

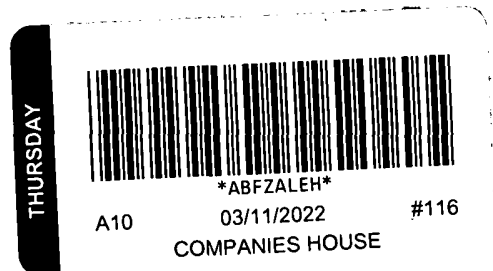
Oxford Photovoltaics Limited

Annual Report and Financial Statements

Year Ended

31 December 2021

Company Number 07127476



Oxford Photovoltaics Limited

Company Information

Directors	Mr F Averdung Mr S Chen Dr. G Erfurt Mr C Langen Mr M G Penington Prof. H Snaith Dr. P Verlinden Mr J Bromley
Company secretary	Mr F Nowroth
Registered number	07127476
Registered office	Unit 7/8 Oxford Industrial Park Mead Road Oxford Oxfordshire OX5 1QU
Independent auditors	PricewaterhouseCoopers LLP 3 Forbury Place 23 Forbury Road Reading Berkshire United Kingdom RG1 3JH
Bankers	HSBC Bank Plc 65 Cornmarket Street Oxford Oxfordshire OX1 3HY

Oxford Photovoltaics Limited

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Oxford Photovoltaics Limited

Strategic Report For the Year Ended 31 December 2021

The directors present their Strategic Report together with the audited consolidated financial statements for Oxford Photovoltaics Limited ("the Company") together with its subsidiaries ("the Group") for the year ended 31 December 2021.

Group's business

The great majority of photovoltaic cells in use are based on crystalline silicon, which absorbs solar energy principally towards the red end of the spectrum, limiting its theoretical efficiency to 29%, and up to 26% in practice. The Group is developing perovskite on silicon tandem cells, which combine conventional crystalline silicon cells with perovskite PV cells in one device. The resulting tandem cell extends the range of sunlight that can be converted to electricity towards the higher energy, blue end of the spectrum offering significantly higher power output.

Principal risks and uncertainties

While the economic potential of this advanced solar technology is large, there are significant hurdles still to be overcome, principally:

- While perovskite on silicon tandem cells have demonstrated good reliability results in short-term trials under highly accelerated stress test conditions, these results do not carry the same weight as long-term field tests under actual conditions.
- Tandem cells are more complex and expensive to manufacture than monolithic crystalline silicon; whilst expected over time to provide a more cost-effective solution, this has yet to be proven.
- The Oxford PV tandem cells will need to be incorporated into solar panels, which will require additional development work with module manufacturers, who will be the potential customers of the tandem cells. This development work is ongoing.
- To sell the modules incorporating Oxford PV's cells to end customers, a successful certification of the product by a 3rd party certification organisation is required. If this process were to last longer than currently planned, revenue generation would be impacted.
- While the Group has a very large IP portfolio, it may prove expensive to defend against patent challenges and to pursue actions against alleged breaches by others.
- The current business plan for the Group expects to achieve positive earnings and cash flow in a few years, during which time its ability to operate as a going concern will depend upon continuing investment by shareholders, future investors or the usage of other financial market instruments.
- Brexit has caused limited implications since the Group is pre-revenue and there are limited imports and exports. Relocation of staff is more complex due to work permitting rules. Brexit could also reduce the Company's access to EU financial assistance.
- The Group will continue to be exposed to currency risk due to the base currency being GBP and the majority of the expenditure is in Euros as well as in USD. Exchange rates are closely monitored, and the Group acts prudently to minimise the impact and financial risk.
- The COVID-19 pandemic has had an impact on the availability of human resources and the performance of the supply chain. A continuation may lead to delays in the ramp-up of the production line in Brandenburg which is scheduled to commence in mid-2023.

Oxford Photovoltaics Limited

Strategic Report (continued)
For the Year Ended 31 December 2021

Development, performance and outlook

The Group has continued its development of full-sized production grade solar cells at its pilot plant in Brandenburg, Germany, while pursuing further technology advances in research and development across the Group. Significant milestones were achieved, including:

- Setting a new world record for the amount of the sun's energy that can be converted into electricity by a single solar cell at 29.52% efficiency, certified by a third party.
- Full wafer size efficiency has been certified at 26.8%.
- The build-out of the facility in Germany has been concluded, but delays from the Group's main supplier of the production tools has pushed the ramp-up of the Heterojunction-Perovskite tandem cell line to 2023.
- The Company obtained a loan facility of £50 million from a third party in 2021, which was converted into a convertible bond on 5 July 2022.

The Company is currently undergoing a funding round which is expected to close within late 2022/early 2023. This funding will enable the Group to start volume production of Perovskite-silicon solar cells.

Analysis using Key Performance Indicators (KPI)

Until the Group commercialises its technology, KPIs are limited to the technology milestones referred to above.

This report was approved by the board and signed on its behalf by:


Mr F Averdung
Director

Date: 31 October 2022

Oxford Photovoltaics Limited

Directors' Report For the Year Ended 31 December 2021

The directors present their annual report together with the audited consolidated financial statements of the Group and Company for the year ended 31 December 2021.

Principal activities

The principal activity of the Group and Company continued to be the commercialisation of technology for thin film solar cells.

Results and dividends

The results for the year are set out on page 10.

The directors do not recommend the payment of a final dividend (2020 - £Nil). No interim dividend (2020: £Nil) was paid during the year.

