please see the principal decision case example on pages 78 and 79 for details of how the Board considered all relevant stakeholder interests in respect of its Admission;
- Following customer engagement and insight gathered from ongoing market intelligence and customer relationships, the Board reviews and provides input on strategy, resource allocation and prioritisation across the Group's markets and customers; and
- The Board continued to drive the senior leadership team to deliver disruptive, high performing technology into existing markets and to create new markets and utilise good business practice with all stakeholders.

### Our suppliers

The Group has a complex and robust supply chain, and our suppliers contribute to innovative processes by developing their own products and services, which are sometimes bespoke to achieve the Group's goals.

The Group aims to build honest, respectful and transparent relationships with suppliers who comply with applicable regulations and share our commitment to the highest standards of corporate governance.

#### How the Board engages

- Supply chain team reports directly to Chief Financial Officer;
- The Board receives regular reporting on matters concerning suppliers, including key procurement reviews;
- The Group's supply chain team continually engages with new suppliers and existing suppliers; and
- Audits for all new suppliers and ongoing audits for existing suppliers.

#### Key topics that matter

- Responsible business practices and due diligence;
- Conduct and ethics;
- Fair business terms and prompt payment;
- Robustness and flexibility of supply chain; and
- The Group's approach to ESG.

#### How stakeholder interest influences Board discussions and principal decisions

- Please see the principal decision case example on pages 78 and 79 for details of how the Board considered all relevant stakeholder interests in respect of its Admission;
- The Board considered the interests of suppliers when deciding on the Group's inventory levels and approving purchase order requests; and
- The Board considered key risks in relation to its supply chain when producing its corporate risk register and Prospectus.

### Our communities and the environment

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

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

The Group is committed to limit the impact of its operations on the environment. Please see pages 60, 61 and 63 for further details.

#### How the Board engages

- The Board receives regular operational reports from the Chief Executive Officer on the impact of our customers' work, in areas across science and society;
- The Board receives reports on operational matters from senior management on good business practices; and
- The Group has set up an ESG working group.

#### Key topics that matter

- The Group's vision and purpose;
- Engagement on problem solving where genomics may be a solution at a strategic level e.g., with governments and senior corporate leadership; and
- The Group's approach to ESG.

#### How stakeholder interest influences Board discussions and principal decisions

- Please see the principal decision case example on pages 78 and 79 for details of how the Board considered all relevant stakeholder interests in respect of its Admission; and
- The Board regularly discusses the positive impact of the Group's technology on communities and the environment, and in particular in 2021, the use of the Group's technology throughout the COVID-19 pandemic.



## Section 172 Statement continued

### Other stakeholders

The Company considers that the above groups are its key stakeholders. However, it is important that the Board engages with and considers the interest of any other stakeholders who may be interested in the Company's business or otherwise be impacted by its decisions. The Board therefore considers any other stakeholders who may have a particular interest in a principal decision made by the Board.

Examples of other stakeholders include governments and governmental bodies, research partners, academic institutions, analysts, governance bodies, which include proxy advisors and regulators.

In addition to the methods of engagement as set out above, the interests of the Company's stakeholders are considered by the Board and its Committees through a combination of:

- regular reports and presentations including operational reports and updates on investor relations, health and safety, employees and corporate governance;
- a strategy review that considered the purpose of the Company and its strategy, which is supported by a budget for the following year and a medium-term financial plan;
- formal consideration of R&D projects and any large contracts; and
- the risk management process.

### Consideration of long-term consequences in decision making

The Board is aware and takes into consideration all stakeholders' interests when making decisions of strategic importance while evaluating at the same time the long-term consequences for the Company. The Board assesses potential conflicts between stakeholders' interests as part of its decision making process. The Board recognises that each decision made will not always result in a positive outcome for each of the Company's stakeholders. However, by having good governance procedures in place for decision making, the Board aims to make sure that its decisions maintain a high standard of business conduct.

### Culture

The Board sets the tone and culture for the Company and recognises the benefits of its innovative and collaboration-drive entrepreneurial corporate culture, including the ability to quickly develop and launch new and innovative products. The Board considered the Company's dynamic growth and the need to continue to improve its operational and manufacturing systems and processes, its financial systems and internal controls and other aspects of its business and continue to effectively expand, train and manage its people. For more information on the Company's culture, please see pages 88 and 89.

### Capital allocation and dividend policy

The Board ensures that the Company has sufficient capital to achieve its purpose and pursue its long-term strategic aims. The Board considered the capital needs of the Company throughout 2021 and in particular, when approving the Company's fundraising and IPO. The Board also considered the return of capital to its shareholders and approved a secondary element to its IPO to allow its existing shareholders to realise a proportion of their shareholding.

The Company does not currently pay a dividend.

### Stakeholder engagement in action

#### Principal decision: Admission

The Company was admitted to the standard listing segment of the London Stock Exchange on 5 October 2021. This was a fundamental principal decision in 2021 and was made following the Board's determination that Admission would be in the best interests of all of its stakeholders.

#### Existing shareholders

Admission had been discussed with the Company's existing shareholders for several years as a possible option for the Company's growth. Regular engagement with shareholders has always taken place whether this was with individual shareholders or more broadly, for example through business updates. During the IPO process, the Company wrote to its shareholders on various matters, which required shareholder approval including Admission itself. The Board proceeded with Admission following the support of its shareholders.

The Board considered the benefits of increased liquidity for its existing shareholders both at the IPO stage itself and in the longer term by listing on the London Stock Exchange. As part of the IPO process, the Company offered all of its existing shareholders the opportunity to realise some of their existing shareholding should they choose to do so. This also included employee shareholders.

As part of its IPO, the Company raised an additional £174 million for selling shareholders. The Board considered the impact on the Company's existing shareholders, which including consideration that whilst the fundraising would be dilutive to existing shareholders, the existing shareholders would be able to participate in the Company's IPO and the IPO would have sufficient capital to meet its longer-term aims.

The Company strengthened its corporate governance processes and procedures in preparation for its IPO to further protect the interests of shareholders and reinforce the confidence of its shareholders.

#### New shareholders

As new shareholders would be able to participate in the Company's IPO, the Board concluded that the IPO would be beneficial for all stakeholders as it would provide additional capital and allow the Company to further diversify and strengthen its shareholder base.

#### Employees

Prior to the Company's IPO, all of its employees were awarded share options (or equivalent 'phantom' awards in certain jurisdictions). This is in line with the Company's ethos that all its employees should be part of the Company's vision and share in the Company's success. As part of the IPO process, employee shareholders and those employees with vested options were permitted to sell a certain proportion of their shares as part of the IPO process. The Board considered that this was a good liquidity opportunity for its employees, both at Admission and longer-term.

The Company introduced additional all-employee remuneration schemes, which were conditional upon Admission. Under the Company's Share Incentive Plan for UK employees, an award of free shares equivalent to £3,600 was made to all UK employees following Admission to allow employees to share in the Company's success. An equivalent cash-based award was made to non-UK and non-US employees and an Employee Stock Purchase Plan was also introduced for the benefit of the Company's US

employees. In addition, the Company also introduced a Long-Term Incentive Plan. When introducing and approving these plans, the Board considered the interests of all employees across its jurisdictions, noting that employees are the Company's key asset and it was necessary to have in place appropriate measures to attract, retain and motivate its employees.

The Board considered that Admission may change and potentially increase the workload for certain employees. In addition, the Board considered that it was critical that the new governance structures that were implemented prior to Admission would integrate into the Company's innovative and agile culture and not negatively impact on its R&D activities. The Board considered these challenges, ways to mitigate risks and how the IPO may also be an opportunity for employees to widen their skillset and take advantage of growth opportunities.

#### Customers, Suppliers, Communities and the wider environment

The Board considered the impact of Admission on its other stakeholders including customers, suppliers, communities and the wider environment. It was noted that the greater liquidity and the additional capital raised at Admission would assist the Company with its longer-term strategy, which would create value for all of its stakeholders. In addition, the Company's enhanced corporate governance procedures would be of benefit to all stakeholders. The Board therefore concluded that Admission would be for the benefit of all of its existing stakeholders.

#### Additional stakeholders

The Board also considered that following Admission, the Company would have new stakeholders or that its decisions may have a bigger impact on certain stakeholders. This group included shareholder proxy bodies, regulators and analysts. The Board noted that following Admission, it will continue to consider all stakeholder interests relevant to a decision.

# Non-financial Information Statement

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

Reporting Requirement	Oxford Nanopore's policies and standards	Where to read more in this report
<b>Business model</b>	N/A	Business model pages 31 to 34
<b>Non-financial KPIs</b>	N/A	Key performance indicators pages 48 to 50
<b>Principal risks</b>	Risk register established ISO 27001 and 9001 accreditations	Risk management pages 64 to 65 Principal risks pages 65 to 68 Business model pages 31 to 34 Audit and Risk Committee Report pages 104 to 105
<b>Stakeholders</b>	Group Data Protection Policies including Privacy Policy, Human Genomic Policy and Data Retention Policy	Stakeholder engagement pages 74 to 79 s172 statement pages 73 to 79 Board activities pages 87 to 91 Environmental, social and governance disclosures pages 52 to 63 Employee engagement page 75 Corporate Governance Report pages 84 to 91 Audit and Risk Committee Report pages 100 to 106
<b>Employees</b>	Flexible Working Policy Whistleblowing Policy Directors' Remuneration Policy Environment, Health, and Safety Policy Covid Policy	Group's Response to COVID-19 page 24 Environmental, social and governance disclosure pages 52 to 63 s172 statement pages 73 to 79
<b>Human rights</b>	Modern Slavery Statement Board Diversity Policy	Risk management 67 to 68 Nomination Committee Report pages 96 to 99
<b>Social matters</b>	Modern Slavery Statement	Environmental, social and governance disclosure pages 52 to 63 Directors' Report pages 132 to 135
<b>Anti-bribery and anti-corruption</b>	Anti-Bribery and Anti-Corruption Policy Conflicts of Interest Policy	Audit and Risk Committee Report page 105
<b>Environmental matters</b>	Environment, Health and Safety Policy	Environmental, social and governance disclosure pages 52 to 63

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

Training was provided to all employees during 2021 on data protection, whistleblowing, insider dealing, modern slavery, anti-bribery and corruption and the anti-facilitation of tax evasion. In addition, all new employees are required to read and agree to our compliance policies.

## People

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

## Human rights

We respect and uphold human rights and fully comply with applicable human rights legislation in the countries in which we operate. This includes upholding freedom of association and the right to collective bargaining, equal remuneration, minimum living wages, prohibition of child labour and forced labour and protection against discrimination. The Group has a Modern Slavery Statement and an Equality and Diversity Policy in place.

## Data protection

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

These include:

- the EU GDPR in the EU;
- the UK GDPR and DPA in the UK;
- the Data Security Law, Cybersecurity Law and Personal Information Protection Law (which came into effect on 1 November 2021) in China;
- the FTC Act and various US state laws in the US including the California Consumer Privacy Act; and
- Various US state laws.

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

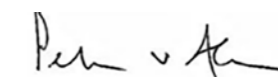
Moreover, compliance with data protection and privacy laws and regulations are regularly considered at Board-level as part of the Group's general compliance and risk management processes. The Group maintains, regularly reviews, and updates a separate Human Genomic Data policy that sets out the Group's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

## Tax strategy

The Group is committed to acting with integrity and transparency in all tax matters and is committed to anti-facilitation of tax evasion as part of its Corporate Governance policies. The Group has policies and procedures in place designed to promote compliance with tax laws and regulations, which are continually reviewed as the Group expands its operations in existing and new jurisdictions.

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

On behalf of the Board



**Peter Allen**  
Chairman of the Board  
31 March 2022





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# Corporate Governance

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## Chair's Corporate Governance Statement

During 2021, the Board strengthened its corporate governance processes and procedures and ensured that a culture of risk identification and mitigation was embedded throughout the Company ahead of Admission.

On behalf of the Board, I am pleased to present the Company's first Corporate Governance Report since Admission to trading on the Main Market of the London Stock Exchange. As the Company has a Standard Listing, the Company is not required to comply, or otherwise explain non-compliance, with the requirements of the UK Corporate Governance Code ("Code") (available at <https://www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code>).

However, the Company has chosen to voluntarily comply with the provisions of the Code (other than the limited exceptions as set out in this report). This forms part of the Company's commitment to achieving the highest standards of corporate governance and accountability. This report explains the key features of the Company's corporate governance framework and how the Company is working to embed these following the Company becoming a publicly listed company.

The Board looks forward to having the opportunity to discuss any matters relating to corporate governance with shareholders at the Company's first AGM post-Admission in June 2022 or at any other time throughout the year.

## Corporate Governance Framework

### Compliance with the Code

The Company is committed to a high standard of corporate governance and continues to focus on the evolution of its corporate governance framework. From the period from Admission and up to 31 December 2021, the Company applied the provisions of the Code in full with the following exceptions:

- **Provision 12** – The board should appoint one of the independent Non-Executive Directors to be the senior independent director. During the period from Admission to 31 December 2021, the Company did not have a senior independent director. On 21 January 2022, Wendy Becker was appointed as senior independent director and the Company is now compliant with this provision.
- **Provision 19** – The chair should not remain in post beyond nine years from the date of their first appointment to the Board. Following Peter Allen's indication that he wishes to retire from the Board in 2022, the Company expects to be in compliance with this position following the appointment of a new Chair in 2022.

### Corporate governance changes in advance of Admission

As the Company prepared for Admission, it was important to ensure that the Board was appropriately structured from a corporate governance perspective. In particular, the Company looked at both the skills, experience and knowledge

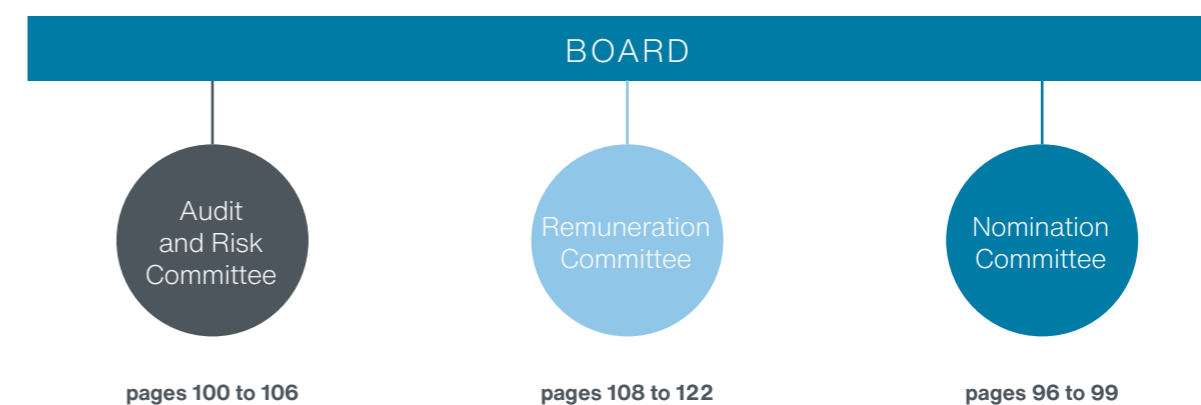
on the Board and also the independence of its directors. In June 2021, Wendy Becker and Adrian Hennah joined the Board, bringing considerable experience in scaling up businesses, commercial expertise and financial acumen. In addition, Alan Aubrey, who had served on the Board for over 12 years and would not be independent under the Code, retired from the Board following Admission. Following the changes to the Board, the Company has four Executive Directors and six Non-Executive Directors. Over half of the Board (excluding the Chair) is independent in compliance with the Code.

The Board adopted a number of policies prior to Admission to formalise its governance structure and to ensure compliance with the additional regulations and legislation that the Company became subject to at Admission.

### The Board

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

The Company has the following Board Committees:





## Corporate Governance Framework continued

### Audit and Risk Committee

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

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

The Audit and Risk Committee will meet at least four times each year at appropriate times in the financial reporting and audit cycle and otherwise as required. The Audit and Risk Committee is comprised of independent Non-Executive Directors, who each have competence relevant to the sector in which the Company operates. At least one member of the Audit and Risk Committee is required to have recent and relevant financial experience and competence in accounting and/or auditing or both.

From Admission, the Audit and Risk Committee has been chaired by Adrian Hennah and its other members are Dr Guy Harmelin and John O'Higgins. Peter Allen attends the meetings of the Audit and Risk Committee as an observer but as Chair of the Company, he is not a member of the Committee in compliance with the Code.

### Remuneration Committee

The Remuneration Committee's role is to:

- develop the policy on executive remuneration including bonuses, incentive payments and pension arrangements;
- determine the levels of remuneration for the Chair, the Executive Directors, the Company Secretary, senior management and such other members of the Company's management as determined by the Board;
- oversee the implementation of the Company's employee share plans; and
- ensure that a report on the Directors' remuneration policy and practices is included in the Annual Report (please see pages 124 to 130) and that such policy is submitted to the Company's Shareholders for approval at the AGM.

The Remuneration Committee will meet at least twice each year and otherwise as required. The Remuneration Committee is comprised of independent Non-Executive Directors. From Admission, the Remuneration Committee has been chaired by Wendy Becker and its other members are Peter Allen, Dr Guy Harmelin, John O'Higgins and Sarah Gordon Wild.

### Nomination Committee

The Nomination Committee's role is to:

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

The Nomination Committee will meet at least twice each year and otherwise as required. The majority of the Nomination Committee is comprised of independent Non-Executive Directors. The Nomination Committee is chaired by Peter Allen and its other members are Wendy Becker, Dr Guy Harmelin, Adrian Hennah, John O'Higgins, Dr Gordon Sanghera and Sarah Gordon Wild.

### Delegation of authority policy

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

### Roles and responsibilities of the Board

<b>Chair</b>	<ul style="list-style-type: none"> <li>▪ Leads and manages the business of the Board</li> <li>▪ Ensures clear structure for effective operation of the Board and its Committees</li> <li>▪ Promotes high standards of governance</li> <li>▪ Sets Board agenda and ensures sufficient time is allocated for effective debate and discussion of issues</li> <li>▪ Ensures effective communication with shareholders</li> </ul>
<b>Chief Executive Officer</b>	<ul style="list-style-type: none"> <li>▪ Leads on development and delivery of strategy with the Chief Strategy Officer</li> <li>▪ Responsible for the day-to-day management of the business and sets operational targets</li> <li>▪ Leads delivery of the Company's operating plans and budgets</li> <li>▪ Ensures the Company's financial structure and capacity supports the Company's objectives and implements the Board's decisions</li> <li>▪ Maintains an active dialogue with shareholders in respect of the Company's performance</li> </ul>
<b>Chief Strategy Officer</b>	<ul style="list-style-type: none"> <li>▪ Leads on development and delivery of strategy with the Chief Executive Officer</li> <li>▪ Responsible for the Company's business development</li> </ul>
<b>Chief Technology Officer</b>	<ul style="list-style-type: none"> <li>▪ Leads the innovation of breakthrough technologies and product development</li> </ul>
<b>Chief Financial Officer</b>	<ul style="list-style-type: none"> <li>▪ Responsible for the Company's financial and operational matters</li> <li>▪ Ensures the Company remains appropriately funded</li> </ul>
<b>Non-Executive Directors</b>	<ul style="list-style-type: none"> <li>▪ Provide constructive challenge to the development of strategy</li> </ul>
<b>Senior Independent Director<sup>19</sup></b>	<ul style="list-style-type: none"> <li>▪ Acts as a sounding board for the Chair and acts as intermediary between the Chair and the other Directors</li> <li>▪ Available to shareholders to discuss their views</li> </ul>
<b>Company Secretary</b>	<ul style="list-style-type: none"> <li>▪ Ensures the right Board policies and procedures are in place and followed</li> <li>▪ Advises the Board on corporate governance matters</li> </ul>

<sup>19</sup> On 21 January 2022, Wendy Becker was appointed as senior independent director.

# Key activities for the Board during 2021

<b>Strategy and risk management</b>	<ul style="list-style-type: none"> <li>Approved the Company's fundraising in the first half of 2021</li> <li>Approved the Company's IPO</li> <li>Approved the Company's continued response to the COVID-19 pandemic and considered the impact of COVID-19 as a risk</li> <li>Discussed the Company's principal risks and adopted an Environmental Resources Management (ERM) framework</li> </ul>
<b>Board appointments</b>	<ul style="list-style-type: none"> <li>Appointed Wendy Becker and Adrian Henna as Non-Executive Directors and as Chairs of the Remuneration Committee and Audit and Risk Committee respectively</li> <li>Appointed Sarah Gordon Wild as designated Non-Executive Director responsible for workforce engagement</li> </ul>
<b>Financial performance</b>	<ul style="list-style-type: none"> <li>Approved the Company's financial statements for the year ended 31 December 2020, the period ended 30 April 2021 and the review of the period ended 30 June 2021</li> <li>Approved the 2022 annual budget</li> </ul>
<b>Corporate governance</b>	<ul style="list-style-type: none"> <li>Approved the establishment of the Operating Committee</li> <li>Approved the delegation of authority policy</li> <li>Approved the matters reserved for the Board and terms of reference for each Board Committee</li> <li>Approved the updates to existing compliance policies and the addition of new policies to comply with the legislative, regulatory and governance requirements of a listed company</li> </ul>

## How the Board assesses and monitors culture

The Board recognises that the Company's culture is key to ensuring its long-term success. The Company's purpose of enabling the analysis of anything, by anyone, anywhere drives and motivates a deep level of commitment from its employees and wider workforce. Our purpose is widely understood and believed in across the business, which facilitates a positive, determined and supportive culture.

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

By connecting established interest groups and defining new ones, where representation does not currently exist, we have created an Employee Experience Community – an inclusive network that creates motion, conversation and connection across the organisation. Employee voices and ideas from every corner of the Company and across the globe will be heard and acted upon through this network and, as advocates and custodians of our culture, will be embodying our Values in Action ("ViA").

## The ViA framework

A new initiative will be implemented during 2022 to establish a ViA community. The intention of our ViA community is to facilitate ongoing and interdependent connection between interest groups, business leaders, sponsors, our CEO and the Board. An open, business-led flow of information and decision making will empower employee experience and maximises our collective impact.

Six groups will act as advocates and custodians of the interest areas critical to employee engagement:

- Diversity and inclusion
- Wellbeing
- Internal communications
- ESG
- Social and community
- Development and knowledge

The groups will be formed of representatives from each of our Strategic Business Areas to ensure that all perspectives are considered, and diverse thinking is encouraged. Business sponsors will be invited to champion each group and act as advisors and shape activities and facilitate action.

## Purpose in Practice

Being self-managed, the groups will organise their own schedule of meetings and activities throughout the year. Their regular commitment will be every quarter when the ViA groups will select a member of each group to meet in the ViA Hub. Chaired by Gordon Sanghera, the Hub offers the opportunity for themes and ideas to be openly discussed and progressed through the meeting point of strategic and grass roots vision. The members who attend will rotate each quarter to ensure diverse representation.

In order to further enhance the engagement between the Board and the Company's workforce, Sarah Gordon Wild was appointed as the Company's designated Non-Executive Director responsible for workforce engagement. The ViA community will also be an opportunity for Sarah Gordon Wild to engage with employees, to explore and validate the lived culture and Values in Action of our organisation and report back to the wider Board.

## Matters reserved for the Board

The Board has identified certain reserved matters for its approval. The schedule of matters reserved for the Board, along with the terms of reference for each of the Audit and Risk, Remuneration and Nomination Committees can be found on the Company's website at [nanoporetech.com/about-us/investors/corporate-governance](https://nanoporetech.com/about-us/investors/corporate-governance). The schedule was adopted by the Board at Admission and will be reviewed on an annual basis. Other matters have been delegated to the Board Committees and the Executive Directors.

## Board composition

As at 31 December 2021, there were ten Directors on the Board. The biographies for each Director are provided on pages 92 to 95.

In June 2021, the Board welcomed Wendy Becker and Adrian Henna as Non-Executive Directors of the Company. Alan Aubrey, who served on the Company's Board for over 12 years, retired from the Board in October 2021 following Admission.

Peter Allen, who is currently Chair and has served on the Board for over ten years, intends to retire from the Board during 2022.

The Board unanimously recommends to shareholders the appointment of Wendy Becker and Adrian Henna. Wendy is an experienced international public company Board director with a deep understanding of the importance of innovation, in addition to an impressive track record of scaling businesses from technology to healthcare. Adrian brings commercial expertise, financial acumen and a wealth of experience across a variety of relevant industries that reflects the Company's long-term ambitions.

The Board is satisfied that, having considered the other demands on their time, Wendy and Adrian have sufficient time to devote to their respective roles and to be effective members of the Board and effective Chairs of the Remuneration and Audit and Risk Committees respectively. The Board further recommends to the shareholders the reappointment of all other Directors who will be offering themselves for re-election at the 2022 AGM.

## Non-Executive Directors and independence

The Non-Executive Directors constructively challenge and scrutinise the performance of the Executive Directors and senior management team. The Company regards each of its Non-Executive Directors (excluding the Chair) as independent within the meaning of the Code. The independence of all Non-Executive Directors was reviewed at Admission. No matters have arisen following Admission, which would adversely impact this assessment. The Company complies with the Code recommendation that at least half of the Board (excluding the Chair) should be independent.

## Board meetings and provisions of information

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

The following table shows attendance at the Board meetings held from the Company's IPO to 21 March 2022:

Director	Board Meetings
Peter Allen	3/3
Wendy Becker	3/3
Sarah Gordon Wild	3/3
Dr Guy Harmelin	3/3
Adrian Henna	3/3
John O'Higgins	3/3
Dr Gordon Sanghera	3/3
Dr Spike Willcocks	3/3
Clive Brown	3/3
Tim Cowper	3/3



## Key activities for the Board during 2021 continued

### Operating Committee

During 2021, the Company established an Operating Committee whose role is to develop the Company's purpose, values, objectives, culture, strategic and long-range plans. The Operating Committee meets on a monthly basis. The Operating Committee is a committee of senior managers of the Company.

#### Committee Members

- Clive Brown (Chief Technology Officer)
- Tim Cowper (Chief Financial Officer)
- Jordan Herman (SVP, General Counsel)
- Sarah Lapworth (VP, Global Human Resources)
- Louisa Ludbrook (VP, Global Sales)
- Zoe McDougall (VP, Marketing and Corporate Affairs)
- Dr Gordon Sanghera (Chief Executive Officer)
- John Schoellerman (SVP, Corporate Development and Investor Relations)
- Rosemary Sinclair Dokos (VP, Product & Programme Management)
- Dr Spike Willcocks (Chief Strategy Officer)

#### Purpose and responsibilities

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

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

### Operating Committee's focus on risk

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

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

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

### Board support

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

### Director conflicts of interest

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

### Induction of new directors and training

As new Directors, Wendy Becker and Adrian Hennah received a comprehensive induction process.

In advance of Admission, all Directors, including the new Directors, received training from the Company's external legal advisors and its Joint Global Coordinators on their legal and regulatory duties, responsibilities and obligations. This ensured that the Directors were fully aware of and understood their obligations as a director of a listed company and the governance and legislative framework within which they operate.

Directors have access to the expertise from senior management and receive presentations on different areas of the business at Board meetings. Directors receive ongoing training on their responsibilities.



Induction of new directors.

### Risk management and internal controls

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

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

The Company has carried out a robust assessment of the Company's emerging and principal risks. Further details are set out on pages 64 to 68.

### Engagement with stakeholders

Details of how the company engaged with its stakeholders can be found on pages 74 to 79.

### Annual General Meeting (AGM)

The Company's AGM is scheduled to take place at 11am on 23 June 2022 and will be held at the Company's offices at Gosling Building, Edmund Halley Road, Oxford Science Park, Oxford, OX4 4DQ.

