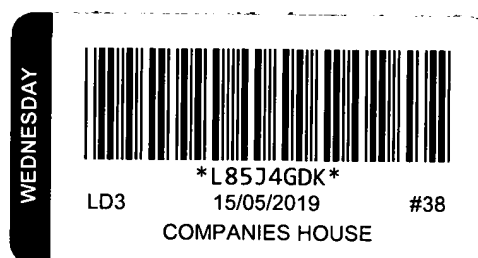


Concepta Diagnostics Limited

Audited Financial Statements

for the Year Ended 31 December 2018

Registered in England and Wales number 08361104



Contents

COMPANY INFORMATION	1
DIRECTORS' REPORT	2
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONCEPTA DIAGNOSTICS LIMITED.....	4
STATEMENT OF COMPREHENSIVE INCOME.....	7
STATEMENT OF FINANCIAL POSITION	8
STATEMENT OF CHANGES IN EQUITY	9
NOTES TO THE FINANCIAL STATEMENTS	10

CONCEPTA DIAGNOSTICS LIMITED

COMPANY INFORMATION

Directors:	David Darrock Vasiliki Fragkou Barbara Spurrier
Company secretary and registered office:	Barbara Spurrier The Exchange Building, Sharnbrook, Bedford, England, MK44 1LZ
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 2018. 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 2018 of £2,457,575 (2017: loss £2,064,870). 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:

David Darrock (appointed 15 February 2018)

Vasiliki Fragkou (appointed 11 November 2018)

Barbara Spurrier

Erik Henau (resigned 25 March 2019)

Dr Rob Porter (resigned 19 February 2018)

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 2018 was £ 727,741 (31 December 2017: £668,331) of which £ 169,560 (31 December 2017: £240,259) capitalised and £558,181 (31 December 2017: £428,072) (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.

CONCEPTA DIAGNOSTICS LIMITED

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



Barbara Spurrier
Director
Concepta Diagnostics Limited
13 May 2019

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 2018 set out on pages 7 to 26. 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 2018 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.

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 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
13 May 2019

CONCEPTA DIAGNOSTICS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December 2018	Year ended 31 December 2017
	Notes	£	£
Revenue	3	4,838	108,115
Cost of sales		(540,721)	(519,522)
Gross loss		(535,883)	(411,407)
Administrative expenses		(1,846,604)	(1,608,289)
Operating loss	4	(2,382,487)	(2,019,696)
Finance income	6	-	-
Finance expenses	6	(127,365)	(149,992)
Loss before income tax		(2,509,852)	(2,169,688)
Tax credit	7	52,277	104,818
Loss for the year and total comprehensive loss		(2,457,575)	(2,064,870)

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 2018	31 December 2017
	Notes	£	£
Non-current assets			
Property, plant and equipment	8	789,189	473,247
Intangible assets	9	509,195	390,743
Total non-current assets		1,298,384	863,990
Current assets			
Inventories	10	399,182	296,548
Trade and other receivables	11	157,738	654,701
Corporation tax receivable		52,277	104,818
Cash and cash equivalents	12	47,988	70,189
Total current assets		657,185	1,126,256
Total assets		1,955,569	1,990,246
Current liabilities			
Trade and other payables	13	189,188	344,296
Loans and borrowings	15	64,228	16,211
Total current liabilities		253,416	360,507
Non - current liabilities			
Amounts owed to group undertakings	14	4,946,226	2,596,093
Loans and borrowings	15	227,243	62,310
Total non-current liabilities		5,173,469	2,658,403
Total liabilities		5,426,885	3,018,910
Net liabilities		(3,471,316)	(1,028,664)
Share capital	16	425	425
Share premium account	16	2,305,374	2,305,374
Capital contribution reserve	16	1,670,023	1,655,100
Retained earnings		(7,447,138)	(4,989,563)
Total equity		(3,471,316)	(1,028,664)

These financial statements were approved and authorised for issue by the board of Directors on 13 May 2019 and were signed on its behalf by:



Barbara Spurrier
Director

Company Registration Number: 08361104

STATEMENT OF CHANGES IN EQUITY

	Share capital £	Share Premium £	Capital contribution reserve £	Retained earnings £	Total £
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)
Loss for the year	-	-	-	(2,457,575)	(2,457,575)
Total comprehensive loss	-	-	-	(2,457,575)	(2,457,575)
Transfer of share-based payments to capital contribution reserve	-	-	14,923	-	14,923
Equity as at 31 December 2018	425	2,305,374	1,670,023	(7,447,138)	(3,471,316)

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.

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.

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.

CONCEPTA DIAGNOSTICS LIMITED

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. Parent company would provide support as required.

