Company Registration No. 4516079

Oxford Immunotec Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2017

Oxford Immunotec Limited

OXFORD IMMUNOTEC LIMITED

COMPANY INFORMATION

DIRECTORS	Mr R A Sandberg Dr P J Wrighton-Smith
SECRETARY	Ms E Keiley
COMPANY NUMBER	4516079
REGISTERED OFFICE	94C Innovation Drive Milton Park Abingdon Oxfordshire OX14 4RZ
AUDITOR	Ernst & Young LLP Apex Plaza Reading Berkshire RG1 1YE
BANKERS	Barclays Bank plc PO Box 858 Wytham Court West Way Oxford OX2 0XP
SOLICITORS	Covington & Burling LLP 265 Strand London WC2R 1BH

OXFORD IMMUNOTEC LIMITED

Company Registration No. 4516079

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors submit this report and the financial statements for Oxford Immunotec Limited (which may be referred to as "OI Ltd.", "the Company", "we", "us" or "our") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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

We are a global, high-growth diagnostics company focused on developing and commercialising 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 characterised by wide variation in presentation and progression and often require expensive therapies, making diagnostic tests that can better categorise 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

The results for the year are set out on page 11. The financial statements for the year ended 31 December 2017 have been prepared in accordance with Financial Reporting Standard, or FRS, 101, *Reduced Disclosure Framework.*

In preparing the accounts for 2016, some late adjustments relating to intercompany trading were not properly recorded. As a consequence, turnover was overstated and operating expenses were understated.

The error has been corrected by restating each of the affected financial statement line items for the prior period. See Note 27. *Correction of an Error* for more information.

The Directors do not propose to pay any dividends.

FINANCIAL INSTRUMENTS

The Company finances its operations with cash at bank and in hand and with intercompany loans payable, as needed. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities. See "Risks in relation to the use of financial instruments" in the Strategic Report for more information.

DIRECTORS

The following Directors have held office since 1 January 2017:

Mr R A Sandberg
Dr P J Wrighton-Smith

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

During the year the Company had in force an indemnity provision in favour of one or more directors of the Company, against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006.

GOING CONCERN

The financial position, including cash flows and liquidity position, of the Company are fully described in the consolidated financial statements of Oxford Immunotec Global PLC, or the Group, for the year ended 31 December 2017. The Group is run as one business and OI Ltd. is the primary operating company of the Group. The Group's cash reserves are predominantly held in the parent company and transferred as required to its subsidiaries.

The Directors have received a letter of financial support from Oxford Immunotec Global PLC extending for at least 12 months from the date of signing the financial statements.

Having reviewed cash flow forecasts for the Group for the 12 month period following the date of signing the financial statements, and with parental financial support in place, the Directors have a reasonable expectation that OI Ltd. 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.

OXFORD IMMUNOTEC LIMITED
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

STRATEGIC REPORT

The directors have chosen in accordance with section 414C(11) of the Companies Act 2006 to include in the Strategic Report matters otherwise required to be disclosed in the Directors' Report as the directors consider these are of strategic importance to the company.

FOREIGN BRANCHES

We established a branch sales office in South Korea during 2017 to expand our presence in that country.

AUDITOR

In accordance with section 406 of the Companies Act 2006, Ernst & Young LLP will be reappointed as auditor to the Company.

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 23 November 2018.

On behalf of the board

Dr P J Wrighton-Smith
Director
30 November 2018

OXFORD IMMUNOTEC LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

INTRODUCTION

The Company is required to produce a strategic report complying with the requirements of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (the "Regulations").

OI Ltd., is a wholly-owned subsidiary of Oxford Immunotec Global PLC, and is incorporated in the United Kingdom (U.K.). OI Ltd., in turn, fully owns the following companies: Oxford Immunotec Inc., or OI Inc., (located in the United States, or U.S.), Oxford Diagnostic Laboratories (UK) Limited (located in the U.K. and dormant since incorporation), Oxford Immunotec K.K. (located in Japan), Oxford Immunotec Asia Limited (located in Hong Kong), and Boulder Diagnostics Europe GmbH, or Boulder, (located in Germany). Oxford Immunotec Inc. fully owns Immunetics, Inc., a Massachusetts based diagnostics company, which was acquired on 12 October 2016. Oxford Immunotec Asia Limited fully owns Oxford Immunotec (Shanghai) Medical Device Co. Ltd., which is located in China.

Shares of our parent company, Oxford Immunotec Global PLC, are traded on the NASDAQ Global Market with symbol "OXFD".

We believe the annual global market opportunity for our T-SPOT®[1].*TB* test is well in excess of $1 billion, assuming we can largely displace the tuberculin skin test, or TST, in the developed world. We believe the market opportunity for our tests directed to Lyme and other tick-borne diseases exceeds $400 million. We have not yet sized the market opportunity for our transplantation and blood screening assays, as the volume of sales and pricing remain unknown.

We are a global business with 88 employees employed by the Company at 31 December 2017, including sales and marketing teams and a laboratory in the United Kingdom. Our T-SPOT.*TB* test is approved for commercial sale in over 50 countries. Our current customer base includes hospitals, the National Health Service, commercial testing laboratories, importers and distributors.

REVIEW OF THE BUSINESS

Overview

Our first product is our proprietary T-SPOT.*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 utilise 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 utilise 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 utilising the C6 peptide, which is a marker specific to Lyme disease. Our C6 Lyme ELISA™ kit is also CE marked in the European Union.

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[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.

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 characterised 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 utilises 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 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 commercialisation 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 accumulated losses since inception. However, we generated profits after taxation of £9.6 million and £13.3 million during the years ended 31 December 2017 and 2016, respectively. The turnover for the year ended 31 December 2017 was £37.6 million and for the year ended 31 December 2016 was £32.6 million.

Our key financial and other performance indicators during the year were as follows:

	2017	2016	Change %
	£'000	£'000	
Turnover	37,614	32,582	15 %
Operating (loss) profit	(11,911)	7,927	(250%)
Profit after taxation	9,598	13,274	(28)%
Shareholder's funds	97,352	85,587	14 %
Average number of employees	86	78	10 %

Turnover increased by 15% in the year reflecting an increase in the customer base and market penetration for the core product, T-SPOT.*TB*.