Directors

The directors who held office during the year and up to the date of signature (unless otherwise stated) of the financial statements were as follows:

Mr F Averdung
Mr S Chen
Dr. G Erfurt (abstained from participating in board meetings and voting from 24 March 2021)
Mr C Langen
Mr M G Penington
Prof. H Snaith
Dr. P Verlinden
Mr J Bromley (resigned 15 January 2021, re-appointed 29 July 2021)

Directors' liabilities

Oxford Photovoltaics Limited maintains directors' and officers' liability insurance which give appropriate cover for any legal action brought against its directors and those directors of its subsidiaries.

COVID-19 pandemic

The Group has strictly followed governmental rules and guidelines in relation to the COVID-19 pandemic and continues to do so. Safe working environments have been created so that employees that need to work on site can do so, and employees have been encouraged to work from home where they can do so effectively. The Executive team have established daily calls to react immediately to changes in governmental guidelines and incidents, to ultimately ensure the safety of staff and the continuation of operations. There are some impacts of the COVID-19 pandemic on the development of the Group. There have been some delays from suppliers which has impacted the timelines for the facility upgrade in Germany. As a result, the ramp up and production start date has moved into 2023 (from early 2022).

Oxford Photovoltaics Limited

Directors' Report (continued) For the Year Ended 31 December 2021

Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Group and Company will continue in operational existence for the foreseeable future, and for at least 12 months from the approval of these financial statements.

For the year ended 31 December 2021 the Group made a loss for the financial year of £19,822,002 (2020 - £10,370,642) and as of the date of issuance of the financial statements, it continues to be loss making. Based on the directors' current forecasts and plans and considering the existing cash reserves, the Group and Company have sufficient funding to continue their operations through to mid 2023. Before then, the Group and Company will need to raise additional funding to continue as a going concern and enact its business plan. The Company obtained a loan facility of £50 million from a third party in 2021, which was converted into a convertible bond on 5 July 2022.

The directors are confident that it is appropriate to prepare these financial statements on the going concern basis. However, there is no guarantee that the attempts to raise adequate additional financing on a timely basis will be successful and therefore this represents a material uncertainty, which may cast significant doubt about the Group's and Company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Research and development

The Group continues to utilise its technical and materials expertise to remain at the forefront of its technology and commercialisation. The Group maintains its links to key universities and third parties to develop its knowledge and IP portfolio. Total Group expenditure on research and development during the year was £5,644,258 (2020 - £5,338,975). R&D work will continue into the foreseeable future to increase the products efficiency and reliability. The Company expects to start trading in the second half of 2023 and distribution channels are in preparation.

Matters covered in the Strategic Report

As permitted by paragraph 1A of schedule 7 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulation 2008, certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report. These matters relate to the future developments and the financial risk management of the Group.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the Company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the Company is aware of that information.

Oxford Photovoltaics Limited


Directors' Report (continued) For the Year Ended 31 December 2021

Post balance sheet events

As disclosed in the prior year financial statements, the Group provided a short-term loan of €1.5 million to a third party to accelerate the going to market strategy activities. The third party repaid the loan in full plus the interest due, resulting in a total payment of €1,605,000 on 31 January 2022.

The Company obtained a loan facility of £50 million from a third party in 2021, which was converted into a convertible bond on 5 July 2022.

This report was approved by the board and signed on its behalf by:



Mr F Averdung
Director

Date: 31 October 2022

Oxford Photovoltaics Limited

Statement of Directors' Responsibilities For the Year Ended 31 December 2021

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Independent auditors' report to the directors of Oxford Photovoltaics Limited

Report on the audit of the financial statements

Opinion

In our opinion, Oxford Photovoltaics Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company Statement of Financial Position as at 31 December 2021; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's and the company's ability to continue as a going concern. The group incurred a net loss of £19,822,002 during the year ended 31 December 2021 and continues to be loss making. The group and the company will need to raise additional funding to continue as a going concern. There are no guarantees that attempts to raise additional financing on a timely basis will be successful. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually

or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to patent protection, regulatory compliance and compliance with research and development tax credit guidelines, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to misappropriation of cash and potential management bias in accounting estimates.. Audit procedures performed by the engagement team included:

- Enquiry of management and those charged with governance in relation to actual or potential litigation and claims;
- Review of minutes of meetings with the Board of Directors.
- Review of contractual arrangements with third parties.
- Identifying and testing of selected journal entries, in particular journal entries posted with an unusual account combination impacting cash or property, plant and equipment.
- Challenging judgements made by management, in particular in relation to intangible assets
- Challenging assumptions made by management in their significant accounting estimates, in particular in relation to share-based compensation and accruals

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's directors as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



David Farmer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants
and Statutory Auditors Reading
1 November 2022

Oxford Photovoltaics Limited

Consolidated Income Statement For the Year Ended 31 December 2021

	Note	2021 £	2020 £
Administrative expenses		(23,325,918)	(13,617,087)
Other operating income	4	1,653,316	1,460,896
Operating loss	5	(21,672,602)	(12,156,191)
Interest receivable and similar income	9	83,893	89,104
Loss before taxation		(21,588,709)	(12,067,087)
Taxation on loss	10	1,766,707	1,696,445
Loss for the financial year		(19,822,002)	(10,370,642)
Loss for the year attributable to:			
Owners of the parent		(19,822,002)	(10,370,642)

The notes on pages 18 to 44 form part of these financial statements.

Oxford Photovoltaics Limited

Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2021

	2021 £	2020 £
Loss for the financial year	(19,822,002)	(10,370,642)
Other comprehensive income/(expense)		
Currency translation differences	1,108,133	(279,480)
Total comprehensive expense for the year	(18,713,869)	(10,650,122)

Total comprehensive expense for the year is all attributable to the owners of the Company.

The notes on pages 18 to 44 form part of these financial statements.

