

Oxford Photovoltaics Limited

Annual Report and Consolidated Financial
Statements

Year Ended

31 December 2023

Company Number 07127476

THURSDAY



ADHBCV5N

A22

05/12/2024

#72

COMPANIES HOUSE

Oxford Photovoltaics Limited

Company Information

Directors	Mr S Chen Mr C Langen Prof. H Snaith Mr K Sletten Schieldrop Mr D Ward
Registered number	07127476
Registered office	Unit 7-8 Oxford Pioneer Park Mead Road Yarnton Kidlington Oxon, England OX5 1QU
Independent auditors	Ernst & Young LLP R+ 2 Blagrove Street Reading Berkshire RG1 1AZ
Bankers	HSBC Bank Plc 65 Cornmarket Street Oxford Oxfordshire OX1 3HY

Oxford Photovoltaics Limited

Contents

	Page(s)
Strategic Report	1 - 3
Directors' Report	4 - 6
Statement of Directors' Responsibilities	7
Independent Auditor's Report	8 - 11
Consolidated Income Statement	12
Consolidated Statement of Comprehensive Income	13
Consolidated Statement of Financial Position	14 - 15
Company Statement of Financial Position	16 - 17
Consolidated Statement of Changes in Equity	18 - 19
Company Statement of Changes in Equity	20 - 21
Consolidated Statement of Cash Flows	22 - 23
Notes to the Financial Statements	24 - 90

Oxford Photovoltaics Limited

Strategic Report For the year ended 31 December 2023

The directors present their Strategic Report together with the audited consolidated financial statements for Oxford Photovoltaics Limited ("the Company") together with its subsidiary ("the Group") for the year ended 31 December 2023.

Group's business

The majority of photovoltaic solar panels in use today utilise crystalline silicon solar cells, with a practical power conversion efficiency limited to 26%. The Group is developing perovskite-on-silicon tandem cells, which combine conventional crystalline silicon cells with a thin-film perovskite PV cell in one device. The perovskite solar cell is more effective at converting photons from the blue part of the solar spectrum and when combined with the silicon cell, the tandem solar cell produces electrical power at higher efficiency. The theoretical efficiency limit for a tandem solar cell is above 40% and the practical limit beyond 35%.

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 cannot directly predict long-term performance under actual conditions.
- Fabricating tandem cells add additional process costs on top of the silicon cell costs and are thus more expensive to manufacture than monolithic crystalline silicon cells, Whilst expected over time to provide a more cost-effective energy solution, this has yet to be proven.
- Oxford PV has developed the processes and techniques to assemble the tandem cells into solar modules. The team also works with several existing module manufacturers to assemble modules under contract for our launch customers and who later will be potential customers for the tandem cells. However some additional investment will likely be needed by the module manufacturers in order to assemble the tandem cells most effectively, and those commitments are pending.
- To sell the modules incorporating Oxford PV's cells to most end customers a successful certification of the product by a recognised third-party certification organisation is required. If this process lasts longer than currently planned, revenue generation would be impacted.
- While the Group has a very large Intellectual Property ("IP") portfolio, the ongoing prosecution and maintenance costs are increasing and it may prove expensive to defend against patent challenges and to pursue actions against alleged breaches by others. In early 2024, the company successfully recruited an experienced Head of IP to help manage, and partially mitigate, these risks.
- The current business plan for the Company 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. This has been identified as a material uncertainty in the directors' going concern assessment.
- 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 EURs as well as in USD. Exchange rates are closely monitored and during the year the Group has utilised financial instruments to limit the exposure to large variances to minimise the impact and financial risk.

Oxford Photovoltaics Limited

Strategic Report For the year ended 31 December 2023 (continued)

Principal risks and uncertainties (continued)

- In line with global trends the Group are still having difficulties with the availability of human resources and the performance of the supply chain.

Development, performance and outlook

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

- Recently setting a new record for the world's most efficient solar module at a 26.9% conversion efficiency, a significant increase on the more typical 21-24% efficiency of commercial modules.
- The Group successfully passed IEC61730 independent PV module safety certification sequences of its Generation 1 module product, which was a requirement for its launch utility customer in the US.
- The Group has recently received passing results for the remaining test elements of the IEC61215 independent PV module performance certification that it had not previously achieved, although certain sequence tests underway remain incomplete. A further program of independent testing is due for submission and, based on the results previously referred to, the Group is confident on achieving IEC61215 certification at the end of the test process, which due to the extended duration of tests involved will be late Q1, or early Q2, 2025.
- Our German production facility is commercially operational with first shipments of cells and modules for delivery to pilot customers occurring in 2024.
- The Group has been recognised in the prestigious Global Cleantech 100, a list of private companies most likely to make significant market impact over the next five to ten years.
- The Group is committed to deliver a sustainable technology under the best ESG practices. The Group has created different governance bodies focusing on EDI and social initiatives. In 2022 the Group published their first report on GHG emissions.
- The Group has positioned itself as a strong advocate for innovation and best sustainable practices in various European and International trade associations, as well as maintaining ongoing relationships with key governmental stakeholders, from local to European.
- A new funding round has been initiated to support the ongoing growth and expansion of the German facility, as well as to advance research and development efforts in the UK. The Group has revised its business strategy during the year, broadening out and therefore diversifying its potential revenue streams to include both product sales and licensing. This shift has been well received by the investor audience and interest in the group has been strong, despite the legacy PV market facing economic headwinds. The Group remains confident about its fundraising plans, there are several new potential participants in various stages of due diligence and existing investors have formally committed to providing further funding.

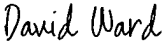
Oxford Photovoltaics Limited

Strategic Report
For the year ended 31 December 2023 (continued)

Analysis using Key Performance Indicators (KPI)

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

On behalf of the board:

Signed by:

3A81976388D74D3...

Mr D Ward
Director

Date: 02-Dec-2024 | 18:14:38 GMT

Oxford Photovoltaics Limited

Directors' Report For the year ended 31 December 2023

The directors present their annual report and audited financial statements of the Group and Company for the year ended 31 December 2023.

Principal activities

The principal activity of the Company and Group 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 12.

The directors do not recommend the payment of a final dividend (2022 - £Nil). No interim dividend (2022 - £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 (*Resigned 7 February 2023*)
Mr J Bromley (*Resigned 7 February 2023*)
Mr S Chen
Dr. G Erfurt (*Resigned 25 October 2024*)
Mr C Langen
Mr M G Penington (*Resigned 1 June 2023*)
Prof. H Snaith
Mr K Sletten Schieldrop (*Appointed 7 February 2023*)
Mr D Ward (*Appointed 7 February 2023*)

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.

Auditor

In accordance with the Company's articles, a resolution proposing that Ernst Young LLP be reappointed as auditor of the Group will be put forward at a General Meeting.

Global Economic Environment

There have been struggles to hire into the technical roles within the factory facility with a lack of candidates on the market as well as inflation pressure on salaries. There are still also delays from suppliers which impact our timelines for production targets.

Oxford Photovoltaics Limited

Directors' Report For the year ended 31 December 2023 (continued)

Russian Conflict in Ukraine

The Group mainly felt the impact of the Ukraine-Russia conflict in the surge in energy prices, these have now recovered to expected rates however as the situation is yet to be resolved this is an area that we remain vigilant on.

Going concern

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 £7,070,316 (2022 - £6,415,268). R&D work will continue into the foreseeable future to increase the products efficiency and reliability. The Company has commenced trading in the second half of 2024.

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 until at least 31 December 2025, albeit there is a material uncertainty as detailed further below.

For the year ended 31 December 2023 the Group made a loss for the financial year of £10,768,976 (2022 - loss of £12,569,937) 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 planned operations until at least the end of June 2025. Before then, the Group and Company will need to raise additional funding to continue as a going concern and enact its business plan.

The directors are confident that it is appropriate to prepare these financial statements on the going concern basis. This confidence is based on discussions with potential investors to date, a track record of fundraising, and the strength of the company's underlying intellectual property. 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 relates to events or conditions, which may cast significant doubt about the Group's and Company's ability to continue as a going concern. Notwithstanding the material uncertainty, on the basis of the assessment described above, the directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2023. These financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Financial risk management objectives and policies

Exposure to price, credit, liquidity and cash flow risk

The Group monitors cash flow as part of its day-to-day procedures. The directors consider cash flow projections on a short, medium and long-term basis and ensure that appropriate funds are available as necessary. There are a large number of foreign currency transactions, therefore the Company has an exposure to foreign exchange movements. As far as practically possible, the Group, since 2023, ensures significant foreign currency transactions are hedged through advance purchasing of required currency to help mitigate the risk when there are fluctuations in exchange rate. The Group has limited credit risk due to limited receivables as the Group is not out to market yet.

Oxford Photovoltaics Limited

Directors' Report For the year ended 31 December 2023 (continued)

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 £7,070,316 (2022 - £6,415,268). Of this amount £3,680,965 (2022 - £3,407,673) was capitalised as development expenditure during the period and recognised as an intangible asset. R&D work will continue into the foreseeable future to increase the products efficiency and reliability. The Company expects to start selling in the second half of 2024 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.

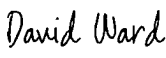
Statement of disclosure to auditor

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 audit of the Company is aware of that information.

Post balance sheet event

After the year-end, the Company entered into an Advance Subscription Agreement (ASA) with its existing shareholders. Under the terms of the ASA, the shareholders have committed to subscribe for additional shares in the Company at a future date, subject to specific conditions being met. This event is considered a non-adjusting post-balance sheet event in accordance with IAS 10, as it occurred after the reporting period and does not provide evidence of conditions that existed at the balance sheet date. The impact of this agreement will be reflected in the financial statements of the next reporting period when the subscription takes place, and the resulting equity issuance is recognized.

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

Signed by:

3A81976388D74D3...

Mr D Ward
Director

Date: 02-Dec-2024 | 18:14:38 GMT

Oxford Photovoltaics Limited

Statement of Directors' Responsibilities For the year ended 31 December 2023

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK-adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Oxford Photovoltaics Limited

Independent Auditor's Report to the Members of Oxford Photovoltaics Limited

Opinion

We have audited the financial statements of Oxford Photovoltaics Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes 1 to 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

We draw attention to Note 2 in the financial statements, which indicates that the group incurred a net loss of £10,768,976 during the year ended 31 December 2023 and continues to be in a loss-making position. The group and the company will need to raise additional funding to continue as a going concern, and there are no guarantees that attempts to raise additional financing on a timely basis will be successful. As stated in Note 2, these events, or conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Oxford Photovoltaics Limited

Independent Auditor's Report to the Members of Oxford Photovoltaics Limited (continued)

Conclusions relating to going concern (continued)

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Oxford Photovoltaics Limited

Independent Auditor's Report to the Members of Oxford Photovoltaics Limited (continued)

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the Companies Act 2006, regulatory compliance, patent protection and research and development tax credit guidelines.
- We understood how Oxford Photovoltaics Limited is complying with those frameworks by making enquiries of management and those charged with governance to understand how the company maintains and communicates its policies and procedures in these areas. Our audit procedures were designed to either corroborate or provide contrary evidence, the results of which were followed up appropriately. Specifically, we have completed a board minute review to understand procedures in place and verify they are in line with the framework. Our assessment included the tone from the top and the emphasis placed on a culture of honest and ethical behaviour.