Our 2017 operating profit and profit after taxation decline reflected the expansion of our sales and marketing programs, increased product development expenses related to our pipeline programs, and increased general and administrative expenses, largely relating to patent litigation. Also, during 2017, we recorded a charge of £7.8 million upon entering 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. Partially offsetting the decrease in operating profit and profit after taxation, in December 2017, as part of the settlement of our patent infringement action, we received a one-time,

lump sum payment of £20.5 million from Qiagen Inc., or Qiagen. The settlement agreement included a non-exclusive, royalty-free license to certain of our patents for use in Qiagen's QFN products. These patents expire in 2019.

Shareholder's funds increased largely due to the profit after taxation for the year, as well as capitalisation of intercompany receivables.

The average number of employees increased during 2017 as the volume of kit sales has grown, along with related sales and marketing activity.

As of 31 December 2017, we had cash at bank and in hand of £2.5 million.

FUTURE DEVELOPMENTS

On September 25, 2018, we entered into a Limited Liability Company Interest Purchase Agreement, or the Purchase Agreement, with Quest Diagnostics Incorporated, a Delaware corporation, or Quest, OI Limited and Oxford Immunotec, Inc., pursuant to which OI Limited agreed to sell, and Quest agreed to acquire, our U.S. laboratory services business, or the Laboratory Services Business, for gross proceeds of $170 million in cash, or the Transaction. As part of the Transaction, OI Limited agreed to cause Oxford Immunotec, Inc. to carry out a corporate restructuring, pursuant to which (i) the assets and businesses of Oxford Immunotec, Inc., other than the Laboratory Services Business, will be transferred to a newly formed wholly owned subsidiary of Oxford Immunotec Limited., Oxford Immunotec USA, Inc., and (ii) Oxford Immunotec, Inc. will be converted into a limited liability company.

Additionally, pursuant to the terms of the Purchase Agreement, the parties entered into certain ancillary agreements as of the closing of the Transaction, including: (i) a transitional services agreement, (ii) a technology license agreement and (iii) a long-term supply agreement, pursuant to which, upon the closing of the Transaction, Oxford Immunotec USA, Inc. agreed to sell, and Quest agreed to purchase T-SPOT.*TB* test kits and related accessories from Oxford Immunotec USA, Inc. In addition, the parties entered into a strategic collaboration agreement to drive continued growth of T-SPOT.*TB* testing in the U.S.

The Purchase Agreement contained customary representations and warranties, mutual indemnification obligations and customary covenants regarding the operation of the Laboratory Services Business between the execution of the Purchase Agreement and the closing of Transaction. The transactions contemplated by the Purchase Agreement were subject to certain customary conditions, including, without limitation: (i) the expiration or early termination of all applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (ii) the absence of any order issued or pending legal proceedings seeking to enjoin the Purchase Agreement or any of the other transactions contemplated by the Purchase Agreement, (iii) the truth and accuracy of the parties' respective representations and warranties in the Purchase Agreement, and (iv) the performance of, and compliance with, the parties' respective agreements and covenants under the Purchase Agreement.

The Purchase Agreement also contained certain customary termination rights, including, among others, the right of either party to terminate if (i) the closing of the Transaction shall not have been consummated by March 25, 2019 or (ii) the other party breaches a representation, warranty or covenant of such party under the Purchase Agreement and such breach would result in the applicable closing conditions not being satisfied.

The Transaction was consummated in accordance with the terms and conditions of the Purchase Agreement on November 6, 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

Financial

We generated profits in 2017 and 2016. However, we cannot be certain that we will sustain profitability.

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.

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

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 and manufacture T-SPOT.*TB* kits for our product offering exclusively in one laboratory in the United Kingdom. If this facility 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 existing tests, as well as new product candidates will be, subject to extensive government regulations related to development, testing, manufacturing and commercialisation in various countries before we can sell in these markets. The process of obtaining and complying with FDA and other governmental regulatory approvals and regulations is costly, time consuming, uncertain and subject to unanticipated delays.

In addition, some international jurisdictions, such as China, require periodic recertification. Even if we obtain initial certifications from regulatory bodies, we may lose certification after a periodic review. Failure to maintain requisite certifications from regulatory bodies would adversely affect our ability to generate future turnover and operating income.

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, 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 European interest rates expose OI Ltd. 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.

Capital market fluctuations

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

Foreign currency exchange rate fluctuations

We are exposed to foreign exchange rate risk because we currently operate in three major regions of the world: the United States, Europe & ROW, and Asia, and our turnover is denominated in multiple currencies, including the Pound Sterling, the Euro, the U.S. Dollar and the Japanese Yen. As we continue to grow our business outside the United Kingdom, 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

Our customer base consists of hospitals, the National Health Service, commercial testing laboratories, importers and distributors. To date, we have had minimal experience with bad debts.

EMPLOYEES

As of 31 December 2017, we had 88 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.

SUBSEQUENT EVENTS

Effective 15 March 2018, the Remuneration Committee of the Board of Directors approved grants to employees for up to 206,468 share options and 39,600 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.

On behalf of the board

Dr P J Wrighton-Smith
Director
30 November 2018

OXFORD IMMUNOTEC LIMITED

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD IMMUNOTEC LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD IMMUNOTEC LIMITED

Opinion

We have audited the financial statements of Oxford Immunotec Limited for the year ended 31 December 2017 which comprise the Profit & Loss account, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of changes in equity and the related notes1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the 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, 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 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.

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, 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, 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 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 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.

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

Use of our report

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

Ernst & Young LLP

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

OXFORD IMMUNOTEC LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017	2016 Restated *
		£'000	£'000
TURNOVER	4	37,614	32,582
Cost of sales		(12,494)	(12,433)
GROSS PROFIT		25,120	20,149
Other operating income	5	8	31
Settlement expense	5	(7,826)	—
Other operating expenses	3,5	(29,213)	(12,253)
OPERATING (LOSS) PROFIT		(11,911)	7,927
Litigation settlement income	5	20,505	—
Interest receivable	6	2,485	3,156
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	11,079	11,083
Taxation	10	(1,481)	2,191
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		9,598	13,274

* Certain numbers shown here do not correspond to those in the 2016 financial statements and reflect adjustments made as detailed in Note 27.