Oxford Photovoltaics Limited
Registered number:07127476

Consolidated Statement of Financial Position
As at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	11	678,188	750,778
Tangible assets	12	33,573,179	33,992,424
		<u>34,251,367</u>	<u>34,743,202</u>
Current assets			
Stocks	14	500,021	-
Debtors	15	9,331,493	8,752,523
Cash at bank and in hand		47,249,537	15,844,949
		<u>57,081,051</u>	<u>24,597,472</u>
Creditors: amounts falling due within one year	16	<u>(55,528,722)</u>	<u>(5,071,806)</u>
Net current assets		<u>1,552,329</u>	19,525,666
Total assets less current liabilities		<u>35,803,696</u>	54,268,868
Creditors: amounts falling due after more than one year	17	(1,007,611)	(1,315,835)
Provisions for liabilities	18	(250,000)	(250,000)
Net assets		<u><u>34,546,085</u></u>	<u><u>52,703,033</u></u>
Capital and reserves			
Called up share capital	22,23	3,868	3,763
Share premium account	23	108,413,572	108,412,854
Foreign exchange reserve	23	1,045,999	(62,134)
Profit and loss account	23	(74,917,354)	(55,651,450)
		<u><u>34,546,085</u></u>	<u><u>52,703,033</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


Mr F Averdung
Director

Date: 31 October 2022

The notes on pages 18 to 44 form part of these financial statements.

Oxford Photovoltaics Limited

Registered number:07127476

Company Statement of Financial Position As at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible fixed assets	11	640,707	705,857
Tangible assets	12	1,486,366	1,905,912
Investments	13	21,545	21,545
		<u>2,148,618</u>	<u>2,633,314</u>
Current assets			
Debtors	15	61,360,491	56,421,477
Cash at bank and in hand		46,485,877	12,493,202
		<u>107,846,368</u>	<u>68,914,679</u>
Creditors: amounts falling due within one year	16	(52,998,946)	(1,617,787)
Net current assets		<u>54,847,422</u>	<u>67,296,892</u>
Total assets less current liabilities		<u>56,996,040</u>	<u>69,930,206</u>
Creditors: amounts falling due after more than one year	17	(235,814)	(192,038)
Provisions for liabilities	18	(250,000)	(250,000)
Net assets		<u>56,510,226</u>	<u>69,488,168</u>
Capital and reserves			
Called up share capital	22,23	3,868	3,763
Share premium account	23	108,413,572	108,412,854
Profit and loss account	23	(51,907,214)	(38,928,449)
Total equity		<u>56,510,226</u>	<u>69,488,168</u>

Oxford Photovoltaics Limited

Registered number:07127476

Company Statement of Financial Position (continued) As at 31 December 2021

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Income Statement and Statement of Comprehensive Income in these financial statements.

The Company reported a loss for the financial year ended 31 December 2021 of £13,534,863 (2020 - loss of £7,786,153).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


Mr F Averding
Director

Date: 31 October 2022

The notes on pages 18 to 44 form part of these financial statements.

Oxford Photovoltaics Limited

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital £	Share premium account £	Currency translation reserve £	Profit and loss account £	Total equity £
At 1 January 2020	3,732	108,412,854	217,346	(45,552,900)	63,081,032
Loss for the year	-	-	-	(10,370,642)	(10,370,642)
Currency translation differences	-	-	(279,480)	-	(279,480)
Total comprehensive expense for the year	-	-	(279,480)	(10,370,642)	(10,650,122)
Issue of share capital	31	-	-	-	31
Employee share option movement	-	-	-	272,092	272,092
At 31 December 2020	3,763	108,412,854	(62,134)	(55,651,450)	52,703,033
Loss for the year	-	-	-	(19,822,002)	(19,822,002)
Currency translation differences	-	-	1,108,133	-	1,108,133
Total comprehensive expense for the year	-	-	1,108,133	(19,822,002)	(18,713,869)
Issue of share capital	105	718	-	-	823
Employee share option movement	-	-	-	556,098	556,098
At 31 December 2021	3,868	108,413,572	1,045,999	(74,917,354)	34,546,085

The notes on pages 18 to 44 form part of these financial statements.

Oxford Photovoltaics Limited

Company Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2020	3,732	108,412,854	(31,414,388)	77,002,198
Loss for the year	-	-	(7,786,153)	(7,786,153)
Issue of share capital	31	-	-	31
Employee share option movement	-	-	272,092	272,092
At 31 December 2020	3,763	108,412,854	(38,928,449)	69,488,168
Loss for the year	-	-	(13,534,863)	(13,534,863)
Issue of share capital	105	718	-	823
Employee share option movement	-	-	556,098	556,098
At 31 December 2021	3,868	108,413,572	(51,907,214)	56,510,226

The notes on pages 18 to 44 form part of these financial statements.

Oxford Photovoltaics Limited

Consolidated Statement of Cash Flows For the Year Ended 31 December 2021

	2021 £	2020 £
Cash flows from operating activities		
Loss for the financial year	(19,822,002)	(10,370,642)
Adjustments for:		
Taxation credited	(1,766,707)	(1,696,445)
Interest from banks and third parties	(83,893)	(89,104)
Gain on disposal of tangible assets	(6,536)	(4,270)
Amortisation and impairment of intangible assets	76,956	74,266
Depreciation and impairment of tangible assets	2,559,220	2,015,038
Equity settled share-based payment expense	556,098	272,092
(Increase) in debtors	(985,687)	(89,145)
Increase in creditors	401,143	3,879,928
(Increase) in stocks	(510,600)	-
Income tax credit	1,722,490	930,253
Foreign exchange	3,587,181	(2,979,039)
Net cash used in operating activities	(14,272,337)	(8,057,068)
Cash flows from investing activities		
Purchase of intangible assets	(7,101)	(34,201)
Purchase of tangible assets	(4,093,831)	(16,681,627)
Proceeds on disposal of tangible assets	6,543	6,068
Interest received	83,893	89,104
Net cash used in investing activities	(4,010,496)	(16,620,656)
Cash flows from financing activities		
Issue of ordinary shares	823	31
New loans	50,000,000	-
Net cash from financing activities	50,000,823	31
Net increase/(decrease) in cash and cash equivalents	31,717,990	(24,677,693)
Cash and cash equivalents at beginning of year	15,844,949	38,934,503
Effect of foreign exchange rates	(313,402)	1,588,139
Cash and cash equivalents at the end of year	47,249,537	15,844,949
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	47,249,537	15,844,949