**Peter Allen**  
Chairman of the Board  
31 March 2022

## Board of Directors



**Peter Allen**  
NON-EXECUTIVE CHAIRMAN  
Committee memberships:  
N (Chair) R



**Dr Gordon Sanghera**  
CHIEF EXECUTIVE OFFICER  
Committee memberships:  
N



**Dr Spike Willcocks**  
CHIEF STRATEGY OFFICER  
Committee memberships:  
-



**Clive Brown**  
CHIEF TECHNOLOGY OFFICER  
Committee memberships:  
-



**Tim Cowper**  
CHIEF FINANCIAL OFFICER  
Committee memberships:  
-



**Wendy Becker**  
NON-EXECUTIVE & SENIOR  
INDEPENDENT DIRECTOR  
Committee memberships:  
R (Chair) N



**Sarah Gordon Wild**  
NON-EXECUTIVE DIRECTOR  
Committee memberships:  
N R



**Dr Guy Harmelin**  
NON-EXECUTIVE DIRECTOR  
Committee memberships:  
A N R



**Adrian Hennah**  
NON-EXECUTIVE DIRECTOR  
Committee memberships:  
A (Chair) N



**John O'Higgins**  
NON-EXECUTIVE DIRECTOR  
Committee memberships:  
A N R

### Key to Committees

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

### Peter Allen

NON-EXECUTIVE CHAIRMAN

Appointed: 18 April 2011

Independent: N/A

**Skills and experience:** Peter has broad, senior experience in the life science industries and has been a member of the Board since April 2011. Previously, Peter served as Chair of the board of Diurnal Group plc for five years until June 2020, and as Chair of the board of Clinigen Group plc since their IPO in 2012 until the end of August 2021. Peter also served as the Chief Financial Officer of the electronics company Abacus Group plc from April 2005 until the company was sold to Avnet, Inc. in January 2009. Prior to this he was the Chief Financial Officer of Celltech Group plc ("Celltech") between 1992 and 2004. During that time, in addition to managing Celltech's floatation process in 1993, Peter played a key role in several strategic acquisitions, including Chiroscience Group plc, Medeva plc and Oxford Glycosciences plc. In 2003 Peter was appointed the Deputy Chief Executive Officer of Celltech until it was sold to UCB SA in 2004.

Peter is a qualified chartered accountant by background and has a joint degree in accountancy and law from the University of Kent.

**Current external appointments:** Peter serves as Chair of the boards of Abcam plc and Advanced Medical Solutions Group plc. He is also a Non-Executive Director of Istesso Limited.

### Dr Gordon Sanghera

CHIEF EXECUTIVE OFFICER

Appointed: 23 May 2005

Independent: No

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

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

**Current external appointments:** None

### Dr Spike Willcocks

CHIEF STRATEGY OFFICER

Appointed: 24 May 2006

Independent: No

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

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

**Current external appointments:** Veiovia Limited

### Clive Brown

CHIEF TECHNOLOGY OFFICER

Appointed: 19 September 2019

Independent: No

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

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

**Current external appointments:** SCO Group Ltd



## Board of Directors continued

### Tim Cowper

CHIEF FINANCIAL OFFICER

**Appointed: 13 December 2018**

**Independent: No**

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

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

**Current external appointments:** None

### Wendy Becker

NON-EXECUTIVE DIRECTOR  
AND SENIOR INDEPENDENT DIRECTOR

**Appointed: 24 June 2021**

**Independent: Yes**

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

**Current external appointments:** Wendy is the current Chair of NASDAQ-listed Logitech International SA and is a Non-Executive Director of Sony Corporation. Wendy is also on the board of FTSE 250 property business Great Portland Estates plc and a member of the University of Oxford's executive governing body. She also has directorships at the Design Museum, Oxford University Press and Saïd Business School, Oxford.

### Sarah Gordon Wild

NON-EXECUTIVE DIRECTOR

**Appointed: 1 January 2015**

**Independent: Yes**

**Skills and experience:** From 1983 to 2003, Sarah worked as a biotechnology analyst, based on Wall Street for the majority of this time. She served as a Management Committee member and senior healthcare analyst at Lone Pine Capital LLC between 1998 and 2003. Sarah has a master's degree in social and economic aspects of science and technology in industry from Imperial College, London and a zoology degree from Aberdeen University.

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

### Dr Guy Harmelin

NON-EXECUTIVE DIRECTOR

**Appointed: 17 September 2020**

**Independent: Yes**

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

**Current external appointments:** Guy is currently a director of Ecoppia Scientific Ltd, Tsumego Ltd and QM Technologies, Inc.

### Adrian Hennah

NON-EXECUTIVE DIRECTOR

**Appointed: 24 June 2021**

**Independent: Yes**

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

**Current external appointments:** Adrian currently serves as a Non-Executive Director of Unilever plc and J Sainsbury plc where he is also Chair of the Audit Committee. Adrian also serves as an external member of the Finance Committee of Oxford University Press, a director of Gt Peter St Apartment Management Company and a Trustee of the charity, "Our Future Health".

### John O'Higgins

NON-EXECUTIVE DIRECTOR

**Appointed: 19 September 2019**

**Independent: Yes**

**Skills and experience:** From 2006 to 2018 he was the Chief Executive Officer of Spectris plc, an international productivity enhancing instrumentation and controls business, where he led rapid global growth and evolution of the company as it pursued multiple market applications from a board technology platform. From 2010 to 2015, he was a Non-Executive Director of Exide Technologies, Inc. a US-based supplier of battery technology to automotive and industrial users. John has a Master of Business Administration from INSEAD and a master's degree in mechanical engineering from Purdue University. He is a trustee of the Wincott Foundation and a member of the corporate partnerships board of the Great Ormond Street Hospital Children's Charity.

**Current external appointments:** John currently serves as senior independent director of Johnson Matthey plc and as chairman of Elementis plc. John is also a director of Envea Global SA.

# Nomination Committee Report

During 2021, the Nomination Committee focused on strengthening the Board with the appointment of two new independent Non-Executive Directors who bring considerable experience across a number of relevant industries that reflect the Group's broad long-term ambitions.

After serving on the Board for over ten years, I will be retiring during 2022 and a key focus for the Nomination Committee during 2022 will be to finalise the search and appointment of a new Chair. Another key focus for the year ahead will be on succession planning for directors and senior management.

**Peter Allen,**  
Nomination Committee Chair

## Purpose and responsibilities

The Nomination Committee's role is to review the leadership needs of the Company and lead the process for the appointments of Directors and senior management. The Nomination Committee reviews the balance of skills, knowledge, experience, independence and diversity of the Board and senior management and is responsible for succession planning to ensure the long-term success of the Company.

## Membership and meetings

The Nomination Committee is chaired by Peter Allen and its other members as at 31 December 2021 were Wendy Becker, Dr Guy Harmelin, Adrian Hennah, John O'Higgins, Dr Gordon Sanghera and Sarah Gordon Wild. A majority of its members are independent in accordance with the Corporate Governance Code.

The Nomination Committee has met twice between the Company's IPO and 21 March 2022 without Peter Allen and Gordon Sanghera present. These meetings were to discuss the successor chair appointment.

## Terms of reference

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

## Board changes

Alan Aubrey, who served on the Board for over 12 years and also served as Chair of the Audit and Risk Committee, retired from the Board following the Company's initial public offering.

During the year the Nomination Committee recommended the appointments of Wendy Becker and Adrian Hennah as Non-Executive Directors of the Company and, with effect from the Company's initial public offering, as chair of the Remuneration Committee and Audit and Risk Committee respectively. Their appointments were unanimously approved by the members of the Board.

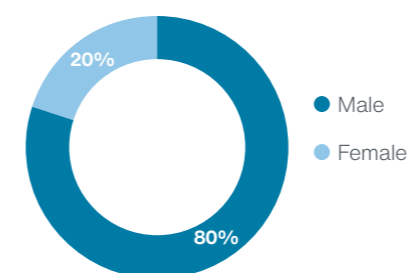
Russell Reynolds, an independent external search firm advised the Nomination Committee on the appointments of Wendy and Adrian ensuring that in all cases, a diverse set of candidates was presented to the Nomination Committee for consideration. Russell Reynolds is an external search firm which has no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

As previously disclosed, Peter Allen, the Company's Chair who has served on the Board for over ten years, intends to retire from the Board and his role as Chair in 2022. The Company does not currently comply with Provision 19 of the Corporate Governance Code 2018 relating to the tenure of the Chair but expects to report full compliance in the 2022 Annual Report.

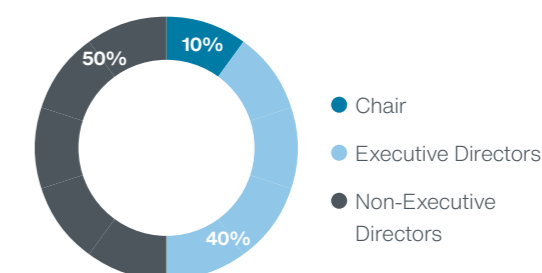
The Nomination Committee has initiated a search process to find a replacement chair. Ahead of this process, the composition of the Board was considered in order to identify what skills, attributes and experience would be required for a new chair. This analysis also considered the existing skills, knowledge, diversity and experience of the current Directors. Wendy Becker, Senior Independent Director worked with the VP, Global HR, to identify an independent search firm to conduct a review of candidates in the market. Russell Reynolds has been appointed to assist with the search.

## Board composition as at 31 December 2021

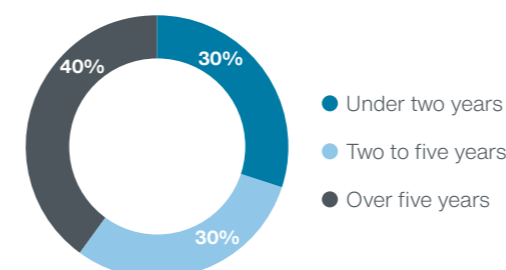
### Gender



### Independence



### Board Tenure





# Nomination Committee Report continued

## Diversity

The Company is committed to, and recognises the benefits of, diversity at all levels throughout the organisation. We place great importance on ensuring the members of the Board reflect diversity in its broadest sense and believe that greater diversity is essential to deliver the Company's strategy and can provide the Company with a competitive edge. The Company adopted a Board Diversity Policy in 2021.

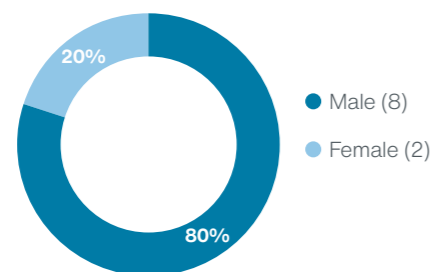
The key aims of the Board Diversity policy are as follows:

- Before selecting a professional search firm for any proposed appointment, consider a variety of professional search firms including consideration of whether firms have signed up for the Voluntary Code of Conduct for Executive Search Firms;

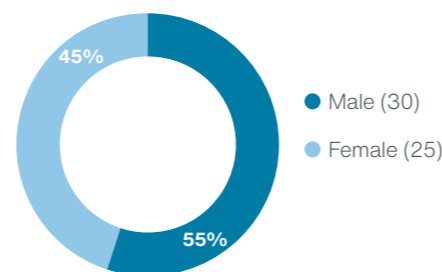
- Ensure the non-executive search pool is sufficiently wide and covers candidates from across the spectrum of gender, ethnicity and social backgrounds;
- Welcome more female Directors on to the Board in the medium to long term while recognising that periods of change in Board compositions may result in periods where this goal is not achieved;
- Welcome more Directors from different ethnic and or social backgrounds in the medium to long term while recognising that periods of change in Board compositions may result in periods where this goal is not achieved; and
- Support and monitor management's actions to increase the proportion of senior leadership roles held by women, people from ethnic minority backgrounds and other under-represented groups.

## Gender splits as at 31 December 2021

### Board

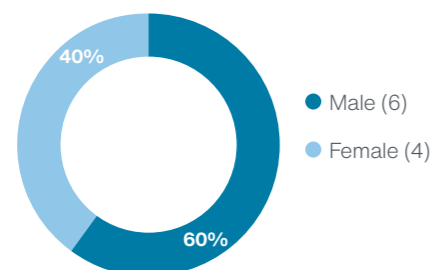


### Direct Reports to Operating Committee<sup>1</sup>

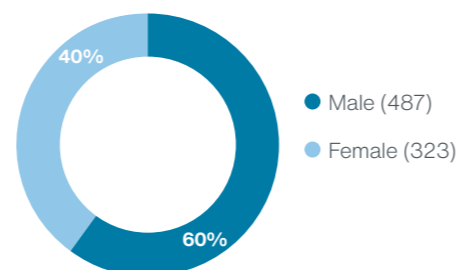


<sup>1</sup> Excluding administrative support

### Operating Committee



### All employees



The Company has a commitment to increasing its gender diversity to at least 33% female representation on its Board within three years of its initial public offering. The Board currently meets the target on ethnic diversity representation on the Board as set out in the Parker Review. The Company also meets the proposed recommendation that at least one of its senior board positions is held by a female director.

## Succession planning

The Nomination Committee has responsibility for ensuring that plans are in place for orderly succession to both the Board and senior management positions. Succession planning ensures that any changes are effectively managed and ensure the Group continues to execute on its strategy. Prior to Admission, the Group made certain changes to the composition of its Board and Committees to ensure it had the right balance of skills and expertise and to comply with certain provisions of the Code. The Group also established an Operating Committee, which is a decision-making body with responsibility for the day-to-day management of the Company. Following Admission, Rosemary Sinclair Dokos, VP Product & Programme Management and Louisa Ludbrook, VP Global Sales, joined the Operating Committee to bring a broader perspective and further diversity of thought to the Operating Committee.

The Nomination Committee is also responsible for ensuring that appropriate talent development programmes are in place to maximise the potential of the Group's employees, and in turn, the Group's achievement of its long-term strategic objectives while reducing the risk of attrition. Two senior employees completed the Company's Executive development programme during 2021 and another two senior employees are scheduled to complete the course in 2022. Three of the Company's senior employees are also carrying out MBAs alongside their positions to further develop their talent.

The Nomination Committee is currently overseeing a search for a new Chair and additional Non-Executive Directors.

Succession will continue to be an area of focus for 2022 and the Nomination Committee will work closely with the VP, Global Human Resources to identify and develop future leadership talent from the Group.

## Board effectiveness

The Company intends to conduct its first annual evaluation of the Board, its committees, and its individual members during 2022. This will include the identification of any potential areas for improvement and areas of prioritisation for the following year. The Company will report on its first effectiveness review in its 2022 Annual Report.

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

## Priorities for 2022

- Finalise the appointment and onboard of a new Chair;
- Complete a Board evaluation and renew a Board skills audit;
- Agree a more formal succession plan for the Directors and senior managers of the Company;
- Review the size and diversity of the Board; and
- Further develop the internal talent pipeline.

# Audit and Risk Committee Report

## Dear Shareholders,

As Chair of the Audit and Risk Committee (the “Committee”), I am pleased to introduce the Committee’s first report as a listed company, for the financial period ended 31 December 2021.

The Committee’s role in the Company’s governance framework is to provide independent challenge and oversight of the accounting, financial reporting and internal control and risk management processes.

The Committee formally reviewed and adopted new terms of reference during the period to include monitoring the integrity of the Group’s financial reporting; effectiveness of the internal control and risk management framework; internal audit; and the independence and effectiveness of external audit.

During my short time at Oxford Nanopore, which included the later stages of the preparation for the IPO, there has been significant investment in the finance team in order to reflect the rapid growth within the business and to continue to meet the demands of the Group effectively as it operates within a listed company environment. This has included additional recruitment to expand both the headcount and skillset of the team.

The internal audit function has been outsourced to Grant Thornton LLP (“Grant Thornton”), who will provide the Group with specialist expertise in delivering a risk-based rolling review programme.

The Group’s external auditors, Deloitte LLP (“Deloitte”), attended the one Committee meeting held during the period between Admission and 31 December 2021. The Chief Executive Officer, Chief Financial Officer and other members of management attended by invitation. Both Deloitte and the newly appointed internal auditor, Grant Thornton, will regularly attend future meetings.

With the assistance of management and the external auditor the Committee has reviewed:

- the significant accounting matters with appropriate challenge and debate; and
- the content in the Annual Report and considers that it explains the Group’s strategic objectives and is fair, balanced and understandable.

The Committee has considered the impact of COVID-19, climate change and sustainability on our business and our risk management framework and you will find important detail on this in other sections of the Annual Report.

Whilst this Audit and Risk Committee Report contains some of the matters addressed during the period, it should be read in conjunction with the Independent auditors’ report starting on page 140 and the Oxford Nanopore Technologies plc financial statements in general.

The Committee has carried out a review of the effectiveness and independence of Deloitte by asking detailed questions of each Committee member and key members of the finance team via a questionnaire. The results of the questionnaire were presented to the Committee by the Company Secretary and were considered in conjunction to Deloitte’s reports to the Committee. Following such consideration, the Committee recommended to the Board that Deloitte is reappointed at the 2022 AGM.

I would like to thank my fellow Committee members John O’Higgins and Guy Harmelin, and also my predecessor as Committee Chair Alan Aubrey who stepped down from the Board at the IPO, all of whose focus and contributions have enabled the Committee to perform its duties effectively.

**Adrian Hennah**  
**Chair of the Audit and Risk Committee**  
**31 March 2022**

## Committee Members

- Adrian Hennah (Committee Chair)
- John O’Higgins
- Dr Guy Harmelin

## Focus areas for 2022

The Committee has developed a rolling agenda to help ensure it operates effectively, covering all areas required by regulation and the Code, focusing on matters of importance to the Company, and in accordance with best practice. Over the coming year the Committee plans to undertake a number of activities and discuss a range of matters at its meetings, including:

- Receiving updates from the business on key areas within the Committee’s remit, including (but not limited to) areas of significant risk, compliance and the emerging audit landscape;
- Reviewing risk areas identified by management and the associated mitigation;
- Overseeing the implementation of new reporting requirements relating to ESG/climate change;
- Monitoring the development of the new internal audit activity across the business;
- As part of the Company’s first Board evaluation, undertaking a review the Committee’s performance and effectiveness since our IPO; and
- Conducting its annual reviews of the Committee’s composition and terms of reference to ensure they remain fit for purpose.

## Purpose and responsibilities

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

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

As the Committee, we assist the Board in its oversight of the Group’s financial reporting, internal control and risk management and in doing so seek to ensure that shareholders’ interests are protected and the Company’s long-term strategy is supported. This report summarises our membership and activities during 2021 since the IPO in October 2021.

## Membership and meetings

Our Committee comprises three Independent Non-Executive Directors: John O’Higgins, Dr Guy Harmelin and Adrian Hennah as Committee Chair. The initial membership of the Committee was selected at the time of the IPO with the aim of providing a range of financial, commercial and sector expertise necessary to meet the responsibilities of the Committee.

Going forward, the Committee will keep its composition under review to ensure it remains appropriate. Peter Allen stepped down from the Committee prior to IPO and attends meetings as observer only in compliance with the Code.

In agreeing the composition of the Committee, the Board was satisfied that as a whole, it had competence relevant to the business of the Company. The Board is also satisfied that Adrian Hennah, a Chartered Accountant, a recent Finance Director of a FTSE 100 company and an experienced Audit Committee member, has recent and relevant financial experience and he has been designated as the financial expert on the Committee for the purposes of aligning with the Code. More information about the experience and qualifications of each member of the Committee are set out on pages 94 to 95. Hannah Coote, our Company Secretary, acts as Secretary to the Committee.

Committee member	Meetings attended from IPO to 21 March 2022
Adrian Hennah (Chair of the Committee)	3/3
John O’Higgins	3/3
Dr Guy Harmelin	3/3

The Committee will meet at least four times each year and otherwise as required. The Committee has six meetings scheduled for 2022.



# Audit and Risk Committee Report continued

## Role and activities

We met once as a Committee after the IPO prior to year-end with a focus on ensuring that the Committee's framework, agendas and cadence are aligned to that of a listed company and to agree the external audit plan, and we have met twice subsequently since the year-end. We considered this frequency of meetings appropriate during Oxford Nanopore's first few months as a public company, although we have scheduled quarterly meetings going forward, with ad hoc meetings added around year end and half year reporting.

Peter Allen, our Chairman, Gordon Sanghera, our CEO, and Tim Cowper, our Chief Financial Officer, and senior representatives of the financial management team also attend our meetings by invitation as do representatives of the external and internal auditors as appropriate.

At our meetings since Admission, we received presentations on, and reviewed and considered the following matters:

- the remuneration and proposed reappointment of our external auditors;
- the plans for and outcome of the preparation of the Group's Full Year accounts including presentations from both management and the external auditors;
- the Group's accounting policies, procedures and its financial control environment;
- the Group's system of internal controls, including financial, operational and risk management, supplementing at a more granular level the Board's consideration of strategic risks;
- key internal policies including anti-bribery and related policies and whistleblowing arrangements;
- plans for the establishment of the internal audit function in the Group reporting directly to the Committee and drawing on and developing control and risk management procedures already being undertaken, (as a relatively young company Oxford Nanopore had not established an internal audit function prior to its IPO); and
- whether the Annual Report taken as a whole provides a fair, balanced and understandable assessment of the Group's position and prospects and whether it provides the necessary information to assess the Group's performance, business model and strategy, the ultimate decision on which is taken by the Board, as set out in the Directors' responsibility statement on page 136.

The Committee also meets privately with the external auditors after the end of each Meeting and did so prior to its recommendation to the Board on approval of the Annual Report.

## Terms of reference

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

## Financial reporting

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

In the preparation of the Group's 2021 financial statements, the Committee assessed the accounting principles and policies adopted, whether management had made appropriate estimates and judgements and assessed the appropriateness of the disclosures in note 4 of the Financial Statements.

In doing so, the Committee discussed management reports and enquired into judgements made. The Committee reviewed the reports prepared by the external auditors on the 2021 Annual Report. The Committee, together with management, identified significant areas of financial statement risk and judgement as described below.

## Significant accounting matters

The Committee received reports from management in relation to the identification of significant accounting matters, judgements and key sources of estimation uncertainty, significant accounting policies and proposed disclosures in the 2021 Annual Report. The Committee is satisfied that the judgements made by management are reasonable, and that appropriate accounting policies have been adopted and appropriate disclosures have been made in the accounts.

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

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

All such matters of focus were discussed and addressed with our external auditor throughout the external audit process. There were no significant differences between management and the external auditor. The key matters of focus are set out below:

### Revenue Recognition

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

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

#### How the Issue was Addressed

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

Particular focus was placed upon:

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

### IFRS 2: Share-based payment valuation

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

- conditional retention awards representing up to 6.5% of the overall share capital, with expected vesting over a period of between 2 and 5 years and subject to achievement of a number of performance conditions linked to the Group's revenue and share price; and
- limited anti-takeover (LAT) non-voting shares issued to the Chief Executive Officer, Chief Strategy Officer, and Chief Technology Officer (see page 133).

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

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

#### How the Issue was Addressed

The Committee reviewed the assumptions made by management (which were based on advice from FIT Remuneration Consultants) on the conditional retention equity awards (Refer to Directors' Remuneration Report on page 108 to 122).

### Inventory Provisioning

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

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

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

#### How the Issue was Addressed

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

# Audit and Risk Committee Report continued

## Fair, balanced and understandable

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

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

Having completed its assessment, the Committee concluded that the disclosures throughout the Annual Report and Financial Statements were appropriate and that the 2021 Annual Report and Financial Statements was fair, balanced and understandable allowing the Committee to provide positive assurance to the Board to assist it in making the statement required by the Code.

## Internal Controls and Risk Management Environment

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

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

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

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

## Internal Control Environment

As part of our IPO preparation, management undertook a significant review of the internal control environment, resulting in the formalisation of existing controls and the introduction of new controls.

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

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

## Risk Management Framework

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

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

The Committee will continue to review the risk register throughout the year and assess the actions being taken by senior management to monitor and mitigate the risks. Those risks which are considered to be the principal risks of the Group are presented on pages 64 to 68.

## Anti-bribery and corruption

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

The Company has in place a clear Anti-Bribery and Corruption Policy, which is available for our people to access on our internal policy hub. The Company requires everyone at Oxford Nanopore to attest to this policy on joining the business. The Company also provides mandatory online training to ensure our people understand their responsibilities in preventing bribery and corruption.

## Whistleblowing

Whilst the Board is ultimately responsible, it has delegated oversight of the Group's whistleblowing policies and procedures to the Committee. We expect all our people to act professionally, honestly and ethically in their dealings with people, whether they are within the organisation, customers, suppliers or any other external partner they may have contact with. The behaviours and standards expected of our people are set out in our policy, to which everyone who joins Oxford Nanopore must sign up.

The Company also provides mandatory online training to ensure our people understand the whistleblowing policy. A confidential incident reporting facility is available, provided by an independent specialist firm Safeline, for circumstances where an individual wishes to report an issue anonymously. Monitoring the effectiveness and appropriateness of the whistleblowing policy falls within the remit of the Committee. Any potential incidents that are reported, via the anonymous reporting facility or directly to individual line managers or leadership, are followed up and investigations launched where appropriate. Ongoing investigations and their outcomes are subsequently reported to the Committee. No incidents were reported during 2021.

## Review of effectiveness

As part of the IPO preparation, the internal control systems and risk management processes were reviewed and improved where required.

The Committee, on behalf of the Board, has reviewed the effectiveness of the internal control systems and risk management processes in place from the date of Admission, taking account of any material developments (financial, operational and compliance) since the financial period end. This work has been supported by our Internal Auditor. The effectiveness review included regular meetings with the Internal Auditor, and review and approval of a plan of work having considered the Group's principal, strategic and operational risks.

The Committee will continue to review the ongoing development of the internal control systems and risk management processes.

## Going concern and long-term viability

The Committee reviewed the Group's going concern and long-term viability disclosures in this Annual Report, together with the reports prepared by the leadership team in support of each statement and advised the Board on their appropriateness. As part of its review, the Committee considered the ongoing impact of the COVID-19 pandemic, current macroeconomics issues on the business (in particular on supply chain) and how they have been factored into forward looking views on risk, viability and planning, considering amongst other things a number of scenarios modelled by the business (including a "severe but plausible" downside scenario) and reverse stress tests carried out to assess the strength of the Group's finances.



## Audit and Risk Committee Report continued

The going concern and long-term viability statements were reviewed by the external auditor, which discussed its findings and the conclusions drawn by leadership in producing each statement with the Committee.

More detailed information about our approach to making our going concern and long-term viability assessments can be found on pages 70 to 72 and 135 of the Strategic Report.

### Independence and performance of the Auditors

The Committee oversees and maintains the relationship with the external auditor on behalf of the Board. Deloitte was appointed as the auditor of Oxford Nanopore in the year ended 31 December 2010 and became the auditor of the Company on its admission to listing on the London Stock Exchange on 5 October 2021. The current audit partner is Sukie Kooner who was appointed at the time of the IPO.

The audit was last tendered in 2010 and Deloitte has been in place as Oxford Nanopore's auditor for more than eleven years. Auditors are required regularly to report on and confirm their independence in their role. Whilst we do not consider it necessary to have a policy for the rotation of the external audit firm given the short period of time since Oxford Nanopore's IPO, we plan to keep this possibility under review in the coming years and will continue to comply with the audit tender rules applying to Oxford Nanopore.

Upon completion of the IPO, the lead audit partner rotated after five years and we now have a new audit partner for this year end.

The Committee has primary responsibility for conducting any tender process and making recommendations on appointment, reappointment and removal of auditors, and approving the terms of engagement and the remuneration of the external auditor. The Committee keeps under review the requirements on audit-tendering and rotation as set out in Regulation EU/537/2014 (as retained in UK law) and from the Competition and Markets Authority. Oxford Nanopore will be required to change its audit firm for the year ending 31 December 2040, at the latest.

For the financial year ending 31 December 2022, the Committee has recommended to the Board that Deloitte be reappointed as external auditor and the Company will be seeking shareholder approval for the reappointment of Deloitte at its AGM to be held in June.

The Committee has developed and recommended to the Board a formal policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements.

Since Admission, the Auditors have provided non-audit services to Oxford Nanopore in relation to agreed procedures on LTIP vesting inputs in January 2022. Prior to Admission, the audit-related assurance services provided by the Auditors to the Group related mainly to their work as Reporting Accountants in connection with Oxford Nanopore's IPO. Deloitte were considered best placed to perform this non-audit work given both Deloitte's knowledge and understanding of our business through their role as Auditors, and their experience as Reporting Accountants for other IPOs and major transactions. Due to their role as Reporting Accountants for the IPO the non-audit fees have exceeded the audit fees in the 2021 financial year.

The fees paid for these other services during the year represented 220% of the fees paid for the statutory audit and audit-related assurance services together. However, excluding the fees in relation to their role as Reporting Accountants, this proportion was 2%. Further details of these amounts are included in note 9 of the accounts.

On behalf of the Audit & Risk Committee

**Adrian Hennah**  
Chair of the Audit & Risk Committee  
31 March 2022





# Directors' Remuneration Report

## Annual statement by the Chair of the Remuneration Committee

### Dear Shareholder

As Chair of the Remuneration Committee, I am delighted to present the Directors' Remuneration Report for the year ended 31 December 2021, the Company's first as a listed company. The Report includes the Company's new Directors' Remuneration Policy on which shareholders will also be asked to vote for the first time at the 2022 Annual General Meeting on 23 June 2022.