The Profit and Loss Account has been prepared on the basis that all operations are continuing operations.

OXFORD IMMUNOTEC LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017	2016 Restated *
		£'000	£'000
Profit for the financial year		9,598	13,274
Total comprehensive income for the year		9,598	13,274

* Certain numbers shown here do not correspond to those in the 2016 financial statements and reflect adjustments made as detailed in Note 27.

OXFORD IMMUNOTEC LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2017

	Notes	At 31 December 2017 £'000	At 31 December 2016 Restated * £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	11	282	356
Tangible fixed assets	12	1,103	747
Investments	13	67,992	49,089
Deferred tax assets		1,515	3,027
TOTAL FIXED ASSETS		70,892	53,219
CURRENT ASSETS			
Stocks	14	5,774	4,471
Amounts owed by group undertakings		31,963	29,561
Trade debtors		3,997	3,241
Other debtors	15	823	529
Cash at bank and in hand		2,483	9,000
TOTAL CURRENT ASSETS		45,040	46,802
TOTAL ASSETS		115,932	100,021
EQUITY AND LIABILITIES			
LIABILITIES			
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	16	(9,283)	(6,609)
Amounts owed to group undertakings		(6,411)	(7,825)
NET CURRENT ASSETS		29,346	32,368
TOTAL ASSETS LESS CURRENT LIABILITIES		100,238	85,587
NON-CURRENT LIABILITIES			
Settlement liability	26	(2,886)	—
TOTAL LIABILITIES		18,580	14,434
NET ASSETS		97,352	85,587
EQUITY			
Share capital	18	71	71
Share premium		66,200	66,200
Capital contribution reserve		17,873	16,811
Share option reserve	23	6,328	5,223
Retained earnings (deficit)		6,880	(2,718)
SHAREHOLDER'S FUNDS		97,352	85,587

* Certain numbers shown here do not correspond to those in the 2016 financial statements and reflect adjustments made as detailed in Note 27.

The financial statements on pages 11 to 14, and the accompanying Notes to the Financial Statements were approved by the Board of Directors and authorised for issue on 23 November 2018 and are signed on its behalf by:

Dr P J Wrighton-Smith
Director
30 November 2018

OXFORD IMMUNOTEC LIMITED
STATEMENT OF CHANGES IN EQUITY (RESTATED *)
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Share premium	Capital contribution reserve	Share option reserve	Retained earnings (deficit)	Total
	£'000	£'000	£'000	£'000	£'000	£'000
BALANCE AT 1 JANUARY 2016	71	66,200	13,759	3,025	(15,992)	67,063
Share-based payment	—	—	—	2,198	—	2,198
Capital contributions from group undertakings	—	—	9,648	—	—	9,648
Profit for the year	—	—	—	—	16,344	16,344
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	—	9,648	2,198	16,344	28,190
BALANCE AT 31 DECEMBER 2016 AS PREVIOUSLY STATED	71	66,200	23,407	5,223	352	95,253
Prior year adjustment (Note 27)	—	—	(6,596)	—	(3,070)	(9,666)
BALANCE AT 31 DECEMBER 2016 AS RESTATED	71	66,200	16,811	5,223	(2,718)	85,587
Share-based payment	—	—	—	1,105	—	1,105
Capital contributions from group undertakings	—	—	1,062	—	—	1,062
Profit for the year	—	—	—	—	9,598	9,598
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	—	—	1,062	1,105	9,598	11,765
BALANCE AT 31 DECEMBER 2017	71	66,200	17,873	6,328	6,880	97,352

* Certain numbers shown here do not correspond to those in the 2016 financial statements and reflect adjustments made as detailed in Note 27.

OXFORD IMMUNOTEC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1 CORPORATE INFORMATION

Oxford Immunotec Limited ("the Company" or "OI Ltd.") is a company limited by shares that is domiciled and incorporated in England and Wales. The address of the Company's registered office and principal place of business is 94C Innovation Drive, Milton Park, Abingdon, Oxfordshire, OX14 4RZ.

A description of the Company's principal activities is provided in the Directors' Report on pages 1-2. The nature of the Company's operations is discussed in the Strategic Report on pages 3-7.

The financial position, including cash flows and liquidity position, of the Company are fully described in the consolidated financial statements of Oxford Immunotec Global PLC and subsidiaries, or the Group, for the year ended 31 December 2017. The Group is run as one business and OI Ltd. is the primary operating company of the Group. The Group's cash reserves are predominantly held in the parent company and transferred as required to its subsidiaries.

The Directors have received a letter of financial support from Oxford Immunotec Global PLC extending for at least 12 months from the date of signing the financial statements.

Having reviewed cash flow forecasts for the Group for the 12 month period following the date of signing the financial statements, and with parental financial support in place, the Directors have a reasonable expectation that OI Ltd. 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.

The Company is exempt, by virtue of Section 401 of the Companies Act 2006, from the requirement to prepare group financial statements as it is a wholly owned subsidiary of Oxford Immunotec Global PLC, a company incorporated in the U.K., and is included in the publicly available consolidated financial statements of this entity. Therefore, these financial statements present information about the Company and not its group.

These financial statements were approved by the Board of Directors and authorised for issue on 23 November 2018. The Board of Directors has the power to amend the financial statements after issue, if applicable.

2 ACCOUNTING POLICIES

The significant accounting policies which have been used in the preparation of these financial statements are set out below.

BASIS OF ACCOUNTING

The financial statements for the years ended 31 December 2017 and 2016 have been prepared in accordance with Financial Reporting Standard, or FRS, 101, *Reduced Disclosure Framework*, or FRS 101. In addition, the financial statements have been prepared under the historical cost convention (unless a fair value basis is required by FRS 101) and are in accordance with the Companies Act 2006.