Oxford Photovoltaics Limited

Independent Auditor's Report to the Members of Oxford Photovoltaics Limited (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage financial results. We considered the programmes and controls that the Group has established to address the risk identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of board minutes to identify non-compliance with such laws and regulations; reviewing external specialist reports, review of reporting to those charged with governance on compliance with regulations; enquiries with legal counsel and group management; and testing of manual journals identified by specific criteria.
- Through these procedures determined there to be a fraud risk around estimation of percentages used when allocating costs to R&D tax credit claims to inflate the value of the amount claimed. We identified the areas of estimation and gained an understanding of the basis of allocation through inquiry with project managers, testing of data sources to supporting documentation, and analytical review procedures.
- To address the risk of fraud relating to management override we used data analytics to sample from the entire population of journals, identifying transactions which did not meet our expectations based on specific criteria. We tested specific transactions back to source documentation ensuring appropriate support and authorisation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signed by:

Ernst & Young LLP

11AF20EB83EB481...

Richard Harrison (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading

Date: 03 December 2024

Oxford Photovoltaics Limited

Consolidated Income Statement For the year ended 31 December 2023

		31 December 2023 £	31 December 2022 £
Administrative expenses		(21,375,754)	(12,931,031)
Other operating income	4	1,696,874	2,240,514
Unrealised gain on revaluation of derivative financial asset	4	<u>6,701,113</u>	<u>1,077,490</u>
Operating loss	5	(12,977,767)	(9,613,027)
Finance income	9	943,488	122,760
Finance expense	9	<u>(119,502)</u>	<u>(5,179,705)</u>
Loss before taxation		(12,153,781)	(14,669,972)
Taxation on loss	10	<u>1,384,805</u>	<u>2,100,035</u>
Loss for the financial year		<u>(10,768,976)</u>	<u>(12,569,937)</u>
Loss for the year attributable to:			
Owners of the parent		<u>(10,768,976)</u>	<u>(12,569,937)</u>

The above results were derived from continuing operations.

The notes on pages 24 to 90 form part of these financial statements.

Oxford Photovoltaics Limited

Consolidated Statement of Comprehensive Income For the year ended 31 December 2023

	31 December 2023 £	31 December 2022 £
Loss for the financial year	(10,768,976)	(12,569,937)
Other comprehensive loss		
Items that will or may be reclassified to profit or loss		
Currency translation differences	<u>(24,376)</u>	<u>(1,551,208)</u>
Other comprehensive loss for the year, net of tax	<u>(24,376)</u>	<u>(1,551,208)</u>
Total comprehensive loss for the year	<u><u>(10,793,352)</u></u>	<u><u>(14,121,145)</u></u>

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

The notes on pages 24 to 90 form part of these financial statements.

Oxford Photovoltaics Limited

Registered number: 07127476
Consolidated Statement of Financial Position

As at 31 December 2023

		31 December 2023 £	31 December 2022 £
Assets			
Non-current assets			
Property, plant and equipment	11	38,176,500	37,829,830
Right-of-use assets	12	2,554,938	2,998,561
Intangible assets	13	16,667,571	12,576,985
Other receivables	17	154,284	180,887
Derivative financial assets	14	<u>22,691,785</u>	<u>15,990,672</u>
		<u>80,245,078</u>	<u>69,576,935</u>
Current assets			
Inventories	16	1,458,608	715,859
Other receivables	17	1,501,104	4,763,132
Income tax receivable		3,484,840	2,100,035
Cash and cash equivalents		<u>23,698,004</u>	<u>39,323,543</u>
		<u>30,142,556</u>	<u>46,902,569</u>
Total assets		<u>110,387,634</u>	<u>116,479,504</u>
Liabilities			
Current liabilities			
Trade and other payables	18	(4,071,757)	(3,514,127)
Lease liabilities	12	<u>(745,696)</u>	<u>(813,384)</u>
		<u>(4,817,453)</u>	<u>(4,327,511)</u>
Non-current liabilities			
Trade and other payables	18	(4,810,263)	(753,275)
Loans and borrowings	20	(45,309,829)	(45,263,967)
Lease liabilities	12	(1,367,635)	(1,881,904)
Provisions	19	(15,778,867)	(15,778,867)
Employee benefit liabilities	21	<u>(1,078,025)</u>	<u>(971,379)</u>
		<u>(68,344,619)</u>	<u>(64,649,392)</u>
Total liabilities		<u>(73,162,072)</u>	<u>(68,976,903)</u>
Net assets		<u>37,225,562</u>	<u>47,502,601</u>

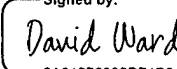
Oxford Photovoltaics Limited

Registered number: 07127476
Consolidated Statement of Financial Position

As at 31 December 2023 (continued)

	Note	31 December 2023 £	31 December 2022 £
Equity			
Share capital	24, 25	4,216	4,116
Share premium reserve	25	119,110,949	118,917,524
Foreign exchange reserve	25	(528,653)	(504,277)
Retained deficit	25	<u>(81,360,950)</u>	<u>(70,914,762)</u>
Total equity		<u><u>37,225,562</u></u>	<u><u>47,502,601</u></u>

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

Signed by:

3A81976388D74D3...
Mr D Ward
 Director

Date: 02-Dec-2024 | 18:14:38 GMT

The notes on pages 24 to 90 form part of these financial statements.

Oxford Photovoltaics Limited

Registered number: 07127476
Company Statement of Financial Position

As at 31 December 2023

		31 December 2023	31 December 2022
	Note	£	£
Assets			
Non-current assets			
Property, plant and equipment	11	1,644,307	1,466,734
Right-of-use assets	12	1,734,334	2,207,495
Intangible assets	13	16,325,204	12,545,962
Derivative financial assets	14	22,691,785	15,990,672
Investments	15	65,840,322	35,495,589
Other receivables	17	11,516,482	36,853,300
		<u>119,752,434</u>	<u>104,559,752</u>
Current assets			
Other receivables	17	644,176	797,164
Income tax receivable		3,533,205	2,100,035
Cash and cash equivalents		22,387,431	37,393,985
		<u>26,564,812</u>	<u>40,291,184</u>
Total assets		<u>146,317,246</u>	<u>144,850,936</u>
Current liabilities			
Trade and other payables	18	(2,305,733)	(1,601,222)
Lease liabilities	12	(433,154)	(481,919)
		<u>(2,738,887)</u>	<u>(2,083,141)</u>
Non-current liabilities			
Trade and other payables	18	(295,989)	(237,243)
Loans and borrowings	20	(45,309,829)	(45,263,967)
Lease liabilities	12	(1,145,256)	(1,578,411)
Provisions	19	(15,778,867)	(15,778,867)
		<u>(62,529,941)</u>	<u>(62,858,488)</u>
Total liabilities		<u>(65,268,828)</u>	<u>(64,941,629)</u>
Net assets		<u>81,048,418</u>	<u>79,909,307</u>
Equity			
Share capital	24, 25	4,216	4,116
Share premium reserve	25	119,110,949	118,917,524
Retained deficit	25	(38,066,747)	(39,012,333)
Total equity		<u>81,048,418</u>	<u>79,909,307</u>

Oxford Photovoltaics Limited

Registered number: 07127476
Company Statement of Financial Position

As at 31 December 2023 (continued)

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 profit for the financial year ended 31 December 2023 of £622,798 (31 December 2022 - loss of £3,603,570).

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

Signed by:

3A81976388D74D3...
Mr D Ward
Director

Date: 02-Dec-2024 | 18:14:38 GMT

The notes on pages 24 to 90 form part of these financial statements.

Oxford Photovoltaics Limited

Consolidated Statement of Changes in Equity For the year ended 31 December 2023

	Share capital £	Share premium reserve £	Foreign exchange reserve £	Retained deficit £	Total equity £
At 1 January 2022	3,868	108,413,572	1,046,931	(58,938,936)	50,525,435
Comprehensive loss for the year					
Loss for the year	-	-	-	(12,569,937)	(12,569,937)
Currency translation differences	-	-	(1,551,208)	-	(1,551,208)
Total comprehensive loss for the year	-	-	(1,551,208)	(12,569,937)	(14,121,145)
Contributions by and distributions to owners					
Issue of share capital	248	10,503,952	-	-	10,504,200
Employee share option movement	-	-	-	594,111	594,111
Total contributions by and distributions to owners	248	10,503,952	-	594,111	11,098,311
At 31 December 2022	<u>4,116</u>	<u>118,917,524</u>	<u>(504,277)</u>	<u>(70,914,762)</u>	<u>47,502,601</u>

Oxford Photovoltaics Limited

Consolidated Statement of Changes in Equity For the year ended 31 December 2023 (continued)

	Share capital £	Share premium reserve £	Foreign exchange reserve £	Retained deficit £	Total equity £
At 1 January 2023	4,116	118,917,524	(504,277)	(70,914,762)	47,502,601
Comprehensive loss for the year					
Loss for the year	-	-	-	(10,768,976)	(10,768,976)
Currency translation differences	-	-	(24,376)	-	(24,376)
Total comprehensive loss for the year	-	-	(24,376)	(10,768,976)	(10,793,352)
Contributions by and distributions to owners					
Issue of share capital	100	193,425	-	-	193,525
Employee share option movement	-	-	-	322,788	322,788
Total contributions by and distributions to owners	100	193,425	-	322,788	516,313
At 31 December 2023	<u>4,216</u>	<u>119,110,949</u>	<u>(528,653)</u>	<u>(81,360,950)</u>	<u>37,225,562</u>

Oxford Photovoltaics Limited

Company Statement of Changes in Equity For the year ended 31 December 2023

	Share capital £	Share premium reserve £	Retained deficit £	Total equity £
At 1 January 2022	3,868	108,413,572	(36,002,874)	72,414,566
Comprehensive loss for the year				
Loss for the year	-	-	(3,603,570)	(3,603,570)
Total comprehensive loss for the year	-	-	(3,603,570)	(3,603,570)
Contributions by and distributions to owners				
Issue of share capital	248	10,503,952	-	10,504,200
Employee share option movement	-	-	594,111	594,111
Total contributions by and distributions to owners	248	10,503,952	594,111	11,098,311
At 31 December 2022	<u>4,116</u>	<u>118,917,524</u>	<u>(39,012,333)</u>	<u>79,909,307</u>

Oxford Photovoltaics Limited

Company Statement of Changes in Equity For the year ended 31 December 2023 (continued)

	Share capital £	Share premium reserve £	Retained deficit £	Total equity £
At 1 January 2023	4,116	118,917,524	(39,012,333)	79,909,307
Comprehensive income for the year				
Profit for the year	-	-	622,798	622,798
Total comprehensive income for the year	-	-	622,798	622,798
Contributions by and distributions to owners				
Issue of share capital	100	193,425	-	193,525
Employee share option movement	-	-	322,788	322,788
Total contributions by and distributions to owners	100	193,425	322,788	516,313
At 31 December 2023	<u>4,216</u>	<u>119,110,949</u>	<u>(38,066,747)</u>	<u>81,048,418</u>

Oxford Photovoltaics Limited

Consolidated Statement of Cash Flows For the year ended 31 December 2023

	31 December 2023 £	31 December 2022 £
Cash flows from operating activities		
Loss for the year	(10,768,976)	(12,569,937)
Adjustments for:		
Taxation credited	(1,384,805)	(2,100,035)
Finance income	(943,488)	(122,760)
Finance costs	119,502	5,179,705
Loss on disposal of property, plant and equipment	324,019	4,516
Amortisation of intangible assets	88,376	79,692
Amortisation of right-of-use assets	663,220	500,901
Depreciation of property, plant and equipment	4,605,626	2,747,888
Share-based payment expense	429,434	827,154
Foreign exchange	-	(3,727,119)
Amortisation of grant	(15,000)	(15,000)
Unrealised gain on revaluation of derivative financial asset	(6,701,113)	(1,077,490)
Gain on exchange of loan notes issued	-	(1,165,189)
	<u>(13,583,205)</u>	<u>(11,437,674)</u>
Decrease in other receivables	3,281,439	319,272
Increase/(Decrease) in trade and other payables	4,683,470	(1,715,478)
Increase in inventories	(758,779)	(181,282)
	<u>(6,377,075)</u>	<u>(13,015,162)</u>
Cash used in operations	(6,377,075)	(13,015,162)
Income taxes received	-	1,766,706
	<u>(6,377,075)</u>	<u>(11,248,456)</u>
Cash flows from investing activities		
Purchase of intangible assets	(489,244)	(3,413,872)
Development expenditures	(3,680,965)	-
Purchase of property, plant and equipment	(23,543,532)	(4,871,291)
Interest received	943,488	122,760
Repayment of third party loan	-	1,281,062
Fixed asset disposal	17,491,378	-
	<u>(9,278,875)</u>	<u>(6,881,341)</u>
Net cash used in investing activities	(9,278,875)	(6,881,341)

Oxford Photovoltaics Limited

Consolidated Statement of Cash Flows For the year ended 31 December 2023 (continued)

	31 December 2023 £	31 December 2022 £
Cash flows from financing activities		
Issue of ordinary shares	193,525	10,504,200
Principal paid on lease liabilities	(804,851)	(607,459)
Interest paid on lease liabilities	(73,640)	(73,798)
Net cash from financing activities	(684,966)	9,822,943
Net decrease in cash and cash equivalents	(16,340,916)	(8,306,854)
Cash and cash equivalents at beginning of year	39,323,543	47,249,537
Exchange gain on cash and cash equivalents	715,377	380,860
Cash and cash equivalents at the end of year	23,698,004	39,323,543

The notes on pages 24 to 90 form part of these financial statements.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023

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 Unit 7-8, Oxford Pioneer Park, Mead Road, Yarnton, Kidlington, Oxon, England, OX5 1QU.