Since the IPO process was initiated by the Board, we have had much to do. The activities carried out by the Remuneration Committee during 2021 included:

- designing new "executive"/discretionary and "all-employee" share plans in the early part of 2021 and undertaking shareholder engagement on the Company's proposed remuneration framework in the run up to IPO;
- reviewing and setting salary levels for Executive Directors on IPO;
- establishing a new Directors' Remuneration Policy for the Company following IPO and implementing the policy for 2022 which included setting incentive measures and targets for incentive awards and bonuses;
- granting incentive awards to the Executive Directors (on which further detail is provided below); and
- overseeing the Company's pay policies and practices for its wider workforce.

### Background

Prior to listing on the London Stock Exchange, the Company's approach to remuneration reflected the ownership structure of the Company at that time. On 5 October 2021, the Company was admitted to the standard listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange's Main Market for listed securities ("IPO").

With effect from IPO, new remuneration arrangements were introduced for the Executive Directors which reflect the Company's status as a publicly listed company, the focus of executive pay in the UK listed environment and the Company's intention to comply with listed company market practice. It is these arrangements on which shareholder approval for the new Directors' Remuneration Policy is being sought at the 2022 AGM.

### Exceptional performance and delivery in challenging times

As you have read in the statements from the Chairman and the Chief Executive Officer, the results that have been delivered over the past year, including a highly successful IPO, have been outstanding.

Financial results significantly exceeded prior year outcomes, with total revenues in 2021 increasing to £133.7 million (2020: £113.9 million), including LSRT revenues of £127.0 million compared to £65.5 million in 2020 and achievement of a gross margin of 54.8% for 2021 (compared to 41.2% for 2020). As well as strong performance across key financial metrics, pre-IPO funding of £202 million was achieved together with the £428 million raised on the IPO itself.

One of the year's highlights was the successful £602 million IPO (£428 million in gross proceeds for the company and an additional £174 million in gross proceeds for selling shareholders). The IPO was priced at £4.25 per share, representing a 21% increase in value compared with the pre-IPO fundraising in May 2021 and a 60% increase compared with the penultimate private investment round in September 2020. Furthermore, the Company was cited to have achieved 'one of London's Best-Ever Debuts' as assessed by Bloomberg.

Innovation is at the heart of Oxford Nanopore and the innovation teams continued to focus on core platform improvements coupled with novel features and rapid product releases. One critical focus for the team in 2021 was accuracy, with the team delivering significant improvements through three innovations, culminating in the Q20+ release and delivering an almost 90% further reduction of residual errors. 2021, has undoubtedly set up Oxford Nanopore as a high-accuracy, any read length, information-rich accessible platform.

In order to ensure the continued strong development of the business post IPO, a key priority in 2021 was the acquisition of top talent across the business and further strengthening of our team of Non-Executive Directors. The Company also made significant strides towards the development of a strategic ESG plan, establishing an ESG Committee to coordinate ESG initiatives and reporting.

Oxford Nanopore's decisive leadership throughout the uncertainty of the past year, together with the hard work, resilience, ingenuity and commitment of all our employees around the world, have enabled Oxford Nanopore to deliver an exceptional year and be in a strong position to drive long-term sustainable growth.

### COVID-19

Whilst the pandemic has clearly had an impact across the economy and society, and added to our own supply-chain challenges, it has fortunately caused no adverse financial effect on the Group. In fact, the Group's products have been used for COVID-19 sequencing in more than 80 countries. We estimate that £15 to 20 million of revenue in 2021 was driven from COVID-19 sequencing. During the last financial year, no employees were made redundant, no employees were furloughed, and no Government financial support or equivalent loans were taken.

The safety and well-being of the Company's employees has been a key priority during the pandemic. The Company adapted quickly and kept delivering to its customers by supporting its employees in COVID-19 safe environments with the ability to work from home where feasible.

In that context, the Company's remuneration arrangements were not impacted.

### Performance and reward for FY 2021

In early 2021, the Remuneration Committee reviewed the remuneration arrangements for the Executive Directors as it prepared for IPO.

#### Share-based awards

As is common, a number of legacy share plans vested on the completion of the IPO. These reflect the vesting of awards earned over a number of years and reflect the significant growth in shareholder value over the period. In addition, some pre-IPO awards are included based on their value at grant. While the remuneration tables on page 126 include these figures, they are legacy and not part of any post-IPO remuneration. To assist the reader, we have, therefore, supplemented the statutory total with a further total figure excluding such legacy items.



## Directors' Remuneration Report continued

As a consequence of the review, and following extensive shareholder consultation, shareholders approved the grant of a one-off legacy conditional performance-related equity award over the Company's ordinary shares to the Executive Directors of up to 6.5% of the Company's issued share capital to retain and incentivise them through the IPO process and beyond. Most shareholders consulted as part of seeking approval of these grants shared the desire to establish incentives to retain key talent through and beyond an IPO. At such time, most options previously granted to the Executive Directors had vested or expired. The vesting of this award is subject to the achievement of performance conditions tied to revenue and share price performance, the recipient's ongoing service with the Group, and a post-vesting holding period (as explained both in the Prospectus and on page 116 of this Report). This one-off, exceptional award was made with the approval of the Company's shareholders and at a time when the Company was a private company and does not form part of the "go forward" remuneration package offered to the Executive Directors as a listed company and there is no provision for equivalent awards in the policy for which shareholder consent is being sought. However, since the vesting of these awards may occur following Admission to trading on the London Stock Exchange, they are included in the summary of the remuneration package provided in the Directors' Remuneration Report.

Options over the Company's ordinary shares were also granted to the Executive Directors and other senior employees under the Company's legacy share option plans. These options remain outstanding following IPO and were designed to promote the Executive Directors' ongoing retention and incentivisation.

### Annual Bonus

The annual bonus structure for 2021 was set at the start of the year, i.e., before the Company's IPO, and in determining bonuses the Committee assessed the performance of the Company's business overall throughout the year to determine the outcomes.

The Company's financial results significantly exceeded prior year performance and the Committee determined that the overall strategic goals of the business had been fully met based on the delivery of these exceptional financial results in a sustainable way whilst delivering a highly successful IPO.

Given the exceptional financial and operational performance in 2021, the Remuneration Committee concluded that the award of an annual bonus for each of the Executive Directors at 100% of their respective maximum opportunities is an appropriate outcome. In assessing the bonuses due, the executives' salaries and bonus opportunities were pro-rated to reflect the periods before and after IPO. Consistent with the policy, one-third of the entire bonus will be deferred into shares.

The Committee considered the out-turn to be appropriate and approved it without the exercise of discretion.

### Directors' Remuneration Policy

As a newly listed company, the Directors' Remuneration Policy set out on pages 112 to 122 will be the first "listed company policy" presented to shareholders for approval at the 2022 AGM.

In anticipation of the IPO, a comprehensive review of the Company's existing remuneration arrangements was undertaken to ensure the Directors' Remuneration Policy is suitable for a company admitted to the standard listing segment of the Official List and to trading on the London Stock Exchange's Main Market. Alongside this, the Directors' Remuneration Policy complies with the provisions of the UK Corporate Governance Code and aligns with investor expectations more generally. The Directors' Remuneration Policy submitted to shareholders for approval at the 2022 AGM is consistent with the summary of the policy set out in the Prospectus except that the post-cessation share ownership guidelines have been extended to ensure they normally apply in full for two years following an Executive Director stepping down from the Board, whereas the summary set out in the Prospectus referred to full application of the guidelines for 12 months and 50% application for a second year.

Specifically, the Directors' Remuneration Policy includes market-standard "best practice" features such as:

- Employer pension contribution (as a percentage of salary) alignment with the wider workforce.
- Annual bonus deferral for at least 33% of any bonus outcome.
- A two-year post-vesting holding period for Executive Directors' long-term incentive share-based awards.
- Shareholding guidelines which continue to apply in full for a period of two years following an Executive Director's departure from the Board.
- Comprehensive malus and clawback provisions applicable to an Executive Director's variable pay.

The Directors' Remuneration Policy is designed to support the strategy of the business and recognises the Group's performance-driven culture. The variable components of pay are focused on the delivery of financial results and value created for shareholders.

The Directors' Remuneration Policy is intended to operate for a three-year period from the 2022 AGM. The Remuneration Committee believes that the proposed approach to remuneration will support the delivery of the Company's key objectives during its initial years as a public company.

### Implementing the Directors' Remuneration Policy for FY 2022

The base salaries for the Executive Directors were set at IPO at £800,000 for the CEO, £500,000 for the CFO, US\$820,000 for the Chief Strategy Officer (plus an additional £12,000 Board fee) and £600,000 for the Chief Technology Officer. No increases are proposed for FY 2022. More broadly, the employee annual pay review budget across the Group for FY 2022 was set at 6%.

Bonus arrangements will operate in line with the proposed Directors' Remuneration Policy, with a maximum opportunity of 200% of salary for the CEO and 160% for the other Executive Directors, with 33% subject to deferral. The bonus will be assessed against a combination of financial and non-financial objectives which are set out on pages 117 and 125.

LTIP awards will be granted in 2022 over shares worth 250% of salary in the case of the CEO and 200% in respect of the other Executive Directors. These are subject to stretching TSR performance conditions with 25% vesting at median rising to full vesting at upper quartile. TSR is measured, as to 50%, relative to a bespoke group of 18 international life sciences companies and, as to the other 50%, relative to the constituents of the FTSE350 (ignoring investment trusts).

The Company is fully committed to the further development of its ESG strategy and supportive of the principle of including more explicit measures within its variable pay arrangements. During 2022, the ESG Committee will consider and recommend to the Remuneration Committee appropriate measures for inclusion in future incentive plans, to ensure alignment of this strategic priority to executive remuneration outcomes. In addition, the Company has taken the first steps to prepare for the publication of its inaugural ESG report, planned for the second half of 2022.

### Conclusions

As highlighted above, FY 2021 was an extraordinary year in which the Group delivered outstanding performance and, therefore, the reward outturns for the Executive Directors are considered appropriate without the exercise of any discretion. The Directors' Remuneration Policy proposed for shareholder approval is considered to underpin the Group's strategy, reflect the market environment, and provide a strong support for ensuring the focus of the Company's leadership team is on the continued long-term, sustainable success of the business.

We look forward to engaging with shareholders and other stakeholders on an ongoing basis. I would welcome any feedback or comments on the Directors' Remuneration Report more generally.

As you read our Directors' Remuneration Policy and Directors' Remuneration Report on the following pages, I hope it is clear how Committee decisions support the Company as a high performing organisation by rewarding sustainable performance which is at the heart of Oxford Nanopore's corporate strategy and vital to meeting investors' goals.

We look forward to welcoming you and receiving your support at the AGM.

**Wendy Becker**

**Chair of the Remuneration Committee**

**31 March 2022**

# Directors' Remuneration Report continued

## Remuneration Policy

The Directors' Remuneration Policy (the Policy) which is set out on pages 112 to 122 of this Report has been informally applied from the Company's listing on the London Stock Exchange on 5 October 2021 and will be subject to a binding shareholder vote at the 2022 Annual General Meeting. Subject to shareholder approval, it is intended that the new Policy will then formally operate for three years until the 2025 Annual General Meeting. The Policy as set out below is consistent with the summary disclosed in the Prospectus published ahead of the Company's listing on the London Stock Exchange except that the post-cessation share ownership guidelines have been extended to apply in full for two years post-cessation.

The Policy has been designed to encourage long-term, sustainable growth and to provide market competitive overall remuneration for the achievement of stretching targets aligned to the business strategy.

Oxford Nanopore is a global business which aims to recruit the best talent wherever located and the Policy seeks to have due regard to UK investor expectation while balancing the need to recruit across different markets. Ensuring it attracts and retains the best global talent to maintain its pre-eminence in innovation is critical to ongoing success.

### Objectives of the Policy

The design of the proposed Policy is intended to meet the following objectives.

<b>Clarity</b>	<ul style="list-style-type: none"> <li>The Policy is designed to be as clear as possible and is described in concise terms in this Report to ensure it is well understood by both participants and shareholders.</li> <li>The Policy clearly sets out the limits in terms of quantum, the performance measures which may be used and discretions which could be applied if appropriate.</li> </ul>
<b>Simplicity</b>	<ul style="list-style-type: none"> <li>The purpose, structure, and strategic alignment of each element of pay has been clearly laid out in the Policy.</li> <li>The Group's arrangements include an annual bonus plan and a single long-term incentive plan in line with market expectations.</li> </ul>
<b>Risk</b>	<ul style="list-style-type: none"> <li>There is an appropriate mix of fixed and variable pay, and of financial and non-financial objectives applicable to variable pay.</li> <li>There are robust measures in place to ensure alignment with long-term shareholder interests, including the post-vesting retention period applicable to long-term incentive awards, the expected shareholding requirements and bonus deferral into shares.</li> <li>The Committee retains discretion to override formulaic outcomes of performance metrics applicable to variable pay.</li> <li>Clawback and malus provisions are in place across all incentive plans operated by the Company.</li> <li>To avoid conflicts of interest, Committee members are required to disclose any conflicts or potential conflicts ahead of Committee meetings. No Executive Director or other member of management is present when their own remuneration is under discussion.</li> </ul>
<b>Predictability</b>	<ul style="list-style-type: none"> <li>The Policy contains appropriate caps for each element of pay.</li> <li>Examples of how remuneration varies depending on performance is set out in the scenario charts provided in the Policy.</li> <li>The Committee may exercise its discretion to reduce Directors' remuneration if a formula-driven incentive pay-out is inappropriate in the circumstances.</li> </ul>
<b>Proportionality</b>	<ul style="list-style-type: none"> <li>Incentive outcomes are contingent on the achievement of stretching targets over annual and three-year performance periods, and the Committee will assess performance holistically at the end of each period, taking into account underlying business performance and the internal and external context.</li> <li>The Committee may exercise discretion to ensure that outcomes are appropriate.</li> </ul>
<b>Alignment to culture</b>	<ul style="list-style-type: none"> <li>The Policy encourages performance delivery which is aligned to the Company culture.</li> <li>The measures used in the variable incentive plans are strongly aligned to the KPIs of the business.</li> </ul>

## Policy for Executive Directors

The table below summarises each element of the Policy for the Executive Directors and explains how each element operates and how it links to the corporate strategy.

Base Salary	
<b>Purpose and link to strategy</b>	<ul style="list-style-type: none"> <li>To support the attraction and retention of the best global talent with the capability to deliver Oxford Nanopore's strategy.</li> </ul>
<b>Operation</b>	<ul style="list-style-type: none"> <li>Base salaries will normally be reviewed annually or following a change in responsibilities with changes usually taking effect from 1 April.</li> <li>The Remuneration Committee will consider a number of factors when setting base salaries including (but not limited to) <ul style="list-style-type: none"> <li>Pay increases for other employees across the group. Where increases are awarded in excess of the wider employee population, rationale for this will be provided in the relevant year's Directors' Remuneration Report.</li> <li>The individual's performance, skills and responsibilities.</li> <li>Base salaries at companies of a similar size, international scope, in similar sectors and geographical locations as Oxford Nanopore, with roles typically benchmarked against these.</li> </ul> </li> </ul>
<b>Maximum potential value</b>	<ul style="list-style-type: none"> <li>There is no monetary maximum salary level but salary increases will normally be in line with increases awarded to other employees across the Group.</li> <li>The Committee retains the discretion to increase salaries above this rate where appropriate, for example where there is a change in role or responsibility, or the need to align an Executive Director's salary to market level over time.</li> <li>The current base salaries for the Executive Directors are set out on page 125.</li> </ul>
<b>Performance metrics</b>	Not applicable. Individual performance, in addition to the overall performance of the Group, is however considered as part of the annual review process.
Benefits	
<b>Purpose and link to strategy</b>	<ul style="list-style-type: none"> <li>To provide market competitive and cost-effective benefits to enable the attraction and retention of the best global talent.</li> </ul>
<b>Operation</b>	<ul style="list-style-type: none"> <li>The benefits package may include insurance coverage, such as life, medical, dental, income protection, accidental death and disability insurance, and other benefits provided more widely across the Group from time to time. A full annual health check may also be included.</li> <li>The Committee has the discretion to offer additional allowances, or benefits, to Executive Directors, if considered appropriate and reasonable. These may include travel allowances, the provision of a company car or car allowance, relocation expenses, housing allowances and school fees where a Director has to relocate from his/her home location as part of their appointment.</li> </ul>
<b>Maximum potential value</b>	<ul style="list-style-type: none"> <li>As the cost of benefits will depend on an individual's personal circumstances, there is no specific monetary maximum although it is not expected to exceed what the Committee considers a normal market level.</li> </ul>
<b>Performance metrics</b>	Not applicable



## Directors' Remuneration Report continued

Post-retirement provision	
<b>Purpose and link to strategy</b>	<ul style="list-style-type: none"> <li>To provide cost-effective retirement plans to support the attraction and retention of the best global talent.</li> </ul>
<b>Operation</b>	<ul style="list-style-type: none"> <li>Provision of market competitive pension arrangements, or a cash alternative based on a percentage of base salary.</li> <li>The approach to pension arrangements for the Executive Directors is in line with the wider workforce.</li> </ul>
<b>Maximum potential value</b>	<ul style="list-style-type: none"> <li>In the UK, Executive Directors are eligible to participate in the Group's defined contribution pension scheme, with a maximum Company contribution aligned with that of the wider workforce, currently 6% of base salary (but subject to periodic review), which they may opt to receive as a cash allowance in lieu of employer pension contributions</li> <li>Executive Directors based in the US will be offered participation in the US Section 401(k) defined contribution plan, with the Company matching contributions up to, currently, a maximum of 6% of salary (subject to periodic review).</li> </ul>
<b>Performance Metrics</b>	Not applicable.
Annual Bonus Plan	
<b>Purpose and link to strategy</b>	<ul style="list-style-type: none"> <li>To incentivise and reward the achievement of annual financial and non-financial corporate targets in line with the Company's short-term financial and strategic objectives.</li> <li>To align with shareholders' and wider stakeholders' interests.</li> </ul>
<b>Operation</b>	<ul style="list-style-type: none"> <li>Executive Directors are eligible to participate in the Annual Bonus Plan ("ABP") at the discretion of the Committee.</li> <li>Measures and stretching targets are determined in respect of each financial year of the Company by the Committee and may vary to ensure alignment with the Company's business plan and strategy.</li> <li>The level of award is determined with reference to the Company's overall financial and strategic performance and is paid out after the end of the relevant financial year. At least 1/3 of any bonus earned will be deferred into an award of shares under the Deferred Bonus Plan (DBP) with a holding period of at least one year for 50% of the award, and at least two years for the remaining 50% of the award.</li> <li>Awards granted under the DBP may incorporate the right to receive an amount of cash or shares equal in value to the dividends that are paid on the shares that vest during the holding period. This amount may assume re-investment of dividends.</li> <li>The Committee has discretion to adjust the level of payment if it is not deemed to reflect appropriately the individual's contribution, the Company's overall business performance and such other factors as the Committee considers appropriate. Any discretionary adjustments will be detailed in the relevant year's Directors' Remuneration Report.</li> <li>Malus and/or clawback provisions apply as set out on page 118 to 119.</li> <li>Bonus awards are non-pensionable and are payable at the Committee's discretion.</li> </ul>
<b>Maximum potential value</b>	<ul style="list-style-type: none"> <li>The maximum opportunity is 200% of base salary in respect of any financial year for outstanding performance.</li> <li>For threshold performance, up to 50% of base salary may be earned, with up to 100% of base salary earned for on-target performance.</li> </ul>
<b>Performance metrics</b>	<ul style="list-style-type: none"> <li>The Committee will determine the performance measures and targets each year taking into account the Company's key strategic objectives at that time.</li> <li>Performance measures may include financial, strategic, operational, ESG and/or personal objectives.</li> <li>At least 60% will be linked to financial measures.</li> <li>The performance measures for FY 2022 are set out on page 125.</li> </ul>

Long-Term Incentives	
<b>Purpose and link to strategy</b>	<ul style="list-style-type: none"> <li>To incentivise and reward the delivery of long-term shareholder value through the achievement of long-term financial and strategic objectives.</li> <li>To align with shareholders' interests and to create a long-term mindset.</li> </ul>
<b>Operation</b>	<ul style="list-style-type: none"> <li>Executive Directors are eligible to participate in the Oxford Nanopore Technologies plc Long-Term Incentive Plan 2021 (the "PLC LTIP").</li> <li>Awards will normally vest after a period of at least three years, subject to the achievement of the relevant performance conditions and continued employment. The Committee will then also normally impose a further post-vesting holding period of two years.</li> <li>The level of vesting is determined by the Committee after the performance period, taking into account the degree to which the performance conditions have been met. In determining the final vesting outcome, the Committee may also consider the underlying performance of the business, as well as the value created for shareholders and any other factors it considers relevant.</li> <li>The Committee has discretion to adjust the formulaic outcomes of awards (within the Policy limits) to ensure alignment of pay with the underlying performance of the business over the performance period. Any adjustments would be explained to shareholders.</li> <li>Awards granted under the PLC LTIP may incorporate the right to receive an amount of cash or shares equal in value to the dividends that are paid on the shares that vest during the vesting period and the holding period. This amount may assume re-investment of dividends.</li> <li>Malus and/or clawback provisions apply as set out on pages 118 to 119.</li> </ul>
<b>Maximum potential value</b>	<ul style="list-style-type: none"> <li>The maximum annual award is 300% of base salary in respect of any financial year.</li> <li>There is a threshold vesting level of no more than 25% of maximum, with pro rata vesting up to 100% at maximum.</li> </ul>
<b>Performance metrics</b>	<ul style="list-style-type: none"> <li>Performance measures and stretching targets will be determined annually by the Committee for each new award to align with the Company's longer-term strategic priorities at that time.</li> <li>The measures that may be considered include financial and shareholder value metrics, in addition to strategic non-financial measures.</li> <li>At least 50% will be linked to financial (including TSR) measures.</li> <li>Details of the measures, weightings, and targets applicable for FY 2022 are provided on page 125.</li> </ul>
Employee Share Plans	
<b>Purpose and link to strategy</b>	<ul style="list-style-type: none"> <li>To encourage wider share ownership through locally "tax-approved" plans (such as an Employee Stock Purchase Plan in the United States).</li> <li>To align with shareholders' interests.</li> </ul>
<b>Operation</b>	<ul style="list-style-type: none"> <li>Executive Directors are eligible to participate in all-employee share plans offered by the Group on the same basis as is offered to the Group's other eligible employees.</li> <li>The Company operates tax-efficient all-employee share plans in various jurisdictions.</li> </ul>
<b>Maximum potential value</b>	<ul style="list-style-type: none"> <li>Limits for all employee share plans are set by the relevant local tax authorities. The Company may choose to set its own lower limits.</li> </ul>
<b>Performance metrics</b>	Not applicable.

# Directors' Remuneration Report continued

Shareholding Requirements	
<b>Purpose and link to strategy</b>	<ul style="list-style-type: none"> <li>To ensure alignment between the interests of Executive Directors and shareholders,</li> <li>To create a long-term mindset.</li> </ul>
<b>Operation</b>	<ul style="list-style-type: none"> <li>Shareholding guidelines are in place whereby Executive Directors are expected to build and maintain over time a shareholding in the Company.</li> <li>Executive Directors have five years from the date of their appointment to the Board in which to build up their shareholding. Unvested shares not subject to performance conditions (e.g. deferred share-based awards and vested LTIP awards subject to a holding period) will count towards the shareholding requirement (assuming shares have been sold to settle tax).</li> <li>Executive Directors will normally be required to continue to hold 100% of the in-employment shareholding requirement (or, if lower, their actual shareholding on cessation) for two years after leaving the Company unless the Committee determines, by exception, that it is not appropriate to so require. Details of the Executive Directors' current shareholding are provided in the Directors' Remuneration Report.</li> </ul>
<b>Maximum potential value</b>	<ul style="list-style-type: none"> <li>The shareholding requirement is 300% of base salary.</li> </ul>
<b>Performance metrics</b>	Not applicable.

## Policy for Chair and Non-Executive Directors (the "NEDs")

The following table summarises the fee policy for the Chair and NEDs.

Fees	
<b>Purpose</b>	<ul style="list-style-type: none"> <li>To provide a competitive fee to support the attraction and retention of high-quality NEDs with skills and experience relevant to the Company.</li> </ul>
<b>Operation</b>	<ul style="list-style-type: none"> <li>Fees are determined annually based on the responsibility and time commitment required, and with reference to appropriate market comparisons carried out by non-conflicted members of the Board.</li> <li>Fees for the Chair are set by the Committee.</li> <li>NEDs are paid a base fee for membership of the Board, with additional fees being paid for the role of chair or membership of a Board Committee, to reflect their additional responsibilities and the workload required.</li> <li>The Company has the discretion to pay an additional fee to NEDs, should the Company require significant additional time commitment in exceptional or unforeseen circumstances. Any such fees will be time-limited in nature.</li> <li>Fees are normally paid in cash.</li> <li>NEDs are not eligible to participate in the Company's pension or incentive arrangements.</li> <li>NEDs do not currently receive any benefits but may do if considered appropriate and consistent with roles at other listed companies.</li> <li>Travel and other reasonable expenses incurred in the course of performing their duties are reimbursed. Any tax due on travel and accommodation benefits may be paid by the Company.</li> <li>The Chair of the Board and the NEDs have the benefit of the Company's directors' and officers' liability insurance policy.</li> </ul>
<b>Maximum potential value</b>	<ul style="list-style-type: none"> <li>The aggregate annual limit for fees payable to the NEDs is as set out in the Company's Articles of Association (£3 million).</li> </ul>
<b>Performance metrics</b>	<ul style="list-style-type: none"> <li>Not eligible to participate in any performance-related elements of remuneration.</li> </ul>

## Policy considerations

### Selection of performance measures and targets

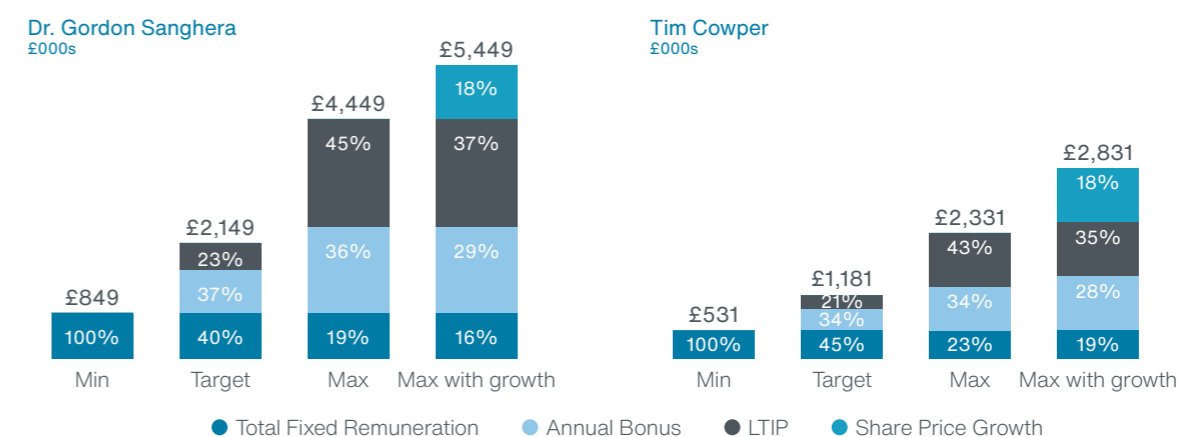
The Committee determines the performance measures for the ABP and PLC LTIP taking into account the Company's strategic priorities at the time. The measures and their weightings may change from year to year to reflect the needs of the business. Performance targets are set to be stretching yet achievable.

Further details of the performance measures under the ABP for the year ending 31 December 2022 as well as performance measures and targets under the PLC LTIP for awards made in April 2022, and how they are aligned with the Company's strategy and the creation of shareholder

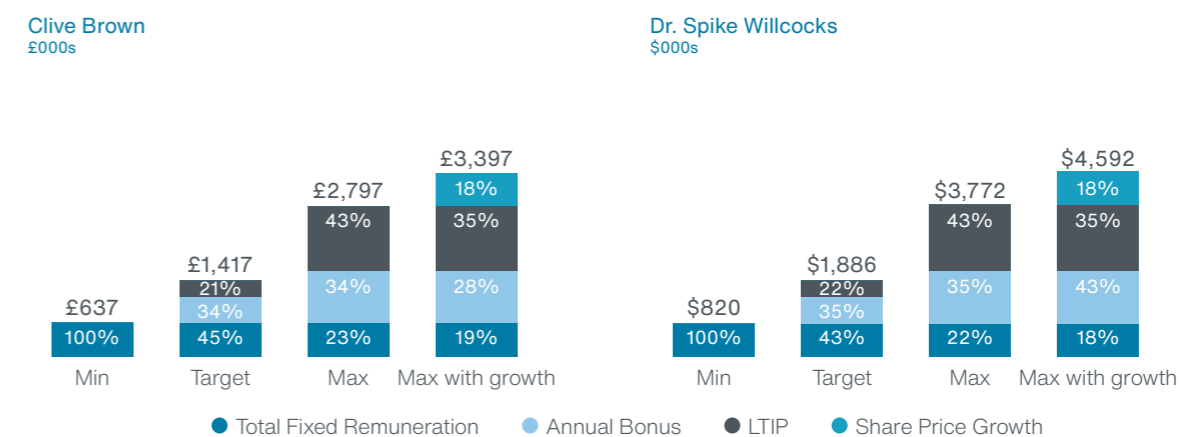
value, are set out in the Directors' Remuneration Report on pages 108 to 122. Annual incentive targets are commercially sensitive and will be disclosed retrospectively in the following year's Directors' Remuneration Report.

