

Oxford Immunotec Limited
Financial statements
For the year ended 31 December 2012



Company No. 4516079

Company information

Company registration number	4516079
Registered office	94C Innovation Drive Milton Park Abingdon Oxfordshire OX14 4RY
Directors	R Sandberg (Chairman) P Wrighton-Smith M Steinmetz R Strohmenger V Lathi A Duncan S Spotts N Pitchford New Media Spark Directors Ltd
Secretary	E Keiley
Bankers	Barclays Bank plc PO Box 858 Wytham Court West Way Oxford OX2 0XP
Solicitors	Morrison and Foerster Citypoint 1 Ropemaker Street London EC2Y 9AW
Auditors	Ernst & Young LLP Apex Plaza Reading Berkshire RG1 1YE

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Report of the directors

The directors present their report and the financial statements of Oxford Immunotec Limited (the "Company") and subsidiaries (together the "Group") for the year ended 31 December 2012

Principal activity and business review

The principal activity of the Group is the development and supply of clinical diagnostic products

There was a consolidated loss for the year after taxation amounting to £9,733,000 (2011 loss of £7,912,000)

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

	2012 £'000	2011 £'000	Change
Turnover	13,403	7,970	68%
Loss after Tax	(9,733)	(7,912)	23%
Shareholders' Funds	6,328	3,950	60%
Average number of employees	131	97	35%

Turnover increased by 68% in the year reflecting an increase in the customer base and market penetration for the core product, T-SPOT *TB*

The total average number of employees increased 35% during the year

Principal Risks and Uncertainties

The Group's business has a number of key risks including, but not limited to, the following

Regulatory risk

The diagnostics industry is regulated by governmental authorities in the EU, US, Japan, Canada and the rest of the world and is influenced by medical reimbursement institutions and policies as well. The core product, T-SPOT *TB* has received regulatory approval in the US, EU, Canada and Japan but there remains the risk that other regulatory approvals may not be granted, impacting the ability of the Group to expand into the markets concerned. In markets where regulatory approval has been received, the growth and profitability of the Group and its products are expected to be continually influenced by the reimbursement policies and prices in those markets.

Sales and marketing risk

The task of introducing new diagnostic information for physicians to use involves a great deal of education of the medical community and adoption by that community of medical practices that utilise such information. The rate and cost of such adoption can have a significant impact on the Group's ability to grow and generate profits in the future.

Report of the directors (continued)

Principal Risks and Uncertainties (continued)

Competitive risk

The Group is competing with both new and conventional technology for detecting tuberculosis. In addition, the Company competes in general with pharmaceutical companies, biotechnology companies, public and private universities and research organizations actively engaged in the research and development of new diagnostic technologies. Many of these organizations have greater financial, manufacturing, marketing and human resources than the Group.

Financing risk

Until it has adequate sustainable revenue from marketed products, the Group is dependent upon raising new equity or debt financing to execute its long term business plan. Historically, equity financing has been sourced from the Group's shareholders and new venture capital investors, but the risk remains that such finance may not be available on acceptable terms or at all. Debt financing has been available from banks, but the risk remains that bank debt may not be available on acceptable terms or at all.

Foreign Exchange risk

As a consequence of the Group generating the majority of its revenues from overseas markets, two forms of currency exposure, transactional and translational, arise. Transaction exposure arises when transactions are entered into denominated in currencies other than sterling. Transaction exposures are identified and managed where possible by matching income and expenditures. Translation currency exposure arises within the income statement on translation of the results of overseas subsidiaries into sterling for consolidated reporting purposes. The Group reduces its translational currency exposures by means of matching assets and liabilities where possible.

Reimbursement

In the United States, we do not bill patients for whom our diagnostic test services are ordered in the same manner we bill hospitals and clinics for the diagnostic test services they order. In general, these transactions involve insurance entities (such as Medicare, Medicaid and private health insurers) who nominally reimburse their patients for the cost of medical services ordered for them by a physician but who in practice have a wide range of policies and procedures they utilise to pay service providers directly on behalf of their patients.

As noted below, we report revenues from this segment of our business based on the amount expected to be collected after the application of the policies and procedures invoked by insurance entities. In each calendar quarter, we review our historical collection experience taking into account these policies and procedures and adjust our expected revenues for current and subsequent periods accordingly. In all segments of our business, prices for our services and reimbursement rates for patients are subject to negotiation and change and any reductions would decrease our revenues and adversely affect our results of operations and financial condition.