In preparing the financial statements, the Company applied the following exemptions, as permitted under FRS 101:

- exemption from preparing a statement of cash flows as required by International Accounting Standards, or IAS 7, *Statement of Cash Flows*;
- exemption from most of the share based payments disclosures as required by International Financial Reporting Standards, or IFRS, 2, *Share based Payment*;
- exemption from the listing of new or revised standards that have not been adopted (and information about their likely impact) as required by IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*;
- exemption from many of the disclosures required under IFRS 3, *Business Combinations*;
- exemption from the disclosure requirements of IFRS 13, *Fair Value Measurement*;
- exemption from the disclosure requirements of paragraph 17 of IAS 24, *Related Party Disclosures*, and the requirements to disclose related party transactions between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned;
- exemption from the presentation of comparative information as required by IAS 1, *Presentation of Financial Statements*;
- exemption from the capital management disclosure requirements of IAS 1, *Presentation of Financial Statements*;
- exemption from the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, *Impairment of Assets*; and
- the exemption from the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3, *Business Combinations*.

2 ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCY TRANSLATION

The Company's functional currency has been determined as the Pound Sterling. The financial statements are presented in Pounds Sterling.

Transactions in foreign currencies are translated into Pounds Sterling at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

TURNOVER RECOGNITION

Turnover includes both product turnover and service turnover.

OI Ltd. derives product turnover from the sale of its T-SPOT.*TB* diagnostic test kits and related accessories to a broad range of customers including hospitals, the National Health Service, commercial testing laboratories, importers and distributors.

Product turnover is generally paid directly by the customer and is recognised on an accrual basis when the following turnover recognition criteria are met: (1) persuasive evidence that an arrangement exists; (2) the product has been shipped or delivered in accordance with the shipping terms of the arrangement; (3) the price is fixed or determinable and known at time of shipment; and (4) collectability is reasonably assured. No product return rights are extended to customers of OI Ltd.

OI Ltd. derives service turnover primarily from its diagnostic laboratory in the United Kingdom where OI Ltd. performs its T-SPOT.*TB* test on samples sent by customers to its laboratory facilities.

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

OI Ltd. also generates turnover from sales to various government programmes, including the National Health Service, each with different billing requirements. Turnover from tests paid by third-party payors is recognised on an accrual basis based on OI Ltd.'s historical collection experience.

Turnover is recorded net of taxes assessed by government authorities on turnover, including value added taxes (i.e. excluded from turnover) in the profit and loss account.

COST OF SALES

Cost of sales includes both cost of product sales and cost of service sales.

Cost of product sales consists primarily of costs incurred in the production process, including costs of raw materials and components, assembly labour and overhead, quality costs, royalty charges, and packaging and delivery costs.

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

SHIPPING AND HANDLING

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

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

INTANGIBLE ASSETS

Indefinite-lived intangible assets are not amortised but are reviewed for impairment at least annually and whenever there is an indicator of impairment. Also see IMPAIRMENT OF FIXED ASSETS policy below.

PATENTS

Patents are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives.

2 ACCOUNTING POLICIES (CONTINUED)

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses include direct costs and an allocation of indirect costs, including amortisation, depreciation, rent, supplies, insurance, and repairs and maintenance. Research and development expenses include all costs associated with the development of OI Ltd.'s T-SPOT technology platform and potential future products, including new diagnostic tests that utilise the T-SPOT technology platform, along with an assay for Lyme disease, and are charged to expense until, based on management's judgement, technological and economic feasibility is confirmed. Amounts capitalised are amortised to research and development expense over a period of 10 years using the straight line method.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:-

Leasehold improvements	3 – 10 years straight line
Plant and machinery	3 – 10 years straight line
Fixtures, fittings and equipment	3 – 10 years straight line

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

IMPAIRMENT OF FIXED ASSETS

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amounts of the Company's tangible and intangible fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, based on the time value of money. Risks specific to the assets are included in the determination of cash flows.

Assets that have suffered an impairment are tested for possible reversal of the impairment at each reporting date if indications exist that impairment losses recognised in prior periods no longer exist or have decreased.

PROVISIONS

A provision shall be recognised when:

- the Company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision shall be recognised.

CONTINGENT LIABILITIES

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain events not fully within the control of the Company. A contingent liability recognised in a business combination is initially measured at its fair value. Such liability is adjusted to fair value at each reporting date, with the offset reflected in change in fair value of contingent purchase price consideration.

2 ACCOUNTING POLICIES (CONTINUED)

LEASES

Assets held under finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the profit and loss account so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the profit and loss account on a straight line basis over the lease term.

INVESTMENTS

Fixed asset investments comprise investments in subsidiaries and are stated at cost less provision for impairment. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

CASH AT BANK AND IN HAND

OI Ltd. maintains its available cash balances in cash and bank savings accounts in the United Kingdom, United States and Germany. OI Ltd. considers all highly liquid investments with an original maturity of ninety days or less to be cash equivalents. Cash equivalents are recorded at cost, which approximates fair value.

OI Ltd. maintains deposits in government insured financial institutions in excess of government insured limits. Management believes that OI Ltd. is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

STOCKS

Stocks consist of finished goods and raw materials. OI Ltd. 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.

Stock is removed at cost. Stock is stated at the lower of cost and 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 based on an estimated selling price less any costs expected to be incurred to completion and sale. OI Ltd. reviews the components of its stock on a periodic basis for excess, obsolete or impaired stock, and records a provision for the identified items. At 31 December 2017 and 2016, OI Ltd. determined no stock provision was required.

INTERCOMPANY BALANCES

Amounts owed by, and to, group undertakings are unsecured and interest free. As such loans are not made on normal commercial terms, they are initially recorded at fair value and subsequently recorded at amortised cost. Where the Company is the lender, the difference between the loan amount and fair value is recorded as an investment in the group undertaking. Where the Company is the recipient of the loan, the difference between the loan amount and the fair value is recorded as a capital contribution within reserves (described as "Capital contribution from group undertakings" in the Statement of Changes in Equity).

DEBTORS

Trade debtors, net are primarily amounts due from hospitals, the National Health Service, commercial testing laboratories, importers and distributors.

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

2 ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS

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

When determining the fair value of tangible and intangible fixed assets acquired, the Company estimates the fair value using the most appropriate valuation method with assistance from independent third party specialists. When determining the fair value of intangible assets acquired, the Company 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 Company's best estimates. If factors change and the Company were to use different assumptions, valuations of tangible and intangible assets and the resulting goodwill balance related to the business combination could be materially different.