The principal activities of the Company and its subsidiaries (the "Group") is the commercialisation of technology for thin film solar cells. A full list of subsidiaries is detailed in note 15.

2 Accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted International Financial Reporting Standards ("IFRS"). The separate financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). The accounting policies in this note have been applied consistently to all years presented, unless otherwise stated.

The financial statements are presented in Pound Sterling (£). All values are rounded to the nearest Pound Sterling (£) except when otherwise indicated.

The preparation of financial statements in compliance with IFRS or FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group and Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

The financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value through profit or loss and cash settled share-based payment liabilities.

Fair value measurement

The Group measures financial instruments such as derivative assets and liabilities at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

2 Accounting policies (continued)

Fair value measurement (continued)

The principal or the most advantageous market must be accessible by the Group and/or Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group and Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Management are involved for valuation of unquoted financial assets such as other loans, convertible debt and derivative financial assets. Involvement of external valuers is determined by management. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyse the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group and Company's accounting policies.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

2 Accounting policies (continued)

Fair value measurement (continued)

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions notes 3 and 23.
- Quantitative disclosures of fair value measurement hierarchy note 23.
- Financial instruments (including those carried at amortised cost) note 23.

Company FRS 101 disclosure exemptions

In preparing these financial statements the Company has taken advantage of certain disclosure exemptions conferred by FRS 101 in its separate financial statements and has not provided:

- Additional comparative information as per IAS 1 *Presentation of Financial Statements* ("IAS 1") paragraph 38 in respect of:
 - a reconciliation of the number of shares outstanding at the start and end of the prior period; and
 - reconciliations of the carrying amounts of property, plant and equipment and intangibles assets at the start and the end of the prior period
- A Statement of Cash Flows
- A statement of compliance with IFRS (a statement of compliance with FRS 101 is provided instead)
- Additional comparative information for narrative disclosures and information, beyond IFRS requirements
- Disclosures in relation to the objectives, policies and process for managing capital
- Disclosure of the effect of future accounting standards not yet adopted
- The remuneration of key management personnel
- Related party transactions between two or more wholly owned members of the Group

In addition, and in accordance with FRS 101, further disclosure exemptions have been applied to the Company's separate financial statements because equivalent disclosures are included in the consolidated financial statements of the Group. The separate financial statements do not include certain disclosures in respect of:

- Share-based payments - details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined as per paragraphs 45(b) and 46 to 52 of IFRS 2 *Share-Based Payment* ("IFRS 2")
- Financial Instrument disclosures as required by IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7")

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

2 Accounting policies (continued)

Fair value measurement (continued)

- Fair value measurements - details of the valuation techniques and inputs used for fair value measurement of assets and liabilities as per paragraphs 91 to 99 of IFRS 13 *Fair Value Measurement* ("IFRS 13")

Going concern

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 £7,070,316 (2022 - £6,415,268). R&D work will continue into the foreseeable future to increase the products efficiency and reliability. The Company has commenced trading in the second half of 2024.

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 until at least 31 December 2025, albeit there is a material uncertainty as detailed further below.

For the year ended 31 December 2023 the Group made a loss for the financial year of £10,768,976 (2022 - loss of £12,569,937) 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 planned operations until at least the end of June 2025. Before then, the Group and Company will need to raise additional funding to continue as a going concern and enact its business plan.

The directors are confident that it is appropriate to prepare these financial statements on the going concern basis. This confidence is based on discussions with potential investors to date, a track record of fundraising, and the strength of the company's underlying intellectual property. 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 relates to events or conditions, which may cast significant doubt about the Group's and Company's ability to continue as a going concern. Notwithstanding the material uncertainty, on the basis of the assessment described above, the directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2023. 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 comprise the financial statements of the Company and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights results in control.

The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. All results are prepared to the period ended 31 December. Where necessary adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with the accounting policies of the Group. Intercompany transactions and balances between group companies are also eliminated in full.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

2 Accounting policies (continued)

Changes in accounting policies

New standards, interpretations and amendments adopted from 1 January 2023

The following amendments are effective for the period beginning 1 January 2023:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and
- International Tax Reform - Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) (effective immediately upon the issue of the amendments and retrospectively).

These amendments to various IFRS Accounting Standards are mandatorily effective for reporting periods beginning on or after 1 January 2023. Management have considered the above amendments and note the following;

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements)

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure. These amendments have no effect on the measurement or presentation of any items in the Consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

Management have considered the impact of the remaining new standards and concluded that they do not have a material impact on the Group or Company's accounting.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

2 Accounting policies (continued)

Changes in accounting policies (continued)

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2024:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
- Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures).

The following amendments are effective for the period beginning 1 January 2025:

- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates).

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not expect any other standards issued by the IASB, but not yet effective to have a material impact on the Group.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

2 Accounting policies (continued)

The following principal accounting policies have been applied:

Foreign currency translation

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling at the date when the transactions occur. The Company's functional currency is Pounds Sterling (£).

Foreign currency monetary assets and liabilities are retranslated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss. Foreign currency non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and are not retranslated at the reporting date. Foreign currency non-monetary items measured at fair value are translated at the exchange rate when the fair value was determined.

On consolidation, the results of overseas operations are translated at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at average rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised in profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

Grant income

Government grants have been received which relate to various approved projects. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions of the grant and the grant will be received.

Government grants related to assets are initially recognised as deferred income, measured at the fair value of the asset received or receivable and are subsequently recognised in profit or loss as other operating income over the useful life of the associated asset.

Government grants which do not relate to assets are initially recognised as deferred or accrued income, measured at the fair value of the assets received or receivable and are recognised in profit or loss as other operating income over the same period as the associated costs.

The Group also recognises grants from non-governmental organisations to which the same accounting treatment is applied.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

2 Accounting policies (continued)

Defined contribution schemes

The Group operates a defined contribution pension scheme for its employees. A defined contribution pension scheme is a pension scheme 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.

Share-based payments

The Group operates equity-settled share-based payment arrangements for its employees in the United Kingdom. Employees of the subsidiary, Oxford PV Germany GmbH, are granted share appreciation rights which are settled in cash and are therefore determined to represent cash-settled share-based payments.

Equity-settled

The cost of equity-settled transactions with employees is measured at the grant date fair value of the equity instruments granted using the Black-Scholes valuation model. 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 an expense between the service commencement period and the grant date.

The cost is charged to the consolidated profit or loss over the vesting period as an employee benefit expense with a corresponding entry recognised in the consolidated statement of changes in equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of equity instruments that eventually vest. Changes in the Group's estimate of the number of equity instruments expected to vest at each reporting date, based on non-market vesting conditions, are recognised in profit or loss with a corresponding adjustment to equity. Non-vesting conditions and market vesting conditions are factored into the fair value of the equity instruments granted. As long as all other vesting conditions are satisfied, a charge is made to the consolidated profit or loss irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

The Group's equity-settled awards step vest over a four-year period, 25% vest one year after the defined "Vesting Start Date" (usually the grant date) and then 6.25% vest at each quarter end thereafter. Each of the grants is considered to be a concurrent award and therefore the expense recognition, on the estimate of equity instruments that will eventually vest, is recorded on an accelerated basis as opposed to a straight-line method.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

2 Accounting policies (continued)

Share-based payments (continued)

Equity-settled (continued)

Where the terms of an equity-settled share-based payment arrangement are modified before the awards vest or a new award is designated as replacing a cancelled or settled award (including those resulting from employee redundancies), the cost of the original award continues to be recognised over the remaining vesting period provided the original non-market vesting conditions are met. In addition, an expense is recognised over the remainder of the vesting period for any incremental fair value of the modification by comparing the fair value of the award immediately before and immediately after the modification.

The cancellation of equity-settled awards is accounted for as an accelerated vesting. Any compensation provided to the award holder up to the fair value of the award at the repurchase date is deducted from equity, any amounts paid in excess of the fair value of the awards are recognised in profit or loss.

Cash-settled

A liability is recognised for the fair value of cash-settled share-based payment transactions. The Black-Scholes model is used to measure the Group's liability at each reporting date, taking into account the estimated number of awards that will actually vest and the extent to which employees have rendered service. Movements in the liability (other than cash payments) are recognised in the consolidated profit or loss as an employee benefit expense.

Cash-settled share-based payment transactions will be settled in the event of an exit transaction.

Interest income

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

Borrowing costs

Borrowing costs are capitalised, net of interest received on cash drawn down yet to be expended, when they are directly attributable to the acquisition, contribution or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Otherwise, interest expense is recognised in profit or loss using the effective interest method.

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.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

2 Accounting policies (continued)

Taxation (continued)

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 Group operates and generate taxable income.

A current tax liability is recognised in the statement of financial position for the tax payable on the taxable profit of the current and prior years. A current tax asset is recognised in respect of a tax loss that can be carried forward to recover tax paid in a previous year.

The Group and Company also recognises repayable tax credits relating to research and development schemes. Management have determined that it is appropriate to account for these tax credits under IAS 12 *Income taxes* ("IAS 12") and amounts are included in the Group and Company's current tax assets.

Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries and joint arrangements where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

When there is uncertainty concerning the Group's filing position regarding the tax bases of assets or liabilities, the taxability of certain transactions or other tax-related assumptions, then the Group:

- Considers whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- Determines if it is probable that the tax authorities will accept the uncertain tax treatment; and

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

2 Accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company; or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Current versus non-current classification

The Group and Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the Group's normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the Group's normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the end of the reporting period; or
- The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

The Group classifies all other liabilities as non-current.

The terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments does not affect its classification. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

2 Accounting policies (continued)

Property, plant and equipment

The Group measures the amount paid in advance for items of property, plant and equipment at transaction price. Amounts are initially recorded as prepayments in other receivables and then transferred and recorded as items of property, plant and equipment when they are in the intended state under the Group's control, this is generally when they are physically received by the Group.

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs to bring the asset to the location and condition necessary for its intended use and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value evenly over their expected useful economic lives. It is provided at the following rates:

Freehold buildings - over 30 years straight line

Plant and machinery - over 5-7 years straight line

Fixtures, fittings, tools and equipment - over 3-5 years straight line

The useful life and the depreciation method for items of property, plant and equipment is reviewed annually.

