06 March 2024

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

Oxford Nanopore Technologies plc

Preliminary results for the year ended 31 December 2023

Oxford Nanopore Technologies plc (LSE: ONT) ("Oxford Nanopore" or the "Group"), the company behind a new generation of molecular sensing technology based on nanopores, today announces its preliminary results for the year ended 31 December 2023.

Gordon Sanghera, Chief Executive Officer, commented:
"We delivered strong underlying revenue growth of 39% in 2023, driven by the strength of our differentiated technology, commercial model, and strategic investments in infrastructure. Last year we also delivered breakthroughs in our platform performance, achieving record accuracy, expanded end-to-end workflows and increased access to high output applications with the PromethION 2 (P2) product rollout, with 700 P2 Solos sold or leased through starter packs in FY23.

"As we look forward, our highly differentiated platform and substantial market opportunity, positions us well to deliver long-term, sustainable growth. We are focused on key strategic initiatives to drive value, including disciplined investments in our technology and commercial operations where appropriate to unlock key opportunities in priority markets. We also remain mindful of end-market conditions, with sales cycles lengthening at the same time as we have expanded our commercial and operational infrastructure to support future growth. These factors have led us to revise our forecast for achieving adjusted EBITDA breakeven to the end of 2027 as we continue to focus on delivering against the huge commercial opportunity ahead of us.

"We are confident that we can deliver underlying revenue growth of 20 to 30% in 2024 and greater than 30% in the medium term."

Summary financial performance

£ million Unless otherwise stated	**FY23**	**FY22**	**Change reported**	**Change CC[2]**
Life Science Research Tools (LSRT) revenue	169.7	146.8	+15.6%	+15.3%
Legacy Covid Testing Revenue	-	51.8	(100)%	(100)%
Total revenue	169.7	198.6	(14.6)%	(14.7)%
Underlying[1] LSRT revenue	149.7	107.5	+39.3%	+39.1%
Gross profit	90.5	123.8	(26.9)%	
Gross margin	53.3%	62.3%	(900)bps	
LSRT gross profit	90.5	82.7	+9.4%	
LSRT gross margin	53.3%	56.3%	(300)bps	
Adjusted EBITDA[3]	**(104.9)**	**(78.6)**	(26.3)	
Loss for the period	**(154.5)**	**(91.0)**	(63.5)	

Notes:
Certain numerical figures included herein have been rounded. Discrepancies in between totals and the sums may occur due to such rounding.
[1] Underlying revenue excludes revenue from COVID sequencing and revenue from the Group's largest customer, The Emirati Genome Program (EGP). All references to underlying growth in this document have been adjusted for COVID sequencing and EGP revenues.
[2] Constant currency applies the same rate to the FY23 and FY22 non-GBP results based on FY22 rates.
[3] Adjusted EBITDA is the EBITDA adjusted for i) Share-based payment expense on founder LTIP ii) Employer's social security taxes on Founder LTIP and pre-IPO awards, iii) Revenue and expenses associated with the settlement of the COVID testing contract with the DHSC iv) Gain on the sale of property and v) impairment of investment in associate – see note 5(b).

FY23 Financial highlights

- Life Science Research Tools (LSRT) revenue increased by 15.6% to £169.7million; underlying revenue excluding revenue from the Emirati Genome Program (EGP) and COVID sequencing of £12.0 million and £8.0 million respectively, was £149.7 million, an increase of 39% in the period.
- LSRT revenue growth led by the Americas with revenue up 27% (48% on an underlying basis) and EMEAI with revenue up 16% (50% on an underlying basis).
- Strong underlying growth was achieved across all LSRT customer groups, with the highest-spending S3 customers increasing the most, growing 69% in the period.
- Underlying revenue, excluding EGP and COVID, grew fastest across the PromethION franchise, representing all devices and flow cell sales from the PromethION product range, up 83% in the period to £48.8 million (FY22 £26.6 million). Underlying revenue from the MinION franchise, representing all sales of MinION flow cells and devices

that run MinION flow cells (including GridION and MinION) grew 14% to £58.8 million (FY22: £51.5 million). Other revenues, representing kits, services revenues and other devices grew 44% on an underlying basis to £42.2 million (FY22: from £29.4 million).

- Total revenue and gross margin decline of 14.6% and (900) basis points respectively, reflects:
  - The previously announced conclusion of the Group's legacy Covid testing contract with the Department of Health and Social Care (DHSC) in 2022, plus
  - 300 bps decrease in LSRT gross margin to 53.3%, predominantly reflecting the one off and short term impacts from i) the G42 contract (the Group's agreement to the supply of sequencing tools in support of, the EGP was amended in December 2023) ii) the write off of excess COVID sequencing kits and legacy devices alongside; and iii) upgrading the compute on large PromethION devices, an investment that enables real time basecalling. These headwinds were partially offset by underlying improvements in flow cell margins, particularly across the MinION range, in relation to both yields and recycling rates.
  - Excluding these one-off items the underlying LSRT gross margin was 58.8% (FY22: 58.0%).
- Adjusted EBITDA loss of £(104.9) million (FY22: £(78.6 million)); higher LSRT gross profit offset by increased operating expenses, reflecting investment in commercial and marketing teams, in innovation to support new product development and manufacturing and logistics infrastructure, to support long term sustainable growth.
- Increase in loss year-on-year to £(154.5) million (FY22: £(91.0) million). Taking into consideration that the result for FY22 included i) the income from the conclusion of the Group's Covid testing contract with the DHSC as described above, a net benefit of £37.9 million and ii) the impact of the gain on disposal of property of £18.6 million; the balance of the increase in loss was primarily due to increases in operating expenditure in the year, offset partially by a reduction in the share based payment and associated costs, an increase in finance income as well as the increase in Gross profit from LSRT.
- Strong balance sheet; cash, cash equivalents and other liquid investments of £472.1 million[1] as at 31 December 2023, compared to £558.0 million as of 31 December 2022. In October 2023, bioMérieux SA (bioMérieux) agreed to subscribe for 29,025,326 shares at a subscription price of 238.08p per share which equated to a total investment of nearly £70 million.

See the financial review for further detail.

FY23 Business highlights

- Delivered a net increase of more than 750 active customer accounts in the period, taking total active accounts to more than 7,600 in 2023; new customers will be key driver of consumables sales in future years.
- Execution of 2023 innovation goals including higher accuracy chemistry, PromethION 2 (P2) Solo launch, direct RNA upgrades, basecalling acceleration and expansion of our informatics products, further differentiating our platform and broadening demand for our technology.
- Approximately 2,800 peer-reviewed research papers published by users of Oxford Nanopore technology in 2023, bringing the total to approximately 11,000 to date, showcasing breakthrough research across cancer, human genetics and infectious disease and demonstrating continued opportunity for growth in the genomics research market.
- New strategic collaborations added to develop and access new growth markets in clinical and industrial applications, including collaborations with the Mayo Clinic to advance research in cancer and bioMérieux to develop products that serve the infectious disease diagnostics market.
- Strategic investment from bioMérieux, strengthens existing collaboration, which is accelerating expansion of Oxford Nanopore's technology into infectious disease diagnostics.
- Expansion of commercial teams, including strategic leadership hires to increase traction in key markets across the Americas, EMEAI and APAC. Commercial infrastructure is capable of supporting the Group's development over the coming years to drive long-term sustainable growth.
- Expansion of the leadership team, post period end, to support the business in its next phase of growth: Nick Keher appointed as CFO and Director of Oxford Nanopore, adding significant financial leadership experience and a deep understanding of global capital markets. Nick succeeds Tim Cowper, who moves into a new role as Chief Operating Officer and will lead Oxford Nanopore's continuous improvement programmes and expanding international footprint and operations.
- Expansion of the Board with three new Non-Executive Directors, including Kate Priestman who adds extensive experience as a biopharma executive, Dr Sarah Fortune, an academic focused on infectious disease including TB, and Dr Heather Preston, a long-time biotech and life sciences investor, with significant experience as a director of technology-based healthcare companies
- Post year end, the Group announced the retirement of Dr James ("Spike") Willcocks, Clive Brown, and Tim Cowper from the Board as part of normal Board evolution and in line with best practice governance. As part of the Group's commitment to board diversity, this evolution will support progress towards fulfilling the goal of reaching

[1] Cash and cash equivalents of £220.5 million and Investment bonds of £251.6 million.

40% female Board representation. Following the AGM in June 2024, the Board will include two executive Directors and seven Non-Executive Directors, three of whom are women.

See the business review for further detail.

FY24 Financial guidance

We expect full year 2024 LSRT revenue of between 6-15% growth on a constant currency basis, equating to £180 million to £195 million at current exchange rates which is 20-30% growth on an underlying basis, when excluding known headwinds from COVID sequencing of approximately £8 million as well as a year-over-year headwind of up to £12 million from the revised amendment to the Group's agreement with G42 in supply of sequencing tools in support of the EGP. EGP and COVID sequencing are not expected to contribute meaningfully to group revenue in 2024 and as such any revenue will be reported as underlying growth from 2024 onwards.

Whilst revenues are expected to increase across each customer segment, we expect to see faster growth among S2 and S3 customers, driven by continued roll out of the PromethION franchise, alongside growth across indirect channels. Geographically, it is expected that growth will be highest across the Americas and EMEAI regions in 2024.

There continues to be a material opportunity for Oxford Nanopore to penetrate, reshape and expand the market, leading to above end market growth. However, this is balanced against the backdrop of a subdued funding environment for some of our end markets due to macroeconomic factors, specific dynamics within the LSRT market alongside geopolitical concerns that have amplified since 2022.

We expect LSRT gross margin to be approximately 57% in FY24 reflecting continued operational improvements including, automation, improved manufacturing process and recycling of electrical components expected to be offset by i) growth in the installed base across the PromethION franchise as customers utilise the inclusive consumables in advance of converting to higher margin regular flow cell orders, and ii) changes to pricing across our MinION franchise to drive further adoption, with planned improvements on margin to offset this impact in future years.

There are a number of higher value, pioneering project opportunities the Group is prospecting that could accelerate growth to the top end or above FY24 revenue guidance. However, these would also likely be dilutive to gross margin in the short term as initial phases of projects complete before becoming longer term, higher margin consumable reorders thereafter as Oxford Nanopore technologies become embedded within customer workflows. The impact of these potential wins have been considered in the short and medium term margin guidance.

During 2024 we will see the annualised cost from investment in our headcount and infrastructure to support our ambitions. In order to support improving profitability going forwards, we are assessing current and future investments with a focus on greater prioritisation of activities to deliver on our growth objectives whilst supporting a strong ROI.