The notes on pages 18 to 44 form part of these financial statements.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

1. General information

Oxford Photovoltaics Limited ("the Company") is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company information page and the nature of the Company's operations and its principal activities is set out in the Directors' Report on page 3.

2. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

Company disclosure exemptions

In preparing the separate financial statements of the Company, advantage has been taken of the following disclosure exemptions available to qualifying entities:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the year has been presented as the reconciliations for the Group and the Company would be identical;
- No cash flow statement or net debt reconciliation has been presented for the Company;
- Disclosures in respect of the Company's income, expense, net gains and net losses on financial instruments measured at amortised cost have not been presented as equivalent disclosures have been provided in respect of the Group as a whole;
- Disclosures in respect of the details of the Company's share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the Company as their remuneration is included in the totals for the Group as a whole.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Group and Company will continue in operational existence for the foreseeable future, and for at least 12 months from the approval of these financial statements.

For the year ended 31 December 2021 the Group made a loss for the financial year of £19,822,002 (2020 - £10,370,642) and as of the date of issuance of the financial statements, it continues to be loss making. Based on the directors' current forecasts and plans and considering the existing cash reserves, the Group and Company have sufficient funding to continue their operations through to mid 2023. Before then, the Group and Company will need to raise additional funding to continue as a going concern and enact its business plan. The Company obtained a loan facility of £50 million from a third party in 2021, which was converted into a convertible bond on 5 July 2022.

The directors are confident that it is appropriate to prepare these financial statements on the going concern basis. However, there is no guarantee that the attempts to raise adequate additional financing on a timely basis will be successful and therefore this represents a material uncertainty, which may cast significant doubt about the Group's and Company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Basis of consolidation

The consolidated financial statements incorporate those of Oxford Photovoltaics Limited and its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

All financial statements are made up to 31 December 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The following principal accounting policies have been applied:

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

Foreign currency translation

The Group's financial statements are presented in Pound Sterling ("GBP"), which is also the Group's functional currency. All values are rounded to the nearest Pound Sterling (£) except when otherwise indicated.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the Statement of Financial Position date. All differences are recognised within profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The results of overseas operations are translated at the average rates of exchange during the year and the balance sheet translated into Pound Sterling at the rates of exchange ruling on the Statement of Financial Position date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to the currency translation reserve.

Grant income

Government grants have been received which relate to various approved projects. All grant income recognised is analysed as other operating income. Grant income is recognised over the term of the grant as performance related milestone conditions have been met.

Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

Research and development

The Company has taken the option to write off the entirety of research and development expenditure to profit or loss in the year in which it is incurred.

Pensions

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense in profit or loss when they are due.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

Share-based payments

The Group operates equity-settled share-based payment arrangements to its employees in the United Kingdom. Share options are classified into four different classes of shares. Each class represents a "hurdle price" which is the threshold above which the employees will benefit from the sale of their shares in an exit event.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become entitled to the award. Fair value is determined by using the Black-Scholes model.

Awards step-vest over a four years period, at a 25% rate at the first year of service, then thereafter at a 6% rate on a quarterly basis. Each grants are considered concurrent awards, therefore the expense recognition on the estimate of shares that will eventually vest, is recorded on an accelerated basis as opposed to the straight-line method.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award (including those resulting from employee redundancies), the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any cost not yet recognised within profit or loss for the award is expensed immediately. Any compensation up to the fair value of the award at the cancellation or settlement date is deducted from equity with any excess over fair value being treated as an expense within profit or loss.

For cash-settled share-based payments, a liability is recognised for the goods and services acquired, measured initially at the fair value of the liability. At the balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Cash-settled share options are measured at fair value at the balance sheet date. The Group recognises a liability at the balance sheet date based on these fair values, taking into account the estimated number of options that will actually vest and the current proportion of the vesting period. Changes in the value of this liability are recognised in profit or loss.

Interest income

Interest income is recognised in profit or loss using the effective interest method.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Current tax

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company's subsidiaries operate and generate taxable income.

A current tax liability is recognised for the tax payable on the taxable profit of the current and past years. A current tax asset is recognised in respect of a tax loss that can be carried back to recover tax paid in a previous year, or where a repayable credit is available under the R&D scheme.

Deferred tax

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined based on the rates expected to apply at the date of reversal, using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Current and deferred tax assets and liabilities are not discounted.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Such costs include the original purchase price and costs directly attributable to bring the asset to its working condition for its intended use.

Intangible assets are amortised over their anticipated useful economic life of 15 years.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Such costs include the original purchase price and costs directly attributable to bring the asset to its working condition for its intended use.

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available to use.

Depreciation is provided on all tangible assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value of each asset evenly over its expected useful life, as follows:

Freehold buildings	- over 30 years
Plant and machinery	- over 5-7 years
Fixtures, fittings, tools and equipment	- over 3-5 years

The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "administrative expenses" in the Consolidated Income Statement.