Gains and losses on disposals of property, plant and equipment are determined by comparing the net proceeds with the carrying amount and are recognised within "administrative expenses" in profit or loss.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire the asset. Variable amounts which are payable in the future and contingent on future events are not included in cost until the source of variability or the future contingencies are known.

Amortisation is provided at the following rates on the Groups externally acquired intangible assets:

Patents and licences - over 15 years straight line

Computer software - over 3 - 5 years straight line

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

2 Accounting policies (continued)

Internally generated intangible assets (development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that all of the following criteria are met:

- It is technically feasible to develop the product for it to be sold;
- Adequate resources are available to the Group to complete the development;
- The Group has the intention to complete and sell the product;
- The Group is able to sell the product;
- The sale of the product will generate future economic benefits for the Group; and
- Expenditure on the project can be measured reliably.

Expenditure recognised before all of these criteria are met is determined to relate to research expenditure and recorded within administrative expenses in profit or loss.

Once the above criteria are met, the Group capitalises subsequent development expenditure as "development costs" when they comprise directly attributable costs necessary to create, produce and prepare the asset to be capable of being operated in the manner intended by management.

Development costs are recorded as assets under construction until complete.

Once the intangible asset is determined to be complete, capitalisation ceases and the carrying amount is amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within "administrative expenses" in profit or loss.

The Group's intellectual property is owned and controlled by the Company and therefore internally recharged costs are recognised as an intangible asset within the accounting records of the Company.

Leases

Identifying Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- (a) There is an identified asset;
- (b) The Group obtains substantially all the economic benefits from use of the asset; and
- (c) The Group has the right to direct the use of the asset.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

2 Accounting policies (continued)

Leases (continued)

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct the use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16 *Leases* ("IFRS 16").

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

The Group and Company have elected to use the recognition exemption above and therefore does not apply the right-of-use asset and lease liability measurement requirements to leases which fall into these categories. Leases of low value assets and short-term leases are expensed to profit or loss on a straight-line basis over the lease term.

Measurement

Lease liabilities are measured at the present value of the contractual lease payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used, other than on transition to IFRS.

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

2 Accounting policies (continued)

Leases (continued)

Measurement (continued)

Right-of-use assets, other than on transition, are initially measured at the amount of the lease liability reduced for any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. In circumstances where the lease transfers ownership of the underlying asset to the Group by the end of the lease term the right-of-use asset is depreciated over the useful life of the asset.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised or a market rent review is completed, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

2 Accounting policies (continued)

Leases (continued)

Measurement (continued)

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less provision for impairment. Cost includes capital contributions made by the Company to subsidiaries.

Impairment of non-financial assets (excluding inventories)

Impairment tests on intangible assets which are not yet available for use are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating unit ("CGUs").

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income.

Financial assets

The Group and Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired and whether the financial asset meets the solely payments of principal and interest test ("SPPI test"). The Group and Company's accounting policy for each category is as follows:

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

2 Accounting policies (continued)

Financial assets (continued)

Fair value through profit or loss

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category. The Group and Company have recognised embedded derivatives carried at fair value through profit or loss as disclosed in Note 20.

Fair value through other comprehensive income

The Group and Company does not have any financial assets mandatorily or voluntarily classified at fair value through other comprehensive income.

Amortised cost

These financial assets include those where the objective of the Group and Company is to hold the asset in order to collect the contractual cash flows and the contractual cash flows meet the SPPI test. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for receivables, which includes loans to third parties for the Group and amounts due from group undertakings for the Company, are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly since initial recognition, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

For amounts which are repayable on demand to the Company, management assesses the recovery strategies in place for amounts owed at the reporting date to determine the amount of any future possible default when calculating expected credit loss provisions.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

2 Accounting policies (continued)

Financial assets (continued)

Amortised cost (continued)

The Group's financial assets measured at amortised cost comprise other receivables, accrued income and cash and cash equivalents in the consolidated statement of financial position. The Company's financial assets include amounts owed by group undertakings, other receivables, accrued income and cash and cash equivalents in the Company statement of financial position.

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and - for the purpose of the statement of cash flows - bank overdrafts.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position and where applicable the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group, and Company where applicable, has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

2 Accounting policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group and Company's financial liabilities include trade and other payables and loans and borrowings including derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified as financial liabilities at amortised cost (loans and borrowings) or financial liabilities held for trading. The Group and Company has measured all financial liabilities subsequently at amortised cost for the current and prior period.

Financial liabilities held for trading

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated income statement. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group and Company. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

2 Accounting policies (continued)

Financial liabilities (continued)

If expectations of fixed rate financial liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial liability on the balance sheet with a corresponding increase or decrease in interest income/expense calculated using the effective interest method.

This category generally applies to loans and borrowings. For more information, refer to Notes 23 and 20.

Modification of financial assets

When the contractual cash flows of a financial asset are renegotiated or otherwise modified as a result of commercial restructuring activity rather than due to credit risk and impairment considerations, the Group and Company performs an assessment to determine whether the modifications result in the derecognition of that financial asset. For financial assets, this assessment is based on qualitative factors.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan.
- Introduction of an equity feature.
- Change in counterparty.
- Whether the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, as set out below, then it does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Modification of financial liabilities

When the modification of the terms of an existing financial liability is not judged to be substantial and, consequently, does not result in derecognition, the amortised cost of the financial liability is recalculated by computing the present value of estimated future contractual cash flows that are discounted at the financial liability's original effective interest rate ("EIR"). Any resulting difference is recognised immediately in profit or loss.

For financial liabilities, the Group considers a modification to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

2 Accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Group determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses.

Provisions for liabilities of uncertain timing or amount include those for leasehold dilapidations and from recognition of a convertible loan note. The provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date and are undiscounted as explained in note 19.

Employee Share Ownership Plan (ESOP)

As the Company is deemed to have control of its ESOP vehicle, it is treated as a subsidiary and consolidated for the purposes of the consolidated financial statements. The ESOP's assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line-by-line basis in the consolidated financial statements. The ESOP's investment in the Company's shares is deducted from equity in the consolidated statement of financial position as if they were treasury shares.

3 Critical accounting 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.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

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:

Unrealised gain on revaluation of derivative asset

During the pre-trading stage, the Company has assessed that unrealised gains on the revaluation of derivative financial assets should be treated as operating income. This judgement is based on the fact that the transactions linked to the derivatives are connected to an agreement concerning the Company's future trading relations.

The Company's rationale for classifying these unrealised gains as operating income during this stage is that the derivative financial instruments are held as part of preparations for trading.

Upon the Company's transition to active trading status, which will be determined once significant trading activities begin, the classification of unrealised gains on derivative financial assets will be re-evaluated. At this point, such gains will no longer be considered part of operating income and will instead be classified as non-operating income. This change reflects the shift from the preparatory phase to the active trading phase of the business, wherein the unrealised gains would more appropriately be reflected as part of the Company's non-operating financial results.

Development costs

The Group incurs research and development expenditure at its German and UK facilities. The Group has determined that expenditure incurred at the German facility meets the required development phase criteria under IAS 38 for recognition as an intangible asset. Due to the nature of the technology being developed by the Group this determination includes the judgement that the Group will be able to source adequate resources to complete the development of the Group's products.

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:

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. The Group is required to assess whether there are uncertain tax positions and measure any tax uncertainty based on the most likely or expected value. Management have determined there are no uncertain tax treatments. The amount of the R&D tax credit in 31 December 2023 is £5,914 (31 December 2022 - £33,833).

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Share-based payments

The cost of share-based payment arrangements with employees is based on the estimated fair value of the award on the grant date. 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 award, 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. Further details on the amounts of the Group's share-based payment expense are disclosed in Note 26.

Impairment of non-financial assets

The Group is required to conduct impairment testing on an annual basis for intangible assets which are under construction (Note 13). Having considered the recoverable amount based on value in use calculations management have determined no impairment is required for intangible assets under construction at the reporting date (31 December 2022 - £Nil). Determining the recoverable amount requires management to estimate future cashflows and discount rates which involves a degree of subjectivity.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow ("DCF") model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 23 for further disclosures.

Changes in the estimates in the expected exit date of debt host

On 31 December 2023, the Group revised their estimate of the expected exit date of the debt host within the convertible debt from 4 July 2025 to 30 June 2026. The reason for the revision of this estimate is due to management's revised outlook of the business given the current stage of operations. See Note 20 for further disclosures. As a result, future contractual cash flows revised after the change in management's estimates were discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount was booked as a negative adjustment to the carrying amount of the financial liability on the balance sheet with a corresponding decrease in interest expense calculated using the effective interest method.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Provisions

The Group recognised a provision for the acquisition of raw materials at an unfavourable price when the Group enters into the production phase, under a contractual agreement with a third party. In determining the best estimate of the provision, assumptions and estimates are made in relation to timing of production, production volumes, discount rates and the extent to which the price of the raw materials is expected to be unfavourable. The Group determined based on these estimates and assumptions, that the best estimate of the provision is equivalent to the difference arising in fair value of the other loans and convertible debt which the Group entered into with the same third party since the provision will be for a benefit that will be availed of in the future by the Group in terms of lower cost of sales with this being crystallised early if convertible loan notes are not convertible or redeemed. Further developments may require revisions to these estimates. See Note 19 for further details.

4 Other operating income

The analysis of the Group's other operating income for the year is as follows:

	31 December 2023	31 December 2022
	£	£
Government grants	1,471,595	699,469
Collaboration agreement and other grant income	218,610	414,840
Other income	6,669	46
Research and development expenditure credit	-	(39,030)
Unrealised gain on revaluation of derivative financial asset	6,701,113	1,077,490
Gain on exchange of loan notes issued	-	1,165,189
	8,397,987	3,318,004

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

5 Operating loss

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

	31 December 2023	31 December 2022
	£	£
Employee benefits expense (note 7)	6,672,785	7,118,888
Depreciation of property, plant and equipment	4,605,626	2,747,888
Amortisation of intangible assets	88,376	79,692
Amortisation of right-of-use assets	663,220	500,901
Research and development costs	1,737,067	1,102,598
Foreign exchange (losses)/gains	1,074,065	(3,615,044)
Loss on disposal of property, plant and equipment	<u>324,019</u>	<u>4,516</u>

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

Amortisation on the Group's intangible assets and on the Group's right-of-use assets is recognised within administrative expenses.

6 Auditors' remuneration

	31 December 2023	31 December 2022
	£	£
For audit services		
Audit of the financial statements of the Group and Company	<u>98,000</u>	<u>127,000</u>

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

7 Employee benefit expenses

Employee benefit expenses of the Group (including directors' remuneration) were as follows:

	Group 31 December 2023 £	Group 31 December 2022 £
Wages and salaries	7,045,450	6,718,123
Other short term employee benefit expenses	340,344	246,961
Defined contribution pension cost	130,524	103,356
Share-based payment expenses (Note 26)	429,434	827,154
Social security contributions and similar taxes	1,066,414	937,871
Wages and salaries capitalised	<u>(2,339,381)</u>	<u>(1,714,577)</u>
	<u>6,672,785</u>	<u>7,118,888</u>

Wages and salaries capitalised relate to the Group's development costs under construction and are included in intangible assets (Note 13).