### Projected total remuneration scenarios

The graphs below illustrate scenarios for the projected total remuneration of each of the Executive Directors at four different levels of performance: minimum, target, maximum, and maximum including assumed share price appreciation of 50% on the LTIP. The impact of potential share price movements is excluded from the other three scenarios. These charts reflect projected remuneration for the financial year ending 31 December 2022.



Projected remuneration for the financial year ending 31 December 2022: Gordon Sanghera and Tim Cowper.



Projected remuneration for the financial year ending 31 December 2022: Clive Brown and Spike Willcocks.

### Basis of calculations and assumptions

- Salary represents annual base salary at the date of listing on the London Stock Exchange. Benefits such as private medical insurance are included based on the full calendar year.
- Pension represents the value of the annual pension allowance for the Executive Directors as 6% of base salary.
- Minimum performance comprises salary, benefits and pension only with no bonus awarded and no LTIP awards vesting.
- Target performance comprises annual bonus and LTIP pay-outs at "target" level (50% of maximum for the bonus and 25% for the LTIP - with no share price appreciation).
- Maximum performance comprises annual bonus and LTIP pay-outs at maximum level (100% of maximum - with no share price appreciation).
- Maximum with share price growth comprises 5) above plus an assumed increase of 50% in the value of the LTIP award to take account of potential share price appreciation.



# Directors' Remuneration Report continued

## Discretions retained by the Committee in operating the incentive plans

The Remuneration Committee may make minor amendments to the Policy (e.g. for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

The Committee will operate the Group's incentive plans within the Policy at all times and in accordance with the relevant plan rules and the Listing Rules where relevant. To ensure the efficient operation and administration of these plans, the Committee may operate certain discretions.

There are a number of specific areas in which the Committee may exercise discretion, including (but not limited to) the following:

- Determining the participants in each plan.
- Determining the timing of an award and/or payment.
- Determining the size of an award and/or payment (within the limits set out in the Policy table above).
- Varying the annual bonus and PLC LTIP measures and weightings each year to reflect strategic priorities.
- Adjusting the annual bonus, Founder Award and PLC LTIP formulaic outcomes, based on a holistic assessment and to ensure that the final outcome is a fair and true reflection of the Company's underlying business performance and the shareholder experience.
- Determining "good leaver" status and the treatment of any vesting and or payment under the incentive plans, including disapplying the default time pro-rating of awards.
- To adjust the Founder Awards and in-flight PLC LTIP awards in the event of a variation of the Company's share capital or a demerger, delisting, special dividend, rights issue, or other event, which may in the Committee's opinion, affect the current or future value of awards.
- Determining the treatment of awards under the incentive plans in the event of a change of control, restructuring, demerger or other corporate event, including disapplying the default time pro-rating of awards
- The settlement of awards in cash (where this is administratively convenient for the Company).

- Making any appropriate adjustments to the bonus measures, outstanding Founder Awards and PLC LTIP awards performance conditions in exceptional circumstances if an event occurs which causes the Committee to consider that the original condition would no longer operate as intended. If they are varied, they must, in the opinion of the Committee be fair, reasonable and materially no less or more challenging than the original conditions.
- In the case of Executive Directors, any use of discretion by the Committee will be fully disclosed in the relevant Annual Report on Remuneration.

## Legacy arrangements

Any remuneration payments and payments for loss of office not in line with the Policy detailed above may nevertheless be made where the terms of the payment were agreed (i) before the Policy came into effect or (ii) when the individual was not a Director at the time and the payment, in the Committee's opinion, was not in consideration for becoming a Director of the Company. This includes, but is not limited to, the Founder Awards described on page 127 of the Directors' Remuneration Report and page 130 of the Company's Prospectus in relation to its listing on the London Stock Exchange.

## Malus and Clawback provisions

In certain circumstances, the Committee may at any time prior to the fifth anniversary of the date of grant of a Founder Award and a PLC LTIP award or the second anniversary of the date of grant of a DBP award (or, if an investigation into the conduct or actions of any participant or any member of the Group has started, such later date as the Committee may determine in order to allow the investigation to be completed):

- reduce a Founder Award, a PLC LTIP award or a DBP award (to zero if appropriate);
- impose additional conditions on a Founder Award, a PLC LTIP award or a DBP award; or
- require that the participant either return some or all of the shares acquired under a Founder Award, a PLC LTIP award or a DBP award or make a cash payment to the Company in respect of the shares delivered.

The Committee may only invoke these malus and clawback provisions where it considers there to be exceptional circumstances, such as:

- A material misstatement in the published results of the Group or a member of the Group;
- An error in determining the amount of the annual bonus or the number of shares subject to a Founder Award, a PLC LTIP award or a DBP award, or in assessing any performance conditions (as applicable);
- The determination of the annual bonus or the number of shares subject to a Founder Award, a PLC LTIP award or a DBP award or the assessment of any performance conditions being based on inaccurate or misleading information;
- The participant's breach of any relevant restrictive or confidentiality covenants;
- Where the Committee determines that the participant has caused wholly or in part a material loss for the Group as a result of reckless, negligent or wilful acts or omissions, or inappropriate values or behaviour;

- Where the Committee determines that the participant is responsible for or had management oversight over a member of the Group receiving censure by a regulatory body or suffering a significant detrimental impact on its reputation; and
- Where the Company becomes insolvent or suffers similar corporate failure.

## Recruitment of Directors – approach to remuneration

Consistent with best practice, any new Executive Director (including those promoted internally) will be offered packages in line with the Policy in force at the time. The Committee will ensure that the package on recruitment is sufficient to attract the appropriate individual, having regard to the calibre, skills and experience required, whilst keeping in mind the principle of paying no more than is necessary to attract an Executive Director of the calibre needed to shape and deliver the Group's business strategy and recognising that the Group competes for talent in a global marketplace. When determining remuneration on recruitment, the principles that will be applied by the Committee are as follows:

Element	Policy and operation
<b>Base Salary</b>	Base salary will be determined with reference to the individual's role and responsibilities, experience and skills, relevant market data and internal relativities. Salaries may be set at a level lower than the prevailing market rate on appointment to reflect experience, with increases made at a higher level than usual as the individual develops in the role.
<b>Pension</b>	Will be in line with that offered to the wider workforce, as described in the policy table.
<b>Benefits</b>	These will be in line with the Policy. On appointment of an Executive Director, the Committee will have the discretion to cover their reasonable legal costs and certain relocation expenses.
<b>Annual Bonus</b>	The structure described in the Policy table will normally apply for new appointees with the relevant maximum typically pro-rated to reflect service during the year.
<b>LTIP</b>	LTIP awards will be operated in line with other executives, as described in the Policy table.
<b>Buy-out awards</b>	The Committee recognises that it may be necessary in some circumstances to provide compensation for amounts foregone from a previous employer ("Buyout Awards"). Any Buyout Awards would be limited to what is considered by the Committee to be a fair estimate of the value of remuneration foregone when leaving the former employer and would be structured so as to be, to the extent possible, no more generous in terms of the fair value and other key terms (e.g. vesting and performance conditions) than the entitlements they are replacing. The Committee has the discretion to determine the type of award (i.e. cash, shares or options and whether or not performance conditions would apply). Any such award would be fully disclosed and explained in the following year's Directors' Remuneration Report. When exercising its discretion in establishing the reward package for a new Executive Director, the Committee will carefully consider the balance between the need to secure an individual in the best interests of the Company against the concerns of investors about the quantum of remuneration.

Where a new Executive Director is promoted internally, any variable pay element or benefit awarded in respect of the previous role may be allowed to continue on its original terms, adjusted where relevant to take into account the new appointment.

# Directors' Remuneration Report continued

## Executive Director's service contracts

The three UK based Executive Directors are employed under rolling contracts of employment with Oxford Nanopore Technologies plc. The US based Executive Director is employed under a rolling contract of employment with Oxford Nanopore Technologies, Inc. Each Executive Director's service agreement is effective from the date of admission to trading on the Main Market of the London Stock Exchange with a notice period of 12 months from the Company and the Executive Director.

The Executive Directors' Service Agreements are available for inspection at the Company's registered office.

## Non-Executive Director's letters of appointment

All Non-Executive Directors are on three-year terms which are expected to be extended up to a total of nine years. The dates of initial appointment to the Board are shown in the table below. The appointments continue on a rolling basis until terminated by either party on 3 written months' notice.

Non-Executive Director	Date of appointment	Date of Expiry of Initial Term
Peter Allen	18 April 2011	1 January 2018 – extended
Wendy Becker	24 June 2021	24 June 2024
Dr Guy Harmelin	17 September 2020	17 September 2021 – extended
Adrian Hennah	24 June 2021	24 June 2024
John O'Higgins	19 September 2019	19 September 2022
Sarah Gordon Wild	1 January 2015	1 January 2018 – extended

Alan Aubrey served as a NED from 3 March 2009 and left the Company on 5 October 2021.

The Chair of the Board and the NEDs are subject to confidentiality undertakings without limitation in time, and a non-compete restrictive covenant for the duration of their appointments and for nine months after the termination of their appointments.

## Remuneration for the wider workforce

When reviewing and determining the Policy for the Executive Directors, the Committee takes into account the remuneration and related policies for the wider workforce including the level and structure of remuneration as well as salary budgets for other employees in the group. More specifically, the Committee reviews annual salary increase budgets for the general employee population in the UK and North America as well as the remuneration structure and policy for the global Senior Management population.

Although we have not formally consulted our employees while drawing up the Policy, given the Company's all-employee share plans and the historic culture of employee share ownership, a very large majority of employees who were employed at the point of the IPO are shareholders in the Company and can, therefore, express their views on the Policy in the same manner as any other shareholders can express their views on executive remuneration. It is intended that we will engage more broadly with employees in 2022.

Remuneration arrangements throughout the Group are based on the same high-level principles as for the Executive Directors. Annual salary reviews take into account personal performance, Group performance, local pay and market conditions and salary levels for similar roles in comparable companies.

All employees are eligible to participate in annual bonus schemes; opportunities vary by organisational level and an individual's role. Bonus awards take into account personal and Group performance.

All UK employees are eligible to participate in the Share Incentive Plan ("SIP") on identical terms and similar all-employee share plans are offered in other jurisdictions, including the US Employee Stock Purchase Plan ("ESPP") for eligible US employees.

## Statement of consideration of shareholder views

The Committee will consider shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally.

Prior to listing on the London Stock Exchange the views of major shareholders on fixed and variable pay were taken into account when establishing the packages offered to the Executive Directors and in determining the overall Policy. If the Committee was to consider changes to the Policy, it would be subject to prior consultation with major shareholders and their representative bodies as appropriate.

## Differences in remuneration policy for the Executive Directors and employees in general

All Group employees participate in the ABP, which is operated on similar terms to Executive Directors albeit with an element based on personal performance with an increasing weighting on company performance based on seniority. The PLC LTIP operates for members of the full Executive team on similar terms to those for Executive Directors. In the UK, all eligible employees were granted a free award of shares through the SIP worth £3,600 at IPO and are eligible to participate in the SIP with monthly savings of between £10 and £150 and a company match of one share for each share purchased.

In the US, all eligible employees were able to participate in the ESPP with a 14-month offering period from 1 November 2021 to 31 December 2022 with maximum savings of \$21,000 over the period. At the end of the offering period, they will have the opportunity to purchase shares at a discount of 15%, the share price applied being the lower of the share price at the beginning and end of the offering period.

All employees based outside the UK and US were granted a cash-based award of £3,600 which will be paid three years from the date of the IPO. The final cash award paid will subject to adjustment for share price movement either upwards or downwards. Wide employee share ownership has always been and is intended to continue to be a strong philosophy for the business.



## Directors' Remuneration Report continued

### Policy on payment when leaving office

The Company may require the Executive Director to work their notice period or may choose to place the individual on 'garden leave' if this is the most commercially sensible approach. In the event of termination certain restrictions may apply for a period of 12 months to protect the business interests of the Company.

Component of pay	Voluntary resignation or termination for cause	"Good leaver" (e.g. death, disability, ill health, disability)	Departure on agreed terms
<b>Base salary</b>	Paid for the proportion of the notice period worked and any untaken holidays pro-rated to the leaving date (including the balance of any notice period). Payment in lieu of notice may be made for the unexpired portion of the notice period and is subject to mitigation.	Paid for the proportion of the notice period worked and any untaken holidays pro-rated to the leaving date. Payment in lieu of notice may be made for the unexpired portion of the notice period and is subject to mitigation.	
<b>Benefits and pension</b>	Paid for the proportion of the notice period worked (including the balance of any notice period).	Paid for the proportion of the notice period worked (including the balance of any notice period).	
<b>Annual bonus cash</b>	There is no entitlement to a bonus payment, but the Committee may exercise its discretion to pay a bonus depending on the circumstances of the departure.	Cessation of employment during a bonus year or after the year but prior to the normal bonus payment date will result in cash and deferred bonus being paid with pro-rata for the period worked during the financial year and performance achieved. The Committee has the discretion to decide whether the bonus deferral continues to apply after leaving.	Treatment will normally fall between the two treatments described in the previous columns, subject to the discretion of the Committee and terms of any termination agreement.
<b>Annual bonus deferred shares</b>	Invested deferred shares will lapse.	Awards will normally be released at the usual time, although the Committee can apply discretion to allow earlier release. On death, awards will typically vest immediately.	
<b>LTIP awards</b>	Invested performance shares will lapse.	Awards will usually vest following the end of the original performance period subject to the satisfaction of the relevant performance criteria, and ordinarily subject to time pro-rata over the performance period subject to the Committee's discretion to treat awards otherwise. The post-vesting holding period will usually apply. On death, awards will typically vest subject to the satisfaction of performance conditions as determined by the Committee and, unless the Committee determines otherwise, time pro-rating over the performance period and no holding period will apply.	The Committee will have the authority to settle any legal claims against the Company, that might arise on termination (e.g., for unfair dismissal).
<b>SIP awards</b>	Awards will lapse.	Awards will vest when the Executive Director leaves.	
<b>ESPP options</b>	Invested options will lapse.	Options will normally vest and be exercised on the original vesting date.	
<b>Other</b>	Disbursements such as legal costs may be payable as appropriate.	Disbursements such as legal costs may be payable as appropriate.	



# Annual Report on Remuneration

This section of the Directors' Remuneration Report provides details of:

- How we propose to implement our Policy for 2022 in our first full financial year as a listed company; and
- How Directors were paid for the year ending 31 December 2021.

## Committee roles and responsibilities

The Committee's principal responsibilities are:

- Recommendations to the Board on the remuneration policy as applied to the Chair of the Board, Executive Directors, and the Executive Committee.
- Setting, reviewing and approving individual remuneration arrangements for the Chair of the Board, Executive Directors and Executive Committee members including terms and conditions of employment.
- Determining arrangements in relation to termination of employment of the Executive Directors and other designated senior executives.
- Ensuring that remuneration outcomes are appropriate in the context of underlying business performance and that remuneration practices are implemented in accordance with the approved remuneration policy.
- Reviewing the wider workforce remuneration policies and practices.

Full terms of reference for the Committee are available on the Company's website at <https://nanoporetech.com/about-us/investors/corporate-governance>.

## Membership

The Committee comprises of the following independent Directors:

- Wendy Becker – appointed as Chair on listing on the London Stock Exchange
- Dr Guy Harmelin
- Peter Allen
- John O'Higgins
- Sarah Gordon Wild

The Chief Executive Officer may, by invitation, attend Committee meetings except when his own remuneration is discussed. The Group HR Director and the Group Head of Reward are also invited by the Committee to provide their views and advice. The Chief Financial Officer may also attend to provide performance context to the Committee during its discussions about target setting. Information on meetings held and Director attendance is disclosed in the corporate governance report.

## Main activities

As noted in the Prospectus, there was a review of remuneration for Executive Directors and other members of the senior management team to ensure it supports the strategic ambitions of the Company post-listing. From listing on the London Stock Exchange to the financial year-end, the Committee met twice, and details are provided below of the Committee's main activities during this period.

- Review and approval of design, performance measures and targets for the FY 2022 Annual Bonus Plan.
- Review of design, performance measures and targets for 2022 Long-Term Incentive Plan Awards.
- Review of initial proposals for 2021 bonuses for Executive Directors.
- Initial reviews of the Directors' Remuneration Policy.
- Review of budget and approach for all-employee annual pay review.

Details of attendance at the Remuneration Committee meetings from IPO to 21 March 2022 are as follows:

Committee Member	Meetings attended from IPO to 21st March 2022
Wendy Becker (Chair of the Committee)	3/3
Dr Guy Harmelin	2/3
Peter Allen	3/3
John O'Higgins	3/3
Sarah Gordon Wild	3/3

## Advice to the Committee

Since listing on the London Stock Exchange, the Committee has appointed FIT Remuneration Consultants LLP (FIT) as their independent adviser following a competitive tender process. FIT is a member of the Remuneration Consultants' Group and, as such, voluntarily complies with its Code of Conduct which sets out guidelines to ensure that its advice is independent and free of undue influence. FIT has no other connection with the Company. The Committee is therefore satisfied that the advice provided by FIT is independent and objective. The fees paid to FIT in relation to advice provided to the Committee were £30,422 and were determined on a time and expenses basis.

The sections of this part of the report which are subject to audit have been highlighted.

## Implementation of Policy for 2022

Component of Pay	Implementation for FY 2022																				
<b>Base salaries</b>	<p><b>CEO:</b> £800,000    <b>CFO:</b> £500,000    <b>CTO:</b> £600,000    <b>CSO:</b> \$820,000*</p> <p>*The base salaries for the Executive Directors were set at IPO and there will be no further increase for FY 2022.</p> <p>The <b>CSO</b> also receives a £12,000 annual fee in respect of the undertaking of Oxford Nanopore Technologies Plc board duties, which are deemed to be separate to the CSO's Oxford Nanopore Technologies, Inc. Employment duties.</p>																				
<b>Benefits and pension</b>	<p>For <b>CEO, CFO</b> and <b>CTO</b> pension contribution of 6% of base salary, paid via payroll.</p> <p>For <b>CSO</b>, a Company matching contribution of 6% to the US Section 401(k) defined contribution plan.</p> <p>No changes to benefit provision.</p>																				
<b>Annual bonus</b>	<p><b>CEO:</b> Maximum 200% of base salary    <b>CFO, CTO and CSO:</b> Maximum 160% of base salary (Target bonus is 50% of maximum).</p> <p>Subject to the following performance conditions:</p> <ul style="list-style-type: none"> <li>Group Revenue Growth – 45% weighting</li> <li>Group Gross Profit Margin – 25% weighting</li> <li>Non-financial – 30% weighting, which will consist of a range of measures linked to key strategic projects in FY 2022.</li> </ul> <p>Consistent with market practice, the target ranges are currently commercially sensitive and will be reported next year.</p>																				
<b>LTIP</b>	<p><b>CEO:</b> Maximum award of 250% of base salary.</p> <p><b>CFO, CTO and CSO:</b> Maximum award of 200% of base salary.</p> <p>Subject to the following performance conditions:</p> <p>Relative Total Shareholder Return (TSR) 100% weighting as follows:</p> <ul style="list-style-type: none"> <li>50% of the performance measure depending on the company's TSR position against a group of comparators consisting of global life sciences and other companies; and</li> <li>50% depending on the Company's TSR position against the constituents of the FTSE350, excluding investment trusts.</li> </ul> <p>Details of the peer group are as follows:</p> <table border="0"> <tr> <td>Abcam</td> <td>Exact Sciences</td> <td>Pacific Biosciences</td> <td>Twist Biosciences</td> </tr> <tr> <td>Adaptive Biotechnologies</td> <td>Guardant</td> <td>Qiagen</td> <td>908devices</td> </tr> <tr> <td>Berkeley Lights</td> <td>Illumina</td> <td>Quanterix</td> <td>10X Genomics</td> </tr> <tr> <td>Biotechne</td> <td>Nanostring Technologies</td> <td>Seer</td> <td></td> </tr> <tr> <td>Cellink</td> <td>Olink</td> <td>Singular Genomics</td> <td></td> </tr> </table> <p>Details of Operation of TSR measure:</p> <ul style="list-style-type: none"> <li>Full vesting at Upper quartile ranking</li> <li>Threshold vesting at 25% at Median ranking</li> <li>A ranking position between median and upper quartile will result in a vesting outcome calculated on a straight-line basis by ranking with interpolation between positions.</li> <li>Measured over 3 financial years so the 2022 grant expected to be made in April will measure performance from January 2022 to December 2024.</li> <li>A 3-month backward looking averaging period will be used (starting from the 3 months prior to the start and end of the performance period (i.e. October to December). For the 2022 award, it is proposed to use the period from Admission to 31 December 2021 for the initial averaging period for ONT itself but 3 months for others.</li> <li>The TSR of each company will be measured in their local currency.</li> <li>The Committee will reserve discretion as to the treatment of companies which delist.</li> </ul>	Abcam	Exact Sciences	Pacific Biosciences	Twist Biosciences	Adaptive Biotechnologies	Guardant	Qiagen	908devices	Berkeley Lights	Illumina	Quanterix	10X Genomics	Biotechne	Nanostring Technologies	Seer		Cellink	Olink	Singular Genomics	
Abcam	Exact Sciences	Pacific Biosciences	Twist Biosciences																		
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Berkeley Lights	Illumina	Quanterix	10X Genomics																		
Biotechne	Nanostring Technologies	Seer																			
Cellink	Olink	Singular Genomics																			
<b>NED fees</b>	<p>Chair fee: £225,000</p> <p>Non-Executive Director base fee: £70,000</p> <p>Audit and Remuneration Committee Chairs: £20,000</p> <p>Senior Independent Director Fee: £20,000</p>																				



# Annual Report on Remuneration continued

## Remuneration outcomes for 2021

### Single figure table for executive and Non-Executive Directors (audited)

The following tables set out the single total figure of remuneration for Executive and Non-Executive Directors for the year ended 31 December 2021. No prior year comparison has been provided as the Company was not listed at that time

£	Gordon Sanghera	Tim Cowper	Clive Brown	Spike Willcocks <sup>2</sup>
<b>Fixed Pay</b>				
Base salary/fees <sup>1</sup>	625,910	362,950	490,560	515,733
Benefits <sup>3</sup>	4,318	4,468	4,318	18,325
Pension <sup>4</sup>	11,619	7,262	8,714	687
<b>Total fixed pay</b>	<b>641,847</b>	<b>374,680</b>	<b>503,592</b>	<b>534,745</b>
<b>Variable Pay</b>				
Annual bonus <sup>5</sup>	827,731	383,750	513,362	524,309
LTIP <sup>6</sup>	2,215,500	1,972,000	2,218,500	3,105,900
<b>Total variable pay</b>	<b>3,043,231</b>	<b>2,255,750</b>	<b>2,731,862</b>	<b>3,630,209</b>
<b>Other</b>				
One-off payment <sup>7</sup>	11,805	1,000	9,632	-
<b>Total other pay</b>	<b>11,805</b>	<b>1,000</b>	<b>9,632</b>	<b>-</b>
<b>Total remuneration</b>	<b>3,696,883</b>	<b>2,731,430</b>	<b>3,245,086</b>	<b>4,164,954</b>
<b>Total remuneration ignoring legacy awards</b>	<b>1,481,383</b>	<b>759,430</b>	<b>1,026,586</b>	<b>1,059,054</b>

£	Peter Allen	Alan Aubrey <sup>8</sup>	Dr Guy Harmelin	Adrian Hennah <sup>9</sup>	John O'Higgins	Wendy Becker <sup>9</sup>	Sarah Gordon Wild
<b>Fixed Pay</b>							
Base salary/fees <sup>1</sup>	162,500	47,738	63,750	41,167	63,750	41,167	64,325
Benefits <sup>3</sup>	-	-	-	-	-	-	-
Pension <sup>4</sup>	-	-	-	-	-	-	-
<b>Total fixed pay</b>	<b>162,500</b>	<b>47,738</b>	<b>63,750</b>	<b>41,167</b>	<b>63,750</b>	<b>41,167</b>	<b>64,325</b>
<b>Variable Pay</b>							
Annual bonus <sup>5</sup>	-	-	-	-	-	-	-
LTIP	-	-	-	-	-	-	-
<b>Total variable pay</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other</b>							
One-off payment <sup>7</sup>	-	-	-	-	-	-	-
<b>Total other pay</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total remuneration</b>	<b>162,500</b>	<b>47,738</b>	<b>63,750</b>	<b>41,167</b>	<b>63,750</b>	<b>41,167</b>	<b>64,325</b>

- Base salaries of the Executive Directors have been rounded up to the nearest £10.
- Remuneration for Spike Willcocks has been converted from USD using an exchange rate of 1.3775, which is the average rate for FY 2021. Base Salary and fees include a £12,000 annual fee in respect of Plc board duties.
- Benefits comprise private medical insurance for all Executive Directors. For Gordon Sanghera, Tim Cowper, and Clive Brown the benefits aggregate also includes SIP Free Shares awarded on 13 October 2021 with a value of £3,600. In addition, Tim Cowper participates in the UK SIP and the benefits number includes matching shares with a value of £150. The aggregate for Spike Willcocks includes £1,950, which is the discount attributable to shares awarded under the US Employee Share Purchase Plan (ESPP).
- All UK based Executive Directors receive cash in lieu of pension contributions. The pensions value for Spike Willcocks is the matching employer contribution to the US 401K plan.
- The annual bonus is the bonus payable for performance year 2021. One third of the cash bonus amount will be deferred into Deferred Bonus Plan (DBP) shares in line with the Directors Remuneration Policy.
- The LTIP figure reported for each of the Executive Directors comprises the inherent gain attributable to the vesting of share options granted in 2019. Whilst time-based conditions remain in place, all performance conditions were set and were achieved pre-IPO on 29 April 2021, when fundraising requirements were met. In addition, the figure comprises the inherent gain attributable to share options granted in 2021 (this reflects market price on date of grant) given that they were not subject to pre-vest performance conditions. All awards relate to legacy pre-IPO plans and are not part of the Company's ongoing policy.
- The one-off payment represents a nominal payment for post-termination restrictions paid to all UK Executive Directors at IPO. In addition, Gordon Sanghera, and Clive Brown received pay in lieu of holiday that could not be taken during the pandemic and IPO period.
- Fees received by Alan Aubrey are for the period 1 January 2021 to 5 October 2021, when he stepped down from the Board of Directors.
- Fees received by Adrian Hennah and Wendy Becker are for the period commencing on the date of appointment to the Board of Directors (24 June 2021) to 31 December 2021.

### Notes to the single figure table for executive directors (audited)

#### Annual Bonus

The annual bonus structure for 2021 was set at the beginning of the year, i.e., before the Company's IPO and the setting of any applicable performance measures and targets. As referred to on page 110 of this Report, the bonus outcome for 2021 was therefore dependent on the Committee's holistic assessment of the performance of the Company's overall business throughout the year. This included a review of the Company's outstanding financial results for the year, the delivery of a highly successful IPO, key achievements in innovation and technology and other commercial, strategic and operational successes of the Company in 2021.

Given the exceptional financial and operational performance in 2021, the Committee determined that the overall strategic goals of the business had been fully met. The Committee concluded that the award of an annual bonus for each of the Executive Directors at 100% of their respective maximum opportunities was an appropriate outcome and approved it without the exercise of any discretion. In assessing the bonus outcome, the executives' salaries and bonus opportunities were pro-rated to reflect the periods before and after IPO. One-third of the entire bonus will be deferred into shares under the DBP, consistent with the Policy.

The performance measures applicable to the annual bonus for 2022 have been set by the Committee and are provided on page 125 of this Report. The target ranges are currently commercially sensitive and will be disclosed in next year's Directors' Remuneration Report.

## Awards granted in 2021

### Legacy Pre-IPO Award grants (audited)

On 15 June 2021, an award of Retention Share Options was granted to each of the Executive Directors. These are subject to a time-vesting condition and will vest in equal 6 equal tranches, the latest vesting on the 3rd anniversary of the grant date, 15 June 2024.