Transaction costs are expensed. The results of the acquired business are included from the date of the acquisition.

RETIREMENT BENEFITS

The Company operates defined contribution pension schemes for employees. The assets of the schemes are held separately from those of the Company. The annual contributions payable are charged to the profit and loss account.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company measures certain financial assets and liabilities initially at fair value based on the price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. As of 31 December 2017 and 2016, the Company's financial instruments consist of cash, trade debtors, trade creditors, accrued liabilities and balances to and from group undertakings. At 31 December 2017 and 2016 all financial instruments are subsequently measured at amortised cost which, in the opinion of the directors, approximates their fair value.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

GOVERNMENT GRANTS

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Grants of a turnover nature are credited to income so as to match them with the expenditure to which they relate.

FINANCIAL ASSETS

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit and loss, loans and receivables or available for sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus directly attributable transaction costs.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest, or EIR, method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest receivable, net in the profit and loss account. The losses arising from impairment are recognised in the profit and loss account in other operating expenses.

2 ACCOUNTING POLICIES (CONTINUED)

FINANCIAL ASSETS (CONTINUED)

Derecognition of financial assets

A financial asset is derecognised when (i) the rights to receive cash flows from the asset have expired or (ii) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, with the amount of the loss recognised in administrative expense.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss in recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

FINANCIAL LIABILITIES

Trade and other creditors

Trade and other creditors are initially recognised at fair value and subsequently at amortised cost using the effective interest method where material.

Equity instruments

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

SHARE-BASED PAYMENTS

Employees of OI Ltd. are eligible to participate in the share incentive plans of its parent company: Oxford Immunotec Global PLC, or OI Global. Share-based compensation relates to grants of options to purchase ordinary shares and restricted shares. Currently, OI Global maintains one share incentive plan pursuant to which it may grant options to purchase its ordinary shares, restricted shares, restricted share units, and other share-based awards to its employees, directors and officers. This incentive plan is called the Oxford Immunotec Global PLC 2013 Share Incentive Plan (the "2013 Plan"). In addition, OI Global maintains the 2008 Amended and Restated Stock Incentive Plan (the "2008 Plan"). No new share grants or awards will be made under the 2008 Plan. OI Ltd. accounts for share-based remuneration arrangements with employees, officers and Directors by recognising compensation expense based on the grant date fair value of share-based payment transactions in the financial statements.

Share-based remuneration costs for options are based on the fair value of the underlying option calculated using the Black-Scholes option-pricing model on the date of grant for share options and recognised as expense on an accelerated basis over the requisite service period. Determining the appropriate fair value model and related assumptions requires judgment, including estimating share price volatility, expected term and forfeiture rates. The expected volatility rates are estimated based on the actual volatility of comparable public companies over a historical period equal in length to the expected term. The expected terms represent the average time that options are expected to be outstanding based on the midpoint between the vesting date and the end of the contractual term of the award. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. OI Ltd. 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.

2 ACCOUNTING POLICIES (CONTINUED)

SHARE-BASED PAYMENTS (CONTINUED)

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 recognises 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 OI Ltd.'s best estimate of the number of equity instruments that will ultimately vest. The charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest.

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

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

Upon exercise, share options are redeemed for newly issued ordinary shares. 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 recognises a liability for employee payroll tax.

Provision is made for National Insurance contributions on outstanding share options that are expected to be exercised, based upon the latest enacted National Insurance rates and the market price of the underlying shares at the reporting period end, spread over the vesting period of the options.

FINANCIAL GUARANTEE CONTRACTS

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

3 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

The preparation of financial statements in conformity with FRS 101 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and that affect the reported amounts of turnover and expenditures during the reporting periods.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3 .CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT (CONTINUED)

Debtors

In assessing the recoverability of the company's debtors, management makes assumptions as to the probability of the debt becoming bad by considering the age of the debt, the payment terms of the contract, the credibility of the customer and historic knowledge.

Contingent purchase price consideration

On 31 July 2014, the Company acquired substantially all of the assets of Boulder Diagnostics, Inc., or Boulder, a privately owned company involved in the development of immunology-based assays for autoimmune and inflammatory conditions/ diseases. The assets acquired included assays for gout, or GoutiFind, and Lyme disease, or SpiroFind.

The terms of the purchase agreement included contingent purchase price consideration consisting of potential milestone payments totaling up to £3.6 million in respect of the gout and Lyme disease assays at any time on or prior to 31 July 2024. The fair value of the contingent purchase price consideration was estimated to be £738,000 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 15%. Such liability was adjusted to fair value at each subsequent reporting date, with the offset reflected in interest expense. As of 31 December 2015, the estimated liability had increased to £915,000.

During the fourth quarter of 2016, the decision was made to halt research on the GoutiFind test. Based on this decision, the Company wrote off the related contingent purchase price consideration at the time of £569,000. During the same quarter, the Company determined that the SpiroFind assay developed using IPR&D from Boulder would not qualify for future milestone payments. Due to this fact, the Company wrote off the related contingent purchase price consideration at the time of £346,000.

Share based payment arrangements

The Company accounts for share based payment arrangements with employees, officers and directors by recognising compensation expense based on the grant date fair value of share based transactions in the financial statements. Share-based compensation for options is based on the fair value of the underlying option calculated using the Black-Scholes option-pricing model on the date of grant for share options and recognised as expense on an accelerated basis over the requisite service period. Determining the appropriate fair value model and related assumptions requires judgement, 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 Company 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.

Please refer to Note 23 "Share Based Payments" for further details regarding share based payments.

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.

Interest on intercompany loans

Interest on intercompany loans is charged at an effective interest rate of 10.24%, which is an estimated market rate.

4 TURNOVER

An analysis of the company's turnover by class of business is as follows:

	2017	2016 Restated
	£'000	£'000
Product turnover	35,447	30,755
Service turnover	2,167	1,827
	37,614	32,582

Geographic information

Turnover from external customers:

	2017	2016 Restated
	£'000	£'000
United States	7,684	5,519
Europe and rest of world	6,108	5,079
Asia	23,822	21,984
	37,614	32,582

5 OTHER INCOME/ (EXPENSES)

	2017	2016 Restated
	£'000	£'000
Other operating income	8	31
Settlement expense	(7,826)	—
Administrative expenses	(29,213)	(12,253)
Other operating losses	(37,031)	(12,222)

Settlement expense relates to a Settlement Agreement with SSI to resolve outstanding disputes arising from the Company's previous license agreement. The terms of the Settlement Agreement are confidential.

