Oxford Immunotec Global PLC

FINANCIAL STATEMENTS

for the year ended

31 December 2017

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OXFORD IMMUNOTEC GLOBAL PLC
COMPANY INFORMATION

DIRECTORS	Mr R Andrews Jr	
	Mr P J Balthrop Sr	
	Mr M Klausner	Appointed 1 March 2018
	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 year ended 31 December 2017. In addition, the Directors submit the parent company financial statements for Oxford Immunotec Global PLC ("Global" or the "parent company") for the year ended 31 December 2017.

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

BASIS OF PRESENTATION

The Group financial statements for the year ended 31 December 2017 have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards, or IFRS as adopted by the European Union, or EU, (IFRS) and related interpretations as adopted by the EU and, therefore, the Group financial statements comply with Article 4 of the EU International Accounting Standard (IAS) Regulation. For periods up to and including the year ended 31 December 2016, the Group prepared its financial statements in accordance with accounting principles generally acceptable in the United States of America (U.S. GAAP.) Refer to Note 1 for information on how the Group adopted IFRS.

The parent company financial statements for the years ended 31 December 2017 have been prepared in accordance with IFRS.

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 underserved 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 underserved as the industry lacks the appropriate techniques to prosecute the immune responses which are driving these conditions.

RESULTS AND DIVIDENDS

Our loss after income taxes for the year was $34,215,000 (2016: $22,136,000).

Our Directors do not recommend the payment of a dividend on the ordinary shares (2016: $nil).

SEASONALITY

Our revenue fluctuates from quarter to quarter as a result of a number of factors, many of which are outside our control. Our service revenue has historically been strong in the third quarter as a result of a concentration of testing in the United States, or U.S., 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 revenue 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 revenue.

FUTURE DEVELOPMENTS

Our Directors continually evaluate the policies and strategies needed to continue our revenue growth. We expect that 2018 will show further sales growth in existing and new markets.

POLITICAL CONTRIBUTIONS

We have not made political contributions in the period (2016: $nil).

RESEARCH AND DEVELOPMENT

Our products and research and development activities focus on proprietary tests for the management of underserved 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.

Understanding immune-regulated conditions requires interrogation of the immune system. The human immune system is composed of two principal branches: cellular (T cell) immunity and humoral (B cell and antibody-based) immunity. Through our 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 quantitative method to detect antigen-specific cells releasing immune messenger molecules, called cytokines, released by effector T 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 immunosuppressive therapy. We 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 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 assays directed to tick-borne diseases include our differentiated tests that provide increased insight into antibody responses to tick-borne pathogens, which may help clinicians understand the disease state more completely. Our C6 Lyme test kit employs a patented synthetic peptide derived from a protein that is highly specific for Lyme disease.

In addition to our technologies, we have a number of capabilities that we believe we can leverage in developing and commercializing products. We operate both kit and service offerings, giving us go to market flexibility. We have a proven track record of running multi-centre clinical trials, changing guidelines and establishing reimbursement, capabilities that are important to commercial success of diagnostic products. We have the experience and capability to gain regulatory clearance to manufacture

and sell products meeting the regulatory requirements of numerous countries around the world. This, combined with our global sales and marketing infrastructure, allows us to generate revenues in a large number of countries.

Our total research and development expenses were $16.7 million, (2016: $13.9 million), and we employ research and development staff of 115 (2016: 97). 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 15 March 2018, the Remuneration Committee of the Board of Directors approved grants to employees for up to 659,489 share options and 117,426 restricted share units from the Oxford Immunotec Global PLC 2013 Share Incentive Plan. These grants were issued to employees in the first quarter of 2018.

FINANCIAL INSTRUMENTS

Please refer to the **Risks in relation to the use of financial instruments** section included in our Strategic Report, beginning on page 20 of this document.

GREENHOUSE GAS REPORT

Please refer to the section of the same name included in our Strategic Report on page 25 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 and re-elected 28 June 2016)
Mr P J Balthrop Sr	(Appointed 29 January 2016 and re-elected 6 June 2017)
Mr Mark Klausner	(Appointed 1 March 2018)
Ms P Randall	(Elected 12 June 2014 and re-elected 6 June 2017)
Mr H Rosenman	(Appointed 30 October 2013 and re-elected 12 June 2014 and 6 June 2017)
Mr R A Sandberg	(Appointed 16 August 2013 and re-elected 28 June 2016)
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 and re-elected 28 June 2016)
Dr P J Wrighton-Smith	(Appointed 16 August 2013 and re-elected 28 June 2016)

In 2017, our Board of Directors met 14 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 27.

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 a $30.0 million MidCap borrowing, net of related discount and debt issuance costs, that was entered into on 4 October 2016 and $39.3 million raised in an equity offering to the public that closed on 18 August 2017 (see Sources of funds in the Strategic Report);
- the implications of the economic environment and potential future uncertainties on the Group's revenue 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 revenue 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 (registered in the U.K.) 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 16 May 2018.

On behalf of the board

Richard A Sandberg
Chairman
16 May 2018

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 underserved 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 underserved as the industry lacks the appropriate techniques to prosecute the immune responses which are driving these conditions.

We are a global business with 457 employees, including sales and marketing teams on three continents, and laboratories in the U.S, and the United Kingdom, or the U.K. In 2017, we sold to customers in over 50 countries and derived 38% of our revenue 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 is our proprietary T-SPOT®[1].*TB* test, which is used to test for tuberculosis, or TB, infection and leverages our 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 over 30 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, Germany, France and South Korea. 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. 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 complications, including in rare cases death. Our tick-borne disease tests utilize molecular methods (such as polymerase chain reaction) and techniques to prosecute the immune system, and are widely reimbursed in the U.S. using existing codes on fee schedules. Our tests include multiple laboratory developed tests, or LDTs, which utilize unique methodologies 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 third product line is a series of assays for use in screening blood for the parasite *Babesia microti* which causes babesiosis. Babesiosis is a tick-borne disease characterized by a wide spectrum of clinical manifestations that range from asymptomatic to severe acute or even fatal illness. The disease is generally mild to moderate in children and young healthy adults, but it is more severe in neonates, the elderly and immunocompromised individuals such as those undergoing treatment for cancer. While it is primarily transmitted through a tick bite, babesiosis can also be transmitted by blood transfusion. In fact, transfusion-transmitted babesiosis is responsible for the highest percentage (31%) of transfusion-related infectious fatalities reported to the FDA in transfusion recipients and *Babesia microti* is the highest ranking pathogen in the United States transmitted by blood transfusion for which no licensed donor screening is available. The transmission risk of *Babesia microti* is comparable to the transmission risk of HIV, HBV, and HCV prior to the implementation of routine blood screening programs for these pathogens. Screening of blood products for *Babesia microti*, therefore, has become a priority for the FDA. We are developing three assays for use in screening the U.S. blood supply for *Babesia microti.* We have submitted biologics license applications, or BLAs, for these three assays, of which two were approved in March 2018 and one is currently under review by the FDA.

Our T-SPOT.*CMV* test is a part of our fourth product line focused on the transplantation market. The test utilizes our T-SPOT technology platform and is an LDT performed in our CLIA certified, CAP accredited laboratory in Tennessee. The T-SPOT.*CMV* test is also CE marked as a kit in the European Union. The T-SPOT.*CMV* test measures the strength of a patient's cellular immune response to antigens specific to cytomegalovirus, or CMV, and provides information that may be useful in informing management strategies of patients at risk of CMV infection and disease, such as transplant patients. We continue to

[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.

take a measured approach to market introduction of this test as we await final results of our two pivotal clinical studies involving this test.

In addition to our existing product lines, we continue to pursue development programs to enhance our TB and tick-borne disease product offerings. 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, including our blood donor screening assays, and delays in obtaining regulatory clearance may allow for increased competition, thereby potentially impacting the successful commercialization 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, based upon changed market conditions.

We have incurred significant losses from inception and as of 31 December 2017 had an accumulated deficit of $89.4 million. We anticipate that our operating losses may 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 revenue for the year ended 31 December 2017 was $103.1 million and for the year ended 31 December 2016 was $86.1 million. Our net loss for the year ended 31 December 2017 was $34.2 million and for the year ended 31 December 2016 was $22.1 million.

DEVELOPMENT AND PERFORMANCE DURING THE YEAR

Revenue

We generate revenue 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 $85.3 million of our revenue in 2017. We also generate revenue from sales of tick-borne disease and other tests via our direct sales force and also through distributors. During 2017 these tests accounted for revenue of $17.8 million.

Revenue 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 U.S. and the U.K., 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 93% and 96% of revenue from our service offerings, as opposed to kit sales, for the years ended 31 December 2017 and 2016, respectively. These results reflect our experience that 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 include revenue from our portfolio of tick-borne disease tests. For a portion of these tests, we receive payment from customers according to pre-negotiated rates. For other customers we seek third party reimbursement. U.S. results for 2017 also include revenue from our C6 Lyme ELISA kits, which is included in product revenue. Our C6 Lyme ELISA kits are sold to customers at pre-negotiated rates.

Outside the U.S., we derived 92% and 94% our revenue from the sale of our *in vitro* diagnostic kits and associated accessories for the years ended 31 December 2017 and 2016, respectively. For the majority of our customers outside the U.S., 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	
	2017	2016
	$000s	$000s
Revenue		
Product	40,522	36,430
Service	62,558	49,648
Total revenue	103,080	86,078

Revenue by indication

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

	Year ended 31 December	
	2017	2016
	$000s	$000s
Revenue		
Tuberculosis	85,281	78,636
Tick-borne disease and other	17,799	7,442
Total revenue	103,080	86,078

Revenue by geography

We have a direct sales force in the U.S., certain European countries and Japan and market development personnel in China and South 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 revenue is denominated in multiple currencies.

The following table reflects total revenue by geography (United States, Europe and rest of world, or Europe and ROW, and Asia) and as a percentage of total revenue, based on the billing address of our customers.

	Year ended 31 December			
	2017		2016	
	$000s	%	$000s	%
Revenue				
United States	64,067	62%	49,462	58%
Europe and ROW	8,136	8%	6,988	8%
Asia	30,877	30%	29,628	34%
Total revenue	103,080	100%	86,078	100%

Our revenue is denominated in multiple currencies. Sales in the U.S., China and South Korea are denominated in U.S. Dollars. Sales in Europe and 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 U.S., the U.K., Japan, Switzerland, Germany, France and South Korea. 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 revenue and operating expenses

Cost of revenue and gross margin

Cost of revenue 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.

On 30 June 2017, we entered into a Release and Settlement Agreement, or the Settlement Agreement, with Statens Serum Institut, or SSI, to resolve outstanding disputes arising from the license agreement with SSI. The terms of the Settlement Agreement are confidential. Based on the Settlement Agreement, we no longer expect to pay royalties to SSI, which will improve future margins. On December 19, 2017, the Group amended its license agreement with Rutgers, The State University of New Jersey, which reduced our royalties due under the license. This agreement will further improve our future margins.

During the years ended 31 December 2017 and 2016, our cost of revenue represented 45% and 46%, respectively, of our total revenue.

	Year ended 31 December	
	2017	2016
	$000s	$000s
Cost of revenue		
Product	13,794	13,910
Service	32,962	25,440
Total cost of revenue	46,756	39,350

Our gross profit represents total revenue less the cost of revenue, and gross margin is gross profit expressed as a percentage of total revenue. Our gross margins were 55% and 54% for the years ended 31 December 2017 and 2016, respectively. The increase in gross margin reflects the impact of improved accessory margins and lower royalty expenses due to the SSI settlement.

We expect our overall cost of revenue 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.

Distribution costs

Our distribution costs 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.

Distribution costs increased as we have expanded business development activities, geographic presence and medical education programs to increase awareness and adoption of our current T-SPOT.*TB* and tick-borne disease tests and future products. The increase in distribution costs primarily related to salary and other employee related expenses, which increased $2.9 million in the year ended 31 December 2017 compared to the same period in 2016.

Administrative expenses

Research and development expenses

With respect to the following discussion of expenses, administrative expenses include both research and development and general and administrative 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. 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 expense or capitalise research and development costs in accordance with the accounting policy.

Research and development expenses increased in 2017 due to increased salary and other employee related expenses, which increased $2.6 million in the year ended 31 December 2017 compared to the same period in 2016. The increases were largely driven by our efforts in developing three assays for use in screening the U.S. blood supply for *Babesia microti.* As a percentage of total revenue, research and development expenses were essentially flat for the years ended 31 December 2017 and 2016.

Our general and administrative expenses include costs for our executive, accounting, treasury 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 a $1.5 million increase in salary and other employee related expenses and a $3.9 million increase in legal and professional fees, largely related to patent litigation. General and administrative expenses for 2016 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.

Other operating income

Other operating income includes grant income and other miscellaneous 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 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 in process research and development, or 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.

During March 2017, as a result of events subsequent to the acquisition of Immunetics, we determined that the timing for FDA approval of the *Babesia microti* product acquired as part of the acquisition would be more likely to occur after the cut-off date for a milestone to be paid. As a result, we recorded a $2.4 million decrease in fair value of contingent purchase price consideration related to the acquisition. The total contingent purchase price consideration of $6.0 million consisted of cash payable on the achievement of certain revenue thresholds and pipeline related milestones over the following three years, including FDA approval of the *Babesia microti* product by a certain date. The fair value of these milestone payments had 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%. As FDA approval did not occur in the second quarter of 2017, the remaining accrual related to this milestone of $238,000 was written-off. In the third quarter of 2017, we determined there to be a

remote chance that the revenue thresholds for 2017 would be met and so the remaining contingent consideration liability of $880,000 was written-off.

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 would not directly yield any products.

In the third quarter of 2017, due to increased competition in the molecular blood donor screening market for *Babesia microti*, we recorded an impairment charge of $11.1 million to write-off certain intangible assets acquired in conjunction with the 2016 acquisition of Imugen.

Due to a mid-February 2018 complete response letter, or CRL, from FDA regarding the Group's fourth quarter 2017 submissions in relation to its BLA for the Immunetics *Babesia microti* blood donor screening assay, the Group recorded an impairment charge of $7.2 million to write-off the related intangible assets.

Settlement expense

Settlement expense of $10.0 million relates to the Settlement Agreement with SSI to resolve outstanding disputes arising from our previous license agreement. The terms of the Settlement Agreement are confidential. Based on the Settlement Agreement, we no longer expect to pay royalties to SSI, which will improve future margins.

Litigation settlement income

On 15 December 2017, the Group reached a settlement in the lawsuit in the U.S. District Court for the District of Massachusetts in Boston (15-cv-13124-NMG) alleging patent infringement in relation to Qiagen, Inc.'s QuantiFERON®-TB Gold and QuantiFERON®-TB Gold Plus products. Under terms of the agreement, all pending claims between the Group and Qiagen and the co-defendants have been resolved. In connection with the settlement, the Group received a one-time, lump sum payment of $27.5 million from Qiagen. As part of the settlement, the Group has granted Qiagen a royalty-free, non-exclusive license that extends to all current and future customers of QuantiFERON-TB Gold and QuantiFERON-TB Gold Plus. The settlement includes general releases of all parties with no admissions of wrongdoing.

Finance costs

Finance costs includes interest expense, net, and foreign exchange gains/ (losses).

Interest expense mainly relates to our 4 October 2016 agreement with MidCap Financial, or the MidCap agreement, that provides us with $40.0 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 $30.0 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 $10.0 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 $10.0 million for a total of $60.0 million. To date, we have not borrowed under the revolving line of credit.

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, Japanese Yen and Chinese Yuan, depending on the entity.

Results of operations

Comparison of years ended 31 December 2017 and 2016

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

	Year ended 31 December					
	2017		2016		Change	
	Amount	% of revenue	Amount	% of revenue	Amount	%
	$000s		$000s		$000s	
Revenue						
Product	40,522	39%	36,430	42%	4,092	11%
Service	62,558	61%	49,648	58%	12,910	26%
Revenue	103,080	100%	86,078	100%	17,002	20%
Cost of revenue						
Product	13,794	13%	13,910	16%	(116)	(1)%
Service	32,962	32%	25,440	30%	7,522	30%
Cost of revenue	46,756	45%	39,350	46%	7,406	19%
GROSS PROFIT	56,324	55%	46,728	54%	9,596	21%
Distribution costs	38,016	37%	34,865	41%	3,151	9%
Administrative expenses	47,746	46%	36,598	43%	11,148	30%
Other operating income	(66)	—%	(70)	—%	4	(6)%
Change in fair value of contingent purchase price consideration	(3,475)	(3)%	(1,208)	(1)%	(2,267)	188%
Intangible assets impairment charges	18,300	18%	1,765	2%	16,535	937%
Settlement expense	10,028	10%	—	—%	10,028	NM
Operating expenses	110,549	107%	71,950	84%	38,599	54%
OPERATING LOSS	(54,225)	(53)%	(25,222)	(29)%	(29,003)	115%
Litigation settlement income	27,500	27%	—	—%	27,500	NM
Finance costs	(4,380)	(4)%	(421)	—%	(3,959)	940%
LOSS BEFORE INCOME TAXES	(31,105)	(30)%	(25,643)	(30)%	(5,462)	21%
Income tax (expense) benefit	(3,110)	(3)%	3,507	4%	(6,617)	(189)%
LOSS AFTER INCOME TAXES	(34,215)	(33)%	(22,136)	(26)%	(12,079)	55%

Revenue

Revenue increased by 20% to $103.1 million for the year ended 31 December 2017 compared to $86.1 million for the same period in 2016. This increase in revenue was due to an increase in volumes across all regions where we sell our T-SPOT.*TB* test, as well as the addition of our tick-borne disease tests acquired from Imugen and Immunetics in 2016. U.S. revenue grew by 30%, to $64.1 million for the year ended 31 December 2017, compared to the same period in 2016, driven by tick-borne disease and other revenue of $17.8 million in 2017, compared to $7.4 million in 2016. Asia revenue, including revenue from our sales office in South Korea that opened in 2017, grew by 4%, to $30.9 million, compared to the same period in 2016, due primarily to an increase in volumes that led to higher revenue. On a constant currency basis, revenue for Asia would have increased by 6%. Europe and ROW revenue increased by 16%, to $8.1 million, compared to the same period in 2016, due primarily to an increase in volumes that led to higher revenue. On a constant currency basis, Europe and ROW revenue would have increased by 17% in 2017 compared to 2016.

Changes in revenue include the impact of changes in foreign currency exchange rates. We use the alternative performance measure "constant currency basis" in our filings to show changes in our revenue without giving effect to period-to-period currency fluctuations. Under IFRS, revenues received in local (non-U.S. Dollar) currencies are translated into U.S. Dollars at the average exchange rate for the period presented. When we use the term "constant currency basis", it means that we have translated local currency revenues for the prior reporting period into U.S. Dollars using the same average foreign currency exchange rates for the conversion of revenues into U.S. Dollars that we used to translate local currency revenues for the comparable reporting period of the current year. We then calculate the change, as a percentage, from the prior period revenues using the current period exchange rates versus the current period revenues. This resulting percentage change is on a "constant currency basis". We consider the use of a period over period revenue comparison on a constant currency basis to be helpful to investors, as it provides a revenue growth measure free of positive or negative volatility due to currency fluctuations.

By revenue type, total revenues were:

	Year ended 31 December		Change	
	2017	2016	Amount	%
	$000s	$000s	$000s	
Revenue				
Product	40,522	36,430	4,092	11%
Service	62,558	49,648	12,910	26%
Total revenue	103,080	86,078	17,002	20%

By indication, total revenues were:

	Year ended 31 December		Change	
	2017	2016	Amount	%
	$000s	$000s	$000s	
Revenue				
Tuberculosis	85,281	78,636	6,645	8%
Tick-borne disease and other	17,799	7,442	10,357	139%
Total revenue	103,080	86,078	17,002	20%

By geography, total revenues were:

	Year ended 31 December		Change	
	2017	2016	Amount	%
	$000s	$000s	$000s	
Revenue				
United States	64,067	49,462	14,605	30%
Europe and ROW	8,136	6,988	1,148	16%
Asia	30,877	29,628	1,249	4%
Total revenue	103,080	86,078	17,002	20%

Cost of revenue and gross margin

Cost of revenue increased by 19% to $46.8 million for the year ended 31 December 2017 from $39.4 million in the same period of 2016. Gross margin for 2017 increased to 55% from 54% for 2016. The increase in gross margin reflects the impact of improved accessory margins and lower royalty expenses due to the SSI settlement.

	Year ended 31 December		Change	
	2017	2016	Amount	%
	$000s	$000s	$000s	
Cost of revenue				
Product	13,794	13,910	(116)	(1)%
Service	32,962	25,440	7,522	30%
Total cost of revenue	46,756	39,350	7,406	19%

Distribution costs

Distribution costs, or sales and marketing expenses, increased 9% to $38.0 million for the year ended 31 December 2017 from $34.9 million for the same period in 2016. The increase largely resulted from salary and other employee related expenses, which increased $2.9 million in the year ended 31 December 2017 compared to the same period in 2016. The increase reflects an increase in sales personnel and in personnel-related costs for commissions on increased sales and for hiring sales and marketing personnel. As a percentage of total revenue, distribution costs decreased to 37% for the year ended 31 December 2017 from 41% for the same period in 2016.

Administrative expenses

Administrative expenses include both research and development and general and administrative expenses and non-cash related foreign exchange gains and losses.

Research and development expenses increased by 21% to $16.7 million for the year ended 31 December 2017 from $13.9 million for the same period in 2016. Salary and other employee related expenses increased $2.6 million. In addition, clinical studies costs increased $0.5 million in the year ended 31 December 2017 compared to the same period in 2016 and primarily related to our efforts in developing three assays for use in screening the U.S. blood supply for *Babesia microti*. As a percentage of total revenue, research and development expenses were essentially flat for the years ended December 31, 2017 and 2016 at about 16% for both periods.

General and administrative expenses increased by 32% to $30.4 million for the year ended 31 December 2017 from $23.0 million for the same period in 2016. The increase in general and administrative expenses included increases of $3.9 million in legal and professional fees, largely related to patent litigation and increases of $1.5 million in salary and other employee related expenses, as well as increases in property costs and depreciation and amortization. As a percentage of total revenue, general and administrative expenses increased to 29% for the year ended 31 December 2017 from 27% for the same period in 2016.

Other operating income

Other operating income was $66,000 for the year ended 31 December 2017 as compared to $70,000 for the same period in 2016. 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.

During March 2017, as a result of events subsequent to the acquisition of Immunetics, we determined that the timing for FDA approval of the *Babesia microti* product acquired as part of the acquisition would be more likely to occur after the cut-off date for a milestone to be paid. As a result, we recorded a $2.4 million decrease in fair value of contingent purchase price consideration related to the acquisition. The total contingent purchase price consideration of $6.0 million consisted of cash payable on the achievement of certain revenue thresholds and pipeline related milestones over the following three years, including FDA approval of the *Babesia microti* product by a certain date. The fair value of these milestone payments had 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%. As FDA approval did not occur in the second quarter of 2017, the remaining accrual related to this milestone of $238,000 was written-off. In the third quarter of 2017, we determined there to be a remote chance that the revenue thresholds for 2017 would be met and so the remaining contingent consideration liability of $880,000 was written-off.

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.

In the third quarter of 2017, due to increased competition in the molecular blood donor screening market for *Babesia microti*, we recorded an impairment charge of $11.1 million to write-off certain intangible assets acquired in conjunction with the 2016 acquisition of Imugen. Due to a mid-February 2018 CRL from FDA regarding the Group's fourth quarter 2017 submissions in relation to its BLA for the Immunetics *Babesia microti* blood donor screening assay, the Group recorded an impairment charge of $7.2 million to write-off the related intangible assets.

Settlement expense

On 30 June 2017, we and Statens Serum Institut, or SSI, entered into a Release and Settlement Agreement, or the Settlement Agreement, to resolve outstanding disputes arising from the license agreement with SSI. The terms of the Settlement Agreement are confidential. Based on the Settlement Agreement, we no longer expect to pay royalties to SSI, which will improve future margins.

Litigation settlement income

In December 2017, the Group reached a settlement in a lawsuit in exchange for a one-time, lump-sum receipt of $27.5 million. The settlement included general releases of all parties with no admissions of wrongdoing.

Finance costs

Finance costs were $4.4 for the year ended 31 December 2017 as compared to $421,000 for the same period in 2016. The increase in 2017 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 2017 we had a net loss of $34.2 million and used $3.8 million of cash for operating activities. As of 31 December 2017, we had an accumulated deficit of $89.4 million. We incurred a net loss of $22.1 million and used $21.9 million of cash for operating activities for the year ended 31 December 2016.

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.

On 14 August 2017, we entered into an underwriting agreement, or the Underwriting Agreement, with BTIG, LLC, as sole underwriter, or the Underwriter, relating to the issuance and sale of 2,500,000 ordinary shares, nominal value £0.006705 per share, at a price to the public of $16.05 per share, or the Offering, which resulted in approximately $39.3 million of net proceeds to us after deducting underwriting discounts and estimated offering expenses. The Offering closed on 18 August 2017.

As of 31 December 2017, we had cash at bank and in hand of $90.3 million.

Subsequent events

Effective 15 March 2018, the Remuneration Committee of the Board of Directors approved grants to employees for up to 659,489 share options and 117,426 restricted share units from the Oxford Immunotec Global PLC 2013 Share Incentive Plan. These grants were issued to employees in the first quarter of 2018.

Summary of cash flows

Cash flows for the years ended 31 December 2017 and 2016

Operating activities

Net cash used in operating activities was $3.8 million during the year ended 31 December 2017, which included a net loss of $34.2 million and cash used for changes in operating assets less liabilities of $2.1 million, partially offset by net non-cash items of $28.6 million. The cash used for changes in operating assets and liabilities included an increase in accounts receivable, net of $3.3 million, an increase in prepaid expenses and other assets of $0.5 million, an increase in accounts payable of $3.8 million and an increase in inventory, net of $2.3 million, partially offset by a $0.7 million increase in accrued liabilities. The increase in accounts receivable, net reflects growing revenue during the year ended 31 December 2017 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 increase 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 $5.5 million, depreciation and amortisation expense of $4.3 million, an intangible assets impairment charge of $18.3 million mainly related to IPR&D acquired from Imugen and Immunetics and the change in fair value of contingent purchase price consideration of $3.5 million.

Net cash used in operating activities was $21.9 million during the year ended 31 December 2016, which included a net loss of $22.1 million and cash used for changes in operating assets less liabilities of $5.8 million, partially offset by net non-cash items of $6.0 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 $0.3 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 $0.8 million, partially offset by a $4.6 million increase in accrued liabilities. The increase in accounts receivable, net reflects growing revenue 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 $4.8 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.

Investing activities

Net cash used in investing activities was $5.0 million and $30.0 million for the years ended 31 December 2017 and 2016, respectively. The cash used in 2017 consisted of $5.0 million used for purchases of property and equipment. 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.

Financing activities

Net cash provided by financing activities was $39.6 million during the year ended 31 December 2017, which mainly reflects the Offering, which resulted in approximately $39.3 million of net proceeds to us after deducting underwriting discounts and offering expenses. The Offering closed on August 18, 2017. Net cash provided by financing activities was $29.1 million during the year ended 31 December 2016, which mainly reflects the $30.0 million borrowed under the MidCap agreement, net of related discount and debt issuance costs.

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:

	2017	2016	Change %
	$000s	$000s	
Revenue	103,080	86,078	20%
Operating loss	(54,225)	(25,222)	115%
Number of employees, at year end	457	432	6%

Revenue increased by 20% to $103.1 million for the year ended 31 December 2017 compared to $86.1 million for the same period in 2016. This increase in revenue 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. revenue grew by 30%, to $64.1 million for the year ended 31 December 2017, compared to the same period in 2016, driven by tick-borne disease and other revenue of $17.5 million in 2017, compared to $7.4 million in 2016.

Asia revenue, including revenue from our sales office in South Korea that opened in 2017, grew by 4%, to $30.9 million, compared to the same period in 2016, due primarily to an increase in volumes that led to higher revenue in Japan and China. On a constant currency basis, revenue for Asia would have increased by 6%. Europe and ROW revenue increased by 16%, to $8.1 million, compared to the same period in 2016. On a constant currency basis, Europe and ROW revenue would have increased by 17% in 2017 compared to 2016.

Operating loss for 2017 increased by 115% compared to 2016 primarily due to intangibles asset impairment charges of $18.3 million and settlement expense of $10.0 million. See the discussion under "Results of operations" on pages 12 through 15 of this Strategic Report regarding the main drivers to the increases in operating loss for 2017 compared to 2016.

The number of employees at 31 December 2017 has increased by 6% over the number of employees at 31 December 2016 due to growth in our operations.

PRINCIPAL RISKS AND UNCERTAINTIES

Financial

We have a history of losses and anticipate that we may incur continued losses for at least the next few years. We cannot be certain that we will achieve or sustain profitability. To manage this risk, we continue to invest to grow our customer base and invest in research and development to expand our product portfolio. Since our initial public offering in November 2013, we have also raised funds through offerings of our ordinary shares in 2015 and 2017.

Commercialisation

From a revenue 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. With the acquisitions of Imugen and Immunetics in the second half of 2016, we evolved from a single-product company to a multi-product company and we continue to invest in research and development to expand our product portfolio.

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. We review our salesforce compensation plan on an annual basis to ensure that it remains competitive and build protections, such as notice periods, into our distributor contracts.

Customers

Certain of our customers account for a significant portion of our revenue. In the event that any significant customer substantially reduces its purchases of our products, our results of operations could be materially and adversely affected. We are expanding our commercial presence in the markets with customer concentrations to help mitigate this risk.

Reimbursement and billing

Billing complexities associated with obtaining payment or reimbursement for our tests may negatively affect our revenue, 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. We have a proven track record of establishing reimbursement and we continuously monitor the changing reimbursement guidelines.

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. We work closely with our suppliers to assure continuity of supply while maintaining high quality and reliability.

Facilities

We currently perform our tests for our service offering exclusively in two laboratories in the U.S. and one laboratory in the U.K. 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 U.S. 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 revenue 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.

We have the experience and capability to gain regulatory clearance to manufacture and sell products meeting the regulatory requirements of numerous countries around the world. We employ experienced and highly educated personnel and continuously monitor compliance with regulatory requirements.

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. We seek to secure and maintain protection of the proprietary aspects of our technology platform and of our existing and planned products. We rely on a combination of patents, trademarks, trade secret and other intellectual property laws, and confidentiality, license and invention assignment agreements and other contracts to protect our intellectual property rights.

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 U.S., Europe and ROW, and Asia, and our revenue is denominated in multiple currencies. Approximately 62% of our sales were in the U.S., 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 U.K.-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 and ROW sales outside the U.K. 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 revenue 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 U.S., the U.K., Japan, Europe, China and South Korea.

As we continue to grow our business outside the U.S., 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 2017, the Group had two product customers that represented more than 10% of the Group's annual revenue. The Group's Chinese distributor, Shanghai Fosun Long March Medical Science Co. Ltd. represented 14% of annual revenue and the Group's Japanese importer, Riken Genesis Co., Ltd. represented 11% of annual revenue. 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 underserved 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 two principal branches: cellular (T cell) immunity and humoral (B cell and antibody-based) immunity. Through our T-SPOT technology platform we can efficiently measure marker-specific T cell responses at a single cell level and thereby inform the diagnosis, prognosis and monitoring of patients with immune-regulated conditions. We employ a quantitative method to detect antigen-specific cells releasing immune messenger molecules, called cytokines, released by effector T 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 immunosuppressive therapy. We 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 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 assays directed to tick-borne diseases include differentiated tests that provide increased insight into antibody responses to tick-borne pathogens, which may help clinicians understand the disease state more completely. Our C6 test kit employs a patented synthetic peptide derived from a protein that is highly specific for Lyme disease.

In addition to our technologies, we have a number of capabilities that we believe we can leverage in developing and commercializing products. We operate both kit and service offerings, giving us go to market flexibility. We have a proven track record of running multi-center clinical trials, changing guidelines and establishing reimbursement, capabilities that are important to commercial success of diagnostic products. We have the experience and capability to gain regulatory clearance to manufacture and sell products meeting the regulatory requirements of numerous countries around the world. This, combined with our global sales and marketing infrastructure, allows us to generate revenues in a large number of countries.

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 Japan, Switzerland, Germany, France and South Korea, 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.

We believe that clinical guidelines, which are recommendations issued by national medical societies or public health bodies, are a driving factor in a clinician's decision to use a specific diagnostic test. IGRAs, such as our T-SPOT.*TB* test have been included in clinical guidelines for TB testing in over 30 countries, including the U.S., several European countries and Japan.

In recent years, the use of IGRAs has been increasingly recommended. For example, in December 2016, a publication titled "Official American Thoracic Society/Infectious Diseases Society of America/Centers for Disease Control and Prevention Clinical Practice Guidelines: Diagnosis of Tuberculosis in Adults and Children" recommended use of IGRAs for testing for TB infection instead of the TST for patients over the age of five who meet the following criteria: 1) are likely to be infected with MTB, 2) have a low or intermediate risk of disease progression, 3) testing for LTBI is warranted, and 4) either have a history of BCG vaccination or are unlikely to return for a second visit to read the TST.

We believe that these guidelines, and similar national guidelines outside the U.S., allow us to access the vast majority of the current TST market and assert the superiority of an IGRA in significant segments of the market.

We currently market our T-SPOT.*TB* test directly in the U.S., Northern Europe and Japan. Outside of these territories, we have contracted with distributors who market and sell our test. In countries where we have a direct presence, we use a combination of sales managers, sales representatives, customer service staff and technical experts to interact with clinicians, nurses, administrative staff, laboratories and other groups who are involved in the implementation of TB screening programs. Our goal is to educate these groups about the clinical, operational and economic benefits of switching from the TST to our T-SPOT.*TB* test. Our customer service staff and technical experts are also involved in the practical training of customers to perform and order our T-SPOT.*TB* test as well as providing ongoing customer support. In addition to these teams, we offer a diverse array of marketing programs and services, which include advertising, medical education, attendance at scientific meetings and other awareness-raising activities.

Tick-borne diseases is the collective name for diseases passed to humans through the bite of an infected tick. As reported by the CDC, the most common tick-borne disease in the U.S. is Lyme disease, and it is estimated that over 300,000 people are diagnosed with the disease each year. Other tick-borne diseases include Rocky Mountain Spotted Fever, babesiosis, erlichiosis, anaplasmosis, Powassan disease, tick-borne relapsing fever and tularemia. According to data maintained by CDC, the incidence of all tick-borne diseases has increased steadily each year and the number of reported cases of Lyme disease more than doubled from 2001 through 2016.

The symptoms of tick-borne diseases often overlap, making diagnosis a challenge without accurate tests that can differentiate between the causative agents of disease. The CDC recommended approach for diagnosis of Lyme disease involves a 2-tier testing methodology that relies on detection of antibodies. While these guidelines are effective in many situations, this 2-tier testing algorithm has limitations, especially during the first few weeks of infection. Furthermore, the CDC guidelines for Lyme disease testing do not require testing for other tick-borne infections, meaning that such infections may be missed.

Tests, or combinations of tests, that allow for more timely and accurate detection of tick-borne infections other than Lyme disease are a primary unmet need in this market. Our portfolio of tick-born disease tests addresses this need by covering a wide range of tick-borne diseases, including babesiosis, erlichiosis and anaplasmosis. Our tests also aim to address the separate unmet need for tests that have higher sensitivity in early presentations of Lyme disease. We use a variety of methods, including antibody capture, enzyme immunoassay, or EIA, western blot, polymerase chain reaction, or PCR, and immunofluorescence assay, or IFA, to detect serological and molecular evidence of the particular organisms associated with tick-borne disease.

We also maintain a tick-borne disease database of specimens with serological evidence of infection. This database allows us to run a comparative analysis of current and past samples to provide further information to clinicians about their patients and disease state. Our database also enables us to analyze co-infection data and tailor test combinations to the tick-borne diseases most prevalent in particular geographies.

In 2017, our Massachusetts laboratory began offering an assay targeting Rocky Mountain spotted fever, or RMSF. RMSF is the most lethal and most frequently reported rickettsial tick-borne diseases in the United States. Although RMSF cases have been reported throughout most of the contiguous United States, five states (North Carolina, Oklahoma, Arkansas, Tennessee, and Missouri) account for over 60% of RMSF cases. The early clinical presentation of RMSF is nonspecific and may resemble a

variety of other infectious and non-infectious diseases. Our offering can be used to identify RMSF infection as well as other rickettsial diseases.

In addition to our service offerings, our C6 *Borrelia burgdorferi* (Lyme) ELISA kit, or C6 Lyme ELISA kit, measures Lyme specific antibodies by leveraging a synthetic version of the C6 peptide antigen, a marker specific to *Borrelia burgdorferi*, the causative organism of Lyme disease in the U.S. We currently utilize our sales force to market our tick-borne disease tests directly in the U.S. Outside the U.S., we rely on our direct sales force as well as independent distributors to market our C6 Lyme ELISA kit.

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 two adjacent facilities in Norwood, Massachusetts and performs both our T-SPOT.*TB* and tick-borne disease testing. Our current leases for the Norwood laboratory cover approximately 58,000 square feet of space divided between two buildings.

We also currently lease approximately 18,000 square feet in Boston, Massachusetts, which includes a clinical and research laboratory directed to the development and testing of the products acquired from Immunetics. The lease for the Boston facility expires in July 2018 at which time the operations will be consolidated into the Norwood, Massachusetts facilities.

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 2017 and 2016 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	
	2017	**2016**
Estimated greenhouse gas emissions from our own activities, including the combustion of fuel and the operation of our facilities	205	144
Estimated greenhouse gas emissions from purchased electricity, heat, steam or cooling for own use	1,431	1,056
Total estimated greenhouse gas emissions	**1,636**	**1,200**
Intensity ratio: Total greenhouse gas emissions per $1m revenue	15.87	13.94

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 2017.

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 include reportable emissions from Imugen and Immunetics since their respective dates of acquisition in 2016. The increase in estimated greenhouse gas emissions in 2017 is due to the inclusion of an entire year of activity from the acquired locations in 2017.

EMPLOYEES

As of 31 December 2017, we had 457 employees including our Chief Executive Officer who is also a Statutory Director. None of our employees is 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 19 – 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 2017 is as follows:

Position	Male	Female	Total
Group Director [(1)]	8	1	9
Senior Manager	38	15	53
Other Employees	158	245	403
Total Employees [(2)]	196	260	456

(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 16 May 2018.

On behalf of the board

Richard A Sandberg
Director
16 May 2018

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 19 June 2018 (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 2017 through 31 December 2017.

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 2017

Our primary goals in 2017 were to grow revenues, improve gross margin and make significant progress in achieving our product development and quality objectives. In 2017, we completed integrating the Company's acquisitions, increased revenues from the acquired products, and we also strengthened our balance sheet through the resolution of litigation and renegotiation of our royalty agreements.

As last year, the CEO did not receive any increase to his base salary. The significant reduction in the CEO's bonus reflected primarily the weaker corporate performance versus the goals set at the beginning of the year.

James R. Tobin
Chairman of the Remuneration Committee
27 April 2018

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 19 June 2018.

Single Total Figure of Remuneration – Executive Directors

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
2017	$404,817 £300,000	$957(4) £709(4)	$206,748(5) £153,216(5)	$647,315(6)	$17,415(7) £12,906(7)	$1,277,252
2016	$370,383 £300,000	$877(8) £710(8)	$295,603(9) £239,430(9)	$808,525(10)	$19,137(11) £15,500(11)	$1,494,488

(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 2017 amounts have been converted based on the Pound Sterling/U.S. Dollar exchange rate in effect as of 31 December 2017 (£1/$1.349390). For convenience, the Pound Sterling equivalent of Dr. Wrighton-Smith's 2017 cash compensation is also shown. 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 during the reported period 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 reported period 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 period 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. The amount of remuneration reported in this column attributed to options was not realized by Dr. Wrighton-Smith in the reported period because these options were not exercised in that period.

(4) Taxable benefits provided for Dr. Wrighton-Smith to which the Group contributes include the costs of private health insurance coverage. The private health insurance coverage and payment is 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 2017 and paid in 2018.

(6) The amount reported equals the cash equivalent of options, restricted share awards and restricted share units that vested during the reported year.

(7) The amount reported includes a Company match of voluntary retirement plan contributions made by Dr. Wrighton-Smith in the amount of $13,480 (£9,990). See discussion of U.K. Defined Contribution Plan below. The amount reported reflects the £10,000 cap on tax advantaged contributions available under U.K. law. The amount also includes approximately $3,935 (£2,916) 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 $862 (£698) and $15 (£12) 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 2016 and paid in 2017.
(10) The amount reported equals the cash equivalent of options and restricted share awards that vested during the reported year. No portion of the 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 includes a Company match of voluntary retirement plan contributions made by Dr. Wrighton-Smith in the amount of $15,537 (£12,585). See discussion of U.K. Defined Contribution Plan below. The amount also includes approximately $3,600 (£2,915) in benefits available to other employees.

Base Salary

The annual rate of base salary reflected in the table above for 2017 for Dr. Wrighton-Smith became effective on 1 January 2017 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 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 2017 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 2017, our corporate goals were achieved at 67.8%. 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 2018, the Remuneration Committee conducted an assessment of Dr. Wrighton-Smith's performance for the 2017 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 85% 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 2017 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 2017 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 2018 year as well as individual objectives for Dr. Wrighton-Smith for the year. As with the 2017 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 2017, due to a change in the applicable U.K. Law, the maximum tax advantaged contribution available to Dr. Wrighton-Smith as part of the defined contribution plan is £10,000 or $13,494 (using the currency conversation rate of 1£/1.349390).

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								
2017	35,000	65,000	—	—	—	100,000	56,971(2)	156,971
2016	35,000	65,000	—	—	—	100,000	25,159(2)	125,159
Stephen L. Spotts								
2017	35,000	—	12,500	—	—	47,500	56,971(2)	104,471
2016	35,000	—	12,500	—	—	47,500	9,538(2)	57,038
Herm Rosenman								
2017	35,000	—	6,250	17,675	—	58,925	56,971(2)	115,896
2016	35,000	—	6,250	15,000	—	56,250	— (4)	56,250
Patricia Randall								
2017	35,000	—	—	10,000	—	45,000	56,971(3)	101,971
2016	35,000	—	—	10,000	—	45,000	30,632(2)	75,632
James R. Tobin								
2017	35,000	—	5,000	15,000	—	55,000	64,976(3)	119,976
2016	35,000	—	5,000	15,000	—	55,000	— (4)	55,000
Ronald A. Andrews Jr.								
2017	35,000	—	6,250	—	—	41,250	67,560(3)	108,810
2016	35,000	—	6,250	—	—	41,250	— (4)	41,250
A. Scott Walton								
2017	35,000	—	12,500	—	—	47,500	67,560(3)	115,060
2016	35,000	—	12,500	—	—	47,500	— (4)	47,500
Patrick J. Balthrop, Sr. (5)								
2017	35,000	—	11,250	8,917	—	55,167	71,934(3)	127,101
2016	32,308	—	10,865	—	—	43,173	— (4)	43,173

(1) All equity awards made in 2017 were made pursuant to the Directors' Remuneration Policy approved by the Group's shareholders at the 2014 Annual General Meeting of Shareholders and amended at the 2017 Annual General Meeting of Shareholders. Under this policy, non-executive 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 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. 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. 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) 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 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. 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. During the reported year, the director vested to the annual option award from the preceding year and one-third of the initial option award. 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.

(4) 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.

Statement of Directors' Shareholdings and Share Interests

The table below shows, for each person who served as a director of the Group during 2017, 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 2017 (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	394,305(2)	564,624(3)	258,825(4)	200,000
Non-Executive Directors				
Richard A. Sandberg	15,000	37,478	30,021(5)	9,000
Stephen L. Spotts	—	59,387	51,930(5)	—
Herm Rosenman	—	52,199	44,742(6)	—
Ronald A. Andrews, Jr.	—	37,285	24,856 (6)	—
A. Scott Walton	—	37,285	24,856 (6)	—
Patricia Randall	8,650	82,057	74,600(5)	—
James R. Tobin	—	44,742	37,285(6)	—
Patrick Balthrop	—	33,556	21,127(6)	—

(1) Vested Share Options are a subset of Share Options Held.
(2) This amount includes 22,632 restricted share awards.
(3) This amount includes 67,363 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 following annual general meeting of shareholders
(6) The option awards reported vested on the day of the 2017 annual general meeting of shareholders.

We do not currently have, and during 2017 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 2017

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)
Ronald A. Andrews, Jr.	6 June 2017	7,457(2)	$107,828
Patrick J. Balthrop, Sr	6 June 2017	7,457(2)	$107,828
Patricia Randall	6 June 2017	7,457(2)	$107,828
Herm Rosenman	6 June 2017	7,457(2)	$107,828
Richard A. Sandberg	6 June 2017	7,457(2)	$107,828
Stephen L. Spotts	6 June 2017	7,457(2)	$107,828
James R. Tobin	6 June 2017	7,457(2)	$107,828
A. Scott Walton	6 June 2017	7,457(2)	$107,828

(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 the annual award made to directors and will vest at the 2018 Annual General Meeting of Shareholders, subject to continued service.

Payments made to past directors

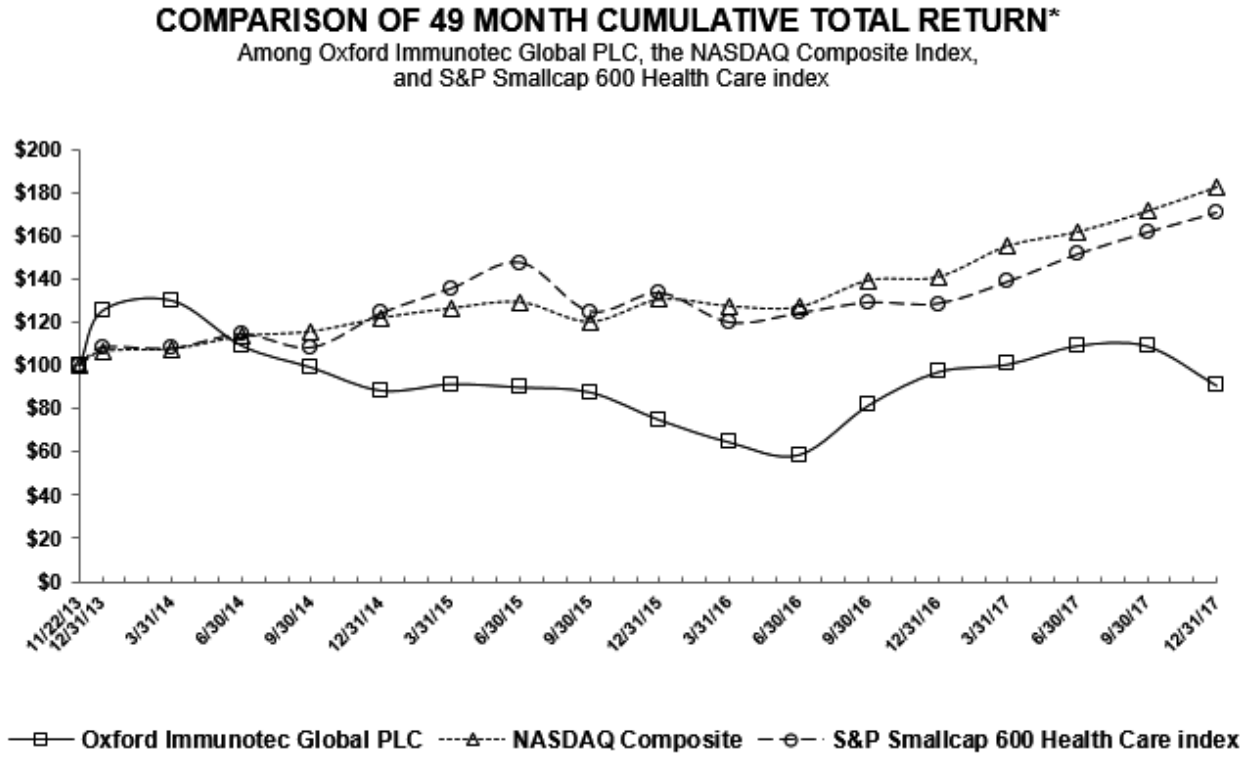
In 2017, we made no payments to former directors of the Group.

Payments for loss of office

In 2017, 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.



*$100 invested on 11/22/13 in ordinary shares or 10/31/13 in index, including reinvestment of dividends.
Fiscal year ending December 31.

	2017	2016	2015	2014
Total CEO remuneration £'000	£1,174	£1,293	£1,092	£913
Annual Bonus outcome (% of max)	73%	114%	88%	77%

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 2016 and 2017 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)	0.0	12.1
Taxable Benefits	-16.0	5.0
Annual Bonus(4)	-36.0	-8.3

(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, 2017. 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 2016 included amounts paid in 2017 based upon performance in 2016; likewise, annual bonus payments for 2017 included amounts paid in 2018 based upon performance in 2017.

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 determined by combining the distribution costs and administrative expenses as shown in the Company's consolidated income statement in its annual statutory report for 2017.

	2017	2016	% change
Remuneration Paid to All Employees	$51,506,000	$41,911,000	23
Operating Expense	$110,549,000(1)	$71,950,000	54

(1) 2017 Operating Expenses includes $10 million of settlement expense and $18.3 million of intangible impairment charges.

Statement of Implementation of Remuneration Policy in the Current Financial Year

The Directors' Remuneration Policy as adopted at the 2014 annual general meeting of shareholders and amended at the 2017 annual general meeting of shareholders was followed for the compensation paid to directors in 2017.

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

During 2017, 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 2017, 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 2017 total $45,201.12

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 2017, and with respect to base salaries and equity-based awards to be made to these persons in 2018. 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 2017 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	17,342,455	99.48	83,702	0.48	6,127	0.04

Approval

This report was approved by the Board of Directors as of 25 April 2018 and signed on its behalf by:

Richard A. Sandberg
Chairman
27 April 2018

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 and 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group 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

Opinion

In our opinion:

- Oxford Immunotec Global plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with International Financial Standards of Report ("IFRS") accounting principles and as applied in accordance with the provisions of the Companies Act; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Oxford Immunotec Global plc which comprise:

Group	**Parent company**
Consolidated statement of financial position as at 31 December 2017	Statement of financial position as at 31December 2017
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of total comprehensive income for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 14 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 28 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards to the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	• Revenue recognition: sales of products • Revenue recognition: estimation of test reimbursement rates from third party payers • Intangible assets: impairment assessment • Group consolidated IFRS conversion
Audit scope	• We performed an audit of the complete financial information of three components and audit procedures on specific balances of a further four components.
Materiality	• The overall group materiality is based on Revenue and has been set at $1.0M, which represents 1% of Revenue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition: sales of products Refer to the Accounting policies in the Consolidated Financial Statements (page 55) As described in the Summary of Significant Accounting Policies in the consolidated financial statements, the Group recognises revenues from sales of products when, amongst other things the product has been shipped or delivered in accordance with the shipping terms of the arrangement. Products shipped to Asia are generally shipped in bulk, meaning individual shipments can materially impact revenue in a period. Ensuring that the revenue from these product sales are recorded in the correct period is therefore a focus area for the audit. The risk is that revenue may not be recorded in the correct accounting period.	We have performed the following audit procedures to be responsive to this matter: • We obtained confirmation letters from a sample of significant Asian customers' accounts receivable balances as at 31 October 2017 with no exceptions noted. We used this as a base to roll-forward to December to verify these accounts at the year-end date. • We used data analytics to analyse the entire population of revenue transactions to identify unexpected correlations between revenue, trade receivables and cash. • We performed testing to validate that cut off has been applied appropriately. This included inspecting a sample of invoices and inventory shipping records for Asian customers for October, November and December 2017 and January 2018 to ensure that revenue had been recognised in the appropriate period. • We performed analytical procedures to identify any unusual or unexplained peaks in sales volumes relating to Asia sales. For analytical review movements that were inconsistent with our expectations, we discussed variances with management and obtained corroborating evidence to support management's explanations. • We performed post year end credit note testing to validate that cut off has been applied appropriately. We performed full scope audit procedures over this risk area in one location, which covered 100% of the risk amount.	Based on the procedures performed, we concur that the amounts and disclosures included within the financial statements for Revenue Direct billing are appropriate and in conformity with IFRS.

<table>
<tr>
<td>Revenue recognition: estimation of test reimbursement rates from third party payers

Refer to the Accounting policies in the Consolidated Financial Statements (page 55)

In the United States, the group generates a portion of its diagnostic laboratory revenues from payments that are received from a variety of third-party payers, including government programs (including Medicare and Medicaid) and commercial insurance companies, each with different billing requirements. Revenue from tests paid by third-party payers is generally recognized on an accrual basis based on the Company's historical collection experience. In certain instances, revenue is recognized on a cash basis when there is insufficient historical collection experience. Since revenue recognised depends on the accuracy of the estimate, this is an area of audit focus.

The risk is that the estimate may be prone to error.</td>
<td>Our principal audit procedures included:

• We obtained from management the reimbursement rate calculations and tested the data used throughout the year for accuracy and completeness. The data was examined for anomalies or other reasons that data points should be excluded. None were noted.

• We selected a sample of transactions to test the underlying data for cash collected, also checking that the correct revenue rate had been applied for each transaction.

• We re-performed the calculation of reimbursement rates being applied in the billing system on this sample. In addition we agreed the calculated reimbursement rates applied in the billing system.

We performed full scope audit procedures over this risk area in one location, which covered 100% of the risk amount.</td>
<td>Based on the procedures performed, we concur that the amounts and disclosures included within the financial statements are appropriate and in conformity with IFRS</td>
</tr>
</table>

Intangible assets: impairment assessment Refer to the Accounting policies in the Consolidated Financial Statements (page 55) The Group has significant intangible assets arising from the acquisition of products in development. Recoverability of these assets is based on forecasting and discounting future cash flows, which are inherently highly judgemental. For products in development, the main judgment is obtaining required clinical and regulatory approvals. The risk is that there may be errors in these judgments.	Our principal audit procedures included: • evaluating the Group's assumptions used in assessing the recoverability of intangible assets, in particular, revenue and cash flow projections, the probability of obtaining regulatory approval and the discount rate. • performing sensitivity analyses over individual intangible asset models, to assess the level of sensitivity to key assumptions and focused our work in those areas. • interviewing key research and development personnel to corroborate the assumptions used. • evaluating the discount rate, with the assistance of EY valuations specialists • assessing management's key assumptions regarding the size of the disease area market and the product's projected share of this market through comparison to external scientific literature and market research. • determining the accuracy of the Group's projections, by comparing actual results to previous forecasts. • assessing the adequacy of related disclosures in the Group's financial statements. We performed full scope audit procedures over this risk area in one location, which covered 100% of the risk amount.	Based on the procedures performed, we concur that the amounts and disclosures included within the financial statements are appropriate and in conformity with IFRS.

Group consolidated IFRS conversion Refer to the Accounting policies in the Consolidated Financial Statements (page 55) The Group has applied IFRS's, as adopted by the EU, in its group consolidated accounts for the first time in 2017. In doing so it has been required to identify and quantify the differences from the previously applied accounting framework of US GAAP throughout the Group. The risk is the potential for misstatements to arise as a result of the misapplication of IFRS.	We have performed the following audit procedures to be responsive to this matter: • Obtained management's assessment of the GAAP differences and tested this for completeness • Obtained and recalculated the amounts for GAAP differences identified. • On a sample basis, tested the underlying data upon which the GAAP differences were quantified • Evaluated the presentation and disclosure of the IFRS financial statements, including IFRS 1 *First Time Adoption of International Financial Reporting Standards* disclosure requirements We performed full scope audit procedures over this risk area in one location, which covered 100% of the risk amount.	Based on the procedures performed, we believe all applicable GAAP differences have been identified and quantified. The consolidated group IFRS financial statements have been compiled appropriately and comply with IFRS, including IFRS 1.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

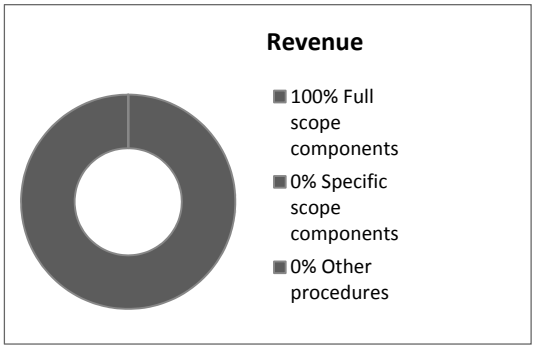
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the eight reporting components of the Group, we selected five components covering entities within the UK, USA and Japan which represent the principal business units within the Group.

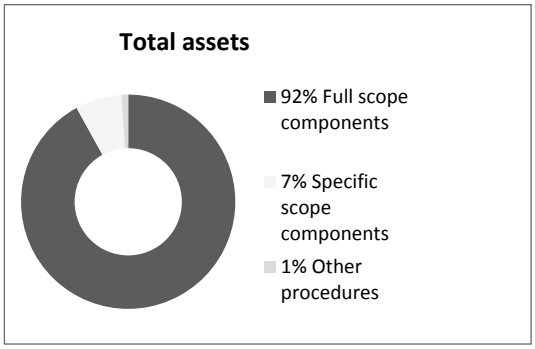
Of the five components selected, we performed an audit of the complete financial information of three components ("full scope components") which were selected based on their size or risk characteristics. For the remaining components ("specific scope components"), we performed audit procedures on specific accounts within the component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 100% (2016: 100%) of the Group's revenue and 100% (2016: 100%) of the Group's Total assets. For the current year, the full scope components contributed 100% (2016: 100%) of the Group's revenue and 92% (2016: 89%) of the Group's Total assets. The specific scope component contributed 0% (2016: 0%) of the Group's Revenue and 7% (2016: 10%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant amounts tested for the Group.

For other components, we performed other procedures, including analytical review, testing of consolidation journals, intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit team.





Changes from the prior year

The acquisition of the Immunetics business in 2016 has resulted in an increased scope from limited to specific scope at that location.

Involvement in the audit

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction.
All audit work performed for the purposes of the audit was undertaken by the Group audit team. The Group audit team visited the US component twice in the year.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be $1.8 million (2016: $1.3 million), which is 1% (2016: 1%) of Revenue. We believe that revenue provides us with a basis that is closely aligned with the users of the financial statements, given the business is growing and is currently loss making. The main focus of the Company and investors continues to be revenue.

We determined materiality for the Parent Company to be $1.0 million (2016: $1.0 million), which is 1% (2016: 1%) of Equity.

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2016: 75%) of our planning materiality, namely $0.5 million (2016: $0.6 million). Performance materiality was reduced as a result of prior year audit differences being identified.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was $0.1 million to $0.4 million (2016: $0.2 million to $0.6 million).

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $52,000 (2016: $43,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 39, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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.

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

Marcus Butler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
16 May 2018

OXFORD IMMUNOTEC GLOBAL PLC
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2017

	Notes	2017 $000	2016 $000
Product		40,522	36,430
Service		62,558	49,648
REVENUE	1	103,080	86,078
Product		13,794	13,910
Service		32,962	25,440
Cost of revenue		(46,756)	(39,350)
GROSS PROFIT		56,324	46,728
Distribution costs		38,016	34,865
Administrative expenses		47,746	36,598
Other operating income		(66)	(70)
Change in fair value of contingent purchase price consideration	13	(3,475)	(1,208)
Intangible assets impairment charges	8	18,300	1,765
Settlement expense	26	10,028	—
Operating expenses		(110,549)	(71,950)
OPERATING LOSS	3	(54,225)	(25,222)
Litigation settlement income	27	27,500	—
Finance costs	2	(4,380)	(421)
LOSS BEFORE INCOME TAXES		(31,105)	(25,643)
Income tax (expense) benefit	6	(3,110)	3,507
LOSS AFTER INCOME TAXES		(34,215)	(22,136)
Net loss per share:			
Basic		(1.44)	(0.99)
Diluted		(1.44)	(0.99)

OXFORD IMMUNOTEC GLOBAL PLC
CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Notes	2017	2016
		$000	$000
Loss for the year		(34,215)	(22,136)
Other comprehensive loss, net of taxes:			
Items which may subsequently be reclassified into profit or loss:			
Foreign currency translation adjustment		2,066	(2,550)
Total comprehensive loss		(32,149)	(24,686)

OXFORD IMMUNOTEC GLOBAL PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	Notes	2017	2016	As at 1 January 2016
		$000	$000	$000
ASSETS				
NON-CURRENT ASSETS				
Other receivables		200	200	80
Goodwill	8	3,967	3,967	45
Other intangible assets	8	9,262	27,821	2,717
Deferred tax assets	6	2,026	3,483	—
Property, plant and equipment	9	7,977	7,324	5,905
Other non-current assets	11	185	178	—
		23,617	42,973	8,747
CURRENT ASSETS				
Inventories	10	10,217	7,511	7,099
Current asset investments		—	—	18
Trade debtors	14	16,981	13,265	7,058
Prepaid expenses and other receivables		3,027	2,390	3,592
Cash at bank and in hand	12	90,332	59,110	83,715
		120,557	82,276	101,482
TOTAL ASSETS		144,174	125,249	110,229
LIABILITIES				
CURRENT LIABILITIES				
Trade and other creditors	15	19,404	18,331	14,088
Settlement liability	26	4,342	—	—
Contingent purchase price consideration	13	—	882	—
Current portion of loans payable		91	84	79
Deferred revenue		36	41	1,654
Total current liabilities		(23,873)	(19,338)	(15,821)
NET CURRENT ASSETS		96,684	62,938	85,661
NON-CURRENT LIABILITIES				
Long-term portion of loans payable	16	29,904	29,601	386
Contingent purchase price consideration	13	—	2,593	1,293
Settlement liability	26	3,894	—	—
Other liabilities	23	364	364	116
Total non-current liabilities	16	(34,162)	(32,558)	(1,795)
TOTAL LIABILITIES		58,035	51,896	17,616
NET ASSETS		86,139	73,353	92,613

	Notes	2017	2016	As at 1 January 2016
		$000	$000	$000
EQUITY				
Retained earnings	20	(89,430)	(55,489)	(34,606)
Translation reserve	20	(5,782)	(7,848)	(5,298)
Share capital	18	269	243	243
Share premium	18	162,826	122,993	122,917
Other capital reserves		18,256	13,454	9,357
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		86,139	73,353	92,613
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		144,174	125,249	110,229

The financial statements on pages 49 to 101 were approved by the Board of Directors and authorised for issue on 16 May 2018 and are signed on its behalf by:

Richard A Sandberg
Director
16 May 2018

OXFORD IMMUNOTEC GLOBAL PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Retained earnings (Note 20)	Translation reserve (Note 20)	Share capital (Note 18)	Share premium (Note 18)	Other capital reserves	Total
	$000	$000	$000	$000	$000	$000
BALANCE AT 31 DECEMBER 2015	(34,606)	(5,298)	243	122,917	9,357	92,613
Loss for the period	(22,136)	—	—	—	—	(22,136)
Other comprehensive loss	—	(2,550)	—	—	—	(2,550)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(22,136)	(2,550)	—	—	—	(24,686)
Exercise of share options	—	—	—	76	—	76
Share-based payment	1,253	—	—	—	4,097	5,350
BALANCE AT 31 DECEMBER 2016	(55,489)	(7,848)	243	122,993	13,454	73,353
Loss for the period	(34,215)	—	—	—	—	(34,215)
Other comprehensive loss	—	2,066	—	—	—	2,066
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(34,215)	2,066	—	—	—	(32,149)
Exercise of share options	—	—	4	557	—	561
Share-based payment	274	—	—	—	4,802	5,076
Share issuances, net	—	—	22	39,276	—	39,298
BALANCE AT 31 DECEMBER 2017	(89,430)	(5,782)	269	162,826	18,256	86,139

OXFORD IMMUNOTEC GLOBAL PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Notes	2017	2016
		$000	$000
OPERATING ACTIVITIES			
Loss after tax		(34,215)	(22,136)
Adjustments for:			
Depreciation and amortisation		4,268	3,052
Loss on disposal of property, plant and equipment		304	—
Amortization of loan fees		570	44
Intangible assets impairment charges		18,300	1,765
Deferred taxes		3,135	(2,420)
Measurement period adjustments		—	13
Share-based compensation expense		5,461	4,757
Change in fair value of contingent purchase price consideration		(3,475)	244
Write-off of contingent purchase price consideration		—	(1,452)
Payments of tax withheld on vesting of RSUs		(212)	—
Operating cash flows before movement in working capital		(5,864)	(16,133)
Trade debtors, net		(3,296)	(6,515)
Inventories		(2,315)	(816)
Prepaid expenses and other assets		(471)	(296)
Trade creditors		3,751	(1,145)
Finance costs		2,536	820
Accrued liabilities		1,432	4,415
Settlement liability		3,719	—
Deferred income		(9)	(1,668)
		(517)	(21,338)
Interest paid		(3,123)	(450)
Taxes paid		(145)	(141)
Net cash used in operating activities		(3,785)	(21,929)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,016)	(2,016)
Purchase of software		(1,013)	(367)
Development costs		—	10
Cash paid for acquisition, net of cash acquired		—	(27,515)
Change in other receivables		—	(120)
Net cash used in investing activities		(5,029)	(30,008)
FINANCING ACTIVITIES			
Proceeds from exercise of share options		561	76
Proceeds from term loan,		—	30,000
Term loan discount		—	(593)
Term loan issuance costs		—	(289)
Proceeds from issuance of shares		39,298	—
Transaction costs on issuance of shares		—	—
Payments on loan		(261)	(80)
Net cash generated by financing activities		39,598	29,114
		30,784	(22,823)
Effect of exchange rate changes on cash at bank and in hand		438	(1,782)
NET INCREASE (DECREASE) IN CASH AT BANK AND IN HAND		31,222	(24,605)
CASH AT BANK AND IN HAND AT BEGINNING OF YEAR (excluding restricted cash)		59,110	83,715
CASH AT BANK AND IN HAND AT END OF YEAR (excluding restricted cash)		90,332	59,110

BASIS OF PRESENTATION, ACCOUNTING PRINCIPLES AND PRINCIPLES OF CONSOLIDATION

The Group financial statements for the years ended 31 December 2017 and 2016 have been prepared in accordance with the parts of the Companies Act 2006 that are applicable to companies reporting under International Financial Reporting Standards as adopted by the European Union, or EU, (IFRS) and related interpretations as adopted by the EU and, therefore, the Group financial statements comply with Article 4 of the EU International Accounting Standard (IAS) Regulation.

The financial statements have been prepared on the historical cost basis, revised for use of fair values where required by applicable IFRSs. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. The consolidated financial statements are presented in U.S. dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated.

For all periods up to and including the year ended 31 December 2016, the Group prepared its consolidated financial statements in accordance with U.S. GAAP. These financial statements for the year ended 31 December 2017 are the first the Group has prepared in accordance with IFRS, as adopted by the European Union.

The accompanying consolidated financial statements include the financial statements of Oxford Immunotec Global PLC, a company incorporated in England in August 2013. On October 2, 2013, the Company 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 became the parent company of Oxford Immunotec Limited. As a result of this arrangement, the principles of reverse acquisition accounting under IFRS 3 *Business Combinations* have been applied in the consolidated financial statements.

In applying the principles of reverse acquisition accounting, the consolidated financial statements have been presented as a continuation of the Oxford Immunotec Limited business and the Group is presented as if the Company had always owned the Group. The consolidated reserves of the Group reflect the statutory share capital and share premium of the Company as if it had always existed.

All subsidiaries have been included in the consolidation and all intercompany accounts and transactions have been eliminated upon consolidation.

Subsidiary Undertakings of Oxford Immunotec Global PLC

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, Oxfordshire 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. 27 Dry Dock Ave. Boston, MA 02210	United States	Ordinary	100%	Medical Diagnostics
Oxford Immunotec K.K. 8F Nisso 16 Bldg. 3-8-8 Shin-Yokohama, Kohoku-ku Yokohama, Kanagawa 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 705S 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. 303, 3rd Floor, Unit 1 1239 Lane, Zu Chong Zhi Road Pudong District, Shanghai, China	People's Republic of China	Ordinary	100%	Medical Diagnostics
Oxford Diagnostic Laboratories (UK) Limited 94C Innovation Drive, Milton Park Abingdon, Oxfordshire OX14 4RZ		Ordinary	100%	Medical Diagnostics (Dormant)

[1] Held directly by Oxford Immunotec Global PLC. All other subsidiaries are indirectly held.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing the financial statements, management is required to make estimates and assumptions, in accordance with IFRS, that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

Critical accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Research and development costs
Development costs are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. No development costs were capitalized in 2017, compared to $10,000 in 2016. The Group has a total of $325,000 of development costs on its balance sheet as of 31 December 2017. Please see Note 8 "Intangible Fixed Assets" for additional details.

Taxes
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Please see Note 6 "Taxation" for additional details.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revenue recognition
The Group estimates the expected reimbursement rate for third-party revenue in the United States, which requires management judgment to determine whether historical collection experience is indicative of future revenues. About 15% of our U.S. clinical diagnostics business currently involves payment by third-party payors.

Intangible assets
The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of a suitable discount rate. In determining the fair value of acquired intangibles, the Group uses market-observable data to the extent that is available. To the extent that such inputs are not available, the Group works closely with external valuation experts to establish the appropriate valuation techniques and inputs to the model. As of 31 December 2017, the Group has the following acquired intangibles on its balance sheet: $4.0 million of goodwill; $5.4 of unamortised clinical technology; and $2.8 of other intangibles.

Impairment of definite and indefinite-life intangible assets
The Group determines on an annual basis whether goodwill and indefinite-life intangible assets are impaired. This assessment involves a number of assumptions regarding the likelihood of successful product approval, the costs of reaching approval and the subsequent commercial profitability of the product once approved.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Share-based payments expense
Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including estimating share price volatility, expected term and forfeiture rates and making assumptions about them.

For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses the Black Scholes model. 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.

FOREIGN CURRENCY TRANSLATION

The financial statements have been prepared in the functional currency for Oxford Immunotec Global PLC which is the U.S. Dollar. Revenue 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.

REVENUE RECOGNITION

The Group derives product revenue from the sale of its T-SPOT.*TB* diagnostic test kits and related accessories and a range of assays for tick-borne diseases, such as Lyme disease to a broad range of customers including hospitals, public health departments, commercial testing laboratories, importers and distributors.

Revenue represents the gross inflow of economic benefits arising from the ordinary activities of the Group that result in increases in equity, other than contributions from equity holders. Revenue is measured as the fair value of consideration received or receivable, taking into account any trade discounts or volume rebates allowed.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

REVENUE RECOGNITION (CONTINUED)

Revenue for the rendering of services is recognised when test results are communicated. This is the case when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably;
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

If the outcome of such a transaction cannot be estimated reliably, revenue is recognized only to the extent that expenses recognised are recoverable.

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

The Group derives service revenue 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.

In the United States, the Group also generates revenue 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. Revenue from tests paid by third-party payers is recognised on an accrual basis based on the Group's historical collection experience. In certain instances, revenue is recognised on a cash basis when there is insufficient historical collection experience.

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

COST OF REVENUE

Cost of product revenue 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 and packaging and delivery costs.

Cost of service revenue 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 revenue.

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

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.

OTHER RECEIVABLES

As of 31 December 2017 and 2016, other receivables consisted of restricted cash in the amount of $200,000 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.

INVENTORIES

Inventories 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.

Inventories are removed at cost. Inventories are stated at the lower of cost or net realisable value. Cost is determined by the actual cost of components by batch plus estimated labour and overhead costs per unit. Net realisable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The Group reviews the components of its inventory on a periodic basis for excess, obsolete or impaired inventory, and records a reserve for the identified items. At 31 December 2017 the Group had no inventory reserves (2016: $ nil).

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost. Property, plant and equipment includes specialised shipping containers provided to customers, in the United States, for transporting samples to its laboratory for testing. Property, plant and equipment financed under finance leases are initially recorded at the present value of minimum lease payments at the inception of the lease. In determining whether an arrangement is, or contains, a lease, the Group reviews the substance of the arrangement and performs an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Property, plant and equipment under finance 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 NON-CURRENT ASSETS

The Group evaluates its property, plant and equipment and finite life intangible 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 the higher of the assets value in use and fair value less costs to sell 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 property, plant and equipment 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 property, plant and equipment 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 a cash-generating unit, or CGU, may no longer be recoverable. The Group has only one CGU. Impairment is determined for goodwill by assessing the recoverable amount of the CGU. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

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 respective acquisition dates. 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.

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 are related to technology licenses and know-how, capitalised development costs, as well as customer relationships, trademarks and trade names which are capitalized and amortised over estimated useful lives using the straight-line method. Useful lives range from five to fifteen years for technology, five to eleven years for customer relationship and five to sixteen for trademarks and trade names. 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.

INTEREST-BEARING LOANS AND BORROWINGS

All loans and borrowings are initially recognised at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability.

RESEARCH AND DEVELOPMENT EXPENSES

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of revenue. During the period of development, the asset is tested for impairment annually.

TAXATION

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, when 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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

TAXATION (CONTINUED)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or recognised in profit or loss.

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 using the accelerated method over the period in which the service conditions are fulfilled. 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 Group's actual volatility and the actual volatility of comparable public companies over a historical period equal in length to the expected term. The expected terms represent the estimate of 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 over the requisite service period of the awards using the accelerated method. The Group recognizes a liability for the portion of the RSU awards relating to the shares that are expected to be withheld to satisfy tax withholding requirements, because the Group has effectively obligated itself to repurchase those RSUs for cash. The resulting RSU liability is adjusted to fair value at each balance sheet date.

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.

SHARE-BASED PAYMENTS (CONTINUED)

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. When an employee exercises an option, the Group usually collects cash from the employee to satisfy the statutory withholding requirement. However, the Group does not always collect cash upon RSUs vesting. For such net-settled awards, the Group cancels the RSUs relating to the shares that would have been withheld under the statutory requirement and recognizes a liability for employee payroll tax.

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 revenue 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.

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. Unvested restricted shares are held by the Group's Employee Benefit Trust, which is consolidated.

RISKS IN RELATION TO THE USE OF FINANCIAL INSTRUMENTS

The Group is 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 the Group's interest income and interest expense. However, the Group's cash and cash equivalents are invested in interest-bearing savings and money market accounts and the Group does not enter into investments for trading or speculative purposes.
The Group is also exposed to market risk related to fluctuations in interest rates indexed to LIBOR, which determines the variable interest payments made on the loan payable. As of December 31, 2017, we had $30 million of indebtedness under the MidCap agreement. Management does not believe that the Group is subject to any material market risk exposure related to this obligation.

Capital market fluctuations

The Group's cash and cash equivalents are invested in interest-bearing savings and money market accounts. The Group does not enter into investments for trading or speculative purposes. The Group does not believe capital market fluctuations would have a material effect on the fair market value of its portfolio.

RISKS IN RELATION TO THE USE OF FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency exchange rate fluctuations

The Group is exposed to foreign exchange rate risk because is currently operates in three major regions of the world: the U.S., Europe and ROW, and Asia, and the Group's revenue is denominated in multiple currencies. Approximately 62% of the Group's sales were in the U.S., 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 the Group's U.K. 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 the Group consolidates its financial statements. Sales in Europe are denominated primarily in the Pound Sterling and Euro. As the Group grows Europe and ROW sales outside the U.K. and the Euro Zone, the Group will be subject to exchange rate risk from additional currencies. As a result, the Group's exchange rate exposure may change over time as its business practices evolve and could result in increased costs or reduced revenue and could affect the Group's actual cash flow. Changes in the relative values of currencies occur regularly and, in some instances, may have a significant impact on the Group's operating results. The Group cannot predict with any certainty changes in currency exchange rates or the degree to which the Group can effectively mitigate these risks.

The Group's expenses are generally denominated in the currencies in which the Group's operations are located, which are primarily in the U.S., the U.K., Japan, Europe, China and South Korea.

Foreign currency exchange rate risk

At 31 December 2017, if the Pound Sterling had weakened 10 percent against the U.S. dollar with all other variables held constant, we estimate that post-tax loss for the year would have been approximately $1.4 million (2016: $0.9 million) lower, and other comprehensive loss would have been approximately $1.4 million (2016: $0.9 million) lower.

Conversely, if the Pound Sterling had strengthened 10 percent against the U.S. dollar with all other variables held constant, we estimate that post-tax loss would have been approximately $1.4 million (2016: $0.9 million) higher, and other comprehensive loss would have been approximately $1.4 million (2016: $0.9 million) higher.

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

Credit risk

In the year ended 31 December 2017, the Group had two product customers that represented more than 10% of the Group's annual revenue. The Group's Chinese distributor, Shanghai Fosun Long March Medical Science Co. Ltd. represented 14% of annual revenue and the Group's Japanese importer, Riken Genesis Co., Ltd. represented 11% of annual revenue. Credit risk across the remainder of its customer base is reduced by the large number of customers with relatively small balances.

The Group's customer base consists of hospitals, public health departments, physician offices, commercial testing laboratories, importers and distributors. To date, the Group has had minimal experience with bad debts.

MANAGEMENT OF RISK

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

The Group's management is primarily responsible for assessing and managing risk, while the Group's 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.

MANAGEMENT OF RISK (CONTINUED)

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

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IFRS 9, *Financial Instruments*, replaces IAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects an increase in the loss allowance resulting in a negative impact on equity as discussed below.

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that reclassification for these instruments is not required.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on its trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group believes that its current loss allowance methodology is in line with the new standard and therefore the adoption of IFRS 9 will have no material impact on this estimate.

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 group and parent company for fiscal years beginning on or after 1 January 2018. 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 Group has concluded that its diagnostic test kit sales agreements represent a single performance obligation recognized at a point in time, generally upon shipment. The Group's testing service contracts represent a single performance obligation recognized upon delivery of test results to the customer. The Group will adopt IFRS 15 on January 1, 2018, using the "modified retrospective" approach. The adoption of IFRS 15 will require expanded disclosures on revenue recognition, but is not expected to have a material impact on the Group's financial position or results of operations.

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 group and parent company for fiscal years beginning on or after 1 January 2019. The Group is currently evaluating IFRS 16 and has not yet determined how it may impact its financial position, results of operations or related disclosures.

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 Group.

CONCENTRATION OF RISKS

The Group derives 83% of its product revenue 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 2017, the Group had two product customers that represented more than 10% of the Group's annual revenue. The Group's Chinese distributor, Shanghai Fosun Long March Medical Science Co. Ltd., or Fosun, represented 14% (2016: 15%) of annual revenue and the Group's Japanese importer, Riken Genesis Co., Ltd. represented 11% (2016: 14%)of annual revenue. The loss of either of these product customers could have a material impact on the Group's operating results.

FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

These financial statements, for the year ended 31 December 2017, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2016, the Group prepared its financial statements in accordance with accounting principles generally acceptable in the United States of America (U.S. GAAP).

Accordingly, the Group has prepared financial statements that comply with IFRS applicable as at 31 December 2017, together with the comparative period data for the year ended 31 December 2016, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 January 2016, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its U.S. GAAP financial statements, including the statement of financial position as at 1 January 2016 and the financial statements for the year ended 31 December 2016.

Exemptions applied

The Group has applied the following exemptions at transition to IFRS.

- IFRS 3 Business Combinations has not been applied to either acquisitions or subsidiaries that are considered businesses under IFRS. Use of this exemption means that the U.S. GAAP carrying amounts of assets and liabilities, that are required to be recognized under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statements of financial position. The Group did not recognize or exclude any previously recognized amounts as a result of IFRS recognition adjustments
- IFRS 1 also requires that the local GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition of derecognition of intangible assets). In accordance with IFRS 1, the group tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at 1 January 2016.

Estimates

The estimates at 1 January 2016 and at 31 December 2016 are consistent with those made for the same dates in accordance with U.S. GAAP (after adjustments to reflect any differences in accounting policies). The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2016, the date of transition to IFRS and as of 31 December 2016.

FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Reconciliation of income for the year ended 31 December 2016:

	Notes	As previously stated $000	Remeasurements $000	IFRS for the year ended 31 December 2016 $000
Product		36,430	—	36,430
Service		49,648	—	49,648
REVENUE		86,078	—	86,078
Product	B	(13,956)	46	(13,910)
Service	C	(25,516)	76	(25,440)
COST OF REVENUE		(39,472)	122	(39,350)
GROSS PROFIT		46,606	122	46,728
Distribution costs	D, E	34,964	(99)	34,865
Administrative expenses	A, D, E, F	36,857	(259)	36,598
Other operating income		(70)	—	(70)
Change in fair value of contingent purchase price consideration		(1,208)	—	(1,208)
Intangible assets impairment charges		1,765	—	1,765
Operating expenses		(72,308)	358	(71,950)
OPERATING LOSS		(25,702)	480	(25,222)
Finance costs		(421)	—	(421)
LOSS BEFORE INCOME TAXES		(26,123)	480	(25,643)
Income tax benefit		3,774	(267)	3,507
LOSS AFTER INCOME TAXES		(22,349)	213	(22,136)

FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Reconciliation of comprehensive income for the year ended 31 December 2016:

	Notes	As previously stated	Remeasurements	IFRS for the year ended 31 December 2016
		$000	$000	$000
Profit for the financial year		(22,349)	213	(22,136)
Other comprehensive loss, net of				
Items which may be subsequently reclassified into profit or loss:				
Foreign currency translation adjustment, net of taxes		(2,474)	(76)	(2,550)
Total comprehensive income for the year		(24,823)	137	(24,686)

FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Group reconciliation of equity as at 1 January 2016 (date of transition to IFRS):

	Notes	As previously stated	Remeasurements	IFRS at 1 January 2016
		$000	$000	$000
ASSETS				
NON-CURRENT ASSETS				
Other receivables	F	—	80	80
Goodwill		45	—	45
Other intangible assets	B, F	1,961	756	2,717
Property, plant and equipment	F	6,284	(379)	5,905
		8,290	457	8,747
CURRENT ASSETS				
Inventory		7,099	—	7,099
Current asset investments		18	—	18
Trade debtors		7,058	—	7,058
Prepaid expenses and other receivables		3,592	—	3,592
Debtors		10,650	—	10,650
Cash at bank and in hand	F	83,795	(80)	83,715
		101,562	(80)	101,482
TOTAL ASSETS		109,852	377	110,229
LIABILITIES				
CURRENT LIABILITIES				
Trade and other creditors	F	13,748	340	14,088
Current portion of loans payable		79	—	79
Deferred revenue		1,654	—	1,654
Creditors: amounts falling due within one year		(15,481)	(340)	(15,821)
NET CURRENT ASSETS		86,081	(420)	85,661
NON-CURRENT LIABILITIES				
Long-term portion of loans payable		386	—	386
Contingent purchase price consideration		1,293	—	1,293
Other liabilities	E	—	116	116
Creditors: amounts falling due in more than one year		(1,679)	(116)	(1,795)
TOTAL LIABILITIES		17,160	456	17,616
NET ASSETS		92,692	(79)	92,613

FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Group reconciliation of equity as at 1 January 2016 (date of transition to IFRS):

	Notes	As previously stated	Remeasurements	IFRS at 1 January 2016
		$000	$000	$000
EQUITY				
Retained earnings	G	(146,307)	111,701	(34,606)
Translation reserve		(5,277)	(21)	(5,298)
Share capital		243	—	243
Share premium	G	237,683	(114,766)	122,917
Other capital reserves	D, E	6,350	3,007	9,357
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		92,692	(79)	92,613
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		109,852	377	110,229

FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Group reconciliation of equity as at 31 December 2016 (end of last period presented under U.S. GAAP):

	Notes	As previously stated	Remeasurements	IFRS at 31 December 2016
		$000	$000	$000
ASSETS				
NON-CURRENT ASSETS				
Other receivables	F	—	200	200
Goodwill	B	3,822	145	3,967
Other intangible assets	A, B, F	27,187	634	27,821
Deferred tax assets		2,630	853	3,483
Property, plant and equipment	F	7,793	(469)	7,324
Other assets		178	—	178
		41,610	1,363	42,973
CURRENT ASSETS				
Inventory	C	7,437	74	7,511
Trade debtors		13,265	—	13,265
Prepaid expenses and other receivables		2,390	—	2,390
Debtors		15,655	—	15,655
Cash at bank and in hand	F	59,310	(200)	59,110
		82,402	(126)	82,276
TOTAL ASSETS		124,012	1,237	125,249
LIABILITIES				
CURRENT LIABILITIES				
Trade and other creditors	E, F	17,483	848	18,331
Contingent purchase price consideration		882	—	882
Current portion of loans payable		84	—	84
Deferred revenue		41	—	41
Creditors: amounts falling due within one year		(18,490)	(848)	(19,338)
NET CURRENT ASSETS		63,912	(974)	62,938
NON-CURRENT LIABILITIES				
Long-term portion of loans payable		29,601	—	29,601
Contingent purchase price consideration		2,593	—	2,593
Other liabilities		364	—	364
Creditors: amounts falling due in more than one year		(32,558)	—	(32,558)
TOTAL LIABILITIES		51,048	848	51,896
NET ASSETS		72,964	389	73,353

FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Group reconciliation of equity as at 31 December 2016 (end of last period presented under U.S. GAAP):

	Notes	As previously stated	Remeasurements	IFRS at 31 December 2016
		$000	$000	$000
EQUITY				
Retained earnings	G	(168,656)	113,167	(55,489)
Translation reserve		(7,751)	(97)	(7,848)
Share capital		243	—	243
Share premium	G	237,759	(114,766)	122,993
Other capital reserves	D, E	11,369	2,085	13,454
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		72,964	389	73,353
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		124,012	1,237	125,249

Notes to the reconciliation of total comprehensive income for the year ended 31 December 2016, and equity as at 1 January 2016 and 31 December 2016

A Development costs

Under U.S. GAAP, research and development costs were expensed as incurred. Under IFRS, costs associated with the creation of intangible assets are classified into research phase costs and development phase costs. Costs in the research phase are always expensed. Costs in the development phase are capitalised, if all of the following six criteria are demonstrated: technical feasibility of completing the intangible asset; intention to complete the intangible asset; ability to use or sell the intangible asset; probable future economic benefits from sale or internal use of the intangible asset; availability of adequate resources to complete the development of the intangible asset and to use or sell it; and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Capitalised development costs represent spend on the evolution of the T-SPOT.*TB* test subsequent to initial marketing approvals and are amortised over their estimated useful lives of ten years.

B Measurement period adjustments

Under U.S. GAAP an acquirer recognizes measurement-period adjustments in the period in which it determines the amounts, including the effect on earnings of any amounts it would have recorded in previous periods if the accounting had been completed at the acquisition date. Under IFRS an acquirer recognizes measurement-period adjustments on a retrospective basis. The acquirer revises comparative information for any prior periods presented, including revisions for any effects on the prior-period income statement. The Group recorded provisional amounts for its acquisition of Immunetics in the fourth quarter of 2016. The Group subsequently recognized adjustments to these provisional amounts in 2017.

C Inventory write-down

While US GAAP prohibits reversing any inventory write-downs (unless the recovery of the inventory occurred during the same reporting year in which the write-down occurred), IFRS permits reversing write-downs, up to the original amount of the write-down. In the second quarter of 2016, the Group recorded an impairment charge related to expired inventory in Memphis. The Group was able to revalidate this inventory for use in its U.K. lab.

FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Notes to the reconciliation of total comprehensive income for the year ended 31 December 2016, and equity as at 1 January 2016 and 31 December 2016 (Continued)

D Share-based payments

Under ASC 718, entities are allowed to make an accounting policy election to recognize compensation cost for awards with graded vesting that contain solely service conditions either on a straight-line basis or an accelerated basis, regardless of the method used to value the award. Use of a straight-line attribution method is not permitted under IFRS 2. The Group applies the straight-line attribution method under U.S GAAP, but is required to apply the "accelerated" method under IFRS. This results in the acceleration of compensation cost from what had been originally reported.

E Net settlement of Restricted Stock Units to satisfy withholding requirements

The U.S. GAAP exception to account for the award as equity-settled as long as no more shares are withheld than is required to satisfy the employer's minimum statutory withholding requirement does not exist under IFRS. A liability for the portion of the award relating to the shares withheld is recognized under IFRS.

F Other

Other adjustments include adjustments to audit fee accruals and balance sheet reclassifications of restricted cash to other receivables and software to intangible assets.

G Share premium

Adjustment to eliminate share premium received in fundings by Oxford Immunotec Limited prior to the Group's initial public offering in November 2013.

1 REVENUE

Geographical analysis:

	2017 $000	2016 $000
United States	64,067	49,462
United Kingdom	3,041	2,620
Europe and Rest of World (excluding United Kingdom)	5,095	4,368
Europe and Rest of World	8,136	6,988
Asia	30,877	29,628
	103,080	86,078

2 INTEREST PAYABLE

	2017 $000	2016 $000
Bank interest	3,105	864
Exchange impact on foreign currency transactions	1,275	(443)
	4,380	421

3 OPERATING LOSS

	2017 $000	2016 $000
This is stated after charging:		
Depreciation of property, plant and equipment	2,951	2,342
Research and development	16,701	13,839
Change in fair value of contingent purchase price consideration	(3,475)	(1,208)
Intangible assets impairment charges	18,300	1,765
Amortisation of intangible assets	1,287	854
Exchange (gains) losses on foreign currency transactions	576	(1,364)
Operating lease rentals – other	2,512	1,416

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

	2017 $000	2016 $000
Audit services		
- Statutory audit of parent and consolidated accounts	879	694
Audit-related assurance services	—	—
Taxation compliance services	—	—
Other services supplied pursuant to legislation	66	—
	945	694

3 OPERATING LOSS (CONTINUED)

In accordance with U.K. Law requirements, the audit fee disclosures relate to audit expenses for the current year audit.

The figures presented are for Oxford Immunotec Global PLC and subsidiaries as if they were a single entity. Please refer to the Parent Company Accounts starting on page 102 for information about Oxford Immunotec Global PLC individual accounts.

Operating loss for the year ended 31 December 2017 also included approximately $6.2 million of legal fees (2016: $2.9 million). The increase in the year largely related to patent infringement litigation.

4 EMPLOYEES

	2017	2016
The average monthly number of persons employed by the group during the year was:		
Administration and distribution	346	286
Research	108	67
	454	353

EMPLOYMENT COSTS	2017	2016
	$000	$000
Wages and salaries	46,617	38,168
Social security costs	3,688	2,837
Other pension costs	1,201	906
	51,506	41,911

5 DIRECTORS' EMOLUMENTS

	2017	2016
	$000	$000
Emoluments	1,063	1,094
Group pension contributions to money purchase schemes	17	19
	1,080	1,113
The number of Directors for whom retirement benefits are accruing under defined contribution scheme was:	1	1

Nine Directors received option awards in 2017 (2016: nine).

6 TAXATION

The major components of the Group's tax expense were as follows for the years ended 31 December:

Consolidated income statement	2017	2016
	$000	$000
CURRENT TAX		
U.K. corporation tax		
Current UK corporation tax on income for the period	—	—
Adjustments in respect of prior periods	(57)	57
	(57)	57
Foreign tax		
Current corporation tax on income for the period	99	148
Adjustments in respect of prior periods	—	—
	99	148
Total current tax expense	42	205
DEFERRED TAX		
Origination and reversal of temporary differences	3,031	—
Adjustments in respect of prior year	37	—
Recognition of previously unrecognized deferred tax	—	(3,712)
Total deferred tax expense (benefit)	3,068	(3,712)
Tax on profit on ordinary activities	3,110	(3,507)

Consolidated statement of other comprehensive income

	2017	2016
DEFERRED TAX	$000	$000
Origination and reversal of temporary differences	(1,132)	—

Tax included directly in equity

	2017	2016
DEFERRED TAX	$000	$000
Origination and reversal of temporary differences	(215)	—
Recognition of previously unrecognised deferred tax	—	(1,063)
Total income included directly in equity	(215)	(1,063)

6 TAXATION (CONTINUED)

Below is the reconciliation of the Group's total tax expense (benefit) for the years ended 31 December:

	2017	2016
	$000	$000
Accounting profit before tax	(31,105)	(25,643)
Profit on ordinary activities multiplied by UK rate of 19.25% (2016: 20%)	(5,988)	(5,129)
Effects of:		
Additional foreign tax suffered	39	164
(Income) expenses not deductible for tax purposes	(561)	3,303
Deferred tax not recognised	10,090	(1,354)
Research and development tax credits	(450)	(548)
Adjustment to tax charge in respect of previous periods	(20)	57
Total income tax expense (benefit) recognized in the consolidated income statement	3,110	(3,507)

The Group is headquartered in the United Kingdom and the effective U.K. corporate tax rate for the year ended 31 December 2017 was 19.25%. For the year ended 31 December 2016 the corporate tax rate was 20.0%. The U.S. federal corporate tax rate was 34% for the years ended 31 December 2017 and 2016. As a result of U.S. tax reform legislation that has been enacted, the U.S. federal tax rate will be 21% in future years. 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 2014 through 2017. With a few exceptions, the Group is no longer subject to examinations by tax authorities for the tax years 2013 and prior. However, net operating losses from the tax years 2013 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.

The movement in deferred taxation is as follows:	2017	2016
	$000	$000
Total deferred tax (liability) / assets brought forward	3,483	—
Current year movement through the income statement	(3,069)	3,712
Current year movement through equity	215	1,063
Current year movement through other comprehensive income	1,132	—
Translational foreign exchange differences	265	—
Deferred tax recorded as part of business combination	—	(1,292)
Total deferred tax assets carried forward	2,026	3,483

Consolidated statement of financial position	2017	2016
	$000	$000
Deferred tax liability		
Accelerated capital allowances	(56)	(3,454)
Deferred tax asset		
Short term temporary differences on share options	689	1,401
Tax losses carried forward	1,393	5,536
Total net deferred tax asset	2,026	3,483

6 TAXATION (CONTINUED)

For the years ended 31 December 2017 and 2016, the Group had United Kingdom Net Operating Losses (U.K. NOLs) of $11.5 million and $15.7 million, respectively. U.S. federal net operating loss carryforwards for the years ended 31 December 2017 and 2016 were $160.5 million and $125.3 million, respectively. U.S. State net operating loss carryforwards for the years ended 31 December 2017 and 2016 were $154.9 million and $112.5 million, respectively.

The U.S. federal and state net operating loss carry forwards begin to expire in 2027 and 2017, respectively and the U.K. NOLs can be carried forward indefinitely.

For the year ended 31 December 2017, the Group recognised a deferred tax asset in the U.K. of $2.0 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 not recognise the other deferred tax assets as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in subsidiaries that have been lossmaking for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future.

The Group reviewed its historical tax filings and tax positions and has determined no material uncertain tax positions exist at 31 December 2017 and 2016. 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 2017 and 2016, no such amounts were reimbursed for research and development tax credits.

7 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:

	2017	2016
	$000	$000
Numerator:		
Net loss attributable to ordinary shareholders	(34,215)	(22,136)
Denominator:		
Weighted-average ordinary shares outstanding-basic	23,757,902	22,353,713
Dilutive effect of ordinary share equivalents resulting from ordinary share options, restricted shares and restricted share units	—	—
Weighted-average ordinary shares outstanding-diluted	23,757,902	21,353,713

8 INTANGIBLE FIXED ASSETS AND IMPAIRMENT

	In-process research and development	Goodwill	Intellectual property	Customer relationships	Software	Total
	$000	$000	$000	$000	$000	$000
COST						
As at 1 January 2016	1,782	45	1,186	—	1,172	4,185
Acquisitions	16,170	3,967	8,103*	3,050	—	31,290
Additions	—	—	—	—	367	367
Exchange adjustment	(60)	(2)	64	—	(60)	(58)
As at 31 December 2016	17,892	4,010	9,353	3,050	1,479	35,784
Additions	—	—	—	—	1,013	1,013
Exchange adjustment	—	—	—	—	34	34
As at 31 December 2017	17,892	4,010	9,353	3,050	2,526	36,831
AMORTISATION						
As at 1 January 2016	—	—	630	—	793	1,423
Charge for the year	—	—	438	143	273	854
Impairment losses	1,722	43	—	—	—	1,765
Exchange adjustment	—	—	10	—	(56)	(46)
As at 31 December 2016	1,722	43	1,078	143	1,010	3,996
Charge for the year	—	—	594	297	396	1,287
Impairment losses	16,170	—	826	1,304	—	18,300
Exchange adjustment	—	—	(11)	—	30	19
As at 31 December 2017	17,892	43	2,487	1,744	1,436	23,602
NET BOOK VALUE						
As at 1 January 2016	1,782	45	556	—	379	2,762
As at 31 December 2016	16,170	3,967	8,275	2,907	469	31,788
As at 31 December 2017	—	3,967	6,866	1,306	1,090	13,229

* This amount includes $5.1 million related to clinical technology and $1.9 million related to trademarks acquired from Imugen.

The weighted average amortisation period of the Group's finite-lived intangible assets is 14 years. The remaining amortisation period for clinical technology assets is approximately 13 years. Amortisation expense for the years ended 31 December 2017 and 2016 was $1.3 million and $0.9 million, respectively.

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 costs are expensed as incurred. Post-acquisition development expenditures are capitalised in accordance with the Group's accounting policy. For more information on the acquisitions, see Note 23 "Acquisition activity."

8 INTANGIBLE FIXED ASSETS AND IMPAIRMENT (CONTINUED)

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. In the third quarter of 2017, due to increased competition in the molecular blood donor screening market for *Babesia microti*, the Group recorded an impairment charge of $11.1 million to write-off certain intangible assets acquired in conjunction with the 2016 acquisition of Imugen including $9.2 million related to Imugen IPR&D, $1.1 million related to customer relationships and $701,000 related to the Imugen trade name. The impairment losses were based on value in use calculations.

The Group performed its annual goodwill impairment tests in November 2017 and 2016. The Group has only one CGU as of 31 December 2017. In mid-February 2018, the Group received a complete response letter, or CRL, from FDA which raised a number of questions related to the Group's submissions in the fourth quarter of 2017 in support of licensure for the Immunetics *Babesia microti* blood donor screening assay. Given FDA's previous verbal comments to the Group, the CRL was unexpected and will delay licensure and commercialization of the assay. As a result, the Group reassessed the value of its intangible assets as of December 31, 2017 recorded an impairment charge of $7.2 million to write off the intangible assets related to the assay including $7.0 million related to Immunetics IPR&D, $166,000 related to the Immunetics trade name and $98,000 related to customer relationships.