Financial Credit risk

The Group is exposed to credit-related losses in the event of non-performance by counterparties, but does not expect any counterparties who buy kits, or any hospitals or clinics who buy testing services, to fail to meet their obligations.

Billing patients for diagnostic services in the United States is, however, a complex process which may involve credit risk and long collection cycles as a result of negotiations with insurance entities. These uncertainties create risks in our collection efforts, including potential write-offs of doubtful accounts and long collection cycles for accounts receivable.

Report of the directors (continued)

Future Developments

The directors continually evaluate the policies and strategies needed to continue the Group's revenue growth. They expect that 2013 will show further sales growth in its existing and new markets.

Results and dividends

The directors do not recommend the payment of a dividend.

The directors of the Company

The directors who served the Company during the year were as follows:

R Sandberg
P Wrighton-Smith
M Steinmetz
R Strohmenger
J Gee (resigned 15 June 2012)
V Lathi
N Pitchford (appointed 15 June 2012)
A Duncan
S Spotts
New Media Spark Directors Ltd (appointed 15 June 2012)

At 31 December 2012 directors held the following beneficial interests in the shares of the Company:

	Ordinary Shares of £0 001 each	'A' Ordinary Shares of £0 001 each	F Preferred Ordinary Shares of £0 001 each	G Preferred Ordinary Shares of £0 001 each
P Wrighton-Smith	1,805,480	79,750	-	-
R Sandberg	115,049	-	2,725	5,318

Additionally directors held the following options over ordinary shares at 31 December 2012:

	No	Exercise price per share	Earliest exercise date	Date options lapse
Peter Wrighton-Smith	1,375,376	£0 01	1 April 2010	31 March 2020
	1,292,963	£0 075	1 January 2013	31 December 2022
Richard Sandberg	253,365	\$0 013	1 April 2010	31 March 2020
	29,371	\$0 013	24 October 2007	23 October 2017
	93,853	\$0 12	1 January 2013	31 December 2022
Steve Spotts	170,048	\$0 04	1 January 2011	31 December 2020

Report of the directors (continued)

Directors' responsibilities

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 Group and Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable 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.

The financial statements have been prepared on the going concern basis, which assumes that, for the foreseeable future, the Group and the Company will continue in operation and be able to meet its liabilities as they fall due. In concluding that it is appropriate to adopt the going concern basis the directors considered the following matters:

- Cash flow forecasts for the 12 month period from the date of signing these financial statements, and
- The receipt of further funding in May 2013 and settlement of prior bank funding in May 2013, as described in the Note entitled Post Balance Sheet Events

Based on current financial forecasts, the Group and the Company expect to be cash-generative during 2014 and the recently completed loan and working capital facilities are expected to support the company through to cash generation.

FRS 18 "Accounting Policies" requires the Directors to disclose "material uncertainties related to events or conditions that may cast a significant doubt upon the Group's ability to continue as a going concern". After careful consideration of FRS 18 and the Financial Reporting Council's "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" guidance, the Directors consider that no material uncertainties exist.

The Directors have a reasonable expectation, based on financial forecasts and the current loan and available working capital facilities at the date of signing the financial statements, that the Group and the Company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board considers that the business is a going concern and continues to adopt the going concern basis in preparing the financial statements.

Research and Development

Research and development is concentrated on customer support for T-SPOT *TB*, and development of complementary products to T-SPOT *TB*.

Report of the directors (continued)

Post Balance Sheet Events

On 4 January 2013, the Group closed the second and final tranche of the June 2012 financing for \$11 million

On 1 March 2013, Oxford Immunotec, Inc signed a five year lease for a new US corporate headquarters. The lease term runs from June 2013 to October 2018. Annual lease costs are approximately \$275,000

On 24 May 2013, the Group closed a \$12 million loan with Square 1 Bank, with varying maturities from two to four years. \$6 million of the loan is term debt secured by company assets, \$5 million is collateralized by Trade Debtors and \$1 million requires the group to meet certain revenue targets. The previously existing bank loan has been paid in full

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Group auditor, each director has taken all steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

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

BY ORDER OF THE BOARD



Peter Wrighton-Smith
Chief Executive Officer

31st May 2013

Independent auditor's report to the members of Oxford Immunotec Limited

We have audited the financial statements of Oxford Immunotec Limited for the year ended 31 December 2012 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the groups and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements and related notes for the year ended 31 December 2012 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditor's report to the members of Oxford Immunotec Limited (continued)

Opinion on financial statements

In our opinion the financial statements

- ▶ give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's loss 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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