Revised medium term guidance

Given the end-market dynamics previously discussed and reflected in our 2024 guidance, we have revised our medium-term adjusted EBITDA breakeven target to FY27 from FY26. This guidance reflects:

- Revenue growth of more than 30% on a compound annual growth rate at constant currency between FY24 and FY27, in-line with historical performance
- Gross margins to continue to improve and exceed 62% by FY27 as we incorporate the potential mix impact from driving top line growth
- An increased focus on financial discipline to leverage the infrastructure the company has already built and to modulate investment relative to the outlook.

The Group remains strongly capitalised with adequate resources to implement our business plan to and through EBITDA breakeven in 2027 and deliver on the significant growth opportunity in front of us.

Presentation of results

Management will host a conference call and webcast today, **6 March, at 8:00am GMT**. For details, and to register, please visit https://nanoporetech.com/about-us/investors/reports. The webcast will be recorded and a replay will be available via the same link shortly after the presentation.

For further details please contact ir@nanoporetech.com

-ENDS-

This announcement contains inside information for the purposes of the UK version of the market abuse regulation (EU no. 596/2014), which forms part of English law by virtue of the European Union (Withdrawal) Act 2018. The person responsible for arranging the release of this announcement on behalf of the Company is Hannah Coote, Company Secretary of Oxford Nanopore Technologies plc.

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About Oxford Nanopore Technologies plc:

Oxford Nanopore Technologies' goal is to bring the widest benefits to society through enabling the analysis of anything, by anyone, anywhere. The company has developed a new generation of nanopore-based sensing technology that is currently used for real-time, high-performance, accessible, and scalable analysis of DNA and RNA. The technology is used in more than 120 countries, to understand the biology of humans, plants, animals, bacteria, viruses and environments as well as to understand diseases such as cancer. Oxford Nanopore's technology also has the potential to provide broad, high impact, rapid insights in a number of areas including healthcare, food and agriculture.
For more information please visit: www.nanoporetech.com

Forward-looking statements

This announcement contains certain forward-looking statements. For example, statements regarding expected revenue growth and profit margins are forward-looking statements. Phrases such as "aim", "plan", "expect", "intend", "anticipate", "believe", "estimate", "target", and similar expressions of a future or forward-looking nature should also be considered forward-looking statements. Forward-looking statements address our expected future business and financial performance and financial condition, and by definition address matters that are, to different degrees, uncertain. Our results could be affected by macroeconomic conditions, the COVID 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.

Business review

Last year marked our second as a listed company - and 10 years since we launched the MinION. Since our IPO two years ago, we've delivered strong, resilient growth and expanded our customer base to more than 7,600 active accounts by 31 December 2023. Last year marked a further milestone for Oxford Nanopore as we detailed our medium-to-long term strategy at our first Capital Markets Day, designed to address unmet needs in the clinical and applied markets, building on our commitment to deliver value in the Life Science Research Tools (LSRT) sector for the short-to-long term.

Today, the majority of our customers are engaged in research, which is foundational for the emerging translational and future clinical and applied uses of our technology. The pace of innovation on our platform – and developments in system performance, including accuracy and data output – continue to support our impact across a variety of research sectors such as human genetics, cancer research, infectious disease, applied industrial, plant and animal biology, food and more. The thriving community of scientists who are using our technology understand that "what you're missing matters" in sequencing, as they leveraged the richer insights and capabilities unique to nanopore sequencing. We are proud to enable them to perform breakthrough science such as native DNA and RNA sequencing, including methylation detection without the need for additional steps, all of which is now possible at speeds faster than any other sequencing device. These scientists published 2,800 peer-reviewed papers in 2023 alone, showcasing the versatility and value of our technology across a spectrum of fields. This brings the total number of nanopore-based publications to more than 11,000, a testament to the robust and engaged nanopore community and the transformative potential of this technology.

Clinical and applied industrial customers are now building on these scientific discoveries and are developing emerging applications that have the potential to drive broad value across health and industrial markets. Our early partnerships have highlighted the benefits of our platform to serve a variety of applied contexts, including richer insights, and real-time results in an accessible and affordable form factor. Our strategy in pursuing these applied markets is, in the short term, to support our translational customers at the intersection of research and clinical care or biologics manufacturing. In the longer-term, it is to enable our customers to develop novel applications, analogous to the 'apps' model for mobile phones, in which we share in future revenues as our partners reach commercialisation. Last year we started to realise meaningful momentum for this approach, signing on new strategic commercial partners and collaborators including bioMérieux and the Mayo Clinic, alongside our growing and vibrant customer base. The range and scope of applications being currently developed is truly remarkable, from cancer testing during surgical operations, to mRNA vaccine manufacturing.

Despite global supply chain constraints, and other challenging market conditions, we've continued to innovate, deliver new technologies through expanded operations and broaden our reach. Our user base, spread across more than 125 countries, demonstrates the global appeal and applicability of our technology, from traditional laboratory environments to the most remote locations on Earth. The adoption of our platform in diverse research areas—from human genetics to environmental monitoring—underscores the vital role Oxford Nanopore can play in driving forward scientific discovery and application. As we look ahead, we are inspired by the achievements of our community and dedicated to realising our bold vision to serve healthcare and industrial markets of the future.

Building the right team for success

Our people are vital to the success of our business. The cohesion and longevity of our executive team epitomise our shared commitment. It's been a lifelong journey for all of us. The multi-disciplinary expertise of our team is one of the hallmarks of our success and in 2023, we continued to build on the diversity and breadth of the leadership talent needed to expand our commercial presence and meet our ambitious global growth goals.

In the past year, we grew our leadership team both in size and talent, strategically enhancing our capabilities to navigate our global growth trajectory. We attracted seasoned commercial leaders within the LSRT sector to support our commercial expansion in the US and globally. In the Americas, we hired Julie Collens, a formidable commercial leader in genomics, to head commercial operations in the Americas. In addition, we also brought on Kathleen Barnes, an established expert in precision medicine, to join our clinical team as SVP of Population Health and Precision Medicine, a new vertical for us that will be critical to our success as we pursue this new market globally, with initial focus on the Americas. We also convened a comprehensive search for a new CFO, resulting in the appointment of Nick Keher in January 2024, replacing Tim Cowper who moved into a new role as Chief Operating Officer after performing both the role of CFO and fulfilling most of the responsibilities typically assigned to a COO for the past five years.

Finally, we brought on three prestigious new Non-Executive Directors, Kate Priestman, Dr Sarah Fortune and Dr Heather Preston, with expertise in human genetics, infectious disease and company building, all of whom will support our ambitious growth in complementary ways. Post year-end, we also announced the retirement of Dr James ("Spike") Willcocks, Clive Brown, and Tim Cowper from the Board as part of normal Board evolution and in line with best practice governance. As part of our commitment to board diversity, this evolution will support our progress towards fulfilling our goal of reaching 40% female Board representation. Following the AGM in June 2024, the Board will include two executive Directors and seven Non-Executive Directors, three of whom are women. Beyond our leadership team, we supported our rapid growth in 2023 through significant investments in our global organisation. Total headcount reached 1,238 (FTE) at the end of the year, up 22.7% from the prior year end.

Improved onboarding and talent development through initiatives such as leadership training, mentoring programmes, six-sigma programmes in production and operations, and challenger sales training for our commercial teams have helped to ensure that we are building a solid foundation for the future.

Delivering high accuracy, addressing new market needs

Our relentless pursuit of innovation led to significant advancements in our kit 14 chemistry and basecalling in 2023, setting new standards to become among the most accurate sequencing platforms on the market. Last year we announced further platform improvements to provide another step in DNA/RNA sequencing performance to drive scientific research, as well as springboard into clinical and applied markets seeking richer data, fast turnaround and accessible and affordable sequencing technology.

With the rollout out of Q20+ chemistry achieving completion, our innovation teams are preparing for their next breakthrough performance in DNA/RNA nanopore sequencing. At our NCM conference the team demonstrated raw read DNA sequencing accuracy – reaching a record of Q28 (99.8%) in simplex single molecule accuracy – powered by machine learning-guided enzyme engineering and improved models. The longest Q30 (99.9%) read in the dataset was 1.1 Megabases. The team also detailed a novel method to overcome errors in homopolymer regions that, when combined with other platform updates, pushed human consensus accuracy up to approximately Q50 and indel f1 accuracy to 99%. Throughout the year, customers joined us at various community events to showcase how comprehensive mapping of the human genome, telomere-to-telomere (T2T), is now possible using only nanopore sequencing having previously been assembled with multiple sequencing technologies.

In response to increasing demand for RNA sequencing, we announced additional platform improvements in direct RNA to support the emergence of RNA-based therapies, introducing a new flow cell and kit for direct RNA sequencing that increased accuracy and output. Since the launch of this flow cell at London Calling, it is already enabling significant advancements in the RNA research market alongside novel applications of direct single molecule sensing such as mRNA vaccine research.

With our platform consistently performing at a high level, our focus has now shifted towards refining end-to-end workflows, a testament to our commitment to addressing the evolving needs of growing customer base alongside newer applied and clinical market customers.

We announced several partnerships with tertiary analysis providers for comprehensive interpretation of nanopore sequencing to support the push-button analysis of nanopore sequencing data and enable end-to-end workflows. We believe this will significantly help drive adoption, in particular by those customers new to running their own sequencing systems.

We also announced Project TurBOT, our benchtop solution designed to offer integrated and automated extraction, library preparation, sequencing, basecalling, and data analysis for multiple samples, all within a single device. This device will enable users to perform a hands-free, simplified workflow from raw sample to analysis though an intuitive interface, eliminating manual interventions and enhancing efficiency, reducing errors, and significantly accelerating the workflow. This will not only increase throughput but also ensure reproducible and reliable results, as well as expand the appeal to particular customer types in need of rapid, easy, sample-to-answer systems.

Finally, we established dedicated teams for regulated product development to deliver our 'Q line' platform that will accelerate nanopore sequencing adoption in regulated applied markets such a clinical labs and biopharma QC/QA labs. These products will be released throughout 2024.

Breakthrough community science highlights the evolution from bench to bedside

In 2023, we saw further growth in foundational research in human genetics, cancer research and infectious disease, alongside 'translational' method development to take research discoveries from the bench into distributed applied testing markets.

Our thesis continues to be that the benefits of the nanopore platform – real-time, information-rich, affordable and accessible sequencing – will address unmet needs in health as well as industrial sectors such as agriculture, food and environmental applications.

Human genetics: In September, the NIH Centre for Alzheimer's and Related Dementias (CARD) showcased a pioneering nanopore-based sequencing approach in Nature, with comprehensive, high accuracy in SNP, structural variant, and methylation calls. Notably, this method proved to be both cost-effective and scalable for extensive projects, making a significant stride in large-scale, native DNA sequencing.

The protocol is being used to sequence thousands of human genomes as part of the NIH CARD initiative, which aims to unravel the mysteries underlying Alzheimer's disease and related dementias. Its emphasis on base modification analysis reveals high concordance in methylation calls, offering reliable, haplotype-resolved methylation data during the standard sequencing run itself, without the need for a separate process.

