

Concepta Diagnostics Limited

Audited Financial Statements

for the Year Ended 31 December 2017



Registered in England and Wales number 08361104

CONCEPTA DIAGNOSTICS LIMITED

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CONCEPTA DIAGNOSTICS LIMITED

COMPANY INFORMATION

Directors: Erik Henau
Barbara Spurrier
Dr Robert Porter

Company secretary and registered office: Barbara Spurrier
The Exchange Building,
Sharnbrook, Bedford,
England, MK44 1LQ

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

Company Number: 08301104

Solicitors:
Clyde, Stanger & Co
21, James Street
21, James Street
BPE Solicitors LLP

Auditors:
London ECTA DEE
Fitzgerald
2-3 Cleaver Street
Fitzgerald Henry LLP

Bankers: HSBC

Office:
and registered
company secretary
Eugene, MK14 1TO
Stamford, Bedford
The Exchange Building
Bedford Street

Directors:
Dr Robert Porter
Barbara Sturges
Erik Hansen

COMPANY INFORMATION

CONCEPT DIAGNOSTICS LIMITED

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 2017. 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 2017 of £2,064,870 (2016: loss £935,386). No dividend will be paid in respect of the period.

Directors and Directors' interests

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

Erik Henau

Dr Rob Porter (resigned 19 February 2018)

Barbara Spurrier

Risk management

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

Post balance sheet events

There are no material post balance sheet events to disclose.

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 2017 was £668,331 (11 months to 31 December 2016: £456,188) of which £240,259 (11 months to 31 December 2016: £233,963) capitalised and £428,072 (11 months to 31 December 2016: £222,225) (excluding amortisation charge) 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. Therefore, it continues to adopt the going concern basis in preparing the financial statements.

Auditors 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 and group 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.

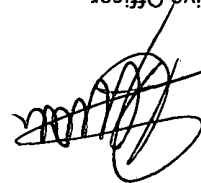
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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


Erik Hena
Chief Executive Officer
Concepta Diagnostics Limited
1 May 2018

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 2017 set out on pages 7 to 27. 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 2017 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.

Conclusions relating to going concern

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

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

Other information

The 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 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.

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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 director

As explained more fully in the Director's 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 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.

CONCEPTA DIAGNOSTICS LIMITED

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
Date: 1 May 2018

CONCEPTA DIAGNOSTICS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

		Year ended	11 months
		31 December 2017	period ended
	Notes	£	31 December 2016
		£	£
Revenue	3	108,115	-
Cost of sales		(519,522)	(37,972)
Gross loss		(411,407)	(37,972)
Other administrative expenses		(1,608,289)	(834,023)
Reverse acquisition costs		-	(211,479)
Administrative expenses		(1,608,289)	(1,045,502)
Operating loss	4	(2,019,696)	(1,083,474)
Finance income	6	-	222
Finance expenses	6	(149,992)	(1,355)
Loss before income tax		(2,169,688)	(1,084,607)
Tax credit	7	104,818	149,221
Loss for the year and total comprehensive loss		(2,064,870)	(935,386)

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.

CONCEPTA DIAGNOSTICS LIMITED

STATEMENT OF FINANCIAL POSITION

		31 December 2017	31 December 2016
	Notes	£	£
Non-current assets			
Property, plant and equipment	8	473,247	186,933
Intangible assets	9	390,743	215,993
Total non-current assets		863,990	402,926
Current assets			
Inventories	10	296,548	70,500
Trade and other receivables	11	654,701	200,545
Corporation tax receivable		104,818	96,221
Cash and cash equivalents	12	70,189	148,287
Total current assets		1,126,256	515,553
Total assets		1,990,246	918,479
Current liabilities			
Trade and other payables	13	344,296	95,567
Amounts owed to group undertakings	14	-	641,016
Loans and borrowings	15	16,211	-
Total current liabilities		360,507	736,583
Non-current liabilities			
Amounts owed to group undertakings	14	2,596,093	-
Loans and borrowings	15	62,310	-
Total non-current liabilities		2,658,403	-
Total liabilities		3,018,910	736,583
Net (liabilities)/assets		(1,028,664)	181,896
Share capital	16	425	425
Share premium account		2,305,374	2,305,374
Share based payment reserve		-	-
Capital contribution reserve	16	1,655,100	800,790
Retained earnings		(4,989,563)	(2,924,693)
Total equity		(1,028,664)	181,896

