Oxford Immunotec Global PLC

FINANCIAL STATEMENTS

for the year ended

31 December 2016

OXFORD IMMUNOTEC GLOBAL PLC

Contents Pages

Directors' Report 1

Strategic Report 5

Directors' Remuneration Report 25

Directors' Responsibilities in the Preparation of the Financial Statements 48

Independent Auditor's Report to the Members, Consolidated Financial Statements 49

Consolidated Financial Statements

- Consolidated Income Statement 51
- Consolidated Statement of Total Comprehensive Income 52
- Consolidated Balance Sheet 53
- Consolidated Statement of Changes in Equity 55
- Consolidated Statement of Cash Flows 56

Consolidated Accounting Policies 57

Notes to the Consolidated Financial Statements 67

Independent Auditor's Report to the Members, Parent Company Financial Statements 93

Parent Company Balance Sheet 95

Parent Company Statement of Changes in Equity 96

Parent Company Statement of Cash Flows 97

Notes to Parent Company Accounts 98

OXFORD IMMUNOTEC GLOBAL PLC
COMPANY INFORMATION

DIRECTORS	Mr R Andrews Jr	
	Mr P J Balthrop Sr	Appointed 29 January 2016
	Ms P Randall	
	Mr H Rosenman	
	Mr R A Sandberg	
	Mr S L Spotts	
	Mr J R Tobin	
	Mr A S Walton	
	Dr P J Wrighton-Smith	
SECRETARY	Ms E Keiley	
COMPANY NUMBER	08654254	
REGISTERED OFFICE	94C Innovation Drive Milton Park Abingdon Oxfordshire OX14 4RZ	
AUDITOR	Ernst & Young LLP Apex Plaza Reading Berkshire RG1 1YE	

Company Registration No: 08654254

The Directors submit this report and the consolidated financial statements of Oxford Immunotec Global PLC and its subsidiaries, Oxford Immunotec Limited, Oxford Diagnostic Laboratories (UK) Limited, Oxford Immunotec Inc., Immunetics, Inc., Oxford Immunotec K.K., Oxford Immunotec Asia Limited, Oxford Immunotec (Shanghai) Medical Device Co. Ltd. and Boulder Diagnostics Europe GmbH (which may be referred to as "the Group", "we", "us" or "our") for the years ended 31 December 2016 and 2015. In addition, the Directors submit the parent company financial statements for Oxford Immunotec Global PLC ("Global" or the "parent company") at 31 December 2016 and 2015.

Global is a public company limited by shares and incorporated and domiciled in the United Kingdom.

BASIS OF PRESENTATION

Our Directors have elected to prepare consolidated financial statements in accordance with accounting principles generally acceptable in the United States of America ("U.S. GAAP") as permitted by Statutory Instrument 2015 No 1675, The Accounting Standards (Prescribed Bodies) (United States of America and Japan) Regulations 2015. The Directors' Report and consolidated financial statements are also prepared in accordance with the Companies Act 2006.

The parent company financial statements, for the years ended 31 December 2016 and 2015, are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

PRINCIPAL ACTIVITIES

Our principal activity is the development and supply of clinical diagnostic products and services.

We are a global, high-growth diagnostics company focused on developing and commercializing proprietary tests for under-served immune-regulated conditions. Our current product lines and development activities principally focus on four areas: infectious diseases, transplantation, autoimmune and inflammatory disease and immune-oncology. We believe these areas are particularly attractive because they involve large patient populations and chronic conditions that present the opportunity for both initial diagnosis and additional testing to monitor the conditions. These immune-regulated conditions also tend to be characterized by wide variation in presentation and progression and often require expensive therapies, making diagnostic tests that can better categorize patients and inform treatment pathways particularly useful and cost-effective. Lastly, we believe these conditions to be under-served as the industry lacks the appropriate techniques to prosecute the immune responses which are driving these conditions.

On 1 July 2016, we acquired substantially all of the assets of Imugen, Inc., or Imugen, a privately owned Massachusetts corporation specializing in developing and commercializing proprietary tests for tick-borne diseases, including Lyme disease. Total consideration consisted of $22.2 million in cash.

On 12 October 2016, we acquired Immunetics, Inc., or Immunetics, a privately owned Massachusetts corporation focused on developing specialized tests for infectious diseases, including tick-borne diseases, such as Lyme disease. Total consideration consisted of $6 million in cash and up to an additional $6 million in cash payable on the achievement of certain turnover thresholds and pipeline related milestones over the next three years.

RESULTS AND DIVIDENDS

Our trading loss for the year was $22,349,000 (2015: $24,478,000).

Our Directors do not recommend the payment of a final dividend on the ordinary shares (2015: $nil).

SEASONALITY

Our turnover fluctuates from quarter to quarter as a result of a number of factors, many of which are outside our control. Our service turnover has historically been strong in the third quarter as a result of a concentration of testing in the United States related to college students returning to school, while the fourth quarter has historically been weaker due to the holiday periods and decreased screening activity in hospitals as they focus on other priorities. Additionally, we see fluctuation in our product turnover from quarter to quarter due to ordering patterns, particularly relating to our large distributor customers and due to the variability of tick-borne disease testing. As a result of such factors, we expect to continue to see seasonality and quarter-to-quarter variations in our turnover.

FUTURE DEVELOPMENTS

Our Directors continually evaluate the policies and strategies needed to continue our turnover growth. We expect that 2017 will show further sales growth in existing and new markets.

POLITICAL CONTRIBUTIONS

We have not made political contributions in the period (2015: $nil).

RESEARCH AND DEVELOPMENT

Our products and research and development activities focus on proprietary tests for the management of under-served immune-regulated conditions. Large populations of patients have immune-regulated conditions that are often chronic conditions requiring active management through monitoring. Testing that allows better categorization of patients and yields insights into the most likely successful treatment path facilitates personalized medicine, directing therapies to patients in whom they are more likely to work and saving healthcare dollars. We view this space as being underserved by traditional diagnostic companies which lack appropriate techniques to prosecute the immune system.

Immune-regulated conditions encompass a broad spectrum. We are focused on four principal areas: infectious diseases, transplantation, autoimmune and inflammatory disease and immune-oncology.

Understanding immune-regulated conditions requires interrogation of the immune system. The human immune system is composed of three principal branches: innate immunity, cellular (T cell) immunity and humoral (B cell and antibody-based) immunity. Through our proprietary T-SPOT technology platform we can efficiently measure marker-specific T cell and innate immune responses at a single cell level and thereby inform the diagnosis, prognosis and monitoring of patients with immune-regulated conditions. We employ a proprietary quantitative method to detect antigen-specific cells releasing immune messenger molecules, called cytokines, released by effector T cells or innate immune cells. In relation to effector T cells, our technology is designed to selectively measure responses from this subtype of T cells because they are primarily present when active, replicating pathogens are inside the body, as opposed to other T cell subtypes that may be present long after an infection has been cleared from the body. For diagnosis and monitoring applications, it is more relevant to be able to measure the immune response associated with the current infection rather than the immune response associated only with past, cleared exposure.

Our T-SPOT technology offers many technical advantages that make it well suited to support our focus on immune-regulated conditions including high analytical sensitivity, application across multiple diseases and conditions and standardization of white blood cell counts, which makes our technology particularly useful in immunocompromised patients, such as those undergoing transplant surgery or treatment for cancer.

We employ other proprietary testing methods in our assays directed to tick-borne diseases that support our differentiated test offerings. Our test methods provide increased insight into antibody responses to tick-borne pathogens, which may help clinicians understand the disease state more completely. Our test kit for Lyme disease employs a patented synthetic peptide derived from a protein that is highly specific for Lyme disease. We also employ proprietary manufacturing processes and protocols designed to cost-effectively and reliably produce key elements of our T-SPOT technology, including the process for coating microtiter plates with cytokine antibodies, such as IFN-*y* antibodies, and our quality control testing procedures. Further, we have developed proprietary methods designed to achieve rapid throughput in assay performance across all of our product lines. These methods involve specific protocols throughout the assay process and have been developed in our service and research and development laboratories.

Our total research and development expenses were $13.9 million, (2015: $10.4 million), and we employ research and development staff of 97 (2015: 51). In the opinion of our Directors, continuity of investment in this area is important for the maintenance of the Group's market position and for future growth.

EVENTS SINCE THE END OF THE YEAR

Effective 24 February 2017, the Remuneration Committee of the Board of Directors approved grants to employees for up to 529,096 share options and 94,989 restricted share units from the Oxford Immunotec Global PLC 2013 Share Incentive Plan. These grants were issued to employees in the first quarter of 2017.

FINANCIAL INSTRUMENTS

Please refer to the **Risks in relation to the use of financial instruments** section included in our Strategic Report, beginning on page 17 of this document.

GREENHOUSE GAS REPORT

Please refer to the section of the same name included in our Strategic Report beginning on page 22 of this document.

STRUCTURE OF THE GROUP'S CAPITAL

See Note 18 of the Notes to the Consolidated Financial Statements.

DIRECTORS

Our Board of Directors is divided into three classes. Each class has a three-year term. At each annual general meeting of shareholders, directors whose terms will then expire (or their successors, if such directors are not nominated for re-election) will stand for election by the shareholders to serve for a three year term.

The following Directors have held office since the dates indicated below.

Mr R Andrews Jr	(Appointed 4 November 2015)
Mr P J Balthrop Sr	(Appointed 29 January 2016)
Ms P Randall	(Elected 12 June 2014)
Mr H Rosenman	(Appointed 30 October 2013 and re-elected 12 June 2014)
Mr R A Sandberg	(Appointed 16 August 2013)
Mr S L Spotts	(Appointed 22 August 2013 and re-elected 9 June 2015)
Mr J R Tobin	(Appointed 1 December 2014 and re-elected 9 June 2015)
Mr A S Walton	(Appointed 4 November 2015)
Dr P J Wrighton-Smith	(Appointed 16 August 2013)

In 2016, our Board of Directors met 8 times. All of our directors attended a minimum of 75% of the meetings of our Board of Directors and its committees during their membership on the board. Our directors are strongly encouraged to attend our annual general meetings of shareholders.

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS AND CHANGE IN CONTROL PROVISIONS

A qualifying third party indemnity provision is in place for the benefit of each of our Directors. Dr Wrighton-Smith's share option awards include a "double trigger" to accelerate vesting upon a change in control and the termination of his employment with us. A change in control event will be deemed to occur upon the purchase of substantially all of our outstanding shares by, or the sale of substantially all of our assets to, a third party.

GOING CONCERN

Our business activities, together with the factors likely to affect our future development, performance and position are set out in the Strategic Report on pages 5 to 24.

In determining whether our financial statements can be prepared on a going concern basis, our Directors considered the Group's business activities, together with the factors likely to affect our future development and performance. The review also included our financial position and cash flows. The key factors considered by the Directors were:

- the strength of our balance sheet, including cash raised in the Offering that closed on 4 February 2015 and in a $30.0 million MidCap borrowing, net of related discount and debt issuance costs that was entered into on 4 October 2016 (see Sources of funds in the Strategic Report);
- the implications of the economic environment and potential future uncertainties on the Group's turnover and results;
- the impact of the regulatory and competitive environment within which we operate; and
- the potential actions that could be taken in the event that turnover is worse than expected to limit the impact on our results of operations and cash flows.

As of the date of this report, our Directors have a reasonable expectation that we have adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

AUDITOR

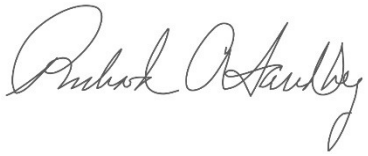
A resolution to reappoint Ernst & Young LLP will be proposed at the forthcoming Annual General Meeting.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all necessary steps in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

The Directors' Report was approved by the Board on 12 April 2017.

On behalf of the board



Richard A Sandberg
Chairman
12 April 2017

INTRODUCTION

Oxford Immunotec Global PLC was incorporated on 16 August 2013. Oxford Immunotec Global PLC on behalf of itself and its subsidiaries, Oxford Immunotec Limited, Oxford Immunotec Inc., Immunetics, Inc., Oxford Immunotec K.K., Oxford Immunotec Asia Limited, Oxford Diagnostic Laboratories (UK) Limited, Oxford Immunotec (Shanghai) Medical Device Co. Ltd. and Boulder Diagnostics Europe GmbH (which may be referred to as "the Group", "we", "us" or "our") is required to produce a strategic report complying with the requirements of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2014 (the "Regulations").

We are a global, high-growth diagnostics company focused on developing and commercializing proprietary tests for under-served immune-regulated conditions. Our current product lines and development activities principally focus on four areas: infectious diseases, transplantation, autoimmune and inflammatory disease and immune-oncology. We believe these areas are particularly attractive because they involve large patient populations and chronic conditions that present the opportunity for both initial diagnosis and additional testing to monitor the conditions. These immune-regulated conditions also tend to be characterized by wide variation in presentation and progression and often require expensive therapies, making diagnostic tests that can better categorize patients and inform treatment pathways particularly useful and cost-effective. Lastly, we believe these conditions to be under-served as the industry lacks the appropriate techniques to prosecute the immune responses which are driving these conditions.

On 1 July 2016, we acquired substantially all of the assets of Imugen, a privately owned Massachusetts corporation specializing in developing and commercializing proprietary tests for tick-borne diseases, including Lyme disease. Total consideration consisted of $22.2 million in cash.

On 12 October 2016, we acquired Immunetics, a privately owned Massachusetts corporation focused on developing specialized tests for infectious diseases, including tick-borne diseases, such as Lyme disease. Total consideration consisted of $6 million in cash and up to an additional $6 million in cash payable on the achievement of certain turnover thresholds and pipeline related milestones over the next three years.

We are a global business with 432 employees, including sales and marketing teams on three continents, and laboratories in the United States and the United Kingdom. In 2016, we sold to customers in about 50 countries and derived 42% of our turnover from outside the United States. Our current customer base includes more than 3,000 active customers, consisting of hospitals, public health departments, commercial testing laboratories, importers and distributors.

REVIEW OF THE BUSINESS

Overview

Our first product, the T-SPOT®[1].*TB* test, is used to test for tuberculosis, or TB, infection and leverages our proprietary T-SPOT technology platform, which allows us to measure the response of specific immune cells to inform the diagnosis, prognosis and monitoring of patients with immune-regulated conditions. Our T-SPOT.*TB* test has been approved for sale in over 50 countries, including the United States, where we have received premarket approval, or PMA, from the Food and Drug Administration, or FDA, in Europe, where we have obtained a CE mark, as well as in Japan and China. Interferon-gamma release assays, or IGRAs, such as our T-SPOT.*TB* test have been included in clinical guidelines for TB testing in at least 34 countries, including the United States, several European countries and Japan. In addition, we have established reimbursement for our test in the United States, as well as a Current Procedural Terminology, or CPT[2], code that is unique to our test. Outside the United States, we have established reimbursement in several countries where reimbursement applies, including Japan, Switzerland and Germany. We have also established the cost-effectiveness of our test in several published studies.

Our second product line is a range of assays for tick-borne diseases, such as Lyme disease, obtained through the acquisitions of Imugen and Immunetics in 2016. Tick-borne disease is the collective name for diseases passed to humans through the bite of an infected tick. The most prevalent and well known tick-borne disease is Lyme disease, but there are others such as anaplasmosis, ehrlichiosis, and babesiosis. If left unrecognised, and therefore untreated, they may go on to cause significant downstream morbidity, including in rare cases death. Our diagnostic tests for tick-borne infections include multiple proprietary laboratory developed tests, or LDTs, offered from our Clinical and Laboratory Improvement Amendments, or CLIA, certified and College of American Pathologists, or CAP, accredited laboratory in Massachusetts and an FDA cleared test kit utilizing the C6 peptide, which is a marker specific to Lyme disease. Our C6 Lyme ELISA™ kit is also CE marked in the European Union. Our tick-borne disease tests utilize molecular methods (such as polymerase chain reaction) and techniques to prosecute the immune system, and offer advantages over current tests and are widely reimbursed in the U.S. using existing codes on fee schedules.

Our third product line is a series of assays for use in blood screening, building upon our expertise in tick-borne disease. The parasite *Babesia microti* which causes babesiosis can be transmitted through the transfusion of infected blood, as well as by the bite of an infected tick. We are developing three assays for use in screening the U.S. blood supply for *Babesia microti.* We have submitted biological license applications, or BLAs, for these three assays and they are currently under review by the FDA.

Our T-SPOT. *CMV* and T-SPOT. *PRT* tests are part of our fourth product line focused on the transplantation market. Both tests utilize our T-SPOT technology platform and are laboratory developed tests, or LDTs, performed in our CLIA certified, CAP accredited laboratory in Tennessee. Both the T-SPOT.*CMV* and T-SPOT.*PRT* tests are CE marked in the European Union. The T-SPOT.*CMV* test measures the strength of a patient's cellular immune response to CMV specific antigens and provides information that may be useful in informing management strategies of patients at risk of CMV infection and disease, such as transplant patients. The T-SPOT.*PRT* test assesses a solid organ transplant candidate's T cell response to foreign tissue, or alloreactivity, and may help clinicians identify patients at increased risk of T cell mediated rejection post-transplant. We continue to take a measured approach to market introduction of these tests as we await final results of our two pivotal clinical studies involving these tests.

---

[1] "T-SPOT®," "T-Cell *Xtend*®," "Oxford Diagnostic Laboratories®," "ODL®," "SpiroFind®", "Immunetics®", the Oxford Immunotec logo, our laboratory logo and other marks are our trademarks. Solely for convenience, trademarks and trade names referred to in this Annual Report, including logos, artwork and other visual displays, may appear without the ® or ™ symbols, but such references are not intended to indicate in any way that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and trade names.

[2] CPT is a registered trademark of the American Medical Association.

In addition to our existing product lines, we continue to pursue development programs targeting other immune-regulated conditions, as well as applications of our T-SPOT technology platform in immune-oncology. Product development activities are inherently uncertain, and there can be no assurance that we will be able to obtain regulatory body clearance to market any of our products, or if we obtain clearances that we will successfully commercialize any of our products. In addition, we may terminate our development efforts with respect to one or more of our products under development at any time, including before or during clinical trials.

We believe the annual global market opportunity for our T-SPOT.*TB* test is well in excess of $1 billion, assuming we can largely displace the tuberculin skin test, or TST, in the developed world. We believe the U.S. market opportunity for our tests directed to Lyme and other tick-borne diseases exceeds $450 million and the U.S. market opportunity for our products directed to transplantation to be in excess of $450 million, although our market sizing estimates remain preliminary. We have not yet sized the market opportunity for our blood screening assays, as the volume of sales or pricing remain unknown, nor have we sized the market for the application of our technology in immune-oncology given the early stage of this program.

We have incurred significant losses from inception and as of 31 December 2016 had an accumulated deficit of $168.7 million. We anticipate that our operating losses will continue for the next few years as we continue to invest to grow our customer base and invest in research and development to expand our product portfolio. Our turnover for the year ended 31 December 2016 was $86.1 million and for the year ended 31 December 2015 was $62.8 million. Our net loss for the year ended 31 December 2016 was $22.3 million and for the year ended 31 December 2015 was $24.5 million.

DEVELOPMENT AND PERFORMANCE DURING THE YEAR

Turnover

We generate turnover from sales associated with our T-SPOT technology platform via our direct sales force and also through distributors. Our T-SPOT.*TB* test is our first commercialized product based on this technology and accounted for more than 91% of total turnover in 2016. In addition, U.S. results for 2016 include turnover from assays for tick-borne diseases, such as Lyme disease, obtained through our acquisitions of Imugen and Immunetics in 2016.

Turnover mix

We currently offer our T-SPOT.*TB* test as both an *in vitro* diagnostic kit and a service. In the former, we sell test kits and associated accessories to distributors for resale and directly to institutions and laboratories that perform TB testing. In the latter, we have established clinical testing laboratories in the United States and the United Kingdom, where we perform our T-SPOT.*TB* test on samples sent to us by customers. In these markets, we have found that many of our customers prefer to send samples to us rather than perform their own analysis on-site.

Our U.S. business derived 96% of turnover from our service offering, as opposed to kit sales, for each of the years ended 31 December 2016 and 2015. These results reflect our experience that our U.S. customers prefer to send IGRA tests out for processing and analysis rather than run them in-house. For the majority of our U.S. customers in the hospital and public health segments, TB testing programs are funded primarily from institutional budgets. We receive payment from these customers according to our pre-negotiated prices. For other segments of the U.S. market (notably, for example, the physicians' office segment) third-party reimbursement is often available to cover the cost of our T-SPOT.*TB* test. In addition, U.S. results for 2016 include turnover from operations acquired from Imugen, which is 100% U.S. service turnover, and from Immunetics, which is 100% product turnover.

Outside the United States, we derived 94% and 92% our turnover from the sale of our *in vitro* diagnostic kits and associated accessories for the years ended 31 December 2016 and 2015, respectively. For the majority of our customers outside the United States, we primarily negotiate pricing directly with our customers; our prices are influenced to some degree by the mechanism and level of funding our customers receive for performing tests for TB infection.

	Year ended 31 December	
	2016	2015
	$000s	$000s
Turnover		
Product	36,430	30,207
Service	49,648	32,575
Total turnover	86,078	62,782

Turnover by indication

With the acquisitions of Imugen and Immunetics, we evolved from a single-product company to a multi-product company in 2016. By indication, total turnover was as summarized in the table below.

	Year ended 31 December	
	2016	2015
	$000s	$000s
Turnover		
Tuberculosis	78,636	62,782
Tick-borne disease and other	7,442	—
Total turnover	86,078	62,782

Turnover by geography

We have a direct sales force in the United States, certain European countries and Japan and market development personnel in China and Korea. In parts of the world where we do not maintain a direct sales force, we market and sell our products through distributors. As a result, our turnover is denominated in multiple currencies. We intend to expand our sales force globally and establish additional distributor relationships outside of our direct markets to better access these international markets.

The following table reflects total turnover by geography (United States, Europe and rest of world, or Europe and ROW, and Asia) and as a percentage of total turnover, based on the billing address of our customers. Turnover from operations acquired from Imugen and Immunetics are included in United States turnover from their respective acquisition dates.

	Year ended 31 December			
	2016		2015	
	$000s	%	$000s	%
Turnover				
United States	49,462	58%	31,362	50%
Europe & ROW	6,988	8%	7,067	11%
Asia	29,628	34%	24,353	39%
Total turnover	86,078	100%	62,782	100%

Our turnover is denominated in multiple currencies. Sales in the United States and China are denominated in U.S. Dollars. Sales in Europe & ROW are denominated primarily in Pounds Sterling and Euros. Sales in Japan are denominated in Yen. Our expenses are generally denominated in the currencies in which our operations are located, which are primarily in the United States, the United Kingdom, Japan, Europe and China. We operate globally and therefore changes in foreign currency exchange rates may become material to us in the future due to factors beyond our control.

Cost of sales and operating expenses

Cost of sales and gross margin

Cost of sales consists of direct labour expenses, including employee benefits and share-based remuneration expenses, overhead expenses, material costs, cost of laboratory supplies, freight costs, royalties paid under license agreements, depreciation of laboratory equipment and leasehold improvements, and, in 2015, U.S. medical device excise tax. During the years ended 31 December 2016 and 2015, our cost of sales represented 46% and 47%, respectively, of our total turnover.

	Year ended 31 December	
	2016	2015
	$000s	$000s
Cost of sales		
Product	13,956	13,297
Service	25,516	16,247
Total cost of sales	39,472	29,544

Our gross profit represents total turnover less the cost of sales, and gross margin is gross profit expressed as a percentage of total turnover. Our gross margins were 54% and 53% for the years ended 31 December 2016 and 2015, respectively. We expect our overall cost of sales to increase as we continue to increase our volume of kits manufactured and tests performed. However, we also believe that through these increased volumes, we can achieve certain efficiencies in our manufacturing and laboratory operations that could help maintain or improve our overall gross margins.

With respect to the following discussion of expenses, sales and marketing expenses is simply another name for distribution costs. Administrative expenses include both research and development and general and administrative expenses. Operating expenses increased in 2016 as a reflection of investments being made to support our growing business.

Research and development expenses

Our research and development efforts have historically focused on developing multiple new diagnostic tests that use our quantitative T cell measurement technology, including assays that may help transplant physicians better manage patients at risk of rejection and infection. With the acquisition of Boulder Diagnostics, Inc., or Boulder, in July 2014, we expanded our research and development efforts to include the development of immunology-based assays for autoimmune and inflammatory conditions. On 1 July 2016, we completed our acquisition of substantially all of the assets of Imugen, a privately owned Massachusetts corporation focused on the development and performance of tests for tick-borne diseases. Additionally, on 12 October 2016, we acquired Immunetics, a Massachusetts based diagnostics company focused on developing specialized tests for infectious diseases, including tick-borne diseases, such as Lyme disease.

Our research and development activities include performing research, development, clinical and regulatory activities and validating improvements to our technology and processes for the purposes of enhancing product performance. Research and development expenses include personnel-related expenses, including share-based compensation, fees for contractual and consulting services, clinical trial costs, travel costs, laboratory supplies, amortisation, depreciation, rent, insurance and repairs and maintenance. We have supported the continued growth of our T-SPOT.*TB* business and expanded the team focused on the development of new products through management of clinical trial programs. In addition, we are expanding our research and development efforts in the United Kingdom and in the United States. We expense all research and development costs as incurred.

Research and development expenses increased in 2016 due to increased salary and other employee related expenses and increased clinical studies costs primarily related to the cost of clinical studies related to our transplant programs.

Sales and marketing expenses

Our sales and marketing expenses include costs associated with our sales organization, including our direct sales force and sales management, and our marketing, customer service and business development personnel. These expenses consist principally of salaries, commissions, bonuses and employee benefits for these personnel, including share-based compensation, as well as travel costs related to sales, marketing, customer service activities, medical education activities and overhead expenses. We expense all sales and marketing costs as incurred.

Sales and marketing spending has increased as we have expanded our sales force, business development activities, geographic presence and marketing and medical education programs to increase awareness and adoption of our current T-SPOT.*TB* and tick-borne disease tests and future products.

General and administrative expenses

Our general and administrative expenses include costs for our executive, accounting and finance, legal, information technology, or IT, and human resources functions. These expenses consist principally of salaries, bonuses and employee benefits for the personnel included in these functions, including share-based compensation and travel costs, professional services fees, such as consulting, audit, tax and legal fees, costs related to our Board of Directors, general corporate costs, overhead expenses, and bad debt expense. We expense all general and administrative expenses as incurred.