Cancer: Characterisation of cell-free DNA (cfDNA) is an emerging approach for identifying many diseases. In May, a team from Stanford University published research focusing on methylation profiling of cell-free DNA and its potential for monitoring cancer during treatment. They chose nanopore sequencing because of its ability to detect methylation directly. The approach involved single-molecule sequencing to profile the methylomes of cell-free DNA samples collected from patients with cancer. For one sample, the technique generated as many as 200 million reads, which the scientists note was "an order of magnitude improvement over existing nanopore sequencing methods." Such an analysis could also be useful in drug discovery efforts focused on methylation biomarkers, as well as in drug development where noninvasive sample collection can be important to maximize data gathered in a clinical trial.

Researchers also applied nanopore sequencing toward Personalised Oncogenomics to show the potential for long-read sequencing to resolve complexities in the cancer genome, supporting more effective strategies for personalised treatment and care. At our London Calling conference in May, Dr Janessa Laskin at the University of British Columbia in Vancouver spoke about how her team is using nanopore sequencing to integrate whole-genome and transcriptome analysis into the clinical care of people with advanced cancers in British Columbia. Her team recently published a preprint highlighting the results of a study showing how nanopore sequencing is addressing limitations noted with traditional short-read methods.

Infectious disease: Nanopore-based sequencing, which can be used to measure long or short fragments of DNA or RNA as needed, can also produce data very quickly. In a pilot project at the Guy's and St. Thomas' Hospital NHS Foundation Trust in London, a clinical laboratory team evaluated nanopore sequencing to support a rapid respiratory metagenomics workflow. They tested nearly 130 samples from more than 85 individuals with lower respiratory infections, setting detection thresholds equivalent to culture-based testing to avoid reporting microbes that were unlikely to be clinically relevant. For most samples, results were reported to the clinical care team on the same day the sample was collected. Interestingly, nearly half of the results led to shifts in antimicrobial selection (in some cases escalating and in others de-escalating the initial treatment choice). Several unexpected organisms and cases of co-infections were reported; these would not have been found with conventional tests. The results highlighted the value of metagenomic testing in ICU settings – a process uniquely suited for the features of the nanopore platform.

mRNA manufacturing QC: Beyond clinical applications, research published this year from the University of Queensland demonstrated the utility of nanopore sequencing in biomanufacturing contexts, harnessing the latest platform improvements to analyse mRNA vaccines and therapies. The researchers showed how nanopore sequencing can accurately assess the quality of mRNA vaccines and therapies by directly analysing each individual mRNA vaccine molecule as it passes through a protein nanopore, providing a real-time measurement of the mRNA sequence identity and integrity. Researchers noted that approach could also provide a useful research tool to better understand how mRNA vaccines work by studying how they behave within cells. Crucially, the impact of this technology could result in the real-time analysis of mRNA vaccines during production, providing testing within hours of mRNA manufacture so quality control issues could be quickly detected. Such rapid analysis is critical during the rapid manufacture of mRNA vaccines needed during a pandemic — or to support the future development of personalised therapies.

Embracing Clinical and Applied Markets

This year marked a strategic expansion towards clinical and applied markets (>$150 billion in 2032), building on our strong foundation in Life Sciences Research Tools (a market valued at $6.2 billion). Our ongoing product development efforts, particularly with Q-Line, alongside the expansion of our regulatory team, further underscore our commitment to meeting the evolving needs of clinical and applied customers.

On the morning of our first-ever Capital Market Day in October we announced two significant developments that demonstrated our readiness to capture the vast opportunities in these emerging sectors. bioMérieux SA, a world leader in the field of in vitro diagnostics (IVD), announced a strategic investment in Oxford Nanopore to support development for infectious disease testing products in our portfolio that serve IVD markets in conjunction with bioMérieux's commitment to advancing global public health. Through this partnership and investment, the two companies intend to leverage our ground-breaking IVD solution and bioMérieux's IVD expertise in R&D, Regulatory, Medical and Market Access.

Meanwhile, a joint development collaboration with the Mayo Clinic in the US involves integrating nanopore sequencing in the Mayo's labs to help develop new clinical tests for human diseases, starting with breast cancer. Also in cancer, we signed an agreement with Swiss company 4bases to permit them to employ nanopore sequencing devices with 4bases kits per their self-certification to support rapid, high-accuracy analyses in human and cancer genetics in Italy and Switzerland, with a first target of same-day BRCA1 and BRCA2 analysis.

In the applied markets, we announced a partnership with BASE to use the latest and improved nanopore-based sequencing technology to optimise performance and reduce the time needed to measure mRNA vaccine quality attributes. Researchers at the University of Queensland have developed a faster way to put mRNA vaccines through quality control testing using nanopore technology. The BASE team at UQ's Australian Institute for Bioengineering and Nanotechnology is recognised as the biggest supplier of research-use mRNA in Australia. In September, they showcased a new protocol in Nature to expedite the quality control processes, enabling rapid detection of issues during manufacturing, which is particularly useful in pandemic scenarios. We also signed a collaboration with Pathoquest to co-develop the first sequencing-based QC test solutions targeting the biopharma genetic characterisation and safety market.

Financial Review

2023 performance

The Group delivered total revenue of £169.7 million (FY22: £198.6 million) a decline of 14.6%, as there was no Covid testing revenue in FY23 (FY22: £51.8 million).

Revenue from our core LSRT business grew 15.6% in the year, 15.3% on a constant currency basis. Underlying LSRT revenue growth, excluding the Emirati Genome Program (EGP) and COVID-19 sequencing, grew approximately 39.3% and approximately 39.1% on a constant currency basis.

Results at a glance

Year ended 31 December:	2023 £m	2022 £m	% change
Total revenue	**169.7**	198.6	(14.6)%
– LSRT revenue	**169.7**	146.8	+15.6%
– Covid testing revenue	**-**	51.8	(100)%
Underlying LSRT	**149.7**	107.5	+39.3%
Gross profit	**90.5**	123.8	(26.9)%
Gross margin (%)	**53.3%**	62.3%	(900)bps
LSRT gross profit	**90.5**	82.7	+9.4%
LSRT gross margin (%)	**53.3%**	56.3%	(300)bps
Operating loss	**(168.6)**	(98.5)	(71.2)%
Adjusted EBITDA[1]	**(104.9)**	(78.6)	(26.3)

Loss for the year	**(154.5)**	(91.0)	(63.5)
Cash, cash equivalents and other liquid investments[1]	**472.1**	558.0	(15.4)%
Net assets at period end	**643.9**	693.6	(7.2)%

[1]Alternative Performance Measures (see note 25)

During the year our global customer base expanded from 6,839 to 7,615 active accounts; an increase of 11%. We saw particularly strong revenue growth in our S2 (+20%) and S3 (+19%) customer groups. S2 revenue grew by 42% and S3 by 69%, on an underlying basis.

Performance across the broader customer base in FY23 was driven by consumable sales of £124.9 million, which grew by 11% (FY22: £112.5m), which accounted for approximately 74% of revenue.

In December 2023, the original EGP agreement was revised to provide greater flexibility to achieve the programme objectives and reflected both parties desire to refocus on clinical uses of the platform, that can utilize the platform's unique benefits of richer and faster data. The new agreement removes the outstanding purchase commitment from the original agreement and extends the expiration date to 31 December 2026. EGP revenue in 2024 and beyond is not anticipated to be a material portion of revenue and as such, the Group will cease reporting EGP revenue separately following these results. Revenue related to the EGP in 2023 (under the original and revised agreement) was approximately £12 million (2022: £13.2m).

The Group's gross profit and gross margin reduced in FY23 – gross profit by 26.9% to £90.5 million (FY22: £123.8 million) and gross margin by 900 bps to 53.3% (FY22: 62.3%) - primarily due to gross margin generated from the DHSC contract in FY22, the adverse performance of the EGP contract and several specific inventory write downs in FY23.

LSRT gross profit increased to £90.5 million (FY22: £82.7 million) in the period up 9.4% on FY22.

Group operating loss increased to £168.6 million (FY22: £98.5 million), reflecting the reduction in revenue and gross profit and increase in operating expenditure.

During 2023, we continued to invest in research and development to drive both continuous improvement in the performance and usability of our technology, and to deliver new products and technologies that address a broader range of applications and users' needs. We also continued to expand our global sales and marketing team during 2023. Commercial and marketing headcount grew to 416 employees at 31 December, up by 43% during the year.

Despite continuing investment in innovation and sales and marketing, we finished the year with cash, cash equivalents and other liquid investments of £472.1 million (FY22: £558.0 million) reflecting a total reduction of £85.9 million. In October 2023, bioMérieux agreed to subscribe for 29,025,326 shares at a subscription price of 238.08p per share which equated to a total investment of nearly £70 million.

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 25 of the preliminary information.

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

Revenue

Whilst our reportable segments are LSRT and Covid testing, we continue to look at revenue by size of customer (e.g. S1, S2, etc.) and geography. In addition we also analyse revenues by franchise i.e. PromethION and MinION franchises, which represent revenues generated by each range of our product groups.

Underlying revenue by franchise

Underlying revenues grew fastest across the PromethION franchise, representing all devices and flow cell sales from the PromethION range, reaching £48.8 million from £26.6 million in 2022, representing underlying growth of 83% when stripping out the impact of EGP.

Revenues of our MinION franchise, representing all sales of MinION flow cells and devices that run MinION flow cells (including GridION and MinION) grew 14% to £58.8 million (FY22: £51.5 million) when stripping out the impact of COVID sequencing.

Other revenues, representing kits, services revenues and other devices grew 44% underlying to £42.2 million from £29.4 million when stripping out the impact of EGP and COVID sequencing.

	2023 (£m)	2022 (£m)	%change actual
PromethION franchise	**59.2**	38.6	53.2%
Less EGP	**(10.4)**	(12.1)	
Underlying PromethION franchise	**48.8**	26.6	83.4%
MinION franchise	**63.4**	68.2	(7.0)%
Less COVID Sequencing	**(4.6)**	(16.7)	
Underlying MinION franchise	**58.8**	51.5	14.1%
Other	**47.1**	40.0	17.8%
Less EGP	**(1.5)**	(1.1)	
Less COVID Sequencing	**(3.3)**	(9.4)	
Underlying Other	**42.2**	29.4	43.5%
Total LSRT Revenue	**169.7**	**146.8**	**15.6%**
Less EGP	(12.0)	(13.2)	
Less COVID Sequencing	(8.0)	(26.1)	
Total underlying revenue	**149.7**	**107.5**	**39.3%**

Revenue by customer group

At a customer group level (with groups based on size of revenue by customer), revenue growth was driven by S2 and S3 customers, excluding EGP, as well as strong growth through our most significant distributor, Avantor (included in Indirect).