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

4 June 2013

Group Profit and Loss Account

	Note	2012 £'000	2011 £'000
Turnover	2	13,403	7,970
Cost of sales		(7,754)	(5,002)
Gross profit		5,649	2,968
Other operating charges		(15,444)	(11,033)
Other operating income	3	49	63
Operating loss	3	(9,746)	(8,002)
Interest receivable		1	1
Interest payable and similar charges	7	(100)	(3)
Loss on ordinary activities before taxation		(9,845)	(8,004)
Tax credit on loss on ordinary activities	6	112	92
Loss for the financial year	18	(9,733)	(7,912)

All operations are continuing

There were no recognised gains and losses for the year ended 31 December 2012, other than the loss for the financial year of £9,733,000 (2011 loss of £7,912,000)

The accompanying notes form part of these financial statements

Group Balance Sheet

	Note	2012 £'000	2011 £'000
Fixed assets			
Intangible assets	8	323	285
Tangible assets	9	1,354	845
		<u>1,677</u>	<u>1,130</u>
Current assets			
Stocks	10	1,914	1,510
Debtors	11	4,061	2,231
Cash at bank		8,153	1,733
		<u>14,128</u>	<u>5,474</u>
Creditors* amounts falling due within one year	12	(9,347)	(2,545)
		<u>4,781</u>	<u>2,929</u>
Net current assets			
		<u>6,458</u>	<u>4,059</u>
Total assets less current liabilities			
		<u>6,458</u>	<u>4,059</u>
Creditors: amounts falling due after more than one year	13	(135)	(109)
		<u>6,323</u>	<u>3,950</u>
Capital and reserves			
Called-up share capital	17	63	46
Share premium account	18	59,416	47,356
Share option reserve	18	632	605
Profit and loss account	18	(53,788)	(44,057)
		<u>6,323</u>	<u>3,950</u>
Shareholders' funds			
		<u>6,323</u>	<u>3,950</u>

Approved by the Board on 31st May 2013 and signed on their behalf by



Peter Wrighton-Smith
Chief Executive Officer

The accompanying notes form part of these financial statements

Company Balance Sheet

	Note	2012 £'000	2011 £'000
Fixed assets			
Investments	9	170	151
Intangible assets	8	323	285
Tangible assets	9	187	180
		<u>680</u>	<u>616</u>
Current assets			
Stocks	10	1,332	1,174
Debtors	11	28,530	19,777
Cash at bank		7,456	1,375
		<u>37,318</u>	<u>22,326</u>
Creditors , amounts falling due within one year	12	(6,986)	(1,453)
		<u>30,332</u>	<u>20,873</u>
Net current assets			
		<u>31,012</u>	<u>21,489</u>
Total assets less current liabilities			
		<u>31,012</u>	<u>21,489</u>
Creditors : amounts falling due after more than one year	13	-	-
		<u>31,012</u>	<u>21,489</u>
Capital and reserves			
Called-up share capital	17	63	46
Share premium account	18	59,416	47,356
Share option reserve	18	634	606
Profit and loss account	18	(29,101)	(26,519)
		<u>31,012</u>	<u>21,489</u>
Shareholders' funds			
		<u>31,012</u>	<u>21,489</u>

Approved by the Board on 31st May 2013 and signed on their behalf by



Peter Wrighton-Smith
Chief Executive Officer

The accompanying notes form part of these financial statements

Group Statement of Cash Flows

	Note	2012 £'000	2011 £'000
Net cash outflow from operating activities	21 (a)	(4,385)	(8,233)
Returns on investment and servicing of finance			
Interest received		1	1
Interest element of finance lease rental payments		(100)	(3)
		(99)	(2)
Taxation			
R & D tax credit received		194	132
Capital expenditure and financial investment			
Payments to acquire intangible fixed assets		(105)	(44)
Payments to acquire tangible fixed assets		(995)	(577)
		(1,100)	(621)
Net cash (outflow) before management of liquid resources and financing		(5,390)	(8,724)
Financing			
Issue of ordinary share capital (net of issue costs)		12,077	6,193
Repayment of capital element of finance leases		(1)	(61)
Net cash inflow from financing		12,076	6,132
Increase/(decrease) in cash		6,686	(2,592)

The accompanying notes form part of these financial statements

Notes to the financial statements

1 Principal Accounting Policies

Basis of accounting

The financial statements have been prepared under the historical cost convention. The principal accounting policies of the Group and the Company have remained unchanged from the prior year.