In December 2017, as part the settlement of the Company's patent infringement action, the Company received a one-time, lump sum payment from Qiagen in the amount of £20.5 million.

6 INTEREST RECEIVABLE

	2017	2016
	£'000	£'000
Interest receivable	2,485	3,156
	2,485	3,156

Interest receivable relates to the accretion of intercompany loans at an effective interest rate of 10.24% (see Note 2 "Accounting Policies – Intercompany balances").

7 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2017	2016
	£'000	£'000
Profit is stated after charging:		
Amortisation of intangible assets	74	51
Depreciation of tangible fixed assets	388	312
Loss on foreign exchange transactions	6,571	397
Research and development		
- Annual expenditure	6,729	3,159
Stock		
- Amounts expensed to cost of sales	7,751	6,538
Operating lease rentals		
- Rental for land and buildings	398	355
Auditor's remuneration	17	17

8 EMPLOYEES

The average monthly number of employees (including Directors) during the year was:

	2017	2016
	Number	Number
Research	15	14
Administration, manufacturing and distribution	71	64
	86	78

EMPLOYMENT COSTS	2017	2016
	£'000	£'000
Wages and salaries	4,453	3,609
Social security costs	585	533
Other pension costs	475	466
Cost of employee share schemes (Note 23)	1,396	1,335
	6,909	5,943

9 DIRECTORS' EMOLUMENTS

	2017	2016
	£'000	£'000
Emoluments	453	522
Value of OI Ltd. pension contributions to money purchase schemes	10	30
	463	552

9 DIRECTORS' EMOLUMENTS (CONTINUED)

	2017	2016
The number of Directors for whom retirement benefits are accruing under money purchase schemes was	1	1

The amounts set out above include remuneration in respect of the highest paid Director as follows:

	2017	2016
	£'000	£'000
Total emoluments (excluding pension contributions)	453	522
Value of OI Ltd. pension contributions to money purchase schemes	10	30
	463	552

The highest paid Director exercised share options in 2017 and 2016. The Company's other director also exercised share options in 2017, but not in 2016.

In addition, the highest paid Director had restricted shares that vested in 2017 and 2016. The Company's other Director does not have restricted shares or RSUs.

10 TAXATION

	2017	2016 Restated
	£'000	£'000
U.K. corporation tax		
Current tax on profit for the year	—	(26)
Deferred tax		
Origination and reversal of temporary differences	1,336	(2,165)
Adjustment to tax charge in respect of previous periods	145	—
Tax on profit on ordinary activities	1,481	(2,191)

Deferred tax in the statement of recognised income and expense:

	2017	2016
	£'000	£'000
Origination and reversal of temporary differences on share options	31	(862)
	31	(862)

Provision for deferred tax on the balance sheet:

	2017	2016
	£'000	£'000
Deferred tax liability:		
Accelerated capital allowances	53	62
Deferred tax asset:		
Short term temporary differences on share options	(465)	(1,125)
Short term temporary differences on unpaid pension contributions	(7)	(6)
Tax losses carried forward and other deductions	(1,096)	(1,958)
Net deferred tax asset	(1,515)	(3,027)

10 TAXATION (CONTINUED)

The movement in the deferred taxation are as follows:

	2017 £'000	2016 £'000
Total deferred tax liability / (assets) brought forward	(3,027)	—
Current year movement through the income statement	1,481	(2,165)
Current year movement through equity	31	(862)
Total deferred tax liability / (assets) carried forward	(1,515)	(3,027)

The tax assessed for the year is lower than the standard rate of corporation tax of 19% (2016 – 20%) as explained below:

	2017 £'000	2016 £'000
Profit on ordinary activities before taxation	11,079	11,083
Profit on ordinary activities before taxation multiplied by the standard rate of U.K. corporation tax of 19.25% (2016 – 20%)	2,133	2,217
Effects of:		
Non-deductible expenses	24	24
Research and development tax credits - current year	(349)	(388)
Adjustments to tax charge in respect of previous periods	145	(26)
Unrecognised tax losses utilised	—	(2,229)
Non-taxable income	(477)	(455)
Adjust the deferred tax rate to average rate on share based payments	300	(112)
Adjust the deferred tax rate to average rate on losses	(295)	—
Recognition of previously unrecognised deferred tax	—	(1,222)
	(652)	(4,408)
Total tax credit	1,481	(2,191)

The Company has estimated losses of £6,453,336 (2016 £10,613,492) available for carry forward against future trading profits.

Factors that may affect future tax charges

The main rate of U.K. corporation tax reduced to 19% from 1 April 2017. Further deduction to 17% from 1 April 2020 was substantively enacted by 31 December 2016.

11 INTANGIBLE FIXED ASSETS

	Development costs	Patents with definite useful life	Total
	£'000	£'000	£'000
COST			
At 1 January 2017	358	495	853
Additions	—	—	—
Impairment	—	—	—
At 31 December 2017	358	495	853
AMORTISATION			
At 1 January 2017	95	402	497
Impairment	—	—	—
Charge for the year	45	29	74
At 31 December 2017	140	431	571
NET BOOK VALUE			
At 31 December 2016	263	93	356
At 31 December 2017	218	64	282

Intangible assets with finite lives are amortised on a straight-line basis over a period of between 5 and 10 years. Amortisation of intangible assets is included in other operating expense.

12 TANGIBLE FIXED ASSETS

	Leasehold improvements	Plant and machinery	Fixtures, fittings & equipment	Construction in progress	Total
	£'000	£'000	£'000	£'000	£'000
COST					
At 1 January 2017	911	1,353	742	—	3,006
Additions	82	528	64	70	744
31 December 2017	993	1,881	806	70	3,750
DEPRECIATION					
1 January 2017	732	876	651	—	2,259
Charge in the year	99	236	53	—	388
31 December 2017	831	1,112	704	—	2,647
NET BOOK VALUE					
31 December 2016	179	477	91	—	747
31 December 2017	162	769	102	70	1,103

13 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings
	£'000
COST	
At 1 January 2017	49,089
Additions	18,903
At 31 December 2017	67,992
IMPAIRMENT	
At 1 January 2017	—
Charge for the year	—
As at 31 December 2017	—
NET BOOK VALUE	
At 31 December 2016	49,089
At 31 December 2017	67,992

OI Ltd. has an investment comprised of the outstanding common stock in the amount of $1 for an off-the-shelf company, Oxford Immunotec Inc. that is incorporated in the U.S. in order for OI Ltd. to carry out the principal activity in that territory. In addition, OI Ltd. has investments consisting of the entire share capital of Oxford Immunotec K.K. and Oxford Immunotec Asia Limited, which allow the Company to carry out operations in Japan and Hong Kong, respectively. Oxford Immunotec Asia Limited, in turn, fully owns Oxford Immunotec (Shanghai) Medical Device Co. Ltd., which carries out operations in China. The Company also owns the entire share capital of Boulder Diagnostics Europe GmbH, a company located in Germany, and of Oxford Diagnostic Laboratories (UK) Limited, a company which has remained dormant since its incorporation. Additions to fixed asset investments during the year related to transactions with subsidiary entities.

13 FIXED ASSET INVESTMENTS (CONTINUED)

Additions to the value of shares in subsidiary undertakings are the result of accounting for intercompany loans at fair value, as described in Note 2 "Accounting Policies".

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 Inc. 700 Nickerson Road, Suite 200 Marlborough, MA 01752	United States	Ordinary	100%	Medical Diagnostics
Immunetics, Inc.[1] 27 Dry Dock Ave. Boston, MA 02210	United States	Ordinary	100%	Medical Diagnostics
Oxford Immunotec K.K. 8F Nisso Bldg. No16, 3-8-8 Shinyokohama, Kohoku-ku Yokohama 222-0033	Japan	Ordinary	100%	Medical Diagnostics
Boulder Diagnostic Europe GmbH Stockheimer Straße 12 D-97638 Mellrichstadt	Germany	Ordinary	100%	Medical Diagnostics
Oxford Immunotec Asia Limited Unit 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. Room 303, Building 10, Chamtime Plaza, Lane 2889, JinKe Road Pudong New District	People's Republic of China	Ordinary	100%	Medical Diagnostics
Oxford Diagnostic Laboratories (UK) Limited		Ordinary	100%	Medical Diagnostics (Dormant)

[1] Acquired by Oxford Immunotec Inc. on 12 October 2016.

14 STOCKS

	2017	2016
	£'000	£'000
Raw materials and consumables	5,631	4,288
Finished goods and goods for resale	143	183
	5,774	4,471

15 OTHER DEBTORS

	2017 £'000	2016 £'000
Corporation tax	3	30
Other debtors	197	228
Prepayments and accrued income	623	271
	823	529

Intercompany balances due between group members are unsecured and repayable on demand.

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Trade creditors	2,889	815
Taxes and social security costs	174	129
Other creditors	52	26
Tax due on vesting of restricted share units	336	—
Accruals and deferred income	2,614	5,639
Settlement liability	3,218	—
	9,283	6,609

17 PENSION COSTS

DEFINED CONTRIBUTION SCHEMES

	2017 £'000	2016 £'000
Contributions payable by the Company for the year	475	466
Contributions payable to the fund at the year end and included in creditors	(44)	(35)

18 SHARE CAPITAL

	2017 £'000	2016 £'000
AUTHORISED		
* Ordinary shares of £0.001 each	*	*
	*	*
ALLOTTED, CALLED UP AND FULLY PAID		
71,112,611 Ordinary shares of £0.001 each	71	71

* Effective June 2014, the Articles of Association of OI Ltd. were amended. As a result of the amendment, there is no limit on the number of new shares that can be issued.

19 CONTINGENT CONSIDERATION

The Company had been developing new products that were subject to contingent purchase price consideration payments in accordance with the Boulder acquisition. However, during 2016 the decision was made to halt research on the GoutiFind blood test. Additionally during 2016, the Company determined that the milestones related to the SpiroFind product would not be achieved. As a result, the Company wrote off contingent purchase price consideration of £915,000 related to these product candidates.

19 CONTINGENT CONSIDERATION (CONTINUED)

	2017	2016
	£'000	£'000
Balance – beginning	—	915
Change in fair value of contingent purchase price purchase price consideration	—	(915)
Balance – ending	—	—

From time to time the Company is involved in disputes, legal actions or employment tribunals arising in the ordinary course of its business. In the Directors' opinion, none of these is expected to have a material adverse impact on the Company's financial position or results of operations. The Company is not currently engaged in any such disputes or actions.

20 LICENSING AND ROYALTY COMMITMENTS

The Company has committed to pay minimum royalty and other payments under various licensing agreements. The Directors estimate the minimum future commitments arising under these agreements are payable as follows:

	2017	2016
	£'000	£'000
Within one year	67	1,189
Between two and five years	80	2,384
In over five years	1	—
	148	3,573

21 LEASING COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are as follows:

Land and buildings	2017	2016
	£'000	£'000
Within one year	622	412
Between two and five years	2,870	2,696
In over five years	7,586	8,262
	11,078	11,370

Included in total future minimum lease payments are payments relating to a new building currently under construction, for which the Company signed an Agreement for Lease on 25 May 2017. The lease described by that agreement is due to commence on 1 June 2018 and runs through 31 May 2033. Initial rent on the new building will be £357,000 per annum through 31 December 2020 and will then increase to £715,000 per annum. The Company will continue to pay rent on two of its current facilities until it completes the moves from those facilities to the new building.

22 CONTROL

The immediate and ultimate parent company and controlling party is Oxford Immunotec Global PLC which is a company incorporated in the United Kingdom.

The Company is exempt, by virtue of Section 401 of the Companies Act 2006, from the requirement to prepare group financial statements as it is a wholly owned subsidiary of Oxford Immunotec Global PLC, a company incorporated in the U.K., and is included in the publicly available consolidated financial statements of this entity. Therefore, these financial statements present information about the Company and not its group.

The parent undertaking of the smallest and largest group which includes the Company for which group financial statements are prepared is Oxford Immunotec Global PLC. The financial statements of Oxford Immunotec Global PLC are available to the public and may be obtained from the Registrar of Companies.

23 SHARE BASED PAYMENTS

The Group has issued share options since 2003, restricted shares since 2014 and RSUs since 2015 to incentivise 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 authorized the Company to grant up to 2,684,563 ordinary shares with such amount automatically increasing annually on each January 1st through January 1, 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.

During 2017, a total of 303,338 options were exercised with a weighted average share price at the date of exercise of $15.77. During 2016, a total of 34,492 options were exercised with a weighted average share price at the date of exercise of $14.22.

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

	2017	2016
	£'000	£'000
Cost of sales	88	15
Other operating expenses	1,308	1,321
Total share-based compensation	1,396	1,336

23 SHARE BASED PAYMENTS (CONTINUED)

A summary of options outstanding as of 31 December 2017:

	Total options outstanding	
Exercise prices	Number of options	Weighted-average remaining life in years
$0.00-$1.00	149	
$1.01-$5.00	—	
$5.01-$10.00	1,200	
$10.00-$15.00	195,797	
$15.01-$20.00	6,473	
$20.01-$25.00	235,159	
	438,778	6.76

24 RESERVES

Share premium

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

Share option reserve

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

Capital contribution reserve

The capital contribution reserve represents capital contributed into the Company by its owners.

Retained earnings (deficit)

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

25 FINANCIAL GUARANTEE CONTRACTS

On 4 October 2016, the Company entered into a financial guarantee contract to guarantee the indebtedness of Oxford Immunotec Inc. under the agreement with MidCap Financial, or the MidCap agreement. The MidCap Agreement is collateralised by a perfected first priority security interest in all existing and after-acquired assets of the Group.

26 SETTLEMENT LIABILITY

Settlement liability relates to the Settlement Agreement with SSI to resolve outstanding disputes arising from the Company's previous license agreement. The terms of the Settlement Agreement are confidential.

27 CORRECTION OF AN ERROR

In preparing the accounts for 2016, some late adjustments related to intercompany trading were not properly recorded. As a consequence, turnover was overstated and operating expenses were understated.

The error has been corrected by restating each of the affected financial statement line items for the prior period, as follows:

Impact on statement of profit or loss (increase/ (decrease) in profit)

	2016
	£'000
TURNOVER	(3,211)
Other operating expenses	(488)
Taxation	629
Net impact on profit for the year	(3,070)

Impact on equity (increase/(decrease) in equity)

	At 31 December 2016
	£'000
Deferred tax assets	629
Amounts owed by group undertakings	(8,546)
Decrease in total assets	(7,917)
Amounts owed to group undertakings	1,749
Increase in total liabilities	1,749
Capital contribution reserve	(6,596)
Retained earnings (deficit)	(3,070)
Decrease in total equity	(9,666)

28 SUBSEQUENT EVENTS

On September 25, 2018, we entered into a Limited Liability Company Interest Purchase Agreement, or the Purchase Agreement, with Quest Diagnostics Incorporated, a Delaware corporation, or Quest, OI Limited and Oxford Immunotec, Inc., pursuant to which OI Limited agreed to sell, and Quest agreed to acquire, our U.S. laboratory services business, or the Laboratory Services Business, for gross proceeds of $170 million in cash, or the Transaction. As part of the Transaction, OI Limited agreed to cause Oxford Immunotec, Inc. to carry out a corporate restructuring, pursuant to which (i) the assets and businesses of Oxford Immunotec, Inc., other than the Laboratory Services Business, will be transferred to a newly formed wholly owned subsidiary of Oxford Immunotec Limited., Oxford Immunotec USA, Inc., and (ii) Oxford Immunotec, Inc. will be converted into a limited liability company.

Additionally, pursuant to the terms of the Purchase Agreement, the parties entered into certain ancillary agreements as of the closing of the Transaction, including: (i) a transitional services agreement, (ii) a technology license agreement and (iii) a long-term supply agreement, pursuant to which, upon the closing of the Transaction, Oxford Immunotec USA, Inc. agreed to sell, and Quest agreed to purchase T-SPOT.*TB* test kits and related accessories from Oxford Immunotec USA, Inc. In addition, the parties entered into a strategic collaboration agreement to drive continued growth of T-SPOT.*TB* testing in the U.S.

The Purchase Agreement contained customary representations and warranties, mutual indemnification obligations and customary covenants regarding the operation of the Laboratory Services Business between the execution of the Purchase Agreement and the closing of Transaction. The transactions contemplated by the Purchase Agreement were subject to certain customary conditions, including, without limitation: (i) the

expiration or early termination of all applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (ii) the absence of any order issued or pending legal proceedings seeking to enjoin the Purchase Agreement or any of the other transactions contemplated by the Purchase Agreement, (iii) the truth and accuracy of the parties' respective representations and warranties in the Purchase Agreement, and (iv) the performance of, and compliance with, the parties' respective agreements and covenants under the Purchase Agreement.

The Purchase Agreement also contained certain customary termination rights, including, among others, the right of either party to terminate if (i) the closing of the Transaction shall not have been consummated by March 25, 2019 or (ii) the other party breaches a representation, warranty or covenant of such party under the Purchase Agreement and such breach would result in the applicable closing conditions not being satisfied.

The Transaction was consummated in accordance with the terms and conditions of the Purchase Agreement on November 6, 2018.

During the three month-period ended 31 March 2018, the Company granted to certain employees 206,468 share options with exercise prices of $13.24 per share under the 2013 Plan. The weighted-average grant date fair value related to share options granted under the 2013 Plan during the three month-period ended 31 March 2018 was $6.15 per share. Share options generally vest based on the grantee's continued service with the Company during a specified period following the vesting start date and expire after ten years.

During the three-month period ended 31 March 2018, the Company awarded to certain employees 39,600 RSUs with a weighted average grant date fair value of $13.24 per share under the 2013 Plan. The RSUs vest based on the grantee's continued service with the Company 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. Share-based compensation expense for these restricted shares is calculated based on the grant date market price of the shares and is being recognised over the vesting period.