Our commercial partnership with Avantor (signed in 2021) helps expand our reach and improve accessibility for entry level products such as MinION. We continue to focus on driving indirect revenue growth through both rapid expansion and diversification of the customer base, as well as increasing revenue per customer account. Avantor is performing equally in the EMEAI and Americas regions, with over 90% of revenue attributable to consumables.

	2023 £m	2022[2] £m	% change
S1	29.4	26.4	11.2%
Less COVID Sequencing	(0.8)	(2.5)	
Underlying S1 Revenue	**28.6**	**23.9**	**19.6%**
S2	62.3	51.7	20.5%
Less COVID Sequencing	(3.1)	(10.0)	
Underlying S2 Revenue	**59.2**	**41.7**	**42.0%**
S3	55.3	46.7	18.6%
Less EGP	(12.0)	(13.2)	
Less COVID Sequencing	(2.4)	(9.2)	
Underlying S3 Revenue	**41.0**	**24.3**	**68.8%**
Indirect	22.6	22.0	2.8%
Less COVID Sequencing	(1.7)	(4.4)	
Underlying Indirect Revenue	**21.0**	**17.6**	**18.9%**
Total underlying LSRT Revenue	**149.7**	**107.5**	**39.3%**
EGP	12.0	13.2	(9.2)%
COVID Sequencing	8.0	26.1	(69.2)%

Total LSRT revenue	**169.7**	**146.8**	**15.6%**
COVID-19 testing revenue	-	51.8	(100)%
Total revenue	**169.7**	**198.6**	**(14.6)%**

[2] FY22 numbers by customer group have been reclassified to reflect Avantor revenue within the Indirect customer group

NB S1 customers generate revenue of up to $25,000 per year per customer account. S2 customers generate revenue between $25,000 and $250,000 per year per customer account. S3 customers generate revenue of more than $250,000 per year per customer account.

Total S3 revenue increased by 19% to £55.3 million. Underlying S3 revenue grew by 69% in 2023, reflecting an increase in the number of active customers in this group (excluding EGP) from 72 to 84 during the period with average revenue per customer of approximately $641,900 (FY22: $581,000). This group consists mostly of customers performing human disease and cancer research.

S2 revenue grew by 20% during the period to £62.3 million. Active customers in this group grew by 25% to 1,210 in 2023, with an average annual revenue of approximately $64,000 per customer (FY22: $66,800). S2 customers are key to our expansion over the medium term, as we provide localised high-quality sequencing capabilities at competitive prices. These customers are able to manage their own projects rather than continuing to be dependent on centralised sequencing services, where they have to wait for their samples to be processed.

S1 revenue grew by 11% during the period to £29.4 million, reflecting continued demand for our entry-level and portable sequencing devices. Active customers in this group grew by 9% to 6,298 in 2023, with an average annual revenue of approximately $5,800 per customer (FY22: $5,700). Growth across the S1 customer base came from two areas, expansion of end users within organisations and new accounts in new organisations, with Mk1B being the most popular device. To date we have had less direct contact with this customer group with most conversations taking place at conferences, in forums and in our Nanopore Community.

Geographical trends

The Group aims to make its technology available to a broad range of scientific users, and currently supports users in more than 125 countries.

	2023 (£m)	2022 (£m)	%change actual
Americas	**61.5**	48.3	27.4%
Less COVID Sequencing	**(3.1)**	(8.9)	
Underlying Americas Revenue	**58.4**	39.4	48.2%
APAC	**34.1**	34.8	(2.1)%
Less COVID Sequencing	**(1.2)**	(5.6)	
Underlying APAC Revenue	**32.9**	29.2	12.7%
EMEAI	**74.0**	63.7	16.2%
Less EGP	**(12.0)**	(13.2)	
Less COVID Sequencing	**(3.6)**	(11.6)	
Underlying EMEAI Revenue	**58.4**	38.9	50.2%
Total LSRT Revenue	**169.7**	**146.8**	**15.6%**
Covid Testing	-	51.8	(100)%
Total Revenue	**169.7**	**198.6**	**(14.6)%**

At a regional level, revenues were predominantly driven by growth in our two largest regions, EMEAI (Europe, Middle East, Africa and India) and the Americas.

Revenue in APAC declined by 2%, reflecting a reduction in revenue from China, which reduced by 12%. However on an underlying basis (excluding COVID sequencing) China grew by 5%. A new logistics hub in Singapore went live during the period - our distribution hub for Asia Pacific – creating further revenue opportunities in this region.

Revenue in EMEAI increased by 16%, 50% on an underlying basis, reflecting the growing success of our commercial team in this region.

In some territories the Group works with Channel Partners whom have the commercial and technical expertise to enhance our geographic reach, engaging customers in their country and local language. The Group currently works with:

- Avantor in the European Union and United States.
- A network of Channel Partners across 53 countries in Asia, Africa, India, Latin America, Middle East and The Gulf, and non-EU European territories.
- We are expanding this to include a further 40+ countries including the remainder of Africa and Latin America, today we rely on specialist logistics brokers who can work directly with the Group's customers in these territories to ship our platform.

Gross margins

Year ended 31 December	**2023**	2022	Change
Gross Margin (%)	53.3%	62.3%	(900) bps
LSRT Gross margin (%)	53.3%	56.3%	(300) bps

Overall gross margin declined by 900 bps in 2023. This was due to a number of factors:

- FY22 gross margin benefitted from the DHSC contract accounting for 600 bps
- Impacts on the FY23 gross margin include adverse performance of the EGP and the impact of write down of excess inventory in Covid sequencing kits and devices that became end-of-life during the year. Excluding these one-off items, the FY23 gross margin would have been 58.8% (FY22: 58.0%)

We remain committed to continual margin improvement across all products and will continue to invest in manufacturing innovation, to deliver this goal.

Impact of headcount

Average headcount (FTEs)	**2023**	2022	Change (%)
Research and Development	**464**	380	+22%
Manufacturing	**156**	149	+5%
Selling, General & Administration	**513**	393	+31%
Total	**1,133**	922	+23%

In 2023, the average number of employees across all functions increased by 23%. The Group invested in bringing onboard new Research and Development staff to execute on our platform and product roadmap. Our Research and Development teams work on fundamental research for novel sensing applications, sequencing chemistry, nanopores, enzymes, algorithms, software electronics and arrays to deliver future platforms and improvement on current products. A significant investment of 2023 was in the establishment of our regulatory development teams and expansion of our platform development groups as we support a growing product portfolio of sample to answer.

The Group's manufacturing team expanded by 5%, primarily in our biologics production facilities, which expanded during the year providing more robustness and resilience to our manufacturing capabilities.

Overall selling, general and administration headcount grew by 31%, primarily within the commercial team, which grew globally by 49% in the year supporting the Group's growth objectives.

Research and development expenses

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

As amortisation related to internally generated assets has increased over time, management now consider that it is a more appropriate presentation to present amortisation and the R&D tax credit within research and development expenses, rather than as previously presented within selling, general and administration expenses. The comparative numbers have been re-presented to be consistent with the current period presentation.

	2023 (£m)	*2022 (£m)
Research and development expenses	**103.8**	69.2
Adjusting items:		
Employer's social security taxes on pre-IPO share awards	**0.6**	9.9
Adjusted R&D expenses	**104.4**	79.1
Amortisation of capitalised development costs	**(18.4)**	(11.4)

Capitalised development costs	**19.5**	19.2
Total R&D expenses and capitalised development costs	**105.5**	86.8

* See note 8 for details regarding the re-presentation

Adjusted research and development expenses increased by £25.3 million to £104.4 million in FY23 (FY22: £79.1 million). This increase was principally due to a 22% increase in headcount (FY22: 31% increase) leading to a £7.0 million increase in payroll costs (FY22: £7.1 million).

Amortisation of capitalised development costs increased by £7.0 million to £18.4 million. There is now £77.2 million of costs that have been capitalised as at 31 December 2023 (31 December 2022: £57.7 million), so driving the increase in amortisation.

Capitalised development costs increased by £0.3 million to £19.5 million in FY23 (FY22: £19.2 million). This included £11.3m of internal staff costs (FY22: £10.4 million) and £8.2 million of third-party costs (FY22: £8.8 million), across a number of projects that occurred during the year.

Overall investment in research and development was £105.5 million (FY22: £86.8 million); an increase of £18.7 million (FY22: £9.4 million) over the prior year.

Selling, general and administration expenses

The Group's selling, general and administrative expenses in FY23 increased by £2.1 million to £155.2 million (FY22: decreased by £3.7 million to £153.1 million).

On an adjusted basis selling, general and administrative expenses in FY23 increased by £22.9 million to £134.6 million (FY22: increased by £13.8 million to £111.7 million).

	2023 (£m)	2022 (£m)
Selling, general and administration expenses	**155.2**	153.1
Adjusting items:		
Share-based payment expense on Founder Long Term Incentive Plan (LTIP)	**(20.9)**	(53.2)
Employer's social security taxes on Founder LTIP and pre-IPO share awards	**0.3**	11.7
Adjusted selling, general and administration expenses	**134.6**	111.7

The main changes were:

- a 49% increase in average headcount of staff within the Group's sales, marketing and distribution functions (FY22: 48% increase), leading to a £14.4 million increase in payroll costs (FY22: £11.7 million increase). This is in line with our plan to expand our global sales team
- a 4% increase in average headcount of corporate staff within the Group's Human Resources (HR), finance, central administration, legal, applied functions and certain corporate executives to support business growth (FY22: 30% increase), contributing to a £1.7 million increase in payroll costs (FY22: £7.9 million)
- an increase in depreciation of £1.6 million (FY22: increase of £ 4.8 million); partially offset by a decrease in share-based payments (non-Founder LTIP) of £1.5 million (FY22: decrease of £6.9 million)

Balance sheet

Our balance sheet remains strong, with £472.1 million of Cash, cash equivalents and other liquid investments at 31 December 2023. Key movements during the year are outlined below:

	2023 (£m)	2022 (£m)
Property, plant and equipment	**49.9**	37.3
Intangible assets	**32.9**	30.0
Right-of-use assets	**32.5**	25.9
Net deferred tax asset	**5.5**	7.7
Working capital	**84.6**	70.4
Other assets and liabilities	**21.0**	11.6
Provisions	**(13.0)**	(13.3)

Cash and cash equivalents and other liquid investments	**472.1**	558.0
Lease liabilities	**(41.7)**	(34.1)
Net assets	**643.9**	693.6

Property, plant and equipment

Property, plant and equipment additions of £34.9 million were made in the year (FY22: £23.1 million). This included:

- £25.6 million on devices with customers (FY22: £12.6 million), of which £14.9 million was on compute upgrades, and
- £5.7 million was spent on manufacturing facilities and laboratories across our sites in the UK (FY22: £8.1 million).