The Group measures the amount paid in advance for plant & machinery at the transaction price, less any impairment. Once the asset is in the intended state under the Group's control this will be transferred to tangible assets as per the requirement under the relevant accounting standard.

Fixed asset investments

Investments in subsidiaries are accounted for at cost less impairment in the financial statements.

Realised gains or losses on the disposal of investments are accounted for in profit or loss in the year in which the disposal occurs as differences between the net sale proceeds and the net carrying amount.

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

Financial assets

Financial assets mainly include cash at bank and in hand, amounts owed by group undertakings and other debtors. They are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting year financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is recognised in profit or loss. If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Financial liabilities mainly include trade creditors, other creditors and accruals and deferred income. They are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Provisions

Provisions (i.e. liabilities of uncertain timing or amount) are recognised when there is an obligation at the reporting date as a result of a past event, it is probable that economic benefit will be transferred to settle the obligation and the amount of the obligation can be estimated reliably.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

3. Judgements and key sources of estimation uncertainty

In the application of the Group and Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 year in which the estimate is revised where the revision affects only that year, or in the year of the revision and future years where the revision affects both current and future years.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements of the Group and the Company:

Intangible asset / contingent liability (IP licence)

As per the contingent liabilities note below, in the event of a sale / IPO, an exit fee will become payable in relation to the IP rights classified as an intangible asset. Due to the fact that the amount payable is variable and is eventually contingent on future events, no account is taken of this in accounting for the intangible asset nor is any liability recorded in the current year. This will be re-evaluated on an annual basis.

VESOP contingent liability

The Group has a virtual employee stock ownership plan (VESOP) for the benefit of employees of its subsidiary, Oxford PV Germany GmbH, as described in note 21. Any value that could accrue to the members of the VESOP and consequent cost to the Group are entirely contingent upon the occurrence of a qualifying event. It is the directors' view that since there is currently a possibility of such a qualifying event occurring, the VESOP represents a contingent liability.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities of the Group and Company are as follows:

Bonus accrual

Included within accruals and deferred income are accruals for employee bonuses, which are reasonable estimates of the Company's future obligation based on Company and individuals performance during the financial period.

Research and development credits

The Company files claims for R&D tax credits on an annual basis with HMRC, based on management's estimate of the recoverable amount as a result of costs incurred in the year which qualify for the scheme. Procedures have been put in place to support the compilation and assessment of these claim, which remain consistent from year to year. In the claim made this year the Company also includes costs incurred in Germany. All claims raised are subject to the validation and approval of HMRC.

Share-based payments

The cost of stock options with employees is based on the estimated fair value of the award on the grant date.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

3. Judgements in applying accounting policies (continued)

Fair value is determined by using the Black Scholes option pricing model which requires management to make a number of other assumptions, including the expected life of the option, the volatility of the underlying stock, the risk free interest rate and expected dividends. The assumptions used in the Black Scholes option pricing model represent management's best estimates at the time of grant.

These estimates are complex, involve a number of variables, uncertainties and assumptions and the application of management's judgement, as they are inherently subjective.

4. Other operating income

	2021 £	2020 £
Research and development expenditure credit	32,921	32,153
Grant income	1,620,395	1,428,743
	<u>1,653,316</u>	<u>1,460,896</u>

5. Operating loss

The operating loss for the year is stated after (crediting)/charging:

	2021 £	2020 £
Foreign exchange losses/(gains)	3,574,245	(2,981,905)
Research and development costs	1,531,476	1,779,487
Depreciation of owned tangible assets	2,559,220	2,015,040
Profit on disposal of tangible assets	(6,536)	(4,270)
Amortisation of intangible assets	76,956	74,266
Share-based payment expense	556,098	272,092
Operating lease charges	277,716	277,716
	<u>277,716</u>	<u>277,716</u>

Research and development costs disclosed above do not include the allocation of employee costs relating to R&D.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

6. Auditors' remuneration

	2021 £	2020 £
For audit services		
Audit of the financial statements of the Group and Company	100,000	70,000
Audit of the financial statements of the Company's subsidiaries	34,459	19,000
	134,459	89,000

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Wages and salaries	7,104,096	6,973,503	3,125,695	2,962,492
Social security costs	904,287	825,466	256,495	261,488
Other pension costs	93,922	96,488	93,922	96,488
	8,102,305	7,895,457	3,476,112	3,320,468

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2021 No.	Group 2020 No.	Company 2021 No.	Company 2020 No.
Technical	100	76	42	33
Executive	5	5	2	2
Administrative and support	24	34	9	12
	129	115	53	47

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

8. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	<u>511,619</u>	<u>527,799</u>

The number of directors who exercised share options during the year was 4 (2020 - 4).

There were no amounts of money paid to or receivable by directors under long-term incentive schemes in respect of qualifying services (2020 - £Nil). During the financial year no retirement benefits have been provided to directors (2020 - £Nil).

The net value of assets (other than money and share options) received or receivable by directors under such schemes in respect of such services was £Nil (2020 - £Nil).

The aggregate value of any entity contributions paid, or treated as paid, to pension scheme in respect to directors' qualifying services is £Nil (2020 - £Nil).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2021 £	2020 £
Remuneration for qualifying services	<u>357,622</u>	<u>367,599</u>

In both the current and previous financial year, the highest paid director exercised share options.

The value of the benefit provided on exercise of share options has been included in the total remuneration of the highest paid director.