The financial statements have been prepared on the going concern basis, which assumes that, for the foreseeable future, the Group and the Company will continue in operation and be able to meet its liabilities as they fall due. In concluding that it is appropriate to adopt the going concern basis the directors considered the following matters:

- Cash flow forecasts for the 12 month period from the date of signing these financial statements, and
- The receipt of further funding in May 2013 and settlement of prior bank funding in May 2013, as described in the Note entitled Events after the Balance sheet date.

Based on current financial forecasts, the Group and the Company expect to be cash-generative during 2014 and the recently completed loan and working capital facilities are expected to support the company through to cash generation.

FRS 18 "Accounting Policies" requires the Directors to disclose "material uncertainties related to events or conditions that may cast a significant doubt upon the Group's ability to continue as a going concern". After careful consideration of FRS 18 and the Financial Reporting Council's "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" guidance, the Directors consider that no material uncertainties exist.

The Directors have a reasonable expectation, based on financial forecasts and the current loan and available working capital facilities at the date of signing the financial statements, that the Group and the Company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board considers that the business is a going concern and continues to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of Oxford Immunotec Limited and its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for Oxford Immunotec Limited, as permitted by section 408 of the Companies Act 2006. The loss after taxation of the Company for the year ended 31 December 2012 was £2,583,000 (2011 - £1,831,000).

The Group profit and loss account and Group statement of cash flows include the full year results and cash flows of Oxford Immunotec Inc and Oxford Immunotec KK since its incorporation on 22nd June 2012.

Oxford Diagnostic Laboratories (UK) Limited has remained dormant since its incorporation in 2011.

Notes to the financial statements

1 Principal Accounting Policies (continued)

Turnover

Turnover is the total amount receivable by the Group and the Company for goods supplied and services provided, excluding VAT. We recognise revenues when the goods are received by the customer or when the service is performed, the price is fixed or determinable, persuasive evidence of an arrangement exists and collectability of the resulting receivable is reasonably assured. We report revenues from patient testing in the United States based on the amount expected to be collected. In each reporting period, we review our historical collection experience for insurance payers and adjust our expected revenues for current and subsequent periods accordingly.

Cost of Sales

Cost of sales includes raw materials, manufacturing, service and quality costs directly related to turnover.

Research and development

Research and Development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

Intangible assets and related amortisation

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged to the profit and loss account in the year in which it is incurred.

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Licences	10% - 20% per annum straight line
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Investments

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

Tangible fixed assets and related depreciation

Property, plant and machinery is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant, machinery and shippers	25% - 33.3% per annum straight line
Leasehold improvements	25% per annum or the remaining term

Notes to the financial statements

1 Principal Accounting Policies (continued)

Impairment of tangible fixed assets and investments

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Any impairment loss is charged to the profit and loss account in the year concerned.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined by the purchase cost of the goods or their components plus associated labour and overhead costs on an individual batch basis.

Net realisable value is based on an estimated selling price less any further costs expected to be incurred to completion and disposal.

Share-based incentives

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions). No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

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

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

Notes to the financial statements

1 Principal Accounting Policies (continued)

Leasing and Hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership off the asset have passed to the Group and the Company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest element of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

Pension costs

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

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Group and 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. The Group and the Company currently do not recognise any deferred tax assets.

Foreign currencies

Group

The functional currency of the Group and Company is sterling and the financial statements are expressed in sterling on the following basis:

- a Fixed assets are translated into sterling at the rates ruling on the date of acquisition
- b Monetary assets and liabilities denominated in a foreign currency are translated into sterling at the foreign exchange rates ruling at the balance sheet date
- c Revenue and expenses in foreign currencies are recorded in sterling at the rates ruling for the month of the transactions
- d Any gains or losses arising on translation are reported in the profit and loss account

The US and Japanese subsidiary operations are expressed in sterling on this basis as part of the Group financial statements.

Company

Transactions in foreign currencies are translated 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.

Government Grants

Government grants treated as revenue are credited to income so as to match them with the expenditure to which they relate.

Notes to the financial statements

2 Turnover

The Group competes internationally with other companies in the diagnostics sector. The directors are of the opinion that to comply fully with the requirements of SSAP25 'Segmental Reporting' would be seriously prejudicial to the interests of the Group. Therefore, the geographical analysis of turnover by destination is not disclosed.