These financial statements were approved and authorised for issue by the board of Directors on 1 May 2018 and were signed on its behalf by:

Erik Henau
Chief Executive Officer
Company Registration Number: 08361104



CONCEPTA DIAGNOSTICS LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share capital £	Share Premium £	Share-based payment reserve £	Capital contribution reserve £	Retained earnings £	Total £
Equity as at 31 January 2016	425	2,305,374	43,879	-	(1,989,307)	360,371
Loss for the year	-	-	-	-	(935,386)	(935,386)
Total comprehensive loss	-	-	-	-	(935,386)	(935,386)
Share based payments	-	-	-	106,911	-	106,911
Transfer of share-based payments to capital contribution reserve	-	-	(43,879)	43,879	-	-
Settlement of convertible loan notes by Concepta plc	-	-	-	650,000	-	650,000
Equity as at 31 December 2016	425	2,305,374	-	800,790	(2,924,693)	181,896
Loss for the year	-	-	-	-	(2,064,870)	(2,064,870)
Total comprehensive loss	-	-	-	-	(2,064,870)	(2,064,870)
Transfer of share-based payments to capital contribution reserve	-	-	-	25,947	-	25,947
Fair value adjustment of initial recognition of amounts due to group undertakings	-	-	-	828,363	-	828,363
Equity as at 31 December 2017	425	2,305,374	-	1,655,100	(4,989,563)	(1,028,664)

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 Exchange Building, Sharnbrook, Bedford, England, MK44 1LQ. The registered Company number is 08361104.

The Company was incorporated on 15 January 2013. The Company's principal activity is development of a women's medical diagnostic device.

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. There were no material amendments for all periods presented on the adoption of FRS 101, following the transition from IFRS to FRS 101.

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 effects of future accounting standards not adopted.

CONCEPTA DIAGNOSTICS LIMITED

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.

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.

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 occurs. 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 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.

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 including the two main Directors and two non-executive Directors.

The Board considers that the Company's activity constitutes one operating and one reporting 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.

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Leased assets: lessee

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 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 so that 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.

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, except for investment properties and freehold land, 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

As no finite useful life for land can be determined, related carrying amounts are not depreciated. The useful life, the residual value and the depreciation method is assessed annually.

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.

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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 five 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 goodwill;
- 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; and
- investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

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.

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.

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
- Share based payment reserve
- Capital contribution reserve
- Retained earnings.

CONCEPTA DIAGNOSTICS LIMITED

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.

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 payables are related to trade and other payables (excluding other taxes and social security costs and deferred income) and amounts due to group undertakings.

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.

CONCEPTA DIAGNOSTICS LIMITED

Financial risks

The Group'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 Group. In order to minimise this risk the Group 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.

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 (including capitalised development costs).

- **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

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is made. In recognising deferred tax assets and liabilities management also makes judgements about likely future taxable profits. The carrying values of current tax and deferred tax assets and liabilities are disclosed separately in the statement of financial position.

3. Segmental analysis and revenue

The Group has one operating segment which is involved in the provision of diagnostic healthcare products. The revenue in 2017 represents ad hoc provision of services to external customers.

	Year ended 31 December 2017	Period ended 31 December 2016
	£	£
Revenue from external customers	Diagnostic healthcare 108,115	Diagnostic healthcare =
Finance income		222
Finance expense	(149,992)	(1,355)
Segment loss after tax	(2,064,870)	(935,386)
Loss after tax	(2,064,870)	(935,386)

All the segment assets are located in UK.

Segment assets	1,990,246	918,479
Segment liabilities	3,018,910	736,583
Segment depreciation and amortisation expenses	209,228	104,153
Segment additions of tangible and intangible assets	670,292	253,811

4. Loss from operations

	Year ended 31 December 2017	Period ended 31 December 2016
	£	£
Loss is stated after charging:		
Audit fees – current auditors	14,058	8,000
Depreciation of property, plant and equipment	143,719	86,183
Amortisation of intangible assets	65,509	17,970
Research and development costs ¹	428,072	222,225
Legal and professional fees	4,888	34,763
Staff costs excluding R&D staff (note 5)	162,274	138,500
Operating lease rentals	77,683	57,647
Foreign exchange losses	8,510	503
Reverse acquisition costs ²		211,479
Share-based payments	25,948	64,069

¹ including R&D staff costs, net of capitalised development costs

² Reverse acquisition costs relate to legal, professional fees and share based payment of NIL (December 2016: £42,842) for Concepta plc's share warrants issued during the period.