9. Interest receivable and similar income

	2021 £	2020 £
Other interest income	<u>83,893</u>	<u>89,104</u>

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

10. Tax on loss

	2021 £	2020 £
Current tax		
UK corporation tax on losses for the current year	(1,766,706)	(1,696,445)
Adjustments in respect of previous periods	(1)	-
Total current tax credit	<u>(1,766,707)</u>	<u>(1,696,445)</u>
Deferred tax		
Origination and reversal of timing differences	(1)	-
Effect of tax rate change on opening balance	1	-
Total deferred tax	<u>-</u>	<u>-</u>
Total tax credit	<u>(1,766,707)</u>	<u>(1,696,445)</u>

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

10. Tax on loss (continued)

Factors affecting tax credit for the year

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £	As restated 2020 £
Loss before taxation	<u>(21,588,709)</u>	<u>(12,067,087)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19% (2020 - 19%)	(4,101,855)	(2,292,747)
Effects of:		
Fixed asset differences	(16,540)	-
Tax effect of expenses that are not deductible in determining taxable profit	394,258	(1,015,575)
Remeasurement of deferred tax for changes in tax rate	(2,752,229)	(627,901)
Additional deduction for R&D expenditure	(1,284,092)	(1,256,438)
R&D expenditure credits	1,467	-
RDEC	(1,766,706)	(1,696,445)
Surrender of tax losses for R&D tax credit refund	2,271,855	2,222,928
Other permanent differences	(309,940)	(252,045)
Deferred tax not recognised	6,915,178	3,221,489
Foreign exchange differences	-	289
Adjustments to tax charge in respect of previous periods	(1)	-
Difference in overseas tax rates	(1,118,102)	-
Total tax credit for the year	<u><u>(1,766,707)</u></u>	<u><u>(1,696,445)</u></u>

The tax note for the year ended 31 December 2020 has been restated to show the gross impact for surrender of tax losses for R&D tax credit refund and the related RDEC.

Factors that may affect future tax charges

The Group has tax losses carried forward as at 31 December 2021 of £67,216,108 (2020 - £60,646,426). The Company has not provided for a deferred tax asset on these amounts due to the uncertain nature of timing of any future benefit. The amount of such a deferred tax asset would be £18,206,434 (2020 - £11,522,821) before discounting.

On 24 May 2021, the main rate of corporation tax was increased to 25% with effect from 1 April 2023. Deferred taxes at the reporting date have been measured and reflected in these financial statements using the enacted tax rate at the year end of 25% (2020 - 19%).

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

11. Intangible assets

Group

	Patents & licences £	Computer software £	Total £
Cost			
At 1 January 2021	977,255	56,788	1,034,043
Additions - internal	-	7,101	7,101
Foreign exchange movement	-	(3,458)	(3,458)
At 31 December 2021	977,255	60,431	1,037,686
Amortisation			
At 1 January 2021	271,398	11,867	283,265
Charge for the year	65,150	11,806	76,956
Foreign exchange movement	-	(723)	(723)
At 31 December 2021	336,548	22,950	359,498
Net book value			
At 31 December 2021	640,707	37,481	678,188
At 31 December 2020	705,857	44,921	750,778

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

11. Intangible assets (continued)

Company

	Patents & licences £
Cost	
At 1 January 2021	977,255
At 31 December 2021	<u>977,255</u>
Amortisation	
At 1 January 2021	271,398
Charge for the year	65,150
At 31 December 2021	<u>336,548</u>
Net book value	
At 31 December 2021	<u>640,707</u>
At 31 December 2020	<u>705,857</u>

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

12. Tangible assets

Group

	Freehold land and buildings £	Assets under construction £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
Cost					
At 1 January 2021	3,626,521	21,461,788	15,164,263	820,338	41,072,910
Additions	-	1,768,601	2,258,186	67,044	4,093,831
Disposals	-	-	-	(7)	(7)
Transfers between classes	-	(2,508,819)	2,508,819	-	-
Foreign exchange movement	(220,830)	(1,306,876)	(609,338)	(44,492)	(2,181,536)
At 31 December 2021	<u>3,405,691</u>	<u>19,414,694</u>	<u>19,321,930</u>	<u>842,883</u>	<u>42,985,198</u>
Depreciation					
At 1 January 2021	407,655	-	6,526,973	145,858	7,080,486
Charge for the year	95,758	-	2,278,295	185,167	2,559,220
Foreign exchange movement	(24,823)	-	(197,709)	(5,155)	(227,687)
At 31 December 2021	<u>478,590</u>	<u>-</u>	<u>8,607,559</u>	<u>325,870</u>	<u>9,412,019</u>
Net book value					
At 31 December 2021	<u><u>2,927,101</u></u>	<u><u>19,414,694</u></u>	<u><u>10,714,371</u></u>	<u><u>517,013</u></u>	<u><u>33,573,179</u></u>
At 31 December 2020	<u><u>3,218,866</u></u>	<u><u>21,461,788</u></u>	<u><u>8,637,290</u></u>	<u><u>674,480</u></u>	<u><u>33,992,424</u></u>

No impairment adjustment is considered necessary.

None of the carrying value of plant and machinery included above is held under finance leases or hire purchase contracts.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

12. Tangible assets (continued)

Company

	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
Cost			
At 1 January 2021	5,157,589	89,677	5,247,266
Additions	310,471	4,814	315,285
At 31 December 2021	5,468,060	94,491	5,562,551
Depreciation			
At 1 January 2021	3,280,154	61,200	3,341,354
Charge for the year	717,126	17,705	734,831
At 31 December 2021	3,997,280	78,905	4,076,185
Net book value			
At 31 December 2021	1,470,780	15,586	1,486,366
At 31 December 2020	1,877,435	28,477	1,905,912

No impairment adjustment is considered necessary.