In addition, as set out in the Prospectus, the Executive Directors have legacy conditional equity retention awards ("Retention Awards"), which were agreed by the shareholders pre-listing on the London Stock Exchange. On 22 June 2021, grants were made of up to 6.5% (in the aggregate) of the Company's issued share capital of 2,304,718 shares as at May 2021. These are subject to challenging performance hurdles post-IPO and are designed to reward ambitious, sustainable growth. Performance hurdles are linked 50% to the share price and 50% to revenue. In the case of the share price hurdles, vesting occurs in equal portions at 120% of the Company's share price at IPO (i.e. £5.10), £7.70 per share and £10.45 per share, and on a straight-line basis between hurdles. In the case of the revenue hurdles, vesting occurs in equal portions at £140 million annual revenue, £231 million annual revenue and £308 million annual revenue to be achieved by the end of 2026, and on a straight-line basis between hurdles. The Retention Awards are also subject to post-vesting holding periods which, together with the hurdles, are designed to retain the executive talent and tie executive rewards to increased shareholder value. The effect of the retention awards is accounted for within share-based payments within operating expenses in the Company's accounts.

One-sixth of the award will vest on achievement of each performance hurdle. If a vesting event occurs within three years of grant, the relevant portion of the award will not be released until at least a 2-year period has elapsed. No element of the award may be released until at least 3 years of the award date. At the end of the performance period (31 December 2026) any element that has vested will be released and any unvested element of the award will lapse. Number of Retention Awards and Options are as detailed on page 255 of the Prospectus and within the table on the next page. The number of awards granted represents the number post the share split.

# Annual Report on Remuneration continued

## Summary of Outstanding Legacy Share Awards (audited)

The table below details the share awards and options granted to the Executive Directors under the various legacy arrangements:

Director	Name of Share Plan	Exercise price	Award Grant Date	As at 1.1.21	Granted during year ended 31.12.21	Vested/ Exercised during FY 2021	As at 31.12.21	Earliest date shares can be acquired/released	Date of Lapse of award
<b>Gordon Sanghera</b>	CSOP approved	£1.0350	14-Jan-19	28,980	-	24,140	28,980	14-Jan-22	14-Jan-29
	Retention Award <sup>1</sup>		22-Jun-21	-	15,601,160	-	15,601,160	22-Jun-24	22-Jun-26
	USOP unapproved <sup>2</sup>	£1.035	14-Jan-19	871,020	-	725,840	641,020	14-Jan-22	14-Jan-29
	USOP unapproved	£3.0625	15-Jun-21	-	2,400,000	400,000	2,400,000	15-Jun-24	15-Jun-31
<b>Tim Cowper</b>	CSOP approved	£1.035	14-Jan-19	28,980	-	24,140	28,980	14-Jan-22	14-Jan-29
	Retention Award <sup>1</sup>		22-Jun-21	-	3,545,720	-	3,545,720	22-Jun-24	22-Jun-26
	Options UK unapproved	£0.06675	01-Feb-12	205,140	-	205,140	-	01-Feb-15	01-Feb-22
	Options - UK unapproved	£0.73	01-May-14	5,000	-	5,000	-	01-May-17	01-May-24
	Options - UK unapproved	£1.20	10-Nov-16	250,000	-	87,164	162,836	10-Nov-19	10-Nov-26
	USOP unapproved <sup>2</sup>	£1.035	14-Jan-19	771,020	-	642,500	771,020	14-Jan-22	14-Jan-29
	USOP unapproved	£3.0625	15-Jun-21	-	1,600,000	266,660	1,600,000	15-Jun-24	15-Jun-31
<b>Clive Brown</b>	CSOP approved	£1.035	14-Jan-19	28,980	-	24,140	28,980	14-Jan-22	14-Jan-29
	Retention Award <sup>1</sup>		22-Jun-21	-	14,182,880	-	14,182,880	22-Jun-24	22-Jun-26
	Options - UK unapproved	£0.13	03-Dec-12	300,000	-	234,998	65,002	03-Dec-15	03-Dec-22
	Options - UK unapproved	£1.20	10-Nov-16	1,300,000	-	-	1,300,000	10-Nov-19	10-Nov-26
	USOP unapproved <sup>2</sup>	£1.035	14-Jan-19	871,020	-	725,840	871,020	14-Jan-22	14-Jan-29
	USOP unapproved	£3.0625	15-Jun-21	-	1,800,000	300,000	1,800,000	15-Jun-24	15-Jun-31
<b>Spike Willcocks</b>	Retention Award <sup>1</sup>		22-Jun-21	-	12,764,600	-	12,764,600	22-Jun-24	22-Jun-26
	Options - UK unapproved	£.0068	05-May-21	-	148,660	148,660	148,660	05 May 2021	30-Jun-23
	USOP unapproved	£1.035	02-Jul-19	1,260,000	-	420,000	1,260,000	02-Jul-22	02-Jul-29
	USOP unapproved	£3.0625	15-Jun-21	-	1,600,000	266,660	1,600,000	15-Jun-24	15-Jun-31

- The Retention Award can be referenced to page 255 of the Prospectus where it is cited as "Conditional Award". The market value per share at the date of award was £3.50.
- All CSOP and unapproved share options met their performance conditions pre-IPO and are now subject only to the employee's ongoing employment and holding periods.

## UK Share Incentive Plan (SIP) shares awarded (audited)

The UK SIP is a tax-favoured all-employee plan that enables UK employees to save out of pre-tax salary. Monthly contributions are used by the plan trustee to buy Oxford Nanopore shares (partnership shares). The Company funds an award of an equal number of shares (matching shares). The current maximum contribution is £150 per month. Shares held in the plan for five years will be free of income tax and national insurance, as well as capital gains tax if retained in the plan until sold. In addition, under the plan rules, all UK employees received a free share award to the value of £3,600 on 13 October 2021. The table below shows all SIP shares awarded to the UK based Executive Directors from 5 October 2021 to 31 December 2021.

Director	Shares held at 05.10.21	Partnership shares acquired to 31 Dec 21	Matching shares acquired to 31 Dec 21	Free Shares awarded to 31 Dec 21	Total Shares held 31.12.21	Partnership & Matching Shares acquired between 1 Jan 22 & 21 March 22
Gordon Sanghera	-	-	-	633	633	-
Tim Cowper	-	22	22	633	677	182
Clive Brown	-	-	-	633	633	182

## Directors' interests in the share capital of the Company (audited)

The table below summarises the Directors' interests in shares, including unvested awards under employee share schemes, as at 31 December 2021. Further details of all outstanding awards are provided on page 128.

	Ordinary Shares held at 31.12.21 <sup>1</sup>	Retention Awards unvested and subject to performance conditions	CSOP approved Options vested but not exercised	CSOP approved Options unvested subject only to employment condition	Unapproved Options vested but not exercised	Unapproved Options unvested subject only to employment condition	SIP (Restricted)	% of salary under Remuneration Policy shareholding guidelines <sup>2</sup>	Shareholding requirement met
<b>Executive Directors</b>									
Gordon Sanghera	10,373,260	15,601,160	24,140	4,840	895,840	2,145,180	633	9948%	Yes
Tim Cowper	184,626	3,545,720	24,140	4,840	1,071,966	1,461,860	677	1543%	Yes
Clive Brown	1,719,594	14,182,880	24,140	4,840	2,390,842	1,645,180	633	3813%	Yes
Spike Willcocks	4,929,700	12,764,600	-	-	1,465,260	1,543,340	-	6944%	Yes
<b>Non-Executive Directors<sup>3</sup></b>									
Peter Allen	-	-	-	-	331,380	-	-	-	-
Dr Guy Harmelin	-	-	-	-	-	-	-	-	-
Adrian Hennah	-	-	-	-	-	-	-	-	-
Wendy Becker	-	-	-	-	-	-	-	-	-
John O'Higgins	-	-	-	-	-	-	-	-	-
Sarah Gordon-Wild	86,900	-	-	-	-	-	-	-	-

- Ordinary shares comprise all shares held in Oxford Nanopore Technologies by each Executive Director including those held by spouses or in trust.
- The % of base salary held in share interests has been calculated using a share price of 698p as of 31 December 2021. The value of the shareholding for each Executive Director is the summation of the value of the ordinary and SIP shares held at 31 December 21, the gross gain on any CSOP option and the net gain of any unvested and vested unapproved options. This is then expressed as a percentage of base salary.
- The Chairman and Non-Executive Directors are not awarded incentive shares and are not subject to a shareholding requirement.

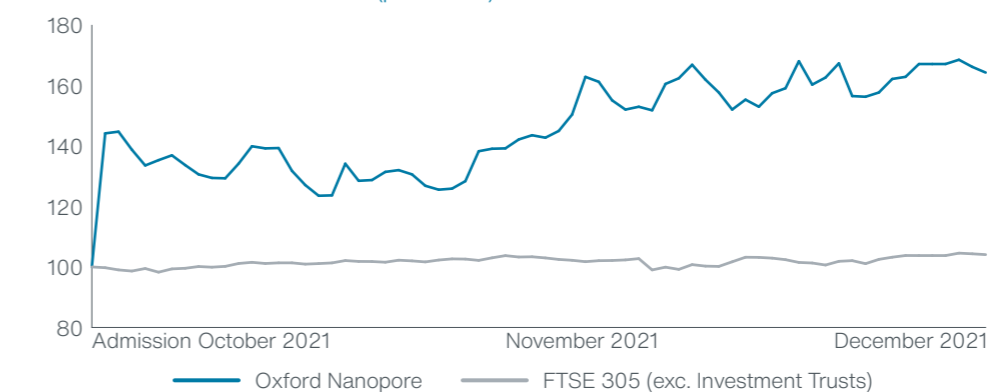
The shareholding as a percentage of salary relates to those awards not subject to ongoing performance conditions. The share price used is £6.98 being the closing price as at 31 December 2021.

## Performance graph against FTSE 350

The following chart shows the value of £100 invested in the Company (at the IPO share price of £4.25) compared with the value of £100 invested in the FTSE 350 Index in both cases since the Company's listing on the London Stock Exchange until 31 December 2021. The FTSE 350 Index (excluding Investment Trusts) has been chosen as it provides the most appropriate and widely recognised index for benchmarking the Company's corporate performance.

### Total Shareholder Return

Value of a 100 unit investment made at the IPO (price of £4.25)



Source: Datastream (a Refinitiv product)



# Annual Report on Remuneration continued

## CEO remuneration

The table below sets out the CEO's single figure of total remuneration for the year ended 31 December 2021 together with the percentage of maximum bonus awarded over the same period.

	2021
Total remuneration	£3,696,883
Annual bonus (as a % of maximum opportunity)	100%
Shares vesting (as a % of maximum opportunity)	N/A

## Percentage change in Director's remuneration

As this is the first year of reporting Directors' remuneration, there is no prior year comparison. Full disclosure will be provided in future years.

## CEO pay ratio

Financial year	Calculation Methodology	Element	P25	P50	P75	CEO
2021	A	CEO Pay ratio	97:1	65:1	42:1	
		Total Pay and benefits	£10,752	£16,031	£24,704	£1,037,779
		Salary	£6,873	£10,042	£16,656	£193,650

The Company has chosen to use Option A as defined by the relevant regulations, as Oxford Nanopore recognise that this is the most statistically accurate way method for calculating the ratio. The above covers the period from admission on 5 October 2021 to 31 December 2021, consistent with the Single Total Figure of Remuneration. For the CEO and each UK employee employed on 31 December 2021, the Single Total Figure of Remuneration comprises the summation of base pay and benefits received for the period 5 October to 31 December 2021, including the value of any SIP free and matching shares, employer pension contributions or cash equivalent and includes the full year bonus for FY 2021. Base pay and bonus have been included on a full-time equivalent basis.

As this is the first year of reporting the CEO pay ratio there are no prior year comparators. The future movement in the ratio will be considered by the Committee as appropriate, noting that volatility in the headline number is likely over the next few years as legacy items start to be released and, therefore, that it would be difficult to draw inferences from the years immediately following the IPO.

## Relative importance of spend on pay

In view of the fact that ONT only listed in October 2021, there is no comparable year-on-year change to disclose. Full disclosure will be presented in the Directors' Remuneration Report for 2022.

## Payments for loss of office and/or payments to former Directors (audited)

No payments for loss of office, nor payments to former Directors were made from IPO to 31 December 2021.

## Statement of shareholding voting

This is the first Policy and Directors' Remuneration Report submitted to shareholders. Disclosure of the voting results at the 2022 AGM will be presented in the Annual Report on Remuneration for 2022.

This Directors' Remuneration Report was approved by the Board and signed in its behalf by

**Wendy Becker**  
 Chair of the Remuneration Committee  
 31 March 2022



# Directors' Report

The Directors present their report, together with the audited financial statements for Oxford Nanopore Technologies plc and its subsidiary companies, for the year ended 31 December 2021.

The Directors' Report, together with the Strategic Report on pages 4 to 81, represent the management report. The Strategic Report contains matters required to be disclosed in the Directors' Report, in accordance with the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Corporate Governance Code 2018. The Corporate Governance Report on pages 84 to 91 is incorporated into the Directors' Report by reference.

Subject matter	Page reference
Risk management	64 to 68
Post-balance sheet events	17 and 196
Likely future developments in the business	15 and 16
Research and development activities	37 and 44
Engagement with employees	75
Engagement with suppliers, customers and others	76 to 78
Greenhouse gas emissions	61
Corporate Governance Statement	84
Assessing and monitoring culture	88
Investing in and rewarding workforce	120

## Directors

The following Directors currently hold office or did so during 2021:

- Dr Gordon Sanghera
- Dr Spike Willcocks
- Clive Brown
- Tim Cowper
- Peter Allen (Chair)
- Wendy Becker (appointed on 24 June 2021)
- Sarah Gordon Wild
- Dr Guy Harmelin
- Adrian Henna (appointed on 24 June 2021)
- John O'Higgins
- Alan Aubrey (resigned on 5 October 2021)

Biographical details of each Director are set out on pages 93 to 95 and details of the Directors' interests in the shares of the Company are detailed on page 129. Details of share awards granted to Executive Directors under the Company's share schemes during the reporting period are in the Directors' Remuneration Report on page 128.

The powers of the Directors are determined by the Company's Articles of Association and the legislation and regulations in force in the UK, together with any specific authorities that may be given to the Directors by the Company's shareholders, such as in relation to the allotment of shares.

The rules governing the appointment and retirement of Directors are set out in the Company's Articles of Association, the Companies Act and other related legislation.

## Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 December 2021.

## Branches outside of the UK

The Group's subsidiaries are set out on page 178 of the financial statements.

## Share capital and related matters

The Company has a Standard Listing on the London Stock Exchange. The Company has four share classes as set out below:

Share Class	Number of shares as at 31 December 2021
Ordinary Shares	821,557,647
A limited anti-takeover share ("A LAT Share")	1
B limited anti-takeover share ("B LAT Share")	1
C limited anti-takeover share ("C LAT Share")	1

## Ordinary Shares

The Ordinary Shares of £0.0001 each rank equally for voting purposes. On a show of hands each holder of Ordinary Shares has one vote and, on a poll, each Ordinary Shareholder has one vote per Ordinary Share held.

Each Ordinary Share ranks equally for any dividend declared. Each Ordinary Share ranks equally for any distributions made on a winding up of the Company. Each Ordinary Share ranks equally in the right to receive a relative proportion of shares in the case of a capitalisation of reserves.

There are no restrictions on the free transferability of the Ordinary Shares.

## LAT Shares

The Articles contain provisions for three classes of "limited anti-takeover" shares, each of £1.00 each in the capital of the Company: the A LAT Share, the B LAT Share and the C LAT Share being, collectively, the LAT Shares. The rights attaching to the LAT Shares are set out below.

The Active LAT Share determined as follows:

- the Active LAT Share shall be the A LAT Share unless, for any reason, Dr Gordon Sanghera ceases to be a director or employee of any company in the Group (including by reason of death) or is given, or gives, notice of the same (a "GS Disqualifying Event");
- if a GS Disqualifying Event occurs, then the Active LAT Share shall be the B LAT Share unless, for any reason, Dr James Willcocks ceases to be a director or employee of any company in the Group (including by reason of death) or is given, or gives, notice of the same (a "JW Disqualifying Event");
- if a GS Disqualifying Event and a JW Disqualifying Event has occurred, then the Active LAT Share shall be the C LAT Share unless, for any reason, Clive Brown ceases to be a director or employee of any company in the Group (including by reason of death) or is given, or gives, notice of the same (a "CB Disqualifying Event"); and
- if, at any time, each of a GS Disqualifying Event, a JW Disqualifying Event and a CB Disqualifying Event has occurred then, from the last of those events to occur, there shall no longer be any Active LAT Share.

The holder of a LAT Share will have the right to attend and speak at any general meeting of the Company. However, no LAT Share will carry any separate voting rights (other than in respect of a separate class meeting of the LAT Shares or any class of them (as a separate class) until a Change of Control of the Company.

Immediately on a Change of Control of the Company, the Active LAT Share will automatically carry such number of votes on any resolution put to the shareholders at a general meeting as shall be necessary to ensure the effective passing of such shareholder resolution if those votes are cast by the holder of the Active LAT Share in favour of, or to ensure the defeat of, such shareholder resolution if those votes are cast by the holder of the Active LAT Share against such shareholder resolution.



## Directors' Report continued

For the purposes of this summary, a Change of Control will broadly arise if there is an acquisition by any person of an interest in Ordinary Shares which (when taken together with the Ordinary Shares in which that person and any persons acting in concert with them are interested) carry more than 50% of the voting rights exercisable by the shareholders on a poll in a general meeting (excluding those attributable to the Active LAT Share). In circumstances where an offer is made for the Ordinary Shares, a Change of Control will occur: (a) on a scheme of arrangement under Part 26 of the Companies Act 2006 at the point at which the scheme of arrangement becomes effective; and (b) on a takeover offer under Part 28 of the Companies Act 2006, at the point at which the takeover offer becomes unconditional in all respects.

No LAT Share will entitle any holder to receive any dividend or other distribution of the Company whether out of profits or on the winding-up of the Company or otherwise.

### Substantial shareholdings

The Company received notice of the following interest of 3% or more in its Ordinary Shares as at 31 December 2021 and 15 March 2022:

Shareholder	Percentage of ordinary shares as at 31 December 2021	Percentage of ordinary shares as at 15 March 2022
IP2IPO Limited <sup>1</sup>	<b>9.99</b>	9.98
Image Frame Investment (HK) Limited <sup>2</sup>	<b>7.68</b>	7.67
G42 Investments AI Holdings RSC Limited	<b>5.40</b>	5.39
Redmile group <sup>3</sup>	<b>4.97</b>	4.96
Lansdowne Shareholders <sup>4</sup>	<b>4.70</b>	4.68
Delphi Asset Management Corporation <sup>5</sup>	<b>4.30</b>	4.29
GIC Asset Management <sup>6</sup>	<b>4.11</b>	4.10
GT Healthcare Shareholders <sup>7</sup>	<b>3.82</b>	3.82
Merton Oxford Holdings LLC <sup>8</sup>	<b>3.29</b>	2.72

1. A wholly-owned subsidiary of IP Group plc.
2. A wholly-owned subsidiary of Tencent Holdings Limited.
3. Fund affiliated with Redmile Group, LLC.
4. Funds affiliated with Lansdowne Partners (UK) LLP.
5. A wholly-owned subsidiary of Oracle Corporation. As at 15 March 2022, the shares were held via a nominee account.
6. Held via a nominee account.
7. Funds affiliated with GT Healthcare Capital Partners
8. Merton Oxford Holdings LLC is a wholly-owned subsidiary of Merton Acquisition Holdco LLC which, in turn, is a wholly-owned subsidiary of Acacia Research Corporation. As at 15 March 2022 the shares were held via a nominee account.

LAT Shares are not capable of transfer (unless pursuant to a purchase or cancellation by the Company of any LAT Shares following the sunset period (as set out below)) and the broader transfer provisions under the Articles applicable to the Ordinary Shares will not apply.

The rights attributable to a LAT Share will cease (and that LAT Share will be capable of being repurchased or cancelled by the Company) on the earlier of: (a) the date falling three years after the date of the issue of that LAT Share; (b) the transfer of that LAT Share to any person; and (c) a GS Disqualifying Event, JW Disqualifying Event or CB Disqualifying Event (as relevant).

The rights attached to the LAT Shares (or any class of them) shall not be capable of being varied or abrogated in any respect whatsoever without the prior written consent of the holder of each affected class of the LAT Shares.

### Significant agreements

The Company does not have any significant agreements that take effect, alter or terminate upon a change of control.

There are no agreements between the Group and its Directors or employees providing for compensation for loss of office or employee that occurs because of a takeover bid, except that the provisions of the Group's share plans may allow options and awards granted to Directors and employees to vest on completion of a takeover offer.

### Employees with disabilities

The Company is an equal opportunities employer and is committed to recruiting people from diverse backgrounds including people with disabilities. Any person who identifies as having a disability is given fair consideration for a vacancy against the requirements of the role and where possible, the Company makes reasonable accommodations for employees who identify as having a disability. All employees are giving the same training, development and job opportunities.

Should any employee experience any situation where they become disabled during their employment, the Company would ensure all efforts are made to retrain and adjust employees' environments and/or working patterns where possible to allow them to continue to maximise their potential.

### Articles of Association

The Company's Articles may be amended by special resolution at a general meeting of the shareholders.

### Insurance and indemnities

During the past year, the Company has maintained liability insurance in respect of its directors. The Company has also provided a qualifying third-party indemnity to each Director as permitted by section 234 of the CA 2006 and by the Articles, which remain in force at the date of this report.

### Political expenditure and donations

Although it is the Company's policy not to incur political expenditure, as a result of the broad definitions in the CA 2006, normal business activities of the Group such as funding conferences, which may not be considered political donations or expenditure in the normal sense, may possibly fall within the restrictions of the CA 2006. The Company obtained shareholder approval in August 2021 and will seek further approval at the Company's AGM, in line with best practice, to authorise the Company to make political payments up to a maximum aggregate of £100,000.

It should be noted that the Group did not make any political donations during 2021.

### Disclosure of information to auditors

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the steps that they ought to have taken as a Director of the Company to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Going concern

The Directors confirm that they have a reasonable expectation that the Group will have adequate resources to continue in operational existence for at least the next 12 months from the date of the accounts and accordingly they continue to adopt the going concern basis in preparing the financial statements. The Company's viability statement is on pages 70 to 72.

The Directors' Report, which has been prepared in accordance with the requirements of the CA 2006, has been approved by the Board and signed on its behalf by:



**Hannah Coote**  
Company Secretary  
31 March 2022

## Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



**G Sanghera**  
Director  
31 March 2022



**T Cowper**  
Director  
31 March 2022







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# Financial Statements

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# Independent Auditor's Report

## Report on the audit of the financial statements

### Opinion

In our opinion:

- the financial statements of Oxford Nanopore Technologies plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statements; and
- the related notes 1 to 35.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

## Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Summary of our audit approach

### Key audit matters

The key audit matters that we identified in the current year were:

- Revenue Recognition – Accuracy and Cut-off;
- IFRS 2: Share-based payment valuation; and
- Inventory Provisioning.

### Materiality

The materiality that we used for the group financial statements was £2,750,000 which was determined with reference to benchmarks including operating expenses, revenue and net assets.

### Scoping

We selected two components where we performed either a full scope audit of the component's financial information or an audit of specific balances or classes of transaction in that component.

These two components comprise 99% of revenue, 96% of operating expenses and 99% of net assets.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key forecasting assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to going concern;
- Testing the integrity and mechanical accuracy of the going concern model by recalculating the cash headroom available using committed facilities in each of the scenarios prepared by management and approved by the directors;
- Understanding financing facilities including assessing compliance with relevant covenants;
- Performing sensitivity analysis based on contradictory evidence, including consideration of market, latest third-party economic forecasts and FY 2022 results to date; and
- Assessing the appropriateness of the going concern disclosures made in the Financial Statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



# Independent Auditor's Report continued

## Revenue Recognition – Accuracy and Cut-off

- Key audit matter description**
- The Group generates revenue primarily through the manufacture and sale of DNA and RNA sequencing products. Products are either sold on a stand-alone basis or as part of a larger bundle of goods and services;
  - In cases where revenue relates to the sale of bundled goods and services including multiple performance obligations, management is required to allocate the total bundle price between the different performance obligations, such that the appropriate revenue is recognised either at a point in time or over time depending on the goods or service provided to the customer;
  - During 2021, the Group recognised £133.7m of revenue (2020: £113.9m). In part, the movement in revenue in the year can be attributed to significant individual contracts, where the combinations of goods and services included differ to the standard offerings of the Group;
  - We have identified the performance obligations and the allocation of the transaction price within such significant contracts as a key audit matter. Determining the revenue recognition profile for such contracts is complex and requires management judgement, and as such increases the risk of error;
  - Revenue could be misstated if the various performance obligations are not properly identified, and if the transaction price is inappropriately allocated between these obligations. Furthermore, the process for recording revenue on such contracts involves manual calculations and postings, which also increases the risk of error or fraud;
  - In addition, where goods are shipped to customers around the year end date, this can create the need for judgement in determining whether the Group had completed the relevant performance obligation within the year. As a result, there is a risk that revenue is not recognised in the correct year;
  - Further details on the Group's accounting policy for revenue recognition can be found in note 3 on page 159. Management have also identified revenue recognition as one of their critical accounting judgements and sources of estimation uncertainty within note 4 on page 165; and
  - Refer also to page 103 of the report of the Audit and Risk Committee which includes consideration of revenue recognition;

- How the scope of our audit responded to the key audit matter**
- We obtained an understanding of management's process and relevant controls over revenue recognition. Given the new controls management implemented in recognition of the improvements required to their internal control environment as part of preparation and completion of the Group's Initial Public Offering ("IPO"), we tested the operating effectiveness of these controls from the date they were formally implemented, however no reliance was placed on these controls for the purposes of our substantive audit testing;
  - We challenged management's assessment on the accounting for each significant sales contract in the year. This included considering corroborative and contradictory evidence around management's judgements over the unbundling of the relevant performance obligations, and on the allocation of the total contract price to each element;
  - In the case of significant contracts, we assessed whether revenue is accounted for and recognised in line with the contractual terms by agreeing to the sales contract or agreement;
  - We selected samples of transactions recorded in revenue and assessed whether revenue recorded was in line with the allocation of revenue to that performance obligation set out by management in their revenue recognition assessment of the relevant contract; and
  - We selected samples from a population of transactions around the year end to assess whether revenue has been recognised in the correct period and at the correct transaction price.

**Key observations** We concluded that revenue is being recognised appropriately and in line with the requirements of IFRS 15.

## IFRS 2: Share-based payment valuation

- Key audit matter description**
- In June 2021, the Group issued a number of share options to the Executive Directors of the Group. These include:
    - conditional retention equity awards of up to 6.5% of the company's equity, which is subject to achievement of a number of performance conditions linked to the Group's revenue and share price; and
    - a limited anti-takeover ("LAT") non-voting share issued to the Group's Chief Executive Officer.
  - Management prepared a calculation of the charge required under IFRS 2 Share-based payments with reference to considering the expected value of the shares and the likelihood of performance conditions being achieved. As a result of these, and other share options issued, the Group has recognised a charge of £62.5m in 2021 in relation to share-based payments. In preparing their calculation of the charge, management engaged an external expert to support them in estimating certain key assumptions;
  - The key audit matter relates to the judgement of the valuation and accounting treatment of the shares granted. The fair value is estimated through a share option model which required a number of assumptions, including the likelihood of vesting. Some of the inputs used are not market observable and are based on estimates derived from available data;
  - Further details are included in note 27 to the financial statements in relation to share-based payments. Additionally, details on the Group's accounting policy for share-based payments can be found in note 3 on page 164, whilst it is identified as one of the key sources of estimation uncertainty within note 4 on page 165; and
  - Refer also to page 103 of the report of the Audit and Risk Committee which includes consideration of share-based payment accounting.

- How the scope of our audit responded to the key audit matter**
- We obtained an understanding of the relevant controls over the recognition of the share-based payment charge which involves a detailed review of underlying calculations and valuations.
  - We inspected the plan rules and evidence of plan approval, including signed and approved remuneration committee minutes and evidence of shareholder approval;
  - We challenged, with reference to supporting and contradictory information, management's assessment of the accounting for the share options. This included assessing the valuation report produced by management's expert over a number of the key assumptions;
  - We engaged internal specialists to assess the appropriateness of the approach adopted, and the models used to value the share-based payments granted during the period and certain key assumptions used in the IFRS 2 calculation; and
  - We obtained the forecasts used in estimating the vesting of the revenue linked options, which we agreed to the board approved forecasts. We challenged the appropriateness of the forecasts with reference to current and historical performance and sales contracts signed to date.