Our general and administrative expenses have increased primarily due to higher salary and other employee related expenses and professional fees partially offset by higher non-cash foreign exchange gains. General and administrative expenses for 2016 also included $475,000 in legal and accounting fees related to our 1 July 2016 acquisition of Imugen and $655,000 in legal and accounting fees related to our 12 October 2016 acquisition of Immunetics.

Change in fair value of contingent purchase price consideration

During the fourth quarter of 2016, we made the strategic decision to end our GoutiFind program. GoutiFind was a blood test designed to allow for early diagnosis and better inform therapies by measuring the strength of the underlying uric acid induced inflammation. As a result of this decision, we wrote-off the related liability for contingent purchase price consideration in the amount of $901,000. During the same quarter, we determined that the SpiroFind assay developed using IPR&D from Boulder would not qualify for future milestone payments. Due to this fact, we wrote-off the related contingent purchase price consideration liability of $551,000. The combined credit of $1.5 million was partially offset by a charge of $244,000 related to the change in the fair value of contingent purchase price consideration related to the Boulder and Immunetics acquisitions. The charge of $202,000 in 2015 related to the change in the fair value of contingent purchase price consideration resulting from the acquisition of Boulder in July 2014.

Intangible assets impairment charges

During the fourth quarter of 2016, in conjunction with the strategic decision to end our GoutiFind program, we recorded a non-cash IPR&D impairment charge of $270,000. Also during the fourth quarter of 2016, we recorded a non-cash IPR&D impairment charge of $1.4 million related to an assay for Lyme disease that was acquired in conjunction with the Boulder acquisition, when it was determined that the Boulder IPR&D will not directly yield any products. The charge in 2015 mainly related to the timeline for the development of an assay to inform decisions regarding biologic therapies that was acquired as part of the Boulder acquisition that was changed due to delays in the completion of research studies. Based upon the changed timeline and the resulting impact on fair value, we recorded a non-cash IPR&D impairment charge of $385,000.

Other operating income

Other operating income includes grant income and other miscellaneous income.

Finance costs

Finance costs includes interest expense, net, and foreign exchange gains/(losses). Monetary assets and liabilities that are denominated in foreign currencies are remeasured at the period-end closing rate with resulting unrealized exchange fluctuations. Realized exchange fluctuations result from the settlement of transactions in currencies other than the functional currencies of our businesses. The functional currencies of our businesses are U.S. Dollars, Pounds Sterling, Euros, Yen and the Yuan, depending on the entity.

Results of operations

Comparison of years ended 31 December 2016 and 2015

The following table sets forth, for the periods indicated, the amounts of certain components of our Consolidated Income Statement and the percentage of total turnover represented by these items, showing period-to-period changes:

	Year ended 31 December					
	2016		2015		Change	
	Amount	% of turnover	Amount	% of turnover	Amount	%
	$000s		$000s		$000s	
Turnover						
Product	36,430	42%	30,207	48%	6,223	21%
Service	49,648	58%	32,575	52%	17,073	52%
Turnover	86,078	100%	62,782	100%	23,296	37%
Cost of sales						
Product	13,956	16%	13,297	21%	659	5%
Service	25,516	30%	16,247	26%	9,269	57%
Cost of sales	39,472	46%	29,544	47%	9,928	34%
GROSS PROFIT	46,606	54%	33,238	53%	13,368	40%
Distribution costs	34,964	41%	30,402	48%	4,562	15%
Administrative expenses	36,857	43%	26,471	42%	10,386	39%
Other operating income	(70)	0%	(166)	0%	96	(58)%
Change in fair value of contingent purchase price consideration	(1,208)	(1)%	202	0%	(1,410)	(698)%
Intangible assets impairment charges	1,765	2%	419	1%	1,346	321%
Operating expenses	72,308	84%	57,328	91%	14,980	26%
OPERATING LOSS	(25,702)	(30)%	(24,090)	(38)%	(1,612)	7%
Finance costs	(421)	0%	(242)	0%	(179)	74%
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(26,123)	(30)%	(24,332)	(39)%	(1,791)	7%
Taxation	3,774	4%	(146)	0%	3,920	(2,685)%
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	(22,349)	(26)%	(24,478)	(39)%	2,129	9%

Turnover

Turnover increased by 37% to $86.1 million for the year ended 31 December 2016 compared to $62.8 million for the same period in 2015. This increase in turnover was due to an increase in volumes across all regions where we sell our T-SPOT.*TB* test.

U.S. turnover grew by 58%, to $49.5 million for the year ended 31 December 2016, compared to the same period in 2015, driven by T-SPOT.*TB* test growth of $5.8 million from the addition of new customers and $4.9 million from existing customers. In addition, turnover for the year ended 31 December 2016 included tick-borne and other turnover of $7.4 million.

Asia turnover grew by 22%, to $29.6 million, compared to the same period in 2015, due primarily to an increase in volumes that led to higher turnover in Japan and China. On a constant currency basis, turnover for Asia would have increased by 15%. Europe & ROW turnover decreased by 1%, to $7.0 million, compared to the same period in 2015, due primarily to changes in currency rates. On a constant currency basis, Europe & ROW turnover would have increased by 5% in 2016 compared to 2015.

By turnover type, total turnover was:

	Year ended 31 December		Change	
	2016	2015	Amount	%
	$000s	$000s	$000s	
Turnover				
Product	36,430	30,207	6,223	21%
Service	49,648	32,575	17,073	52%
Total turnover	86,078	62,782	23,296	37%

By indication, total turnover was:

	Year ended 31 December		Change	
	2016	2015	Amount	%
	$000s	$000s	$000s	
Turnover				
Tuberculosis	78,636	62,782	15,854	25%
Tick-borne disease and other	7,442	—	7,442	N/M
Total turnover	86,078	62,782	23,296	37%

By geography, total turnover was:

	Year ended 31 December		Change	
	2016	2015	Amount	%
	$000s	$000s	$000s	
Turnover				
United States	49,462	31,362	18,100	58%
Europe & ROW	6,988	7,067	(79)	(1)%
Asia	29,628	24,353	5,275	22%
Total turnover	86,078	62,782	23,296	37%

Cost of sales and gross margin

Cost of sales increased by 34% to $39.5 million for the year ended 31 December 2016 from $29.5 million in the same period of 2015. This increase in cost of sales was due to the 25% increase in the volume of kits sold and a 33% increase in the volume of TB tests performed by our laboratory in the United States. In addition, U.S. cost of sales for the year ended 31 December 2016 included $4.1 million of cost of sales from testing for tick-borne diseases.

Gross margin for 2016 increased to 54.1% from 52.9% for 2015. The gross margin improvement was attributable to a reduction in material costs per test and efficiency gains from increased volume in our manufacturing operations and service laboratories, partially offset by increased labour costs and lower margin on tick-borne disease testing.

	Year ended 31 December		Change	
	2016	2015	Amount	%
	$000s	$000s	$000s	
Cost of sales				
Product	13,956	13,297	659	5%
Service	25,516	16,247	9,269	57%
Total cost of sales	39,472	29,544	9,928	34%

Distribution costs

Distribution costs, or sales and marketing expenses, increased 15% to $35.0 million for the year ended 31 December 2016 from $30.4 million for the same period in 2015. The increase largely resulted from salary and other employee related expenses, which increased $4.2 million in the year ended 31 December 2016 compared to the same period in 2015. The increase reflects an increase in sales personnel and in personnel-related costs for commissions on increased sales. As a percentage of total turnover, distribution costs decreased to 41% for the year ended 31 December 2016 from 48% for the same period in 2015.

Administrative expenses

Administrative expenses include both research and development and general and administrative expenses.

Research and development expenses increased by 34% to $13.9 million for the year ended 31 December 2016 from $10.4 million for the same period in 2015. Salary and other employee related expenses increased $1.7 million. In addition, clinical studies costs increased $1.5 million in the year ended 31 December 2016 compared to the same period in 2015 and primarily related to the cost of clinical studies related to our transplant programs. As a percentage of total turnover, research and development expenses decreased to 16% for the year ended 31 December 2016 from 17% for the same period in 2015.

General and administrative expenses increased by 43% to $23.0 million for the year ended 31 December 2016 from $16.0 million for the same period in 2015. The increase in general and administrative expenses included increases of $3.6 million in salary and other employee related expenses, $2.5 million in professional fees and $461,000 for improvements in our information technology infrastructure. As a percentage of total turnover, general and administrative expenses increased to 27% for the year ended 31 December 2016 from 26% for the same period in 2015.

Other operating income

Other operating income was $70,000 for the year ended 31 December 2016 as compared to $166,000 for the same period in 2015. The income in both years consisted mainly of grant income.

Change in fair value of contingent purchase price consideration

During the fourth quarter of 2016, we made the strategic decision to end our GoutiFind program. GoutiFind was a blood test designed to allow for early diagnosis and to better inform therapies by measuring the strength of underlying uric acid induced inflammation. As a result of this decision, we wrote-off the related liability for contingent purchase price consideration in the amount of $901,000. During the same quarter, we determined that the SpiroFind assay developed using IPR&D from Boulder would not qualify for future milestone payments. Due to this fact, we wrote-off the related liability for contingent purchase price consideration of $551,000. The combined credit of $1.5 million was partially offset by a charge of $244,000 related to the change in the fair value of contingent purchase price consideration related to the Boulder and Immunetics acquisitions. The charge of $202,000 in 2015 related to the change in the fair value of contingent purchase price consideration resulting from the acquisition of Boulder in July 2014.

Intangible assets impairment charges

During the fourth quarter of 2016, in conjunction with the strategic decision to end our GoutiFind program, we recorded a non-cash IPR&D impairment charge of $270,000. Also during the fourth quarter of 2016, we recorded a non-cash IPR&D impairment charge of $1.4 million related to an assay for Lyme disease that was acquired in conjunction with the Boulder acquisition, when it was determined that the Boulder IPR&D will not directly yield any products. The charge in 2015 mainly related to the timeline for the development of an assay to inform decisions regarding biologic therapies that was acquired as part of the Boulder acquisition that was changed due to delays in the completion of research studies. Based upon the changed timeline and the resulting impact on fair value, we recorded a non-cash IPR&D impairment charge of $385,000.

Finance costs

Finance costs were $421,000 for the year ended 31 December 2016 as compared to $242,000 for the same period in 2015. The increase in 2016 was due to the agreement with MidCap Financial, or the MidCap agreement, which closed on 4 October 2016.

POSITION OF GROUP AT THE YEAR END

Liquidity and capital resources

Sources of funds

Since our inception, we have incurred significant net losses and negative cash flows from operations. For the year ended 31 December 2016 we had a net loss of $22.3 million and used $21.9 million of cash for operating activities. As of 31 December 2016, we had an accumulated deficit of $168.7 million. We incurred a net loss of $24.5 million and used $16.5 million of cash for operating activities for the year ended 31 December 2015.

On 29 January 2015, we entered into an Underwriting Agreement with a group of Underwriters, relating to an Offering of 4,255,319 ordinary shares, nominal value £0.006705, at an Offering Price to the public of $11.75 per Share. The Underwriters agreed to purchase the Shares from us pursuant to the Underwriting Agreement at a price of $11.045 per share. Under the terms of the Underwriting Agreement, we granted the Underwriters a 30-day option to purchase up to an additional 638,297 Option Shares at the Offering Price, less underwriting discounts and commissions. On 30 January 2015, the Underwriters exercised their option to purchase the Option Shares in full. The gross proceeds to us from the sale of the Shares and the Option Shares were approximately $57.5 million and we received net proceeds of approximately $53.8 million after deducting underwriting discounts and commissions and estimated aggregate offering expenses payable by us. The Offering closed on 4 February 2015.

On 4 October 2016, we entered into the MidCap agreement that provides us with $40 million in debt financing, comprised of both a term loan and a revolving line of credit. The MidCap agreement provides us with a term loan of $30 million, which matures five years from closing. The term loan accrues interest at a rate of LIBOR plus 7.60% with interest only payments for the first 24 months, with the ability to extend to 48 months subject to certain conditions, before the loan begins to amortize. The MidCap agreement also provides us with a revolving line of credit of up to $10 million, which matures five years from

closing. The revolving line of credit accrues interest at a rate of LIBOR plus 4.45%. Based on certain conditions, both the term loan and revolving line of credit may be increased by an additional $10 million for a total of $60 million.

Additionally, we maintain a shelf registration statement on Form S-3 with the SEC covering our ordinary shares and other securities, and provides us with the opportunity to raise funding when needed or otherwise considered appropriate at prices and on terms to be determined at the time of any such offerings.

As of 31 December 2016, we had cash at bank and in hand of $59.3 million, which includes restricted cash of $200,000.

Subsequent events

Effective 24 February 2017, the Remuneration Committee of the Board of Directors approved grants to employees for up to 529,096 share options and 94,989 restricted share units from the Oxford Immunotec Global PLC 2013 Share Incentive Plan. These grants were issued to employees in the first quarter of 2017.

Summary of cash flows

Cash flows for the years ended 31 December 2016 and 2015

Operating activities

Net cash used in operating activities was $21.9 million during the year ended 31 December 2016, which included a net loss of $22.3 million and cash used for changes in operating assets less liabilities of $8.2 million, partially offset by net non-cash items of $8.7 million. The cash used for changes in operating assets and liabilities included an increase in accounts receivable, net of $6.5 million, an increase in prepaid expenses and other assets of $2.9 million, a decrease in deferred income of $1.7 million, a decrease in accounts payable of $1.1 million and an increase in inventory, net of $0.7 million, partially offset by a $4.8 million increase in accrued liabilities. The increase in accounts receivable, net reflects growing turnover during the year ended 31 December 2016 due to higher sales volumes, as well as the Imugen and Immunetics acquisitions. The increase in prepaid expenses and other assets largely reflects the timing of certain payments. The decrease in deferred income primarily related to a change in the process used to determine pricing for certain sales to customers in Japan that has resulted in those sales being recorded upon shipment. The decrease in accounts payable was largely due to the timing of payments. The increase in inventory, net was largely due to timing. The increase in accrued liabilities reflects the timing of certain payments. The non-cash items consisted of share-based compensation expense of $5.0 million, depreciation and amortisation expense of $3.1 million, an intangible assets impairment charge of $1.8 million mainly related to IPR&D acquired from Boulder and the change in fair value of contingent purchase price consideration of $244,000. These expenses were partially offset by a $1.5 million write-off of contingent purchase price consideration, which included $901,000 from the strategic decision to end our GoutiFind program and $551,000 from the determination that an assay for Lyme disease that was acquired in conjunction with the Boulder acquisition would not qualify for future milestone payments.

Net cash used in operating activities was $16.5 million during the year ended 31 December 2015, which included a net loss of $24.5 million, non-cash items of $6.3 million and cash provided by changes in operating assets less liabilities of $1.6 million. The non-cash items consisted of share-based compensation expense of $3.5 million, depreciation and amortisation expense of $2.1 million, intangible assets impairment charges of $0.4 million, consisting largely of an IPR&D impairment charge related to the Boulder acquisition, a $0.2 million expense from the change in fair value of contingent purchase price consideration and a $33,000 loss on disposal of property and equipment. The cash provided by changes in operating assets and liabilities included an increase in trade creditors and accrued liabilities of $4.1 million, partially offset by increases in prepaid expenses and other assets, inventory and trade debtors of $0.9 million, $0.9 million and $0.4 million, respectively, as well as a decrease in deferred income of $0.3 million. The increase in trade creditors and accrued liabilities was largely due to the timing of payments. The increase in prepaid expenses and other assets reflected the timing of certain payments and stock increased in anticipation of growing turnover. The increase in trade debtors primarily reflected increased turnover during the year ended 31 December 2015, as well as the timing of receipts. The decrease in deferred income primarily related to a change in the process used to determine pricing for certain sales to customers in Japan that has resulted in those sales being recorded upon shipment.

Investing activities

Net cash used in investing activities was $30.0 million and $3.1 million for the years ended 31 December 2016 and 2015, respectively. The cash used in 2016 consisted largely of a net $27.5 million used to finance the acquisitions of Imugen and Immunetics and $2.4 million used for purchases of property and equipment. The cash used in 2015 consisted largely of $3.4 million used for purchases of property and equipment, partially offset by a $312,000 decrease in restricted cash.

Financing activities

Net cash provided by financing activities was $29.1 million during the year ended 31 December 2016, which mainly reflects the $30.0 million MidCap borrowing, net of related discount and debt issuance costs. Net cash provided by financing activities was $53.7 million during the year ended 31 December 2015 due mainly to net proceeds of approximately $53.8 million received in the offering that closed on 4 February 2015.

Operating and capital expenditure requirements

We have not achieved profitability on a quarterly or annual basis since our inception and we expect to incur net losses in the future. We expect that our operating expenses will increase as we continue to invest to grow our customer base, expand our marketing and distribution channels, hire additional employees and increase product development expenditures. Additionally, as a public company, we incur significant audit, legal and other expenses. We believe that our existing capital resources will be sufficient to fund our operations for the next few years.

Our future capital requirements will depend on many factors, including:

- our ability to continue to penetrate our existing markets and new markets in the United States;
- the costs and timing of further expansion of our sales and marketing efforts;
- our ability to penetrate existing markets outside the United States and enter and develop new geographies;
- the progress that we make in developing new products based on our technology platform;
- the percentage of sales that are reimbursed by payors and our ability to collect our trade debtors;
- our ability to generate cash from operations; and
- the acquisition of businesses or technologies that we may undertake.

KEY PERFORMANCE INDICATORS

The Group's key financial and other performance indicators during the year were as follows:

	2016	2015	Change %
	$000s	$000s	
Turnover	86,078	62,782	37%
Operating loss	(25,702)	(24,090)	7%
Number of employees, at year end	432	278	55%

Turnover increased by 37% to $86.1 million for the year ended 31 December 2016 compared to $62.8 million for the same period in 2015. This increase in turnover was due to an increase in volumes across all regions where we sell our T-SPOT.*TB* test and to the addition of our tick-borne disease tests. U.S. turnover grew by 58%, to $49.5 million for the year ended 31 December 2016, compared to the same period in 2015, driven by T-SPOT.*TB* test growth of $5.8 million from the addition of new customers and $4.9 million from existing customers. In addition, turnover for the year ended 31 December 2016 included tick-borne and other turnover of $7.4 million.

Asia turnover grew by 22%, to $29.6 million, compared to the same period in 2015, due primarily to an increase in volumes that led to higher turnover in Japan and China. On a constant currency basis, turnover for Asia would have increased by 15%. Europe & ROW turnover decreased by 1%, to $7.0 million, compared to the same period in 2015, due primarily to changes in currency rates. On a constant currency basis, Europe & ROW turnover would have increased by 5% in 2016 compared to 2015.

Operating loss for 2016 increased by 7% compared to 2015. See the discussion under "Results of operations" on pages 11 through 14 of this Strategic Report regarding the main drivers to the increases in operating loss for 2016 compared to 2015.

The number of employees at 31 December 2016 has increased by 55% over the number of employees at 31 December 2015 due to the Imugen and Immunetics acquisitions and to growth in our operations.

PRINCIPAL RISKS AND UNCERTAINTIES

Financial

We have a history of losses and anticipate that we will incur continued losses for at least the next few years. We cannot be certain that we will achieve or sustain profitability.

Commercialisation

From a turnover generation perspective, we are heavily dependent on the successful further commercialisation of our T-SPOT.*TB* test and, if we encounter delays or difficulties in the further commercialisation of this product, our business could be harmed. Further, our success depends on continued demand for diagnostic products for tuberculosis. Tuberculosis screening policies could change such that tests are conducted less frequently or in fewer instances. If there are widespread testing policy changes that substantially reduce testing in the markets we serve, our business could be materially and adversely affected.

Sales and Distribution

We face significant challenges and risks in managing our geographically dispersed sales and distribution network and retaining the individuals who make up that network. If a substantial number of our direct sales representatives were to leave us within a short period of time, or if a substantial number of our independent distributors were to cease to do business with us within a short period of time, our sales could be adversely affected.

Customers

Certain of our customers account for a significant portion of our turnover. In the event that any significant customer substantially reduces its purchases of our products, our results of operations could be materially and adversely affected.

Reimbursement and billing

Billing complexities associated with obtaining payment or reimbursement for our tests may negatively affect our turnover, cash flow and profitability. Health insurers and other payors may decide not to cover, or may discontinue reimbursing, our T-SPOT.*TB* test or any other diagnostic tests we may develop in the future, or may provide inadequate reimbursement, which could jeopardize our ability to expand our business.

Suppliers

We depend upon a limited number of suppliers, and certain components of our product may only be available from a sole source or limited number of suppliers. Even if the key components that we source are available from other parties, the time and effort involved in obtaining any necessary regulatory approvals for substitutes could impede our ability to replace such components timely or at all. The loss of a sole or key supplier would impair our ability to deliver products to our customers in a timely manner, adversely affect our sales and operating results and negatively impact our reputation.

Facilities

We currently perform our tests for our service offering exclusively in two laboratories in the United States and one laboratory in the United Kingdom. If these or any future facilities or our equipment were damaged or destroyed, or if we experience a significant disruption in our operations for any reason, our ability to continue to operate our business could be materially harmed. We maintain insurance coverage against damage to our property and equipment and business interruption and research and development restoration expenses to manage this risk.

Regulatory

Our T-SPOT.*TB* test and our tick-borne disease tests, and any new product candidates will be, subject to extensive government regulations related to development, testing, manufacturing and commercialisation in the United States and other countries before we can sell in these markets. The process of obtaining and complying with governmental regulatory approvals and regulations is costly, time consuming, uncertain and subject to unanticipated delays.

In addition, some international jurisdictions, such as China, require periodic recertification. Even if we obtain initial certifications from regulatory bodies, we may lose certification after a periodic review. Failure to maintain requisite certifications from regulatory bodies would adversely affect our ability to generate future turnover and operating income.
If we are unable to comply with the requirements of the CLIA and state laws governing clinical laboratories or if we are required to expend significant additional resources to comply with these requirements, the success of our business could be threatened.

Intellectual property

In developing, manufacturing and using our T-SPOT.*TB* test and our tick-borne disease tests, we employ a variety of proprietary and patented technologies, including technologies we license from third parties. We have licensed, and expect to continue to license, various other technologies and methods. We cannot provide any assurance that the intellectual property rights that we own or license provide protection from competitive threats or that we would prevail in any challenge mounted to our intellectual property rights. In addition, we cannot provide any assurances that we will be successful in obtaining and retaining licenses or proprietary or patented technologies in the future. Further, our products may infringe the intellectual property rights of others and we may be unable to secure necessary licenses to enable us to continue to manufacture or sell our products.

Risks in relation to the use of financial instruments

We are exposed to market risks in the ordinary course of our business. These market risks are principally limited to interest rate fluctuations, capital market fluctuations, foreign currency exchange rate fluctuations, and credit risk, as discussed below.

Interest rate fluctuations

Changes in the general level of U.S. and European interest rates expose the Group to interest rate risk. These changes could affect our interest income and interest expense. However, our cash and cash equivalents are invested in interest-bearing savings and money market accounts and we do not enter into investments for trading or speculative purposes.

We are also exposed to market risk related to fluctuations in interest rates indexed to LIBOR, which determines the variable interest payments made on our loan payable. However, we do not believe we are subject to any material market risk exposure related to this obligation.

Capital market fluctuations

Our cash and cash equivalents are invested in interest-bearing savings and money market accounts. We do not enter into investments for trading or speculative purposes. We do not believe capital market fluctuations would have a material effect on the fair market value of our portfolio.

Foreign currency exchange rate fluctuations

We are exposed to foreign exchange rate risk because we currently operate in three major regions of the world: the United States, Europe & ROW, and Asia, and our turnover is denominated in multiple currencies. Approximately 58% of our sales were in the United States, which are denominated in U.S. Dollars. Sales in China are denominated in U.S. Dollars and sales in Japan are denominated in Yen but, in each case, these sales are made by our United Kingdom-based subsidiary where the Pound Sterling is the functional currency. As a result, these sales are subject to remeasurement into Pounds Sterling and then translation into U.S. Dollars when we consolidate our financial statements. Sales in Europe are denominated primarily in the Pound Sterling and Euro. As we grow Europe & ROW sales outside the United Kingdom and the Euro Zone, we will be subject to exchange rate risk from additional currencies. As a result, our exchange rate exposure may change over time as our business practices evolve and could result in increased costs or reduced turnover and could affect our actual cash flow. Changes in the relative values of currencies occur regularly and, in some instances, may have a significant impact on our operating results. We cannot predict with any certainty changes in currency exchange rates or the degree to which we can effectively mitigate these risks.

Our expenses are generally denominated in the currencies in which our operations are located, which are primarily in the United States, the United Kingdom, Japan, Europe and China.

As we continue to grow our business outside the United States, our results of operations and cash flows will be subject to fluctuations due to changes in foreign currency exchange rates, which could harm our business in the future. To date, we have not entered into any foreign currency hedging contracts, although we may do so in the future.

Credit risk

In the year ended 31 December 2016, the Group had two product customers that represented more than 10% of the Group's annual turnover. The Group's Chinese distributor, Shanghai Fosun Long March Medical Science Co. Ltd. represented 15% of annual turnover and the Group's Japanese importer, Riken Genesis Co., Ltd. represented 14% of annual turnover. Credit risk across the remainder of our customer base is reduced by the large number of customers with relatively small balances.

Our customer base consists of hospitals, public health departments, physician offices, commercial testing laboratories, importers and distributors. To date, we have had minimal experience with bad debts.

Going Concern

Our financial position, including our cash flows and liquidity position, are fully described in the consolidated financial statements. Having reviewed cash flow forecasts for the 12 month period following the date of signing the financial statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational

existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing these financial statements.

OUR MANAGEMENT OF RISK

Our management systems, organizational structures, processes, standards, code of conduct and behaviours together form a system of internal control that governs how we conduct the Group's business and manage associated risks.

Our management is primarily responsible for assessing and managing risk, while our Board of Directors is responsible for overseeing management's execution of its responsibilities. The leadership structure of the Board of Directors separates the positions of CEO and Chairman of the Board, which is believed to be appropriate for the Group at this time because it allows for a division of responsibilities and a sharing of ideas between individuals having different perspectives.

Our Board of Directors is supported by its committees in fulfilment of this responsibility. For example, our Audit Committee focuses on our overall financial risk by evaluating our internal controls and disclosure policies as well as ensuring the integrity of our financial statements and periodic reports. Our Remuneration Committee strives to create incentives that encourage an appropriate level of risk-taking consistent with our business strategy. Our Nominating Committee recommends and nominates suitable candidates for director and oversees management's succession planning. Our Corporate Governance and Compliance Committee ensures that our governance policies and procedures are appropriate.