Intangible assets

Intangible asset additions of £21.4 million (FY22: £19.2 million) were made in the year relating to capitalised development costs and patent and license purchases.

Right-of-use assets

During the year right-of-use asset additions were £12.0 million (FY22: £15.5 million), resulting in a net book value at 31 December 2023 of £32.5 million (2022: £25.9 million). As at 31 December 2023, the outstanding balance sheet liability in respect of the right-of-use assets was £41.7 million (2022: £34.1 million).

Working capital

The working capital balance of £84.6 million (2022: £70.4 million) predominantly reflects inventory of £101.5 million (2022: £87.7 million), trade and other receivables of £61.5 million (2022: £62.9 million) and trade and other payables of £78.4 million (2022: £80.1 million).

The increase in working capital was due primarily to increased inventory due to our long-term agreements with key suppliers focused on electric components. In particular, inventories related to flow cells and devices have increased by £7.8 million and by £5.2 million respectively in the year.

Provisions

Provisions of £13.0 million at 31 December 2023 (2022: £13.3 million), primarily relates to a provision for employer social security taxes on share awards of £9.9 million (2022: £10.8 million). The provision is estimated at each reporting period with reference to both the expected number of awards vesting and their expected value, using the share price at the reporting date. The release of the provision during the year is reflective of the reduction in share price from £2.47 at 31 December 2022 to £2.08 at 31 December 2023.

Cash, cash equivalents and other liquid investments

Cash, cash equivalents and other liquid investments were £472.1 million at 31 December 2023, a decrease of £85.9 million in the period. See note 25.

Cash flow

In 2023, there was a net cash outflow of £137.3 million from operations (FY22: £63.8 million *), the difference is primarily driven by the FY22 cash flow including the benefit of the DHSC income.

Cash outflows from investing activities were £61.8 million (2022: £51.4 million *). This includes:

- the purchase of financial assets of £150.0 million (2022: £130.0 million), offset by the proceeds of other financial assets of £104.6 million (2022: £60.5 million)
- the purchase of property, plant and machinery of £5.9 million (2022: £8.6 million *)
- the purchase of IP licences of £1.9 million (2022: £nil)
- the investment in associate of £3.0 million (2022: £nil)
- the capitalisation of development costs of £19.5 million (2022: £19.2 million); offset partially by
- interest received of £13.9 million (2022: £3.4 million).

Cash inflows from financing activities were £64.7 million (2022: outflow of £13.7 million), which includes:

- proceeds from issue of shares of £71.6 million (2022: £3.8 million) less costs of share issue of £0.4 million (2022: £2.4 million). This was primarily generated by the investment of nearly £70 million made by bioMérieux, and
- lease and interest payments of £6.5 million (2022: £5.6 million).

*restated - see notes 8 and 22

Outlook

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2023

	Note	2023 £000	2022 Restated * £000
Revenue	4	**169,668**	198,603
Cost of sales		**(79,187)**	(74,793)
Gross profit		**90,481**	123,810
Research and development expenses *		**(103,842)**	(69,186)
Selling, general and administrative expenses *		**(155,248)**	(153,103)
Loss from operations		**(168,609)**	(98,479)
Finance income		**18,853**	5,941
Finance expense		**(2,206)**	(1,628)
Other gains and losses	9	**2,278**	13,186
Share of loss in associate		**(228)**	(238)
Write-back/(impairment) of investment in associate		**144**	(2,193)
Loss before tax	6	**(149,768)**	(83,411)
Taxation	10	**(4,739)**	(7,614)
Loss for the year		**(154,507)**	(91,025)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Fair value movements on investment bonds	9	**4,024**	936
Exchange (losses)/gains arising on translation of foreign operations		**(3,880)**	4,021
Taxation	10	**(1,240)**	–
Other comprehensive income for the year, net of tax		**(1,096)**	4,957
Total comprehensive loss		**(155,603)**	(86,068)

	Note	2023 Pence	2022 Pence
Loss per share	7	**19**	11

* See note 8 for details regarding the restatement of comparatives.

Consolidated Statement of Financial Position

as at 31 December 2023

	Note	2023 £000	2022 Restated * £000
Assets			
Non-current assets			
Property, plant and equipment	12	**49,890**	37,294
Intangible assets	11	**32,910**	30,039
Investment in associate		**742**	826
Right-of-use assets	13	**32,526**	25,906
Other financial assets	16	**208,325**	84,144
Deferred tax assets		**5,486**	7,681
		329,879	185,890
Current assets			
Inventories	14	**101,548**	87,698
Trade and other receivables	15	**61,475**	62,905
Current tax assets		**1,030**	–
R&D tax credit recoverable		**12,819**	9,148
Other financial assets	16	**49,514**	119,411
Derivative financial assets	17	**261**	2,060
Cash and cash equivalents	22	**220,536**	356,778
		447,183	638,000
Total assets		**777,062**	823,890
Liabilities			
Non-current liabilities			
Lease liabilities *	20	**37,333**	30,042
Share-based payment liabilities		**141**	108
Provisions	19	**6,538**	8,645
		44,012	38,795
Current liabilities			
Trade and other payables	18	**78,447**	80,249
Current tax liabilities		**-**	1,639
Lease liabilities *	20	**4,322**	4,056
Derivative financial liabilities	17	**-**	962
Provisions	19	**6,430**	4,633
		89,199	91,539
Total liabilities		**133,211**	130,334
Net assets		**643,851**	693,556

Issued capital and reserves attributable to owners of the parent			
Share capital		**86**	83
Share premium reserve		**698,553**	627,557
Share-based payment reserve	21	**203,099**	168,200
Translation reserve		**(173)**	3,707
Accumulated deficit		**(257,714)**	(105,991)
Total Equity		**643,851**	693,556

* See note 8 for details regarding the restatement of comparatives.

Consolidated Statement of Changes in Equity

as at 31 December 2023

	Share capital £000	Share premium £000	Share-based payment reserve £000	Translation reserve £000	Accumulated deficit £000	Total equity £000
At 1 January 2022	**82**	**623,760**	**96,350**	**(314)**	**(15,902)**	**703,976**
Loss for the year	–	–	–	–	(91,025)	(91,025)
Exchange gain on translation of foreign operations	–	–	–	4,021	–	4,021
Fair value movements on investment bonds	–	–	–	–	936	936
Comprehensive gain/(loss) for the year	**–**	**–**	**–**	**4,021**	**(90,089)**	**(86,068)**
Issue of share capital	1	3,796	–	–	–	3,797
Cost of share issue	–	1	–	–	–	1
Employee share-based payments	–	–	71,165	–	–	71,165
Tax in relation to share-based payments	–	–	685	–	–	685
Total contributions by and distributions to owners	**1**	**3,797**	**71,850**	**–**	**–**	**75,648**
At 31 December 2022	**83**	**627,557**	**168,200**	**3,707**	**(105,991)**	**693,556**
Loss for the year	**-**	**-**	**-**	**-**	**(154,507)**	**(154,507)**
Other comprehensive income	**-**	**-**	**-**	**(3,880)**	**2,784**	**(1,096)**
Comprehensive loss for the year	**-**	**-**	**-**	**(3,880)**	**(151,723)**	**(155,603)**
Issue of share capital	**3**	**71,562**	**-**	**-**	**-**	**71,565**
Cost of share issue	**-**	**(566)**	**-**	**-**	**-**	**(566)**
Employee share-based payments	**-**	**-**	**34,995**	**-**	**-**	**34,995**
Tax in relation to share-based payments	**-**	**-**	**(96)**	**-**	**-**	**(96)**
Total contributions by and distributions to owners	**3**	**70,996**	**34,899**	**-**	**-**	**105,898**
At 31 December 2023	**86**	**698,553**	**203,099**	**(173)**	**(257,714)**	**643,851**
Note			21			

Consolidated Statement of Cash Flows

for the year ended 31 December 2023

	Note	**2023 £000**	2022 Restated * £000
Net cash outflow from operating activities	22	**(137,302)**	(63,826)

Investing activities			
Purchase of property, plant and equipment *		**(5,906)**	(8,632)
Proceeds from sale of property	12	**-**	42,500
Capitalisation of development costs	11	**(19,522)**	(19,163)
Purchases of IP licences		**(1,862)**	–
Investment in associate		**(3,000)**	–
Interest received		**13,898**	3,443
Purchase of other financial assets		**(150,000)**	(129,962)
Proceeds from sale of other financial assets		**104,598**	60,459
Net cash outflow from investing activities		**(61,794)**	(51,355)
Financing activities			
Proceeds from issue of shares		**71,597**	3,751
Costs of share issue		**(366)**	(2,378)
Principal elements of lease payments		**(4,291)**	(4,111)
Repayment of bank borrowings		**-**	(9,500)
Interest paid		**(1)**	(221)
Interest paid on leases		**(2,205)**	(1,256)
Net cash inflow/(outflow) from financing activities		**64,734**	(13,715)
Net decrease in cash and cash equivalents before foreign exchange movements		**(134,362)**	(128,896)
Effect of foreign exchange rate movements		**(1,880)**	(2,166)
Cash and cash equivalents at beginning of year		**356,778**	487,840
Cash and cash equivalents at end of year	22	**220,536**	356,778

* See note 8 for details regarding the restatement of comparatives.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

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. The Group is primarily involved in researching, developing, manufacturing and commercialising a novel generation of deoxyribonucleic acid ("DNA") or ribonucleic acid ("RNA") sequencing technology that provides rich data, is fast, accessible and easy to use, and which allows the real-time analysis of DNA or 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 unaudited preliminary financial information comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and extracts from the notes to the financial statements for the year ended 31 December 2023. The unaudited preliminary financial information should be read in conjunction with the Annual Report 2022, which has been prepared in accordance with International Accounting Standards, in conformity with the Companies Act 2006. The financial information incorporates the results of the Company and the entities under its control (together the "Group" and individually "Group companies").

The unaudited preliminary financial information has been 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 Going concern

As at 31 December 2023, the Group held £472.1 million in cash, cash equivalents and other liquid investments (note 25).

The going concern assessment period is the twelve months to the end of March 2025. 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 the end of March 2025, the going concern assessment period, and the impact of a range of severe, but plausible, scenarios, including supply chain issues driven by demand, logistics interruptions, the pandemic, heightened geopolitical tension; particularly between the United States of America and the People's Republic of China and the war in Ukraine. In particular, the impact of key business risks on revenue, profit and cash flow are as follows:

- Reduced revenues due to customer, regulatory and research and development ("R&D") delays; and
- Increased costs due to supply chain restrictions, rising utilities costs, rising wages & salary costs, additional R&D requirements and rising costs of component parts.