The recoverable amount of the CGU, $92.6 million as at 31 December 2017, has been determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management covering a five-year period. The forecasts assume an average gross margin rate of 58%. The pre-tax discount rate applied to cash flow projections is 13% and cash flows beyond the five-year period are extrapolated using a 3.0% growth rate that is the same as the long-term average growth rate for the life sciences industry.

Key assumptions used in the value in use calculations

The calculation of value in use for the CGU is most sensitive to the following assumptions:

- Gross margins
- Discount rates
- Growth rates used to extrapolate cash flows beyond the forecast period

Gross margins are based on average values achieved in the three years preceding the beginning of the forecasted period adjusted for lower royalty expense due to the SSI settlement. These are increased by 1% for anticipated efficiency improvements in 2020 and beyond. With all else being equal, a decrease in gross margin by 0.43% or more in 2018 and later years would result in an impairment.

Discount rates represent the current market assessment of the risks specific to the Group, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its cost of debt is based on the interest-bearing borrowings the Group is obliged to service. With a rise in the pre-tax discount rate to 13.5%, the recoverable amount would equal the carrying amount.

Growth rate estimates are based on published industry research. Management recognises that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts. With a reduction to 2.33% in the long-term growth rate, the recoverable amount would equal the carrying amount.

9 PROPERTY, PLANT AND EQUIPMENT

	Laboratory equipment	Leasehold improvements	Office equipment, furniture and fixtures	Specialised shipping containers	Construction in progress	Total
	$000	$000	$000	$000	$000	$000
COST						
As at 1 January 2016	5,073	2,614	2,841	2,176	200	12,904
Exchange adjustment	(266)	(208)	(156)	—	—	(630)
Additions	970	223	544	480	567	2,784
Acquisitions	792	431	137	—	82	1,442
Disposals	(376)	—	(3)	—	—	(379)
As at 31 December 2016	6,193	3,060	3,363	2,656	849	16,121
Exchange adjustment	192	112	85	—	4	393
Additions	2,261	582	516	649	(324)	3,684
Disposals	(7)	—	—	—	—	(7)
As at 31 December 2017	8,639	3,754	3,964	3,305	529	20,191
DEPRECIATION						
As at 1 January 2016	2,373	1,624	2,050	952	—	6,999
Exchange adjustment	(162)	(172)	(138)	—	—	(472)
Charge for the period	911	342	446	643	—	2,342
Disposals	(69)	—	(3)	—	—	(72)
As at 31 December 2016	3,053	1,794	2,355	1,595	—	8,797
Exchange adjustment	106	91	72	—	—	269
Charge for the period	1,273	545	429	704	—	2,951
Impairment	198	—	—	—	—	198
Disposals	(1)	—	—	—	—	(1)
As at 31 December 2017	4,629	2,430	2,856	2,299	—	12,214
NET BOOK VALUE						
As at 1 January 2016	2,700	990	791	1,224	200	5,905
As at 31 December 2016	3,140	1,266	1,008	1,061	849	7,324
As at 31 December 2017	4,010	1,324	1,108	1,006	529	7,977

For the years ended 31 December 2017 and 2016, the Group recorded depreciation expense of $3.0 million and $2.3 million, respectively. Depreciation expense includes amortisation of finance 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 2017 and 2016, there were no material finance leases, disposals or retirements. In the year ended 31 December 2017, the Group recorded an impairment loss of $198,000 related to the CRL from the FDA. There were no material impairment losses in the year ended 31 December 2016.

10 INVENTORIES

	2017	2016	As at 1 January 2016
	$000	$000	$000
Raw materials	6,927	4,928	3,925
Work in progress	179	—	—
Finished goods	3,111	2,583	3,174
	10,217	7,511	7,099

The Group recorded a $144,000 impairment loss related to Immunetics inventory in the year ended 31 December 2017 due to a CRL received from the FDA (2016: $nil).

11 OTHER NON-CURRENT ASSETS

	2017	2016	As at 1 January 2016
	$000	$000	$000
Long-term deposits	148	128	—
Deferred loan fees	37	50	—
	185	178	—

12 CASH AT BANK AND IN HAND

	2017	2016	As at 1 January 2016
	$000	$000	$000
Cash and cash equivalents	90,332	59,110	83,715
	90,332	59,110	83,715

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.

13 FAIR VALUE MEASUREMENT (CONTINUED)

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.

		Fair Value Measurements at 31 December 2017 Using		
	31 December 2017	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	—	—	—	—
Total	—	—	—	—

		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

13 FAIR VALUE MEASUREMENT (CONTINUED)

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.

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 revenue thresholds and pipeline related milestones over the next three years. The fair value of these milestone payments was 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. During March 2017, as a result of events subsequent to the acquisition, the Group determined that the timing for Food and Drug Administration approval of the *Babesia microti* product acquired from Immunetics would be more likely to occur after the cut-off date for a milestone to be earned. As a result, the Group reduced the related contingent purchase price consideration liability by $2.4 million. As FDA approval did not occur in the second quarter of 2017, the remaining accrual related to this milestone of $238,000 was written-off at that time. In the third quarter of 2017, the Group determined there to be a remote chance that the revenue thresholds for 2017 would be met and so the remaining contingent consideration liability of $880,000 was written-off.

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:

	2017
	$000
Balance at 1 January 2017	3,475
Change in fair value of contingent purchase price consideration	(3,475)
Balance at 31 December 2017	—

	2016
	$000
Balance at 1 January 2016	1,293
Immunetics acquisition (Note 23)	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

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 consolidated statement of financial position. 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 statement of financial position.

14 TRADE DEBTORS

	2017	2016	As at 1 January 2016
	$000	$000	$000
Trade debtors consists of the following:			
Trade debtors	17,807	14,050	7,372
Less allowance for uncollectible trade debtors	(826)	(785)	(314)
	16,981	13,265	7,058
Activity for the allowance for uncollectible trade debtors is as follows:			
Balance at beginning of period	(785)	(314)	(114)
Provision for bad debt expense	(48)	(471)	(200)
Write-off, net of recoveries	7	—	—
Balance at end of period	(826)	(785)	(314)

There were no provisions against impaired assets at 31 December 2017 (31 December 2016: £nil). There are no amounts past due but not impaired (2016: £nil).

15 TRADE AND OTHER CREDITORS DUE WITHIN ONE YEAR

	2017	2016	As at 1 January 2016
	$000	$000	$000
Trade creditors	6,842	3,201	3,799
Accrued liabilities	8,296	10,758	8,928
Other creditors	4,266	4,372	1,361
	19,404	18,331	14,088
Accrued liabilities and other creditors are as follows:			
Employee related expenses	6,162	6,592	4,478
Royalties	1,419	4,423	3,498
Clinical trials	688	1,135	442
Professional services	791	646	673
Sales and use taxes payable	72	155	193
Inventory	32	23	85
Rent	238	103	56
Tax due on vesting of restricted share units	979	589	—
Other accrued liabilities	2,181	1,464	864
	12,562	15,130	10,289

16 NON-CURRENT LIABILITIES

	Maturity	2017	2016	As at 1 January 2016
		$000	$000	$000
Long-term portion of loans payable	2019-2021	29,904	29,601	386
Contingent purchase price consideration	2018	—	2,593	1,293
Other liabilities	2019	364	364	116
		30,268	32,558	1,795

16 NON-CURRENT LIABILITIES (CONTINUED)

Reconciliation between opening and closing balances in the statement of financial position for liabilities that result in financing cash flows

	1 January 2017	Cash flows	Non-cash changes: Foreign exchange movements	Non-cash changes: Fair value changes/ amortization	31 December 2017
	$000	$000	$000	$000	$000
Long-term borrowings	29,601	(261)	—	564	29,904
Short-term borrowings	84	—	—	7	91
Total	29,685	(261)	—	571	29,995

	1 January 2016	Cash flows	Non-cash changes: Foreign exchange movements	Non-cash changes: Fair value changes/ amortization	31 December 2016
	$000	$000	$000	$000	$000
Long-term borrowings	386	29,038	—	177	29,601
Short-term borrowings	79	—	—	5	84
Total	465	29,038	—	182	29,685

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 Group has the intention and ability to extend the interest only period by at least six months. 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.

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.

16 NON-CURRENT LIABILITIES (CONTINUED)

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 revenue. As of 31 December 2017, 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 2017 is $30 million, and is recorded in the accompanying consolidated statement of financial position, net of unamortized discount and debt issuance costs.

Future minimum payments and interest required under the term loan and the revolving line of credit as of 31 December 2017 are as follows:

	Term Loan	
	Principal	Interest
	$000	$000
2018	—	2,779
2019	8,000	2,583
2020	12,000	1,603
2021	10,000	463
2022	—	—
Thereafter	—	—
Total minimum payments and interest	30,000	7,428

The Group classifies current maturities of long-term debt with a contractual right to defer settlement for at least 12 months after the end of the reporting period as non-current.

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 loan through Midcap.

The Group did not borrow under the revolving line of credit during 2017.

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 $0.6 million in matching contributions in the year ended 31 December 2017 and $0.2 million 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 2017 and $0.6 million in the year ended 31 December 2016.

18 SHARE CAPITAL

	2017	2016
	$000	$000
ALLOTTED		
Ordinary shares, £0.006705 nominal value; 36,183,293, shares authorised at 31 December 2017 and 2016, 25,386,134 and 22,359,931 shares allotted, called up and paid at 31 December 2017 and 2016, respectively	266	240
Ordinary shares, £0.006705 nominal value; 275,500 shares allotted but not called up at 31 December 2017 and 2016	3	3
	269	243

	Ordinary Shares	
	No.	$000
Balance at 31 December 2015	22,549,488	243
Exercise of share options	85,943	—
Balance at 31 December 2016	22,635,431	243
Issuance of shares in secondary offering	2,500,000	22
Exercise of share options	500,182	4
Vesting of restricted stock units	26,021	—
Balance at 31 December 2017	25,661,634	269

Ordinary shares

As of 31 December 2016, the Group had 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. In addition, there were a total of 2,849,780 options and 202,590 restricted share units outstanding as of 31 December 2016.

As of 31 December 2017, the Group had 36,183,293 ordinary shares authorised and 25,386,134 ordinary shares allotted, called up and paid and 275,500 shares allotted but not called up. In addition, there were a total of 3,104,613 options and 355,080 restricted share units outstanding as of 31 December 2017.

Share premium

The share premium account consists of the proceeds from the issue of shares in excess of their nominal value.

18 SHARE CAPITAL (CONTINUED)

Capital management

Capital includes debt and equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light business needs, including the requirements of debt covenants, and changes in economic conditions. To maintain or adjust the capital structure, the Group may borrow additional funds or issue new shares, as deemed appropriate.

The Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the MidCap agreement. There have been no breaches of the financial covenants in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

Sources of Funds

On August 14, 2017, the Group entered into an underwriting agreement with BTIG, LLC, as sole underwriter, relating to the issuance and sale of 2,500,000 ordinary shares, nominal value £0.006705 per share, at a price to the public of $16.05 per share, or the Offering, which resulted in approximately $39.3 million of net proceeds to the Group after deducting underwriting discounts and estimated offering expenses. The Offering closed on August 18, 2017.

19 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. The 2013 Plan was amended in April 2017 to delete the provision that allows for yearly increases to the shares available for issuance under the Plan. At that time, the maximum number of shares available for future issuance was also capped at 2,684,563, which is the original amount of shares allocated for issuance under the 2013 Plan. At 31 December 2017, there were 1,944,534 shares available for future issuance under the 2013 Plan.

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.

19 SHARE BASED PAYMENTS (CONTINUED)

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

	2017	2016
	$000	$000
Cost of revenue	153	53
Distribution costs	1,778	1,597
Administrative expenses	3,530	3,107
Total share-based compensation	5,461	4,757

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 over the requisite service period of the awards using the accelerated method. The weighted-average grant date fair value per share relating to share options granted under the Plan during the years ended 31 December 2017 and 2016 was $6.31 and $4.53, 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 over the requisite service period of the awards using the accelerated method. The Group recognizes a liability for the portion of the RSU awards relating to the shares that are expected to be withheld to satisfy tax withholding requirements, because the Group has effectively obligated itself to repurchase those RSUs for cash. The resulting RSU liability is adjusted to fair value at each balance sheet date.

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:

	2017	2016
Expected dividend yield (%)	—	—
Expected volatility (%)	43.59	43.70
Risk-free interest rate (%)	1.98	1.53
Expected life of option (years)	6.20	6.16
Weighted-average share price ($)	14.06	10.29
Weighted-average exercise price ($)	14.06	10.29

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.

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, in the first half of the year, 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. In the second half of the year, the Group used 75% of average share price volatility of the peer group companies and 25% of its own average share price volatility. The Group intends to increase the weighting of its own historical share price volatility in its volatility factor calculation by 25% each year 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 estimate the expected term of its options based on the average of the vesting term and the contractual term of the option.

19 SHARE BASED PAYMENTS (CONTINUED)

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 2017 and 2016, 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 2017 and 2016:

	2017 Number of ordinary shares	2017 Weighted -average exercise price	2016 Number of ordinary shares	2016 Weighted -average exercise price
		$		$
Outstanding as of 1 January	2,849,780	9.15	2,425,426	9.03
Granted	856,417	14.06	749,964	10.29
Exercised	(500,182)	1.12	(85,943)	0.82
Forfeited	(101,402)	15.22	(239,667)	14.27
Outstanding as of 31 December	3,104,613	11.62	2,849,780	9.15
Vested or expected to vest as of 31 December	3,011,237	11.57	2,790,851	9.08
Exercisable as of 31 December	1,625,320	10.35	1,671,179	6.81

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:

	2017 Number of ordinary shares	WAFV	2016 Number of ordinary shares	WAFV
		$		$
Unvested balance as of 1 January	329,465	16.34	366,739	19.72
Granted	204,024	15.16	108,361	10.21
Cancelled	(11,451)	17.58	(57,530)	16.17
Vested	(103,520)	19.58	(88,105)	22.99
Unvested balance as of 31 December	418,518	14.93	329,465	16.34

19 SHARE BASED PAYMENTS (CONTINUED)

A summary of options outstanding and exercisable as of 31 December 2017, 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	577,441		789,410	
$1.01-$5.00	2,533		2,533	
$5.01-$10.00	73,456		63,106	
$10.00-$15.00	1,886,223		619,396	
$15.01-$20.00	275,220		94,892	
$20.01-$25.00	289,740		290,902	
	3,104,613	7.26	1,860,239	5.75

The aggregate intrinsic value of all share options outstanding under the Plan as of 31 December 2017 and 2016 was $10.7 million and $19.2 million, respectively. The aggregate intrinsic value of share options that were fully vested under the Plans as of 31 December 2017 is $8.8 million.

During the years ended 31 December 2017 and 2016, current and former employees of the Group exercised a total of 500,182 options and 85,943 options, respectively, resulting in total proceeds of $561,000 during the year ended 31 December 2017 and $76,000 for the year ended 31 December 2016. The intrinsic value of share options exercised during the years ended 31 December 2017 and 2016 was $7.2 million and $1.0 million, respectively. The weighted average share price at the date of exercise of these options was $15.62 and $11.03 during the years ended 31 December 2017 and 2016, respectively. In accordance with Group policy, the shares were issued from a pool of shares reserved for issuance under the Plans described above. The restricted shares were being held by the Employee Benefit Trust and were classified as shares allotted but not called up.

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

	2017 Number of Shares	Weighted -average grant date fair value	2016 Number of shares	Weighted -average grant date fair value
		$		$
Balance as of 1 January	1,178,602	5.61	1,124,443	6.53
Granted	856,417	6.31	749,964	4.53
Vested	(491,702)	6.14	(479,295)	5.92
Forfeited	(64,024)	7.02	(216,510)	6.08
Balance as of 31 December	1,479,293	5.83	1,178,602	5.61

The total fair value of shares vested for the years ended 31 December 2017 and 2016 was $3.1 million and $2.9 million, respectively.