OUR FOCUS

Our products and research and development activities focus on proprietary tests for the management of under-served immune-regulated conditions. Large populations of patients have immune-regulated conditions that are often chronic conditions requiring active management through monitoring. Testing that allows better categorization of patients and yields insights into the most likely successful treatment path facilitates personalized medicine, directing therapies to patients in whom they are more likely to work and saving healthcare dollars. We view this space as being underserved by traditional diagnostic companies which lack appropriate techniques to prosecute the immune system.

Immune-regulated conditions encompass a broad spectrum. We are focused on four principal areas: infectious diseases, transplantation, autoimmune and inflammatory disease and immune-oncology.

Understanding immune-regulated conditions requires interrogation of the immune system. The human immune system is composed of three principal branches: innate immunity, cellular (T cell) immunity and humoral (B cell and antibody-based) immunity. Through our proprietary T-SPOT technology platform we can efficiently measure marker-specific T cell and innate immune responses at a single cell level and thereby inform the diagnosis, prognosis and monitoring of patients with immune-regulated conditions. We employ a proprietary quantitative method to detect antigen-specific cells releasing immune messenger molecules, called cytokines, released by effector T cells or innate immune cells. In relation to effector T cells, our technology is designed to selectively measure responses from this subtype of T cells because they are primarily present when active, replicating pathogens are inside the body, as opposed to other T cell subtypes that may be present long after an infection has been cleared from the body. For diagnosis and monitoring applications, it is more relevant to be able to measure the immune response associated with the current infection rather than the immune response associated only with past, cleared exposure.

Our T-SPOT technology offers many technical advantages that make it well suited to support our focus on immune-regulated conditions including high analytical sensitivity, application across multiple diseases and conditions and standardization of white blood cell counts, which makes our technology particularly useful in immunocompromised patients, such as those undergoing transplant surgery or treatment for cancer.

We employ other proprietary testing methods in our assays directed to tick-borne diseases that support our differentiated test offerings. Our test methods provide increased insight into antibody responses to tick-borne pathogens, which may help clinicians understand the disease state more completely. Our test kit for Lyme disease employs a patented synthetic peptide derived from a protein that is highly specific for Lyme disease. We also employ proprietary manufacturing processes and protocols designed to cost-effectively and reliably produce key elements of our T-SPOT technology, including the process

for coating microtiter plates with cytokine antibodies, such as IFN-*y* antibodies, and our quality control testing procedures. Further, we have developed proprietary methods designed to achieve rapid throughput in assay performance across all of our product lines. These methods involve specific protocols throughout the assay process and have been developed in our service and research and development laboratories.

BUSINESS MODEL

Under our flexible business model, we currently offer our T-SPOT.*TB* test in either an *in vitro* diagnostic kit or a service format. In the former, we sell test kits and associated accessories to laboratories for them to perform the testing themselves. In the latter, we have established clinical testing laboratories in the United States and the United Kingdom, where we perform our T-SPOT.*TB* test on samples sent to us by customers. In these markets, we have found that many customers prefer to send samples to us rather than perform their own analysis on-site. We market our service offering under the name Oxford Diagnostic Laboratories®, or ODL®.

Our test is widely reimbursed both internationally, with reimbursement established in China, Japan and Germany, and in the U.S., where we have established a unique CPT code for our test. Based upon the combination of public and private payors, we now have over 300 million covered lives in the U.S.

Although primarily designed for use in detecting LTBI, our test can also be used to assist in the diagnosis of active TB disease, particularly in suspected cases where conventional diagnostic methods such as chest x-ray or sputum smear are inconclusive. Because infection is a pre-requisite for disease, ruling out TB infection can aid physicians in diagnosing a different disease or condition. Our test has been included in guidelines in several countries for this purpose, such as those from the Netherlands, France, Ireland and Italy. In addition, U.S. results for 2016 include turnover from operations acquired from Imugen, which is 100% U.S. service turnover, and from Immunetics, which is 100% product turnover.

Our U.K. ODL facility is located in an approximately 2,100 square foot laboratory facility in Abingdon, England. We use DX, which is the same courier used by U.K. National Health Service institutions, as our primary courier in the United Kingdom. Our U.K. lab is accredited to the ISO17025 quality standard.

Our approximately 35,000 square foot U.S. ODL facility is located in Memphis, Tennessee, approximately ten miles from the FedEx global headquarters and sorting facility. We use FedEx as our courier for samples in the United States and have negotiated discounted shipment rates that our customers are able to take advantage of via our pre-paid specialised shipping containers. We believe that our location gives our laboratory the competitive advantage, being able to access almost all parts of the continental United States with a patient-to-lab time of typically less than 20 hours. In addition, we believe it gives us market access and convenience advantages because customers can use our service wherever there is a FedEx pick-up or drop-off location. Further, as we typically receive the majority of our packages from FedEx's sort facility at 4 a.m., Memphis time, each morning we are able to achieve turnaround times that we believe are substantially quicker than other competing laboratories. Our U.S. ODL facility is CAP accredited and has obtained the necessary CLIA registrations to accept samples from all 50 states.

Our second U.S. laboratory is located in Norwood, Massachusetts and performs our tick-borne disease tests. Our current lease for the Norwood laboratory facility covers approximately 22,000 square feet of space.

We also currently lease approximately 14,000 square feet in Boston, Massachusetts, which includes a clinical and research laboratory directed to the development and testing of the products acquired from Immunetics.

ENVIRONMENTAL MATTERS

Our operations require the use of hazardous materials, which, among other matters, subjects us to a variety of federal, state, local and foreign environmental, health and safety laws, regulations and permitting requirements, including those relating to the handling, storage, transportation and disposal of biological and hazardous materials and wastes. The primary hazardous materials we handle or use include human blood samples and solvents. Some of the regulations under the current regulatory structure provide for strict liability, holding a party liable for contamination at currently and formerly owned, leased and operated sites and at third-party sites without regard to fault or negligence. We could be held liable for damages and fines as a result of our, or others', operations or activities should contamination of the environment or individual exposure to hazardous substances occur. We could also be subject to significant fines for failure to comply with applicable environmental, health and safety requirements. We cannot predict how changes in laws or development of new regulations will affect our business operations or the cost of compliance.

GREENHOUSE GAS REPORT

Our greenhouse gas emission estimates for 2016 and 2015 have been prepared in accordance with the U.K. Government's Department for Environment, Food and Rural Affairs (Defra) guidance document Environmental Reporting Guidelines: Including Mandatory GHG emissions reporting guidance from June 2013:

Greenhouse gas emissions for the Group

Source	**Tonnes carbon dioxide equivalent (tCO2-e)**	
	Year ended 31 December	
	2016	**2015**
Estimated greenhouse gas emissions from our own activities, including the combustion of fuel and the operation of our facilities	144	212
Estimated greenhouse gas emissions from purchased electricity, heat, steam or cooling for own use	1,056	822
Total estimated greenhouse gas emissions	**1,200**	**1,034**
Intensity ratio: Total greenhouse gas emissions per $1m turnover	13.94	16.47

Our reporting boundary has been determined using the "Operational Control' approach. Reportable activity data has been captured based on our internal systems. Standard emission factors from Defra's GHG Conversion Factor Repository and U.S. EPA Greenhouse Gas Equivalencies Calculator was applied to estimate emissions.

Electricity usage at our facility in Memphis, USA is our most significant single source of greenhouse gas emissions. Our estimate reflects use of coolant gases for refrigeration purposes, emissions from vehicle use in the UK and emissions attributed to purchased electricity and natural gas. We have included emissions associated with the refrigerant R22 at our Memphis facility. R22 is a hydrochlorofluorocarbon (HCFC), and while a greenhouse gas, is not one of the main six greenhouse gases covered by the Kyoto Protocol. Emissions associated with R22 were 27.91 tCO2-e in 2016.

Some activity data relating to emissions from our reportable activities were not recorded and consequently were unavailable. This includes fuel used for back-up generators at our laboratories. We believe the missing data result only in an immaterial under-estimation of the reported greenhouse gas emissions estimate.

The greenhouse gas estimates for 2016 include reportable emissions from Imugen and Immunetics since their respective dates of acquisition.

EMPLOYEES

As of 31 December 2016, we had 432 employees including our Chief Executive Officer who is also a Statutory Director. None of our employees is represented by a labour union. However, we have one employee in Belgium covered under a collective bargaining agreement. We have not experienced any work stoppages and we believe our employee relations are good.

Meetings are held with employees to discuss the operations and progress of the business and employees are encouraged to become involved in the success of the Group through share option schemes (see Note 20 – Share Based Payments). Board members interact with employees of all Group affiliates and regularly visit the Group's facilities, thereby providing opportunities to engage in meaningful discussions with employees at all levels within the organisation. Our employee bonus schemes, based on the performance of the business, remain in place.

Diversity

Appointments within the Group are made on merit according to the balance of skills and experience offered by prospective candidates. Whilst acknowledging the benefits of diversity, individual appointments are made irrespective of personal characteristics such as race, disability, gender, sexual orientation, religion or age. A breakdown of the employment statistics as at 31 December is as follows:

Position	Male	Female	Total
Group Director (1)	8	1	9
Senior Manager	37	17	54
Other Employees	136	241	377
Total Employees (2)	173	258	431

(1) Includes our Chief Executive Officer
(2) Excludes our Chief Executive Officer

SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

Social Community and Human Rights

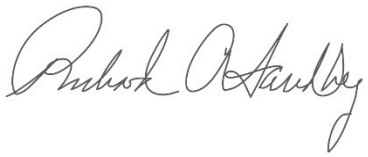
The Group endeavours to impact positively on the communities in which it operates. The Group does not, at present, have a specific policy on human rights. However, we have several policies that promote the principles of human rights. We will respect the human rights of all our employees, including:

- Provision of a safe, clean working environment,
- Ensuring employees are free from discrimination and coercion
- Not using child or forced labour
- Respecting the rights of privacy and protecting access and use of employee personal information.

We also have an equal opportunities policy and a dignity at work policy, both of which promote the right of every employee to be treated with dignity and respect and not to be harassed or bullied on any grounds.

The Strategic Report was approved by the Board on 12 April 2017.

On behalf of the board



Richard A Sandberg
Director
12 April 2017

Directors' Remuneration Report
The information provided in this part of the Directors' Remuneration Report is not subject to audit.

Remuneration Committee Chairman's Annual Statement

Dear Shareholder:

On behalf of the Board of Directors of Oxford Immunotec Global PLC, I am pleased to present the Directors' Remuneration Report. The Directors' Remuneration Report is split into two sections:

- Part I – the Annual Report on Remuneration
- Part II – the new Directors' Remuneration Policy.

Shareholders will be invited to approve the Annual Report on Remuneration (which will be a non-binding advisory vote) at the Annual General Meeting of Shareholders to be held on 6 June 2017 (the "AGM"). Shareholders will also be invited to approve the new Directors' Remuneration Policy (which will be a binding vote) at the AGM.

Period Covered by the Annual Report on Remuneration

The Annual Report on Remuneration that follows is for the full year period of 1 January 2016 through 31 December 2016.

The Remuneration Committee

The Remuneration Committee is responsible for reviewing and establishing our management remuneration policy and philosophy, including determining and approving the remuneration of the chief executive officer and other executives who comprise our senior management team. While the full Board of Directors sets director remuneration, the Remuneration Committee makes recommendations on such matters to the Board of Directors.

Philosophy

We seek to attract and retain outstanding employees, who have the potential to achieve consistently strong results for shareholders, and to attract and retain non-executive directors who can substantially contribute to our success as an innovative diagnostics company operating in a global environment. Given that most of our senior executives and most of our non-executive directors live and work in the United States, and the fact that we are listed on a U.S. stock exchange, we assess the competitiveness of our policies primarily against U.S. benchmarks and practices.

Business strategy during 2016

Our primary goals in 2016 were to grow revenues, improve gross margin and make significant progress in achieving our product development objectives. 2016 was a year of expansion of the Company's product offerings through the acquisition of Imugen, Inc. and Immunetics, Inc. and the strengthening of its financial operations through the debt financing.

The remuneration awarded to our chief executive officer for 2016 reflects his excellent performance that enabled us to exceed our corporate goals. The new remuneration arrangements adopted in 2017 recognise past accomplishments as well as the greater demands placed on our chief executive officer going forward.

New Directors' Remuneration Policy

The current Directors' Remuneration Policy was approved by shareholders at the 2014 Annual General Meeting. The new Directors' Remuneration Policy, contained in Part II of this Directors' Remuneration Report, will (subject to shareholder approval) be applied from the date of the AGM.

The key change to the Directors' Remuneration Policy is to amend the cash compensation provisions to reference market practice. The amended policy also allows the directors flexibility to adjust the types of committees of the Board of Directors to ensure that the Company's needs are met consistent with market practice. The new policy retains non-executive equity awards but allows the Board to adjust the number of awards consistent with market practice.

James R. Tobin
Chairman of the Remuneration Committee
12 April 2017

PART I - ANNUAL REPORT ON REMUNERATION

Certain information provided in this part of the Directors' Remuneration Report is subject to audit.

The following sections are not subject to audit:

- performance graph;
- percentage change in remuneration of director undertaking the role of CEO;
- relative importance of spend on pay;
- statement of implementation of remuneration policy in the current financial year;
- consideration by directors of matters relating to directors remuneration; and
- statement of voting results at the annual general meeting.

The Remuneration Committee presents the Annual Report on Remuneration, which will be put to shareholders for a non-binding vote at the Annual General Meeting to be held on 6 June 2017.

Single Total Figure of Remuneration – Executive Directors

All amounts disclosed in USD

Executive Director Peter Wrighton-Smith(1)	Base Salary ($)	Taxable Benefits ($)	Annual Cash Incentive(2) ($)	Equity-Based Awards(3) ($)	Matching of Voluntary Pension Contributions and other items ($)	Total ($)
2016	370,383	877(4)	295,566(5)	808,525 (6)	19,137 (7)	1,494,488
2015	414,526	898(8)	256,073(9)	600,272(10)	30,291(11)	1,302,060

(1) Remuneration paid to and amounts paid for benefits provided for Dr. Wrighton-Smith is denominated in Pounds Sterling. For purposes of this table, all 2015 amounts have been converted based on the Pound Sterling/U.S. Dollar exchange rate in effect as of 31 December 2015 (£1/$1.48045). 2016 amounts have been converted based on the Pound Sterling/U.S. Dollar exchange rate in effect as of 31 December 2016 (£1/$1.23461).

(2) Amounts recorded here reflect cash received or receivable in the reported year for the achievement of performance measures and targets in the reported year.

(3) Amounts recorded here reflect the cash equivalent of equity awards that have vested in the reported year. Under the Group's Share Incentive Plans, (i) in the case of options awarded before June 2015, the awards vest monthly over a 48 month period and (ii) in the case of options awarded after June 2015, awards vest annually in equal amounts over 4 years. The option awards are not subject to performance requirements. The cash equivalent of option awards is calculated by multiplying the number of options that vested each month by the market value of the Group's shares on the date of vesting or, if vesting occurred on a date when the market was not open, the preceding business day. The cash equivalent of restricted share awards is calculated by multiplying the number of restricted shares which became unrestricted during the year by the market value of the Group's shares on the date the restriction on the shares lifted. The cash equivalent of restricted share units is calculated by multiplying the number of restricted units which vested during the reported year by the market value of the Group's shares on the date the vesting occurred. In both cases, if the date of lapse or vesting occurred on a date when the market was not open, the closing price on the preceding business day was used. None of the restricted share units held by Dr. Wrighton-Smith vested during the reported year.

(4) Taxable benefits provided for Dr. Wrighton-Smith to which the Group contributes include the costs of private health insurance coverage in the amount of $862 and $15 paid to Dr. Wrighton-Smith for making a blood donation for use in the Group's research and development work. The private health insurance coverage and payment for blood donations are available on equal terms to all of the Company's U.K.-based employees.

(5) The annual cash incentive was determined based upon performance in 2016 and paid in 2017.

(6) The amount reported reflects options that vested during the reported year as well as restricted shares on which the restrictions lapsed during the reported year. No portion of Dr. Wrighton-Smith's restricted share units vested during

the reported period. The amount reported was not realized by Dr. Wrighton-Smith in the reported period as the vested options were not exercised during the period.

(7) The amount reported includes a Company match of voluntary retirement plan contributions made by Dr. Wrighton-Smith in the amount of $15,537. See discussion of U.K. Defined Contribution Plan below. The amount reported reflects the £10,000 cap imposed under U.K. law. The amount also includes approximately $3,600 in benefits available to other employees.

(8) Taxable benefits provided for Dr. Wrighton-Smith to which the Group contributes include the costs of private health insurance coverage in the amount of $861 and $37 paid to Dr. Wrighton-Smith for making a blood donation for use in the Group's research and development work.

(9) The annual cash incentive was determined based upon performance in 2015 and paid in 2016.

(10) The amount reported equals the cash equivalent of options that vested during the reported year. No portion of the restricted share awards or restricted share units vested during the reported year. The amount reported was not realized by Dr. Wrighton-Smith in the reported year as the vested options were not exercised during the period.

(11) The amount reported equals 5% of Dr. Wrighton-Smith's base salary for the portion of the year during which the Group was in existence. Five percent was the maximum employer matching contribution to each employee's participation in the basic defined contribution pension scheme. However, Dr. Wrighton-Smith had elected to participate in a voluntary salary exchange scheme which reduced the amount of his base salary from that shown above and resulted in all employer tax and national insurance savings on account of the reduction also being contributed to Dr. Wrighton-Smith's pension account. The effects of the voluntary salary exchange participation are not reflected in the table. The amount also includes approximately $2,000 in benefits available to other employees.

Base Salary

The annual rate of base salary reflected in the table above for 2016 for Dr. Wrighton-Smith became effective on 1 January 2016 and was awarded for his role as the chief executive officer of a public company. Base salary levels are customarily reviewed and, to the extent deemed appropriate, adjusted as of 1 January of each year.

Taxable Benefits

Generally, Dr. Wrighton-Smith participates in the same benefits we offer to all our employees in the United Kingdom, where Dr. Wrighton-Smith resides.

Annual Cash Incentive

For the 2016 year, the target annual cash incentive opportunity for Dr. Wrighton-Smith was based 70% on achievement of corporate objectives and 30% on achievement of individual objectives. The corporate objectives included revenue goals and other financial metrics. For 2016, our corporate goals were achieved at 114%. The individual objectives included targets relative to strengthening our organization, improving our strategic position, completing specific projects and improving the Group's capital position. In early 2017, the Remuneration Committee conducted an assessment of Dr. Wrighton-Smith's performance for the 2016 year, including the extent to which the various goals established for him had been achieved. Based upon his performance, the Remuneration Committee determined that Dr. Wrighton-Smith had accomplished 100% of his individual goals.

The Board of Directors has considered whether it would be in the best interests of the Group and its shareholders to disclose the precise targets agreed for each of the performance measures in 2016 or the weightings given to those targets. As specific corporate objectives for a single year are designed based on the Group's long-term strategies, the Board of Directors concluded that disclosing such targets and weightings for 2016 would necessarily involve divulging competitively sensitive information, even after our financial year results have been published. We believe disclosure would be detrimental to our commercial performance going forward and, therefore, we are providing only the categories of objectives, not the precise targets. Likewise, the Board of Directors concluded that disclosure of the specific individual objectives for the year and the weighting of those objectives would involve the release of competitively sensitive information.

The Committee has established corporate objectives for the 2017 year as well as individual objectives for Dr. Wrighton-Smith for the year. As with the 2016 year, 70% of Dr. Wrighton-Smith's target annual cash incentive opportunity is to be

measured based on attainment of corporate objectives. The corporate objectives include targets for revenues and other financial metrics, together with product development and quality goals. The individual objectives for the year include defined goals for strengthening our organization, improving our strategic position, completing specific projects and expanding the Group's profile and shareholder base in the capital markets.

U.K. Defined Contribution Plan

In the U.K., we maintain a defined contribution plan that provides employees with an opportunity to contribute a portion of their monthly salary into the plan. If an employee elects to participate in the plan, there is a minimum employee contribution of 5% of monthly salary; there is no maximum limit to the employee contribution. The employee contribution to this plan is matched by us up to a maximum of 5% of monthly salary. All U.K. employees are eligible to participate in this plan and will be automatically enrolled onto the plan in the first month of employment. An employee automatically enrolled has the right to opt out of the scheme in the month following automatic enrollment; failure to opt out within this time period will result in the employee remaining in the scheme on a contributory basis for the remainder of employment with the Company.

Employees are able to elect to participate in the scheme on a so-called "salary exchange" pursuant to which employees agree to a reduction in monthly salary in an amount equal to the defined contribution plan election. The amount of the reduction, together with the tax and national insurance savings to the employee and us as a result of the salary reduction, are contributed into the plan in addition to the 5% matching contribution described above.

In 2016, due to a change in the applicable U.K. Law, the maximum contribution available to Dr. Wrighton-Smith as part of the defined contribution plan is £10,000 or $12,346 (using the currency conversation rate of 1£/1.23461).

Single Total Figure on Remuneration – Non-Executive Directors

All amounts paid and disclosed in USD

Non-Executive Director	Basic Retainer	Retainer for Chairman	Retainer for Committee Service	Retainer for Committee Chairperson	Retainer for Secretary to the Board	Total Cash Remuneration	Equity-Based Awards (1)	Total
Richard A. Sandberg, Chairman								
2016	35,000	65,000	—	—	—	100,000	25,159 (2)	125,159
2015	35,000	65,000	—	—	—	100,000	30,505(2)	130,505
Stephen L. Spotts								
2016	35,000	—	12,500	—	—	47,500	9,538 (2)	57,038
2015	35,000	—	12,500	—	—	47,500	19,150 (2)	66,650
Nigel A. Pitchford (3)								
2016	—	—	—	—	—	—	—	—
2015	—	—	—	—	—	—	—	—
Herm Rosenman								
2016	35,000	—	6,250	15,000	—	56,250	— (4)	56,250
2015	35,000	—	6,250	15,000	—	56,250	— (4)	56,250
Patricia Randall								
2016	35,000	—	10,000	—	—	45,000	30,632(2)	75,632
2015	35,000	—	—	—	28,750	63,750	70,869(2)	134,619
James R. Tobin								
2016	35,000	—	5,000	15,000	—	55,000	— (4)	55,000
2015	35,000	—	11,250	—	—	46,250	14,665(5)	60,915
Ronald A. Andrews Jr. (6)								
2016	35,000	—	6,250	—	—	41,250	— (4)	41,250
2015	5,516	—	985	—	—	6,501	— (7)	6,501
A. Scott Walton (8)								
2016	35,000	—	12,500	—	—	47,500	— (4)	47,500
2015	5,516	—	1,182	—	—	6,698	—(7)	6,698
Patrick J. Balthrop, Sr. (9)								
2016	32,308	—	10,865	—	—	43,173	— (4)	43,173
2015	—	—	—	—	—	—	—	—

(1) All equity awards made in 2016 were made pursuant to the Directors' Remuneration Policy approved by the Group's shareholders at the 2014 annual general meeting. Under this policy, directors receive an initial award of 14,914 options which vests in equal parts at the following three annual general meetings of shareholders and an annual award of 7,457 options which vests in full at the following annual general meeting. Equity awards made to non-executive, independent directors during the period of time when the Group was private were made under our 2008 Amended and Restated Share Incentive Plan, with all awards approved by the Remuneration Committee.

(2) The amount recorded includes the cash equivalent of the equity-based awards that have vested in the reported year. The cash equivalent of option awards is the product of number of shares subject to option that vested during the reported year multiplied by the fair market value of the shares as of the date of vesting minus the exercise price of the options, rounded to the nearest dollar. For those option awards that vested monthly the monthly cash equivalents were summed for the reported period. The fair market value of ordinary shares was deemed to be the closing price of our shares as reported by NASDAQ on the vesting date or, if a vesting date occurred on a date when the market was not open, the preceding business day. Those awards vest monthly over a 48-month period. In addition to option awards that vested monthly, the annual option award from the preceding year vested during the reported year. Where the exercise price exceeds the fair market value on the date of vesting, the value of the options is recorded as $0. The amount of remuneration reported in this column was not realized by the director in the reported period because these options were not exercised in that period.

(3) Dr. Pitchford was affiliated with a significant investor and therefore received no remuneration from the Group for his service as a director. He resigned as a director on 9 June 2015.

(4) During the reported year, the director vested to the annual option award from the preceding year and one-third of the initial option award. Because the exercise price of the options exceeded the fair market value on the date of vesting, the value of the options is recorded as $0.

(5) The amount recorded here reflects the cash equivalent of the equity-based awards that have vested in the reported year. The cash equivalent of option awards is the product of the number of shares subject to option that vested during the reported year multiplied by the fair market value of the shares as of the date of vesting minus the exercise price of the options, rounded to the nearest dollar. During the reported year, the director vested to the annual option award from the preceding year and one-third of the initial option award. Because the exercise price of the options exceeded the fair market value on the date of vesting, the value of the options is recorded as $0.

(6) Mr. Andrews was appointed to the Board of Directors on 4 November 2015 and received an initial option award and an annual option award on the date of his appointment.

(7) No portion of the equity award vested during the reported year.

(8) Mr. Walton was appointed to the Board of Directors on 4 November 2015 and received an initial option award and an annual option award on the date of his appointment.

(9) Mr. Balthrop was appointed to the Board of Directors on 29 January 2016 and received an initial option award and a prorated annual option award on the date of his appointment.

Statement of Directors' Shareholdings and Share Interests

The table below shows, for each person who served as a director of the Group during 2016, the total number of shares owned, the total number of share options and the number of share options vested but unexercised, all as of 31 December 2016 (or such earlier date as the director resigned), as well as share options exercised during the year. The table only reflects shares held individually by the director and connected persons, not those held by any investment fund with which the director is affiliated.

Name of Director	Shares Held	Share Options Held	Vested Share Options (1)	Options Exercised
Executive Director				
Peter Wrighton-Smith	390,298(2)	645,022(3)	384,392(4)	29,117(7)
Non-Executive Directors				
Richard A. Sandberg	20,174	39,021	31,564(5)	—
Stephen L. Spotts	—	51,930	44,473(5)	—
Herm Rosenman	—	44,742	37,285(6)	—
Ronald A. Andrews, Jr.	—	29,828	12,428 (6)	—
A. Scott Walton	—	29,828	12,428 (6)	—
Patricia Randall	8,650	74,600	62,171(5)	5,000(8)
James R. Tobin	—	37,285	24,856(6)	—
Patrick Balthrop	—	26,099	8,699(6)	—

(1) Vested Share Options are a subset of Share Options Held.
(2) This amount includes 45,264 restricted share awards.
(3) This amount includes 53,016 restricted share units.
(4) The option awards reported vest (i) monthly from the vesting date over 48 months for those options awarded before 15 June 2015 and (ii) annually on the vesting start date over 4 years for those options awarded after 15 June 2015.
(5) The option awards reported vest (i) monthly from the vesting start date for those options awarded during the period when we were a private company and (ii) for those options awarded since we became a public company, on the day of the annual general meeting of shareholders, which follows the date in which such options were awarded.
(6) The option awards reported vest on the day of the annual general meeting of shareholders.
(7) The option exercises resulted in a gain of $413,631.
(8) The options exercises resulted in a gain of $51,200.

We do not currently have, and during 2016 there was not, a policy requiring our Directors to hold a certain number or value of our shares.

Summary of Equity-Based Awards made during the financial year 2016

The table below presents information on share option awards made to non-executive directors during the year.

Director	Date of Award	Number of Shares Covered	Face Value of Award (1)
Patrick J. Balthrop, Sr.	29 January 2016	14,914(2)	$173,301
Patrick J. Balthrop, Sr	29 January 2016	3,728(3)	$43,319
Ronald A. Andrews, Jr.	28 June 2016	7,457(4)	$64,503
Patrick J. Balthrop, Sr	28 June 2016	7,457(4)	$64,503
Patricia Randall	28 June 2016	7,457(4)	$64,503
Herm Rosenman	28 June 2016	7,457(4)	$64,503
Richard A. Sandberg	28 June 2016	7,457(4)	$64,503
Stephen L. Spotts	28 June 2016	7,457(4)	$64,503
James R. Tobin	28 June 2016	7,457(4)	$64,503
A. Scott Walton	28 June 2016	7,457(4)	$64,503

(1) The face value represents the number of shares covered by the award times the exercise price of the award, which was the fair market value of the shares on the date of grant. No value can be realized unless there is an increase in the value of the shares following the date of the award. Further no value can be realized until the options are vested and exercised.

(2) This award was an initial award made in connection with commencement of service as a director. The award vests in three equal installments on the day of the three annual general meetings of shareholders, following date of grant, subject to continued service.

(3) This award was the first annual award made in connection with commencement of service of a director. The award vested at the 2016 annual general meeting of shareholders.

(4) This award was the annual award made to directors and will vest at the 2017 annual general meeting of shareholders, subject to continued service.

Payments made to past directors

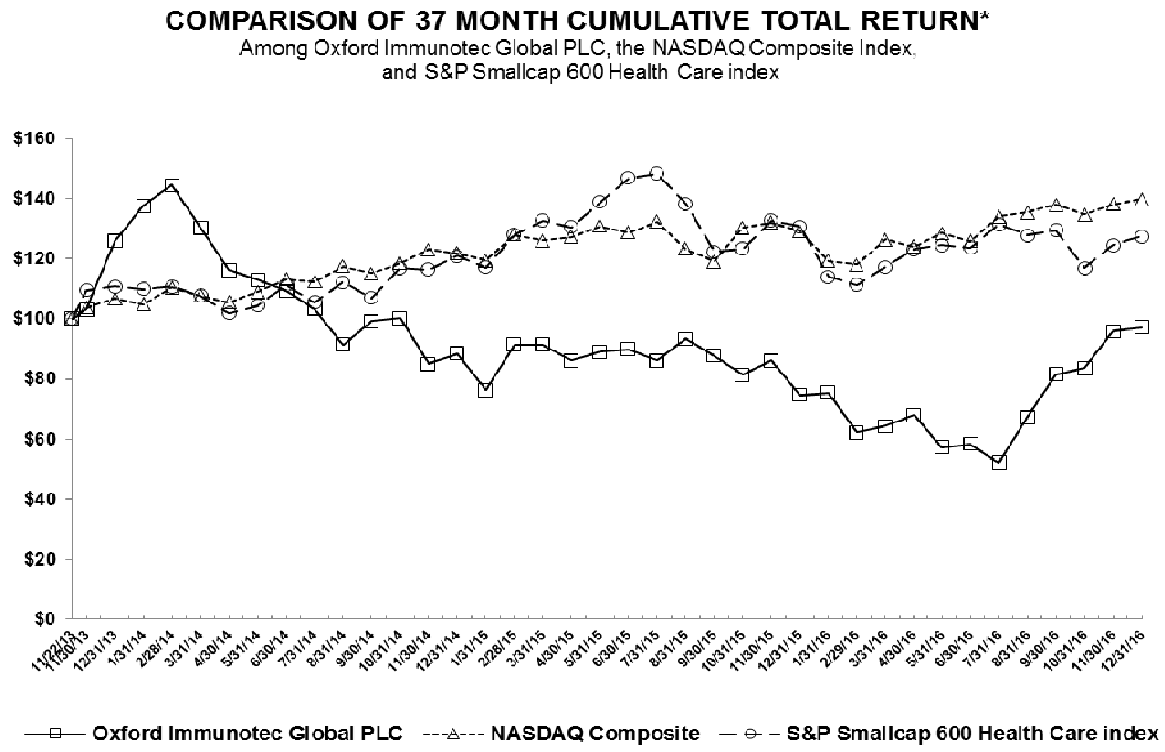
In 2016, we made no payments to former directors of the Group.

Payments for loss of office

In 2016, we made no payments with respect to a director's loss of office.

Performance Graph

Because the Group has only been in existence since 16 August 2013, the Group cannot set forth a performance graph depicting total shareholder return over a five-year period. Set forth below is a graph that compares the cumulative total shareholder return on our ordinary shares with that of the Nasdaq Composite Index and the S & P SmallCap 600® Healthcare Index. The comparison assumes that $100.00 was invested at the close of the market on 22 November 2013 in our ordinary shares or on 31 October 2013 in the Nasdaq Composite Index and the S & P SmallCap 600® Healthcare Index, and assumes reinvestment of dividends, if any. The performance graph is based on historical results and is not intended to suggest future performance.



Percentage Change in Remuneration of Director Undertaking the Role of CEO

Set forth below is a table showing the percentage change in the remuneration of Peter Wrighton-Smith between 2015 and 2016 in comparison to the percentage change in remuneration of the comparator group.

	% Change of CEO Remuneration Against 2016 (1)	% Change of Employee Remuneration Against 2016 (2)
Salary(3)	7.1(3)	9.5
Taxable Benefits	-23.1	-15.7
Annual Bonus(4)	38.4(5)	25.9

(1) CEO remuneration percent change calculations were performed using Pounds Sterling remuneration values.
(2) The employee group used as a comparator comprises all U.S. and U.K. employees who were employed for the full 24 month period ended December 31, 2016. The percent change calculations were performed in local currency, then combined using a weighted average based on number of employees.
(3) Salary includes base salary, back pay, holiday pay, overtime, commissions, and other forms of remuneration exclusive of taxable benefits and annual incentive compensation.
(4) For purposes of this table, annual bonus payments for 2015 included amounts paid in 2016 based upon performance in 2015; likewise, annual bonus payments for 2016 included amounts paid in 2017 based upon performance in 2016.
(5) The percentage increase reflects the improved performance of the Group against its corporate goals in 2016 as opposed to 2015.

Relative Importance of Spend on Pay

The Company sets forth below the relative importance of spend on pay. Given that the Company remains in the early phases of its business life cycle, the comparator chosen to reflect the relative importance of the Company's spend on pay is the operating expense of the Company as determined by combining the distribution costs and administrative expenses shown in the Company's consolidated income statement in its annual statutory report for 2016.

	2015	2016	% change
Remuneration Paid to All Employees	$35,325,000	41,911,000	19
Operating Expense	$57,494,000	72,378,000	26

Statement of Implementation of Remuneration Policy in the Following Financial Year

The Directors' Remuneration Policy as adopted at the 2014 annual general meeting of shareholders was followed for the compensation paid to directors in 2016. In 2017, the Board of Directors approved amendments to the policy and a revised remuneration policy will be submitted to the shareholders at the Meeting. If approved, the Group will adhere to the Directors Remuneration Policy as approved by the shareholders at the Meeting.

Consideration by the Directors of Matters in relation to Directors' Remuneration

During 2016, the Remuneration Committee was comprised of comprised of James R. Tobin, Herm Rosenman, Patrick J. Balthrop, Sr. and Ronald A. Andrews, Jr. Mr. Tobin serves as chair of the committee. Each director will continue to serve until the date of this Annual Report on Remuneration. The charter of the Remuneration Committee is set forth in the Investors - Corporate Governance section on our website at http://investor.oxfordimmunotec.com.

During 2016, the Remuneration Committee retained Radford, an Aon Hewitt company, to provide independent advice and consultation with respect to remuneration arrangements for the executive director, senior management and other employees. Radford is a global remuneration consultant with a well-established reputation for design and implementation of remuneration programs, including the design and implementation of equity-based award programs. In connection with its provision of services, Radford provided data from comparable publicly traded healthcare companies. The amounts paid to Radford in 2016 total $29,520.26.

In addition to Radford, the Remuneration Committee solicited and received input from the Chief Executive Officer concerning the remuneration of senior executives other than the Chief Executive Officer. The Chief Executive Officer provided recommendations with respect to annual cash incentives to be paid to these persons for service in 2016, and with respect to base salaries and equity-based awards to be made to these persons in 2017. Finally, the Chief Executive Officer also provided input to the Remuneration Committee regarding the implementation of equity-based remuneration as an element of all other employees' remuneration.

Statement of Voting at General Meeting

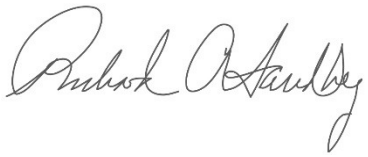
At the 2016 annual general meeting of shareholders, voting results in relation to the director remuneration report was as follows:

Resolution	Votes For	% of Total	Votes Against	% of Total	Votes Abstain	% of Total
Approve Directors' Remuneration Report	14,243,854	99.86	9,256	0.07 (1)	10,405	0.07

(1) Rounded up to 0.07%, so the percentages add to 100%.

Approval

This report was approved by the Board of Directors as of 12 April 2017 and signed on its behalf by:



Richard A. Sandberg
Chairman
12 April 2017

PART II - DIRECTORS' REMUNERATION POLICY

The information provided in this part of the Directors' Remuneration Report is not subject to audit.

The Remuneration Committee presents the Directors' Remuneration Policy, which will be put to shareholders as a binding vote at the Annual General Meeting to be held on 6 June 2017. This policy will then be effective from the date of the annual general meeting for a maximum of three years following the meeting, or until a revised policy is approved by shareholders. Equity awards granted under the previous policy will continue to vest in accordance with the previous policy.

There will continue to be an advisory vote on the Annual Report on Remuneration presented at the Annual General Meeting as part of the Directors' Remuneration Report on an annual basis.

Future Policy Tables

The policy tables set out below describe the Company's proposed Directors' Remuneration Policy and explain how each element of the Policy will operate.

Summary of Remuneration Policy – Executive Directors

As Oxford Immunotec Global PLC is a U.K. incorporated company listed on The NASDAQ Global Market, the Remuneration Committee considers it appropriate to examine and be informed by compensation practices in both the U.K. and U.S., particularly in the matter of equity-based incentives.

The Committee considers that the current remuneration policy is appropriate and fit for purpose, but also recognises that the Company is currently undergoing a period of rapid growth. The Committee is committed to reviewing the remuneration policy on an ongoing basis to ensure that it continues to be effective and competitive.

The remuneration of Dr. Wrighton-Smith, our sole executive director and our chief executive officer, is determined by the Remuneration Committee. The remuneration of other senior executives in the Company, excluding Dr. Wrighton-Smith (the "Senior Executives"), is also determined by the Remuneration Committee.

The following table presents the various elements of remuneration for our executive director. The table refers to the "Executive Directors" because the Remuneration Policy would apply to any other executive directors that may be appointed. The policy principles described below are also used in determining the remuneration of the Senior Executives.

Element of Remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Base salary	Rewards skills and experience and provides the basis for a competitive remuneration package.	Salaries will be reviewed annually by reference to: (i) market practice and market data on which the committee receives independent advice; (ii) the individuals' experience and scope of the role; (iii) broader employee increases and (iv) rates of inflation. Salaries will be benchmarked against comparable roles in a selected peer group of other U.S.-listed companies with similar market capitalisations and/or scale of operational complexity.[3] We typically expect to align salaries with the 50th percentile of peer group comparator data but may vary from this general rule where we consider that special circumstances apply of where recruitment or	We do not believe it is appropriate to impose a maximum level of base salary and we have not done so.	Not applicable.

[3] Since 2013, the Remuneration Committee has retained the independent remuneration consultant, Radford, an Aon Hewitt company, to assist. Radford provided data from comparable publicly traded healthcare companies and otherwise assisted the committee in its design of competitive remuneration for the executive director and Senior Executives. We expect to continue to use remuneration consultants to assist the Remuneration Committee in determining competitive levels of executive remuneration and specific design elements of our remuneration programme.

Element of Remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
		retention of a particular role is required. The committee may also decide to approve future increases following changes to job responsibilities or to reflect experience within the role. Base salary will usually be reviewed annually by the Remuneration Committee and adjusted as of January each year.		
Benefits	Protects against risks and provides other benefits in line with market practice. Benefits are provided without regard to individual or corporate performance.	Our executive director is employed in the United Kingdom and generally receives the same types of benefits afforded to other employees in that jurisdiction. The specific benefits we may offer executive directors in the future will be designed to be competitive with benefits offered to the most senior executives of U.S. public companies or in the other countries where the executive director works.	We do not believe it is appropriate to impose a maximum level of benefits and we have not done so.	Not applicable.

Annual Cash Incentive	Rewards achievement of the near-term business objectives set at the start of each calendar year and reflects individual and team performance of the executive director and other Senior Executives in achieving those objectives, and progress towards achieving our strategic goals.	Objectives are set at the start of each calendar year. Generally, the executive directors' target annual cash incentive will be allocated in part to the achievement of corporate objectives and in part to achievement of individual objectives set by the Remuneration Committee at the beginning of each year. When business opportunities or challenges change substantially during the course of the year, the committee may adjust objectives to meet the changed circumstances and correspondingly realign potential rewards. The target annual cash incentive is generally paid in cash within the first two and one half months following the end of the fiscal year being measured.	Awards will normally be limited to a maximum of 100% of base salary. In exceptional periods, considered to be those years in which achievements lead to a transformational effect on the future prospects of the valuation of the business, the annual maximum may increase up to 150% of base salary. Judgement as to whether achievements in a calendar year are considered to be exceptional is at the discretion of the Remuneration Committee.	The committee retains the ability to set performance objectives annually. These objectives can be group-based and/or individual, financial and/or non-financial, and are likely to include milestones linked to: • successful execution of key elements of pipeline development programmes; • progress with business development activities • the Group's financial position and equity liquidity and valuation. A number of these objectives are considered to be commercially sensitive and are therefore not disclosed here in detail.
Long term equity incentives	Motivates and rewards multi-year performance, encouraging achievement of strategy over the medium to long term goals. Aligns the interests of our executive directors and Senior Executives with those of our shareholders.	Under our 2013 share option scheme, we may grant: • CSOP awards in the United Kingdom, • incentive stock options in the United States • various types	There is no fixed annual maximum limit to the size or value of equity-based compensation awards made in a year to executive directors and Senior Executives, or in the aggregate over a period of years. We seek to establish	Generally, we grant equity-based remuneration awards that vest over time without specific performance targets other than continued service. When making

	Encourages retention as entitlement to full benefits arising from equity-based awards only accrues over a period of years. Enables us to compete with equity-based remuneration offered by a set of comparable companies with whom we may compete for executive talent.	of unapproved awards in numerous jurisdictions • stock appreciation rights • restricted shares • restricted share units, and • awards subject to performance targets. The committee generally grants equity-based remuneration to executive directors and Senior Directors at the time they commence employment and from time to time thereafter based on performance.[4] The Committee is able to grant share options which vest over time. Currently, option awards vest in equal parts beginning on the vesting start date over a period of four years. Our share option awards have exercise prices equal to the fair market value of our shares on the date	equity-based remuneration to be reasonably competitive to that offered by a set of comparable companies with whom we may compete for executive talent.	awards, the Committee considers: the size and value of past awards; the performance of the executive director and Senior Executives; and competitive data on awards made to executives at comparable companies. Subject to the terms of the plan, the Board may choose, at its discretion, to accelerate vesting of options including in connection with a change of control event or when an executive director's service is terminated on account of disability or death. See policy on payment for loss of office.

[4] We believe the use of time-based vesting for share option awards is consistent with U.S. practice, to which we look for guidance on our policies. We examine, with assistance from our independent remuneration consultant, comparative data on both a (i) fair market value basis and (ii) percentage of salary basis. The Committee uses a blend of the two methods to establish appropriate levels of equity-based remuneration for the executive director and Senior Executives.

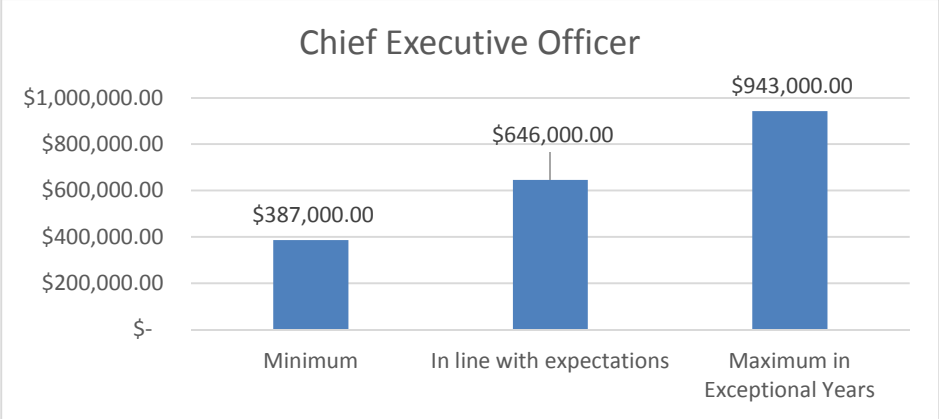
		of grant.		

Illustration of the Application of the Remuneration Policy to Executive Director Remuneration

The following table provides an illustration of the potential remuneration for the year ended 31 December 2017 for the executive director, computed in accordance with the remuneration policy outlined above and by applying the following assumptions:

Minimum	The current base salary for the Director is assumed to be base salary throughout the financial year ending 31 December 2016. The value of benefits receivable for the financial year ending 31 December 2016 is assumed to be equal to 10,000 GBP, which is the maximum a contribution under U.K. law for Dr. Wrighton-Smith, and the same rate of contribution for private health insurance as for 2016. For purposes of this chart, all amounts were converted from Pound Sterling to U.S. Dollar at the rate of £1/$1.23461. No bonus is assumed for the executive director.
In line with Expectations	The same components for base salary and benefits as reflected for the minimum above. The on-target level of bonus for 2017 of 70% of base salary.
Maximum in Exceptional Year	The same components for base salary and benefits as reflected for the minimum above. The on-target level of bonus for an exceptional year of 150% of base salary.

The bar chart below does not include any value for equity-based award remuneration. We do not believe it is possible to reasonably quantify the value that might result from outstanding options and other equity-based awards, including those granted in 2017.



Forfeiture and Clawback arrangements

The Remuneration Committee has the authority to cancel any equity-based award if the recipient breaches certain agreements, including those related to confidentiality, non-competition and non-solicitation. In addition, all incentive remuneration that is paid to executive officers, including the executive director, is subject to recoupment if we are required to prepare an accounting restatement within the three year period following the officer's receipt of the incentive-based remuneration. This clawback may not apply for CSOP awards that are made on a form prescribed by HMRC.

Service contracts

We employ our executive director on a service contract providing for termination, other than for cause, upon 12 months' advance notice by either the Company or the executive director. The executive director is required to resign his position as a director if the Board requires a resignation in conjunction with the end of the employment relationship. We expect service contracts with future executive directors will have comparable provisions.

On termination of the service contract without cause, we have the right to require the executive director to take garden leave for all or part of the notice period (the remaining term of the contract) and we have the right to pay salary and benefits in lieu of notice. During the period of any garden leave, the executive director will continue to receive his full salary and benefits, but would not be entitled to any portion of his target annual cash incentive. If the executive director is unable to continue to perform his duties by reason of illness, injury or otherwise for a period of 120 days in a 12 month period, or such longer period as may be set by us, we may terminate his service for cause. In the event of termination of the executive director for cause, we are not obligated to make any payment in lieu of notice. The committee may, however, exercise discretion with respect to remuneration arrangements in the event of termination as a result of illness, injury or similar incapacity or in order to resolve disputes relating to remuneration entitlement. Our non-executive directors serve under a letter of appointment, see *Letters of Appointment* on page 46.

Policy on payment for loss of office

Our policy regarding termination payments to a departing executive director is generally to limit severance payments to pre-established contractual arrangements or statutory requirements. In the event that the employment of an executive director is terminated, any remuneration payable will be determined in accordance with the terms of the service contract with the executive director, the rules of any incentive plans in which the executive director participates and applicable statutory requirements in the jurisdiction in which the executive director is employed.

We expect that all employment arrangements for any executive director will include a notice provision and continuing payment obligations for not more than a period of one year following our termination of an executive director without cause. Payment obligations could include base salary, benefits, and all or some portion of target annual cash remuneration.

The terms of existing equity-based remuneration awards made to our executive director under the amended and restated 2008 share incentive plan provide for a full acceleration of all outstanding options in the event of a change of control event. For equity-based option awards made under our 2013 share incentive plan, the executive director is entitled to full acceleration of an award in the event of a change of control, so long as executive directors' employment relationship with the company is terminated. For restricted share awards, the executive director and other officers will get the benefit of an accelerated lapse of those restrictions that would, in the absence of a change of control, have lapsed during the next 24 months. We intend to consider whether the executive director should be treated differently than all other officers under our equity-based awards in the event his employment is terminated as a result of disability or death and we may implement changes to existing equity-based awards or to future equity-based awards.

We will comply with applicable disclosure and reporting requirements of the Securities and Exchange Commission with respect to remuneration arrangements with a departing executive director.

For non-executive directors, our policy is to not make termination payments to a departing non-executive director.

Policy on recruitment arrangements

Our policy on the recruitment of new executive directors is to pay a fair remuneration package for the role being undertaken and the experience of the individual to be appointed. We expect remuneration packages will include base salary, targeted level of annual cash incentive, initial and ongoing equity-based awards, standard benefits and special provisions tailored to the recruiting situation, such as

- sign-on bonus;
- real estate commissions, legal fees and other charges incurred in selling an existing residence;
- legal fees, inspection charges, title insurance, up-front mortgage charges and other charges incurred in connection with the purchase of a new residence;
- moving expenses;
- reimbursement for the tax burden associated with the sale of a residence;
- house-hunting trips for the new executive director and spouse, if applicable;
- costs of commuting to a new work location;
- local housing costs;
- tax gross-up for special benefits;
- an allowance for personal financial planning expenses;
- pension enhancements;
- children's educational expenses;
- employment search assistance for relocating spouses; and
- make-whole awards for remuneration forfeited from a prior employer (whether on account of cash bonuses, share awards, pension benefits or other forfeited items).

The committee retains the discretion to provide additional benefits, including those of a type not listed above, where necessary or useful to recruit new executive directors or to secure the ongoing service of existing executive directors.

If we appoint an existing employee as an executive director of the Company, we would expect to retain legacy obligations to the employee with respect to remuneration, such as outstanding share awards. Should these differ materially from current arrangements, these will be disclosed in the next implementation report following such appointment. We will also disclose appropriate remuneration details for a new executive director in accordance with reporting requirements of the Securities and Exchange Commission.

For non-executive directors, the remuneration package available is as set forth below.

Non-Executive Directors

We pay remuneration for service as a non-executive director only to directors who are not affiliated with major investor in the Company. Since 2015, no non-executive directors have been affiliated with a major investor in the Company.

The following table and accompanying notes explain the different elements of remuneration we pay to our unaffiliated non-executive directors.[5] No element of non-executive director remuneration is subject to performance standards other than continued service.

Element of Remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Non-executive director fees	Reflects time commitments and responsibilities of each role.	The remuneration of the non-executive directors is determined by the Board as a whole by reference to market practice and market data, on which the Board receives independent advice, and reflects individual experience, scope of the role, time commitment and changes to responsibilities. Fees will typically consist of a basic fee for non-executive director responsibilities plus incremental fees for additional roles/responsibilities such as chairmanship of the Board and member of and/or chairmanship of Board committees. The non-executive directors do not receive any pension from the Company, nor do they participate in any performance-based incentive plans.	There is no prescribed maximum but the levels will reflect the prevailing market price.	Not applicable.
Long term equity incentives	For public companies listed in the United States, equity-based remuneration is a standard component of Director remuneration. We extend equity-	Non-executive directors participate in the Group's long term incentive plans on terms similar to those used for executive directors. Each non-executive director	Not applicable. The option awards will be determined by the Board as a whole working within benchmarking guidelines provided	Not applicable.

[5] With assistance from our independent remuneration consultant we have implemented remuneration practices for our non-executive directors that are comparable to our market peers.

	based awards to our non-executive directors in order to be competitive with comparable companies seeking qualified directors and to align the interests of our non-executive directors with those of our shareholders.	receives an initial option award upon appointment or election as a non-executive director. The award is made once per director and vests in equal amounts over three years with the vesting occurring on the date of the annual general meeting of shareholders. Each non-executive director also receives an annual award of options on the date of the annual general meeting of shareholders. The annual awards vest in full at the following annual general meeting of shareholders. Non-executive directors do not receive restricted shares or restricted share unit awards. If a director is initially appointed within six months of an upcoming annual general meeting of shareholders, the size of the first annual award is adjusted by 50% of the full annual award. All option awards are made with an exercise price equal to the fair market value on the date of grant.	by our compensation consultants. Expected values are calculated in accordance with generally accepted methodologies based on Black-Scholes models.	

L*etters of appointment*

The Chairman and all other non-executive directors have letters of appointment which set out the terms under which they provide their services to the Company. The appointment of non-executive directors ends at the annual general meeting when their elected term expires. The appointment is not subject to a notice period, nor is there any remuneration payable on loss of office when, for example, a director is not reelected at an annual general meeting of shareholders.

Policy on shareholding requirements

We do not currently have a policy requiring our Directors to hold a certain number or value of our shares.

Statement of consideration of employment conditions elsewhere in the Group

All our employees are paid a base salary and receive standard employee benefits, which vary by the geographic locale of their employment. Members of our sales staff have the opportunity to earn commissions and other economic rewards based on their level of sales achieved, an element of remuneration in which our executive director does not participate. Like our executive director, other senior employees are eligible for target annual cash incentives based on achievement of our corporate objectives for the year as well as their own individual objectives. The percentage of base salary for an individual's target annual cash incentive is lower for employees who are not Senior Executives. All employees are eligible to be considered for an annual increase in their base salaries, provided they have worked for a sufficient portion of the prior fiscal year. Senior

employees are eligible for consideration for equity-based remuneration awards. Eligibility is dependent on the employee's position and performance.

No specific consultation with employees has been undertaken relating to remuneration of Directors. In setting employee compensation and benefits, we review publicly available compensation and benefits information of comparable companies in similar geographies.

Statement of consideration of shareholder views

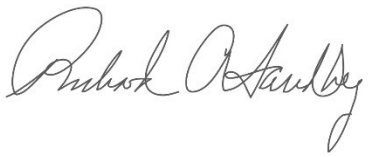
This Policy for remuneration of both executive directors and non-executive directors was devised by a Remuneration Committee of which all are non-executive directors. The Policy was also approved by the full Board.

Changes to Remuneration Policy

It is anticipated that this policy will apply until the Annual General Meeting in 2020 or until a revised policy is approved by shareholders.

Approval

This report was approved by the Board of Directors on 12 April 2017 and signed on its behalf by:



Richard A Sandberg
Chairman
12 April

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law, the Directors have elected to prepare Group financial statements under accounting principles generally accepted in the United States of America (U.S. GAAP) and have elected to prepare the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

Under company law the Directors must not approve the Group or parent company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group for that period.

In preparing the financial statements, the Directors are required to:

- Present fairly the financial position, financial performance and cash flows;
- Select suitable accounting policies and then apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Make judgements and accounting estimates that are reasonable and prudent;
- Provide additional disclosures when compliance with the specific requirements in U.S. GAAP is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- State whether the Group financial statements have been prepared in accordance with U.S. GAAP subject to any material departures disclosed and explained in the financial statements;
- State whether the parent company accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the Companies Act 2006, 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 in the Group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent 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 Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Directors', Strategic, and Remuneration Reports in accordance with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the U.K. governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD IMMUNOTEC GLOBAL PLC

We have audited the group financial statements of Oxford Immunotec Global PLC for the year ended 31 December 2016 which comprise the Consolidated Income Statement, the Consolidated Statement of Total Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and accounting principles generally accepted in the United States of America (U.S.GAAP).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 48, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (U.K. and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2016 and of its loss for the period then ended;
- have been properly prepared in accordance with accounting principles generally accepted in the United States of America (U.S.GAAP); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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 the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

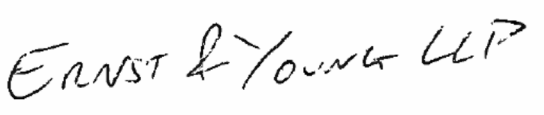
In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where 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
- 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.

Other matter

We have reported separately on the parent company financial statements of Oxford Immunotec Global PLC for the year ended 31 December 2016 and on the information in the Directors' Remuneration Report that is described as having been audited.



Marcus Butler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
12 April *2017*

Notes:

1. The maintenance and integrity of the Oxford Immunotec Global PLC web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

OXFORD IMMUNOTEC GLOBAL PLC
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2016

	Notes	2016	2015
		$000	$000
Product		36,430	30,207
Service		49,648	32,575
TURNOVER	2	86,078	62,782
Product		13,956	13,297
Service		25,516	16,247
Cost of sales		(39,472)	(29,544)
GROSS PROFIT		46,606	33,238
Distribution costs		34,964	30,402
Administrative expenses		36,857	26,471
Other operating income		(70)	(166)
Change in fair value of contingent purchase price consideration		(1,208)	202
Intangible assets impairment charges		1,765	419
Operating expenses		(72,308)	(57,328)
OPERATING LOSS	4	(25,702)	(24,090)
Finance costs	3	(421)	(242)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(26,123)	(24,332)
Taxation	7	3,774	(146)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(22,349)	(24,478)
Net loss per share:			
Basic		(1.00)	(1.12)
Diluted		(1.00)	(1.12)
Weighted-average shares used to compute net loss attributable to ordinary shareholders, basic and diluted		22,353,713	21,781,933

OXFORD IMMUNOTEC GLOBAL PLC
CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
For the year ended 31 December 2016

	2016	2015
	$000	$000
Loss for the year	(22,349)	(24,478)
Other comprehensive loss, net of taxes:		
Items which may subsequently be reclassified into profit or loss:		
Foreign currency translation adjustment, net of taxes	(2,474)	(707)
Total comprehensive loss	(24,823)	(25,185)

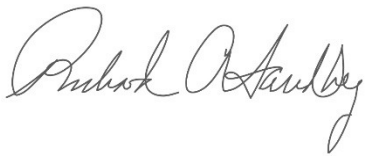
OXFORD IMMUNOTEC GLOBAL PLC
CONSOLIDATED BALANCE SHEET
At 31 December 2016

	Notes	2016	2015
		$000	$000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	8	3,822	45
Other intangible assets	8	27,187	1,961
Deferred tax assets	7	2,630	—
Tangible fixed assets	9	7,793	6,284
Other non-current assets	11	178	—
		41,610	8,290
CURRENT ASSETS			
Stocks	10	7,437	7,099
Current asset investments		—	18
Trade debtors	14	13,265	7,058
Prepaid expenses and other receivables		2,390	3,592
Debtors		15,655	10,650
Cash at bank and in hand (including restricted cash of 200)	12	59,310	83,795
		82,402	101,562
TOTAL ASSETS		124,012	109,852
LIABILITIES			
CURRENT LIABILITIES			
Trade and other creditors	15	17,483	13,748
Contingent purchase price consideration	13	882	—
Current portion of loans payable		84	79
Deferred turnover		41	1,654
Creditors: amounts falling due within one year		(18,490)	(15,481)
NET CURRENT ASSETS		63,912	86,081
TOTAL ASSETS LESS CURRENT LIABILITIES		105,522	94,371
NON-CURRENT LIABILITIES			
Long-term portion of loans payable	16	29,601	386
Contingent purchase price consideration	13	2,593	1,293
Other liabilities	24	364	—
Creditors: amounts falling due in more than one year	16	(32,558)	(1,679)
TOTAL LIABILITIES		51,048	17,160
NET ASSETS		72,964	92,692

OXFORD IMMUNOTEC GLOBAL PLC
CONSOLIDATED BALANCE SHEET (CONTINUED)
At 31 December 2016

	Notes	2016	2015
		$000	$000
EQUITY			
Share capital	18	243	243
Share premium		249,128	244,033
Accumulated deficit		(168,656)	(146,307)
Accumulated other comprehensive loss		(7,751)	(5,277)
Retained earnings	19	(176,407)	(151,584)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		72,964	92,692
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		124,012	109,852

The financial statements on pages 51 to 92 were approved by the Board of Directors and authorised for issue on 12 April 2017 and are signed on its behalf by:



Richard A Sandberg
Director
12 April 2017

OXFORD IMMUNOTEC GLOBAL PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Share capital	Share premium	Retained earnings	Total
	$000	$000	$000	$000
BALANCE AT 31 DECEMBER 2014	192	186,816	(126,399)	60,609
Exercise of share options	1	19	—	20
Share-based payment	—	3,485	—	3,485
Other comprehensive loss	—	—	(707)	(707)
Loss for the period	—	—	(24,478)	(24,478)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	1	3,504	(25,185)	(21,680)
Transactions with owners in their capacity as owners:				
Issuance of shares in secondary offering	50	53,713	—	53,763
TOTAL TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS	50	53,713	—	53,763
BALANCE AT 31 DECEMBER 2015	243	244,033	(151,584)	92,692
Exercise of share options	—	76	—	76
Share-based payment	—	5,019	—	5,019
Other comprehensive loss	—	—	(2,474)	(2,474)
Loss for the period	—	—	(22,349)	(22,349)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	—	5,095	(24,823)	(19,728)
Transactions with owners in their capacity as owners:				
Issuance of shares in secondary offering	—	—	—	—
TOTAL TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS	—	—	—	—
BALANCE AT 31 DECEMBER 2016	243	249,128	(176,407)	72,964

OXFORD IMMUNOTEC GLOBAL PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	2016	2015
	$000	$000
OPERATING ACTIVITIES		
Net loss	(22,349)	(24,478)
Adjustments for:		
Depreciation and amortisation	3,050	2,142
Amortization of loan fees	44	—
Intangible assets impairment charges	1,765	419
Share-based compensation expense	5,019	3,485
Change in fair value of contingent purchase price consideration	244	202
Write-off of contingent purchase price consideration	(1,452)	—
Loss on disposal of property and equipment	—	33
Operating cash flows before movement in working capital	(13,679)	(18,197)
Trade debtors, net	(6,515)	(416)
Stocks	(741)	(893)
Prepaid expenses and other assets	(2,926)	(898)
Trade creditors	(1,145)	1,363
Accrued liabilities	4,753	2,742
Deferred income	(1,668)	(250)
Net cash used in operating activities	(21,921)	(16,549)
INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(2,383)	(3,425)
Purchase of intangible fixed assets	—	(43)
Cash paid for acquisition, net of cash acquired	(27,515)	—
Proceeds on sales of property and equipment	—	34
Change in restricted cash	(120)	312
Net cash used in investing activities	(30,018)	(3,122)
FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	—	53,763
Proceeds from exercise of share options	76	20
Proceeds from term loan, net	29,457	—
Discount on the line of credit	(50)	—
Debt issuance costs	(289)	—
Payments on loan	(80)	(122)
Net cash generated from (used in) financing activities	29,114	53,661
	(22,825)	33,990
Effect of exchange rate changes on cash at bank and in hand	(1,780)	(440)
NET INCREASE IN CASH AT BANK AND IN HAND	(24,605)	33,550
CASH AT BANK AND IN HAND AT BEGINNING OF YEAR (excluding restricted cash)	83,715	50,165
CASH AT BANK AND IN HAND AT END OF YEAR (excluding restricted cash)	59,110	83,715
Supplemental disclosures		
Cash paid for interest	450	41
Cash paid for taxes	141	50

BASIS OF PRESENTATION, ACCOUNTING PRINCIPLES AND PRINCIPLES OF CONSOLIDATION

On 2 October 2013, the Group completed a Scheme of Arrangement under the laws of England and Wales, or the Scheme of Arrangement, which was approved by the High Court of Justice in England and Wales. All holders of ordinary shares, preferred ordinary shares, options and warrants exchanged their interests in Oxford Immunotec Limited for identical interests in Oxford Immunotec Global PLC. As a result of this exchange, Oxford Immunotec Global PLC is the parent company of Oxford Immunotec Limited.

On 31 July 2014, the Group acquired substantially all of the assets of Boulder Diagnostics, Inc. (Boulder), a privately owned company developing immunology-based assays for autoimmune and inflammatory conditions/diseases. The assets acquired primarily relate to assays for Lyme disease and gout and an assay to inform decisions regarding biologic therapies.

On 1 July 2016, the Group acquired substantially all of the assets of Imugen, a privately owned Massachusetts corporation specializing in developing and commercializing proprietary tests for tick-borne diseases, including Lyme disease.

On 12 October 2016, the Group acquired Immunetics, a privately owned Massachusetts corporation focused on developing specialized tests for infectious diseases, including tick-borne diseases, such as Lyme disease.

The Directors have elected to prepare consolidated financial statements in accordance with accounting principles generally acceptable in the United States of America (U.S. GAAP) as permitted by Statutory Instrument 2015 No. 1675 *The Accounting Standards (Prescribed Bodies) (United States of America and Japan) Regulations 2015* (SI 2015 No 1675). The Directors' Report and consolidated financial statements are also prepared in accordance with the Companies Act 2006.

The accompanying consolidated financial statements have been prepared in conformity with U.S. GAAP, and include the financial statements of Oxford Immunotec Global PLC, a company incorporated in England and Wales and its wholly-owned subsidiaries, collectively referred to as the Group. All intercompany accounts and transactions have been eliminated upon consolidation.

The consolidated financial statements have been prepared for purposes of satisfying Companies Act 2006 requirements for entities domiciled in the U.K. The basis of preparation for these consolidated financial statements is U.S. GAAP to the extent that the use of those principles does not contravene any provisions of the Companies Act 2006 or any regulations made there under as permitted by SI 2015 No 1675. The Group has mirrored the consolidated financial statements and Notes thereto to the Form 10-K filed with SEC on 28 February 2017 to the extent that the consolidated financial statements and Notes thereto contained in the Form 10-K do not contravene any provisions of the Companies Act 2006 or any regulations made there under as permitted by SI 2015 No 1675. Certain items contained in the Form 10-K for which there are SEC requirements and have no comparable requirement under the Companies Act 2006 have been removed.

The consolidated financial statements include the accounts of Oxford Immunotec Global PLC and all controlled subsidiaries. All material intercompany accounts and transactions have been eliminated. The consolidated financial statements as of 31 December 2016 and for the year ended 31 December 2016, include, in the opinion of management, all adjustments (consisting of normal recurring adjustments and reclassifications) necessary to present fairly the Group's consolidated balance sheet, income statement and cash flows for all periods presented. The consolidated financial statements and the majority of the information in the Notes thereto have been reconciled to the Group's Annual Report on Form 10-K for the fiscal year ended 31 December 2016 filed with the U.S. Securities and Exchange Commission on 28 February 2017.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and that affect the reported amounts of turnover and expenditures during the reporting periods. Actual results could differ from those estimates and assumptions used.

FOREIGN CURRENCY TRANSLATION

The financial statements have been prepared in the functional currency for Oxford Immunotec Global PLC which is the U.S. Dollar. The functional currency for the Group's operating subsidiaries are the Pound Sterling for Oxford Immunotec Limited, the U.S. Dollar for Oxford Immunotec Inc., the Yen for Oxford Immunotec K.K., the Yuan for Oxford Immunotec (Shanghai) Medical Device Co. Ltd., the Euro for Boulder Diagnostics Europe GmbH and the Hong Kong Dollar for Oxford Immunotec Asia Limited. Turnover and expenses of foreign operations are translated into U.S. Dollars at the average rates of exchange during the year. Assets and liabilities of foreign operations are translated into U.S. Dollars at year-end rates. The Group reflects resulting translation gains or losses in accumulated other comprehensive income, which is a component of shareholders' equity.

Cash-related foreign currency transaction gains or losses, arising from exchange rate fluctuations on balances denominated in currencies other than the functional currencies, are included in "Interest payable and similar charges" in the consolidated statements of operations. Non-cash foreign currency transaction gains or losses are included in "Administrative expenses" in the consolidated statements of operations.

The Pound Sterling exchange rate at 31 December 2016 was $1.23461/£.

TURNOVER RECOGNITION

The Group derives product turnover from the sale of its T-SPOT.*TB* diagnostic test kits and related accessories to a broad range of customers including hospitals, public health departments, commercial testing laboratories, importers and distributors.

Product turnover is generally paid directly by the customer and is recognised on an accrual basis when the following turnover recognition criteria are met: (1) persuasive evidence that an arrangement exists; (2) the product has been shipped or delivered in accordance with the shipping terms of the arrangement; (3) the price is fixed or determinable and known at time of shipment; and (4) collectability is reasonably assured.

No product return rights are extended to customers of the Group.

The Group derives service turnover from its diagnostic laboratories in the United States, which perform the TSPOT.*TB* test and tick-borne disease tests, and in the United Kingdom where the Group performs its T-SPOT.*TB* test on samples sent by customers to its laboratory facilities.

Service turnover in the United Kingdom and turnover from direct bill customers in the United States are recognised on an accrual basis when the following turnover recognition criteria are met: (1) persuasive evidence that an arrangement exists; (2) when the diagnostic result has been delivered; (3) the price is fixed or determinable; and (4) collectability is reasonably assured. This service turnover is referred to as "direct-bill" sales because the Group receives payment directly from the ordering entity.

TURNOVER RECOGNITION (CONTINUED)

In the United States, the Group also generates turnover from payments that are received from a variety of third-party payers, including government programs (Medicare and Medicaid) and commercial insurance companies, each with different billing requirements. Turnover from tests paid by third-party payers is recognised on an accrual basis based on the Group's historical collection experience. In certain instances, turnover is recognised on a cash basis when there is insufficient historical collection experience.

Taxes assessed by governmental authorities on turnover, including sales and value added taxes, are recorded on a net basis (excluded from turnover) in the consolidated income statement.

COST OF SALES

Cost of product sales consists primarily of costs incurred in the production process, including costs of raw materials and components, assembly labour and overhead, quality costs, royalties paid under licensing agreements, the U.S. medical device excise tax and packaging and delivery costs.

Cost of service sales consists primarily of costs incurred in the operation of the Group's diagnostic laboratories including labour and overhead, kit costs, quality costs, consumables used in the testing process and packaging and delivery costs.

SHIPPING AND HANDLING

The Group does not normally bill its service customers for shipping and handling charges. Charges relating to inbound and outbound freight costs are incurred by the Group and recorded within cost of service sales.

The Group generally bills product customers for shipping and handling and records the customer payments as product turnover. The associated costs are recorded as cost of product sales.

CASH AND CASH EQUIVALENTS

The Group considers all highly liquid investments purchased with maturities at acquisition of three months or less to be cash equivalents. The Group maintains its available cash balances in cash, money market funds primarily invested in U.S. government securities, and bank savings accounts in the United States, United Kingdom, Germany, Japan and Hong Kong. The Group maintains deposits in government insured financial institutions in excess of government insured limits. Management believes that the Group is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

RESTRICTED CASH

As of 31 December 2016 and 2015, the Group had restricted cash in the amount of $0.2 million and less than $0.1 million, respectively, pledged as collateral for procurement cards issued by a U.S. commercial bank.

DEBTORS

Trade debtors are primarily amounts due from hospitals, public health departments, commercial testing laboratories, distributors and universities in addition to third-party payers such as commercial insurance companies and government programs (Medicare and Medicaid).

Trade debtors are reported net of a provision for uncollectible accounts. The process of estimating the collection of trade debtors involves significant assumptions and judgments. Specifically, the bad debt provision is based on management's analysis of current and past due accounts, collection experience and other relevant information. The Group's provision for uncollectible accounts is recorded as a bad debt expense and included in general and administrative expenses. Although the Group believes amounts provided are adequate, the ultimate amounts of uncollectible trade debtors could be in excess of the amounts provided.

STOCKS

Stocks consist of finished goods and raw materials. The Group does not maintain work in progress balances as the nature of the manufacturing process does not allow for test kits to be left in a partially manufactured state.

Stocks are removed at cost. Stocks are stated at the lower of cost or market. Cost is determined by the actual cost of components by batch plus estimated labour and overhead costs per unit. Market value is based on an estimated selling price less any costs expected to be incurred to completion and sale. The Group reviews the components of its stocks on a periodic basis for excess, obsolete or impaired stocks, and records a reserve for the identified items. At 31 December 2016 and 2015, the Group determined no stock reserve was required.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost. Tangible fixed assets includes specialised shipping containers provided to customers, in the United States, for transporting samples to its laboratory for testing. Tangible fixed assets financed under capital leases are initially recorded at the present value of minimum lease payments at the inception of the lease.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Tangible fixed assets under capital leases and leasehold improvements are amortised using the straight-line method over the shorter of the lease term or estimated useful life of the asset. Depreciable lives range from three to ten years for laboratory equipment, office equipment and furniture and fixtures and three years for software and specialised shipping containers.

IMPAIRMENT OF FIXED ASSETS

The Group evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may be impaired, and assesses their recoverability based upon anticipated future cash flows. If changes in circumstances lead the Group to believe that any of its long-lived assets may be impaired, the Group will (a) evaluate the extent to which the remaining book value of the asset is recoverable by comparing the future undiscounted cash flows estimated to be associated with the asset to the asset's carrying amount and (b) write-down the carrying amount to market value to the extent necessary.

BUSINESS COMBINATIONS

For acquisitions meeting the definition of a business combination, the Group allocates the purchase price, including any contingent consideration, to the assets acquired and the liabilities assumed at their estimated fair values as of the date of the acquisition with any excess of the purchase price paid over the estimated fair value of net assets acquired recorded as goodwill. The fair value of the assets acquired and liabilities assumed is typically determined by using either estimates of replacement costs or discounted cash flow valuation methods.

When determining the fair value of tangible assets acquired, the Group estimates the cost using the most appropriate valuation method with assistance from independent third party specialists. When determining the fair value of intangible assets acquired, the Group uses judgment to estimate the applicable discount rate, growth rates and the timing and amount of future cash flows. The fair value of assets acquired and liabilities assumed is typically determined by management using the assistance of independent third party specialists. The assumptions used in calculating the fair value of tangible and intangible assets represent the Group's best estimates. If factors change and the Group were to use different assumptions, valuations of tangible and intangible assets and the resulting goodwill balance related to the business combination could be materially different.

GOODWILL AND INDEFINITE-LIVED INTANGIBLE ASSETS

Goodwill

Goodwill is not amortised but is reviewed for impairment at least annually, or when events or changes in the business environment indicate that all, or a portion, of the carrying value of the reporting unit may no longer be recoverable, using the two-step impairment review. Under this method, the Group compares the fair value of the goodwill to its carrying value. If the fair value is less than the carrying amount, a more detailed analysis is performed to determine if goodwill is impaired. An impairment loss, if any, is measured as the excess of the carrying value of goodwill over the fair value of goodwill. The Group also has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads it to determine that it is more likely than not (that is, a likelihood of more than 50%) that goodwill is impaired. If the Group chooses to first assess qualitative factors and it is determined that it is not more likely than not goodwill is impaired, it is not required to take further action to test for impairment. The Group also has the option to bypass the qualitative assessment and perform only the quantitative impairment test, which it may choose to do in some periods but not in others.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under ASC 350 – Intangibles, Goodwill and Other goodwill is not amortised. Consequently, the Group does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Group is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies' Act. Had the Group amortised goodwill a period of 20 years would have been chosen as the useful life for goodwill. The profit for the year would have been $79,000 lower (2015 - $2,000 lower) had goodwill been amortised in the year.

Indefinite-lived intangible assets

The Group's indefinite-lived intangible assets consist of acquired in-process research and development, or IPR&D, related to the Group's business combinations with Boulder, Imugen and Immunetics, which were recorded at fair value on the acquisition date. IPR&D intangible assets are considered indefinite-lived intangible assets until completion or abandonment of the associated research and development efforts. IPR&D is not amortised but is reviewed for impairment at least annually, or when events or changes in the business environment indicate the carrying value may be impaired. If the fair value of the intangible asset is less than the carrying amount, the Group performs a quantitative test to determine the fair value. The impairment loss, if any, is measured as the excess of the carrying value of the intangible asset over its fair value. The Group also has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads it to determine that it is more likely than not (that is, a likelihood of more than 50%) that its indefinite-lived intangible asset is impaired. If the Group chooses to first assess qualitative factors and it is determined that it is not more likely than not its indefinite-lived intangible asset is impaired, it is not required to take further action to test for impairment. The Group also has the option to bypass the qualitative assessment and perform only the quantitative impairment test, which it may choose to do in some periods but not in others.

The determinations as to whether, and, if so, the extent to which, acquired IPR&D become impaired are highly judgmental and based on significant assumptions regarding the projected future financial condition and operating results, changes in the manner of the use and development of the acquired assets, the Group's overall business strategy, and regulatory, market and economic environment and trends.

DEFINITE-LIVED INTANGIBLE ASSETS

Intangible assets include technology licenses which are capitalized and amortised over estimated useful lives (generally in the range of five to ten years) using the straight-line method. On an ongoing basis, the Group assesses the recoverability of its intangible assets by determining its ability to generate undiscounted future cash flows sufficient to recover the unamortised balances over the remaining useful lives. Intangible assets determined to be unrecoverable are expensed in the period in which the determination is made.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group does not use derivative instruments to hedge exposures to cash flow, market, interest rate or foreign currency risks.

The Group reviews the terms of the shares it issues and its convertible promissory notes to determine whether there are embedded derivative instruments, including embedded conversion options, which are required to be bifurcated and accounted for separately as derivative financial instruments. In circumstances where the host instrument contains more than one embedded derivative instrument, including the conversion option, that is required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

Bifurcated embedded derivatives are initially recorded at fair value and are then revalued at each reporting date with changes in the fair value reported as other income or expense. When equity instruments contain embedded derivative instruments that are to be bifurcated and accounted for as liabilities, the total proceeds received are first allocated to the fair value of all the bifurcated derivative instruments. The remaining proceeds, if any, are then allocated to the host instruments themselves, usually resulting in those instruments being recorded at a discount from their face value.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group measures certain financial assets and liabilities at fair value based on the price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. As of 31 December 2016 and 2015, the Group's financial instruments consist of cash and cash equivalents, trade debtors, prepaid expenses, and other creditors, accrued liabilities, and loans payable. See Note 13, "Fair value measurement," to these consolidated financial statements for further information on the fair value of the Group's financial instruments.

RESEARCH AND DEVELOPMENT EXPENSES

Expenditure on research activities is recognised as an expense and charged to the income statement in the period in which it is incurred.

Research and development expenses include all costs associated with the development of the Group's T-SPOT technology platform and potential future products including new diagnostic tests that utilize the T-SPOT technology platform and are charged to expense as incurred. In addition, with the acquisition of Boulder in 2014 and the acquisitions of Imugen and Immunetics in 2016, the Group has expanded its research efforts to include assays for tick-borne diseases. Research and development expenses include direct costs and an allocation of indirect costs, including amortisation, depreciation, rent, supplies, insurance, and repairs and maintenance.

TAXATION

The Group accounts for income taxes under the asset and liability method, which requires, among other things, that deferred income taxes be provided for temporary differences between the tax basis of the Group's assets and liabilities and its financial statement reported amounts. In addition, deferred tax assets are recorded for the future benefit of utilizing net operating losses and research and development credit carry forwards. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Group adheres to the accounting guidance for uncertainties in income taxes, which prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken, or expected to be taken, in a tax return. The Group accrues for the estimated amount of taxes for uncertain tax positions if it is more likely than not that the Group would be required to pay such additional taxes. An uncertain tax position will not be recognised if it has less than a 50% likelihood of being sustained. The Group does not have any accrued interest or penalties associated with any unrecognised tax positions for the years ended 31 December 2016 and 2015.

SHARE-BASED PAYMENTS

The Group accounts for share-based remuneration arrangements with employees, officers and Directors by recognizing compensation expense based on the grant date fair value of share-based transactions in the consolidated financial statements.

Share-based remuneration costs for options are based on the fair value of the underlying option calculated using the Black-Scholes option-pricing model on the date of grant for share options and recognised as expense on a straight-line basis over the requisite service period. Determining the appropriate fair value model and related assumptions requires judgment, including estimating share price volatility, expected term and forfeiture rates. The expected volatility rates are estimated based on the actual volatility of comparable public companies over a historical period equal in length to the expected term. The expected terms represent the average time that options are expected to be outstanding based on the midpoint between the vesting date and the end of the contractual term of the award. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Group has not paid dividends and does not anticipate paying cash dividends in the foreseeable future and, accordingly, uses an expected dividend yield of zero. The risk-free interest rate is based on the rate of U.S. Treasury securities with maturities consistent with the estimated expected term of the awards.

Share-based compensation expense for restricted shares and restricted share units, or RSUs, is calculated based on the grant date market price of the shares and is also amortised on a straight-line basis over the requisite service period of the awards.

The cumulative expense recognised for share-based transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest.

Where the terms of an equity award are modified, the minimum expense recognised is the expense as if the terms had not been modified if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based compensation, or is otherwise beneficial to the employee as measured at the date of modification.

Where a share-based compensation award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Upon exercise, share options are redeemed for newly issued ordinary shares.

SEGMENT REPORTING

The Group operates in one operating segment. The Group's chief operating decision maker (the CODM), its chief executive officer, manages the Group's operations on an integrated basis for the purposes of allocating resources. When evaluating the Group's financial performance, the CODM reviews separate turnover information for the Group's product and service offerings and for each country, while all other financial information is on a combined basis. While the Group's principal operations and decision-making functions are located in both the United States and United Kingdom, the CODM makes decisions on a global basis. Accordingly, the Group has determined that it operates in a single reporting segment.

BASIC AND DILUTED NET LOSS PER ORDINARY SHARE

Basic and diluted net loss per ordinary share is determined by dividing net loss by the weighted-average number of ordinary shares outstanding during the period. As the Group reports net losses, outstanding share options, RSUs and restricted shares have not been included in the calculation of diluted net loss per share because to do so would be anti-dilutive. Accordingly, the numerator and the denominator used in computing both basic and diluted net loss per ordinary share for each period are the same.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2014-09, *Revenue from Contracts with Customers*, or ASU 2014-09, which converges the FASB and the International Accounting Standards Board standards on revenue recognition. Under ASU 2014-09, a company should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In addition, ASU 2014-09 requires certain additional disclosures around the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This guidance will be effective for the Group for annual and interim periods beginning after 15 December 2017. Early adoption is permitted for annual and interim periods beginning after 15 December 2016. The guidance allows for either "full retrospective" adoption, meaning the standard is applied to all of the periods presented, or "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the financial statements. The FASB has recently issued several amendments to the standard, including clarification on accounting for licenses of intellectual property, identifying performance obligations and other technical corrections.

The Group currently anticipates adopting ASU 2014-09 in the first quarter of 2018 and currently intends to apply the "modified retrospective" approach. The Group is still evaluating ASU 2014-09 and has not yet determined how it may impact its financial position, results of operations or related disclosures.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements - Going Concern*, or ASU 2014-15. ASU 2014-15 is effective for annual periods ending after 15 December 2016 and all annual and interim periods thereafter. Early application is permitted. ASU 2014-15 requires that management evaluate at each annual and interim reporting period whether there is a substantial doubt about an entity's ability to continue as a going concern within one year of the date that the financial statements are issued. The Group adopted ASU 2014-15 on 1 October 2016 and there was no impact on its financial position, results of operations or related disclosures.

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory, or ASU 2015-11. ASU 2015-11 requires that an entity should measure inventory within the scope of ASU 2015-11 at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This guidance will be effective for the Group for annual and interim periods beginning after 15 December 2016. The amendments in ASU 2015-11 are to be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Group is currently evaluating ASU 2015-11 but does not anticipate that adoption of this guidance will have a material impact on its financial position, results of operations or related disclosures.

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In February 2016, the FASB issued ASU 2016-02, *Leases*, or ASU 2016-02. ASU 2016-02 requires lessees to put most leases on their balance sheets but recognise expenses on their income statements in a manner similar to current accounting. The guidance also eliminates real estate-specific provisions for all entities. The new guidance will be effective for the Group for annual and interim periods beginning after 15 December 2018. In transition, lessees and lessors are required to recognise and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Early adoption is permitted. The Group is currently evaluating ASU 2016-02 and has not yet determined how it may impact its financial position, results of operations or related disclosures.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, or ASU 2016-09. ASU 2016-09 is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. The new guidance will be effective for the Group for annual and interim periods beginning after 15 December 2016. Early adoption is permitted. The guidance can be applied using a modified retrospective, retrospective, or prospective transition method, depending on a specific amendment. The Group does not expect the adoption of ASU 2016-09 to have a material impact on financial position, results of operations or related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*, or ASU 2016-13. ASU 2016-13 requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. Under current U.S. GAAP, a company only considered past events and current conditions in measuring an incurred loss. Under ASU 2016-13, the information that a company must consider is broadened in developing an expected credit loss estimate for assets measured either collectively or individually. The use of forecasted information incorporates more timely information in the estimate of expected credit loss. The new guidance will be effective for the Group for annual and interim periods beginning after 15 December 2019. Early adoption is permitted for annual and interim periods beginning after 15 December 2018. The guidance is applied using a modified retrospective, or prospective approach, depending on a specific amendment. The Group is currently evaluating ASU 2016-13 and has not yet determined how it may impact its financial position, results of operations or related disclosures.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, or ASU 2016-15. ASU 2016-15 is intended to reduce the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The new guidance will be effective for the Group for annual and interim periods beginning after 15 December 2017. Early adoption is permitted, including adoption in an interim period. The guidance should be applied retrospectively. The Group is currently evaluating ASU 2016-15 and has not yet determined how it may impact its statement of cash flows.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes*, or ASU 2016-16. The guidance requires companies to recognise the income tax effects of intercompany sales and transfers of assets, other than inventory, in the income statement as income tax expense (or benefit) in the period in which the transfer occurs. The guidance is effective for annual periods beginning after 15 December 2017, and early adoption is permitted as of the beginning of an annual reporting period. ASU 2016-16 amendments should be applied on a modified retrospective basis. The Group is currently evaluating the impact of the adoption of ASU 2016-16 on its financial position, results of operations or related disclosures.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash*, or ASU 2016-18. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The guidance should be applied retrospectively and is effective for fiscal years beginning after 15 December 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The Group does not expect the adoption of ASU 2016-18 to have a material effect on its statement of cash flows.

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In January 2017, the FASB issued ASU 2017-01, *Business Combinations*, or ASU 2017-01. ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The new guidance will be effective for the Group for annual periods beginning after 15 December 2017, including interim periods within those periods. The guidance should be applied on a prospective basis and early adoption is not permitted. The Group is currently evaluating the impact of adoption of ASU 2017-01 on its financial position, results of operations or related disclosures.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other*, or ASU 2017-04. ASU 2017-04 simplifies subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. The new guidance will be applied on a prospective basis. ASU 2017-04 will be effective for the Group for annual or any interim goodwill impairment tests in fiscal years beginning after 15 December 2019. The Group is currently evaluating ASU 2017-04 and has not yet determined how it may impact its financial position, results of operations or related disclosures.

Under the U.S. Jumpstart our Business Startups Act, or the JOBS Act, emerging growth companies that become public can delay adopting new or revised accounting standards until such time as those standards apply to private companies. The Group irrevocably elected not to avail itself of this exemption from new or revised accounting standards and, therefore, it is subject to the same new or revised accounting standards as public companies that are not emerging growth companies.

CONCENTRATION OF RISKS

The Group derives product turnover from the sale of its T-SPOT.*TB* diagnostic test kits and related accessories to a broad range of customers including: hospitals, public health departments, commercial testing laboratories, importers and distributors. Importers and distributors sell to third parties including end-user customers in specific territories.

In the year ended 31 December 2016, the Group had two product customers that represented more than 10% of the Group's annual turnover. The Group's Chinese distributor, Shanghai Fosun Long March Medical Science Co. Ltd., or Fosun, represented 15% of annual turnover and the Group's Japanese importer, Riken Genesis Co., Ltd. represented 14% of annual turnover. The loss of either of these product customers could have a material impact on the Group's operating results.

1 CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES

We have prepared our consolidated financial statements in accordance with U.S. GAAP. Our preparation of these consolidated financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, expenses and related disclosures at the date of the consolidated financial statements, as well as turnover and expenses during the reporting periods. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could therefore differ materially from these estimates under different assumptions or conditions.

We believe the following accounting policies to be critical to the judgments and estimates used in the preparation of our financial statements.

TURNOVER RECOGNITION AND TRADE DEBTORS

We derive product turnover from the sale of diagnostic test kits and related accessories to a broad range of customers including hospitals, public health departments, commercial testing laboratories, importers and distributors.

Product turnover is generally paid directly by the customer and is recognised on an accrual basis when the following turnover recognition criteria are met: (1) persuasive evidence that an arrangement exists; (2) the product has been shipped or delivered in accordance with the shipping terms of the arrangement; (3) the price is fixed or determinable and known at time of shipment; and (4) collectibility is reasonably assured.

No product return rights are extended to customers of the Group.

We derive service turnover from tests performed on samples sent by customers to its diagnostic laboratories in the United States and the United Kingdom, and to contracted laboratories in other countries.

Service turnover in the United Kingdom and turnover from direct bill customers in the United States are recognised on an accrual basis when the following turnover recognition criteria are met: (1) persuasive evidence that an arrangement exists; (2) when the diagnostic result has been delivered; (3) the price is fixed or determinable; and (4) collectibility is reasonably assured. This service turnover is referred to as “direct-bill” sales because the Group receives payment directly from the ordering entity.

In the United States, we also generate turnover from payments that are received from a variety of third-party payors, including government programs (Medicare and Medicaid) and commercial insurance companies, each with different billing requirements. Turnover from tests paid by third-party payors is generally recognised on an accrual basis based on the Group’s historical collection experience. In certain instances, turnover is recognised on a cash basis when there is insufficient historical collection experience.

Taxes assessed by governmental authorities on turnover, including sales and value added taxes, are recorded on a net basis (excluded from turnover) in the consolidated income statement.

Trade debtors are primarily amounts due from hospitals, public health departments, commercial testing laboratories, distributors and universities in addition to third party payors such as commercial insurance companies and government programs (Medicare and Medicaid in the United States).

1 CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES (CONTINUED)

TURNOVER RECOGNITION AND TRADE DEBTORS (CONTINUED)

Trade debtors are reported net of a provision for uncollectible accounts. The process of estimating the collection of trade debtors involves significant assumptions and judgments. Specifically, the provision for bad debt is based on management's analysis of current and past due accounts, collection experience and other relevant information. Our provision for uncollectible accounts is recorded as bad debt expense and included in administrative expenses. Account balances are written-off against the allowance when it is probable that the receivable will not be recovered. Although we believe amounts provided are adequate, the ultimate amounts of uncollectible trade debtors could be in excess of the amounts provided.

INCOME TAXES

We account for income taxes under the asset and liability method, which requires, among other things, that deferred income taxes be provided for temporary differences between the tax basis of our assets and liabilities and their financial statement reported amounts. In addition, deferred tax assets are recorded for the future benefit of utilizing NOLs and research and development credit carry forwards. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realised.

We follow the accounting guidance for uncertainties in income taxes, which prescribes a recognition threshold and measurement process for recording uncertain tax positions taken, or expected to be taken, in a tax return in the financial statements. Additionally, the guidance also prescribes the derecognition, classification, accounting in interim periods and disclosure requirements for uncertain tax positions. We accrue for the estimated amount of taxes for uncertain tax positions if it is more likely than not that we would be required to pay such additional taxes. An uncertain tax position will not be recognised if it has less than a 50% likelihood of being sustained. We did not have any accrued interest or penalties associated with any unrecognised tax positions, and there were no such interest or penalties recognised during the years ended 31 December 2016 and 2015.

SHARE-BASED COMPENSATION

Share-based compensation relates to grants of options to purchase ordinary shares and restricted shares. Currently, we maintain one share incentive plan pursuant to which we may grant options to purchase our ordinary shares, restricted shares, restricted share units, and other share-based awards to our employees, directors and officers. This incentive plan is called the Oxford Immunotec Global PLC 2013 Share Incentive Plan, or the 2013 Plan. In addition, we maintain the 2008 Amended and Restated Stock Incentive Plan, or the 2008 Plan. No new share grants or awards will be made under the 2008 Plan.

We measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the award, volatility and dividend yield, and making certain assumptions about the award. We describe the assumptions and models that we use to estimate the fair value for share-based payment transactions in Note 20 to these financial statements.

1 CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES (CONTINUED)

SHARE-BASED COMPENSATION (CONTINUED)

We use the Black-Scholes option pricing model to value the share option awards. The Black-Scholes option pricing model requires the input of subjective assumptions, including assumptions about the expected life of share-based payment awards and share price volatility. In addition, when we were a private Group, one of the most subjective inputs into the Black-Scholes option pricing model was the estimated fair value of our ordinary shares. Due to the lack of an adequate history of a public market for the trading of our ordinary shares and a lack of adequate Group specific historical and implied volatility data, we have based our estimate of expected volatility on the historical volatility of a group of similar companies that are publicly traded. For these analyses, we have selected companies with comparable characteristics to ours including enterprise value, risk profiles, position within the industry, and with historical share price information sufficient to meet the expected life of the share-based awards. We compute the historical volatility data using the daily closing prices for the selected companies' shares during the equivalent period of the calculated expected term of our share-based awards. We will continue to apply this process until a sufficient amount of historical information regarding the volatility of our own share price becomes available.

We determine the expected term for share option grants to employees based on the “simplified” method prescribed under Staff Accounting Bulletin Topic 14: Share-based Payments. Under this approach, the weighted-average expected life is presumed to be the average of the vesting term and the contractual term of the option. The risk-free interest rate is a weighted-average assumption equivalent to the expected term based on the United States Treasury yield curve in effect as of the date of grant. The assumptions used in calculating the fair value of the share-based payment awards represent our best estimate and involve inherent uncertainties and the application of our judgment. As a result, if factors change and we use different assumptions, share-based compensation expense could be materially different in the future.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or for any other contractually narrow or limited purpose.

1 CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES (CONTINUED)

2. TURNOVER

Geographical analysis:

	2016	2015
	$000	$000
United States	49,462	31,362
Europe and Rest of the World	6,988	7,067
Asia	29,628	24,353
	86,078	62,782

3. INTEREST PAYABLE

	2016	2015
	$000	$000
Bank interest	864	67
Exchange loss on foreign currency transactions	(443)	175
	421	242

4. OPERATING LOSS

	2016	2015
	$000	$000
This is stated after charging:		
Depreciation of tangible fixed assets	2,615	2,050
Research and development	13,881	10,381
Change in fair value of contingent purchase price consideration	(1,208)	202
Intangible assets impairment charges	1,765	419
Amortisation of intangible assets	435	92
Exchange (gains) losses on foreign currency transactions	(1,364)	143
Operating lease rentals – other	1,416	948

Amounts payable to Ernst & Young LLP and its associates in respect of both audit and non-audit services are as follows:

	2016	2015
	$000	$000
Audit services		
- Statutory audit of parent and consolidated accounts	694	703
Audit-related assurance services	—	—
Taxation compliance services	—	—
Other services supplied pursuant to legislation	—	—
	694	703

4 OPERATING LOSS (CONTINUED)

In accordance with U.K. Law requirements, the audit fee disclosures relate to audit expenses for the current year audit. This disclosure is different from the amount charged in the income statement due to the use of U.S. GAAP accounting for the preparation of the income statement.

The figures presented are for Oxford Immunotec Global PLC and subsidiaries as if they were a single entity. Oxford Immunotec Global PLC has taken the exemption permitted by SI 11/2198 to omit information about its individual accounts.

5. EMPLOYEES

	2016	2015
The average monthly number of persons employed by the group during the year was:		
Administration and distribution	286	213
Research	67	47
	353	260

EMPLOYMENT COSTS	2016	2015
	$000	$000
Wages and salaries	38,168	32,475
Social security costs	2,837	2,170
Other pension costs	906	680
	41,911	35,325

The parent company does not have employees, but certain staff and management allocate time to the company. The value of these allocated services was approximately $204,000 in 2016.

6. DIRECTORS' EMOLUMENTS

	2016	2015
	$000	$000
Emoluments	1,094	1,016
Group pension contributions to money purchase schemes	19	30
	1,113	1,046
The number of Directors for whom retirement benefits are accruing under defined contribution scheme was:	1	1

Mr Ronald Andrews Jr. received an initial option award covering 14,914 ordinary shares and an annual option award covering 7,457 ordinary shares on 4 November 2015 and Mr A Scott Walton received an initial option award covering 14,914 ordinary shares and an annual option award covering 7,457 ordinary shares on 4 November 2015.

Mr Patrick Balthrop Sr. received an initial option award covering 14,914 ordinary shares and an annual option award covering 3,728 ordinary shares on 29 January 2016.

7. TAXATION

	2016	2015
	$000	$000
CORPORATION TAX		
Foreign tax		
Japan	(85)	(116)
China	(12)	—
State	(51)	(30)
	(148)	(146)
CURRENT TAX CHARGE	(148)	(146)
DEFERRED TAX		
Deferred tax (credit)/charge current year		
Federal	752	—
U.K.	2,630	—
State	540	—
	3,922	—
Tax on ordinary activities	3,744	(146)

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Group's effective income tax rate differs from the statutory domestic (United Kingdom) income tax rate as follows for the years ended 31 December:

	2016	2015
	%	%
Income tax rate	20.0	20.3
U.K. research and development credit	1.8	1.3
Other	(2.1)	(1.1)
Effect of foreign tax rate differential	16.8	10.7
Valuation allowance	(22.1)	(31.7)
Effective income tax rate	14.4	(0.5)

The Group is headquartered in the United Kingdom and the effective U.K. corporate tax rate for the year ended 31 December 2016 was 20.0%. For the year ended 31 December 2015 the corporate tax rate was 20.3%. The U.S. federal corporate tax rate was 34% for the years ended 31 December 2016 and 2015. The Group is subject to taxation in the U.S. and various state, local, and foreign jurisdictions. The Group remains subject to examination by various tax authorities for tax years 2013 through 2016. With a few exceptions, the Group is no longer subject to examinations by tax authorities for the tax years 2012 and prior. However, net operating losses from the tax years 2012 and prior would be subject to examination if and when used in a future tax return to offset taxable income. The Group's policy is to recognise income tax related penalties and interest, if any, in its provision for income taxes and, to the extent applicable, in the corresponding income tax assets and liabilities, including any amounts for uncertain tax positions.

The United Kingdom's Summer Finance Bill, which was enacted on 15 September 2016, contained reductions in corporation tax to 19% from 1 April 2017 and 17% from 1 April 2020. The Group has adopted a 17% tax rate in respect of the deferred tax disclosures, reflecting the anticipated timing of the unwinding of the deferred tax balances.

7 TAXATION (CONTINUED)

Significant components of the Group's deferred tax assets are as follows for the years ended 31 December:

	2016	2015
	$000	$000
Deferred tax assets		
Long term deferred tax assets:		
U.S. federal net operating losses	42,165	32,095
State net operating loss (net of federal)	5,198	4,021
U.S. federal research and development credit	273	155
U.K. net operating loss	2,419	5,217
Share options	1,884	1,251
Accrued liabilities	526	177
Other	85	160
Short term deferred tax assets:		
Accrued liabilities	—	—
Other assets	—	—
Total deferred tax assets	52,550	43,076
Valuation allowance	(46,473)	(43,076)
Total deferred tax assets	6,077	—
Deferred tax liabilities		
Long term deferred tax liabilities:		
Other assets	(29)	—
Intangible assets	(3,418)	—
Total deferred tax liabilities	(3,447)	—

For the years ended 31 December 2016 and 2015, the Group had United Kingdom Net Operating Losses (U.K. NOLs) of $14.2 million and $29.0 million, respectively. U.S. federal net operating loss carryforwards for the years ended 31 December 2016 and 2015 were $125.3 million and $95.5 million, respectively. U.S. State net operating loss carryforwards for the years ended 31 December 2016 and 2015 were $112.5 million and $85.8 million, respectively.

The U.S. federal and state net operating loss carry forwards begin to expire in 2027 and 2016, respectively and the U.K. NOLs can be carried forward indefinitely.

For the year ended 31 December 2016, the Group recognised a deferred tax asset in the U.K. of $2.6 million. The Group has determined that it is more likely than not that this asset will be realized in the future. The Group continues to record a full valuation allowance against all other net deferred tax assets since it is not more likely than not that these amounts will be realized.

The below table reflects the roll forward of the Group's valuation allowance.

Significant components of the Group's deferred tax assets are as follows for the years ended 31 December:

	2016	2015
	$000	$000
As at 1 January	43,076	35,361
Increase in valuation allowance	3,397	7,715
As at 31 December	46,473	43,076

7. TAXATION (CONTINUED)

The Group reviewed its historical tax filings and tax positions and has determined no material uncertain tax positions exist at 31 December 2016 and 2015. The Group continues to monitor its tax filings and positions.

The Group generates research and development credits in the United Kingdom which are refundable if a current year loss is incurred. For the years ended 31 December 2016 and 2015, no such amounts were reimbursed for research and development tax credits.

8. INTANGIBLE FIXED ASSETS

	In-process research and development	Goodwill	Intellectual property	Total
	$000	$000	$000	$000
COST				
As at 1 January 2016	1,782	45	774	2,601
Additions	16,170	3,822	11,300	31,292
Impairment losses	(1,722)	(43)	—	(1,765)
Exchange adjustment	(60)	(2)	(142)	(204)
As at 31 December 2016	16,170	3,822	11,932	31,924
AMORTISATION				
As at 1 January 2016	—	—	595	595
Charge for the year	—	—	435	435
Exchange adjustment	—	—	(115)	(115)
As at 31 December 2016	—	—	915	915
NET BOOK VALUE				
As at 31 December 2015	1,782	45	179	2,006
As at 31 December 2016	16,170	3,822	11,017	31,009

The weighted average amortisation period of the Group's finite-lived intangible assets is 13 years. Amortisation expense for the years ended 31 December 2016 and 2015 was $435,000 and $92,000, respectively.

The acquired IPR&D assets include $9.2 million for IPR&D acquired in conjunction with the Imugen acquisition and $7.0 million for IPR&D acquired in conjunction with the Immunetics acquisition. During the fourth quarter of 2016, the Group recorded a non-cash IPR&D impairment charge of $1.4 million related to an assay for Lyme disease that was acquired in conjunction with the Boulder acquisition when it was determined that the Boulder IPR&D will not directly yield any products.

IPR&D acquired in a business combination is capitalized at fair value and is subject to impairment testing at least annually until the underlying project is completed. Once the project is completed, the carrying value of IPR&D is amortized over the estimated useful life of the asset. Post-acquisition research and development expenses related to the acquired IPR&D are expensed as incurred. For more information on the acquisitions, see Note 24 "Acquisition activity".

9. TANGIBLE FIXED ASSETS

	Laboratory equipment	Leasehold improvements	Office equipment, furniture and fixtures	Software	Specialised shipping containers	Construction in progress	Total
	$000	$000	$000	$000	$000	$000	$000
COST							
As at 1 January 2016	5,073	2,614	2,841	1,172	2,176	200	14,076
Exchange adjustment	(267)	(208)	(156)	(59)	—	—	(690)
Additions	1,762	654	681	367	480	649	4,593
Disposals	(376)	—	(3)	—	—	—	(379)
As at 31 December 2016	6,192	3,060	3,363	1,480	2,656	849	17,600
DEPRECIATION							
As at 1 January 2016	2,373	1,624	2,050	793	952	—	7,792
Exchange adjustment	(162)	(172)	(138)	(56)	—	—	(528)
Charge for the period	911	342	446	273	643	—	2,615
Disposals	(69)	—	(3)	—	—	—	(72)
As at 31 December 2016	3,053	1,794	2,355	1,010	1,595	—	9,807
NET BOOK VALUE							
As at 31 December 2015	2,700	990	791	379	1,224	200	6,284
As at 31 December 2016	3,139	1,266	1,008	470	1,061	849	7,793

For the years ended 31 December 2016 and 2015, the Group recorded depreciation expense of $2.6 million and $2.1 million, respectively. Depreciation expense includes amortisation of capital leases.

Depreciable lives range from three to ten years for laboratory equipment, office equipment, leasehold improvements and furniture and fixtures and three years for software and specialised shipping containers.

For the years ended 31 December 2016 and 2015, there were no material capital leases, disposals or retirements.

10. STOCKS

	2016	2015
	$000	$000
Raw materials	4,928	3,925
Finished goods	2,509	3,174
	7,437	7,099

11. OTHER NON-CURRENT ASSETS

	2016	2015
	$000	$000
Long-term deposits	128	—
Deferred loan fees	50	—
	178	—

12. CASH AT BANK AND IN HAND

	2016	2015
	$000	$000
Restricted cash, current	—	—
Restricted cash, non-current	200	80
Total restricted cash	200	80
Cash and cash equivalents	59,110	83,715
	59,310	83,795

13. FAIR VALUE MEASUREMENT

As a basis for determining the fair value of certain of the Group's financial instruments, the Group utilizes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1—Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs, other than Level I prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

This hierarchy requires the Group to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. The carrying amount of certain of the Group's financial instruments, including cash, trade debtors, prepaid expenses and other assets, trade creditors, and accrued liabilities approximate fair value due to their short maturities.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Group's assessment of the significance of a particular input to the entire fair value measurement requires management to make judgments and consider factors specific to the asset or liability.

The following tables present information about the balances of liabilities measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques it utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates, and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The Group did not have any financial assets measured at fair value on a recurring basis.