**Key observations** We concluded that the valuation of the share-based payments in the year is appropriate. The assumptions used in the valuation are within an acceptable range and the charge recorded in the income statement is in line with the requirements of IFRS 2.

# Independent Auditor's Report continued

## Inventory Provisioning

### Key audit matter description

- The Group holds inventory across a number of locations for the purposes of fulfilling sales orders and contractual obligations. Additionally, certain components of inventory are held for use within research and development. Net inventory as at the year end is £63.1m (2020: £35.6m). 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. In the case of LamPORE inventory, further judgement was required around the net realisable value of the inventory given the reduced revenue within the COVID-19 Testing segment;
- Given the uncertainty and judgement required by management, we have identified inventory provisioning as a key audit matter;
- Further details are included in note 19 to the financial statements in relation to inventory. Additionally, details on the Group's accounting policy for inventory can be found in note 3 on page 163; and
- Refer also to page 103 of the report of the Audit and Risk Committee which includes consideration of inventory provisioning.

### How the scope of our audit responded to the key audit matter

- We obtained an understanding around management's process for estimating the inventory provision balance, and assessed the relevant controls over management's determination of the inventory provisioning estimates;
- We challenged the key judgements made by management in the calculation of the inventory provision, including with reference to post year-end sales and considering any contradictory evidence which would indicate the net realisable value of inventory was below the cost;
- For a sample of items on which provisions were recorded by management, we traced the items to subsequent sales, or full write offs, to assess the valuation of the provision;
- We attended stocktakes at key locations which held significant levels of inventory, and performed confirmation procedures where stock was held at third party locations. This including observing the condition of inventory and assessing the expected use of the stock; and
- For LamPORE inventory, we challenged management's assessment over the net realisable value of such inventory by inspecting agreements with customers which supported the valuation of the inventory.

### Key observations

We concluded that the inventory provision recorded by management is appropriate such that inventory is stated at the lower of cost and net realisable value in line with the requirements of IAS 2.

## Our application of materiality

### Materiality

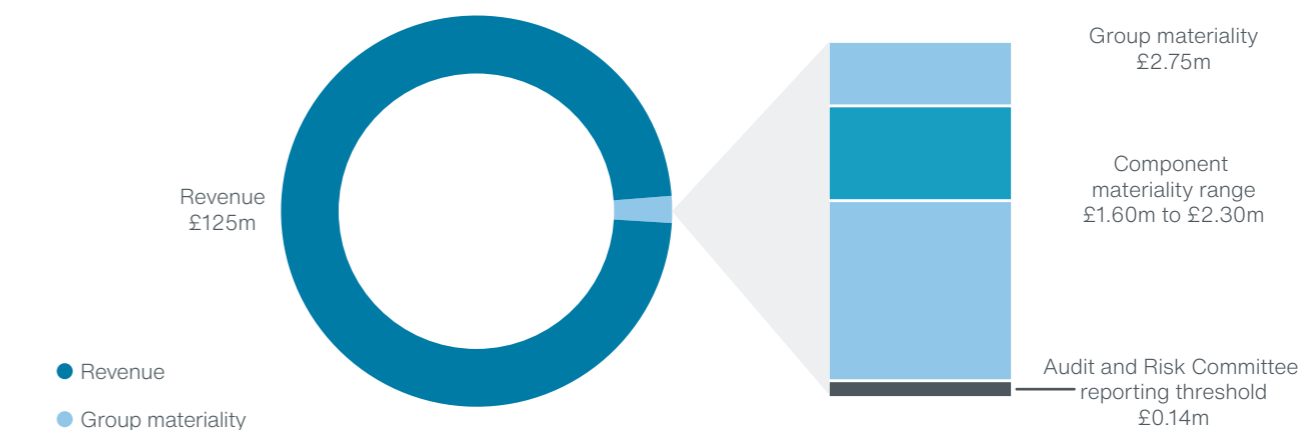
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements								
<b>Materiality</b>	£2,750,000	£2,250,000								
<b>Basis for determining materiality</b>	In determining our benchmark for materiality we considered the metrics used by investors and other readers of the financial statements. In particular, we considered Operating Expenses, Revenue and Net Assets.  Using professional judgement we have determined materiality to be £2,750,000.	We determined materiality in a manner consistent with the approach to the Group financial statements, however capped this at 82% of Group materiality in order to address the risk of aggregation when combined with other components of the Group.								
	<table border="1"> <thead> <tr> <th>Metric</th> <th>Materiality as a % of benchmark</th> </tr> </thead> <tbody> <tr> <td>Operating Expenses</td> <td>1.2%</td> </tr> <tr> <td>Revenue</td> <td>2.1%</td> </tr> <tr> <td>Net Assets</td> <td>0.4%</td> </tr> </tbody> </table>	Metric	Materiality as a % of benchmark	Operating Expenses	1.2%	Revenue	2.1%	Net Assets	0.4%	
Metric	Materiality as a % of benchmark									
Operating Expenses	1.2%									
Revenue	2.1%									
Net Assets	0.4%									

### Rationale for the benchmark applied

The Group's key activities are in its Research and Development, primarily in relation to the DNA sequencing technology. These Research and Development costs are the primary constituent of operating expenses. Additionally, revenues of the Group continue to grow and are a key metric for users, whilst net assets are also considered a key metric following the significant funds raised by the Group's IPO, which support the ability of the Group to continue the aforementioned operating expenses. As such we consider Operating Expenses (with certain adjustments), Revenue and Net Assets to be appropriate bases for determining materiality.





# Independent Auditor's Report continued

## Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
<b>Performance materiality</b>	70% of group materiality	70% of parent company materiality
<b>Basis and rationale for determining performance materiality</b>	In determining performance materiality, we primarily considered our risk assessment together with the Group's overall control environment, the history of aggregated uncorrected prior period adjustments and our assessment of the competence of key management and accounting personnel.	

## Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £140,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## An overview of the scope of our audit

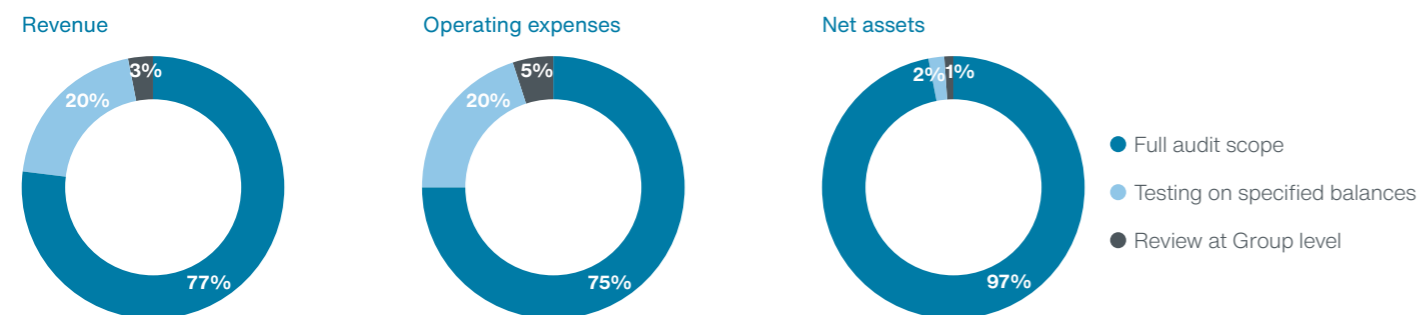
### Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The nature of the Group's structure means that the parent company acts as the main trading company for the Group's UK operations. As such, the parent company was subject to a full scope audit. Additionally, the Group's operating company for USA was subject to an audit of specified balances, including, but not limited to revenue and operating expenses.

The charts below show the coverage on each of consolidated Revenue, Operating Expenses and Net Assets based on this scoping.

All procedures were completed by the Group engagement team. We did not engage the use of component auditors. This is with the exception of certain procedures which required in person audit procedures, such as inventory counts, which were performed by local audit teams.

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.



Revenue, Operating Expenses and Net Assets of the Group.

### Our consideration of the control environment

We involved IT specialists to test the general IT controls over the main financial Enterprise Resource Planning (ERP) systems. We obtained an understanding of controls over revenue, the financial close and reporting and management's review of judgements and estimates. We have not taken a control reliance approach as the control environment is still developing.

### Our consideration of climate-related risks

In planning our audit, we considered the potential impacts of climate change on the Group's business and its financial statements. The Group has set out in the Strategic Report its reporting with respect to its greenhouse gas emissions (GHGs), in addition to future plans to reduce the GHG emissions resulting from the Group's business.

As a part of our audit, we have performed a risk assessment, including enquiries of management, to understand how the impacts of climate change, including the physical or transition risks of climate change, may affect the financial statements and our audit. There was no impact of this work on our key audit matters.

Within the Strategic Report the Group has highlighted its plan to publish a Sustainability Report in 2022 whereby the Group expects to set out more detailed reporting and updated plans with respect to sustainability.

We have read the disclosures of climate-related information in the annual report and considered their consistency with the financial statements and our audit knowledge. We have not been engaged to provide assurance over the accuracy of the climate-related information in the Annual Report.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

**We have nothing to report in this regard.**

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditors-responsibilities](http://www.frc.org.uk/auditors-responsibilities). This description forms part of our auditor's report.

### Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed on the next page.

# Independent Auditor's Report continued

## Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the legal function including the Group's General Counsel and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, pensions, IT and financial instruments specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the area of revenue recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

## Audit response to risks identified

As a result of performing the above, we identified revenue recognition as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and legal counsel (both in-house and external) concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## Report on other legal and regulatory requirements

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.
- In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

### Matters on which we are required to report by exception

#### Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

**We have nothing to report in respect of these matters.**

#### Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

**We have nothing to report in respect of these matters.**

## Other matters which we are required to address

### Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the Board of Directors in 2010 to audit the financial statements for the year ending 31 December 2010 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 11 years, covering the years ending 31 December 2010 to 31 December 2021. The year ending 31 December 2021 is our first year as Auditors of the Company since it completed its Initial Public Offering during 2021.

### Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

### Use of our report

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

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

### Sukhbinder Kooner

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

31 March 2022



# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2021

	Note	2021 £000	2020 £000
<b>Revenue</b>	5	<b>133,661</b>	113,860
Cost of sales		<b>(60,466)</b>	(66,981)
<b>Gross profit</b>		<b>73,195</b>	46,879
Research and development expenses		<b>(75,976)</b>	(48,551)
Selling, general and administrative expenses		<b>(161,752)</b>	(71,388)
<b>Loss from operations</b>		<b>(164,533)</b>	(73,060)
Finance income	11	<b>224</b>	91
Finance expense	11	<b>(908)</b>	(747)
Other gains and losses	12	<b>504</b>	563
Share of loss in associates	18	<b>(64)</b>	-
Impairment of investments in associates	18	<b>(1,227)</b>	-
<b>Loss before tax</b>	7	<b>(166,004)</b>	(73,153)
Tax (expense)/credit	13	<b>(1,609)</b>	11,909
<b>Loss for the year</b>		<b>(167,613)</b>	(61,244)
<b>Other comprehensive income/(loss):</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange gains/(losses) arising on translation on foreign operations		<b>388</b>	(429)
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>388</b>	(429)
<b>Total comprehensive loss</b>		<b>(167,225)</b>	(61,673)
		<b>2021 Pence</b>	<b>2020* Pence</b>
<b>Loss per share</b>	8	<b>23</b>	9

\* The 2020 numbers were updated retrospectively to give effect to the subdivision of shares which occurred on 23 August 2021. See note 26.

# Consolidated Statement of Financial Position

as at 31 December 2021

	Note	2021 £000	2020 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	<b>47,232</b>	39,386
Intangible assets	14	<b>23,004</b>	22,867
Investments in associates	18	<b>257</b>	548
Right-of-use assets	16	<b>14,687</b>	13,815
Deferred tax assets	13	<b>6,077</b>	1,439
		<b>91,257</b>	78,055
<b>Current assets</b>			
Inventories	19	<b>63,071</b>	35,627
Trade and other receivables	20	<b>54,796</b>	65,906
R&D tax credit recoverable	13	<b>14,274</b>	20,696
Derivative financial assets	22	<b>-</b>	62
Cash and cash equivalents	28	<b>487,840</b>	80,863
Other financial assets	21	<b>130,628</b>	-
		<b>750,609</b>	203,154
<b>Total assets</b>		<b>841,866</b>	281,209
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans	24	<b>9,500</b>	9,500
Lease liabilities	25	<b>12,694</b>	12,093
Share-based payment liabilities		<b>312</b>	-
Provisions	24	<b>10,339</b>	1,499
		<b>32,845</b>	23,092
<b>Current liabilities</b>			
Trade and other payables	23	<b>72,872</b>	69,574
Current tax liabilities	13	<b>4,418</b>	570
Lease liabilities	25	<b>2,610</b>	2,039
Derivative financial liabilities	22	<b>106</b>	-
Provisions	24	<b>25,039</b>	-
		<b>105,045</b>	72,183
<b>Total liabilities</b>		<b>137,890</b>	95,275
<b>Net assets</b>		<b>703,976</b>	185,934
<b>Issued capital and reserves attributable to owners of the parent</b>			
Share capital	26	<b>82</b>	36
Share premium reserve	26	<b>623,760</b>	610,544
Share-based payment reserve	27	<b>96,350</b>	35,079
Translation reserve		<b>(314)</b>	(702)
Accumulated deficit		<b>(15,902)</b>	(459,023)
<b>Total equity</b>		<b>703,976</b>	185,934

The financial statements on pages 150 to 197 were approved and authorised for issue by the board of directors on 31 March 2022 and were signed on its behalf by:



**G. Sanghera**  
Director

The notes on pages 157 to 197 form part of these financial statements.

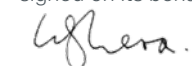
# Company Statement of Financial Position

as at 31 December 2021

	Note	2021 £000	2020 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	43,521	36,612
Intangible assets	14	23,004	22,867
Right-of-use assets	16	11,701	11,656
Investments in associates	18	257	548
Investments in subsidiaries	17	25,083	5,901
		<b>103,566</b>	77,584
<b>Current assets</b>			
Inventories	19	61,566	34,736
Trade and other receivables	20	45,684	61,328
R&D tax credit recoverable	13	14,274	20,696
Derivative financial assets	22	-	62
Cash and cash equivalents	28	478,592	77,614
Other financial assets	21	130,375	-
		<b>730,491</b>	194,436
<b>Total assets</b>		<b>834,057</b>	272,020
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans	24	9,500	9,500
Lease liabilities	25	10,636	10,742
Share-based payment liabilities		312	-
Provisions	24	9,704	1,355
		<b>30,152</b>	21,597
<b>Current liabilities</b>			
Trade and other liabilities	23	78,855	65,200
Lease liabilities	25	1,686	1,296
Derivative financial liabilities	22	106	-
Provisions	24	23,670	-
		<b>104,317</b>	66,496
<b>Total liabilities</b>		<b>134,469</b>	88,093
<b>Net assets</b>		<b>699,588</b>	183,927
<b>Issued capital and reserves attributable to owners of the parent</b>			
Share capital	26	82	36
Share premium reserve	26	623,760	610,544
Share-based payment reserve	27	96,350	35,079
Accumulated deficit		(20,604)	(461,732)
<b>Total equity</b>		<b>699,588</b>	183,927

As permitted by section 408 of the Companies Act 2006, the Company's statement of comprehensive income has not been included in these financial statements. The Company's loss for the year was £169.6 million (2020 £63.5 million).

The financial statements on pages 150 to 197 were approved and authorised for issue by the board of directors on 31 March 2022 and were signed on its behalf by:



**G. Sanghera**  
Director

The notes on pages 157 to 197 form part of these financial statements.

# Consolidated Statement of Changes in Equity

as at 31 December 2021

	Share capital £000	Share premium £000	Share-based payment reserve £000	Foreign exchange reserve £000	Accumulated deficit £000	Total equity £000
<b>At 1 January 2020</b>	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)
<b>Comprehensive loss for the year</b>	-	-	-	(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
<b>Total contributions by and distributions to owners</b>	3	131,212	6,864	-	-	138,079
<b>At 31 December 2020</b>	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
<b>Comprehensive loss for the year</b>	-	-	-	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
<b>Total contributions by and distributions to owners</b>	46	13,216	61,271	-	610,734	685,267
<b>At 31 December 2021</b>	<b>82</b>	<b>623,760</b>	<b>96,350</b>	<b>(314)</b>	<b>(15,902)</b>	<b>703,976</b>
Note	26	26	27			

The notes on pages 157 to 197 form part of these financial statements



## Company Statement of Changes in Equity

as at 31 December 2021

	Share capital £000	Share premium £000	Share-based payment reserve £000	Accumulated deficit £000	Total equity £000
<b>Balance at 1 January 2020</b>	33	479,332	28,215	(398,237)	109,343
Loss for the year	-	-	-	(63,495)	(63,495)
<b>Comprehensive loss for the year</b>	-	-	-	(63,495)	(63,495)
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
<b>Total contributions by and distributions to owners</b>	3	131,212	6,864	-	138,079
<b>At 31 December 2020</b>	36	610,544	35,079	(461,732)	183,927
Loss for the year	-	-	-	(169,606)	(169,606)
<b>Comprehensive loss for the year</b>	-	-	-	(169,606)	(169,606)
Issue of share capital	13	642,145	-	-	642,158
Bonus shares issued	37	-	-	(37)	-
Cancellation of deferred shares	(4)	-	-	4	-
Share premium cancellation	-	(610,767)	-	610,767	-
Cost of share issue	-	(18,162)	-	-	(18,162)
Employee share-based payments	-	-	60,707	-	60,707
Current tax in relation to share-based payments	-	-	564	-	564
<b>Total contributions by and distributions to owners</b>	46	13,216	61,271	610,734	685,267
<b>At 31 December 2021</b>	82	623,760	96,350	(20,604)	699,588
Note	26	26	27		

The notes on pages 157 to 197 form part of these financial statements.

## Consolidated Statement of Cash Flows

for the year ended 31 December 2021

	Note	2021 £000	2020 £000
<b>Net cash outflow from operating activities</b>	28	<b>(53,826)</b>	(63,806)
<b>Investing activities</b>			
Purchase of property, plant and equipment	15	<b>(21,536)</b>	(15,737)
Capitalisation of development costs	14	<b>(9,281)</b>	(10,735)
Investment in associate		<b>(1,000)</b>	(548)
Interest received		<b>207</b>	81
Investment in other financial assets		<b>(130,375)</b>	-
<b>Net cash outflow in investing activities</b>		<b>(161,985)</b>	(26,939)
<b>Financing activities</b>			
Proceeds from issue of shares		<b>642,144</b>	163,955
Costs of share issue		<b>(15,929)</b>	(2,676)
Principal elements of lease payments	28	<b>(2,361)</b>	(2,058)
Interest paid		<b>(283)</b>	(229)
Interest paid on leases		<b>(666)</b>	(415)
<b>Net cash inflow from financing activities</b>		<b>622,905</b>	158,577
<b>Net increase in cash and cash equivalents before foreign exchange movements</b>		<b>407,094</b>	67,832
Effect of foreign exchange rate losses		<b>(117)</b>	(61)
<b>Cash and cash equivalents at beginning of period</b>		<b>80,863</b>	13,092
<b>Cash and cash equivalents at the end of period</b>	28	<b>487,840</b>	80,863

# Company Statement of Cash Flows

for the year ended 31 December 2021

	Note	2021 £000	2020 £000
<b>Net cash outflow from operating activities</b>	28	<b>(63,904)</b>	(68,065)
<b>Investing activities</b>			
Purchase of property, plant and equipment	15	<b>(18,507)</b>	(12,858)
Capitalisation of development costs	14	<b>(9,281)</b>	(10,735)
Investment in associate		<b>(1,000)</b>	(548)
Investment in subsidiaries		<b>(52)</b>	(430)
Interest received		<b>208</b>	81
Investment in other financial assets		<b>(130,375)</b>	-
<b>Net cash outflow in investing activities</b>		<b>(159,007)</b>	(24,490)
<b>Financing activities</b>			
Proceeds from issue of shares		<b>642,144</b>	163,955
Costs of share issue		<b>(15,929)</b>	(2,676)
Principal elements of lease payments		<b>(1,499)</b>	(1,253)
Interest paid		<b>(233)</b>	(229)
Interest paid on leases		<b>(594)</b>	(357)
<b>Net cash inflow from financing activities</b>		<b>623,889</b>	159,440
<b>Net increase in cash and cash equivalents</b>		<b>400,978</b>	66,885
<b>Cash and cash equivalents at beginning of period</b>		<b>77,614</b>	10,729
<b>Cash and cash equivalents at the end of period</b>	28	<b>478,592</b>	77,614

# Notes to the Financial Statements

## 1. General information

Oxford Nanopore Technologies plc (the 'Company') is a public limited company incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Company's registered office is at Gosling Building, Edmund Halley Road, Oxford Science Park, Oxford, Oxfordshire, OX4 4DQ. These consolidated financial statements comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies'). The Group is primarily involved in researching, developing, manufacturing and commercialising the world's only commercial nanopore based sequencing platform that allows the real-time analysis of deoxyribonucleic acid (DNA) or ribonucleic acid (RNA). This enables our customers to perform scientific/biomedical research in a range of areas, including human genetics, cancer research, outbreak surveillance, environmental analysis, pathogens/antimicrobial resistance, microbiome analysis and crop science. These emerging uses may include applications in healthcare, agriculture, biopharma production, food/water supply chain surveillance, and education or consumer markets; anywhere where DNA information can tell a user about a sample: for example its identity, whether it is changing, healthy or diseased.

The Company is the parent entity and the ultimate parent company of the Group.

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

## 2. Adoption of new and revised standards

### New and revised IFRS standards in issue but not yet effective

At the date of authorisation of the Financial Statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17 (including the June 2020 Amendments to IFRS 17)	Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS	Amendments to IFRS 1 Firsttime Adoption of International Financial Reporting Standards, IFRS 9
Standards 2018/2020 Cycle	Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the Financial Statements of the Group in future periods.



# Notes to the Financial Statements continued

## 3. Significant accounting policies

### 3.1 Basis of preparation

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The principal accounting policies adopted are set out below.

### 3.2 Going concern

As at 31 December 2021, the Group held £618.4 million in Cash and cash equivalents and Treasury deposits (note 35) on the Statement of Financial Position, following the two significant fund raisings in the year:

- Oxford Nanopore received £202.1 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”). £428.6 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 COVID19 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.

### 3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

- the size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at this time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

### 3.4 Revenue recognition

The Group manufactures and sells a range of DNA and RNA sequencing products and also provides a range of technical training and consultancy services to customers. Products are either sold on a standalone basis or as part of a larger bundle of goods and services.

Revenue is recognised when control of the products has transferred, typically being when the products are delivered to the customer to the location specified during the sales ordering process. Revenue from providing services is recognised in the period in which the services are rendered because the customer receives and uses the benefits simultaneously.

Revenue from the sale of bundled goods and services include multiple performance obligations which are separately recognised. For example, a bundled contract might include the lease of a sequencing device, software licenses required to operate the device, sequencing consumables and technical training services. Each deliverable is accounted for as a separate performance obligation and the transaction price for the bundle is allocated to each performance obligation based on the standalone selling prices of each deliverable observed on the online store. In instances where there is no directly observable standalone selling price, management estimate this based on an expected cost-plus margin approach. As each performance obligation in the bundle is satisfied, revenue is either recognised at a point in time when the consumables are delivered or in the case of the lease of the sequencing device or provision of software license, recognised over the period to which they relate.

In the case of bundled goods and services contracts, customers either pay for the whole contract in advance of delivery of all the goods and services on the contract or are invoiced as the goods and services are delivered. If the transaction price allocated to the goods delivered or services rendered by the Group exceed the payment received from a customer, a contract asset is recognised. If the payment exceeds the transaction price allocated to the goods delivered or services rendered by the Group, a contract liability is recognised. In the case of non-bundled goods and services contracts, payment of the transaction price is typically due when the customer receives the goods or services.

For bill-and-hold arrangements in respect of the supply and delivery of goods, revenue is recognised when the customer has obtained control of the goods. Control is deemed to have transferred when the goods have been delivered to the specified delivery location. Under bill-and-hold arrangements it is deemed appropriate to recognise revenue provided the customer has requested the bill-and-hold arrangement for substantive purposes, for example, because it lacks the physical space/facilities to store the goods. In addition, the goods must be able to be identified as belonging to the customer and cannot be used to satisfy orders for other customers i.e. the customer can redirect or determine how the goods are used or where the goods are delivered to.

### 3.5 Alternative performance measures

Alternative performance measures are used by the Directors and Management to monitor business performance internally and exclude certain cash and non cash items which they believe are not reflective of the normal day to day operating activities of the Group. The Directors believe that disclosing such non IFRS measures enables a reader to isolate and evaluate the impact of such items on results and allows for a fuller understanding of performance from year to year. Alternative performance measures may not be directly comparable with other similarly titled measures used by other companies. A detailed reconciliation between reported and adjusted measures is presented in note 35.

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, but Management believes it is useful to specifically exclude the Founder LTIP and employer’s social security taxes on pre-IPO share awards from adjusted profit measures to better understand the long term performance of our core business.

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

### 3.6 Leased assets

#### The Group as a lessee

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

# Notes to the Financial Statements continued

## 3. Significant accounting policies continued

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and Useful Economic Life (UEL) of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included within "Operating expenses" in Statement of Comprehensive Income.

### The Group as a lessor

The Group leases some of its devices to customers. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. See note 5 for income from leases.

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

### 3.7 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into pounds using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

### 3.8 Employee benefits

#### (i) Retirement costs

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

#### (ii) Short-term and other long-term employee benefits

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

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

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

### 3.9 Taxation

The tax expense represents the sum of current and deferred taxes.

#### Current tax

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting period date.

A current tax provision is recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Tax liabilities are recognised when it is considered probable that there will be a future outflow of funds to a taxing authority. Provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

The Group is entitled to claim tax credits in the United Kingdom for certain research and development expenditure. The credit is paid in arrears once tax returns have been filed. An estimate of the tax credit expected to be received is recognised in the consolidated income statement above the line of profit before tax. A notional tax charge on the credit is recognised within the taxation line in the consolidated income statement, and the corresponding net asset is included within current assets in the consolidated statement of financial position until such time as it is received.

#### Deferred tax

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based



# Notes to the Financial Statements continued

## 3. Significant accounting policies continued

on tax laws and rates that have been enacted, or substantively enacted, at the reporting date.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or in equity.

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

### 3.10 Property, plant and equipment

Freehold land is not depreciated.

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following range:

Leasehold land	over lease period straight-line
Buildings	over 40 years straight-line
Leasehold improvements	over the expected duration of the lease straight-line
Plant and machinery	3-10 years straight-line
Office equipment	3 years straight line
Assets subject to operating leases	2-3 years straight line

Assets under construction are not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### 3.11 Intangible assets

#### (i) Patents and license

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives which is disclosed in note 14.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### (ii) Internally-generated intangible assets

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

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

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

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

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

The Group regularly assesses the development expenditures against the criteria for development costs to be recognised as an asset, as set out in IAS 38 "Intangible Assets". The amortisation periods for internally generated assets incurred by the Group are:

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

### Impairment of intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

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

### 3.12 Inventories

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

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

### 3.13 Financial instruments

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

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

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

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

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

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

# Notes to the Financial Statements continued

## 3. Significant accounting policies continued

costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the Statement of Comprehensive Income.

### 3.14 Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

### 3.15 Trade and other receivables

Trade receivables (excluding derivative financial assets) are recognised at cost less allowances for expected credit losses. They arise principally through the provision of goods and services to customers. The provision is based on the Group's expected credit loss.

### 3.16 Cash and cash equivalents

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

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

### 3.17 Trade and other payables

Trade payables (excluding derivative financial liabilities) are non-interest bearing and are stated at cost which equates to their fair value.

### 3.18 Other financial assets

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

### 3.19 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### 3.20 Share-based payments

Where share options and other equity instruments are awarded to employees, the fair value of the instrument at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of instruments that eventually vest.

Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

## 4. Critical accounting judgements and sources of estimation uncertainty

In applying the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Critical judgements in applying the Group's accounting policies

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

#### Judgements

##### i. Internally Generated Intangible Assets – research and development expenditure (“R&D”)

Critical judgements are required in determining whether development spend meets the criteria for capitalisation of such costs as laid out in IAS 38 “Intangible Assets,” in particular whether any future economic benefit will be derived from the costs and flow to the Group. The Directors believe that the criteria for capitalisation as per IAS 38 paragraph 57 for specific projects were met during the period and accordingly all amounts in relation to the development phase of those projects have been capitalised as an intangible asset during the period. All other spend on R&D projects has been recognised within R&D expenses in the income statement during the period.