20 RETAINED EARNINGS

	Accumulated deficit	Accumulated other Comprehensive (loss)/income	Total
	$000	$000	$000
Balance at 31 December 2015	(34,606)	(5,298)	(39,904)
Other comprehensive loss	—	(2,550)	(2,550)
Net loss	(22,136)	—	(22,136)
Share-based payment	1,253	—	1,253
Balance at 31 December 2016	(55,489)	(7,848)	(63,337)
Other comprehensive loss	—	2,066	2,066
Net loss	(34,215)	—	(34,215)
Share-based payment	274	—	274
Balance at 31 December 2017	(89,430)	(5,782)	(95,212)

21 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. On 30 June 2017, the Group entered into a Release and Settlement Agreement, or the Settlement Agreement, with Statens Serum Institut, or SSI, to resolve outstanding disputes arising from the license agreement with SSI. The terms of the Settlement Agreement are confidential. Based on the Settlement Agreement, the Group no longer expects to pay royalties to SSI. 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 2017 and 2016 are set forth in the commitments and contingencies table in Note 22, "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 Oxford Innovation that are treated as royalties in these financial statements, based on its product and service revenue. The aggregate royalty expense relating to the three license agreements amounted to $4.5 million and $6.8 million for the years ended 31 December 2017 and 2016, 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 2017 and 2016. The aggregate royalty rate paid by the Group in each of the years ended 31 December 2017 and 2016, as a percentage of the gross product and service revenue of the Group, was 4%.

22 COMMITMENTS AND CONTINGENCIES

Operating leases

At 31 December 2017, the Group leases facilities under four non-cancelable operating leases, with terms that expire between 2019 and 2025. 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 31 December 2020. 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 58,000 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 $975,000 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 2017 and 2016 are as follows:

	2017 $000	2016 $000
Year 1	1,957	1,945
Year 2-5	3,756	5,043
Thereafter	142	192
	5,855	7,180

Rent expense is calculated on a straight-line basis over the term of the lease. Rent expense recognised under operating leases totalled $2.5 million and $1.4 million for the years ended 31 December 2017 and 2016, respectively.

22 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 revenue 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 2017 were as follows:

	License agreements	Supplier purchase obligations	Total
	$000	$000	$000
2018	90	5,356	5,446
2019	77	—	77
2020	27	—	27
2021	2	—	2
2022	2	—	2
Thereafter	2	—	2
Total minimum payments	200	5,356	5,556

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

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.

22 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.

23 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 were 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, revenue growth, gross margin, operating expenses and a discount rate of approximately 22%.

23 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 revenue 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.

In the third quarter of 2017, due to increased competition in the molecular blood donor screening market for *Babesia microti*, the Group recorded an impairment charge of $11.1 million to write-off certain intangible assets acquired in conjunction with the 2016 acquisition of Imugen including:

- $9.2 million related to Imugen IPR&D;
- $1.1 million related to customer relationships; and
- $701,000 related to the Imugen trade name.

There was no evidence of any goodwill impairment at December 31, 2017 and there were no goodwill impairment charges during the year ended December 31, 2017.

Actual results of operations for the year ended 31 December 2016 acquired from Imugen are included in the consolidated financial statements from the date of the acquisition, including revenue 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 revenue 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 statement of financial position.

23 ACQUISITION ACTIVITY (CONTINUED)

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. In the second quarter of 2017, the Group finalized the accounting for the acquisition and recorded the following measurement period adjustments retroactive to the acquisition date:

- the fair value of the acquired inventory decreased by $45,000 with corresponding increases to the clinical technology asset of $22,500 and to goodwill of $22,500
- the fair value of the acquired customer relationships decreased by $50,000 with a corresponding increase to goodwill
- the fair value of the Immunetics trade name decreased by $130,000 with a corresponding increase to goodwill
- goodwill decreased by $58,000 due to changes in deferred taxes

The impact on the consolidated income statement was a $44,000 reduction in cost of product revenue, a $26,000 reduction in sales and marketing expense and a $58,000 increase in income tax expense.

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

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		347
Inventory		375
Prepaid expenses and other assets		199
Property and equipment		787
In-process research and development		6,970
Customer relationships		350
Trade name		160
Technology – clinical		883
Grants		50
Total assets acquired		10,406
Liabilities assumed:		
Accounts payable		(319)
Accrued liabilities		(739)
Other liabilities		(1,226)
Total liabilities assumed		(2,284)
Net assets acquired		8,122
Add: Goodwill		1,322
Total consideration transferred	$	9,444

23 ACQUISITION ACTIVITY (CONTINUED)

On the date of the acquisition, the fair value of acquired intangible assets was determined to be $8.4 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, revenue 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 $1.3 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 revenue 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 is an indefinite-lived intangible assets and is not amortized. Rather, it is reviewed for impairment at least annually. There was no evidence of any goodwill impairment at 31 December 2017 and there were no impairment charges during the year ended 31 December 2017. The goodwill recognised is not deductible for tax purposes.

Due to a mid-February CRL from FDA regarding the Group's fourth quarter 2017 submissions in relation to its biologics license application for the Immunetics *Babesia microti* blood donor screening assay, the Group recorded an impairment charge of $7.2 million to write-off the related intangible assets.

Actual results of operations for the year ended 31 December 2016 acquired from Immunetics are included in the consolidated financial statements from the date of the acquisition, including revenue in the amount of $392,000 and loss from operations of $813,000, not including transaction costs.

24 NON-CURRENT ASSETS DISTRIBUTION

Geographical analysis at 31 December 2017:

	Property and equipment	Goodwill	Other intangibles	Total
	$000	$000	$000	$000
United Kingdom	1,453	—	587	2,040
United States	6,318	3,967	8,675	18,960
Europe and Rest of the World	132	—	—	132
Asia	74	—	—	74
	7,977	3,967	9,262	21,206

Geographical analysis at 31 December 2016:

	Property and equipment	Goodwill	Other intangibles	Total
	$000	$000	$000	$000
United Kingdom	882	—	615	1,497
United States	6,208	3,967	27,194	37,369
Europe and Rest of the World	139	—	—	139
Asia	95	—	12	107
	7,324	3,967	27,821	39,112

25 RELATED PARTY TRANSACTIONS

Group

Transactions between the Parent Company and its subsidiaries, which are related parties, have been eliminated in consolidation. No Group company entered into a transaction with a related party that is not a member of the Group.

Remuneration of key management personnel of the Group:

Key management personnel includes all non-executive directors as well as the CEO, the COO and the CFO. The remuneration of the key management personnel of the Group, is set out below.

	2017	2016
	$000	$000
Short-term benefits	1,603	1,644
Post-employment pension and medical benefits	—	—
Termination benefits	—	—
Share-based payment transactions	1,952	2,060
Other long-term benefits	—	—
	3,555	3,704

The amounts disclosed in the table are the amounts recognised as an expense during the reporting periods related to key management personnel.

26 SETTLEMENT EXPENSE

Settlement expense of $10.0 million, relates to the Settlement Agreement with SSI to resolve outstanding disputes arising from the Group's previous license agreement. The terms of the Settlement Agreement are confidential.

27 LITIGATION SETTLEMENT INCOME

In December 2017, as part the settlement of the Group's patent infringement action, the Group received a one-time, lump sum payment of $27.5 million from Qiagen. The income from the settlement was recorded as a separate item in the other income (expense) section of the Group's consolidated income statement.

28 SUBSEQUENT EVENTS

Effective 15 March 2018, the Remuneration Committee of the Board of Directors approved grants to employees for up to 659,489 share options and 117,426 restricted share units from the Oxford Immunotec Global PLC 2013 Share Incentive Plan. These grants were issued to employees in the first quarter of 2018.

OXFORD IMMUNOTEC GLOBAL PLC
PARENT COMPANY STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	Notes	At 31 December 2017	At 31 December 2016
		$000	$000
NON-CURRENT ASSETS			
Investments	2	103,577	94,241
Deferred tax asset		65	—
		103,642	94,241
CURRENT ASSETS			
Receivables	3	511	19,584
Cash at bank and in hand		81,952	23,621
		82,463	43,205
TOTAL ASSETS		186,105	137,446
CURRENT LIABILITIES			
Amounts owed to subsidiary undertakings		2,602	—
Trade payables		275	147
Accrued liabilities		558	364
TOTAL CURRENT LIABILITIES	4	3,435	511
NET CURRENT ASSETS		79,028	42,694
NET ASSETS		182,670	136,935
CAPITAL AND RESERVES			
Share capital	5	269	243
Share premium	6	162,826	122,993
Other capital reserves	6	18,256	13,955
Retained earnings (deficit)	6	1,319	(256)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	6	182,670	136,935
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		186,105	137,446

The parent company's profit for the year ended 31 December 2016 was $1.4 million. For the year ended 31 December 2017, the parent company reported a profit of $1.6 million. The parent company has taken advantage of the exemption from publication of the income statement in the Parent Company Accounts.

The financial statements on pages 102 to 104, and the accompanying Notes to Parent Company Accounts were approved by the Board of Directors and authorised for issue on 16 May 2018 and are signed on its behalf by:

Richard A Sandberg
Director
16 May 2018

OXFORD IMMUNOTEC GLOBAL PLC
PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Notes	Share capital	Share premium	Other capital reserves	Retained earnings	Total
		$000	$000	$000	$000	$000
AT 1 JANUARY 2016		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	5	—	76	—	—	76
Share-based payment transactions		—	—	4,455	—	4,455
AT 31 DECEMBER 2016		243	122,993	13,955	(256)	136,935
Profit for the financial year		—	—	—	1,575	1,575
TOTAL COMPREHENSIVE INCOME		—	—	—	1,575	1,575
Shares issued		4	557	—	—	561
Issuance of shares in secondary offering		22	39,276	—	—	39,298
Share-based payment transactions		—	—	4,301	—	4,301
AT 31 DECEMBER 2017		269	162,826	18,256	1,319	182,670

OXFORD IMMUNOTEC GLOBAL PLC
PARENT COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Notes	2017	2016
		$000	$000
OPERATING ACTIVITIES			
Net income		1,575	1,377
Adjustments to reconcile net income to net cash used in operating activities:			
Prepayments, accrued income and other assets		(21)	(42)
Trade creditors		128	19
Accrued liabilities		197	(45)
Deferred taxes		(65)	—
Intercompany		21,695	(2,492)
Net cash generated by (used in) operating activities		23,509	(1,183)
INVESTING ACTIVITIES			
Investments in subsidiaries		(4,825)	(47,848)
Net cash used in investing activities		(4,825)	(47,848)
FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares		39,298	—
Taxes paid on vesting RSUs		(212)	—
Proceeds from exercise of share options		561	76
Net cash generated by financing activities		39,647	76
NET INCREASE (DECREASE) IN CASH AT BANK AND IN HAND		58,331	(48,955)
CASH AT BANK AND IN HAND AT BEGINNING OF YEAR		23,621	72,576
CASH AT BANK AND IN HAND AT END OF YEAR		81,952	23,621

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 2016 was $1.4 million. For the year ended 31 December 2017, the parent company reported a profit of $1.6 million.

The results of the parent company are included in the consolidated financial statements of Oxford Immunotec Global PLC which are on pages 49 to 101 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 of this document. 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 parent 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. The subsidiaries recognize a liability for the portion of the RSU awards relating to the shares that are expected to be withheld to satisfy tax withholding requirements, because the company has effectively obligated itself to repurchase those RSUs for cash. The resulting RSU liability is adjusted to fair value at each balance sheet date.

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, it considers these to be insurance arrangements and treats the guarantee contract as a contingent liability until such time as it becomes probable that the parent 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 revenues 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 revenue 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 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects an increase in the loss allowance resulting in a negative impact on equity as discussed below.

(a) Classification and measurement

The parent company does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The parent company analysed the contractual cash flow characteristics of those instruments and concluded that reclassification for these instruments is not required.

b) Impairment

IFRS 9 requires the parent company to record expected credit losses on its loans to subsidiaries, either on a 12-month or lifetime basis. The parent company received a loan repayment from a subsidiary in 2017 and its intercompany balance was in a payable position as of 31 December 2017. The parent company expects this balance to shift to a receivable in 2018 and will apply the simplified approach and record lifetime expected losses at that time. The parent company is still in the process of estimating the required loss allowance.

1 PARENT COMPANY ACCOUNTING POLICIES (CONTINUED)

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	
	2017	2016
	$000	$000
COST		
Beginning	94,241	41,938
Capital contributions	9,336	52,303
Closing balance	103,577	94,241

3 RECEIVABLES

	At 31 December	
	2017	2016
	$000	$000
Amounts owed by subsidiary undertakings	—	19,094
Prepayments and accrued income	452	426
Other	59	64
	511	19,584

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	
	2017	2016
	$000	$000
Amounts owed to subsidiary undertakings	2,602	—
Trade payables	275	147
Accrued liabilities	558	364
	3,435	511

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

5 SHARE CAPITAL

	At 31 December	
	2017	2016
	$000	$000
ALLOTTED		
Ordinary shares, £0.006705 nominal value; 36,183,293, shares authorised at 31 December 2017 and 2016, 25,386,134 and 22,359,931 shares allotted, called up and paid at 31 December 2017 and 2016, respectively	266	240
Ordinary shares, £0.006705 nominal value; 301,521 and 275,500 shares allotted but not called up at 31 December 2017 and 2016, respectively	3	3
	269	243

	Ordinary Shares
	$000
Balance at 1 January 2016	243
Exercise of share options	—
Balance at 31 December 2016	243
Issuance of shares in secondary offering	22
Exercise of share options	4
Vesting of restricted stock units	—
Balance at 31 December 2017	269

The parent company has one class of ordinary shares authorised.

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 2017, the parent company had 25,386,134 ordinary shares allotted, called up and paid and 275,500 shares allotted but not called-up. In addition, there were a total of 3,104,613 options outstanding and 355,080 RSUs outstanding.

On August 14, 2017, the parent company entered into an underwriting agreement with BTIG, LLC, as sole underwriter, relating to the issuance and sale of 2,500,000 ordinary shares, nominal value £0.006705 per share, at a price to the public of $16.05 per share, or the Offering, which resulted in approximately $39.3 million of net proceeds to the parent company after deducting underwriting discounts and estimated offering expenses. The Offering closed on August 18, 2017.

6 RESERVES

Share Premium

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

Other Capital Reserves

The other capital reserves 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.

7 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 its 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 it does 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.

The parent company is also exposed to market risk related to fluctuations in interest rates indexed to LIBOR, which determines the variable interest payments made on its loan payable. However, it does not believe it is 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 its subsidiaries currently operate in three major regions of the world: the United States, Europe and ROW, and Asia, and their revenue is denominated in multiple currencies. Approximately 62% of its 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 it consolidates its financial statements. Sales in Europe are denominated primarily in the Pound Sterling and Euro. As the parent company grows Europe and ROW sales outside the United Kingdom and the Euro Zone, it will be subject to exchange rate risk from additional currencies. As a result, its exchange rate exposure may change over time as its business practices evolve and could result in increased costs or reduced revenue and could affect its actual cash flow. Changes in the relative values of currencies occur regularly and, in some instances, may have a significant impact on the parent company's operating results. The parent company cannot predict with any certainty changes in currency exchange rates or the degree to which it 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, China and South Korea.

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.

7 FINANCIAL INSTRUMENTS (CONTINUED)

The carrying amount of the parent company's financial instruments at 31 December were:

	At 31 December	
	2017	2016
	$000	$000
Financial assets		
Amounts owed by subsidiary undertakings	—	19,094
Other receivables	—	490
Total financial assets	—	19,584

	At 31 December	
	2017	2016
	$000	$000
Financial liabilities		
Amounts owed to subsidiary undertakings	2,091	—
Trade payables	275	147
Accruals	558	364
Total financial liabilities	2,924	511

8 CAPITAL RISK MANAGEMENT

The parent 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.

9 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.

	2017	2016
	$000	$000
Emoluments	1,678	1,625
Share-based compensation	1,952	2,060
Group pension contributions to money purchase schemes	17	19
	3,647	3,704

10 RELATED PARTY TRANSACTIONS

Balance sheet-related transactions between the parent company and its related parties are disclosed below:

	2017	2016
	$000	$000
Subsidiary undertakings:		
Loans given/(received) during the year	(21,696)	2,492
Amounts owed at year end	(2,602)	19,094

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.

11 DEFERRED TAXES

Potential deferred tax assets of $688,000 at 31 December 2017 and $487,000 at 31 December 2016, 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.

12 EMPLOYEES

The parent company does not have employees, but certain staff and management allocate time to the parent company. The value of these allocated services was approximately $54,000 in 2017.

13 SUBSEQUENT EVENTS

Effective 15 March 2018, the Remuneration Committee of the Board of Directors approved grants to employees for up to 659,489 share options and 117,426 restricted share units from the Oxford Immunotec Global PLC 2013 Share Incentive Plan. These grants were issued to employees in the first quarter of 2018.

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