Under all scenarios, the Group had sufficient funds to maintain trading before taking into account any mitigating actions that the Directors could take. Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future and at least one year from the date of approval of the financial statements. On the basis of these reviews, the Directors consider it remains appropriate for the going concern basis to be adopted in preparing these financial statements.

3. Critical accounting judgements and sources of estimation uncertainty

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

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

Critical judgements in applying the Group's accounting policies

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

Judgements

i. Internally generated intangible assets research and development expenditure ("R&D")

Critical judgements are required in determining whether development spend meets the criteria for capitalisation of such costs as laid out in IAS 38 "Intangible Assets," in particular whether any future economic benefit will be derived from the costs and flow to the Group. The Directors believe that the criteria for capitalisation as per IAS 38 paragraph 57 for specific projects were met during the period and accordingly all amounts in relation to the development phase of those projects have been capitalised as an intangible asset during the period. All other spend on R&D projects has been recognised within R&D expenses in the income statement during the period.

Management does not have a formal timesheet process for monitoring time spent by employees on projects in their development stage. Instead, management consults with the relevant project leaders on a regular basis to understand and estimate the time spent on projects in their development stage. When a percentage allocation has been agreed, in line with the estimation process described below, this is then applied to other, non-employee related development costs to ensure that costs are consistently and appropriately capitalised. The net book value of internally generated capitalised assets at 31 December 2023 was £30.8 million (2022: £29.7 million).

Estimates

Key sources of estimation uncertainty

i. Inventory

The Group holds inventory across a number of locations for the purposes of fulfilling sales orders and contractual obligations. Additionally, certain components of inventory are held for use within research and development. Net inventory at 31 December 2023 was £101.5 million (2022: £87.7 million). In line with the requirements of IAS 2 Inventories, inventory is stated at the lower of cost and net realisable value.

Management is required to make a number of estimates around the net realisable value of inventory, which represents the estimated selling price less all estimated costs of completion. In cases where the net realisable value is below cost, management records a provision such that inventory is held at the lower of cost and net realisable value.

To estimate the inventory provision, management uses inputs based on the location and status of inventory held by the Group. This includes the intended use of the inventory, including whether it is expected to be sold or used for research and development purposes.

Management makes assumptions around the net realisable value of each category of inventory. These estimates are then applied to the inventory balance, based on its cost, location and intended use, to record a provision in cases where the net realisable value is below cost.

If the net realisable value had increased by 5%, then the value of inventory would have increased by £1.5 million and the revised stock value would have been £103.0 million (2022: £1.2 million and £88.9 million respectively). If the net realisable value had decreased by 5%, then the value of inventory would have decreased by £1.5 million and the revised stock value would have been £100.0 million (2022: £1.2 million and £86.5 million respectively).

ii. Share-based payments

In June 2021, awards were granted to the Executive Directors of the Company under the Oxford Nanopore Technologies Limited Long Term Incentive Plan 2021 (Founder LTIP). Half of the awards are subject to a non-market revenue performance condition which drives number of awards expected to vest depending on when certain revenue targets are met. At each reporting date, management makes 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 31 December 2024 decreased by 10%, the Group recognised total expenses of £35.0 million relating to equity-settled share-based payment transactions would decrease by £2.7 million.

In addition, the Founder LTIP awards in issue give rise to an associated employer's social security liability. Management updates the estimate for this liability at each reporting period with reference to both the expected number of awards vesting and their expected value, using the share price at the period end date. Half of the Founder LTIP awards are linked to a share price condition, which is a market-based performance condition incorporated into the fair value calculation and to which no subsequent adjustments can be made from an IFRS 2 charge perspective. However, management has estimated the proportion likely to vest for the purposes of assessing the employer's social security contributions to accrue at each period end using a Monte Carlo simulation model which calculates the average expected vesting based on a large number of randomly generated projections of the Company's future share price. At 31 December 2023, the expected vesting of the share price linked awards was estimated at 50.8% (2022: 56.3%).

Other sources of estimation uncertainty

iii. Internally generated intangible assets research and development expenditure ("R&D")

Estimates are made in determining the capitalisation of costs in relation to the development phase of R&D projects. Management capitalises development costs in respect of R&D projects based on an estimate of the percentage of time spent on the project by employees while the project is in its development phase. Development costs capitalised in 2023 amounted to £19.5 million (2022: £19.2 million). If the estimated time spent on these projects had varied by up to 5% then the development costs capitalised in 2023 would have been in the range £18.5 million to £20.5 million (2022: £18.2 million to £20.2 million).

iv. Non-standard customer contracts

As noted in the revenue recognition accounting policy, revenue contracts for the sale of bundled goods and services require the allocation of the total contract price to individual performance obligations based on their stand-alone selling prices. The Group occasionally enters into larger bespoke contracts which might include a clause linked to the performance of the products and options on the total units of certain consumables to be purchased under the contract. This requires management to estimate the number of items likely to be delivered under the contract.

4. 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:

	2023 £000	2022 £000
Geographical region		
Americas	61,542	48,300
EMEAI	74,037	115,498
APAC	34,089	34,805
Total revenue from contracts with customers	169,668	198,603

	2023 £000	2022 £000
Category		
Sale of goods	141,907	177,672
Rendering of services	17,445	9,902
Lease income	10,316	11,029
Total revenue from contracts with customers	169,668	198,603

	2023 £000	2022 £000
Timing of revenue recognition		
At a point in time	141,907	177,672
Over time	27,761	20,931
Total revenue from contracts with customers	169,668	198,603

Notes 15 and 18 disclose assets and liabilities the Group has recognised in relation to contracts with customers.

Revenue recognised in relation to contract liabilities:

	2023 £000	2022 £000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**15,848**	17,670

5. Segment information

Products and services from which reportable segments derive their revenues are set out below.

The information reported to the Group's senior management team, which is considered the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance is defined by market rather than product type. The segment measure of profit evaluated by the CODM is Adjusted EBITDA, as this is considered to give the most appropriate information in respect of profitability of the individual segments.

The Directors consider that the Group reportable segments in accordance with IFRS 8 Operating Segments are as set out below:

Reportable segments	Description
Life Science Research Tools ("LSRT")	Oxford Nanopore's core business, generating revenue from providing products and services for research use, including research and development expenditure and corporate expenditure.
Covid Testing	Revenue from providing products for SAR-Cov-2 testing. No revenues were expected in this segment after 2022, and none were reported in the current year. We do not expect this segment to continue after this year's results.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

(a) Information about major customers

In the year there were no individual customers representing more than 10% of the Group's total revenue. In 2022, the Group had one major customer, the Department of Health and Social Care ("DHSC"). Revenue from this customer was £51.8 million, which represented 26.0% of Group revenue and was reported within the Covid testing segment.

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

	LSRT £000	Covid Testing £000	2023 £000	LSRT £000	Covid Testing £000	2022 £000
Revenue						
Americas	**61,542**	-	**61,542**	48,300	–	48,300
EMEAI	**74,037**	-	**74,037**	63,710	51,788	115,498
APAC	**34,089**	-	**34,089**	34,805	–	34,805
Total revenue	**169,668**	-	**169,668**	146,815	51,788	198,603

(b) Adjusted EBITDA

	LSRT £000	Covid Testing £000	2023 £000	LSRT £000	Covid Testing £000	2022 £000
(Loss)/profit after tax	**(154,507)**	-	**(154,507)**	(128,824)	37,799	(91,025)
Tax expense	**4,739**	-	**4,739**	7,614	–	7,614
Finance income	**(18,853)**	-	**(18,853)**	(5,941)	–	(5,941)
Finance expense	**1**	-	**1**	221	–	221
Interest on lease	**2,205**	-	**2,205**	1,382	25	1,407
Depreciation and amortisation	**41,627**	-	**41,627**	31,799	72	31,871
Share-based payments (Founder LTIP)	**20,886**	-	**20,886**	53,182	–	53,182
Employer's social security taxes on Founder LTIP and pre-IPO share awards	**(888)**	-	**(888)**	(21,634)	–	(21,634)
Gain on sale of property	-	-	-	(18,620)	–	(18,620)
Settlement of COVID-19 testing contract	-	-	-	–	(37,896)	(37,896)
(Write-back)/impairment of investment in associate	**(144)**	-	**(144)**	2,193	–	2,193
Adjusted EBITDA	**(104,934)**	-	**(104,934)**	(78,628)	–	(78,628)

Adjusted EBITDA is defined as loss for the year before income tax expense, finance income, loan interest, interest on lease, depreciation and amortisation, adjusted for: i) share-based payment expense on Founder LTIP awards; ii) employer's social security taxes on Founder LTIP and pre-IPO share awards; iii) impairment of investment in associate; iv) gain on sale of property; and v) settlement of the COVID-19 testing contract.

Adjusted EBITDA is used as a key profit measure because it shows the results of core operations exclusive of income or charges that are not considered to represent the underlying operational performance.

(c) Supplementary information

	LSRT £000	Covid Testing £000	2023 £000	LSRT £000	Covid Testing £000	2022 £000
Depreciation of property, plant and equipment	18,105	-	18,105	15,968	–	15,968
Depreciation of right-of-use assets	5,031	-	5,031	4,403	72	4,475
Amortisation of internally generated intangible assets	18,419	-	18,419	11,378	–	11,378
Amortisation of acquired intangible assets	72	-	72	50	–	50
Additions to non-current assets*	68,259	-	68,259	57,775	–	57,775
Segment assets						
Investment in associate	742	-	742	826	–	826
Acquired intangible assets	2,136	-	2,136	346	–	346
Other segment assets**	276,213	-	276,213	243,496	–	243,496
Total segment assets	279,091	-	279,091	244,668	–	244,668
Deferred tax assets			5,486			7,681
R&D tax credit recoverable			12,819			9,148
Current tax asset			1,030			–
Derivative financial assets			261			2,060
Other financial assets			257,839			203,555
Cash and cash equivalents			220,536			356,778
Total assets			777,062			823,890
Segment liabilities						
Total segment liabilities	(133,211)	-	(133,211)	(127,733)	–	(127,733)
Derivative financial liabilities			-			(962)
Current tax liabilities			-			(1,639)
Total liabilities			(133,211)			(130,334)
Net assets			643,851			693,556

* Additions to non-current assets include all non-current assets except for investments, and deferred tax assets.
** Other segment assets include inventory, trade and other receivables and non-current assets except for investments, acquired intangible assets, other financial assets and deferred tax assets.