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5. Employees and Directors

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

	Year ended 31 December 2017 Number	Period ended 31 December 2016 Number
Directors	1	1
Manufacturing	2	2
Administrative and operation	3	2
	6	3
Research and development	6	6
Total	12	9

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

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Salaries	400,208	323,363
Social security costs	44,916	31,714
Pension costs	13,403	13,640
Share based payments (relating to employees)	25,948	64,069
Staff costs including R&D staff	484,475	432,786
Less: R&D staff costs included in research and development expense	(322,201)	(294,286)
Staff costs excluding R&D staff	162,274	138,500

Key management personnel compensation

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

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Salaries/fees	105,123	155,529
Pension costs	14,507	5,925
Social security costs	5,250	20,313
Benefits in kind	-	-
	124,880	181,767
Share-based payments		48,846
	124,880	230,613

Directors' remuneration

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

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Salaries/fees	105,123	155,529
Pension costs	5,250	5,925
Benefits in kind	-	-
	110,373	161,454
Share based payments		48,846
	110,373	210,300

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

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Highest paid Director	124,880	73,325

6. Finance income and expenses

	Year ended 31 December 2017 £	Period ended 31 December 2016 £
Finance income		
Interest on bank deposits	-	222
Total finance income		222
Finance expenses		
Deemed Interest expense on group loan measured at amortised cost	146,949	-
Interest paid on loans	-	1,355
Interest on finance lease	2,570	-
Other finance charges	473	-
Total finance expenses	149,992	1,135

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7. Income tax

	Year ended 31 December 2017	Period ended 31 December 2016
	£	£
Current tax:		
UK corporation tax on profits for the period	104,818	96,221
Total current taxation	104,818	96,221
Deferred tax		
Origination and reversal of timing differences	-	53,000
Total tax credit	104,818	149,221

The tax credit for year ended 31 December 2017 and prior year in the current taxation relates to a tax receivable in respect of UK research and development activity.

The tax assessed for the year is different from the standard rate of corporation tax in the United Kingdom. The differences are explained below:

	Year ended 31 December 2017	Period ended 31 December 2016
	£	£
Loss on ordinary activities before income tax	(2,169,688)	(1,084,607)
Standard rate of corporation tax	19.247%	20%
Loss before tax multiplied by the standard rate of corporation tax	417,592	216,921
Effects of:		
Adjustment in respect of the previous year		(35,234)
Non-deductible expenses	(33,277)	(13,264)
Deferred tax not recognised	(217,369)	(57,716)
Additional deduction for R&D expenditure	80,766	75,015
Effect of different rate for R&D tax credit	(142,894)	(36,498)
Tax credit	104,818	149,221

Changes in tax rates

UK small Company's corporation tax rate has been maintained at 20% for the two periods. Accordingly, the deferred tax liability has been calculated based on the rate of 20% at the balance sheet date. Future enacted tax rates of 19% will apply from 1 April 2017 and 17% from 1 April 2020.

The Company has not recognised deferred tax assets arising from the accumulated tax losses and timing differences due to uncertainty of their future recovery.

The Company has not recognised deferred tax assets arising from the accumulated tax losses and timing differences of £3,449,676 (2016: £1,690,709) due to uncertainty of their future recovery.

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8. Property, plant and equipment

	Plant & Equipment £	Factory Leasehold improvements £	Fixtures, fittings & equipment £	Total £
Cost				
At 1 February 2016	358,432	-	13,816	372,248
Additions	18,208	-	1,640	19,848
At 31 December 2016	376,640	-	15,456	392,096
Additions	335,410	117,863	94,760	548,033
Disposals ¹	(118,000)	-	-	(118,000)
At 31 December 2017	594,050	117,863	110,216	822,129
Depreciation				
At 1 February 2016	112,820	-	6,160	118,980
Charge for the period	82,863	-	3,320	86,183
At 31 December 2016	195,683	-	9,480	205,163
Charge for the period	105,418	22,701	15,600	143,719
At 31 December 2017	301,101	22,701	25,080	348,882
Net book value				
At 31 December 2016	180,957	-	5,976	186,933
At 31 December 2017	292,949	95,162	85,136	473,247

¹Disposed as part of the sale and leaseback arrangement.