None of the carrying value of plant and machinery included above is held under finance leases or hire purchase contracts.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

13. Investments

Company

	Shares in group undertakings £
Cost or valuation	
At 1 January 2021	21,545
At 31 December 2021	21,545
Net book value	
At 31 December 2021	21,545
At 31 December 2020	21,545

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Oxford PV Germany GmbH	Muenstersche Strasse 23, 14772 Brandenburg an der Havel, Germany	Other R&D on natural sciences and engineering	Ordinary	100%
Oxford Solar Limited	Unit 7-8, Oxford Industrial Park, Mead Road, Yarnton, OX5 1QU	Dormant	Ordinary	100%
Oxford PV Limited	Unit 7-8, Oxford Industrial Park, Mead Road, Yarnton, OX5 1QU	Dormant	Ordinary	100%
Oxford Solar Technology Limited	Unit 7-8, Oxford Industrial Park, Mead Road, Yarnton, OX5 1QU	Dormant	Ordinary	100%
Solar Materials Technology Limited	Unit 7-8, Oxford Industrial Park, Mead Road, Yarnton, OX5 1QU	Dormant	Ordinary	100%

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

14. Stocks

	Group 2021 £	Group 2020 £
Raw materials and consumables	<u>500,021</u>	<u>-</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Company

The Company had no stock at 31 December 2021 or 31 December 2020.

15. Debtors

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Corporation tax recoverable	1,766,706	1,722,489	1,766,706	1,722,489
Amounts owed by group undertakings	-	-	58,788,491	53,959,643
Other debtors	2,424,423	1,398,872	581,529	437,422
Amounts paid in advance of plant and machinery	4,647,526	4,948,879	-	-
Prepayments and accrued income	492,838	682,283	223,765	301,923
	<u>9,331,493</u>	<u>8,752,523</u>	<u>61,360,491</u>	<u>56,421,477</u>

Interest is charged at 2% above LIBOR on the amounts owed by group undertakings. The amount owed by group undertakings is repayable on demand.

Following the IBOR reform and starting 1 January 2022, interest will be charged 2% above SONIA. The Group does not anticipate any material impact in regard to the benchmark rate change.

Included within Other debtors, there is loan with a principal amount of €1.5 million (£1,260,504) (2020 - £nil), which was made to a third party to accelerate the going to market strategy activities. The loan is due for repayment on 1 January 2022, and bears an interest rate of 5%. The outstanding balance including accrued interest as at 31 December 2021 amounts to a total of £1,342,018. Following the year end, the loan was repaid in full, as described in note 28.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

16. Creditors: amounts falling due within one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Other loans	50,000,000	-	50,000,000	-
Trade creditors	2,726,764	2,690,977	1,385,967	221,399
Amounts owed to group undertakings	-	-	400	400
Other creditors	72,431	99,114	-	22,786
Taxation and social security	281,818	289,583	281,818	289,583
Accruals and deferred income	2,447,709	1,992,132	1,330,761	1,083,619
	<u>55,528,722</u>	<u>5,071,806</u>	<u>52,998,946</u>	<u>1,617,787</u>

17. Creditors: amounts falling due after more than one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Accruals and deferred income	<u>1,007,611</u>	<u>1,315,835</u>	<u>235,814</u>	<u>192,038</u>

18. Provisions for liabilities

Group and Company

	Dilapidation provision £	Total £
At 1 January 2021	250,000	250,000
At 31 December 2021	<u>250,000</u>	<u>250,000</u>

Dilapidation costs have been calculated based upon the expected costs of returning the premises to their original condition.

It is expected that the full provision will be utilised at the end of the current lease term (17 August 2027). The provision has not been discounted as it would not result in a material change to the provision.

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19. Loans

During the year, the Company borrowed funds from a third party under a term loan of £50,000,000. At the reporting date the carrying amount of the loan was also £50,000,000. There is no interest payable on the loan. Following the year end, the loan was converted into a convertible bond on 5 July 2022.

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Amounts falling due within one year				
Other loans	50,000,000	-	50,000,000	-
	<u>50,000,000</u>	<u>-</u>	<u>50,000,000</u>	<u>-</u>

20. Retirement benefit schemes

Group and Company

	2021 £	2020 £
Defined contribution schemes		
Charged to profit or loss in respect of defined contribution schemes	93,922	96,488
	<u>93,922</u>	<u>96,488</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

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Notes to the Financial Statements For the Year Ended 31 December 2021

21. Share-based payments

The Group operates two equity-settled share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options) of Oxford Photovoltaics Limited.

The Company set up a new share option plan during the year ("the growth plan") in the form of the growth shares plan. The first plan introduced in 2015 ("the old plan") is now closed to new entrants and no further options are granted.

The options of both plans are granted with a fixed exercise price and are time-vesting, with 25% vesting one year after grant, and 6% vesting each quarter thereafter. These are accounted for as accelerated vesting arrangements in the event of a trade sale.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. A credit is recognised directly in shareholders' funds.

The total amount to be expensed is determined by reference to the fair value of the options granted calculated using the Black Scholes valuation methodology:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions. Non-market performance and services conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting year, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

21. Share-based payments (continued)

	Weighted average exercise price (pence) 2021	Number 2021	Weighted average exercise price (pence) 2020	Number 2020
Outstanding at 1 January	0.01	4,466	0.01	7,998
Granted	0.10	7,976	0.01	-
Forfeited	0.07	(120)	0.01	(475)
Exercised	0.08	(2,464)	0.01	(3,057)
Outstanding at 31 December	0.08	9,858	0.01	4,466
Exercisable at 31 December	0.01	1,967	0.01	1,286
	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Expenses recognised in the year				
Arising from equity settled share-based payment transactions	556,098	272,092	556,098	272,092

The Group share option plans are approved Enterprise Management Incentive (EMI) schemes, under which the participants can benefit from advantageous tax treatment. There are, however, a small number of current and former employees who are not entitled to participate in the EMI schemes, and these employees are therefore granted options under an unapproved scheme. For these options, an employer's national insurance liability is estimated to be £nil (2020 - £28,050) which has been recorded in the Group's financial statements at the year end.