Employee benefit expenses of the Company (including directors' remuneration) were as follows:

	Company 31 December 2023 £	Company 31 December 2022 £
Wages and salaries	3,180,140	2,744,145
Other short term employee benefit expenses	161,030	164,141
Defined contribution pension cost	130,524	103,356
Share-based payment expenses (Note 26)	322,788	594,111
Social security contributions and similar taxes	<u>348,982</u>	<u>303,252</u>
	<u>4,143,464</u>	<u>3,909,005</u>

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

7 Employee benefit expenses (continued)

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

	Group 2023 No.	Group 2022 No.	Company 2023 No.	Company 2022 No.
Technical	105	94	44	43
Executive	3	7	2	4
Administrative and support	32	21	17	10
	<u>140</u>	<u>122</u>	<u>63</u>	<u>57</u>

8 Directors' remuneration and key management personnel

The directors' remuneration for the year was as follows:

	31 December 2023 £	31 December 2022 £
Remuneration	573,901	523,599
Defined contribution pension cost	<u>3,438</u>	<u>6,434</u>
	<u>577,339</u>	<u>530,033</u>

The number of directors who exercised share options during the year was 2 (31 December 2022 - 2).

There were no amounts of money paid to or receivable by directors under long-term incentive schemes in respect of qualifying services (31 December 2022 - £Nil). The number of directors who received shares under long-term incentive schemes was 2 (31 December 2022 - 4).

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 (31 December 2022 - £Nil).

There was 1 director in the Company's defined contribution plan (31 December 2022 - 1).

The aggregate value of any entity contributions paid, or treated as paid, to a pension scheme in respect to directors' qualifying services is £3,438 (31 December 2022 - £6,434).

Amounts were paid to related parties for the services of directors as disclosed in Note 29.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

8 Directors' remuneration and key management personnel (continued)

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

	31 December 2023	31 December 2022
	£	£
Remuneration for qualifying services	218,487	378,599
Defined contribution pension cost	-	6,434
	218,487	385,033

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

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, the Group considers this to comprise the Chairman and executive management (CEO, CFO, CCO and CTO).

	31 December 2023	31 December 2022
	£	£
Short-term benefits	1,139,479	1,207,357
Share-based payment expense	227,323	88,812
Defined contribution pensions scheme	22,127	28,940
	1,388,929	1,325,109

Members of key management personnel also received shares under the Group's long-term incentive schemes.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

9 Finance income and expense

	31 December 2023 £	31 December 2022 £
Finance income		
Interest received on bank deposits	943,488	122,760
Total finance income	<u>943,488</u>	<u>122,760</u>
Finance expense		
Interest on other loans (Note 20)	45,862	5,105,907
Interest expense on lease liabilities	73,640	73,798
Total finance expense	<u>119,502</u>	<u>5,179,705</u>
Net finance income/(expense) recognised in profit or loss	<u>823,986</u>	<u>(5,056,945)</u>

The above financial income and expense include the following in respect of assets/(liabilities) not at fair value through profit or loss:

	31 December 2023 £	31 December 2022 £
Total interest income on financial assets	943,488	122,760
Total interest expense on financial liabilities	<u>45,862</u>	<u>5,105,907</u>

10 Tax credit

	31 December 2023 £	31 December 2022 £
Current tax		
UK corporation tax on loss for the current year	(1,365,573)	(2,066,202)
Other	(19,232)	(33,833)
Total current tax credit	<u>(1,384,805)</u>	<u>(2,100,035)</u>
Total tax credit	<u>(1,384,805)</u>	<u>(2,100,035)</u>

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

10 Tax credit (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:

	31 December 2023 £	31 December 2022 £
Loss before taxation	<u>(12,153,781)</u>	<u>(14,669,972)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 23.52% (31 December 2022 - 19%)	(2,858,574)	(2,787,295)
Effects of		
Fixed asset differences	4,931	(51,175)
Tax effect of expenses not deductible in determining taxable profit	1,332,112	328,153
Remeasurement of deferred tax for changes in tax rate	(17,397)	15,477
Additional deduction for R&D expenditure	(1,438,906)	(1,530,290)
R&D expenditure credits	5,914	1,508
RDEC	(19,232)	(33,833)
Surrender of tax losses for R&D tax credit refund	1,648,868	641,235
Other permanent differences	(122,541)	(146,830)
Deferred tax not recognised	2,496,805	3,086,333
Increase from effect of revenues exempt from taxation	(1,576,140)	(219,439)
Difference in overseas tax rates	<u>(840,645)</u>	<u>(1,403,879)</u>
Total tax credit for the year	<u>(1,384,805)</u>	<u>(2,100,035)</u>

Changes in tax rates and factors affecting the future tax charge

The Group has tax losses and other timing differences carried forward as at 31 December 2023 of £82,292,691 (31 December 2022 - £81,487,656). The Group 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 £23,007,174 (31 December 2022 - £22,355,270) 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% (31 December 2022 - 25%).

Estimates and assumptions, including uncertainty over income tax treatments

The directors have determined there are no uncertain tax treatments.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

11 Property, plant and equipment

Group	Freehold land and buildings £	Assets under construction £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
Cost					
At 1 January 2023	3,608,249	22,173,599	22,276,662	1,126,047	49,184,557
Additions	-	3,811,347	19,571,056	161,129	23,543,532
Disposals	-	(5,604,741)	(13,856,425)	(147,083)	(19,608,249)
Transfers	-	(16,210,554)	16,201,130	-	(9,424)
Foreign exchange movements	<u>(80,798)</u>	<u>(452,628)</u>	<u>(363,563)</u>	<u>(22,632)</u>	<u>(919,621)</u>
At 31 December 2023	<u>3,527,451</u>	<u>3,717,023</u>	<u>43,828,860</u>	<u>1,117,461</u>	<u>52,190,795</u>
Accumulated depreciation					
At 1 January 2023	614,665	-	9,988,568	751,494	11,354,727
Charge for the year	98,875	-	4,310,119	196,632	4,605,626
Depreciation on disposal	-	-	(1,653,126)	(139,725)	(1,792,851)
Foreign exchange movements	<u>(13,861)</u>	<u>-</u>	<u>(124,434)</u>	<u>(14,912)</u>	<u>(153,207)</u>
At 31 December 2023	<u>699,679</u>	<u>-</u>	<u>12,521,127</u>	<u>793,489</u>	<u>14,014,295</u>
Net book value					
At 31 December 2023	<u>2,827,772</u>	<u>3,717,023</u>	<u>31,307,733</u>	<u>323,972</u>	<u>38,176,500</u>
At 31 December 2022	<u>2,993,584</u>	<u>22,173,599</u>	<u>12,288,094</u>	<u>374,553</u>	<u>37,829,830</u>

The disposals in Plant and machinery above include amounts returned to supplier following failure to deliver on master purchase agreement.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

11 Property, plant and equipment (continued)

Company	Assets under construction £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
Cost				
At 1 January 2023	-	6,040,864	115,355	6,156,219
Additions	455,823	243,057	42,770	741,650
Disposals	-	(17,280)	(12,771)	(30,051)
At 31 December 2023	<u>455,823</u>	<u>6,266,641</u>	<u>145,354</u>	<u>6,867,818</u>
Accumulated depreciation				
At 1 January 2023	-	4,596,235	93,250	4,689,485
Charge for the year	-	543,423	20,654	564,077
Depreciation on disposal	-	(17,280)	(12,771)	(30,051)
At 31 December 2023	<u>-</u>	<u>5,122,378</u>	<u>101,133</u>	<u>5,223,511</u>
Net book value				
At 31 December 2023	<u>455,823</u>	<u>1,144,263</u>	<u>44,221</u>	<u>1,644,307</u>
At 31 December 2022	<u>-</u>	<u>1,444,629</u>	<u>22,105</u>	<u>1,466,734</u>

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

12 Leases

Group

Nature of lease activities

The Group leases properties in the UK and Germany. Where rental agreements include market rate escalations that are unknown at the time of the adoption of IFRS, the lease liability is measured based on the agreed period rent and only re-measured when the rent review is completed.

The Group has negotiated break clauses in its property leases.

At 31 December 2023 and 31 December 2022, the carrying amounts of lease liabilities for property leases is not reduced by the amount of payments that would be avoided from exercising break clauses because on all dates it was considered reasonably certain that the Group would not exercise its right to break the property lease. Total property lease payments of £Nil (31 December 2022 - £82,023) are potentially avoidable were the Group to exercise break clauses at the earliest opportunity.

The Group also leases gas tanks in Germany. These leases comprise only fixed payments over the lease term.

The lease term for certain leases includes terms which allow for the automatic renewal of the lease after an initial minimum period, termination of the lease is at the Group's discretion. In addition one lease includes terms which transfers the equipment ownership to the Group at the end of the lease term.

Group	Land and buildings £	Plant and machinery £	Total £
Right-of-use assets			
At 1 January 2022	1,844,508	801,596	2,646,104
Additions	807,923	1,496	809,419
Amortisation	(364,877)	(136,024)	(500,901)
Foreign exchange movements	4,932	39,007	43,939
	<u>2,292,486</u>	<u>706,075</u>	<u>2,998,561</u>
At 31 December 2022			
Additions	-	237,125	237,125
Amortisation	(504,350)	(158,870)	(663,220)
Foreign exchange movements	(1,873)	(15,655)	(17,528)
	<u>1,786,263</u>	<u>768,675</u>	<u>2,554,938</u>
At 31 December 2023			

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

12 Leases (continued)

Group	Land and buildings £	Plant and machinery £	Total £
Lease liabilities			
At 1 January 2022	(1,664,026)	(791,260)	(2,455,286)
Additions	(807,923)	(1,497)	(809,420)
Interest expense	(55,869)	(17,929)	(73,798)
Lease payments	382,972	298,285	681,257
Foreign exchange movements	(5,150)	(32,891)	(38,041)
At 31 December 2022	<u>(2,149,996)</u>	<u>(545,292)</u>	<u>(2,695,288)</u>
Additions	-	(237,125)	(237,125)
Interest expense	(61,529)	(12,111)	(73,640)
Lease payments	574,781	304,040	878,821
Foreign exchange movements	1,977	11,924	13,901
At 31 December 2023	<u>(1,634,767)</u>	<u>(478,564)</u>	<u>(2,113,331)</u>

Group	31 December 2023 £	31 December 2022 £
Low value lease expense	<u>36,064</u>	<u>45,040</u>

The total cash outflow of the leases during the reporting period was £878,821 (31 December 2022 - £681,257).

A maturity analysis of lease liabilities is:

Group	Within one year £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £	Total £
31 December 2023					
Lease liabilities	745,696	572,584	795,051	-	2,113,331
31 December 2022					
Lease liabilities	813,384	712,980	1,168,924	-	2,695,288

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

12 Leases (continued)

The below table represents a sensitivity analysis of the Group's leases for a +/-1% change in the incremental borrowing rate ("IBR"):

	31 December 2023	31 December 2022
Group	£	£
Increasing IBR by 1%		
Reduction in lease liabilities	34,469	51,792
Reduction in right-of-use asset	34,469	51,792
Decreasing IBR by 1%		
Increase in lease liabilities	35,343	53,388
Increase in right-of-use asset	35,343	53,388
Company		
Right-of-use assets		
At 1 January 2022		1,733,756
Additions		807,923
Amortisation		<u>(334,184)</u>
At 1 January 2023		2,207,495
Additions		-
Amortisation		<u>(473,161)</u>
At 31 December 2023		<u><u>1,734,334</u></u>

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

12 Leases (continued)

Company	Land and buildings £
Lease liabilities	
At 1 January 2022	(1,550,501)
Additions	(807,925)
Interest expense	(52,955)
Lease payments	351,051
At 1 January 2023	(2,060,330)
Additions	-
Interest expense	(59,433)
Lease payments	541,353
At 31 December 2023	(1,578,410)

The total cash outflow of the leases during the reporting period was £541,353 (31 December 2022 - £351,051).