The Group's non-current assets, excluding deferred tax assets, by geographical location are detailed below:

	LSRT £000	Covid Testing £000	2023 £000	LSRT £000	Covid Testing £000	2022 £000
Americas	13,130	-	13,130	11,255	–	11,255
EMEAI	310,208	-	310,208	166,572	–	166,572
APAC	1,055	-	1,055	382	–	382

324,393	**-**	**324,393**	178,209	–	178,209

6. Loss before tax

	2023 £000	2022 £000
This is after charging/(crediting):		
Non-staff research and development costs	**35,671**	32,651
Amortisation of intangible assets	**18,491**	11,428
Depreciation of property, plant and equipment	**18,105**	15,968
Depreciation of right-of-use assets	**5,031**	4,475
Loss/(gain) on disposal of property, plant and equipment	**3,663**	(16,740)
Cost of inventories	**49,162**	42,559
Write-down of inventories	**9,839**	6,045
Short-term lease costs	**928**	602
Impairment of intangible assets	**-**	736
(Write-back)/impairment of investment in associate	**(144)**	2,193
Net foreign exchange gain	**(1,385)**	(2,490)

All amounts relate to continuing operations.

7. Loss per share

	2023 Pence	2022 Pence
(a) Basic and diluted loss per share		
Total basic and diluted loss per share attributable to the ordinary equity holders of the Group from continuing operations	**19**	11

	2023 £000	2022 £000
(b) Reconciliation of earnings used in calculating earnings per share		
Loss attributable to the ordinary equity holders of the Group used in calculating basic and diluted loss per share from continuing operations	**(154,507)**	(91,025)

	2023 Number	2022 Number
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating basic and diluted earnings per share	**833,960,358**	823,742,709

Options

Options granted to employees under the Oxford Nanopore Technologies Share Option Scheme and the Oxford Nanopore Technologies Limited Share Option Plan 2018 are considered to be potential ordinary shares. These options have not been included in the determination of the basic and diluted loss per share as shown above, because they are anti-dilutive for the years ended 31 December 2023 and 31 December 2022. These options could potentially dilute basic earnings per share in the future.

8. Re-presentation and restatements

(a) Re-presentation of development-related costs

As amortisation related to internally generated assets has increased over time, management now considers that it is more appropriate to present amortisation and the R&D tax credit within research and development expenses, rather than as previously presented within selling, general and administration expenses. The comparative income statement has been re-presented to be consistent with the current year presentation. The net effect on the statement of comprehensive income is nil as shown below:

	2023 £000	2022 £000
Research and development expenses		
Before re-presentation	**95,509**	64,842
Re-presentation of amortisation and R&D tax credit	**8,333**	4,344
After re-presentation	**103,842**	69,186
Selling, general and administrative expenses		
Before re-presentation	**163,581**	157,447
Re-presentation of amortisation and R&D tax credit	**(8,333)**	(4,344)
After re-presentation	**155,248**	153,103
Total operating expenses		
Before re-presentation	**259,090**	222,289
After re-presentation	**259,090**	222,289

(b) Restatement of current and non-current lease liabilities

In 2023, the Group identified a misclassification of £10.9 million of non-current lease liabilities incorrectly presented as current lease liabilities in the financial statements for the year ended 31 December 2022. The misclassification has been corrected by restating the 2022 current and non-current lease liabilities line items within the 2023 financial statements as shown below. There is no effect on the total liabilities of the Group.

	2022 £000	Increase/(decrease) £000	2022 Restated £000
Non-current liabilities			
Lease liabilities	19,049	10,993	30,042
Current liabilities			
Lease liabilities	15,049	(10,993)	4,056
Total liabilities	**130,334**	**-**	**130,334**

(c) Restatement of assets subject to operating leases in operating cash flows

In 2023, the Group identified that the cash outflows associated with additions to assets subject to operating leases of £14.4 million had been incorrectly classified in the cashflow statement within the 2022 financial statements as cash used within investing activities. Following a review of relevant accounting requirements, the Group has restated these 2022 cash outflows to be presented as cash used in operations to correct the presentation in the 2023 financial statements. The presentation of the cash flow in 2023 is consistent with the restated presentation. See below for details regarding this restatement of comparatives. There is no effect on the net cash position or total cash outflow of the Group.

	2022 £000	Increase/(decrease) £000	2022 Restated £000
Cash used in operations			
Increase in inventory	(24,717)	(14,439)	(39,156)
Total cash used in operations	(50,621)	(14,439)	(65,060)
Net cash outflow from investing activities			
Purchase of property, plant and equipment	(23,071)	14,439	(8,632)
Total cash outflow from investing activities	(65,794)	14,439	(51,355)
Total cash outflow	**(128,896)**	**-**	**(128,896)**

9. Other gains and losses

	2023 £000	2022 £000
Gain/(loss) on derivative financial instruments	**2,125**	(5,434)
Gain on investment bonds	**153**	-
Gain on sale of property	**-**	18,620
	2,278	13,186

	2023 £000	2022 £000
Fair value movements on investment bonds (included in other comprehensive income)	**4,024**	936

10. Taxation

Income tax recognised in statement of comprehensive income

Income tax recognised in profit and loss

	2023 £000	2022 £000
Current tax		
Notional tax on R&D expenditure credit	**2,446**	1,187
Prior year adjustment in respect of notional tax on R&D expenditure credit	**(48)**	159
Prior year adjustment in respect of current tax	**(822)**	519
Tax payable on foreign subsidiary	**2,949**	6,059
Total current tax	**4,525**	7,924
Deferred tax		
Origination and reversal of temporary differences	**214**	(310)
Total deferred tax	**214**	(310)
Total tax	**4,739**	7,614

Income tax recognised in OCI

	2023 £000	2022 £000
Deferred tax on investment bonds	**1,240**	–
Total tax	**1,240**	–

Current tax balances have been calculated at the rates enacted for the period. The effective rate of Corporation Tax is -3.16% (2022: -9.13%) 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:

	2023 £000	2022 £000
Loss for the year	**(154,507)**	(91,025)
Income tax expense	**4,739**	7,614
Loss before income taxes	**(149,768)**	(83,411)
Tax rate in the UK for period as a percentage of losses at 23.5% (2022: 19.0%)	**(35,196)**	(15,848)
R&D incentives	**2,067**	813
Adjustment in respect of overseas tax rates	**410**	1,104
Adjustments to tax charge in respect of prior year	**133**	62

Impact of share options	**6,634**	12,337
Movement on unrecognised deferred tax	**29,775**	7,845
Other timing differences	**(1,160)**	287
Expenses not deductible for tax purposes	**2,076**	1,014
Total tax expense	**4,739**	7,614

11. Intangible assets

	Capitalised development costs £000	Patents and licenses £000	Total £000
Cost			
At 1 January 2022	38,464	446	38,910
Additions	19,163	–	19,163
Foreign exchange movements	36	–	36
At 31 December 2022	**57,663**	**446**	**58,109**
Additions	**19,522**	**1,862**	**21,384**
Foreign exchange movements	**(22)**	**-**	**(22)**
At 31 December 2023	**77,163**	**2,308**	**79,471**
Accumulated amortisation and impairment			
At 1 January 2022	15,856	50	15,906
Charge for the year	11,378	50	11,428
Impairment	736	–	736
At 31 December 2022	**27,970**	**100**	**28,070**
Charge for the year	**18,419**	**72**	**18,491**
At 31 December 2023	**46,389**	**172**	**46,561**
Net book value			
At 31 December 2022	29,693	346	30,039
At 31 December 2023	**30,774**	**2,136**	**32,910**

Development costs have been capitalised in accordance with IAS 38 Intangible Assets and are therefore not treated as a realised loss until recognised as an amortisation or impairment charge in the statement of comprehensive income.

12. Property, plant and equipment

	Land & Buildings £000	Leasehold improvements £000	Plant and machinery £000	Assets under construction £000	Assets subject to operating leases £000	Equipment £000	Total £000
Cost or valuation							
At 1 January 2022	15,057	8,908	19,557	1,982	30,075	13,762	89,341
Additions	–	350	1,249	6,897	12,627	1,985	23,108
Disposals	(15,057)	(1,607)	(317)	(691)	(3,921)	(87)	(21,680)
Transfers between classes	–	2,822	2,059	(5,356)	–	475	–
Foreign exchange movements	–	20	49	–	1,064	130	1,263
At 31 December 2022	**–**	**10,493**	**22,597**	**2,832**	**39,845**	**16,265**	**92,032**

Additions	-	161	679	4,828	25,600	3,583	34,851
Disposals	-	-	(63)	-	(9,785)	(4)	(9,852)
Transfers between classes	-	1,106	4,982	(6,162)	-	74	-
Foreign exchange movements	-	(27)	(26)	-	(902)	(88)	(1,043)
At 31 December 2023	-	11,733	28,169	1,498	54,758	19,830	115,988
Accumulated depreciation and impairment							
At 1 January 2022	1,231	3,939	11,158	–	15,866	9,915	42,109
Charge for the year	149	1,276	3,112	–	9,086	2,345	15,968
Disposals	(1,380)	(640)	(114)	–	(2,036)	(46)	(4,216)
Impairments	–	28	117	–	–	–	145
Foreign exchange movements	–	5	41	–	588	98	732
At 31 December 2022	**–**	**4,608**	**14,314**	**–**	**23,504**	**12,312**	**54,738**
Charge for the year	-	1,609	3,477	-	10,213	2,806	18,105
Disposals	-	-	(63)	-	(6,122)	(4)	(6,189)
Foreign exchange movements	-	(8)	(22)	-	(462)	(64)	(556)
At 31 December 2023	-	6,209	17,706	-	27,133	15,050	66,098
Net book value							
At 31 December 2022	–	5,885	8,283	2,832	16,341	3,953	37,294
At 31 December 2023	-	5,524	10,463	1,498	27,625	4,780	49,890

The Group leases some of its devices to customers. Lease payments in relation to these devices are received in full either in advance or on shipping of the device, meaning that there are no undiscounted future lease payments expected to be received on these devices.

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

13. Right-of-use assets

	Total £000
Cost	
At 1 January 2022	20,302
Additions	15,504
Disposals	(973)
Foreign exchange movements	586
At 31 December 2022	**35,419**
Additions	12,024
Disposals	(1,336)
Foreign exchange movements	(332)
At 31 December 2023	45,775

Accumulated depreciation	
At 1 January 2022	5,615
Charge for the year	4,475
Disposals	(782)
Foreign exchange movements	205
At 31 December 2022	**9,513**
Charge for the year	**5,031**
Disposals	**(1,142)**
Foreign exchange movements	**(153)**
At 31 December 2023	**13,249**

Net book value	
At 31 December 2022	25,906
At 31 December 2023	**32,526**

14. Inventories

	2023 £000	2022 £000
Raw materials	**50,888**	41,852
Work in progress	**39,154**	34,960
Finished goods	**11,506**	10,886
	101,548	87,698

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

The cost of inventory recognised as an expense includes £9.8 million (2022: £6.0 million) in respect of write-downs of inventory to net realisable value. There were no reversals of write-downs in either year.