13. FAIR VALUE MEASUREMENT (CONTINUED)

		Fair Value Measurements at 31 December 2016 Using		
	31 December 2016	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Input
		(Level 1)	(Level 2)	(Level 3)
	$000	$000	$000	$000
Liabilities:				
Contingent purchase price consideration	3,475	—	—	3,475
Total	3,475	—	—	3,475

		Fair Value Measurements at 31 December 2015 Using		
	31 December 2015	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Input
		(Level 1)	(Level 2)	(Level 3)
	$000	$000	$000	$000
Liabilities:				
Contingent purchase price consideration	1,293	—	—	1,293
Total	1,293	—	—	1,293

During the fourth quarter of 2016, the decision was made to halt research on the GoutiFind test, which was an assay intended to allow early diagnosis of gout and to better inform therapies by measuring the strength of the underlying uric acid induced inflammation. Based on this decision, the Group wrote off the related contingent purchase price consideration of $901,000. During the same quarter, the Group determined that the SpiroFind assay developed using IPR&D from Boulder would not qualify for future milestone payments. Due to this fact, the Group wrote off the related contingent purchase price consideration of $551,000. Both charges have been included in the line “Change in fair value of contingent purchase price consideration” in the consolidated income statement. Similar charges recorded in prior years have been reclassified out of administrative expenses for comparative purposes.

On 12 October 2016, the Group acquired Immunetics, a Massachusetts based diagnostics company focused on developing specialized tests for infectious diseases, including tick-borne diseases, such as Lyme disease. The terms of the purchase agreement included contingent purchase price consideration consisting of up to an additional $6.0 million in cash payable on the achievement of certain turnover thresholds and pipeline related milestones over the next three years. The fair value of these milestone payments has been estimated to be $3.4 million on the date of acquisition based on significant assumptions, including the probabilities of milestone occurrence, the expected timing of milestone payments, and a discount rate of 4.4%, which are considered as Level 3 inputs.

The Group has a term loan outstanding under the MidCap agreement. The amount outstanding on its 2016 term loan is reported at its carrying value in the accompanying balance sheet. The estimated fair value of the term loan as of 31 December 2016, based upon current market rates for similar borrowings, as measured using Level 2 inputs, approximates the carrying amount as presented on the consolidated balance sheet.

13. FAIR VALUE MEASUREMENT (CONTINUED)

The following tables provide a summary of changes in the fair value of the Group's Level 3 financial liabilities for the years ended 31 December:

	2016
	$000
Balance at 1 January 2016	1,293
Immunetics acquisition (Note 24)	3,444
Change in fair value of contingent purchase price consideration	244
Write-off of Boulder contingent purchase price consideration	(1,452)
Foreign currency adjustment	(54)
Balance at 31 December 2016	3,475

	2015
	$000
Balance at 1 January 2015	1,218
Change in fair value of contingent purchase price consideration	202
Foreign currency adjustment	(127)
Balance at 31 December 2015	1,293

14. TRADE DEBTORS

	2016	2015
	$000	$000
Trade debtors consists of the following:		
Trade debtors	14,050	7,372
Less allowance for uncollectible trade debtors	(785)	(314)
	13,265	7,058
Activity for the allowance for uncollectible trade debtors is as follows:		
Balance at beginning of period	(314)	(114)
Provision for bad debt expense	(471)	(200)
Write-off, net of recoveries	—	—
Balance at end of period	(785)	(314)

15. TRADE AND OTHER CREDITORS

	2016	2015
	$000	$000
Trade creditors	3,201	3,799
Accrued liabilities	10,499	8,588
Other creditors	3,783	1,361
	17,483	13,748
Accrued liabilities and other creditors are as follows:		
Employee related expenses	6,592	4,478
Royalties	4,423	3,498
Clinical trials	1,135	442
Professional services	387	333
Sales and use taxes payable	155	193
Stock	23	85
Rent	103	56
Other accrued liabilities	1,464	864
	14,282	9,949

16. NON-CURRENT LIABILITIES

	2016	2015
	$000	$000
Long-term portion of loans payable	29,601	386
Contingent purchase price consideration	2,593	1,293
Other liabilities	364	—
	32,558	1,679

On 4 October 2016, the Group entered into an agreement with MidCap Financial, or the MidCap agreement, that provides it with $40 million in debt financing, comprised of both a term loan and a revolving line of credit. The MidCap agreement provides the Group with a term loan of $30 million, which matures five years from closing. The term loan accrues interest at a rate of LIBOR plus 7.60% with interest only payments for the first 24 months, with the ability to extend to 48 months subject to certain conditions, before the loan begins to amortize. The MidCap agreement also provides the Group with a revolving line of credit of up to $10 million, which matures five years from closing. The revolving line of credit accrues interest at a rate of LIBOR plus 4.45%. The Group is also required to pay the lenders an unused line fee equal to 0.50% per annum of the average unused portion of the revolving line of credit. Based on certain conditions, both the term loan and revolving line of credit may be increased by an additional $10 million for a total of $60 million.

If the credit facility is terminated prior to the end of the term, the Group will pay to the lenders a fee as compensation for the costs of being prepared to make funds available to the Group throughout the term equal to an amount determined by multiplying the revolving line of credit commitment amount by 3.0% in the first year, 2.0% in the second year, and 1.0% in the third year and thereafter. Upon repayment in full of the loan, the Group is obligated to make a final payment fee equal to 6% of the aggregate loan amount.

The credit facility is collateralized by a perfected first priority security interest in all existing and after-acquired assets of the Group.

16. NON-CURRENT LIABILITIES (CONTINUED)

Under the Credit Agreement, the Group is subject to affirmative covenants which are customary for financings of this type, including, but not limited to, the obligations of the Group to: (i) deliver financial statements and other reports to MidCap, (ii) maintain insurance, (iii) maintain good standing, (iv) comply with all laws and material contracts, (v) provide certain other information and notices to MidCap, and (vi) protect the Group's intellectual property.

The Group is also subject to negative covenants customary for financings of this type, including, but not limited to, that without the prior consent of MidCap, the Group may not: (i) incur additional indebtedness, (ii) incur liens on the collateral, (iii) declare, order or set apart any distribution without permission, (iv) enter into a merger or consolidation or certain change of control events, or acquire another company, (v) amend material agreements or organizational documents, or (vi) enter into certain transactions with affiliates, in each case subject to certain exceptions provided for in the MidCap agreement.
The Group is also subject to financial covenants customary to financings of this type, which require the Group to achieve quarterly targets based on trailing 12 months net turnover. As of 31 December 2016, the Group was in compliance with all its covenants.

The MidCap Agreement provides that events of default include: (i) failure to make payment of principal or interest when required, (ii) failure to perform obligations under the MidCap agreement and related documents, (iii) defaults in other indebtedness and breaches of material agreements of the Group, (iv) voluntary case or other proceeding by the Group seeking liquidation, reorganization or other relief, (v) if the Group ceases to be a publicly-listed and reporting company and (vi) certain other events, including certain adverse actions taken by the FDA, CMS or other governmental authorities. Upon an event of default, the Group's obligations under the MidCap agreement may, or in the event of insolvency or bankruptcy will automatically, be accelerated.

The balance of the secured term loan due to MidCap as of 31 December 2016 is $30 million, and is recorded in the accompanying consolidated balance sheet, net of unamortized discount and debt issuance costs.

Future minimum payments required under the term loan and the revolving line of credit as of 31 December 2016 are as follows:

	Term Loan
	$000
2017	—
2018	1,667
2019	10,000
2020	10,000
2021	8,333
Thereafter	—
Total minimum payments	30,000

In addition to the MidCap term loan payments listed above, the Group is required to pay an exit fee of 6.0% of the aggregate principal amount of all term loan borrowings (currently equal to $1.8 million). The 6% exit fee of $1.8 million is being accreted to interest expense through the maturity of the Midcap loan.

The Group did not borrow under the revolving line of credit during 2016.

17. RETIREMENT BENEFITS

In the United States, the Group has adopted a defined contribution plan (the U.S. Plan) which qualifies under Section 401(k) of the Internal Revenue Code. All U.S. employees of the Group who have attained 21 years of age are eligible for participation in the U.S. Plan upon employment. The effective date of the U.S. Plan was January 1, 2008. Under the U.S. Plan, participating employees may defer up to the Internal Revenue Service annual contribution limit. The Group began matching employee contributions as of 1 July 2016 and paid $0.2 million in matching contributions in the year ended 31 December 2016.

In the United Kingdom, the Group has adopted a defined contribution plan (the U.K. Plan) which qualifies under the rules established by HM Revenue & Customs. The U.K. Plan allows all U.K. employees to contribute a minimum of 5% of salary with no maximum limit. The contribution is matched by the Group, up to a maximum of 5% of salary. The Group paid to the U.K. Plan $0.6 million in matching contributions in the year ended 31 December 2016 and $0.7 million in year ended 31 December 2015.

18. SHARE CAPITAL

	2016	2015
	$000	$000
ALLOTTED		
Ordinary shares, £0.006705 nominal value; 36,183,293, shares authorised at 31 December 2016 and 2015, 22,359,931 and 22,273,988 shares allotted, called up and paid at 31 December 2016 and 2015, respectively	240	240
Ordinary shares, £0.006705 nominal value; 275,500 shares allotted but not called up at 31 December 2016 and 2015	3	3
	243	243

	Ordinary Shares
	$000
Balance at 31 December 2014	192
Exercise of share options	1
Issuance of shares from option plan	50
Balance at 31 December 2015	243
Exercise of share options	—
Issuance of shares from option plan	—
Balance at 31 December 2016	243

As of 31 December 2016, the Group had 22,508,555 ordinary shares allotted, called up and paid and 126,876 shares allotted but not called up. In addition, there were a total of 2,849,780 options and 202,590 restricted share units outstanding as of 31 December 2016.

18. SHARE CAPITAL (CONTINUED)

Ordinary shares

On 29 January 2015, the Group entered into an underwriting agreement, or the Underwriting Agreement, with J.P. Morgan Securities LLC and Piper Jaffray & Co., as representatives of the several underwriters named therein, collectively, the Underwriters, relating to the public offering, or the Offering, of 4,255,319 ordinary shares, nominal value £0.006705, or the Shares, at an offering price to the public of $11.75 per Share, or the Offering Price. The Underwriters agreed to purchase the Shares from the Group pursuant to the Underwriting Agreement at a price of $11.045 per share. Under the terms of the Underwriting Agreement, the Group granted the Underwriters a 30-day option to purchase up to an additional 638,297 Shares, or the Option Shares, at the Offering Price, less underwriting discounts and commissions. On 30 January 2015, the Underwriters exercised their option to purchase the Option Shares in full. The gross proceeds to the Group from the sale of the Shares and the Option Shares were approximately $57.5 million and the Group received net proceeds of approximately $53.8 million after deducting underwriting discounts and commissions and estimated aggregate offering expenses payable by the Group. The Offering closed on 4 February 2015.

As of 31 December 2016, there were 36,183,293 ordinary shares authorised and 22,359,931 ordinary shares allotted, called up and paid and 275,500 shares allotted but not called up.

19. RETAINED EARNINGS

	Accumulated deficit	Accumulated other Comprehensive (loss)/income	Total
	$000	$000	$000
Balance at 31 December 2014	(121,829)	(4,570)	(126,399)
Other comprehensive loss	—	(707)	(707)
Net loss	(24,478)	—	(24,478)
Balance at 31 December 2015	(146,307)	(5,277)	(151,584)
Other comprehensive loss	—	(2,474)	(2,474)
Net loss	(22,349)	—	(22,349)
Balance at 31 December 2016	(168,656)	(7,751)	(176,407)

20. SHARE BASED PAYMENTS

The Group has issued share options since 2003, restricted shares since 2014 and RSUs since 2015 to incentivize employees and Directors providing services to the Group. The Group currently maintains two equity compensation plans, the Amended and Restated 2008 Stock Incentive Plan and the 2013 Share Incentive Plan (the Plans). With the adoption of the 2013 Share Incentive Plan, the Group is no longer authorised to grant awards under the Amended and Restated 2008 Stock Incentive Plan.

In November 2013, in connection with the Group's IPO, the Group adopted the 2013 Share Incentive Plan (the 2013 Plan) which provides for the grant of share options, restricted shares, RSUs and other share-based awards to employees, officers, Directors and consultants of the Group. The 2013 Plan authorizes the Group to grant up to 2,684,563 ordinary shares with such amount automatically increasing annually on each January 1st from 1 January 2015 to 1 January 2023 by 4% of the number of shares outstanding on the close of business of the immediately preceding December 31st, provided that the Board of Directors may limit the increase to a smaller amount or to no increase in any given year. At 31 December 2016, there were 2,004,074 shares available for future issuance under the 2013 Plan.

20. SHARE BASED PAYMENTS (CONTINUED)

Under both the 2008 Plan and the 2013 Plan, share options, and only under the 2013 Plan, restricted shares and RSUs, have been granted to employees, officers and Directors who provide services to the Group. Options generally vest based on the grantee's continued service with the Group during a specified period following grant or, in rare instances, based on the achievement of performance or other conditions as determined by the Board of Directors, and expire after ten years. Option awards to employees generally vest monthly over a four year period. For options granted prior to 2015, the vesting percentage was generally 0% until the second anniversary of the vesting start date of the employee's first option award under the 2008 Plan and either the second anniversary of the employee's date of hire or the first day of the month following the second anniversary of the employee's date of hire under the 2013 Plan. Effective with 2015, the Group began granting options that vest in equal parts over four years starting on the vesting start date. Generally, restricted shares and RSUs vest based on the grantees' continued service with the Group during a specified period following grant as follows: 40% on the second anniversary of the grant date; 30% on the third anniversary of the grant date; and 30% on the fourth anniversary of the grant date.

The expense recognised during the year related to share based compensation transactions was as follows:

	2016	2015
	$000	$000
Cost of sales	57	529
Distribution costs	1,725	1,045
Administrative expenses	3,237	1,911
Total share-based compensation	5,019	3,485

The fair value of options was estimated at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which options are granted. The fair value of the options is amortised on a straight-line basis over the requisite service period of the awards. The weighted-average grant date fair value per share relating to share options granted under the Plan during the years ended 31 December 2016 and 2015 was $4.53 and $6.33, respectively. Share-based compensation expense for restricted shares and RSUs is calculated based on the grant date market price of the shares and is also amortised on a straight-line basis over the requisite service period of the awards.

The fair value of each option granted under the Plan has been calculated using the Black-Scholes Model on the date of grant using the following assumptions:

	2016	2015
Expected dividend yield (%)	—	—
Expected volatility (%)	43.70	44.11
Risk-free interest rate (%)	1.53	1.66
Expected life of option (years)	6.16	6.19
Weighted-average share price ($)	10.29	14.15
Weighted-average exercise price ($)	10.29	14.15

Expected dividend yield: The Group has not paid and does not anticipate paying any dividends in the foreseeable future.

Risk-free interest rate: The Group determined the risk-free interest rate by using a weighted-average equivalent to the expected term based on the U.S. Treasury yield curve in effect as of the date of grant.

20. SHARE BASED PAYMENTS (CONTINUED)

Expected volatility: As the Group operated as a private company until November 2013, there is not sufficient historical volatility for the expected term of the options. Therefore, the Group used an average share price volatility over a historical period equal in length to the expected term, based on an analysis of reported data for a peer group of comparable companies which were selected based upon industry similarities. The Group intends to continue to use comparable companies in its volatility factor calculation until a sufficient amount of historical information regarding the volatility of its own share price becomes available.

Expected term (in years): Expected term represents the period that the Group's share option grants are expected to be outstanding. As the Group operated as a private company until November 2013, there is not sufficient historical share data to calculate the expected term of the options. Therefore, the Group elected to utilize the "simplified" method to value share option grants. Under this approach, the weighted-average expected life is presumed to be the average of the vesting term and the contractual term of the option.

Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from estimates. The Group estimates forfeitures based on historical termination behaviour. For the years ended 31 December 2016 and 2015, a forfeiture rate of 5% was applied.

The following table illustrates the number of ordinary shares and weighted-average exercise prices, or WAEP of, and movements in, share options during 2016 and 2015:

	2016 Number of ordinary shares	2016 Weighted -average exercise price	2015 Number of ordinary shares	2015 Weighted -average exercise price
		$		$
Outstanding as of 1 January	2,425,426	9.03	1,877,142	7.39
Granted	749,964	10.29	747,964	14.15
Exercised	(85,943)	0.82	(41,222)	0.44
Forfeited	(239,667)	14.27	(158,458)	15.90
Outstanding as of 31 December	2,849,780	9.15	2,425,426	9.03
Vested or expected to vest as of 31 December	2,790,851	9.08	2,369,204	8.91
Exercisable as of 31 December	1,671,179	6.81	1,300,984	4.64

The following table illustrates the number of restricted shares and RSUs, and weighted-average fair value, or WAFV, of, and movements in, restricted shares and RSUs during the year:

	2016 Number of ordinary shares	WAFV	2015 Number of ordinary shares	WAFV
		$		$
Unvested balance as of 1 January	366,739	19.72	275,500	22.25
Granted	108,361	10.21	112,999	14.19
Cancelled	(57,530)	16.17	(21,760)	22.99
Vested	(88,105)	22.99	—	—
Unvested balance as of 31 December	329,465	16.34	366,739	19.72

20. SHARE BASED PAYMENTS (CONTINUED)

As of 31 December 2016, there was $5.0 million and $3.3 million of total unrecognised compensation cost related to unvested share options, and unvested restricted shares and RSUs, respectively, granted under the Plans. The cost for unvested share options and unvested restricted shares and RSUs is expected to be recognised over weighted-average periods of 2.4 years and 1.9 years, respectively.

A summary of options outstanding and exercisable as of 31 December 2016, follows:

	Total options outstanding		**Total options exercisable**	
Exercise prices	**Number of options**	**Weighted-average remaining life in years**	**Number of options**	**Weighted-average remaining life in years**
$0.00-$1.00	1,024,415		1,023,288	
$1.01-$5.00	32,510		31,385	
$5.01-$10.00	73,456		—	
$10.00-$15.00	1,306,572		298,118	
$15.01-$20.00	107,207		90,120	
$20.01-$25.00	305,620		228,268	
	2,849,780	7.13	1,671,179	6.01

The aggregate intrinsic value of all share options outstanding under the Plan as of 31 December 2016 and 2015 was $19.2 million and $12.6 million, respectively. The aggregate intrinsic value of share options that were fully vested under the Plans as of 31 December 2016 is $15.6 million.

During the years ended 31 December 2016 and 2015, current and former employees of the Group exercised a total of 85,943 options and 41,222 options, respectively, resulting in total proceeds of $76,000 during the year ended 31 December 2016 and $20,000 for the year ended 31 December 2015. The intrinsic value of share options exercised during the years ended 31 December 2016 and 2015 was $1.0 million and $0.5 million, respectively. In accordance with Group policy, the shares were issued from a pool of shares reserved for issuance under the Plans described above.

A summary of the activity of the Group's unvested share options is as follows:

	2016 Number of shares	Weighted -average grant date fair value	2015 Number of shares	Weighted -average grant date fair value
		$		$
Balance as of 1 January	1,124,443	6.53	962,439	5.92
Granted	749,964	4.53	747,964	6.33
Vested	(479,295)	5.92	(429,416)	4.68
Forfeited	(216,510)	6.08	(156,544)	7.51
Balance as of 31 December	1,178,602	5.61	1,124,443	6.53

The total fair value of shares vested for the years ended 31 December 2016 and 2015 was $2.9 million and $1.9 million, respectively.

21. NET LOSS PER SHARE

The following table provides a reconciliation of the numerator and denominator used in computing basic and diluted net loss per share:

	2016	2015
	$000	$000
Numerator:		
Net loss attributable to ordinary shareholders	(22,349)	(24,478)
Denominator:		
Weighted-average ordinary shares outstanding-basic	22,353,713	21,781,933
Dilutive effect of ordinary share equivalents resulting from ordinary share options, ordinary shares warrants and preferred ordinary shares (as converted)	—	—
Weighted-average ordinary shares outstanding-diluted	22,353,713	21,781,933

22. INTELLECTUAL PROPERTY – LICENSE AGREEMENTS

The Group entered into three license agreements by which it has secured certain patent rights that are necessary to make, use and sell the T-SPOT.*TB* test. One of these license agreements, with Oxford Innovation, was terminated in connection with the assignment by Oxford Innovation to the Group of certain intellectual property rights in November 2013. The Group has ongoing obligations to make certain payments to Oxford Innovation while the assigned patents remain in force in certain countries. The Group existing license agreements related to its T-SPOT.*TB* test, as well as its previous license from Oxford Innovation, are generally exclusive in the stated field, cover a worldwide territory, are royalty-bearing and give the Group the right to grant sublicenses. The Group has minimum royalty obligations under each existing license agreement, which continue so long as patents licensed under the agreement remain unexpired. The minimum contractual royalty payments, including ongoing minimum payment obligations to Oxford Innovation, after 31 December 2016 and 2015 are set forth in the commitments and contingencies table in Note 23, “Commitments and contingencies” to these consolidated financial statements.

The Group incurs royalties under each existing license agreement, has incurred royalties under the Oxford Innovation license agreement, and will incur continuing payment obligations to Isis that are treated as royalties in these financial statements, based on its product and service turnover. The aggregate royalty expense relating to the three license agreements amounted to $6.8 million and $5.1 million for the years ended 31 December 2016 and 2015, respectively. The Group paid other license-related expenses, including patent prosecution expenses, milestone payments and assignment fees due to these licensors, amounting to $0.2 million for each of the years ended 31 December 2016 and 2015. The aggregate royalty rate paid by the Group in each of the years ended 31 December 2016 and 2015, as a percentage of the gross product and service turnover of the Group, was 8%.

23. COMMITMENTS AND CONTINGENCIES

Operating leases

At 31 December 2016, the Group leases facilities under four non-cancelable operating leases, with terms that expire between 2017 and 2021. The Group leases office, storage/warehouse, laboratory and manufacturing space in Abingdon, U.K., which leases are due to expire on 31 January 2025 (with respect to the storage/warehouse facility) and 11 June 2019. On 1 March 2013, the Group signed a five year lease for its U.S. corporate headquarters in Marlborough, Massachusetts. In August 2015, the Group entered into a lease amendment for this location to extend the term of the lease by two years through 31 October 2020. In addition, the lease amendment expanded the Group's office space at this location by 7,600 square feet to a new total of 22,100 square feet. The base rent for the combined space over the lease term will range from an initial low of $36,000 per month, which includes $12,000 per month for the expansion space commencing in early 2016, to a high of $39,000 per month. The Group will have an option to extend the lease for one additional term of five years. In addition, the Group leases laboratory space in Memphis, Tennessee, which lease is due to expire on 31 December 2021. The Group has an option to extend the lease for two additional terms of five years each. The two laboratory facilities acquired in 2016 are located in Norwood and Boston, Massachusetts. The Group currently leases approximately 22,000 square feet of space in Norwood and approximately 18,000 square feet in Boston. The Norwood lease expires in 2021, while the Boston lease expires in 2018. The Group's current rent under the Norwood lease is $412,000 annually, subject to annual increases. The Group's current rent under the Boston lease is $263,000 annually.

Future minimum lease payments required under the non-cancelable operating leases in effect as of 31 December 2016 and 2015 are as follows:

	2016	2015
	$000	$000
2017	1,945	1,304
2018	1,852	1,284
2019	1,406	1,253
2020	1,126	884
2021	659	542
Thereafter	192	150
	7,180	5,417

Rent expense is calculated on a straight-line basis over the term of the lease. Rent expense recognised under operating leases totaled $1.4 million and $0.9 million for the years ended 31 December 2016 and 2015, respectively.

23. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Purchase commitments

The Group has license agreements with third parties that provide for minimum royalty, license, and exclusivity payments to be paid by the Group for access to certain technologies. In addition, the Group pays royalties as a percent of turnover as described in Note 22, "Intellectual property—License agreements" to these consolidated financial statements. In addition, the Group has outstanding purchase obligations to its suppliers.

Future minimum payments required under license agreements and supplier purchase obligations in effect as of 31 December 2016 were as follows:

	License agreements	Supplier purchase obligations	Total
	$000	$000	$000
2017	1,518	4,189	5,707
2018	1,512	447	1,959
2019	1,506	—	1,506
2020	25	—	25
2021	—	—	—
Thereafter	—	—	—
Total minimum payments	4,561	4,636	9,197

Future minimum payments required under license agreements and supplier purchase obligations in effect as of 31 December 2015 were as follows:

	License agreements	Supplier purchase obligations	Total
	$000	$000	$000
2016	1,521	4,753	6,274
2017	1,521	365	1,886
2018	1,515	250	1,765
2019	1,508	—	1,508
2020	25	—	25
Thereafter	—	—	—
Total minimum payments	6,090	5,368	11,458

Legal contingencies

The Group is subject to claims and assessments from time to time in the ordinary course of business. The Group does not believe that any such matters, individually or in the aggregate, will have a material adverse effect on the Group's business, financial condition, results of operations or cash flows.

23. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Indemnification

In the normal course of business, the Group enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnification. The Group's exposure under these agreements is unknown because it involves claims that may be made against the Group in the future, but that have not yet been made. To date, the Group has not paid any claims or been required to defend any action related to its indemnification obligations. However, the Group may record charges in the future as a result of these indemnification obligations.

In accordance with its articles of association, the Group has indemnification obligations to its officers and Directors for certain events or occurrences, subject to certain limits, while they are serving at the Group's request in such capacity. There have been no claims to date, and the Group has director and officer insurance that may enable it to recover a portion of any amounts paid for future potential claims.

24. ACQUISITION ACTIVITY

Imugen

On 1 July 2016 ("the date of the acquisition"), the Group acquired substantially all of the assets of Imugen, a privately owned Massachusetts corporation focused on the development and performance of testing for tick-borne diseases. The assets acquired primarily relate to Imugen's proprietary testing technology and its Clinical Laboratory Improvements Amendment, or CLIA, approved and College of American Pathologists, or CAP, approved laboratory in Norwood, Massachusetts.

The consideration for the acquisition of Imugen consisted of $22.2 million in cash. $1.8 million of the purchase price has been placed in escrow for a period of twelve months from the closing date to serve as security for potential indemnification claims.

The acquisition of Imugen was accounted for under the acquisition method of accounting and the purchase price allocation was provisionally prepared during the third quarter of 2016. These provisional amounts have been finalized during the fourth quarter of 2016.

The table below summarizes the purchase price of the Imugen acquisition and the fair value of identified assets acquired at the acquisition date (in thousands):

Assets acquired:		
Property and equipment	$	655
In-process research and development		9,200
Technology - clinical		5,100
Customer relationships		2,700
Trademarks / trade names		1,900
Total assets acquired		19,555
Add: Goodwill		2,645
Total consideration transferred	$	22,200

On the date of the acquisition, the fair value of acquired intangible assets was determined to be $18.9 million using primarily the excess earnings method with significant inputs that are not observable, including estimates of the timing and cost required for product approval, turnover growth, gross margin, operating expenses and a discount rate of approximately 22%. The Group considers these intangible assets to be Level 3 fair value assets due to the significant estimates and assumptions used by management in establishing the estimated fair value.