3 Operating loss

Group

Operating loss is stated after charging / (crediting)

	2012	2011
	£'000	£'000
Amortisation of intangible assets	67	65
Depreciation of owned fixed assets	392	326
Depreciation of assets held under finance leases and hire purchase agreements	28	2
Research and development expenditure	719	607
Auditors' fees Audit services	91	45
Non-audit services – taxation services	61	38
Net loss on foreign currency translation	74	16
Other operating income	(49)	(63)
Operating Leases – Land and Buildings	393	370

Notes to the financial statements

4 Directors and Employees

Remuneration in respect of directors was as follows

	2012	2011
	£'000	£'000
Emoluments	339	319
Value of Group pension contributions to money purchase schemes	9	8
	<u>348</u>	<u>327</u>

The number of directors who accrued benefits under Group pension schemes was as follows

	2012	2011
	No	No
Money purchase schemes	1	1

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

	2012	2011
	£'000	£'000
Total emoluments (excluding pension contributions)	263	242
Value of Company pension contributions to money purchase schemes	9	8
	<u>272</u>	<u>250</u>

Notes to the financial statements

4 Directors and Employees (continued)

The average number of persons employed by the Group in the year was as follows

	2012	2011
	No	No
Administration and Distribution	124	91
Research	7	6

Staff costs incurred during the year in respect of these employees were

	2012	2011
	£'000	£'000
Wages and salaries	6,097	5,576
Social security costs	706	540
Other pension costs	258	245
	7,061	6,361

5 Share-based incentives

a) Share Options

The Group's equity-settled share-based payments scheme for employees and executive directors is operated via approved Management Incentive Schemes. The amount of shares held in this scheme and details of share options subject to equity-settled share-based payments are set out below. In addition non-executive directors hold equity-settled share-based incentives in unapproved share option schemes. Vesting conditions are generally employee service but may include non-market performance conditions. Details of option grants with vesting conditions other than employee service are set out in the Report of the Directors.

The options are valued using a Black-Scholes pricing model including the information in the table below. The Company estimates the number of options likely to vest and expenses the value of those options over the relevant period. Share price volatility has been estimated by comparison with other non-public companies and adjusted where there are known factors that may affect future volatility. Vesting estimates take account of the Group's high staff retention rate.

The key assumptions used in valuing the options were

	2012	2011
Risk free rate	0.4%	2.5%
Expected volatility	38%	39%
Expected dividend yield	0%	0%

Notes to the financial statements

5 Share-based incentives (continued)

Using these assumptions, the weighted average fair value per share of options granted during 2012 was £0.056 (2011: £0.02)

At 31 December 2012, options over 4,304,607 ordinary shares were outstanding under the Enterprise Management Incentive Scheme and options over a further 5,400,922 ordinary shares were outstanding outside the Enterprise Management Incentive Scheme. Of these, 3,158 were issued to a consultant to the Company.

Details of share options awarded to employees, including executive and non-executive directors, are set out below.

	2012		2011	
	No	WAEP	No.	WAEP
Outstanding as at 1 January	5,210,071	£0.01	5,357,825	£0.01
Granted during the year	4,652,608	£0.056	379,250	£0.02
Exercised during the year	(57,505)	£0.011	(31,636)	£0.01
Forfeited during the year	(99,645)	£0.026	(495,368)	£0.01
Outstanding at 31 December	<u>9,705,529</u>	<u>£0.033</u>	<u>5,210,071</u>	<u>£0.01</u>
Exercisable at 31 December	4,112,075	£0.012	2,729,606	£0.01

The effect of expenses arising from share-based payment transactions on the Group profit and loss account for the year is as follows:

	2012	2011
	£'000	£'000
Expenses arising from share-based payment transactions	<u>29</u>	<u>12</u>

Notes to the financial statements

6 Taxation on ordinary activities

(a) Analysis of tax credit in the year

	2012 £'000	2011 £'000
Current tax		
Research & development tax credits - current year	120	92
Research & development tax credits – prior year	(2)	-
Foreign tax	(6)	-
Total current tax credit	<u>112</u>	<u>92</u>

(b) Factors affecting current tax credit

The tax assessed on the loss on ordinary activities for the year is lower than the effective standard rate of corporation tax in the UK of 20.00% (2011 20.25%). The differences are reconciled below

	2012 £'000	2011 £'000
Loss on ordinary activities before taxation	<u>(9,845)</u>	<u>(8,004)</u>
Loss on ordinary activities multiplied by effective standard rate of corporation tax in the UK of 20.00% (2011 20.25%)	(1,969)	(1,621)
Expenses not deductible for tax purposes	118	80
Decelerated capital allowances	-	3
Other timing differences	125	-
Unrelieved tax losses	1,660	1,460
Group relief	-	25
Difference in tax rates on R&D tax credit	72	53
Research & development tax credits - current year	(120)	(92)
Research & development tax credits - prior period adjustment	2	-
Total current tax	<u>(112)</u>	<u>(92)</u>

Unrelieved tax losses for the Group of approximately £47,380,000 (2011 £41,330,000) remain available to offset against future taxable trading profits. Deferred tax assets have not been recognised in respect of these losses as the Group and Company are loss making and future recoverability is uncertain. Tax losses relating to Oxford Immunotec Inc amount to approximately £23,568,000 and are available for offset against the future taxable trading profits of Oxford Immunotec Inc for a period of 20 years.

Notes to the financial statements

7 Interest payable and similar charges

	2012 £'000	2011 £'000
Bank loans	42	-
Convertible loan	58	-
Finance charges payable under finance leases and hire purchase contracts	-	3
	<u>100</u>	<u>3</u>

8 Intangible fixed assets

Group and Company

	Licences £'000
Cost	
At 1 January 2012	785
Additions	105
At 31 December 2012	<u>890</u>
Amortisation	
At 1 January 2012	500
Charge for the year	67
At 31 December 2012	<u>567</u>
Net book value	
At 31 December 2012	<u>323</u>
At 31 December 2011	<u>285</u>

Notes to the financial statements

9 a) Tangible fixed assets

Company

	Leasehold Improvements £'000	Plant and Machinery £'000	Shippers £'000	Total £'000
Cost				
At 1 January 2012	469	1,070	-	1,539
Additions	-	110	-	263
At 31 December 2012	469	1,180	-	1,649
Depreciation				
At 1 January 2012	437	922	-	1,359
Charge for the year	17	86	-	103
At 31 December 2012	454	1,008	-	1,462
Net book value				
At 31 December 2012	15	172	-	187
At 31 December 2011	32	148	-	180

Group

	Leasehold Improvements £'000	Plant and Machinery £'000	Shippers £'000	Total £'000
Cost				
At 1 January 2012	469	2,041	-	2,510
Additions	-	748	247	995
At 31 December 2012	469	2,789	247	3,505
Depreciation				
At 1 January 2012	437	1,228	-	1,665
Charge for the year	17	375	94	486
At 31 December 2012	454	1,603	94	2,151
Net book value				
At 31 December 2012	15	1,186	153	1,354
At 31 December 2011	32	813	-	845

Included within the net book value of £1,201,000 is £84,200 (2011 £108,220) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £27,726 (2011 £2,279).

Notes to the financial statements

b) Investments in subsidiaries

Company

	Subsidiary Undertakings £'000
Cost	
At 1 January 2012	151
Incorporation of subsidiary (Oxford Immunotec KK)	1
Capital contributions from share based payments	18
	<hr/>
At 31 December 2012	170
	<hr/> <hr/>

Investments held by the Group comprise the outstanding common stock of \$1 of an off-the-shelf company Oxford Immunotec Inc, a company incorporated in the United States of America in order for the Group to carry out the principal activity in that territory, the entire share capital of Oxford Immunotec KK, a company incorporated in Japan in order for the Group to carry out the principal activity in that territory and the entire share capital of Oxford Diagnostic Laboratories (UK) Ltd, a company which has remained dormant since its incorporation

Name of Company	Holding	Proportion of voting rights and shares held	Nature of business
<i>Subsidiary Undertaking</i>			
Oxford Immunotec Inc	Ordinary shares	100%	Medical Diagnostics
Oxford Immunotec KK	Ordinary shares	100%	Medical Diagnostics
Oxford Diagnostic Laboratories (UK) Ltd	Ordinary shares	100%	Medical Diagnostics (Dormant)

10 Stocks

Group

	2012 £'000	2011 £'000
Raw materials	1,066	1,092
Finished goods	848	418
	<hr/>	<hr/>
	1,914	1,510
	<hr/> <hr/>	<hr/> <hr/>

Company

	2012 £'000	2011 £'000
Raw materials	1,066	1,092
Finished goods	266	82
	<hr/>	<hr/>
	1,332	1,174
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

11 Debtors

Group

	2012	2011
	£'000	£'000
Trade debtors	3,342	1,569
VAT recoverable	15	16
Research and Development tax credit recoverable	124	200
Other debtors	580	446
	<u>4,061</u>	<u>2,231</u>

Included in the Group other debtors value of £580,000 is £37,000 (2011 £31,000) relating to amounts on deposit that are recoverable after more than one year

Company

	2012	2011
	£'000	£'000
Trade debtors	1,728	663
VAT recoverable	14	16
Research and Development tax credit recoverable	124	200
Other debtors	293	304
Amounts due from subsidiary undertakings	26,371	18,594
	<u>28,530</u>	<u>19,777</u>

Notes to the financial statements

12 Creditors: amounts falling due within one year

Group

	2012	2011
	£'000	£'000
Loans	952	-
Trade creditors	1,055	1,062
Other taxation and social security	92	94
Amounts due under finance leases and hire purchase agreements	1	1
Pension contributions payable	23	24
Other creditors	7,224	1,364
	<u>9,347</u>	<u>2,545</u>

The loan bears interest at the US prime rate plus one and one half percent and is secured by a portion of Oxford Immunotec Inc assets. In connection with the loan, the lender was granted warrants for 24,691 Ordinary shares on 2 February 2012 that expire after seven years. Other creditors for the Group include £4,968,000 investor funding received in advance.

Company

	2012	2011
	£'000	£'000
Trade creditors	604	510
Other taxation and social security	76	86
Amounts due under finance leases and hire purchase agreements	1	1
Pension contributions payable	23	22
Other creditors	6,282	834
	<u>6,986</u>	<u>1,453</u>

Other creditors for the Company include £4,968,000 investor funding received in advance.

13 Creditors: amounts falling due after more than one year

Group

	2012	2011
	£'000	£'000
Amounts due under finance leases and hire purchase agreements	135	109
	<u>135</u>	<u>109</u>

Company

	2012	2011
	£'000	£'000
Amounts due under finance leases and hire purchase agreements	-	-
	<u>-</u>	<u>-</u>

Notes to the financial statements

14 Post Balance Sheet Events

On 4 January 2013, the Group closed the second and final tranche of the June 2012 financing for \$11 million

On 1 March 2013, Oxford Immunotec, Inc signed a five year lease for a new US corporate headquarters. The lease term runs from June 2013 to October 2018. Annual lease costs are approximately \$275,000

On 24 May 2013, the Group closed a \$12 million loan with Square 1 Bank, with varying maturities from two to four years. \$6 million of the loan is term debt secured by company assets, \$5 million is collateralized by Trade Debtors and \$1 million requires the group to meet certain revenue targets. The previously existing bank loan has been paid in full

15 Contingent assets and liabilities

Group and Company

The Company is developing new products under licence, and will be required to make payments under the terms of the licence contingent on the achievement of certain development and sales milestones. The maximum total of these milestone payments is £148,000

From time to time the Group 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 impact on the Group's consolidated financial position, results of operations or cashflows. The group is not currently engaged in any such disputes or actions

The Group has secured \$162,500 in training support from the State of Tennessee, contingent on meeting required hiring plans. This support has not been accounted for in the 2012 financial statements

16 Related party transactions

Group and Company

Costs totalling £1,065,853 (2011: £741,091) were incurred from Mabtech AB, a preferred ordinary shareholder, for laboratory supplies. There was an amount owed by the Group and Company at 31 December 2012 of £5,272 (2011: £nil)

Costs totalling £195,767 (2011: £122,622) were incurred from Isis Innovation Limited, a wholly owned subsidiary of the University of Oxford which is also a shareholder in Oxford Immunotec Limited, in respect of the licensing of intellectual property and patent maintenance. There was an amount owed by the Group and Company at 31 December 2012 of £169,443 (2011: £122,167)

In accordance with the exemption granted in Financial Reporting Standard No 8 "Related Party Disclosures", transactions with other Group undertakings within, and investee related parties of, the Group have not been disclosed in these financial statements

Notes to the financial statements

17 Share capital

Authorised share capital

	2012	2012	2011	2011
	No	£'000	No	£'000
Ordinary shares of £0.001 each	110,000,000	110	60,000,000	60
A Ordinary shares of £0.001 each	79,750	-	79,750	-
D Ordinary shares of £0.001 each	100,000	-	100,000	-
A Preferred Ordinary shares of £0.001 each	903,220	1	903,220	1
B Preferred Ordinary shares of £0.001 each	362,020	-	362,020	-
D Preferred Ordinary shares of £0.001 each	3,488,448	4	3,488,448	4
E Preferred Ordinary shares of £0.001 each	32,000,000	32	32,000,000	32
F Preferred Ordinary shares of £0.001 each	20,000,000	20	20,000,000	20
G Preferred Ordinary shares of £0.001 each	25,000,000	25	-	-
	191,933,438	192	116,933,438	117

Allotted, called up and fully paid

	2012	2012	2011	2011
	No	£'000	No	£'000
Ordinary shares of £0.001 each	14,362,825	14	8,412,425	9
A Ordinary shares of £0.001 each	79,750	-	79,750	-
A Preferred Ordinary shares of £0.001 each	903,220	1	903,220	1
B Preferred Ordinary shares of £0.001 each	362,020	-	362,020	-
D Preferred Ordinary shares of £0.001 each	3,266,885	3	3,266,885	3
E Preferred Ordinary shares of £0.001 each	17,081,014	17	17,081,014	17
F Preferred Ordinary shares of £0.001 each	17,262,618	18	16,029,591	16
G Preferred Ordinary shares of £0.001 each	10,079,933	10	-	-
	63,398,265	63	46,134,905	46

The 'A' Ordinary, the 'D' Ordinary and the 'A', 'B', 'D', 'E', 'F' and 'G' Preferred Ordinary shares in issue rank pari passu as regards voting rights but constitute separate classes of equity shares

On a sale or liquidation the 'F' and 'G' Preferred Ordinary shareholders take precedence over the 'E' Preferred Ordinary shareholders, who, in turn take preference over the 'D' Preferred Ordinary shareholders, who, in certain circumstances in turn take preference over the 'B' Preferred Ordinary shareholders, who in turn take precedence over the 'A' Preferred Ordinary shareholders, who, in certain circumstances, take precedence over the other Ordinary shareholders

Notes to the financial statements

18 Shareholders' funds

Group

	Share capital	Share premium account	Share option reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2012	46	47,356	605	(44,057)	3,950
FRS20 Share Option Charge	-	-	29	-	29
Transfer of reserve on vesting of share-based payments	-	-	(2)	2	-
Share Capital issued	17	12,060	-	-	12,077
Loss for the financial year	-	-	-	(9,733)	(9,733)
Balance at 31 December 2012	63	59,416	632	(53,788)	6,323

Company

	Share capital	Share premium account	Share option reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2012	46	47,356	606	(26,519)	21,489
FRS20 Share Option Charge	-	-	11	-	11
Transfer of reserve on vesting of share-based payments	-	-	(1)	1	-
Share-based payments to US employees	-	-	18	-	18
Share Capital issued for cash	17	12,060	-	-	12,077
Loss for the financial year	-	-	-	(2,583)	(2,583)
Balance at 31 December 2012	63	59,416	634	(29,101)	31,012

Notes to the financial statements

19 Licensing and royalty commitments

Group and Company

The Group 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

	2012 £'000	2011 £'000
Due within 1 year	1,030	950
Due in 2 to 5 years	4,440	4,480
Due in more than 5 years	2,920	4,170

20 Leasing commitments

Group

Future annual operating lease payments due under commitments existing at 31 December 2012 amounted to £382,000. The leases relate to land and buildings, for which annual lease payments and expiry, are as follows

	2012 £'000	2011 £'000
Operating leases which expire Between one and five years	382	410

Company

Future annual operating lease payments due under commitments existing at 31 December 2012 amounted to £265,000. The leases relate to land and buildings, for which annual lease payments and expiry, are as follows

	2012 £'000	2011 £'000
Operating leases which expire Between one and five years	265	336

Notes to the financial statements

21 Notes to the Group statement of cash flows

a) Reconciliation of Group operating loss to net cash outflow from operating activities

	2012 £'000	2011 £'000
Group operating loss	(9,746)	(8,002)
Depreciation and impairment of tangible fixed assets	486	330
Amortisation of licenses	67	65
Exchange differences	266	(82)
Share-based payment	29	12
Increase in debtors	(1,905)	(760)
Increase in stocks	(404)	(406)
Increase in creditors	6,822	610
Net cash outflow from operating activities	(4,385)	(8,233)

b) Analysis of net funds

	At 1 January 2012 £'000	Cash flow £'000	Exchange differences £'000	Other non- Cash movements £'000	At 31 December 2012 £'000
Cash at bank and in hand	1,733	6,686	(266)	-	8,153
Loans	-	(970)	18	-	(952)
Finance lease creditor	(110)	1	-	(25)	(134)
	1,623	5,717	(248)	(25)	7,067

c) Reconciliation of net cash flow to movement in net funds

	2012 £'000	2011 £'000
Increase / (decrease) in cash	6,686	(2,592)
Repayment of capital element of finance lease	1	61
Working capital loan	(970)	-
New finance lease	(25)	(110)
Exchange differences	(248)	82
Movement in net funds / (net debt)	5,444	(2,559)
Net funds at 1 January	1,623	4,182
Net funds at 31 December	7,067	1,623