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:

	2017 £	2016 £
Plant and equipment	118,000	-
	118,000	-

The depreciation charge for these assets in 2017 was £nil (2016: £nil) as the equipment is not in use yet.

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9. Intangible assets

	Patents £	Development costs £	Total £
Cost			
At 1 February 2016	-	-	-
Additions	41,467	192,496	233,963
At 31 December 2016	41,467	192,496	233,963
Additions	10,434	229,825	240,259
At 31 December 2017	51,901	422,321	474,222
Amortisation			
At 1 February 2016	-	-	-
Charge for the year	1,654	16,316	17,970
At 31 December 2016	1,654	16,316	17,970
Charge for the year	6,228	59,281	65,509
At 31 December 2017	7,882	75,597	83,479
Net book value			
At 31 December 2016	39,813	176,180	215,993
At 31 December 2017	44,019	346,724	390,743

10. Inventories

	31 December 2017 £	31 December 2016 £
Raw materials	296,548	70,500

The cost of inventories recognised as an expense and included in research and development costs in the period amounted to £45,798 (December 2016: £9,856).

11. Trade and other receivables

	31 December 2017 £	31 December 2016 £
Trade receivables - net	107,481	-
Prepayments	69,578	67,328
Other receivables	403,968	43,692
VAT receivable	73,674	89,525
Corporation tax receivable	104,818	96,221
Trade and other receivables	759,519	296,766

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

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12. Cash and cash equivalents

	31 December 2017	31 December 2016
	£	£
Cash at bank and in hand	70,189	148,287

Cash and cash equivalents include cash in hand and deposits held on call, 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. For the purpose of the cash flow statement, cash and cash equivalents comprise the amounts shown above.

13. Trade and other payables

	31 December 2017	31 December 2016
	£	£
Trade payables	293,248	50,445
Accruals and deferred income	34,918	28,623
Social security & other taxes payable	15,681	14,284
Other payables	449	2,215
Total trade and other payables	344,296	95,567

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

14. 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 2017 was measured at the present value of all future cash payments discounted using the prevailing market interest rate of 6%. 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 £146,949 for the year included in the fair value was expensed to profit or loss.

In 2016, the net amounts due to Concepta plc were reported under current assets as management at the time considered the amounts to have no fixed repayment terms and repayment on demand.

15. Loans and borrowings

	31 December 2017	31 December 2016
	£	£
Current		
Finance lease	16,211	-
Non-current		
Finance lease	62,310	-
Total loans and borrowings	78,521	-

The finance lease liabilities are secured by a fixed charge over all the assets of the Company. See note 18(b) for more details on the finance lease liabilities at 31 December 2017.

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In 2016, Concepta Diagnostics Limited settled a loan of £30,000 from Diagnostic Capital Limited and paid interest at 10% per annum. Total interest charged to finance costs for the year was 1,355.

On 23 February 2016 and on 6 May 2016 Concepta Diagnostics Limited issued Convertible Loan notes of £250,000 and £400,000 respectively. On 26 July 2016, these Loan notes, totalling £650,000 were novated by Concepta Diagnostics Limited to Concepta plc and converted into shares following the Admission of the enlarged share capital of the Group.

16. Share capital and reserves

	Authorised share capital (Number)	Ordinary shares of £0.025 each		Share premium
		Number	Nominal value £	£
At 31 December 2016 and 31 December 2017	74,940	42,467	425	2,305,374

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.
Share-based payment reserve	The Company's share options prior to the reverse takeover on 26 July 2016 were terminated and replaced with parent company's share options. As a result, the balance of the share based payment reserve relating to the Company's share options granted and recognised as at 31 January 2016 were transferred to the capital contribution reserve, following the replacement with parent's share options.
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.