24. ACQUISITION ACTIVITY (CONTINUED)

Goodwill of approximately $2.6 million represents the excess of the purchase price of the acquired business over the fair value of the underlying net tangible and identifiable intangible assets and represents the expected synergistic benefits of the transaction, which relate to an increase in future turnover for the Group as a result of leveraging Imugen's systems and expertise of its employees. The goodwill is also related to the knowledge and experience of the workforce in place. Goodwill and IPR&D are indefinite-lived intangible assets and are not amortized. Rather, they are reviewed for impairment at least annually. There was no evidence of any impairments at 31 December 2016 and there were no impairment charges during the year ended 31 December 2016. Goodwill related to the Imugen acquisition is deductible for tax purposes over 15 years. During the year ended 31 December 2016, the Group incurred transaction costs of $475,000 associated with the acquisition of Imugen that were recorded within administrative expense in the consolidated income statement.

Actual results of operations acquired from Imugen are included in the consolidated financial statements from the date of the acquisition, including turnover in the amount of $7.0 million and income from operations of $730,000, not including transaction costs.

Immunetics

On 12 October 2016, the Group, through its indirect subsidiary, Oxford Immunotec, Inc., acquired Immunetics, a Massachusetts based diagnostics company focused on developing specialized tests for infectious diseases, including tick-borne diseases, such as Lyme disease. The assets acquired primarily relate to IPR&D related to a test for Babesia, fixed assets, customer relationships, the "Immunetics" trade name, Immunetics' proprietary testing technology for Lyme disease, and various government grants currently in progress.

Total consideration consisted of $6.0 million in cash and up to an additional $6.0 million in cash payable on the achievement of certain turnover thresholds and pipeline related milestones over the next three years. Approximately $400,000 of the purchase price is being held by the Group for a period of eighteen months from the closing date to serve as security for potential indemnification claims. The holdback amount is included in other non-current liabilities on the consolidated balance sheet. The Group has determined that this liability is a Level 3 fair value measurement within the FASB's fair value hierarchy and the fair value has been estimated to be $3.4 million on the date of acquisition based on significant assumptions, including the probabilities of milestone occurrence, the expected timing of milestone payments, and a discount rate of 4.4%. Such liability is adjusted to fair value at each reporting date, with the adjustment reflected in general and administrative expenses. See Note 13 "Fair value measurement" for information pertaining to changes in the fair value of this liability.

The acquisition of Immunetics was accounted for under the acquisition method of accounting and the purchase price allocation was provisionally prepared during the fourth quarter of 2016. While the Group is close to finalization of the purchase price accounting, it has recorded provisional amounts for the assets acquired and liabilities assumed, based upon their estimated fair values at the date of the business acquisition. These provisional amounts may be adjusted as necessary during the measurement period (up to one year from the acquisition date) while the accounting is finalized.

The Group paid approximately $655,000 in transaction costs associated with this transaction, which is included in administrative expenses in the consolidated income statement.

24. ACQUISITION ACTIVITY (CONTINUED)

Total consideration was (in thousands):

Cash consideration	$	6,000
Estimated fair value of contingent consideration		3,444
Total consideration transferred	$	9,444

The table below summarizes the purchase price of the Immunetics acquisition and the fair value of identified assets acquired and liabilities assumed at the acquisition date (in thousands):

Assets acquired:		
Cash	$	285
Accounts receivable, net		347
Inventory, net		420
Prepaid expenses and other assets		199
Property and equipment		787
In-process research and development		6,970
Customer relationships		400
Trade name		290
Technology – clinical		860
Grants		50
Total assets acquired		10,608
Liabilities assumed:		
Accounts payable		(319)
Accrued liabilities		(739)
Other liabilities		(1,283)
Total liabilities assumed		(2,341)
Net assets acquired		8,267
Add: Goodwill		1,177
Total consideration transferred	$	9,444

On the date of the acquisition, the fair value of acquired intangible assets was determined to be $8.6 million using primarily the excess earnings method with significant inputs that are not observable, including estimates of the timing and cost required for product approval, turnover growth, gross margin, operating expenses and discount rate rates ranging between 21.6% and 60.2%, depending on the levels of risk inherent in the various intangible assets. The Group considers these intangible assets to be Level 3 fair value assets due to the significant estimates and assumptions used by management in establishing the estimated fair value.

Goodwill of approximately $1.2 million represents the excess of the purchase price of the acquired business over the fair value of the underlying net tangible and identifiable intangible assets and represents the expected benefits of the transaction, which relate to an increase in future turnover for the Group as a result of leveraging Immunetics' systems and expertise of its employees. The goodwill is also related to the knowledge and experience of the workforce in place. Goodwill and IPR&D are indefinite-lived intangible assets and are not amortized. Rather, they are reviewed for impairment at least annually. There was no evidence of any impairments at 31 December 2016 and there were no impairment charges during the quarter ended 31 December 2016. The goodwill recognised is not deductible for tax purposes.

Actual results of operations acquired from Immunetics are included in the consolidated financial statements from the date of the acquisition, including turnover in the amount of $392,000 and loss from operations of $813,000, not including transaction costs.

24. ACQUISITION ACTIVITY (CONTINUED)

Pro Forma Information (Unaudited): The unaudited pro forma condensed consolidated income statement of the Group, set forth below, gives effect to the Group's acquisitions of Imugen and Immunetics as if they occurred on 1 January 2015. These amounts are not necessarily indicative of the consolidated results of operations for future years or actual results that would have been realized had the acquisitions occurred as of those dates:

	2016	2015
	$000	$000
Total turnover	92,860	75,622
Net loss	(21,840)	(25,281)
Net loss per share—basic and diluted	(0.98)	(1.16)
Weighted average shares outstanding—basic and diluted	22,353,713	21,781,933

Pro forma net loss for the year ended 31 December 2016, excludes $2.7 million related to transaction costs and accelerated stock-based compensation costs incurred in connection with the Imugen and Immunetics acquisitions.

25. TANGIBLE FIXED ASSETS DISTRIBUTION

Geographical analysis:

	2016	2015
	$000	$000
United States	6,625	5,051
Europe and Rest of the World	1,061	1,124
Asia	107	109
	7,793	6,284

26. SUBSEQUENT EVENTS

Effective 24 February 2017, the Remuneration Committee of the Board of Directors approved grants to employees for up to 529,096 share options and 94,989 restricted share units from the Oxford Immunotec Global PLC 2013 Share Incentive Plan. These grants were issued to employees in the first quarter of 2017.

During March 2017, the Group determined that the timing for FDA approval of the Babesia product acquired from Immunetics would likely be delayed. As a result, the Group's subsidiary, Oxford Immunotec, Inc., wrote off $2.4 million of the related contingent purchase price consideration liability.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD IMMUNOTEC GLOBAL PLC

We have audited the parent company financial statements of Oxford Immunotec Global plc for the year ended 31 December 2016 which comprise the parent company balance sheet, parent company statement of changes in equity, parent company cash flows and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 48, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (U.K. and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

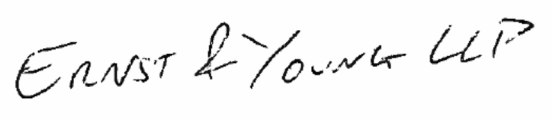
- the financial statements are not in agreement with the accounting records and returns; or

- 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.

Other matter

We have reported separately on the group financial statements of Oxford Immunotec Global PLC for the year ended 31 December 2016.



Marcus Butler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
12 April *2017*

Notes:

1. The maintenance and integrity of the Oxford Immunotec Global plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

OXFORD IMMUNOTEC GLOBAL PLC
PARENT COMPANY BALANCE SHEET
At 31 December 2016

	Notes	At 31 December 2016 $000	At 31 December 2015 $000
NON-CURRENT ASSETS			
Investments	2	94,241	41,938
CURRENT ASSETS			
Receivables	3	19,584	17,051
Cash at bank and in hand		23,621	72,576
		43,205	89,627
TOTAL ASSETS		137,446	131,565
CURRENT LIABILITIES			
Trade payables		147	128
Accrued liabilities		364	410
TOTAL CURRENT LIABILITIES	4	511	538
NET CURRENT ASSETS		42,694	89,089
TOTAL ASSETS LESS CURRENT LIABILITIES		136,935	131,027
NET ASSETS		136,935	131,027
CAPITAL AND RESERVES			
Share capital	5	243	243
Share premium	7	122,993	122,917
Share-based payment reserve	7	13,955	9,500
Retained earnings (deficit)	7	(256)	(1,633)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	7	136,935	131,027
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		137,446	131,565

The Parent Company's profit for the year ended 31 December 2015 was $720,000. For the year ended 31 December 2016, the Parent Company reported a profit of $1.4 million.

The financial statements on pages 95 to 97, and the accompanying Notes to Parent Company Accounts were approved by the Board of Directors and authorised for issue on 12 April 2017 and are signed on its behalf by:

Richard A Sandberg
Director
12 April 2017

OXFORD IMMUNOTEC GLOBAL PLC
PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Notes	Share capital	Share premium	Share-based payment reserve	Retained earnings	Total
		$000	$000	$000	$000	$000
AT 1 JANUARY 2015		192	69,186	4,859	(2,353)	71,884
Profit for the financial year		—	—	—	720	720
TOTAL COMPREHENSIVE INCOME		—	—	—	720	720
Shares issued	5	51	53,731	—	—	53,782
Share-based payment transactions	6	—	—	4,641	—	4,641
AT 31 DECEMBER 2015		243	122,917	9,500	(1,633)	131,027
Profit for the financial year		—	—	—	1,377	1,377
TOTAL COMPREHENSIVE INCOME		—	—	—	1,377	1,377
Shares issued		—	76	—	—	76
Share-based payment transactions		—	—	4,455	—	4,455
AT 31 DECEMBER 2016		243	122,993	13,955	(256)	136,935

OXFORD IMMUNOTEC GLOBAL PLC
PARENT COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	2016	2015
	$000	$000
OPERATING ACTIVITIES		
Net income (loss)	1,377	720
Adjustments to reconcile net loss to net cash used in operating activities:		
Prepayments, accrued income and other assets	(42)	186
Trade creditors	19	(486)
Accrued liabilities	(45)	3
Intercompany	(2,492)	(10,290)
Net cash used in operating activities	(1,183)	(9,867)
INVESTING ACTIVITIES		
Investments in subsidiaries	(47,848)	(16,260)
Net cash used in investing activities	(47,848)	(16,260)
FINANCING ACTIVITIES		
Proceeds from issuance of ordinary shares	—	53,762
Proceeds from exercise of share options	76	17
Net cash generated from financing activities	76	53,779
NET INCREASE (DECREASE) IN CASH AT BANK AND IN HAND	(48,955)	27,652
CASH AT BANK AND IN HAND AT BEGINNING OF YEAR	72,576	44,924
CASH AT BANK AND IN HAND AT END OF YEAR	23,621	72,576

1 PARENT COMPANY ACCOUNTING POLICIES

BASIS OF PRESENTATION AND ACCOUNTING PRINCIPLES

The financial statements of Oxford Immunotec Global PLC (the "Parent Company") have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The financial statements are prepared under the historical cost convention.

The Parent Company has adopted the exemption of presenting the profit and loss account as permitted by section 408 of the Companies Act 2006. The Parent Company's profit for the year ended 31 December 2015 was $720,000. For the year ended 31 December 2016, the Parent Company reported a profit of $1.4 million.

The results of the Parent Company are included in the consolidated financial statements of Oxford Immunotec Global PLC which are on pages 51 to 92 of this document.

The financial statements have been prepared on a going concern basis. The Directors have considered the appropriateness of the going concern basis in the Directors' Report, which begins on page 1. In addition, the Parent Company acknowledges its responsibility to support its subsidiary's cash outflows for the foreseeable future.

The financial statements and related notes have been prepared and presented in U.S. Dollars (USD). Unless otherwise noted, amounts are presented in USD thousands.

INVESTMENTS

Fixed asset investments comprise investments in subsidiaries and are stated at cost less provision for impairment.

The initial investment in Oxford Immunotec Limited was recorded at the nominal value of the shares issued following the requirements of section 612 "Merger Relief" of the Companies Act 2006. On transition to IFRS, the Company elected to take the deemed cost exemption allowed under IFRS 1.D15 to measure its investments in subsidiaries at the previous U.K. GAAP carrying amount at the date of transition.

Where at the year-end there is evidence of impairment, the carrying value of the investment is written down to its recoverable amount.

FINANCIAL ASSETS AND LIABILITIES

Financial assets are recognised and carried at the lower of their original invoiced value or their recoverable amount. Where the time value of money is material, receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest method. Provision is made when there is objective evidence that the Parent Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

The Parent Company's financial liabilities include trade and other payables, which are recognised at amortised cost.

CASH AT BANK AND IN HAND

The Parent Company maintains its available cash balances in cash, U.S. government money market funds, and bank savings accounts. The Parent Company maintains deposits in government insured financial institutions in excess of government insured limits, but believes that it is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

1 PARENT COMPANY ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements with the exception of the following:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilized

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

EQUITY

Equity instruments
Equity instruments issued by the Parent Company are recorded as the value of the proceeds received net of direct issue costs.

SHARE-BASED PAYMENTS

The Parent Company operates a number of share-based payment schemes. For grants of share options, the fair value as at the date of grant is calculated using the Black-Scholes option pricing model and for grants of restricted shares and restricted share units, or RSUs, the fair values are calculated based on the closing sale price of the Parent Company's ordinary shares on the date of issuance.

Grants are expensed on a straight line basis over the vesting period, based on the Parent Company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Upon exercise of options, proceeds received are credited to share capital. The Parent Company does not receive any proceeds upon the vesting of restricted shares or RSUs.

The Parent Company grants share options, restricted shares and RSUs over its own ordinary shares to employees of subsidiary companies. These employees provide services to the subsidiary companies. The cost of these shares is not recharged and therefore the fair value of the share options granted is recognised as a capital contribution to the subsidiary companies. This is accounted for as an increase in investments with a corresponding increase in a non-distributable component of equity.

1 PARENT COMPANY ACCOUNTING POLICIES (CONTINUED)

FINANCIAL GUARANTEE CONTRACTS

Where the Parent Company enters into financial guarantee contracts to guarantee the indebtedness of subsidiary companies, the Company considers these to be insurance arrangements and treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for turnovers and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date.

The fair value of the share based payments is obtained using various assumptions and estimates which may change after the balance sheet date. Key estimates include: staff turnover and other criteria leading to issued share options not fully vesting; the valuation of the shares at the balance sheet date with reference to the relevant stock exchanges; and the various assumptions included within the Black-Scholes option-pricing model.

New standards and interpretations not yet adopted

IFRS 9, *Financial Instruments*, replaces IAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. IFRS 9 will be effective for the Parent Company for fiscal years beginning on or after 1 January 2018. The effect on the Parent Company of adoption of IFRS 9 has yet to be determined.

IFRS 15, *Revenue from Contracts with Customers*, is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition. IFRS 15 will be effective for the Parent Company for fiscal years beginning on or after 1 January 2018. The effect on the Parent Company of adoption of IFRS 15 is not expected to be material.

IFRS 16, *Leases*, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. IFRS 16 will be effective for the Parent Company for fiscal years beginning on or after 1 January 2019. IFRS 16 is yet to be endorsed by the European Parliament. The effect on the Parent Company of adoption of IFRS 16 is not expected to be material.

There are various other amendments to standards, interpretations and annual improvements issued by the International Accounting Standards Board, none of which are expected to have a material effect on the results of the Parent Company.

2 INVESTMENTS

	Subsidiary undertakings	
	At 31 December	
	2016	2015
	$000	$000
COST		
Beginning	41,938	21,037
Capital contributions	52,303	20,901
Closing balance	94,241	41,938

SUBSIDIARY UNDERTAKINGS

The Parent Company's subsidiary undertakings are:

Name of undertaking and registered address	Country of incorporation (if outside of the U.K.)	Class of shareholding	Proportion held	Nature of business
Oxford Immunotec Limited [1] 94C Innovation Drive, Milton Park Abingdon OX14 4RZ		Ordinary	100%	Medical Diagnostics
Oxford Immunotec Inc. 700 Nickerson Road, Suite 200 Marlborough, MA 01752	United States	Ordinary	100%	Medical Diagnostics
Immunetics, Inc. [2] 27 Dry Dock Ave. Boston, MA 02210	United States	Ordinary	100%	Medical Diagnostics
Oxford Immunotec K.K. 8F Nisso Bldg. No16, 3-8-8 Shinyokohama, Kohoku-ku Yokohama 222-0033	Japan	Ordinary	100%	Medical Diagnostics
Boulder Diagnostic Europe GmbH Stockheimer Straße 12 D-97638 Mellrichstadt	Germany	Ordinary	100%	Medical Diagnostics
Oxford Immunotec Asia Limited Unit 6S, 22/F Far East Consortium Building 121 Des Voeux Road Central Hong Kong	People's Republic of China	Ordinary	100%	Medical Diagnostics
Oxford Immunotec (Shanghai) Medical Device Co. Ltd. Room 303, Building 10, Chamtime Plaza, Lane 2889, JinKe Road Pudong New District	People's Republic of China	Ordinary	100%	Medical Diagnostics
Oxford Diagnostic Laboratories (UK) Limited		Ordinary	100%	Medical Diagnostics (Dormant)

[1] Held directly by Oxford Immunotec Global PLC. All other subsidiaries are indirectly held.
[2] Acquired by Oxford Immunotec Inc. on 12 October 2016.

2 INVESTMENTS (CONTINUED)

Oxford Immunotec Inc., Oxford Immunotec K.K., Boulder Diagnostic Europe GmbH, Oxford Immunotec Asia Limited and Oxford Diagnostic Laboratories (UK) Limited are subsidiary undertakings of Oxford Immunotec Limited. Immunetics, Inc. is a subsidiary undertaking of Oxford Immunotec Inc. Oxford Immunotec (Shanghai) Medical Device Co. Ltd. is a subsidiary undertaking of Oxford Immunotec Asia Limited.

3 RECEIVABLES

	At 31 December	
	2016	2015
	$000	$000
Amounts owed by subsidiary undertakings	19,094	16,602
Prepayments and accrued income	426	432
Other	64	17
	19,584	17,051

There are no provisions for bad or doubtful receivables. The carrying value of all receivables is considered to be comparable to the fair value.

4 CURRENT LIABILITIES

	At 31 December	
	2016	2015
	$000	$000
Trade payables	147	128
Accrued liabilities	364	410
	511	538

The carrying value of trade payables is considered to be comparable to the fair value.

5 SHARE CAPITAL

	At 31 December	
	2016	2015
	$000	$000
ALLOTTED		
Ordinary shares, £0.006705 nominal value; 36,183,293, shares authorised at 31 December 2016 and 2015, 22,359,931 and 22,273,988 shares allotted, called up and paid at 31 December 2016 and 2015, respectively	240	240
Ordinary shares, £0.006705 nominal value; 275,500 shares allotted but not called up at 31 December 2016 and 2015	3	3
	243	243

5 SHARE CAPITAL (CONTINUED)

	Ordinary Shares
	$000
Balance at 1 January 2015	192
Exercise of share options	1
Issuance of shares in secondary offering	50
Balance at 31 December 2015	243
Exercise of share options	—
Balance at 31 December 2016	243

The Parent Company has one class of ordinary shares authorised.

On 29 January 2015, the Parent Company entered into an underwriting agreement, or the Underwriting Agreement, with J.P. Morgan Securities LLC and Piper Jaffray & Co., as representatives of the several underwriters named therein, collectively, the Underwriters, relating to the public offering, or the Offering, of 4,255,319 ordinary shares, nominal value £0.006705, or the Shares, at an offering price to the public of $11.75 per Share, or the Offering Price. The Underwriters agreed to purchase the Shares from the Parent Company pursuant to the Underwriting Agreement at a price of $11.045 per share. Under the terms of the Underwriting Agreement, the Parent Company granted the Underwriters a 30-day option to purchase up to an additional 638,297 Shares, or the Option Shares, at the Offering Price, less underwriting discounts and commissions. On 30 January 2015, the Underwriters exercised their option to purchase the Option Shares in full. The gross proceeds to the Parent Company from the sale of the Shares and the Option Shares were approximately $57.5 million and the Parent Company received net proceeds of approximately $53.8 million after deducting underwriting discounts and commissions and estimated aggregate offering expenses payable by the Parent Company. The Offering closed on 4 February 2015.

As of 31 December 2016, the Parent Company had 22,359,931 ordinary shares allotted, called up and paid and 275,500 shares allotted but not called-up. In addition, there were a total of 2,849,780 options outstanding and 202,590 RSUs outstanding.

As of 31 December 2015, the Parent Company had 22,273,988 ordinary shares allotted, called up and paid and 275,500 shares allotted but not called up. In addition, there were a total of 2,425,426 options outstanding and 112,999 RSUs outstanding.

6 SHARE BASED COMPENSATION

The capital contribution recorded during the year related to share based compensation transactions of the Company's subsidiaries is summarized as follows:

	2016	2015
	$000	$000
Cost of sales	53	722
Distribution costs	1,597	1,427
Administrative expenses	2,805	2,492
Total share-based compensation	4,455	4,641

All other disclosures for share based compensation are covered under Note 20 (Share Based Payments) of the notes to the consolidated financial statements.

7 RESERVES

Share Premium

The share premium account represents the excess of consideration received for shares issued above their nominal value net of transaction costs.

Share-based Payment Reserve

The share-based payment reserve account represents the cumulative effect of share-based payment transactions.

Retained earnings

Retained earnings represents the cumulative profit and loss net of distributions to owners.

8 FINANCIAL INSTRUMENTS

Risks in relation to the use of financial instruments

The Parent Company is exposed to market risks in the ordinary course of our business. These market risks are principally limited to interest rate fluctuations, and foreign currency exchange rate fluctuations, as discussed below.

Interest rate fluctuations

Changes in the general level of U.S. and European interest rates expose the Parent Company to interest rate risk. These changes could affect our interest income and interest expense. However, the Parent Company's cash and cash equivalents are invested in interest-bearing savings and money market accounts and we do not enter into investments for trading or speculative purposes. Therefore, the Parent Company does not believe capital market fluctuations would have a material effect on the fair market value of its portfolio.

We are also exposed to market risk related to fluctuations in interest rates indexed to LIBOR, which determines the variable interest payments made on our loan payable. However, we do not believe we are subject to any material market risk exposure related to this obligation.

Foreign currency exchange rate fluctuations

The Parent Company is exposed to foreign exchange rate risk because our subsidiaries currently operate in three major regions of the world: the United States, Europe & ROW, and Asia, and their turnover is denominated in multiple currencies. Approximately 58% of their sales were in the United States, which are denominated in U.S. Dollars. Sales in China are denominated in U.S. Dollars and sales in Japan are denominated in Yen but, in each case, these sales are made by our United Kingdom-based subsidiary where the Pound Sterling is the functional currency. As a result, these sales are subject to remeasurement into Pounds Sterling and then translation into U.S. Dollars when we consolidate our financial statements. Sales in Europe are denominated primarily in the Pound Sterling and Euro. As we grow Europe & ROW sales outside the United Kingdom and the Euro Zone, we will be subject to exchange rate risk from additional currencies. As a result, our exchange rate exposure may change over time as our business practices evolve and could result in increased costs or reduced turnover and could affect our actual cash flow. Changes in the relative values of currencies occur regularly and, in some instances, may have a significant impact on our operating results. We cannot predict with any certainty changes in currency exchange rates or the degree to which we can effectively mitigate these risks.

The Group's expenses are generally denominated in the currencies in which our operations are located, which are primarily in the United States, the United Kingdom, Japan, Europe and China.

As the Group continues to grow its business outside the United States, its results of operations and cash flows will be subject to fluctuations due to changes in foreign currency exchange rates, which could harm its business in the future. To date, the Group has not entered into any foreign currency hedging contracts, although it may do so in the future.

8 FINANCIAL INSTRUMENTS (CONTINUED)

The carrying amount of the Parent Company's financial instruments at 31 December were:

	At 31 December	
	2016	2015
	$000	$000
Financial assets		
Amounts owed by subsidiary undertakings	19,094	16,602
Other receivables	490	449
Total financial assets	19,584	17,051

	At 31 December	
	2016	2015
	$000	$000
Financial liabilities		
Trade payables	147	128
Accruals	364	410
Total financial liabilities	511	538

9 CAPITAL RISK MANAGEMENT

The Company's cash at bank and in hand is invested in interest-bearing savings and money market accounts. We do not enter into investments for trading or speculative purposes. We do not believe capital market fluctuations would have a material effect on the fair market value of our portfolio.

10 KEY MANAGEMENT PERSONNEL REMUNERATION

The total remuneration of the directors of the Parent Company, who are considered to be the key management personnel of the Parent Company is detailed below. Amounts presented are for services to the group.

	2016	2015
	$000	$000
Emoluments	1,094	1,016
Share-based compensation	1,486	1,457
Group pension contributions to money purchase schemes	19	30
	2,599	2,503

11 RELATED PARTY TRANSACTIONS

Balance sheet-related transactions between the Parent Company and its related parties are disclosed below:

	2016	2015
	$000	$000
Subsidiary undertakings:		
Loans given during the year	2,492	10,290
Amounts owed at year end	19,094	16,602

On 4 October 2016, the Parent Company entered into a financial guarantee contract to guarantee the indebtedness of Oxford Immunotec Inc. under the MidCap Agreement.

12 DEFERRED TAXES

Potential deferred tax assets of $487,000 at 31 December 2016 and $279,000 at 31 December 2015, relating to net operating losses, have not been recognised as it is not probable that suitable profits will arise to enable the Parent Company to utilise these losses in the foreseeable future.

13 SUBSEQUENT EVENTS

Effective 24 February 2017, the Remuneration Committee of the Board of Directors approved grants to employees for up to 529,096 share options and 94,989 restricted share units from the Oxford Immunotec Global PLC 2013 Share Incentive Plan. These grants were issued to employees in the first quarter of 2017.

During March 2017, the Company determined that the timing for FDA approval of the Babesia product acquired from Immunetics would likely be delayed. As a result, the Company's subsidiary, Oxford Immunotec, Inc., wrote off $2.4 million of the related contingent purchase price consideration liability.