15. Trade and other receivables

	2023 £000	2022 £000
Trade receivables	**33,626**	38,097
Contract assets	**204**	3,084
Accrued income and other debtors	**7,750**	4,724
Accrued interest income	**746**	1,065
Other taxes	**6,351**	5,262
Prepayments	**12,798**	10,673
	61,475	62,905

The ageing of trade receivables and the loss allowance calculated using the Group's provision matrix was as follows:

	Not past due £000	30-60 days £000	61-90 days £000	91+ days £000	Total £000
At 31 December 2023	**28,495**	**2,238**	**1,036**	**2,804**	**34,573**
Loss allowance	**(227)**	**(87)**	**(55)**	**(578)**	**(947)**
	28,268	**2,151**	**981**	**2,226**	**33,626**

At 31 December 2022	28,654	3,390	2,696	5,971	40,711
Loss allowance	(930)	(262)	(315)	(1,107)	(2,614)
	27,724	3,128	2,381	4,864	38,097

The following table shows the movement in lifetime Expected Credit Loss that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

	£000
At 1 January 2022	2,955
Net charges and releases to statement of comprehensive income	(464)
Foreign exchange movement	123
At 31 December 2022	**2,614**
Net charges and releases to statement of comprehensive income	**(1,425)**
Foreign exchange movement	**(242)**
At 31 December 2023	**947**

16. Other financial assets

	2023 £000	2022 £000
Treasury deposits	**–**	101,274
Investment bonds	**256,534**	100,898
Other financial assets	**1,305**	1,383
	257,839	203,555

These items were analysed as follows:

	2023 £000	2022 £000
Current	**49,514**	119,411
Non-current	**208,325**	84,144
	257,839	203,555

Investment bonds are classified as financial assets at fair value through other comprehensive income (FVOCI).

17. Derivative financial assets and liabilities

	2023 £000	2022 £000
Derivative financial assets		
Foreign currency forward contracts	**261**	2,060
	261	2,060
Derivative financial liabilities		
Foreign currency forward contracts	**–**	962
	–	962

18. Trade and other payables

	2023 £000	2022 £000
Trade payables	**25,184**	23,103
Share-based payments	**504**	460
Payroll taxation and social security	**4,507**	2,585
Accruals	**33,096**	33,801
Contract liabilities	**15,156**	20,300
	78,447	80,249

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases by the Group is 50 days (2022: 59 days).

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The Directors consider that the carrying amount of trade payables approximates their fair value.

Contract liabilities primarily relate to performance obligations on customer contracts which were not satisfied at 31 December. In 2023 they decreased by £5.1 million (2022: decrease of £1.3 million). Management expects that most of the transaction price allocated to unsatisfied performance obligations as at 31 December 2023 will be recognised as revenue during the following year.

19. Loans and provisions

Provisions

	Dilapidation provisions £000	Employer taxes £000	Other £000	Total provisions £000
At 31 December 2022	2,346	10,772	160	13,278
Movement in provision for the year	**52**	**(168)**	**590**	**474**
Payments	**–**	**(736)**	**(69)**	**(805)**
Foreign exchange movements	**(14)**	**45**	**(10)**	**21**
At 31 December 2023	**2,384**	**9,913**	**671**	**12,968**
Current	**–**	**5,759**	**671**	**6,430**
Non-current	**2,384**	**4,154**	**–**	**6,538**
At 31 December 2023	**2,384**	**9,913**	**671**	**12,968**
Current	–	4,473	160	4,633
Non-current	2,346	6,299	–	8,645
At 31 December 2022	**2,346**	**10,772**	**160**	**13,278**

The dilapidation provision relates to the leased properties, representing an obligation to restore the premises to their original condition at the time the Group vacates the related properties. The provision is non-current and expected to be utilised in between two and 21 years.

Employer's social security taxes relates to the expected employer's taxes on share-based payments. This is expected to be utilised between one and ten years. The provision is based on the best estimate of the liability, which is reviewed and updated at each reporting period. The provision is accrued over the vesting period to build up to the required liability at the point it is ultimately due.

20. Lease liabilities

	2023 £000	2022 Restated * £000
Current *	**4,322**	4,056

Non-current *	**37,333**	30,042
Lease liabilities included in the statement of financial position	**41,655**	34,098

	2023 £000	2022 £000
Maturity analysis - contractual undiscounted cash flows		
Up to one year	**6,865**	6,459
Two to five years	**28,057**	22,996
Greater than five years	**21,358**	17,705
Total undiscounted lease liabilities at 31 December	**56,280**	47,160

* See note 8 for details regarding the restatement of comparatives.

Information on the associated right-of-use assets is included in note 13.

21. Share-based payment reserve

	2023 £000	2022 £000
At 1 January	**168,200**	96,350
Equity settled share-based payment transactions	**34,995**	71,165
Tax in relation to share-based payment transactions	**(96)**	685
At 31 December	**203,099**	168,200

Share-based payment transactions

	2023 £000	2022 £000
Expense arising from share-based payment transactions:		
Included in research & development expenses	**5,897**	6,883
Included in selling, general & administrative expenses	**29,179**	63,126
	35,076	70,009
Equity settled share-based payment transactions	**34,995**	71,165
Cash settled share-based payment transactions	**81**	(1,156)
	35,076	70,009

22. Notes to the cash flow statements

	2023 £000	2022 £000
Cash and cash equivalents	**220,536**	356,778

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.

	2023 £000	2022 £000
Loss before tax	**(149,768)**	(83,411)
Depreciation on property, plant and equipment	**18,105**	15,968

Depreciation on right-of-use assets	**5,031**	4,475
Amortisation on intangible assets	**18,491**	11,428
Loss on disposal of property, plant and equipment	**3,854**	1,880
Research and development expense tax credit	**(10,157)**	(7,084)
Foreign exchange movements	**(519)**	5,556
Interest on leases	**2,205**	1,407
Bank interest income	**(18,853)**	(5,941)
Bank interest expense	**1**	221
Movements on investment bonds	**337**	–
Movements on derivatives	**836**	(1,203)
(Write-back)/impairment of investment	**(144)**	2,193
Impairment of operating assets	**-**	1,173
Share of losses in associate	**228**	238
Gain on sale of property	**-**	(18,620)
Employee share benefit costs including employer's social security taxes	**34,908**	48,784
Operating cash flows before movements in working capital	**(95,445)**	(22,936)
Increase in receivables	**118**	(7,402)
Increase in inventory and assets subject to operating leases *	**(43,060)**	(39,156)
Increase in payables	**1,502**	4,434
Cash used in operations	**(136,885)**	(65,060)
R&D tax credit received	**4,088**	10,864
Foreign tax paid	**(4,505)**	(9,630)
Net cash outflow from operating activities	**(137,302)**	(63,826)

* See note 8 for details regarding the restatement of comparatives.

23. Events after the reporting date

The Group performed a review of events subsequent to the balance sheet date through to the date the financial statements were issued and determined that there were no such events requiring recognition or disclosure in the financial statements.

24. 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 2023 were as follows: IP Group (10%), Tencent Holdings (7%), Baillie Gifford (7%), bioMérieux SA (7%), G42 (5%) and GIC Asset Management (5%).

25. Alternative performance measures

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

Underlying LSRT revenue growth: LSRT revenue growth excluding EGP and COVID sequencing revenue - in order to understand ongoing performance of the core business, management considers it appropriate to exclude revenues from contracts that are not expected to recur. We also report underlying LSRT revenue performance within each of our customer groups and franchises;

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

Adjusted research and development expenses: research and development expenses after adjusting for employer's social security taxes on pre-IPO share awards;

Adjusted selling, general and administrative expenses: selling, general and administrative expenses after adjusting for share-based payments expense (Founder LTIP) and employer's social security taxes on Founder LTIP and pre-IPO share awards;

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

Adjusted EBITDA: EBITDA adjusted for: i) share-based payment expense on Founder LTIP awards; ii) employer's social security taxes on Founder LTIP and pre-IPO share awards; iii) impairment of investment in associate; iv) gain on sale of property; and v) settlement of the COVID-19 testing contract; and

Cash and cash equivalents and other liquid investments: cash and cash equivalents comprise cash in hand, deposits held at call and other short-term highly liquid investments with a maturity of three months or less at the date of acquisition; other liquid investments comprise investment bonds in which a fixed sum is invested in an asset-backed fund, 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 adjusted underlying LSRT revenue growth:

	2023 £000	2022 £000
LSRT Revenue	**169,668**	146,815
Adjusting Items:		
EGP revenue	**(11,956)**	(13,172)
COVID sequencing revenue	**(7,966)**	(26,112)
Underlying LSRT revenue	**149,746**	107,531
Growth	**+39.3%**	+36.4%
Impact of foreign exchange	**(140)**	(5,370)
Underlying LSRT revenue on a constant currency basis	**149,606**	102,161
Growth	**+39.1%**	+29.6%

The following table presents the adjusted research and development:

	2023 £000	2022 £000
Research and development expenses	**103,842**	69,186
Adjusting Items:		
Employer's social security taxes on pre-IPO share awards	**604**	9,890
Adjusted research and development expenses	**104,446**	79,076
Amortisation of capitalised development costs	**(18,419)**	(11,400)
Capitalised development costs	**19,522**	19,163
Adjusted R&D expenses and capitalised development costs	**105,549**	86,839

The following table presents the adjusted selling, general and administrative expenses:

	2023 £000	2022 £000
Selling, general and administrative expenses	**155,248**	153,103
Adjusting Items:		
Share-based payment expense on Founder Long Term Incentive Plan (LTIP)	**(20,886)**	(53,182)
Employer's social security taxes on Founder LTIP and pre-IPO share awards	**285**	11,743
Adjusted selling, general and administrative expenses	**134,647**	111,664

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

	2023 £000	2022 £000
Loss for the year	**(154,507)**	(91,025)
Tax expense	**4,739**	7,614
Finance income	**(18,853)**	(5,941)
Interest expense	**1**	221
Interest on lease	**2,205**	1,407
Depreciation and amortisation	**41,627**	31,871

EBITDA	**(124,788)**	(55,853)
Share-based payments (Founder LTIP)	**20,886**	53,182
Employer's social security credit on Founder LTIP and pre-IPO share-based awards	**(888)**	(21,634)
Gain on sale of property	**-**	(18,620)
Settlement of COVID-19 testing contract	**-**	(37,896)
(Write-back)/impairment of investment in associate	**(144)**	2,193
Adjusted EBITDA	**(104,934)**	(78,628)

The following table presents cash, cash equivalents and other liquid investments:

	2023 £000	2022 £000
Cash and cash equivalents	**220,536**	356,778
Treasury deposits	**-**	101,274
Investment bonds	**256,534**	100,898
Less: fair value movements on investment bonds	**(4,960)**	(936)
Cash, cash equivalents and other liquid investments	**472,110**	558,014