Management 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 standalone 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 27. 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 £9.3 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 £8.8 million and £9.8 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.



## Notes to the Financial Statements continued

### 4. Critical accounting judgements and sources of estimation uncertainty continued

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 £64.2 million.

£11.7 million 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.

### 5. Revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following categories and geographical regions:

	2021 £000	2020 £000
<b>Geographical region</b>		
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
	<b>133,661</b>	<b>113,860</b>

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

	2021 £000	2020 £000
<b>Timing of revenue recognition</b>		
At a point in time	117,401	106,057
Over time	16,260	7,803
<b>Total revenue from contracts with customers</b>	<b>133,661</b>	<b>113,860</b>

Notes 20 and 23 disclose assets and liabilities the Group has recognised in relation to contracts with customers.

Revenue recognised in relation to contract liabilities:

	2021 £000	2020 £000
Revenue recognised that was included in the contract liability balance at the beginning of the period	12,230	4,740

### 6. 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
<b>Life Science Research Tools (LSRT)</b>	Oxford Nanopore's core business, generating revenue from providing products and services for research use, including Research and Development expenditure and corporate expenditure.
<b>COVID-19 Testing</b>	In the year, the Group generated revenue from providing products for SARCov2 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 described in note 3.

#### (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-19 Testing £000	2021 £000	LSRT £000	COVID-19 Testing £000	2020 £000
<b>Revenue</b>						
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
United 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
<b>Total Revenue</b>	<b>126,961</b>	<b>6,700</b>	<b>133,661</b>	<b>65,533</b>	<b>48,327</b>	<b>113,860</b>

# Notes to the Financial Statements continued

## 6. Segment information continued

### (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-19 Testing £000	2021 £000	LSRT £000	COVID-19 Testing £000	2020 £000
<b>(Loss)/Profit for the year</b>	<b>(168,942)</b>	<b>1,329</b>	<b>(167,613)</b>	(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 amortisation	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	-	-	-
<b>Adjusted EBITDA</b>	<b>(60,676)</b>	<b>2,945</b>	<b>(57,731)</b>	(70,359)	15,197	(55,162)

### (c) Supplementary information

	LSRT £000	COVID-19 Testing £000	2021 £000	LSRT £000	COVID-19 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
<b>Segment assets</b>						
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
<b>Total segment assets</b>	<b>188,626</b>	<b>14,421</b>	<b>203,047</b>	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
<b>Total Assets</b>			<b>841,866</b>			281,209
<b>Segment liabilities</b>						
Total segment liabilities	(127,167)	(1,223)	(128,390)	(84,411)	(1,364)	(85,775)
Non current borrowings			(9,500)			(9,500)
<b>Total Liabilities</b>			<b>(137,890)</b>			(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-19 Testing £000	2021 £000	LSRT £000	COVID-19 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
	<b>82,877</b>	<b>2,302</b>	<b>85,179</b>	74,491	2,125	76,616

## 7. Loss before tax

	2021 £000	2020 £000
<b>This is after charging</b>		
Non-staff research and development costs	27,101	22,030
Amortisation of intangible assets	9,144	4,835
Depreciation of property, plant and equipment	12,890	10,125
Depreciation of right-of-use assets	2,657	2,375
Loss on disposal of property, plant and equipment	837	1
Cost of inventories	38,615	33,767
Short term lease costs	180	82
Write-down of inventories	4,368	1,428
Impairment of investment in associate	1,227	-
Net foreign exchange loss	1,468	2,070

All amounts relate to continuing operations.

Amortisation of internally generated intangible assets is included within selling, general & administration expenses in the consolidated income statement.

## 8. Loss per share

	2021 Pence	2020* Pence
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### (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
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### (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
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### (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 26.



## Notes to the Financial Statements continued

### 8. Loss per share continued

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 27.

### 9. Auditors' remuneration

During the year, the Group obtained the following services from the Group's auditors:

	Group 2021	Group 2020
	£000	£000
Fees payable to the Group's auditors for the audit of the Group's financial statements	595	281
Fees payable to the Group's auditors for the audit of the Group's subsidiary financial statements	57	-
Fees payable to the Group's auditor for assurance related non-audit services	1,437	21
	<b>2,089</b>	<b>302</b>

Assurance related non-audit services relate to the reporting accountant work undertaken by Deloitte LLP as part of the IPO.

### 10. Staff costs

#### Employee benefit expenses (including directors) comprise:

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Wages and salaries	54,421	40,619	41,142	31,472
Social security costs	5,534	4,324	4,487	3,707
Pension costs	1,267	946	1,086	893
Share-based payment expenses	62,453	6,864	-	4,869
Social security costs (share awards)	39,296	-	36,644	-
Other staff costs	947	897	282	354
	<b>163,918</b>	<b>53,650</b>	<b>83,641</b>	<b>41,295</b>

#### Directors and key management personnel

Director's and key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the Company listed on page 1.

Director's and Key management personnel's compensation consists of:

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Salaries, bonuses and benefits in kind	6,381	3,939	4,310	1,827
Amounts paid as directors' fees	860	238	860	238
Share-based payment charge	49,491	1,845	34,116	1,194
	<b>56,732</b>	<b>6,022</b>	<b>39,286</b>	<b>3,259</b>

The remuneration for director's fees and management services for the highest paid director in 2021 was £1.7 million (2020: £0.9 million)

The highest paid director exercised 230,000 share options in the current period (2020: nil).

No director is a member of a money purchase plan (2020:1).

In 2021, 7.4 million share options were granted to the directors (2020: nil) and 855,700 share options were exercised during the year (2020: 376,500). The total number of share options held by directors is 13.5 million (2020: 5.6 million). The 2020 share option numbers were updated retrospectively to give effect to the subdivision of shares which occurred on 23 August 2021. See note 26.

Executive directors receive medical insurance for themselves as a non-monetary benefit. Total premiums in respect of this cover amounted to £18,500 (2020: £20,000). All the emoluments relate to short term employee benefits. No director received any post-employment benefit, other long-term benefit or termination benefit.

In addition to the above, charges to the profit and loss account relating to share-based payments relating to options held by Directors amounted to £44.9 million (2020: £1.2 million).

#### Employee numbers

The below table summarises the monthly average number of employees:

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Research and development	291	235	278	207
Production	134	106	134	106
Sales, general and administration	280	186	191	139
	<b>705</b>	<b>527</b>	<b>603</b>	<b>452</b>

### 11. Finance income and expense

	2021 £000	2020 £000
<b>Finance income</b>		
Bank interest	224	91
<b>Total finance income</b>	<b>224</b>	<b>91</b>
<b>Finance expense</b>		
Bank interest	(242)	(251)
Interest on lease	(666)	(496)
<b>Total finance expense</b>	<b>(908)</b>	<b>(747)</b>
<b>Net finance expense recognised in profit or loss</b>	<b>(684)</b>	<b>(656)</b>

### 12. Other gains and losses

	2021 £000	2020 £000
<b>Gains</b>		
Gain on derivative financial instruments	504	563

The derivative financial instruments are disclosed in note 22.

## Notes to the Financial Statements continued

### 13. Tax on loss on ordinary activities

#### 13.1 Income tax recognised in profit or loss

	2021 £000	2020 £000
<b>Current tax</b>		
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)
Prior year adjustment in respect of current tax	(48)	386
Tax payable on foreign subsidiary	5,344	492
<b>Total current tax</b>	<b>6,165</b>	<b>(10,818)</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(4,556)	(1,091)
<b>Total deferred tax</b>	<b>(4,556)</b>	<b>(1,091)</b>
<b>Total tax expense/(credit)</b>	<b>1,609</b>	<b>(11,909)</b>

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.

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 £000	2020 £000
Loss for the year	(167,613)	(61,244)
Income tax expense/(credit)	1,609	(11,909)
<b>Loss before income taxes</b>	<b>(166,004)</b>	<b>(73,153)</b>
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)
<b>Total tax expense/(credit)</b>	<b>1,609</b>	<b>(11,909)</b>

#### 13.2 Current tax liabilities

	2021 £000	2020 £000
Corporation tax payable	4,418	570
	<b>4,418</b>	<b>570</b>

#### 13.3 Deferred tax balances

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

	2021 £000	2020 £000
Deferred tax assets	6,077	1,439
	<b>6,077</b>	<b>1,439</b>

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:

	Group 2021 £000	Group 2020 £000
<b>Recognised Deferred Tax Assets</b>		
Share Awards	6,160	1,675
Provisions	797	271
Accelerated Capital Allowances	(880)	(507)
	<b>6,077</b>	<b>1,439</b>

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.

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



## Notes to the Financial Statements continued

### 13. Tax on loss on ordinary activities continued

#### 13.4 R&D tax credit recoverable

Group and Company	2021 £000	2020 £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)	-
<b>Balance at 31 December</b>	<b>14,274</b>	<b>20,696</b>

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.

### 14. Intangible assets

#### Group & Company

	Capitalised development costs £000	Patent and license £000	Total £000
<b>Cost</b>			
At 1 January 2020	18,448	-	18,448
Additions	-	446	446
Additions from internal development	10,735	-	10,735
<b>At 31 December 2020</b>	<b>29,183</b>	<b>446</b>	<b>29,629</b>
Additions from internal development	9,281	-	9,281
<b>At 31 December 2021</b>	<b>38,464</b>	<b>446</b>	<b>38,910</b>
<b>Accumulated amortisation</b>			
At 1 January 2020	1,927	-	1,927
Charge for the year	4,835	-	4,835
<b>At 31 December 2020</b>	<b>6,762</b>	<b>-</b>	<b>6,762</b>
Charge for the year	9,094	50	9,144
<b>At 31 December 2021</b>	<b>15,856</b>	<b>50</b>	<b>15,906</b>
<b>Net book value</b>			
At 31 December 2020	22,421	446	22,867
<b>At 31 December 2021</b>	<b>22,608</b>	<b>396</b>	<b>23,004</b>

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

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

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

### 15. Property, plant and equipment

#### Group

	Land & Buildings £000	Leasehold Improvements £000	Plant and machinery £000	Assets under construction £000	Assets subject to operating leases £000	Equipment £000	Total £000
<b>Cost or valuation</b>							
At 1 January 2020	16,243	6,529	12,651	258	13,425	8,220	57,326
Additions	158	-	3,739	46	8,829	2,965	15,737
Disposals	-	-	(76)	-	(2,241)	(18)	(2,335)
Transfers between classes	-	-	115	(115)	-	-	-
Foreign exchange movements	-	-	(9)	2	(11)	(31)	(49)
<b>At 31 December 2020</b>	<b>16,401</b>	<b>6,529</b>	<b>16,420</b>	<b>191</b>	<b>20,002</b>	<b>11,136</b>	<b>70,679</b>
Additions	-	745	3,544	1,791	12,711	2,745	21,536
Disposals	-	-	(23)	-	(2,725)	(232)	(2,980)
Transfers between classes	(1,344)	1,636	(391)	-	-	99	-
Foreign exchange movements	-	(2)	7	-	87	14	106
<b>At 31 December 2021</b>	<b>15,057</b>	<b>8,908</b>	<b>19,557</b>	<b>1,982</b>	<b>30,075</b>	<b>13,762</b>	<b>89,341</b>
<b>Accumulated depreciation</b>							
At 1 January 2020	879	1,472	7,044	-	8,768	5,375	23,538
Charge for the year	1,347	34	1,653	-	4,968	2,123	10,125
Disposals	-	-	(75)	-	(2,241)	(18)	(2,334)
Exchange adjustments	-	-	(10)	-	(1)	(25)	(36)
<b>At 31 December 2020</b>	<b>2,226</b>	<b>1,506</b>	<b>8,612</b>	<b>-</b>	<b>11,494</b>	<b>7,455</b>	<b>31,293</b>
Charge for the year	298	1,139	2,552	-	6,450	2,451	12,890
Disposals	-	-	(9)	-	(2,130)	(4)	(2,143)
Transfers between classes	(1,293)	1,293	-	-	-	-	-
Exchange adjustments	-	1	3	-	52	13	69
<b>At 31 December 2021</b>	<b>1,231</b>	<b>3,939</b>	<b>11,158</b>	<b>-</b>	<b>15,866</b>	<b>9,915</b>	<b>42,109</b>
<b>Net book value</b>							
At 31 December 2020	14,175	5,023	7,808	191	8,508	3,681	39,386
<b>At 31 December 2021</b>	<b>13,826</b>	<b>4,969</b>	<b>8,399</b>	<b>1,982</b>	<b>14,209</b>	<b>3,847</b>	<b>47,232</b>

## Notes to the Financial Statements continued

### 15. Property, plant and equipment continued

#### Company

	Land & Buildings £000	Leasehold Improvements £000	Plant and machinery £000	Assets under construction £000	Assets subject to operating leases £000	Equipment £000	Total £000
<b>Cost or valuation</b>							
At 1 January 2020	16,243	6,501	12,356	148	9,917	7,636	52,801
Additions	158	-	3,817	43	6,095	2,745	12,858
Disposals	-	-	(76)	-	(1,861)	(18)	(1,955)
Transfers between classes	-	-	-	-	-	(18)	(18)
<b>At 31 December 2020</b>	<b>16,401</b>	<b>6,501</b>	<b>16,097</b>	<b>191</b>	<b>14,151</b>	<b>10,345</b>	<b>63,686</b>
Additions	-	<b>720</b>	<b>5,206</b>	<b>96</b>	<b>9,994</b>	<b>2,491</b>	<b>18,507</b>
Disposals	-	-	<b>(23)</b>	-	<b>(1,923)</b>	<b>(232)</b>	<b>(2,178)</b>
Transfers between classes	<b>(1,344)</b>	<b>1,636</b>	<b>(2,087)</b>	<b>1,696</b>	-	<b>99</b>	-
<b>At 31 December 2021</b>	<b>15,057</b>	<b>8,857</b>	<b>19,193</b>	<b>1,983</b>	<b>22,222</b>	<b>12,703</b>	<b>80,015</b>
<b>Accumulated depreciation</b>							
At 1 January 2020	876	1,472	6,787	-	6,345	5,044	20,524
Charge for the year	1,344	34	1,624	-	3,629	1,870	8,501
Disposals	-	-	(74)	-	(1,859)	(18)	(1,951)
<b>At 31 December 2020</b>	<b>2,220</b>	<b>1,506</b>	<b>8,337</b>	-	<b>8,115</b>	<b>6,896</b>	<b>27,074</b>
Charge for the year	<b>297</b>	<b>1,133</b>	<b>2,524</b>	-	<b>4,641</b>	<b>2,271</b>	<b>10,866</b>
Disposals	-	-	<b>(9)</b>	-	<b>(1,433)</b>	<b>(4)</b>	<b>(1,446)</b>
Transfers between classes	<b>(1,287)</b>	<b>1,287</b>	-	-	-	-	-
<b>At 31 December 2021</b>	<b>1,230</b>	<b>3,926</b>	<b>10,852</b>	-	<b>11,323</b>	<b>9,163</b>	<b>36,494</b>
<b>Net book value</b>							
At 31 December 2020	14,181	4,995	7,760	191	6,036	3,449	36,612
<b>At 31 December 2021</b>	<b>13,827</b>	<b>4,931</b>	<b>8,341</b>	<b>1,983</b>	<b>10,899</b>	<b>3,540</b>	<b>43,521</b>

On 1 June 2017 the Company purchased the building and land known as Gosling Building, Edmund Halley Road, Oxford Science Park, Oxford subject to a long leasehold. The remaining length of the lease at year end is 133 years and 9 months.

The Group leases some of its devices to customers. Lease payments in relation to these devices are received either up front or within the year as such no maturity analysis of lease payments has been included.

### 16. Right-of-use assets

#### Group

	Total £000
<b>Cost</b>	
At 1 January 2020	11,581
Additions	6,687
Exchange loss	(127)
<b>At 31 December 2020</b>	<b>18,141</b>
Additions	<b>3,494</b>
Disposals	<b>(1,398)</b>
Exchange gain	<b>65</b>
<b>At 31 December 2021</b>	<b>20,302</b>
<b>Accumulated depreciation</b>	
At 1 January 2020	2,014
Charge for the year	2,375
Exchange gain	(63)
<b>At 31 December 2020</b>	<b>4,326</b>
Charge for the year	<b>2,657</b>
Disposals	<b>(1,398)</b>
Exchange loss	<b>30</b>
<b>At 31 December 2021</b>	<b>5,615</b>
<b>Carrying amount</b>	
At 31 December 2020	(13,815)
<b>At 31 December 2021</b>	<b>(14,687)</b>

#### Company

	Total £000
<b>Cost</b>	
At 1 January 2020	9,149
Additions	5,253
<b>At 31 December 2020</b>	<b>14,402</b>
Additions	<b>1,784</b>
Disposals	<b>(719)</b>
<b>At 31 December 2021</b>	<b>15,467</b>
<b>Accumulated depreciation</b>	
At 1 January 2020	1,281
Charge for the year	1,465
<b>At 31 December 2020</b>	<b>2,746</b>
Charge for the year	<b>1,739</b>
Disposals	<b>(719)</b>
<b>At 31 December 2021</b>	<b>3,766</b>
<b>Carrying amount</b>	
At 31 December 2020	11,656
<b>At 31 December 2021</b>	<b>11,701</b>

## Notes to the Financial Statements continued

### 17. Investment in subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Registered address	Country of incorporation and operation	Principal activity
1) Oxford Nanopore Diagnostics Limited	Gosling Building, Edmund Halley Road, Oxford Science Park, OX4 4DQ	UK	Dormant
2) Oxford Nanopore Technologies, Inc.	101 Avenue of the Americas, New York, NY 10013	USA	R&D and Limited risk distributor
3) Oxford Nanolabs Limited	Gosling Building, Edmund Halley Road, Oxford Science Park, OX4 4DQ	UK	Dormant
4) The Genome Foundry Limited	Gosling Building, Edmund Halley Road, Oxford Science Park, OX4 4DQ	UK	Dormant
5) Metrichor Limited	Gosling Building, Edmund Halley Road, Oxford Science Park, OX4 4DQ	UK	R&D support
6) KK Oxford Nanopore Technologies	Tokyo Club Building 11F3 2 6 Kasumigaseki, Chiyoda ku, Tokyo 100 0013	Japan	Sales and marketing support
7) Nanopore Technologies Hong Kong Limited	Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay	Hong Kong	Investment company
8) Nanopore Technologies (Shanghai) Co. Limited	Room 2208, Tower 1, Grand Gateway 66, No. 1 Hongqiao Road, Xuhui District, Shanghai	China	Sales and marketing support
9) Oxford Nanopore Technologies Singapore PTE Ltd	38 Beach Road, #29 11, South Beach Tower, Singapore (189767)	Singapore	Sales and marketing support
10) Oxford Nanopore Technologies B.V.	Gustav Mahlerplein 2, 1082 MA Amsterdam	The Netherlands	Sales and marketing support
11) Oxford Nanopore Technologies Australia PTY Ltd	Level 10, 171 Clarence Street, Sydney, NSW 2000	Australia	Sales and marketing support
12) Oxford Nanopore Technologies Denmark ApS	c/o Crowe Rygårds Allé 104, 2009 Hellerup	Denmark	Sales and marketing support
13) Oxford Nanopore Technologies SARL	22 Rue de Londres, 75009 Paris 9	France	Sales and marketing support
14) Oxford Nanopore Technologies GmbH	München Geschäftsanschrift: Augustenstr. 10, c/o Dr. Kleeberg & Partner GmbH, 80333 München	Germany	Sales and marketing support
15) Oxford Nanopore Technologies Gulf Limited	Office No. 303 A, Level 3 Incubator Building Masdar City, Abu Dhabi	United Arab Emirates	Sales and marketing support

All of the Company's subsidiary undertakings are 100% held and have been consolidated in the Group financial statements.

Oxford Nanopore Technologies plc has an indirect interest in Nanopore Technologies (Shanghai) Co. Limited which is a 100% subsidiary of Nanopore Technologies Hong Kong Limited. Nanopore Technologies (Shanghai) Co. Limited has a branch in Beijing – Nanopore Technologies (Shanghai) Co., Beijing Branch.

Oxford Nanopore Technologies SARL commenced trading on 1 January 2021, Oxford Nanopore Technologies GmbH incorporated on 25 February 2021 (commenced trading on 1 April 2021) and Oxford Nanopore Technologies Gulf Limited incorporated on 22 November 2021 (commenced trading on 1 January 2022).

Metrichor Limited (company registration number 08534345) is exempt from the requirements under the Companies Act 2006 relating to the audit of the Financial Statements under section 479A of that Act. Oxford Nanopore Technologies plc has provided a parent company guarantee over the liabilities of this subsidiary company, pursuant to section 479C of the Companies Act 2006.

	2021 £000	2020 £000
<b>Company</b>		
Investment at 1 January	5,901	3,476
Equity-settled instruments granted to employees of subsidiaries	19,130	1,995
Additions in the year	52	430
	<b>25,083</b>	5,901

### 18. Investment in associates

The following entity has been included in the consolidated financial statements using the equity method:

Name of associate	Principal activities	Country of incorporation	Proportion of ownership interest held as at (%)	
			2021	2020
1) Veiovia Limited	Technology Development	UK	23.3	18.5

#### (i) Investment at cost

	2021 £000	2020 £000
<b>Group and Company</b>		
Investment cost	1,548	548
Share of loss of an associate	(64)	-
Impairment	(1,227)	-
<b>Carrying amount of the interest in the associate</b>	<b>257</b>	<b>548</b>

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

- (i) Pursuant to a shareholder agreement, the Company has the right to cast 23.3% of the votes of Veiovia Limited.
- (ii) The Group holds more than 20% of the equity shares of Veiovia Limited, and exercises significant influence by virtue of its contractual right to appoint one director to the board of directors of that entity (note 30).
- (iii) For the purposes of applying the equity method of accounting, the financial statements of Veiovia Limited for the year ended 31 December 2021 have been used. The Company's share of the net asset value of the investment is significantly below the investment amount. Management has recorded an impairment loss of the investment to the recoverable amount.
- (iv) Veiovia Limited's registered office is The University of York, Biology B/A/039, Wentworth Way, York, UK, YO10 5DD.

### 19. Inventories

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Raw materials	25,781	11,738	25,781	11,733
Work in progress	17,830	14,363	17,775	14,203
Finished goods	19,460	9,526	18,010	8,800
	<b>63,071</b>	<b>35,627</b>	<b>61,566</b>	<b>34,736</b>

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



## Notes to the Financial Statements continued

### 20. Trade and other receivables

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Trade receivables	38,198	49,021	30,704	45,164
Contract assets	275	1,873	140	1,873
Other debtors	2,834	1,310	1,870	666
Accrued interest income	32	16	32	16
Other taxes	5,353	2,886	5,338	2,926
Prepayments	8,104	10,800	7,600	10,683
	<b>54,796</b>	<b>65,906</b>	<b>45,684</b>	<b>61,328</b>

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

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

Group	Trade receivables				
	£000 not past due	£000 30-60 days	£000 61-90 days	£000 91+ days	£000 Total
<b>At 31 December 2021</b>	<b>21,368</b>	<b>11,715</b>	<b>1,129</b>	<b>6,941</b>	<b>41,153</b>
Loss allowance	(8)	(45)	-	(2,902)	(2,955)
	<b>21,360</b>	<b>11,670</b>	<b>1,129</b>	<b>4,039</b>	<b>38,198</b>
<b>At 31 December 2020</b>	34,513	5,800	3,260	7,406	50,979
Loss allowance	-	-	-	(1,958)	(1,958)
	34,513	5,800	3,260	5,448	49,021

The following table shows the movement in lifetime Expected Credit Loss that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

Group	Total £000
<b>At 1 January 2020</b>	1,944
Net changes and releases to income statement	51
Foreign exchange gains and losses	(37)
<b>Balance at 31 December 2020</b>	1,958
Net charges and releases to income statement	1,013
Foreign exchange gains and losses	(16)
<b>Balance at 31 December 2021</b>	<b>2,955</b>

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

Company	Trade receivables				
	£000 not past due	£000 30-60 days	£000 61-90 days	£000 91+ days	£000 Total
<b>At 31 December 2021</b>	<b>17,488</b>	<b>9,614</b>	<b>679</b>	<b>4,712</b>	<b>32,493</b>
Loss allowance	(8)	(45)	-	(1,737)	(1,790)
	<b>17,480</b>	<b>9,569</b>	<b>679</b>	<b>2,975</b>	<b>30,703</b>
<b>At 31 December 2020</b>	32,103	5,182	2,598	6,233	46,116
Loss allowance	-	-	-	(952)	(952)
	32,103	5,182	2,598	5,281	45,164

The following table shows the movement in lifetime Expected Credit Loss that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

Company	Total £000
<b>At 1 January 2020</b>	1,408
Net changes and releases to income statement	(421)
Foreign exchange gains and losses	(35)
<b>Balance at 31 December 2020</b>	952
Net charges and releases to income statement	838
<b>Balance at 31 December 2021</b>	<b>1,790</b>

### 21. Other financial assets

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Treasury deposits	130,375	-	130,375	-
Other financial assets	253	-	-	-
	<b>130,628</b>	<b>-</b>	<b>130,375</b>	<b>-</b>

### 22. Derivative financial instruments

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
<b>Derivative financial assets</b>				
Foreign currency forward contracts	-	62	-	62
	-	62	-	62
<b>Derivative financial liabilities</b>				
Foreign currency forward contracts	106	-	106	-
	<b>106</b>	<b>-</b>	<b>106</b>	<b>-</b>

## Notes to the Financial Statements continued

### 23. Trade and other payables

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Trade payables	20,486	31,007	18,735	30,025
Share-based payments	1,416	-	1,416	-
Payroll taxation and social security	6,573	2,890	6,284	2,730
Accruals	22,767	17,849	20,496	16,255
Contract liabilities	21,630	17,828	18,181	15,131
Intercompany	-	-	13,743	1,059
	<b>72,872</b>	<b>69,574</b>	<b>78,855</b>	<b>65,200</b>

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 and Company is 57 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.

### 24. Loans and provisions

	2021 £000	2020 £000
<b>Loans – Group and Company</b>		
Loan on Land and Building Purchase	9,500	9,500
	<b>9,500</b>	<b>9,500</b>

During 2017 the Lease of land and accompanying purchase of Gosling Building (see Note 15) was acquired for £16.2 million. A Term loan facility of £9.5 million was taken out with Barclays Bank plc to part fund the purchase (the balance being taken out of cash reserves). The term of the loan was 5 years. During 2020, the Group refinanced the loan with Barclays Bank plc for a new term starting from 4 August 2020 for 4 years. The average interest rate charged in the year was 2.90% (2020: 2.63%).

Barclays Bank plc has a legal charge on this leasehold property as security against the loan. The financial covenant relating to this loan is for the loan outstanding to be no more than 55% of the property value. The Company continues to meet this banking covenant, with significant headroom.

Loan on Land and Buildings is measured at amortised cost under IFRS 9 (note 29).

	Dilapidation provisions £000	Employer taxes £000	Other £000	Total provisions £000
<b>Provisions – Group</b>				
Balance at 31 December 2020	1,499	-	-	1,499
Provision for the year	-	33,183	683	33,866
Foreign exchange movements	4	9	-	13
<b>Balance at 31 December 2021</b>	<b>1,503</b>	<b>33,192</b>	<b>683</b>	<b>35,378</b>
Current	-	24,356	683	25,039
Non-current	1,503	8,836	-	10,339
	<b>1,503</b>	<b>33,192</b>	<b>683</b>	<b>35,378</b>

	Dilapidation provisions £000	Employer taxes £000	Other £000	Total provisions £000
<b>Provisions – Company</b>				
Balance at 31 December 2020	1,355	-	-	1,355
Additional provision for the year	-	31,336	683	32,019
<b>Balance at 31 December 2021</b>	<b>1,355</b>	<b>31,336</b>	<b>683</b>	<b>33,374</b>
Current	-	22,987	683	23,670
Non-current	1,355	8,349	-	9,704
	<b>1,355</b>	<b>31,336</b>	<b>683</b>	<b>33,374</b>

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.

### 25. Lease liabilities

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Current	2,610	2,039	1,686	1,296
Non-current	12,694	12,093	10,636	10,742
<b>Lease liabilities included in the statement of financial position</b>	<b>15,304</b>	<b>14,132</b>	<b>12,322</b>	<b>12,038</b>

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Maturity analysis contractual undiscounted cash flows				
Up to one year	3,265	2,656	2,243	1,853
One to five years	8,786	7,512	6,626	6,072
Greater than 5 years	8,802	9,940	8,802	9,940
<b>Total undiscounted lease liabilities at 31 December</b>	<b>20,853</b>	<b>20,108</b>	<b>17,671</b>	<b>17,865</b>

Information on the associated right-of-use assets is included in note 16.