A maturity analysis of lease liabilities is:

Company	Within one year £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £	Total £
31 December 2023					
Lease liabilities	433,154	447,182	698,074	-	1,578,410
31 December 2022					
Lease liabilities	481,919	433,155	1,145,256	-	2,060,330

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

13 Intangible assets

Group

	Patents & licenses £	Computer software £	Internal development costs under construction £	Total £
Cost				
At 1 January 2023	977,255	71,206	11,970,406	13,018,867
Additions - internal	-	-	3,680,965	3,680,965
Additions	-	489,244	-	489,244
Transfers	-	9,424	-	9,424
Foreign exchange movements	-	(1,594)	-	(1,594)
At 31 December 2023	<u>977,255</u>	<u>568,280</u>	<u>15,651,371</u>	<u>17,196,906</u>
Accumulated amortisation				
At 1 January 2023	401,699	40,183	-	441,882
Amortisation charge	65,150	23,226	-	88,376
Foreign exchange movements	-	(923)	-	(923)
At 31 December 2023	<u>466,849</u>	<u>62,486</u>	<u>-</u>	<u>529,335</u>
Net book value				
At 31 December 2023	<u>510,406</u>	<u>505,794</u>	<u>15,651,371</u>	<u>16,667,571</u>
At 31 December 2022	<u>575,556</u>	<u>31,023</u>	<u>11,970,406</u>	<u>12,576,985</u>

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

13 Intangible assets (continued)

Company

	Patents & licenses £	Internal development costs under construction £	Total £
Cost			
At 1 January 2023	977,255	11,970,406	12,947,661
Additions - internal	-	3,844,392	3,844,392
At 31 December 2023	<u>977,255</u>	<u>15,814,798</u>	<u>16,792,053</u>
Accumulated amortisation			
At 1 January 2023	401,699	-	401,699
Amortisation charge	65,150	-	65,150
At 31 December 2023	<u>466,849</u>	<u>-</u>	<u>466,849</u>
Net book value			
At 31 December 2023	<u>510,406</u>	<u>15,814,798</u>	<u>16,325,204</u>
At 31 December 2022	<u>575,556</u>	<u>11,970,406</u>	<u>12,545,962</u>

The Group and Company capitalise development costs relating to their research and development activities when they meet the required criteria for capitalisation under IAS 38. The development activities are still ongoing at the year end and therefore these development cost are classified as assets under construction and not currently amortised. Once the asset is deemed complete it will be amortised over a 5 year period.

The directors have considered the requirements of IAS 36 regarding impairment of development costs and concluded no impairment is required.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

14 Derivative financial assets

	31 December 2023 £	31 December 2022 £
Group and Company		
Non-current		
Embedded derivative - convertible debt	<u>22,691,785</u>	<u>15,990,672</u>

The embedded derivative - convertible debt is carried at its fair value of £22,691,785 (31 December 2022 - £15,990,672). The embedded derivative - convertible debt at 31 December 2022 relates to the conversion option on the convertible loan agreement see Note 20.

The fair value of the embedded derivatives at each year end date is equivalent to carrying value. For further details on the Group and Company's loan arrangements see note 20 and for details on the fair value measurement hierarchy and inputs see note 23.

15 Investments in subsidiaries

	£
Cost	
At 1 January 2023	35,495,589
Additions	8
Additions - capital contribution	<u>30,344,725</u>
At 31 December 2022	<u>65,840,322</u>
Provision for impairment	
At 1 January 2023 and 31 December 2023	<u>-</u>
Net book value	
At 31 December 2023	<u>65,840,322</u>
At 31 December 2022	<u>35,495,589</u>

Capital contributions represent amounts owed to the Company which have been capitalised as investments in subsidiaries during the year.

Additions represent the Company funding 100% of the share capital on incorporation of a new subsidiary Oxford PV Americas Inc.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

15 Investments in subsidiaries (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Principal place of business	Registered office	Proportion of voting rights and ordinary share capital held	
			2023	2022
Oxford PV Germany GmbH	Germany	Muenstersche Strasse 23, 14772 Brandenburg an der Havel, Germany	100%	100%
Oxford Solar Limited	United Kingdom	Unit 7-8, Oxford Pioneer Park, Mead Road, Yarnton, OX5 1QU	100%	100%
Oxford PV Limited	United Kingdom	Unit 7-8, Oxford Pioneer Park, Mead Road, Yarnton, OX5 1QU	100%	100%
Oxford Solar Technology Limited	United Kingdom	Unit 7-8, Oxford Pioneer Park, Mead Road, Yarnton, OX5 1QU	100%	100%
Solar Materials Technology Limited	United Kingdom	Unit 7-8, Oxford Pioneer Park, Mead Road, Yarnton, OX5 1QU	100%	100%
Oxford PV Americas Inc	USA	84 State Street, Boston, MA 02109, USA	100%	100%

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

16 Inventories

	31 December 2023	31 December 2022
Group	£	£
Raw materials and consumables	<u>1,458,608</u>	<u>715,859</u>

Company

The Company had no inventories at 31 December 2023 or 31 December 2022.

17 Other receivables

	31 December 2023	31 December 2022
Group	£	£
Other receivables	306,845	181,089
Accrued income	<u>88,990</u>	<u>190,436</u>
Total financial assets other than cash and cash equivalents classified at amortised cost	<u>395,835</u>	<u>371,525</u>
Other receivables	826,042	337,350
Amounts paid in advance of plant and machinery	-	3,671,364
Prepayments	<u>433,511</u>	<u>563,780</u>
Total other receivables	<u>1,655,388</u>	<u>4,944,019</u>
Less non-current amounts:		
Other receivables	<u>154,284</u>	<u>180,887</u>
Total current other receivables	<u>1,501,104</u>	<u>4,763,132</u>

Expected credit losses arising the Group's financial assets classified at amortised cost are not material and associated expected credit loss disclosures are therefore not presented in the financial statements for these balances.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

17 Other receivables (continued)

	31 December 2023	31 December 2022
Company	£	£
Amounts owed by group undertakings	11,441,735	37,044,685
Less: provision for impairment of amounts owed by group undertakings	<u>(79,537)</u>	<u>(345,669)</u>
Amounts owed by group undertakings - net	11,362,198	36,699,016
Other receivables	270,038	154,486
Accrued income	<u>27,173</u>	<u>121,758</u>
Total financial assets other than cash and cash equivalents classified at amortised cost	<u>11,659,409</u>	<u>36,975,260</u>
Other receivables	207,847	219,108
Prepayments	<u>293,402</u>	<u>456,096</u>
Total other receivables	<u>12,160,658</u>	<u>37,650,464</u>
Less non-current amounts:		
Other receivables	154,284	154,284
Amounts owed by group undertakings	<u>11,362,198</u>	<u>36,699,016</u>
Total non-current other receivables	<u>11,516,482</u>	<u>36,853,300</u>
Total current other receivables	<u>644,176</u>	<u>797,164</u>

Interest on amounts owed by group undertakings is charged at 2% above SONIA (31 December 2022 - 2% above SONIA). The amounts owed by group undertakings are due 31 December 2026.

Under IFRS 9 amounts owed by group undertakings are subject to the general approach of the expected credit loss model. Management have reviewed the recovery strategies in place at each year end date for amounts owed by group undertakings, which are repayable on demand to the Company, and have determined an impairment reversal for the year of £266,132 (31 December 2022 - £77,451) would be appropriate. The value of the expected credit loss provision has therefore been determined to be £79,537 (31 December 2022 - £345,669).

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

18 Trade and other payables

	31 December 2023	31 December 2022
Group	£	£
Trade payables	1,284,427	1,044,453
Other payables	235,379	26,073
Accruals	<u>1,656,359</u>	<u>1,510,329</u>
Total financial liabilities, excluding loans and borrowings, classified at amortised cost	<u>3,176,165</u>	<u>2,580,855</u>
Social security and other taxes	373,671	386,889
Deferred income	5,223,782	1,157,936
Accruals	<u>108,402</u>	<u>141,722</u>
Total trade and other payables	<u>8,882,020</u>	<u>4,267,402</u>
Less non-current amounts:		
Deferred income	<u>4,810,263</u>	<u>753,275</u>
Total current trade and other payables	<u>4,071,757</u>	<u>3,514,127</u>
	31 December 2023	31 December 2022
	£	£
Company		
Trade payables	525,119	480,952
Other payables	29,948	26,073
Accruals	<u>1,336,964</u>	<u>633,252</u>
Total financial liabilities, excluding loans and borrowings, classified at amortised cost	<u>1,892,031</u>	<u>1,140,277</u>
Social security and other taxes	303,467	306,313
Deferred income	375,711	343,550
Accruals	<u>30,513</u>	<u>48,325</u>
Total trade and other payables	<u>2,601,722</u>	<u>1,838,465</u>
Less non-current amounts:		
Deferred income	<u>295,989</u>	<u>237,243</u>
Total current trade and other payables	<u>2,305,733</u>	<u>1,601,222</u>

Deferred income of the Company included in above table relates to deferred government grants.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

19 Provisions for liabilities

Group	Dilapidation provision £	Contract liabilities £	Total £
At 1 January 2023	250,000	15,528,867	15,778,867
Arising during the year	-	-	-
At 31 December 2023	<u>250,000</u>	<u>15,528,867</u>	<u>15,778,867</u>

Company	Dilapidation provision £	Contract liabilities £	Total £
At 1 January 2023	250,000	15,528,867	15,778,867
Arising during the year	-	-	-
At 31 December 2023	<u>250,000</u>	<u>15,528,867</u>	<u>15,778,867</u>

Dilapidation provision

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.

Contract liabilities

On 22 June 2022, as part of the convertible debt agreement the Group entered into a contractual obligation with the loan note holders for the acquisition of raw materials at an unfavourable price when the Group enters into the production phase subject to the exchange of the loan notes. The best estimate of the provision amounting to £15,528,867 are calculated based on assumptions on the timing of production, production volumes, discount rates and the extent to which the price of the raw materials is expected to be unfavourable. The Group determined based on these estimates and assumptions, that the best estimate of the provision is equivalent to the difference arising in fair value of the other loans and convertible debt.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

20 Loans and borrowings

	31 December 2023	31 December 2022
Group	£	£
Non-current		
Convertible debt	45,309,829	45,263,967
Total loans and borrowings	45,309,829	45,263,967
Company	£	£
Non-current		
Convertible debt	45,309,829	45,263,967
Total loans and borrowings	45,309,829	45,263,967

The Convertible debt has been estimated to have a maturity date of June 2026 and has an interest rate of Nil.

On 5 July 2022, the previous loans were modified and the Group and Company issued a convertible debt with a nominal value of £50 million. The modification of the other loans to the convertible debt has been qualitatively assessed and accounted for as a substantial modification, thus leading to the derecognition of the other loans. The difference of £1,165,189 arising between the carrying value of the other loans and their fair value at the exchange date have been accounted as a gain on exchange of loan notes issued in the income statement.

The convertible loan note issued during the prior year is convertible into class A ordinary shares of the Company. The conversion features give the third party a potential to convert to either a variable or a fixed number of ordinary shares depending on the share price which violates the fixed-for-fixed requirements in IAS 32 Financial Instruments: Presentation for equity classification. The conversion option has therefore been accounted for as an embedded derivative liability. The conversion option has been bifurcated from the host debt and measured at fair value through profit or loss, while the remaining debt host was measured at amortised cost.

On 31 December 2023, the Group revised their estimate of the expected exit date of the debt host within the convertible debt from 4 July 2025 to 30 June 2026. The reason for the revision of this estimate is due to management's revised outlook of the business given the current stage of operations, for the financial year ended of 31 December 2023. During the year ended 31 December 2023, the Group recognised interest expense of £45,862 (31 December 2022: £5,105,907), of which an amount of £6,212,488 represents the effective interest in the convertible loan note and an amount of £6,166,626 represents a negative catch up adjustment to adjust the amortised balance of the debt host on the convertible loan note of £45,309,829. This was calculated by discounting the amounts expected to be paid in subsequent years using original EIR.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

20 Loans and borrowings (continued)

For further details on the carrying amount and fair value disclosures of loans and borrowings, see Note 23.

As part of this agreement it was linked with a commercial agreement see Note 3 (Provisions) for further details.

21 Employee benefit liabilities

Group	31 December 2023 £	31 December 2022 £
Cash-settled share-based payment liability (Note 26)	1,078,025	971,379
Categorised as:		
Non-current	1,078,025	971,379

The Company did not have any cash-settled share-based payment liabilities.

22 Retirement benefit schemes

Group and Company

	31 December 2023 £	31 December 2022 £
Charged to profit or loss in respect of defined contribution schemes	130,524	103,356

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. The amount included in other creditors in the statement of the financial position at the reporting date for the Group and Company is £29,948 (31 December 2022 - £26,073).

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

23 Financial instruments

Group

Category of financial instruments

Group	31 December 2023 £	31 December 2022 £
Financial assets at amortised cost		
Cash and cash equivalents	23,698,004	39,323,543
Other receivables	306,845	181,089
Accrued income	88,990	190,436
Total financial assets at amortised cost	24,093,839	39,695,068
Financial liabilities at amortised cost		
Trade payables	(1,284,427)	(1,044,453)
Other payables	(235,379)	(26,073)
Accruals	(1,656,359)	(1,510,329)
Loans and borrowings	(45,309,829)	(45,263,967)
Total financial liabilities at amortised cost	(48,485,994)	(47,844,822)
Financial assets at fair value through profit or loss		
Derivative financial assets	22,691,785	15,990,672
Total financial assets at fair value through profit or loss	22,691,785	15,990,672

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

23 Financial instruments (continued)

Fair value measurement

Financial instruments not measured at fair value includes cash and cash equivalents, other receivables and accrued income, trade and other payables and accruals. Due to their short-term nature, the carrying value of these items approximates their fair value.

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Fair value measurement hierarchy for assets as at 31 December 2023:

Assets measured at fair value:	Date of valuation	Total £	Fair value measurement using		
			Quoted prices in active markets (Level 1) £	Significant observable inputs (Level 2) £	Significant unobservable inputs (Level 3) £
Derivative financial assets:					
Embedded derivative – Convertible debt	31 December 2023	22,691,785	-	-	22,691,785
Liabilities measured at fair value:					
Convertible debt	31 December 2023	(46,465,780)	-	-	(46,465,780)

There were no transfers between Level 1 and Level 2 during 2023.

The embedded derivative financial asset relates to the conversion option on the convertible debt.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

23 Financial instruments (continued)

Fair value measurement (continued)

Fair value measurement hierarchy for assets as at 31 December 2022:

Assets measured at fair value:	Date of valuation	Total £	Fair value measurement using		
			Quoted prices in active markets (Level 1) £	Significant observable inputs (Level 2) £	Significant unobservable inputs (Level 3) £
Derivative financial assets:					
Embedded derivative – Convertible debt	31 December 2022	15,990,672	-	-	15,990,672
Liabilities measured at fair value:					
Convertible debt	31 December 2022	(40,774,824)	-	-	(40,774,824)

There were no transfers between Level 1 and Level 2 during 2022.

The embedded derivative financial asset relates to the conversion option on the convertible debt.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

23 Financial instruments (continued)

Fair value measurement (continued)

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	31 December 2023		31 December 2022	
	Carrying value £	Fair value £	Carrying value £	Fair value £
Financial assets				
Derivative financial asset	<u>22,691,785</u>	<u>22,691,785</u>	<u>15,990,672</u>	<u>15,990,672</u>
Total financial assets	<u>22,691,785</u>	<u>22,691,785</u>	<u>15,990,672</u>	<u>15,990,672</u>
Financial liabilities				
Other loans	-	-	-	-
Convertible debt	<u>(45,309,829)</u>	<u>(46,465,780)</u>	<u>(45,263,967)</u>	<u>(40,774,824)</u>
Total financial liabilities	<u>(45,309,829)</u>	<u>(46,465,780)</u>	<u>(45,263,967)</u>	<u>(40,774,824)</u>

The fair value measurement hierarchy of all Group's financial assets and liabilities is provided in Note 4.

The management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

- Embedded derivatives relating to the convertible loan note, as well as the conversion options embedded in the convertible loan note are measured based on an option pricing model which uses a set of variables operating under certain key assumptions to arrive at the option value. The key assumptions include the volatility, risk-free rate and dividend yield being constant, continuous compounded returns on the stock are normally distributed and independent over time and no tax and transaction costs are involved. A Monte Carlo model is then used for valuing the embedded derivative which simulates the possible payoffs and uses them to arrive at the discounted expected option payoffs.
- The fair values of the loan from third party and the convertible loan note have been determined by using the DCF method using discount rate that reflects the discount rate for loans with similar credit rating. Given the loan from third party and the convertible loan note is repayable at the discretion of the Company before the contractual repayment date, the loans have been discounted at every half year, with an average being used as the estimate of fair value.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

23 Financial instruments (continued)

Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy as at 31 December 2023 and 2022 are shown below:

31 December 2023

Financial instruments	Valuation technique	Significant unobservable inputs	Weighted Average	Sensitivity of the input to fair value
Embedded derivative assets - convertible debt	Monte Carlo	Expected exit term	2023: 2.5 years	A decrease in expected exit term by 1 year would result in an increase in fair value by £5,697,595. An increase in expected exit term by 1 year would result in a decrease in fair value by £6,871,947.
		Volatility	90.5%	5% decrease would result in an increase in fair value by £1,497,674. 5% increase would result in a decrease in fair value by £2,170,729.
Convertible loan note	Discounted Cash Flow	Expected exit term	2023: 2.5 years	A decrease in expected exit term by 1 year would result in an increase in fair value by £5,849,909. An increase in expected exit term by 1 year would result in a decrease in fair value by £5,195,775.
		Discount rate	12.59%	5% increase would result in a decrease in fair value by £643,170. 5% decrease would result in an increase in fair value by £655,880.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

23 Financial instruments (continued)

Description of significant unobservable inputs to valuation (continued)

31 December 2022

Financial instruments	Valuation technique	Significant unobservable inputs	Weighted Average	Sensitivity of the input to fair value
Embedded derivative assets - convertible debt	Monte Carlo	Expected exit term	2022: 3 years	A decrease in expected exit term by 1 year would result in an increase in fair value by £6,802,454. An increase in expected exit term by 1 year would result in a decrease in fair value by £6,515,114.
		Volatility	98.5%	5% decrease would result in an increase in fair value by £2,116,848. 5% increase would result in a decrease in fair value by £2,426,646.
Convertible loan note	Discounted Cash Flow	Expected exit term	2022: 3 years	A decrease in expected exit term by 1 year would result in an increase in fair value by £11,649,258. An increase in expected exit term by 1 year would result in a decrease in fair value by £5,410,710.
		Discount rate	15.3%	5% increase would result in a decrease in fair value by £800,955. 5% decrease would result in an increase in fair value by £822,497.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

23 Financial instruments (continued)

Description of significant unobservable inputs to valuation (continued)

Reconciliation of fair value measurement of embedded derivative assets (Level 3):

	Embedded derivative - convertible debt £
As at 1 January 2022	-
Purchases	14,913,182
Remeasurement recognised in statement of profit or loss during the period	<u>1,077,490</u>
As at 1 January 2023	15,990,672
Remeasurement recognised in statement of profit or loss during the period	<u>6,701,113</u>
As at 31 December 2023	<u><u>22,691,785</u></u>

No transfers into or out of Level 3 fair value measurements during 2023. The fair value increase on embedded derivative assets within Level 3 of £6,701,113 (31 December 2022 - £1,077,490) was recorded in the consolidated income statement.

Overview

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk; and
- Liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

23 Financial instruments (continued)

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Other receivables
- Trade and other payables
- Loans and borrowings

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed mainly to credit risk from cash and cash equivalents. Credit risk arising from other receivables and accrued income is immaterial for disclosure.

The Group ensures that the banks used hold an acceptable risk rating by independent parties. A significant amount of cash is held with the following institutions:

		31 December 2023	31 December 2022
	Rating	£	£
HSBC	A+	3,161,330	11,771,029
Barclays	BBB+	19,216,671	25,622,450
UniCredit Bank AG	BBB+	95,764	33,751
Mittelbrandenburgische Sparkasse	A+	1,139,841	1,894,878
Pleo (held by J.P. Morgan and Danske Bank)	A+	14,382	-
Bank of America	AA-	69,084	-

Management monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from non-performance by the counterparties.

Interest rate risk

The Group has a significant convertible loan note as disclosed in Note 19. The loan is interest free and therefore the Group is not exposed to cash flow interest rate risk from the arrangement. Sensitivity disclosures around the loan note are included under the fair value disclosures in this note. The Group does not have any other significant interest bearing financial instruments.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

23 Financial instruments (continued)

Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group is predominantly exposed to currency risk due to the base currency being GBP and the majority of expenditure being in Euros as well as in USD. Exchange rates are closely monitored, and the Group acts prudently to minimise the impact and financial risk. Subsequent to the year end the Group has utilised financial instruments to limit the exposure to large variances to minimise the impact and financial risk.

The below table details the carrying amounts of financial instruments held by the Group in currencies other than that of the functional currency of the underlying company. As of 31 December 2023 and 31 December 2022 the Group's net exposure to foreign exchange risk was as follows:

	Functional currency - £	
	31 December 2023	31 December 2022
	£	£
Cash and cash equivalents - euros	2,511,404	7,844
Trade and other payables - euros	99,222	(1,082)
Total net exposure - euros	<u>2,610,626</u>	<u>6,762</u>

	Functional currency - £	
	31 December 2023	31 December 2022
	£	£
Cash and cash equivalents - USD	4,940	10,188
Trade and other payables - USD	(3,363)	(206,584)
Total net exposure - USD	<u>1,577</u>	<u>(196,396)</u>

	Functional currency - £	
	31 December 2023	31 December 2022
	£	£
Cash and cash equivalents - CHF	-	11,021
Trade and other payables - CHF	(33,263)	(22,347)
Total net exposure - CHF	<u>(33,263)</u>	<u>(11,326)</u>

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

23 Financial instruments (continued)

Foreign exchange risk (continued)

	Functional currency - EUR	
	31 December 2023	31 December 2022
	£	£
Cash and cash equivalents - USD	161,806	149,583
Trade and other payables - USD	<u>(139,014)</u>	<u>-</u>
Total net exposure - USD	<u>22,792</u>	<u>149,583</u>

	Functional currency - EUR	
	31 December 2023	31 December 2022
	£	£
Trade and other payables - GBP	<u>(1,411)</u>	<u>(1,522)</u>
Total net exposure - GBP	<u>(1,411)</u>	<u>(1,522)</u>

The effect of a 10% strengthening (weakening) of the Euro against GBP at the reporting date would, all other variables held constant, have resulted in the following impact on profit or loss and net assets for each year:

	31 December 2023	31 December 2022
	£	£
Strengthening of GBP		
Impact on profit or loss and net assets	<u>(234,321)</u>	<u>18,407</u>
Weakening of GBP		
Impact on profit or loss and net assets	<u>286,392</u>	<u>(22,498)</u>

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

23 Financial instruments (continued)

Liquidity risk

Liquidity risk arises from the Group's management of working capital and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, management reviews the Group's cash run rate and instigates funding rounds when needed.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of the Group's financial liabilities and lease liabilities:

	Due within 1 year £	Due after more than 1 year £	Total £
31 December 2023			
Loans and borrowings	-	50,000,000	50,000,000
Trade payables	1,219,627	-	1,219,627
Other payables	235,379	-	235,379
Accruals	1,940,546	-	1,940,546
Lease liabilities	801,325	1,424,894	2,226,219
Total	4,196,877	51,424,894	55,621,771
	Due within 1 year £	Due after more than 1 year £	Total £
31 December 2022			
Loans and borrowings	-	50,000,000	50,000,000
Trade payables	1,044,453	-	1,044,453
Other payables	26,073	-	26,073
Accruals	1,510,329	-	1,510,329
Lease liabilities	885,790	1,982,854	2,868,644
Total	3,466,645	51,982,854	55,449,499

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

23 Financial instruments (continued)

Liquidity risk (continued)

Capital Disclosures

The Group monitors "adjusted capital" which comprises all components of equity (i.e. share capital, share premium and retained deficit).

The Group's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares, or sell assets to reduce debt.

Due to the early stage of the Group in its lifecycle, the directors monitor capital on the basis of ensuring the Group has sufficient funding to continue its development activities.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

24 Share capital

	31 December 2023	31 December 2022
	£	£
Authorised, allotted, called up and fully paid		
170,608 (2022 - 170,608) Ordinary shares of £0.01 each	1,706	1,706
3,804 (2022 - 3,804) Ordinary G shares of £0.01 each	38	38
5,845 (2022 - 5,845) Ordinary H1 shares of £0.01 each	59	59
10,029 (2022 - 10,029) Ordinary H2 shares of £0.01 each	100	100
11,069 (2022 - 9,872) Ordinary H3 shares of £0.01 each	111	99
25,000 (2022 - 25,000) Ordinary H4 shares of £0.01 each	250	250
203,882 (2022- 203,408) Ordinary A shares of £0.01 each	2,039	2,034
	4,303	4,286
Treasury shares		
8,700 (31 December 2022 - 17,109) Ordinary H4 shares of £0.01 each	(87)	(170)
	4,216	4,116

There has been no movement in the number of Ordinary shares, Ordinary G shares, Ordinary H1 shares, Ordinary H2 shares or Ordinary H4 shares allotted during the periods. The below tables describe the movements in the Group's other share capital.

	31 December 2023	31 December 2022
	No.	No.
Ordinary H3 shares of £0.01 each		
At 1 January	9,872	9,294
Movement in the year	1,197	578
At 31 December	11,069	9,872

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

24 Share capital (continued)

	31 December 2023 No.	31 December 2022 No.
Ordinary A shares of £0.01 each		
At 1 January	203,438	179,232
Movement in the year	444	24,206
At 31 December	203,882	203,438

During 2023 the following share issues were completed:

- In 2023, 1,197 H3 Ordinary shares were issued to employees as they exercised their share options. Proceeds of £11.97 were received from the employees.
- In 2023, 444 Ordinary A shares were issued at a price of £433.95, with proceeds of £192,674.

Rights, preferences and restrictions

Ordinary G, Ordinary H1, Ordinary H2, Ordinary H3 and Ordinary H4 shares confer no voting or dividend rights. The Ordinary G and Ordinary H1 shares confer no right to a capital distribution. Ordinary and Ordinary A shares carry equal rights to voting, dividends and capital distribution. The Ordinary H2, Ordinary H3 and Ordinary H4 shares carry a pro-rata right with all other share classes (except the Ordinary A shares) to a share in the balance of any surplus assets after priority payments to the holder of deferred shares and Ordinary A shares. None of the shares confer any rights of redemption.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

25 Reserves

The following describes the nature and purpose of each reserve within equity:

Share capital represents the nominal value of shares issued.

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

Foreign currency reserve represents translation differences arising on consolidating the Company's subsidiary, Oxford PV Germany GmbH, which has a functional currency of Euro's and Oxford PV Americas Inc, which has a functional currency of US Dollars into the Group's presentational currency (Pound Sterling).

Retained deficit represents all current and prior years retained profits and losses and share-based payments related movements as well as capital contributions received.

Equity option reserve represents amounts in respect of a transaction with potential owners as described in Note 20.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

26 Share-based payments

Equity-settled schemes

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

The "Growth Share Scheme" was established in 2021 and the "Share Option Scheme" in 2015. The Share Option Scheme is now closed to new entrants and no further options are granted. Under the Growth Share Scheme individuals are awarded shares in the Company.

Equity instruments under both plans are granted with a fixed exercise price. Equity instruments are classified into four different classes of shares, each class represents a "hurdle price" which is the threshold above which employees will benefit from the sale of their shares in an exit event. An exit event is defined as a Share Sale, Asset Sale or an IPO. The only vesting condition attached to the equity-settled schemes is that an individual remains an employee of the Group over the vesting period of the awards. The vesting period of the awards is such that 25% of the awards vest one year after the defined "Vesting Start Date" (usually the same as the grant date), and 6.25% vest each quarter thereafter, such that all awards are fully vested by the end of 48 months. In addition, all awards will vest immediately prior to an exit event.

The Group's Share Option Scheme is an approved Enterprise Management Incentive (EMI) scheme, under which the participants can benefit from advantageous tax treatments. There are however, a small number of current and former employees who are not entitled to participate in the EMI scheme, 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 (31 December 2022 - £Nil) which has been recorded in the Group's financial statements at the year end.

Cash-settled schemes

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 and therefore represents a share appreciation right which is accounted for as a cash-settled share-based payment arrangement. The VESOP scheme closed in 2019 to new entrants and no further awards are granted under this scheme.

In 2021 the Group opened a "Virtueller Aktienplan" (VAP) for the benefits of the employees of Oxford PV Germany GmbH. Similar to the VESOP scheme, this plan provides employees with a benefit comparable to the UK Growth Share Plan, but never confers on employees the right to acquire or hold any actual shares in the Company or its subsidiary. It therefore represents a share appreciation right which is accounted for as a cash-settled share-based payment arrangement.

The vesting conditions and vesting periods for both cash-settled schemes are identical to the equity-settled schemes.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

26 Share-based payments (continued)

The total share-based payment expense recognised in profit and loss in the year is £322,788 relating to equity-settled schemes (31 December 2022 - £594,111) and £106,646 relating to cash-settled schemes (31 December 2022 - £233,044). The total carrying amount of the liability arising from cash-settled share-based payment arrangements at the year end is £1,078,025 (31 December 2022 - £971,379).

The movements in the weighted average exercise price and number of share options during each year relating to the Share Option Scheme were as follows:

	Weighted average exercise price (pence) 2023	Number 2023	Weighted average exercise price (pence) 2022	Number 2022
Outstanding at 1 January	0.01	1,379	0.01	1,967
Forfeited	-	-	0.01	(10)
Exercised	0.01	(1,197)	0.01	(578)
Outstanding at 31 December	0.01	182	0.01	1,379
	Highest / lowest exercise price (pence) 2023	Weighted average remaining contractual life (days) 2023	Highest / lowest exercise price (pence) 2022	Weighted average remaining contractual life (days) 2022
Outstanding options	0.01 / 0.01	Nil	0.01 / 0.01	25

The number of options exercisable at 31 December 2023 was 182 (31 December 2022 - 1,158) with a weighted average exercise price of 0.01 pence (31 December 2022 - 0.01 pence).

The weighted average share price at date of exercise of share options exercised during the year was £433.95 (31 December 2022 - £433.95).

No share options were granted during the current and prior year.

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

26 Share-based payments (continued)

The following information is relevant in the determination of the fair value of awards granted during the year under the Growth Share Scheme operated by the Group.

	31 December 2023	31 December 2022
Equity-settled - Growth Share Scheme		
Option pricing model used	Black-Scholes	-
Weighted average fair value	206.36	-
Weighted average share price at grant date	433.95	-
Exercise price	0.10	-
Contractual life (in months)	34	-
Expected volatility (weighted average)	70.24%	-
Expected dividends	-	-
Risk-free interest rate (weighted average)	4.172%	-

Expected volatility of the Growth Share Scheme was determined using an average of volatility rates of comparable listed companies.

During the year 8,398 awards were granted under the Growth Share Scheme (31 December 2022 - no awards). The weighted average fair value of the equity instruments at the grant date was 0.10 pence (31 December 2022 - Nil pence).

The following information is relevant to the determination of share appreciation rights granted during the year by the Group.

	31 December 2023	31 December 2022
Cash-settled		
Option pricing model used	Black-Scholes	-
Weighted average fair value	194.92	-
Weighted average share price at grant date	433.95	-
Exercise price	0.00	-
Contractual life (in months)	30	-
Expected volatility (weighted average)	70.00%	-
Expected dividends	-	-
Risk-free interest rate (weighted average)	4.060%	-

Expected volatility was determined using an average of volatility rates of comparable listed companies. An exit event was seen a possibility in 2021, which impacted the expected life time of the award in the fair value calculation. Fair value is re-assessed at each balance sheet date with the updated volatility and risk-free rates applicable for those dates. 1,905 equity instruments were awarded during the year.

The total intrinsic value of vested cash-settled awards at 31 December 2023 is £501,576 (31 December 2022 - £494,054).

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

27 Notes supporting statement of cash flows

Cash and cash equivalents for the purpose of the statement of cash flows comprises only cash at bank available on demand.

The following table provides an analysis of the Group's changes in liabilities arising from financing activities, disclosing separately cash flows and non-cash changes.

	Non-current loans and borrowings £
1 January 2022	(41,938,934)
Non-cash flows	
Amortisation of Other loans and convertible debt	(5,105,907)
Adjustments on conversion of debt	<u>1,780,874</u>
31 December 2022	(45,263,967)
Non-cash flows	
Amortisation of Other loans and convertible debt	<u>(45,862)</u>
31 December 2023	<u><u>(45,309,829)</u></u>

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

28 Financial commitments, guarantees and contingent liabilities

The Group has contracted capital commitments for the acquisition of tangible assets at the reporting date of £3,427,763 (31 December 2022 - £8,189,643).

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 10% of the valuation. 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.

29 Related party transactions

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

	Purchases/(credit) from related parties		Amounts owed to related parties	
	31	31	31	31
	December 2023	December 2022	December 2023	December 2022
Group	£	£	£	£
Other related parties	-	(1,928,370)	-	155,496

	Purchases/(credit) from related parties		Amounts owed to related parties	
	31	31	31	31
	December 2023	December 2022	December 2023	December 2022
Company	£	£	£	£
Other related parties	-	62,000	6,600	4,950

Oxford Photovoltaics Limited

Notes to the Financial Statements For the year ended 31 December 2023 (continued)

29 Related party transactions (continued)

During the year, the Group paid £1,211,623 (31 December 2022 - credit of £1,990,370) from a company whose director is also a director of the Company. At the year end a balance of £Nil was outstanding (31 December 2022 - £150,546).

During the year, the Company purchased consultancy and other services of £47,918 (31 December 2022 - £62,000) from companies whose directors are also directors of the Company. The consultancy fees are in relation to directors services. At the year end a balance of £Nil was outstanding (31 December 2022 - £4,950).

All related party transactions are on an arms length basis.

30 Parent and ultimate parent undertaking

There is no parent company or controlling party.

31 Post balance sheet event

After the year-end, the Company entered into an Advance Subscription Agreement (ASA) with its existing shareholders. Under the terms of the ASA, the shareholders have committed to subscribe for additional shares in the Company at a future date, subject to specific conditions being met. This event is considered a non-adjusting post-balance sheet event in accordance with IAS 10, as it occurred after the reporting period and does not provide evidence of conditions that existed at the balance sheet date. The impact of this agreement will be reflected in the financial statements of the next reporting period when the subscription takes place, and the resulting equity issuance is recognized.