In 2018, the Group instituted a virtual employee stock ownership plan (VESOP) for the benefit of employees of its subsidiary, Oxford PV Germany GmbH. The purpose of the VESOP is to provide employees with a benefit comparable with that available to beneficiaries of the UK stock option plan in the case of a liquidity event. However, unlike the UK plan, the VESOP never confers on employees the right to acquire or hold any actual shares in the Company or its subsidiary. Any value that could accrue to the members of the VESOP and consequent cost to the Group are therefore entirely contingent upon the occurrence of a qualifying event. It is the directors' view that since there is currently a possibility of such a qualifying event occurring, the VESOP represents a contingent liability.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

22. Called up share capital

	2021	2020
	£	£
Allotted, called up and fully paid		
170,608 (2020 - 170,608) Ordinary shares of £0.01 each	1,706	1,706
3,804 (2020 - 3,804) Ordinary G shares of £0.01 each	38	38
5,845 (2020 - 5,845) Ordinary H1 shares of £0.01 each	59	59
10,029 (2020 - 10,003) Ordinary H2 shares of £0.01 each	100	100
9,294 (2020 - 6,800) Ordinary H3 shares of £0.01 each	93	68
179,232 (2020 - 179,232) Ordinary A shares of £0.01 each	1,792	1,792
7,891 (2020 - nil) Ordinary H4 shares of £0.01 each	80	-
	3,868	3,763

During the year, the following share issues were completed:

- 26 H2 Ordinary shares were issued to employees as they exercised their share options. Proceeds of £0.26 were received from the employees.
- 2,438 H3 Ordinary shares were issued to employees as they exercised their share options. Proceeds of £24.38 were received from the employees.
- 25,000 H4 Ordinary shares were issued to the Company's subsidiary Oxford Solar Technology Limited, which is acting as a trustee, holding shares on behalf of the employees who are awarded growth shares under the Company's new incentive scheme. As at 31 December 2021, 7,891 of these shares had been awarded to employees.
- Treasury shares of 17,109 that are held by Oxford Solar Technology Limited to be issued to employees in the future. The share capital of the Group and the Company, as shown in the table above, excludes these treasury shares.

G, H1, H2, H3 and H4 shares confer no voting, dividend or capital distribution rights. Ordinary shares carry equal rights.

23. Reserves

Called up share capital represents the nominal value of shares issued.

Share premium account represents premium received above par value in issuing share capital.

Currency translation reserve represents translation differences arising on consolidating the Company's subsidiary, Oxford PV Germany GmbH, which has a functional currency of the Euro into the Group's functional currency (Sterling).

Profit and loss account represents all current and prior years retained profits and losses and share-based payments related movements.

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Notes to the Financial Statements For the Year Ended 31 December 2021

24. Financial commitments, guarantees and contingent liabilities

Under the terms of the licence agreement with Oxford University Innovation, in the event of a sale of 75% of the share capital of the Company, or an IPO, a further fee will become payable to Oxford University Innovation.

The amount of any such payment which may become due is linked to the value obtained in any sale / IPO. Where the exit valuation is £10,000,000 or less, the exit fee would be the lower of 10% of the valuation or £1,000,000. Where the exit valuation is more than £10,000,000, the exit fee payable would be the greater of 1.5% of the value or £1,000,000.

25. Operating lease commitments

At 31 December 2021 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Not later than 1 year	308,568	308,568	308,568	308,568
Later than 1 year and not later than 5 years	1,234,272	1,234,272	1,234,272	1,234,272
Later than 5 years	205,712	514,280	205,712	514,280
	<u>1,748,552</u>	<u>2,057,120</u>	<u>1,748,552</u>	<u>2,057,120</u>

26. Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Acquisition of tangible assets	<u>10,209,480</u>	<u>15,355,837</u>	<u>-</u>	<u>-</u>

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Notes to the Financial Statements For the Year Ended 31 December 2021

27. Related party transactions

During the year, the Group entered into the following transactions with related parties:

	Purchases/ (credit) from related parties 2021 £	Purchases from related parties 2020 £
Group		
Other related parties	(1,493,103)	348,726
	<u>2021</u> £	<u>2020</u> £
Company		
Other related parties	76,009	88,990
	<u>2021</u> £	<u>2020</u> £

The following amounts were outstanding at the reporting end date:

	2021 £	2020 £
Amounts due to related parties		
Group		
Other related parties	10,359,849	13,002,025
	<u>2021</u> £	<u>2020</u> £
Company		
Other related parties	19,097	-
	<u>2021</u> £	<u>2020</u> £

During the year, the Group received credit of £1,569,111 (2020 - purchased goods of £348,726) from a company whose director is also a director of the Company. At the year-end a balance of £10,340,752 was outstanding (2020 - £13,002,025).

During the year, the Company purchased consultancy and other services of £76,009 (2020 - £88,990) from companies whose directors are also directors of the Company. At the year-end a balance of £19,097 was outstanding (2020 - £nil).

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Notes to the Financial Statements For the Year Ended 31 December 2021

28. Post balance sheet events

As disclosed in the prior year financial statements, the Group provided a short-term loan of €1.5 million to a third party to accelerate the going to market strategy activities. The third party repaid the loan in full plus the interest due, resulting in a total payment of €1,605,000 on 31 January 2022.

The Company obtained a loan facility of £50 million from a third party in 2021, which was converted into a convertible bond on 5 July 2022.

29. Ultimate parent and controlling party

There is no parent company or controlling party.