## Notes to the Financial Statements continued

### 26. 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
<b>Share class</b>			
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
			<b>82,159</b>

As at 31 December 2020, the Company's share capital comprised:

	Nominal value	Number of shares issued	Aggregate nominal value
<b>Share class</b>			
Ordinary Shares	£0.001	32,452,674	32,453
Deferred Shares	£0.005	733,677	3,668
			<b>36,121</b>

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 £202.1 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.

### 27. Share-based payments

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

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

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: £6.9 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

During the year the Company set up an Employee benefit trust for the purposes of buying and selling shares on the employees' behalf. A total of £10 of funding was paid into the Trust by the Company during the year ended 31 December 2021. This balance has been included in the Company financial statements on the grounds that the Trust is controlled by the Company.

#### Share options

Options under each scheme have been aggregated. Share options have been awarded under two equity-settled share-based remuneration schemes: the Oxford Nanopore Technologies Share Option Scheme and the Oxford Nanopore Technologies Limited Share Option Plan 2018. The contractual life of all options is 10 years.

**Oxford Nanopore Technologies Limited Share Option Plan 2018:** The Plan replaced the Oxford Nanopore Technologies Share Option Scheme and the scheme closed to new members following the Company's admission to the London Stock Exchange in 2021. All unexercised awards will have expired by 2031.

All employees were eligible to be awarded approved share options, with the exception of employees in some foreign subsidiaries. These employees were instead eligible to be remunerated under a local phantom bonus scheme. Awards granted to participants were subject to either service conditions or both service and market performance conditions. Options were not normally able to be exercised before the third anniversary of the date of grant.



# Notes to the Financial Statements continued

## 27. Share-based payments continued

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

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

	2021		2020*	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at beginning of period	49,940,900	105	52,988,380	98
Granted during the period	19,558,520	295	2,881,000	123
Forfeited during the period	(497,106)	150	(1,222,940)	61
Exercised during the period	(13,551,482)	85	(4,705,540)	48
<b>Outstanding at the end of the period</b>	<b>55,450,832</b>	<b>176</b>	<b>49,940,900</b>	<b>105</b>
<b>Exercisable at the end of the period</b>	<b>34,084,864</b>	<b>125</b>	<b>27,452,900</b>	<b>87</b>

\* The 2020 numbers were updated retrospectively to give effect to the subdivision of shares which occurred on 23 August 2021. See note 26.

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

	Grant year	Expiry year	Exercise price (pence)	2021	2020*
				Number	Number
Oxford Nanopore Technologies Limited Share Option Scheme	2008 – 2018	2020 – 2028	4 – 140	18,625,927	30,691,300
Oxford Nanopore Technologies Limited Share Option Plan 2018	2019 – 2021	2029 – 2031	181 – 306	36,824,905	19,249,600
				<b>55,450,832</b>	<b>49,940,900</b>

\* The 2020 numbers were updated retrospectively to give effect to the subdivision of shares which occurred on 23 August 2021. See note 26.

The weighted average share price at the date of exercise for share options exercised during the period was £4.29 (31 December 2020: £2.65). The options outstanding at 31 December 2021 had a weighted average exercise price of £1.76 (31 December 2020: £1.05), and a weighted average remaining contractual life of 6.8 years (2020: 6.0 years).

### Valuation models:

**Oxford Nanopore Technologies Limited Share Option Plan 2018:** The fair value of share options granted during the year was determined using the Monte Carlo Simulation model and Black Scholes model dependent on the performance vesting conditions. There were 19.6 million options granted during the year (2020: 2.9 million)

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

	2021	2020*
Range of share prices	£2.65 – £3.50	£2.65
Range of exercise prices	£2.12 – £3.50	£1.23
Expected volatility range	47% – 50%	47%
Expected life	6.5 years	6.5 years
Risk-free rate range	0% – 0.4%	0%
Expected dividend yields	Nil	Nil

\* The 2020 numbers were updated retrospectively to give effect to the subdivision of shares which occurred on 23 August 2021. See note 26.

The volatility assumption has been derived as the median volatility over a 5 year period of a bespoke comparator group. For options granted during 2021, the expected life assumption of 6.5 years assumes exercise will occur halfway through the total exercisable period, being the midpoint of years 3 and 10. The risk-free interest rate used reflects the UK Government 5 year Gilt rate as reported by the Bank of England.

The weighted average fair value of options granted during the period determined using the Black Scholes model at the grant date was £1.74 (31 December 2020: £1.73) per option.

**Monte Carlo Simulations:** The inputs into the Monte Carlo Simulation model for options issued during the year were as follows:

	2021	2020*
Weighted average share price	£2.65	£2.65
Weighted average exercise price	£2.12	£1.23
Expected volatility	48%	47%
Expected life	2.5 years	2.5 years
Risk-free rate	0%	0%
Expected dividend yields	Nil	Nil

\* The 2020 numbers were updated retrospectively to give effect to the subdivision of shares which occurred on 23 August 2021. See note 26.

The Monte Carlo Simulation model has been used to value the portion of the awards which have a market performance vesting condition (achievement of a target company valuation). The model incorporates a discount factor reflecting this performance condition into the fair value of this portion of the award. The weighted average fair value of options granted during the year determined using the Monte Carlo Simulation model at the grant date was £1.21 (31 December 2020: £1.69) per option.

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

### Long-term Incentive Plans

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

## Notes to the Financial Statements continued

### 27. Share-based payments continued

Following admission to the London Stock Exchange in 2021, the Company launched a number of new share schemes as follows:

**Oxford Nanopore Technologies PLC Long Term Incentive Plan 2021 (Plc LTIP):** The first Awards under this scheme were made on 21 October 2021. The Scheme is either a nil or nominal cost option or a conditional award. A nil or nominal cost option has the right to acquire shares during the exercise period either for nothing or for the shares' nominal value. A conditional award has the right to be given shares automatically on vesting, or at the end of any holding period. The Awards will typically vest in three equal tranches over one to three years.

As an extension of this Scheme, the Company will award certain employees (non-UK and non-US employees) with cash bonuses based on the change in price of the Company's shares between grant date and vesting date (i.e. the Phantom Shares). The vesting period is expected to be 3 years and the Participant must be an employee on the date of vesting to be awarded the bonus.

#### Valuation models:

The fair value of awards granted during the year was determined using the Black Scholes model. The inputs into the model for Plc LTIP awards issued during the year were as follows:

	2021
Share price at grant	£5.4
Exercise Price	Nil
Expected volatility	n/a
Expected term	3 years
Risk-free rate	n/a
Expected dividend yields	0%

The weighted average fair value of Plc LTIP awards granted during the year determined using the Black Scholes model at the grant date was £5.40 per award.

#### Other Plans:

**Oxford Nanopore Technologies Deferred Bonus Plan 2021:** For those employees entitled to participate in the Deferred bonus plan (currently the Executive Directors), a portion of the bonus is awarded in the form of shares for which there is a compulsory holding period of one year for 50% of the Award and two years for the remaining 50% and a requirement for continued employment before these fully vest to the employees (deferred shares). The first awards granted under this scheme were made in 2022.

**Oxford Nanopore Technologies Share Incentive Plan 2021:** This is a free share, partnership share and matching share plan whereby the participant receives shares in the company (including those matched by the company) which are held in a trust until such time the relevant service conditions are met.

All UK-based employees are eligible to participate in the SIP whereby employees can purchase shares in the Company. These shares are referred to as Partnership Shares and are held in trust on behalf of the employee. For every Partnership Share bought by the employee up to a limit of £1,800 per tax year the Company will give the employee one share (Matching Shares), provided the employee remains employed by the Company for a period of at least three years. Employees must withdraw their shares from the plan upon leaving the Company and will not be entitled to the Matching Shares if they leave within three years of purchasing the Partnership Shares.

In addition to this, in October 2021, the Company also awarded shares to employees (Free Shares) with a value of £3,600. There are no vesting conditions attached to the Free Shares, other than being continuously employed by the Company for three years from the date of grant.

The fair value of Matching Shares and Free Shares is determined as the market value of the shares at the date of grant. No valuation model is required to calculate the fair value of awards under the SIP. The fair value of an equity-based payment under the SIP is the face value of the award on the date of grant because the participants are entitled to receive the full value of the shares and there are no market-based performance conditions attached to the awards.

The weighted average fair value of SIP awards granted during the year was £5.70 per award.

**Oxford Nanopore Technologies 2021 Employee Stock Purchase Plan:** This plan was approved on 20 August 2021 and its purpose is to provide employees of Oxford Nanopore Technologies, Inc. with an opportunity to acquire shares in the Company (on a tax-favoured basis for employees based in the USA). The awards are subject to service conditions and the exercise price may be up to 15% below the market value of the shares. The fair value of the awards has been based on a 15% discount provided on the value of employee contributions, using the market value of the shares at the reporting date.

The weighted average fair value of ESPP awards granted during the year was £1.05 per award.

### 28. Notes to the cash flow statements

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Cash and cash equivalents	487,840	80,863	478,592	77,614

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
<b>Group</b>		
<b>Loss before tax</b>	<b>(166,004)</b>	(73,153)
<b>Adjustments for:</b>		
Depreciation on property, plant and equipment	12,890	10,125
Depreciation on right-of-use assets	2,657	2,375
Amortisation 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
<b>Operating cash flows before movements in working capital</b>	<b>(79,643)</b>	(47,690)
Decrease/(increase) in receivables	10,888	(41,484)
(Increase) in inventory	(27,444)	(15,592)
Increase in payables	33,571	33,655
<b>Cash used in operations</b>	<b>(62,628)</b>	(71,111)
Income taxes R&D tax credit received	9,763	8,479
Foreign tax paid	(961)	(1,174)
<b>Net cash outflow from operating activities</b>	<b>(53,826)</b>	(63,806)

## Notes to the Financial Statements continued

### 28. Notes to the cash flow statements continued

#### (i) Non-cash transactions

During the year ended 31 December 2020, the Group refinanced a term loan facility of £9.5 million with Barclays Bank for a new term starting from 5 August 2020 for 4 years.

Additions to right-of-use assets during the year ended 31 December 2021 amounting to £3.5 million (2020: £6.7 million) were financed by new leases.

#### (ii) Changes in liabilities arising from financing activities

The table below details change in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loan £000	Lease Liabilities £000	Total £000
<b>At 1 January 2020</b>	9,500	9,581	19,081
<b>Non-cash changes</b>			
New leases	-	6,590	6,590
Interest	-	496	496
Foreign exchange movements	-	(62)	(62)
<b>Cash changes</b>			
Principal repaid	-	(2,058)	(2,058)
Interest paid	-	(415)	(415)
<b>At 31 December 2020</b>	9,500	14,132	23,632
<b>Non-cash changes</b>			
New leases	-	3,494	3,494
Interest	-	666	666
Foreign exchange movements	-	39	39
<b>Cash changes</b>			
Principal repaid	-	(2,361)	(2,361)
Interest paid	-	(666)	(666)
<b>At 31 December 2021</b>	<b>9,500</b>	<b>15,304</b>	<b>24,804</b>

	2021 £000	2020 £000
<b>Company</b>		
<b>Loss before tax</b>	<b>(168,738)</b>	(75,191)
Adjustments for:		
Depreciation on property, plant and equipment	10,866	8,501
Depreciation on right-of-use assets	1,739	1,467
Amortisation of internally generated intangible assets	9,144	4,835
Loss on disposal of property, plant and equipment	731	23
Research and development expense tax credit	(4,210)	-
Exchange (gain) /loss	(18)	3
Interest on leases	594	439
Bank interest income	(224)	(91)
Bank interest expense	234	253
Non-cash movements on derivatives	167	538
Impairment of investment	1,227	-
Share of losses in associate	64	-
Employee share benefit costs	43,888	4,869
<b>Operating cash flows before movements in working capital</b>	<b>(104,536)</b>	(54,354)
Decrease/(Increase) in receivables	15,675	(40,010)
(Increase) in inventory	(26,830)	(15,314)
Increase in payables	42,024	33,134
<b>Cash absorbed by operations</b>	<b>(73,667)</b>	(76,544)
Income taxes – R&D tax credit received	10,632	8,479
Foreign tax paid	(869)	-
<b>Net cash absorbed by operating activities</b>	<b>(63,904)</b>	(68,065)



# Notes to the Financial Statements continued

## 29. Financial Instruments – Risk management

### (i) Classes and categories of financial instruments and their fair values.

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- loan on Land and Buildings is held at amortised cost
- the carrying amount of financial instruments; and
- fair value of financial instruments (except financial instruments when carrying amount approximates their fair value)

	Total Carrying Value £000	Fair value £000
<b>31 December 2021</b>		
<b>Financial assets</b>		
Cash and cash equivalents	487,840	487,840
Trade and other receivables	41,339	41,437
Treasury deposits	130,375	130,375
<b>Financial liabilities</b>		
Trade and other payables	-	(65,077)
Loan on Land & Buildings	(9,500)	(9,500)
Derivative financial instruments	(106)	(106)

	Total Carrying Value £000	Fair value £000
<b>31 December 2020</b>		
<b>Financial assets</b>		
Cash and cash equivalents	80,863	80,863
Trade and other receivables	65,906	65,906
Derivative financial instruments	62	62
<b>Financial liabilities</b>		
Trade and other payables	(64,883)	(70,144)
Loan on Land & Buildings	(9,500)	(9,500)

### Financial liabilities

The following summarises the method and assumptions used in estimating the fair value of financial instruments reflected in the table.

### Trade receivables, trade payables, other financial assets and cash and cash equivalents

Trade payables and receivables generally have a remaining life of less than one year so their value recorded in the balance sheet is considered to be a reasonable approximation of fair value. Other financial assets comprise short-term deposits held with banks that do not meet the IAS 7 definition of a cash equivalent.

### Fixed forward contracts

Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

During the year, a number of fixed forward contracts were entered into. As at 31 December, six contracts remained unsettled, with various settlement dates, the latest being 15 November 2022. They are included in the Balance Sheet as follows:

	2021 £000	2020 £000
Foreign currency forward contracts	106	(62)
	<b>106</b>	<b>(62)</b>

### ii). Financial risk management objectives and policies

#### Overview

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

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Following the share capital raised in 2020 and the IPO in October 2021, the Group has a substantial cash balance to fund its operations.

At 31 December 2021, the Group has following financing arrangements:

	2021 £000	2020 £000
Maturity analysis		
Expiring within one year (undiscounted lease liabilities)	3,265	2,656
Expiring beyond one year (undiscounted lease liabilities and bank loan)	27,088	26,952
	<b>30,353</b>	<b>29,608</b>

The bank loan facility has a term of 4 years from 5 August 2020, at an average rate of 2.65% p.a. The amounts disclosed in this table for lease liabilities are based on contractual undiscounted cash flows.

The Directors consider that except for lease and loan liabilities, all of the Group's financial liabilities at the year end and prior year end have maturity dates of less than 12 months from the balance sheet date.

Management monitors rolling forecasts of the Group's financing arrangements (comprising the lease liabilities and bank loan above) and cash and cash equivalents (note 28) on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group, in accordance with practice and limits set by the Group.

#### Credit risk

Credit risk is the risk of financial loss to the Group if a deposit taker should fail. It is currently Group policy that the majority of external monetary deposits are made on a fixed interest basis over terms varying from one to three months depending upon the rate available. Maturities are staggered whenever possible to spread exposure to interest rate movement. Although the Board accepts that this policy neither protects the Group from the risk of receiving rates below the current market rates nor eliminates fully cash flow risk associated with interest receipts, it considers that it achieves an appropriate balance of exposure to these risks. Term deposits are denominated in UK sterling with institutions rated as A or better by both Moody's and Standard & Poor's.

At year end, the Group placed £430 million (2020: £60 million) deposits with several reputable financial institutions to minimise its credit risk. £250 million of this is placed in institutions with a grade of AAA, with the remainder all being placed at Grade A or higher institutions in line with the Group's treasury policy.

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

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced and remain at the same level for the foreseeable future. Trade receivables consist of a large number of customers, spread across diverse geographical areas.

Of the trade receivables balance at the end of the year, £12.7 million was due from the Group's largest customer, G42 (2020: £29.8 million due from UK Government).

# Notes to the Financial Statements continued

## 29. Financial Instruments – Risk management continued

As at 31 December 2021, an amount of £2.95 million (2020: £1.96 million) measured at an amount equal to 12 months expected credit losses has been estimated as a loss allowance in accordance with IFRS 9 (see note 20).

The credit risk on liquid funds and derivative financial instruments are measured at an amount equal to lifetime expected credit losses. Their credit risk is considered as limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's costs of research and development or the value of its holdings in financial instruments. The Group has little exposure to interest rate risk other than that returns on short-term fixed interest deposits will vary with movements in underlying bank interest rates. The Group's principal market risk exposure is to movements in foreign exchange rates.

### Foreign currency risk

Foreign exchange risk arises because the Group from time to time enters into transactions denominated in a currency other than Sterling. Where it is considered that the risk to the Group is significant, it will enter into a matching forward contract with a reputable bank or hold deposits of the currency in cash.

Derivatives are only used for economic hedging purposes and not as speculative investments.

In addition, significant amounts of dollars were held during the year. In the year ended 31 December 2021 approximately 18% (2020: 33%) of the Group's annual expenditures was denominated in US dollars and approximately 16% (2020: 15%) of the Group's expenditure was denominated in Euro. A significant portion of the Group's revenue is denominated in US Dollars.

Exchange rate exposures are managed within approved policy parameters. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2021 £000	2020 £000	2021 £000	2020 £000
Financial assets and liabilities	<b>50,965</b>	164,654	<b>(17,165)</b>	(6,182)

### Sensitivity analysis

A 5% strengthening of the US Dollars at 31 December 2021 would have resulted in changes to equity and profit or loss by the amount shown below:

	2021 £000	2020 £000
Decrease in loss for the period	<b>(381)</b>	(321)
Increase in equity	<b>(381)</b>	(321)

The interest rate for short-term deposits is variable dependent on the rates offered by the Group's bankers. During the year ended 31 December 2021, the short-term deposits returned an average of 0.19% (2020: 0.25%).

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

### Capital management

The Group defines the capital that it manages as the Group's total equity. The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it can continue to strive to provide returns to investors.
- To provide an adequate return to investors based on the level of risk undertaken.
- To have available the necessary financial resources to allow the Group to invest in areas that may deliver future benefits for inventive sources and returns to investors.
- To maintain sufficient financial resources to mitigate against risks and unforeseen events.

	2021 £000	2020 £000
Debt	<b>9,500</b>	9,500
Equity	<b>718,034</b>	185,934
Debt to Equity Ratio (%)	<b>1.3%</b>	5.1%

Debt is defined as long and short-term borrowings (excluding derivatives and financial guarantee contracts) as detailed in note 24. Equity includes all capital and reserves of the Group that are managed as capital.

## 30. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

During 2021, the Company paid £1.0 million to acquire further interests in the associate, Veiovia Limited, which is related to the Company by the shared directorship of J P Willcocks. An initial investment cost of £0.5 million was paid in 2020. During the period, an impairment of £1.2 million has been recognised through the statement of comprehensive income.

During 2021, the Company paid a commission fee on fundraising of £44,000 (2020: £660,000) to IP Group which is related to the Company by the shared directorship of A Aubrey.

## 31. Retirement benefit plan

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

The total expense recognised in the consolidated income statement of £1.3 million (2020: £0.9 million) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme. As at 31 December 2021, contributions of £432,000 (2020: £229,000) due in respect of the current reporting period had not been paid over to the plans.

## 32. Commitments

	2021 £000	2020 £000
Within one year	<b>1,173</b>	1,229
In the second to fifth years inclusive	<b>750</b>	339
	<b>1,923</b>	1,568

## Notes to the Financial Statements continued

### 33. Events after the reporting date

#### Trading

On 31 March 2022, the Company and DHSC reached an amicable resolution of the dispute relating to the contract dated 30 July 2020 for the supply of certain LamPORE devices and testing kits and associated services by the Company to DHSC by entering into a settlement agreement without any admission of liability. This included agreement as to the contract being brought to an end and a payment of £50 million from DHSC to the Company, as payment in full of amounts owed under the agreement.

In the FY 2022 results, the Company will record the payment within revenue within the COVID-19 Testing segment. The net assets associated with this contract (amounting to £12.8 million as at 31 December 2021) will be fully impaired and expensed in the Income Statement in FY 2022 following receipt of the payment from DHSC. The payment from DHSC will be presented within FY 2022 operating cash flows.

### 34. Controlling party

There is no ultimate controlling party of the Group as ownership is split between the Company's shareholders. The most significant shareholders at 31 December 2021 are as follows: IP Group (10%), Tencent Holdings (8%), G42 (5%), Redmile Group (5%) and Lansdowne Partners (5%).

### 35. 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 (non GAAP) performance measures. 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 pre-IPO on share-based payments	39,291	-
IPO costs expensed	4,829	-
<b>Adjusted operating loss</b>	<b>(82,862)</b>	<b>(73,060)</b>

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
<b>EBITDA</b>	<b>(140,629)</b>	<b>(55,162)</b>
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	-
<b>Adjusted EBITDA</b>	<b>(57,731)</b>	<b>(55,162)</b>

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	-
<b>Cash and cash equivalents and Treasury deposits</b>	<b>618,215</b>	<b>80,863</b>



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# Further Information

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## Alternative Performance Measures (APMs) and other non-statutory measures

The Group tracks a number of performance measures (KPIs) including Alternative Performance Measures (APMs) in managing its business, which are not defined or specified under the requirements of IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measures calculated and presented in accordance with IFRS or are calculated using financial measures that are not calculated in accordance with IFRS.

The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. These APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board.

These APMs should be viewed as supplemental to, but not as a substitute for, measures presented in the consolidated financial statements relating to the Group, which are prepared in accordance with IFRS. The Group believes that these APMs are useful indicators of its performance. However, they may not be comparable with similarly

Metric	Definition	Rationale	APM	KPI
<b>Revenue</b>	Revenue per financial statements	Helps evaluate growth trends, establish budgets and assess operational performance	No	No
<b>LSRT Revenue growth</b>	LSRT Revenue per Group's operating segment in current year compared to prior year, expressed as a percentage	Helps evaluate growth trends, establish budgets and assess operational performance	Yes	Yes
<b>COVID-19 testing Revenue growth</b>	COVID-19 testing Revenue per Group's operating segment in current year compared to prior year, expressed as a percentage	Helps evaluate growth trends, establish budgets and assess operational performance	No	No
<b>Gross profit</b>	Revenue less cost of sales. Cost of sales is disclosed in the consolidated Statement of Comprehensive Income	Helps evaluate growth trends, establish budgets and assess operational performance and efficiencies	No	No
<b>Gross margin %</b>	Gross profit divided by Revenue	Helps evaluate growth trends, establish budgets and assess operational performance and efficiencies	Yes	No
<b>LSRT Gross margin %</b>	LSRT Gross profit divided by LSRT revenue	Helps evaluate growth trends, establish budgets and assess operational performance and efficiencies	Yes	Yes
<b>Adjusted operating loss</b>	Loss from operations adjusted for i) share based payment expense on Founder LTIP awards ii) employers social security taxes on pre-IPO share awards; and iii) IPO costs expensed in the Income Statement	Adjusted operating loss is a measure that shows the underlying performance of the company.	Yes	No

Metric	Definition	Rationale	APM	KPI
<b>EBITDA</b>	Loss for the year before income tax expense, finance income, loan interest, interest on leases, expense, depreciation of right of use assets, depreciation and amortisation	EBITDA is used as profit measure because it shows the results of normal, core operations exclusive of income or charges that are not considered to represent the underlying operational performance	Yes	No
<b>Adjusted EBITDA</b>	EBITDA adjusted for: i) share based payment expense on Founder LTIP awards ii) employers social security taxes on pre-IPO share awards; iii) IPO costs expensed in the Income Statement; and iv) impairment of investment on associate	Adjusted EBITDA is used as key profit measure because it shows the results of normal, core operations exclusive of income or charges that are not considered to represent the underlying operational performance, excluding exceptional items	Yes	Yes
<b>Number of publications</b>	The number of scientific publications that include nanopore sequencing, as publicly available in online resources, including PubMed and BioRxiv	Publications are a key indicator of the breadth and diversity of the use of nanopore sequencing in the scientific community	No	Yes
<b>Staff attrition rate</b>	The number of leavers in the period divided by the average number of employees in eth period	Staff attrition rate is a key metric of the Group and helps assess a key mission of the Group to retain talent	No	Yes

# Glossary

Term	Definition
<b>AEM</b>	All Employee Meetings
<b>AI</b>	Artificial intelligence
<b>APMs</b>	Alternative Performance Measures
<b>ASIC</b>	Application-specific integrated circuit
<b>B2C</b>	Business to consumer
<b>BCP</b>	Business Continuity Plan
<b>CAGR</b>	Compound annual growth rate
<b>CARD</b>	Center for Alzheimer's and Related Dementias
<b>CDC</b>	Centres for Disease Control and Prevention
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>CNS</b>	Central nervous system
<b>CSO</b>	Chief Strategy Officer
<b>CTO</b>	Chief Technology Officer
<b>DHSC</b>	Department of Health and Social Care
<b>DNA</b>	Deoxyribonucleic acid
<b>DPO</b>	Data Protection Officer
<b>DR-TB</b>	Drug resistant tuberculosis
<b>DTC</b>	Direct-to-consumer
<b>EGP</b>	Emirati Genome Program
<b>ERM</b>	Environmental Resources Management
<b>ESG</b>	Environmental, social and governance
<b>FPP</b>	Financial Position and Prospects
<b>FTC</b>	Federal Trade Commission
<b>FTE</b>	Full Time Equivalent
<b>GDPR</b>	General Data Protection Regulation
<b>GHG</b>	Greenhouse gas
<b>GISAID</b>	Global Initiative on Sharing Avian Influenza Data
<b>GPUs</b>	Graphics processing units
<b>H&amp;S</b>	Health & Safety
<b>IFRS</b>	International Financial Reporting Standards
<b>IP</b>	Intellectual Property
<b>IPO</b>	Initial public offering
<b>ISO</b>	International Standards Organisation
<b>IT</b>	Information Technology
<b>KPIs</b>	Key Performance Indicators
<b>LAT</b>	Limited Anti-Takeover
<b>LSRT</b>	Life Science Research Tools
<b>MAP</b>	MinION Access Programme

Term	Definition
<b>NEDs</b>	Non-Executive Directors
<b>NIH</b>	National Institutes of Health
<b>PCR</b>	Polymerase chain reaction
<b>Prospectus</b>	The document relating to Oxford Nanopore Technologies plc (the "Company" and, together with its subsidiaries, the "Group") prepared in accordance with the Prospectus Regulation Rules of the Financial Conduct Authority of the United Kingdom (the "FCA") made under section 73A of the Financial Services and Markets Act 2000 ("FSMA").
<b>PRUs</b>	Principal Risks and Uncertainties
<b>QC</b>	Quality controlled
<b>QMS</b>	Quality Management System
<b>R&amp;D</b>	Research & Development
<b>RDEC</b>	Research and Development Expenditure Credit
<b>RNA</b>	Ribonucleic acid
<b>SASB</b>	Sustainable Accounting Standards Board
<b>SBS</b>	Sequencing by synthesis
<b>SDGs</b>	Sustainable Development Goals
<b>SIP</b>	Share Incentive Plan
<b>SSD</b>	Solid-state drives
<b>STEM</b>	Science, technology, engineering and mathematics
<b>STR</b>	Short tandem repeat
<b>TSR</b>	Total Shareholder Return
<b>UAE</b>	United Arab Emirates
<b>UCSF</b>	University of California San Francisco
<b>UN</b>	United Nations
<b>ViA</b>	Values in Action
<b>VP</b>	Vice President
<b>WHO</b>	World Health Organisation



# Company Information

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## Forward-looking statements

This report contains certain forward-looking statements. For example, statements regarding expected revenue growth and profit margins are forward-looking statements. Phrases such as “aim”, “plan”, “expect”, “intend”, “anticipate”, “believe”, “estimate”, “target”, and similar expressions of a future or forward-looking nature should also be considered forward-looking statements. Forward-looking statements address our expected future business and financial performance and financial condition, and by definition address matters that are, to different degrees, uncertain. Our results could be affected by macroeconomic conditions, the COVID-19 pandemic, delays in our receipt of components or our delivery of products to our customers, suspensions of large projects and/or acceleration of large products or accelerated adoption of pathogen surveillance. These or other uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements.