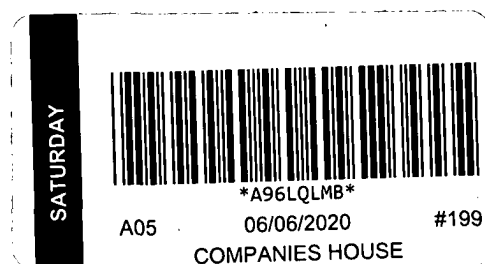


**Concepta Diagnostics Limited**

**Audited Financial Statements**

**for the Year Ended 31 December 2019**

Registered in England and Wales number 08361104



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## **CONCEPTA DIAGNOSTICS LIMITED**

### **COMPANY INFORMATION**

**Directors:** Madeleine Kennedy  
Penelope McCormick

**Registered office:** The Maltings  
East Tyndall Street  
Cardiff  
CF24 5EA

**Bankers:** HSBC

**Auditors:** Jeffreys Henry LLP  
5-7 Cranwood Street  
Finsgate  
London EC1V 9EE

**Solicitors:** BPE Solicitors LLP  
St. James House  
St. James Square  
Cheltenham GL50 3PR

**Company Number:** 08361104

## CONCEPTA DIAGNOSTICS LIMITED

### DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for Concepta Diagnostics Limited ("the Company") for the year ended 31 December 2019. This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

#### Principal activity

The principal activity of the Company is to develop and commercialise the mobile health diagnostics medical devices.

#### Results and dividends

The statement of comprehensive income is set out on page 7 and shows the loss for the year ended 31 December 2019 of £1,787,332 (2018: loss £2,457,575). No dividend will be paid in respect of the period.

#### Directors

The directors who held office during the period and subsequently were as follows:

David Darrock (resigned 27 January 2020)

Vasiliki Fragkou (resigned 12 May 2020)

Madeleine Kennedy (appointed 24 October 2019)

Penelope McCormick (appointed 13 November 2019)

Barbara Spurrier (resigned 24 October 2019)

Erik Henau (resigned 25 March 2019)

#### Risk management

Details of financial risk management objectives, policies and exposure to credit risk and liquidity risk are disclosed in note 2.

#### Events after the reporting date

On 17th April 2020 the Company signed a Sales and Purchase Agreement with Abingdon Health to transfer to them its lateral flow test manufacturing site in Doncaster. As part of the asset purchase agreement, Concepta will assign the leases on the facility and machinery, transfer the staff, and will sell residual manufacturing equipment to Abingdon Health for a total cash consideration of approximately £0.3m.

To this end, the Company has signed agreements with Abingdon Health for the continual manufacture and supply myLotus® testing strips.

#### Research and development activities

The Company continues to invest in research and development activities. The Company is focused on developing and enhancing the existing product portfolio and other products that will compliment and expand the product offering.

The total research and development expenditure including costs for applying patents for the year ended 31 December 2019 was £588,251 (2018: £727,741) of which £360,153 (2018: £169,560) capitalised and £228,098 (2018: £558,181) (net of capitalised development costs) was expensed in the income statement. This expenditure was incurred on product development and enhancement.

#### Going concern

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future. The ultimate parent company, Concepta Plc will continue to provide support for at least 12 months from the date of signoff from this report. Therefore, it continues to adopt the going concern basis in preparing the financial statements.

**Auditor's appointment**

Jeffreys Henry LLP has expressed its willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

**Statement of Directors' responsibilities**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements under United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws including FRS 101 Reduce Disclosure Framework). 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 and profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

By order of the Board



Madeleine Kennedy  
Director  
Concepta Diagnostics Limited  
28 May 2020

## **CONCEPTA DIAGNOSTICS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONCEPTA DIAGNOSTICS LIMITED**

#### **Opinion**

We have audited the financial statements of Concepta Diagnostics Limited (the 'company') for the year ended 31 December 2019 set out on pages 7 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its 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.

#### **Basis for opinion**

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

#### **Material uncertainty related to going concern**

We draw your attention to the primary statements within these financial statements, which indicates that the Company incurred a loss after tax of £1,787,332 and had net liabilities of £5,229,748 for the year ended 31 December 2019.

We further draw attention to note 2 in the financial statements, which indicates that the Company will require additional funding in order to continue trading, progress its research and development activities and progress to the next stage of development. Support from the ultimate parent company, Concepta Plc will remain in place for at least 12 months from signing this report.

As detailed within note 2, whilst there is a global impact of the Covid-19 outbreak the Company's forecast are not dependent on substantial revenues. It remains difficult to assess reliably whether there will be any material disruption in the future which could adversely impact the Company's forecast.

As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that uncertainty exists that may cast doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Other information**

The director is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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

## **CONCEPTA DIAGNOSTICS LIMITED**

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 this 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 our audit:

- the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Director's Report has 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 Director's Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Director's Report and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the director is 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 director is 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 director 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

## **CONCEPTA DIAGNOSTICS LIMITED**

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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's 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.



**Sanjay Parmar**

### **SENIOR STATUTORY AUDITOR**

For and on behalf of Jeffreys Henry LLP, statutory auditor

Finsgate  
5-7 Cranwood Street  
London  
EC1V 9EE  
United Kingdom  
28 May 2020



**CONCEPTA DIAGNOSTICS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the Year Ended 31 December 2019**

	Notes	2019 £	2018 £
Revenue	3	31,970	4,838
Cost of sales		(492,136)	(540,721)
Gross loss		(460,166)	(535,883)
Administrative expenses		(1,538,081)	(1,846,604)
<b>Operating loss</b>	<b>4</b>	<b>(1,998,247)</b>	<b>(2,382,487)</b>
Finance expenses	6	(133,961)	(127,365)
<b>Loss before income tax</b>		<b>(2,132,208)</b>	<b>(2,509,852)</b>
Tax credit	7	344,876	52,277
<b>Loss for the year and total comprehensive loss</b>		<b>(1,787,332)</b>	<b>(2,457,575)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(1,787,332)</b>	<b>(2,457,575)</b>

The results reflected above relate to continuing operations.

The loss for the current and prior years and the total comprehensive loss for the current and prior years are wholly attributable to equity holders of the Company.

The accompanying notes are an integral part of these financial statements.

**CONCEPTA DIAGNOSTICS LIMITED**

**STATEMENT OF FINANCIAL POSITION**

**As at 31 December 2019**

	Notes	2019 £	2018 £
<b>Non-current assets</b>			
Property, plant and equipment	8	259,861	789,189
Right-of-use assets	9	444,198	-
Intangible assets	10	790,533	509,195
<b>Total non-current assets</b>		<b>1,494,592</b>	<b>1,298,384</b>
<b>Current assets</b>			
Inventories	11	380,205	399,182
Trade and other receivables	12	131,241	157,738
Corporation tax receivable		178,303	52,277
Cash and cash equivalents	13	48,798	47,988
<b>Total current assets</b>		<b>738,547</b>	<b>657,185</b>
<b>Total assets</b>		<b>2,233,139</b>	<b>1,955,569</b>
<b>Current liabilities</b>			
Trade and other payables	14	189,569	189,188
Lease liabilities	16	101,036	-
Loans and borrowings	17	-	64,228
<b>Total current liabilities</b>		<b>290,605</b>	<b>253,416</b>
<b>Non-current liabilities</b>			
Amounts owed to group undertakings	15	6,986,535	4,946,226
Lease liabilities	16	185,747	-
Loans and borrowings	17	-	227,243
<b>Total non-current liabilities</b>		<b>7,172,282</b>	<b>5,173,469</b>
<b>Total liabilities</b>		<b>7,462,887</b>	<b>5,426,885</b>
<b>Net liabilities</b>		<b>(5,229,748)</b>	<b>(3,471,316)</b>
<b>Share capital</b>	18	<b>425</b>	<b>425</b>
<b>Share premium account</b>	18	<b>2,305,374</b>	<b>2,305,374</b>
<b>Capital contribution reserve</b>	19	<b>1,698,923</b>	<b>1,670,023</b>
<b>Retained earnings</b>	19	<b>(9,234,470)</b>	<b>(7,447,138)</b>
<b>Total equity</b>		<b>(5,229,748)</b>	<b>(3,471,316)</b>

These financial statements were approved and authorised for issue by the board of Directors on 28 May 2020 and were signed on its behalf by:

  
 Madeleine Kennedy  
 Director

Company Registration Number: 08361104

**CONCEPTA DIAGNOSTICS LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

	Share capital £	Share Premium £	Capital contribution reserve £	Retained earnings £	Total £
<b>Equity as at 31 December 2017</b>	<b>425</b>	<b>2,305,374</b>	<b>1,655,100</b>	<b>(4,989,563)</b>	<b>(1,028,664)</b>
Loss for the year	-	-	-	(2,457,575)	(2,457,575)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,457,575)</b>	<b>(2,457,575)</b>
Transfer of share-based payments to capital contribution reserve	-	-	14,923	-	14,923
<b>Equity as at 31 December 2018</b>	<b>425</b>	<b>2,305,374</b>	<b>1,670,023</b>	<b>(7,447,138)</b>	<b>(3,471,316)</b>
Loss for the year	-	-	-	(1,787,332)	(1,787,332)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,787,332)</b>	<b>(1,787,332)</b>
Transfer of share-based payments to capital contribution reserve	-	-	28,900	-	28,900
<b>Equity as at 31 December 2019</b>	<b>425</b>	<b>2,305,374</b>	<b>1,698,923</b>	<b>(9,234,470)</b>	<b>(5,229,748)</b>

## CONCEPTA DIAGNOSTICS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. General information

Concepta Diagnostics Limited (the 'Company') is a limited Company incorporated and domiciled in England and Wales. The registered office of the Company is The Maltings, East Tyndall Street, Cardiff, CF24 5EA. The registered Company number is 08361104.

The Company was incorporated on 15 January 2013. The Company's principal activity is to develop and commercialise the mobile health diagnostic medical devices.

The Company is a wholly owned subsidiary of Concepta Plc, a Company quoted on the Alternative Investment Market of the London Stock Exchange.

#### 2. Accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

##### Basis of preparation

The Company financial statements were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

In summary those disclosure exemptions adopted are:

- The requirements of IFRS 7 Financial Instruments: Disclosures, as equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 73 of IAS 16 Property, Plant and Equipment;
  - paragraph 118 of IAS 38 Intangible Assets;
- The requirements of paragraphs 10(d) and 111 (statement of cash flows), 134 to 136 (managing capital), and 16 (statement of compliance with IFRS) of IAS 1 Presentation of Financial Statements.
- The requirements of IAS 7 Statement of Cash Flows and related notes.
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures.
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share Based Payments, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- The effects of future accounting standards not adopted.

##### Changes in accounting policies and disclosures

###### (a) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases

The Company had to change its accounting policies as a result of adopting IFRS 16. The Company elected to adopt IFRS 16 Leases. The Company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard.

## CONCEPTA DIAGNOSTICS LIMITED

The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

**(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company in the 31 December 2019 financial statements.**

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and, in some cases, have not yet been adopted by the EU. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### Going concern

The Directors have prepared a cash flow forecast covering a period extending beyond 12 months from the date of signing these financial statements and including the impact of Covid-19.

The Directors evaluation of financial forecasts indicated a cash requirement to take the Company through its next stage of development and commercialisation of the myLotus product and Concepta Plc, the parent company commenced a fundraising in February 2020. The fundraising concluded on 24 April 2020 with a net raise of £1.7m providing adequate financial resources support to ensure that the Company could meet its obligations for a twelve month period with reasonable certainty.

Whilst the impact of Covid-19 has been substantial globally, the forecasts were not dependent on substantial revenues but focused on controlled, considered spend to meet its development and commercialisation objectives.

The forecast contains certain assumptions about the performance of the business including growth of future revenue, the cost model, margins and most importantly the level of cash recovery from trading. The Directors are aware of the risks and uncertainties facing the business but the assumptions used are the Directors' best estimate of the future development of the business. The ultimate parent company, Concepta Plc will continue to provide support for at least 12 months from the date of signoff from this report.

After considering the forecasts and the risks, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the financial statements. The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

### Foreign currency

The functional currency of the Company is Sterling (£). The reporting currency of the Company is also Sterling as a significant proportion of both transactions and financing is in Sterling.

Transactions entered by the Company in a currency other than the reporting currency are recorded at the rates ruling when the transaction occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the statement of financial position date. Exchange differences arising on the re-translation of outstanding monetary assets and liabilities are also recognised in the income statement.

### Revenue recognition

Revenue is recognised in accordance with the requirements of IFRS 15 'Revenue from Contracts with Customers'. The Company recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

1. Identify the contract(s) with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the sale of goods, stated net of discounts, rebates, value added tax and other sales taxes. Revenue on the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has been passed.

## CONCEPTA DIAGNOSTICS LIMITED

### Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the management team which includes all the Directors.

The Board considers that the Company's activity constitutes one operating segment. Management reviews the performance of the Company by reference to total results against budget.

The total profit measures are operating profit and profit for the period, both disclosed on the face of the income statement. No differences exist between the basis of preparation of the performance measures used by management and the figures in the Company's financial information.

### Employee benefits

#### (i) Short-term benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

#### (ii) Defined contribution plans

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the income statement and they become payable in accordance with the rules of the scheme.

### Operating leases

Rentals payable under operating leases are charged against the statement of comprehensive income on a straight-line basis over the lease term.

### Leased assets: lessee

Until 31 December 2018 leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership were classified as finance leases.

Where assets are financed by leasing or sale and leaseback agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown under "Loans and borrowings" as amounts payable to the lessor. Depreciation on the relevant assets is charged to the income statement over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the income statement over the term of the lease and is calculated on an effective interest rate basis. The capital part reduces the amounts payable to the lessor.

At 1 January 2019, the finance lease liabilities were reclassified to lease liabilities as part of the process of adopting the new leasing standard.

As explained in the above note: "Changes in accounting policies and disclosures", the Company has changed its accounting policy for the leases where the Company is the lessee.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration rather than focus on the risks and rewards in IAS 17, which is now replaced by IFRS 16 Leases.

From 1 January 2019, the Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as leasing of equipment). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

## CONCEPTA DIAGNOSTICS LIMITED

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise mainly of :

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever the lease term has changed or there is a significant event or change in circumstances, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying assets.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

See note 24 for further information about the impact of the change in the accounting policy for leases.

### Share-based payment

The Company reflects the economic cost of awarding shares and share options to employees and Directors under the group scheme by recording an expense in the statement of comprehensive income equal to the fair value of the benefit awarded. The expense is recognised in the statement of comprehensive income over the vesting period of the award, with the corresponding entry recorded in the capital contribution reserve.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

### Property, plant and equipment

Property, plant and equipment is stated at historic cost, including expenditure that is directly attributable to the acquired item, less accumulated depreciation and impairment losses.

Depreciation is provided to write off cost, less estimated residual values, of all property, plant and equipment, evenly over their expected useful lives, calculated at the following rates:

Plant and equipment	- 25% straight line
Furniture, fittings & Equipment	- 25% straight line
Factory equipment	- 50% straight line on second hand assets

## CONCEPTA DIAGNOSTICS LIMITED

Factory equipment	- 12.5% straight line on new assets
Leasehold improvement	- 20% straight line

The carrying value of the property, plant and equipment is compared to the higher of value in use and the fair value less costs to sell. If the carrying value exceeds the higher of the value in use and fair value less the costs to sell the asset, then the asset is impaired and its value reduced by recognising an impairment provision.

### Intangible assets

#### (i) Research and development

Expenditure on research activities as defined in IFRS is recognised in the income statement as an expense as incurred.

Expenditure on the development of the platform comprising a proprietary meter (MyLotus meter), fertility hormones strips testing and a mobile phone application and any enhancements to this platform is recognised as intangible assets only when the following criteria are met:

1. it is technically feasible to develop the product to be used or sold;
2. there is an intention to complete and use or sell the product;
3. the Company is able to use or sell the product;
4. use or sale of the product will generate future economic benefits;
5. adequate resources are available to complete the development; and
6. expenditure on the development of the product can be measured reliably.

The capitalised expenditure represents costs directly attributable to the development of the asset from the point at which the above criteria are met up to the point at which the product is ready to use. If the qualifying conditions are not met, such development expenditure is recognised as an expense in the period in which it is incurred.

Capitalised development expenditure is measured at cost less accumulated amortization and accumulated impairment costs. Amortisation is charged on a straight-line basis over the useful life of the related asset which management estimated to be ten years.

Development costs that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

#### (ii) Patent costs

The Company has looked to obtain intellectual property through patents, Company know-how, design rights and trademarks. The Company has a portfolio of patent applications which is currently being pursued and the costs incurred in obtaining these patents have been capitalised as the Company is confident that the patent applications will be successful.

Amortisation is charged on a straight-line basis over the useful life of the related asset which management estimates to be ten years. The patent costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

### Deferred taxation

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

- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit.

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

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities.



## CONCEPTA DIAGNOSTICS LIMITED

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In respect of work in progress, cost includes a relevant proportion of overheads according to the stage of manufacture or completion.

### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposits held on call, together with other short term highly liquid investments which are not subject to significant changes in value and have original maturities of less than three months.

### **Equity**

Equity comprises the following:

- Share capital: the nominal value of equity shares
- Share premium
- Capital contribution reserve
- Retained earnings.

### **Equity instruments**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds. Dividends on ordinary shares are recognised as liabilities when approved for distribution.

### **Financial assets**

On initial recognition, financial assets are classified as either financial assets at fair value through income statement, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

### ***Loans and receivables***

The Company classifies all its financial assets as trade and receivables. The classification depends on the purpose for which the financial assets were acquired.

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company's loans and receivables financial assets comprise other receivables (excluding prepayments) and cash and cash equivalents included in the Statement of Financial Position.

All the Company's customers have made payment in advance before delivery of goods. Therefore there is no impairment loss to be considered under IFRS 9, apart from a large customer in China where the Group has fully impaired the amount owed.

### **Financial liabilities**

Financial liabilities are recognised when, and only when, the Company becomes a party to the contracts which give rise to them and are classified as financial liabilities at fair value through the profit and loss or loans and payables as appropriate. The Company's loans and payable comprise trade and other payables (excluding other taxes and social security costs and deferred income).

## CONCEPTA DIAGNOSTICS LIMITED

When financial liabilities are recognised initially, they are measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through income statement.

Fair value through the income statement category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. There were no financial liabilities classified under this category.

The Company determines the classification of its financial liabilities at initial recognition and re-evaluate the designation at each financial year end.

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

### Sales and leaseback

A sale and leaseback transaction is one where the Company sells an asset and immediately reacquires the use of the asset by entering into a lease with the buyer.

The leaseback transactions were classified as assets and the liability as finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the Company in 2018 under IAS 17. This is the case with the Company's equipment which is under this arrangement. From 1 January 2019, under IFRS 16 Leases, these assets have been classified as right of use assets and the liabilities were reclassified to lease liabilities.

For sale and finance leasebacks, any profit from the sale is deferred and amortised over the lease term. For sale and operating leasebacks, generally the assets are sold at fair value, and accordingly the profit or loss from the sale is recognised immediately in the income statement. No profit was recognised during the year as the fair value of the assets approximates the carrying value of the asset sold.

### Financial risks

The Company's activities expose it to a variety of financial risks, mainly credit risk and liquidity risk.

#### (i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. In order to minimise this risk the Company endeavours only to deal with companies which are demonstrably creditworthy.

The aggregate financial exposure is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount of bank balances. The Company's exposure to credit risk on cash and cash equivalents is considered low as the bank accounts are with banks with high credit ratings.

#### (ii) Liquidity risk

The Company currently holds cash balances for normal trading activity and the Company is currently funded by Concepta Plc, the parent company. Trade and other payables are monitored as part of normal management routine.

#### (iii) Market risk – interest rate risk

The Company carries loans and borrowings in the form of sale & leaseback loan in 2019 and 2018. The Company's exposure to cash flow interest rate risk is minimal. The finance lease associated with the sale and leaseback are fixed monthly lease payment and is not subject to change over the period of the lease.

The amounts outstanding at the end of 2019 and the interest rate and repayment profiles for the loans and borrowings are disclosed in the note 16 Lease liabilities.

## CONCEPTA DIAGNOSTICS LIMITED

### Summary of critical accounting estimates and judgements

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the accounting policies which are detailed above. These judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and underlying assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below:

- **Useful lives of depreciable assets**

Management reviews the useful lives and residual value of depreciable assets at each reporting date to ensure that the useful lives represent a reasonable estimate of likely period of benefit to the Company. Tangible fixed assets are depreciated over their useful lives taking into account their residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- **Intangible assets (including capitalised development costs)**

The assessment of the future economic benefits generated by these separately identifiable intangible assets and the determination of its amortisation profile involve a significant degree of judgement based on management estimation of future potential revenue and profit and the useful life of the assets. Reviews are performed regularly to ensure the recoverability of these intangible assets.

- **Taxation**

In recognising income tax assets and liabilities, management makes estimates of the likely outcome of decisions by tax authorities on transactions and events whose treatment for tax purposes is uncertain. Where the final outcome of such matters is different, or expected to be different, from previous assessments made by management, a change to the carrying value of income tax assets and liabilities will be recorded in the period in which such a determination is made. The carrying values of current tax are disclosed separately in the statement of financial position.

- **Leases**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise a termination option. Periods after termination options are not included in the lease term if the lease is reasonably certain the option will be terminated.

The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. On 1 January 2019, potential future cash outflows of £172,500 (undiscounted) have not been included in the lease liabilities because the availability of the termination option gives management the incentive to terminate as part of the Company's cost saving strategy.

## CONCEPTA DIAGNOSTICS LIMITED

### 3. Segmental analysis and revenue

The Company has one operating segment which is involved in the provision of diagnostic healthcare products.

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Revenue from external customers	31,970	4,838
Finance expense	(133,961)	(127,365)
Segment loss after tax	(1,787,332)	(2,457,575)
Loss after tax	(1,787,332)	(2,457,575)

All the segment assets are located in UK.

Segment assets	2,233,139	1,955,569
Segment liabilities	7,462,887	5,426,885
Segment depreciation and amortisation expenses (including right-of-use)	267,583	192,260
Segment additions of tangible, right-of-use and intangible assets	463,791	627,396

## CONCEPTA DIAGNOSTICS LIMITED

### 4. Loss from operations

	2019 £	2018 £
Loss is stated after charging:		
Auditor remuneration – audit fees	9,000	9,027
Depreciation of property, plant and equipment	94,799	141,152
Depreciation of right-of-use	93,969	-
Amortisation of intangible assets	78,815	51,108
Research and development costs <sup>1</sup>	228,098	558,181
Legal and professional fees	5,063	24,676
Staff costs excluding R&D staff (note 5)	435,169	315,156
Operating lease rentals	63,604	68,517
Bad debt provision	-	107,811
Foreign exchange losses	5,796	2,730
Share-based payments	28,900	14,923

<sup>1</sup> including R&D staff costs, net of capitalised development costs of £327,479 (2018: £131,956)

### 5. Employees and Directors

The average number of employees (including Directors) during the period was made up as follows:

	2019 Number	2018 Number
Directors	1	1
Manufacturing	3	5
Administrative and operation	2	2
Marketing	3	-
	9	8
Research and development	4	5
Total	13	13

The cost of employees (including Directors) during the period was made up as follows:

	2019 £	2018 £
Salaries	493,144	443,116
Social security costs	52,006	45,271
Pension costs	16,611	18,125
Severance costs	16,154	30,000
Share based payments (relating to employees)	28,900	14,923
<b>Staff costs including R&amp;D staff</b>	<b>606,815</b>	<b>551,435</b>
Less: R&D staff costs included in research and development expense	(171,646)	(236,279)
<b>Staff costs excluding R&amp;D staff</b>	<b>435,169</b>	<b>315,156</b>

## CONCEPTA DIAGNOSTICS LIMITED

### Key management personnel compensation

The compensation of key management personnel of the Company was made up as follows:

	2019	2018
	£	£
Salaries/fees	154,827	131,885
Pension costs	7,750	6,569
Social security costs	19,041	17,045
Severance costs	-	30,000
	<b>181,618</b>	<b>185,499</b>
Share-based payments	19,668	16,583
	<b>201,286</b>	<b>202,082</b>

### Directors' remuneration

The remuneration of the Directors who held office during the period was as follows:

	2019	2018
	£	£
Salaries/fees	154,827	131,885
Pension costs	7,750	6,569
Severance cost	-	30,000
Share based payments	19,668	16,583
	<b>182,245</b>	<b>185,037</b>

The above remuneration of Directors includes the following amounts paid to the highest paid Director:

	2019	2018
	£	£
Highest paid Director	120,829	90,364

## 6. Finance expenses

	2019	2018
	£	£
<b>Finance expenses</b>		
Deemed Interest expense on group loan measured at amortised cost	108,299	104,076
Interest paid on lease liabilities	24,766	21,415
Other finance charges	896	1,874
<b>Total finance expenses</b>	<b>133,961</b>	<b>127,365</b>

**CONCEPTA DIAGNOSTICS LIMITED****7. Income tax**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Current tax:</b>		
R&D tax credit for prior year	166,573	-
R&D tax credit for current year	178,303	52,277
<b>Total tax credit</b>	<b>344,876</b>	<b>52,277</b>

The tax credit for year ended 31 December 2019 and prior year in the current taxation relates to a tax receivable in respect of UK research and development activity.

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to the result for the year are as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Loss on ordinary activities before income tax	(2,132,208)	(2,509,852)
Standard rate of corporation tax	19%	19%
Loss before tax multiplied by the standard rate of corporation tax	405,120	476,871
Effects of:		
Adjustment in respect of the previous year	166,573	-
Non-deductible expenses	(5,491)	(2,835)
Deferred tax not recognised	(464,621)	(444,253)
Additional deduction for R&D expenditure	132,056	38,718
Effect of different rate for R&D tax credit	111,239	(16,224)
<b>Tax credit</b>	<b>344,876</b>	<b>52,277</b>

**Changes in tax rates**

UK small Company's corporation tax rate has been maintained at 19% for the two periods. Accordingly, the deferred tax liability has been calculated based on the rate of 19% at the balance sheet date. Future enacted tax rates of 19% from 1 April 2020.

The Company has not recognised deferred tax assets arising from the accumulated tax losses and timing differences of £6,778,890 (2018: £5,868,822) due to uncertainty of their future recovery.

**CONCEPTA DIAGNOSTICS LIMITED**

**8. Property, plant and equipment**

	Plant & Equipment £	Factory Leasehold improvements £	Equipment & Fixtures, fittings £	Total £
<b>Cost</b>				
<b>At 31 December 2017</b>	<b>594,050</b>	<b>117,863</b>	<b>110,216</b>	<b>822,129</b>
Additions	834,425	-	4,626	839,051
Disposals <sup>1</sup>	(381,215)	-	(1,047)	(382,262)
<b>At 31 December 2018</b>	<b>1,047,260</b>	<b>117,863</b>	<b>113,795</b>	<b>1,278,918</b>
Additions	9,722	-	4,475	14,197
Re-classification of assets	47,755	-	(47,755)	-
Re-classification to right-of-use assets <sup>2</sup>	(499,215)	-	-	(499,215)
<b>At 31 December 2019</b>	<b>605,522</b>	<b>117,863</b>	<b>70,515</b>	<b>793,900</b>
<b>Depreciation</b>				
<b>At 31 December 2017</b>	<b>301,100</b>	<b>22,701</b>	<b>25,081</b>	<b>348,882</b>
Charge for the period	106,935	13,466	20,751	141,152
Disposal	-	-	(305)	(305)
<b>At 31 December 2018</b>	<b>408,035</b>	<b>36,167</b>	<b>45,527</b>	<b>489,729</b>
Charge for the period	69,482	13,467	11,850	94,799
Re-classification of assets	10,665	-	(10,665)	-
Re-classification to right-of-use assets <sup>2</sup>	(50,489)	-	-	(50,489)
<b>At 31 December 2019</b>	<b>437,693</b>	<b>49,634</b>	<b>46,712</b>	<b>534,039</b>
<b>Net book value</b>				
<b>At 31 December 2018</b>	<b>639,225</b>	<b>81,696</b>	<b>68,268</b>	<b>789,189</b>
<b>At 31 December 2019</b>	<b>167,829</b>	<b>68,229</b>	<b>23,803</b>	<b>259,861</b>

<sup>1</sup>Disposed as part of the sale and leaseback arrangement.

<sup>2</sup>Assets held under sale and leaseback were reclassified from Property, plant and equipment to Right-of-use assets under the new accounting policy for leases as at 1 January 2019. The figures in the comparative year 2018 were not changed.

**Assets held under finance leases or hire purchase contracts**

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2019 £	2018 £
Plant and equipment	-	448,726
	-	448,726

The depreciation charge for these assets in 2018 was £50,489. These assets were reclassified to 'Right-of-use' assets.



# CONCEPTA DIAGNOSTICS LIMITED

## 9. Right-of-use assets

	Equipment £	Factory premises £	Total £
<b>Cost</b>			
<b>At 31 December 2018</b>	-	-	-
Additions	-	89,441	89,441
Sales and leaseback assets reclassified from Property, Plant & Equipment <sup>1</sup>	499,215	-	499,215
<b>At 31 December 2019</b>	<b>499,215</b>	<b>89,441</b>	<b>588,656</b>
<b>Depreciation</b>			
<b>At 31 December 2018</b>	-	-	-
Charge for the year	62,402	31,567	93,969
Reclassification from Property, Plant & Equipment <sup>1</sup>	50,489	-	50,489
<b>At 31 December 2019</b>	<b>112,891</b>	<b>31,567</b>	<b>144,458</b>
<b>Net book value</b>			
<b>At 31 December 2018</b>	-	-	-
<b>At 31 December 2019</b>	<b>386,324</b>	<b>57,874</b>	<b>444,198</b>

<sup>1</sup> Assets held under sale and leaseback were reclassified from Property, plant and equipment under the new accounting policy for leases as at 1 January 2019. The figures in the comparative year 2018 were not changed. The company leases several assets including buildings and plant equipment. The remaining lease terms ranged from 2.6 to 3.2 years.

The maturity analysis of lease liabilities is presented in note 21.

### Amounts recognised in profit or loss

	2019 £
Depreciation expense on right-of-use assets	93,969
Interest expense on lease liabilities	24,766
Expense relating to short-term leases	63,604
Expense relating to leases of low value assets	1,522

**CONCEPTA DIAGNOSTICS LIMITED**
**10. Intangible assets**

	Patents £	Development costs £	Software and website development £	Total £
<b>Cost</b>				
<b>At 31 December 2017</b>	<b>51,901</b>	<b>422,321</b>	<b>-</b>	<b>474,222</b>
Additions	37,604	131,956	-	169,560
<b>At 31 December 2018</b>	<b>89,505</b>	<b>554,277</b>	<b>-</b>	<b>643,782</b>
Additions	15,945	327,479	16,729	360,153
<b>At 31 December 2019</b>	<b>105,450</b>	<b>881,756</b>	<b>16,729</b>	<b>1,003,935</b>
<b>Amortisation</b>				
<b>At 31 December 2017</b>	<b>7,882</b>	<b>75,597</b>	<b>-</b>	<b>83,479</b>
Charge for the year	7,810	43,298	-	51,108
<b>At 31 December 2018</b>	<b>15,692</b>	<b>118,895</b>	<b>-</b>	<b>134,587</b>
Charge for the year	11,247	67,568	-	78,815
<b>At 31 December 2019</b>	<b>26,939</b>	<b>186,463</b>	<b>-</b>	<b>213,402</b>
<b>Net book value</b>				
<b>At 31 December 2018</b>	<b>73,813</b>	<b>435,382</b>	<b>-</b>	<b>509,195</b>
<b>At 31 December 2019</b>	<b>78,511</b>	<b>695,293</b>	<b>16,729</b>	<b>790,533</b>

**11. Inventories**

	2019 £	2018 £
Raw materials	307,945	269,113
Work in progress	18,452	67,659
Finished goods	53,808	62,410
	<b>380,205</b>	<b>399,182</b>

The cost of inventories recognised as an expense and included in research and development costs in the period amounted to £120,178 (2018: £39,480).

**12. Trade and other receivables**

	2019 £	2018 £
Trade receivables - net	7,090	-
Prepayments	34,533	52,528
Other receivables	47,728	50,775
VAT receivable	41,890	54,435
	<b>131,241</b>	<b>157,738</b>

The book values of trade and other receivables approximate to their fair values.

**CONCEPTA DIAGNOSTICS LIMITED****13. Cash and cash equivalents**

	2019	2018
	£	£
Cash at bank and in hand	48,798	47,988

Cash and cash equivalents include cash at bank and cash in hand, which are not subject to significant changes in value and have original maturities of less than three months.

Where cash at bank earns interest, interest accrues at floating rates based on daily bank deposit rates. The fair value of the cash & cash equivalent is as disclosed above.

**14. Trade and other payables**

	2019	2018
	£	£
Trade payables	112,586	126,645
Accruals and deferred income	48,817	47,290
Social security & other taxes payables	27,266	15,253
Other payables	900	-
	<b>189,569</b>	<b>189,188</b>

The book value of trade and other payables approximate to their fair values.

**15. Amounts owed to group undertakings**

At initial recognition, the fair value of the interest-free carrying amounts owed to Concepta Plc ("the loan") at 31 December 2019 was measured at the present value of all future cash payments discounted using the prevailing market interest rate of 2.19% (2018: 2.8%). The difference between the initial carrying amount and the fair value was accounted for as capital contribution by the Company. After initial recognition, the loan was measured at amortised cost using the effective interest method. The corresponding entry of the deemed interest expense of £108,299 (2018: £104,076) for the year included in the fair value was expensed to profit or loss.

**16. Lease Liabilities**

	2019	2018
	£	£
<b>Current</b>		
Lease liabilities	101,036	-
<b>Non-current</b>		
Lease liabilities	185,747	-
	<b>286,783</b>	<b>-</b>

In 2018, the Company only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The lease liabilities were classified as part of the Company's loans and borrowings.

On 1 January 2019, the lease liabilities for these finance leases of £291,471 were reclassified from 'loans and borrowings' and included in 'lease liabilities' above.

The lease liabilities for the plant equipment are secured by a fixed charge over all the assets of Concepta Diagnostics Limited.

The maturity of these lease liabilities is disclosed in note 21.

# 17. Loans and borrowings

	2019	2018
	£	£
<b>Current</b>		
Finance lease	-	64,228
<b>Non-current</b>		
Finance lease	-	227,243
	-	<b>291,471</b>

On 1 January 2019, the lease liabilities for these finance leases of £291,471 were reclassified from 'loans and borrowings' to 'lease liabilities'.

# 18. Share capital and reserves

	Ordinary shares of £0.01 each		Share premium
	Number	Nominal value	
		£	£
<b>At 31 December 2018 and 31 December 2019</b>	<b>42,467</b>	<b>425</b>	<b>2,305,374</b>

# 19. Reserves

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

Share Capital	Amount of capital contributions made by shareholders at nominal value in return for the issue of shares.
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital contribution reserve	Capital contribution from parent company in respect of share-based payments for share options issued to employees and external consultants, shares issued by parent company in settlement of Company's convertible loans and initial recognition of the fair value adjustment of the amounts due to group undertakings.
Retained earnings	Retained earnings represents all other net gains and losses and transactions with shareholders (e.g. dividends) not recognised elsewhere.

## CONCEPTA DIAGNOSTICS LIMITED

### 20. Share-based payment

Employees of the Company have been granted options over the shares in Concepta Plc. Concepta Plc operates two option schemes, namely an unapproved option scheme and an Enterprise Management Incentive (EMI) scheme. The EMI scheme is for employees and Directors and the unapproved option scheme is for consultants involved in the healthcare operation.

The EMI options vests provided the employees remain in the service of the Company for a period of 3 years from the grant date or vest equally over 3 years from grant date. Employees are required to remain in employment with the Company until the options become exercisable. The unapproved options vested either on the date of grant or time vest over 2 years from date of employment. Both options schemes are granted with a fixed exercise price and expire ten years after the date of grant.

The Company recognises a share-based payment expense based on the fair value of the awards granted, and an equivalent credit directly in equity as a capital contribution.

On exercise of the shares by the employees and external consultants, the Company is charged the intrinsic value of the shares by Concepta Plc. This amount is treated as a reduction of the capital contribution and is recognised directly in equity. But none was exercised during the year 2019.

Out of the 5,813,603 outstanding options (2018: 3,159,600 options) at year ended 31 December 2019, 2,462,933 options (2018: 1,980,833 options) were exercisable. No options were exercised in 2019 and prior year.

Share options over Concepta Plc's shares outstanding at the end of the year have the following expiry date and exercise prices:

	2019	2018
<b>EMI scheme</b>		
Number of options	4,229,003	1,575,000
Exercise price range (£)	0.03-0.166	0.06-0.166
Exercise period	April 2017 – July 2029	April 2017 - February 2028
<b>Unapproved scheme</b>		
Number of options	1,584,600	1,584,600
Exercise price range (£)	0.075	0.04-0.075
Exercise period	April 2024 - July 2025	July 2016 - July 2025

#### Warrants over Concepta Plc shares

The number of outstanding warrants over Concepta Plc shares at 31 December 2019 was 2,310,300 (2018: 2,310,300). They are exercisable at any time during the period of 5 years from date of grant. The fair value of the warrants is estimated as at the date of grant using the Black Scholes model. No warrants were issued or exercised in 2019 and prior year.

Share and warrant based payment charged to the Company's profit or loss for the period were as follows:

	2019	2018
	£	£
Options issued to employees and services received	28,900	14,923
<b>Included in share-based payments</b>	<b>28,900</b>	<b>14,923</b>

## CONCEPTA DIAGNOSTICS LIMITED

### 21. Commitments

#### a) Operating leases

The Company leases certain land and buildings. Some of the rents payable under these leases are subject to review at intervals specified in the lease. The lease terms are from 5 to 10 years and with break clauses. The Company also leases certain plant and equipment under cancellable operating lease agreements. The Group also has an office rental lease which can be cancelled at any time. The total future value of minimum lease payments is due as follows:

	2019			2018		
	Plant and equipment £	Land and building £	Total £	Plant and equipment £	Land and building £	Total £
Within one year	779	62,903	63,682	779	95,300	96,079
Between one and two years	714	62,903	63,617	779	95,300	96,079
Between two and five years	-	42,050	42,050	714	204,944	205,658
After more than five years	-	-	-	-	98,112	98,112
<b>Total</b>	<b>1,493</b>	<b>167,856</b>	<b>169,349</b>	<b>2,272</b>	<b>493,656</b>	<b>495,928</b>

#### b) Lease liabilities

During 2018 the Company entered into a capital lease agreement for the sale & lease back of equipment £318,215. The lease payments expire at July 2022 and February 2023. The lease liabilities also include Doncaster factory with expiry date of 2 November 2021(break date). The total future value of minimum lease payments is due as follows:

	2019			2018		
	Minimum lease payment £	Interest £	Present value £	Minimum lease payment £	Interest £	Present value £
Within one year	118,895	17,860	101,035	84,395	20,167	64,228
Between one and two years	113,145	10,438	102,707	84,395	15,054	69,341
Between two and five years	86,825	3,784	83,041	171,220	13,318	157,902
<b>Total</b>	<b>318,865</b>	<b>32,082</b>	<b>286,783</b>	<b>340,010</b>	<b>48,539</b>	<b>291,471</b>

### 22. Commitments

There is no capital expenditure contracted at this year-end reporting.

The Company has stock purchase commitments totalling £125,564 but not received from the suppliers at this year end reporting .

## CONCEPTA DIAGNOSTICS LIMITED

### 23. Related Party Transactions

Key management personnel are considered to be the Directors, their emoluments are disclosed in note 5. During the year the Company entered into the following transactions with related parties:

Related party	Transaction	Note	2019 £	2018 £
<b>Transactions</b>				
CFPro Limited	Accounting and consultancy fees	1	91,552	72,019
<b>Amount outstanding at year end (included in Trade and other payables)</b>				
CFPro Limited			-	8,749

1. Service fees were paid to CFPro Limited and Cambridge Financial Partners LLP for accounting and consultancy support, companies in which Barbara Spurrier has an interest. Barbara Spurrier was a director of Concepta Plc during the year.

Amounts owed to Concepta Plc at 31 December 2019 are disclosed on the face of the financial position. This amount has no fixed repayment terms.

### 24. Effect of change of accounting policy for leases

The Company adopted IFRS 16 Leases with a transition date of 1 January 2019. The Company has chosen not to restate comparatives on adoption, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 January 2019) and recognised in the opening equity balances, if any. Details of the impact IFRS 16 have had are given below.

#### Practical expedients applied under IFRS 16

The Company applies the following practical expedients at the initial adoption of IFRS 16:

1. The Company elected to apply the practical expedient to not reassess contracts entered into before the date of initial application (1st January 2019) that were not identified as leases under IAS 17. The definition of the lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.
2. For operating leases under IFRS 17, the Company applies the following practical expedients
  - (a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
  - (b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
  - (c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
  - (d) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

The Company has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of IFRS 16, the Company recognised right-of-use assets and lease liabilities as follows:

1. **Building leases**

The right-of-use asset of a building lease is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The lease liability is measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at 1 January 2019.

The Company's incremental borrowing rate used is the adjusted property yield for UK properties of 6%.

## CONCEPTA DIAGNOSTICS LIMITED

### 2. Finance leases – sale and leaseback at 31 December 2018

The right-of-use assets and lease liabilities of these finance leases are based on the unadjusted carrying value brought forward at 1 January 2019.

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 January 2019:

	Adjustments	31 December 2018 as originally presented	IFRS 16 adjustments	1 January 2019
<b>Assets</b>				
Property, plant and equipment	(a)	789,189	(448,726)	340,463
Right-of-use assets	(b)	-	538,167	538,167
<b>Liabilities</b>				
Loans and borrowings	(c)	291,471	(291,471)	-
Lease liabilities	(d)	-	380,912	380,912

(a) Property, plant and equipment was adjusted to reclassify leases previously classified as finance type to right-of-use assets. The adjustment reduced the cost of property, plant and equipment by £499,215 and accumulated amortisation by £50,489 for a net adjustment of £448,726 at 1 January 2019

(b) The adjustments to right-of-use assets are as follow:

	At 1 January 2019 £
Adjustment noted in (a) - finance type leases	448,726
Operating type lease	89,441
	538,167

(c) Loans and borrowings were adjusted to reclassify leases previously classified as finance type of £291,471 to lease liabilities.

(d) The following table reconciles the minimum lease commitments disclosed in the Company's 31 December 2018 annual financial statements to the amount of lease liabilities recognised on 1 January 2019.

	1 January 2019 £
Minimum operating lease commitments at 31 December 2018	495,928
Less: low value leases not recognised under IFRS 16	(2,272)
Less: short-term leases not recognised under IFRS 16	(223,044)
Less: effect of termination options reasonably certain to be exercised	(172,862)
Undiscounted lease payments	97,750
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(8,309)
Lease liabilities for leases previously classified as operating type lease under IAS 17	89,441
Plus: leases previously classified as finance type lease under IAS 17	291,471
Lease liabilities as at 1 January 2019	380,912



## **CONCEPTA DIAGNOSTICS LIMITED**

### **25. Events after the reporting date**

On 17th April 2020 the Company signed a Sales and Purchase Agreement with Abingdon Health to transfer to them its lateral flow test manufacturing site in Doncaster. As part of the asset purchase agreement, Concepta will assign the leases on the facility and machinery, transfer the staff, and will sell residual manufacturing equipment to Abingdon Health for a total cash consideration of approximately £0.3m.

To this end, the Company has signed agreements with Abingdon Health for the continual manufacture and supply myLotus® testing strips.

### **26. Ultimate controlling party**

The ultimate parent undertaking of the Company is Concepta Plc, a Company registered in England and Wales which owns 100% of the issued share capital. The consolidated financial statements of Concepta Plc, incorporating the Company, are available on request from the Company's registered office.