17. Share-based payment

Employees of the Company along with other group employees have been granted options over the shares in Concepta plc. Concepta plc operates two option schemes, namely an unapproved option scheme and an Enterprise

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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 or subsidiary 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 group until the options become exercisable. The unapproved options vest on the date of grant. 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 2017.

Out of the 4,044,000 outstanding options (December 2016: 3,804,000 options) at year ended 31 December 2017, 2,245,833 options (December 2016: 1,584,600 options) were exercisable. No options were exercised in 2017 and prior year.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	31 December 2017	31 December 2016
EMI scheme		
Number of options	2,219,400	2,219,400
Exercise price range (£)	0.166-0.075	0.166-0.075
Exercise period	April 2017 - December 2026	April 2017 - December 2026
Unapproved scheme		
Number of options	1,584,600	1,584,600
Exercise price range (£)	0.075	0.075
Exercise period	July 2016 - July 2025	July 2016 - July 2025

Warrants over Concepta plc shares

At 31 January 2016, the warrants issued by Concepta Diagnostics Limited to Diagnostic Capital Limited to subscribe for 1,274 of its shares with an exercise price of £71.25 were outstanding. These warrants must be exercised within 10 years from date of grant. On 26 July 2016, these warrants were cancelled, and new warrants were issued by Concepta PLC to subscribe for 1,210,300 of its shares with an exercise price of £0.075.

On 26 July 2016 in addition to the above warrants issued, 1.1 million warrants with an exercise price of £0.075 were issued to Erik Henau, a director of the Company. The share-based charge for 2017 and 2016 was included in Concepta plc as he is a director and employee of Concepta plc.

The above warrants over Concepta plc shares 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 exercised in 2017 and prior year.

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

	Year ended 31 December 2017	11 months period ended 31 December 2016
	£	£
Options issued to external consultants	14,417	7,894
Options issued to employees and services received	11,531	56,175
Included in share-based payments	25,948	64,069
Warrants issued to Diagnostic Capital Limited – external adviser	-	42,842
Included in reverse takeover costs for 2016	-	42,842
Total share-based payments	25,948	106,911

18. Commitments

a) Operating lease

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 total future value of minimum lease payments is due as follows:

	31 December 2017			31 December 2016		
	Plant and equipment £	Land and building £	Total £	Plant and equipment £	Land and building £	Total £
Within one year	779	84,913	85,692	779	84,913	85,692
Between one and five years	2,272	322,941	325,213	3,051	339,653	342,704
After more than five years	-	132,612	132,612	-	200,813	200,813
Total	3,051	540,466	543,517	3,830	625,379	629,209

b) Finance lease

During 2017 the Company entered into a capital lease agreement for the sale & lease back of equipment £118,000. The lease payments expire at July 2022. The total future value of minimum lease payments is due as follows:

	31 December 2017		
	Minimum lease payment £	Interest £	Present value £
Within one year	21,609	5,398	16,211
Between one and five years	71,475	9,165	62,310
Total	93,084	14,563	78,521

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19. Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follow:

	31 December 2017	31 December 2016
	£	£
Property, plant and equipment	376,974	130,220

Of this contracted amount, deposits of £174,949 (2016: £48,420) were paid during the reporting period.

20. 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	31 December 2017	31 December 2016
			£	£
Transactions				
Stowheath Limited	Paid for director fees & expenses	1	-	3,000
Adaxis Limited	Consultancy fees	2	1,010	41,800
CFPro Limited	Accounting and consultancy fees	3	64,495	25,263
Amount outstanding at year end (included in Trade and other payables)				
CFPro Limited			6,574	2,915

1. Dr. Ian Gilham has an interest in Stowheath Limited. He resigned as a director of Concepta Diagnostics Limited on 25th July 2016.
2. Mr. E.G. Henau has an interest in Adaxis Limited. The fees paid were for his consultancy work on the reverse takeover transaction before he was employed by Concepta plc. Mr Henau is a director of Concepta plc and Concepta Diagnostics Limited.
3. 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 is a director of Concepta plc.

Amounts owed to Concepta plc at 31 December 2017 is disclosed on the face of the financial position. This amount has no fixed repayment terms and is repayable on demand.

21. Events after the reporting date

There are no significant events to report.

22. 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.