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.

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.

CONCEPTA DIAGNOSTICS LIMITED

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

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.

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.

CONCEPTA DIAGNOSTICS LIMITED

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 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.

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 and liabilities

The Group classifies its financial assets at inception into three measurement categories; 'amortised cost', 'fair value through other comprehensive income' ('FVOCI') and 'fair value through profit and loss' ('FVTPL'). The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost. Management determines the classification of its investments at initial recognition. A financial asset or financial liability is measured initially at fair value. At inception transaction cost that are directly attributable to its acquisition or issue, for an item not at fair value through profit or loss, is added to the fair value of the financial asset and deducted from the fair value of the financial liability.

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and maturity amount, minus any reduction for impairment.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of assets and liabilities in active markets are based on current bid and offer prices respectively. If the market is not active the group establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same for which market observable prices exist, net present value and discounted cash flow analysis.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the group has transferred substantially all of the risks and rewards of ownership. In transaction in which the group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. There have not been any instances where assets have only been partly derecognised. The group derecognises a financial liability when its contractual obligation are discharged, cancelled or expire.

Impairment

The Group assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective experience (such as significant financial difficulty of obligor, breach of contract, or it becomes probable that debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of loss is recognised in the Statement of Comprehensive Income.

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 is made. The carrying values of current tax 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.

	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Revenue from external customers	Diagnostic healthcare 4,838	Diagnostic healthcare 108,115
Finance expense	(127,365)	(149,992)
Segment loss after tax	(2,457,575)	(2,064,870)
Loss after tax	(2,457,575)	(2,064,870)

All the segment assets are located in UK.

Segment assets	1,955,569	1,990,246
Segment liabilities	5,426,885	3,018,910
Segment depreciation and amortisation expenses	192,260	209,228
Segment additions of tangible and intangible assets	627,396	670,292

4. Loss from operations

	Year ended 31 December 2018	Year ended 31 December 2017
	£	£
Loss is stated after charging:		
Audit fees – current auditors	9,027	14,058
Depreciation of property, plant and equipment	141,152	143,719
Amortisation of intangible assets	51,108	65,509
Research and development costs ¹	263,902	428,072
Legal and professional fees	24,676	4,888
Staff costs excluding R&D staff (note 5)	315,156	234,744
Operating lease rentals	68,517	77,683
Foreign exchange losses	2,730	8,510
Share-based payments	14,923	25,948

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

5. Employees and Directors

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

	Year ended 31 December 2018	Year ended 31 December 2017
	Number	Number
Directors	1	1
Manufacturing	5	2
Administrative and operation	2	3
	8	6
Research and development	5	6
Total	13	12

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

	Year ended 31 December 2018	Year ended 31 December 2017
	£	£
Salaries	443,116	465,029
Social security costs	45,271	51,462
Pension costs	18,125	14,506
Severance costs	30,000	-
Share based payments (relating to employees)	14,923	25,948
Staff costs including R&D staff	551,435	556,945
Less: R&D staff costs included in research and development expense	(236,279)	(322,201)
Staff costs excluding R&D staff	315,156	234,744

CONCEPTA DIAGNOSTICS LIMITED

Key management personnel compensation

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

	Year ended 31 December 2018	Year ended 31 December 2017
	£	£
Salaries/fees	131,885	105,123
Pension costs	6,569	5,250
Social security costs	17,045	14,507
Severance costs	30,000	-
	185,499	124,880
Share-based payments	16,583	-
	202,082	124,880

Directors' remuneration

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

	Year ended 31 December 2018	Year ended 31 December 2017
	£	£
Salaries/fees	131,885	105,123
Pension costs	6,569	5,250
Severance cost	30,000	-
Share based payments	16,583	-
	185,037	110,373

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

	Year ended 31 December 2018	Year ended 31 December 2017
	£	£
Highest paid Director	90,364	124,880

6. Finance income and expenses

	Year ended 31 December 2018	Year ended 31 December 2017
	£	£
Finance expenses		
Deemed Interest expense on group loan measured at amortised cost	104,076	146,949
Interest on finance lease	21,415	2,570
Other finance charges	1,874	473
Total finance expenses	127,365	149,992

7. Income tax

	Year ended 31 December 2018	Year ended 31 December 2017
	£	£
Current tax:		
UK corporation tax on profits for the period	52,277	104,818
Total tax credit	52,277	104,818

The tax credit for year ended 31 December 2018 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 2018	Year ended 31 December 2017
	£	£
Loss on ordinary activities before income tax	(2,509,852)	(2,169,688)
Standard rate of corporation tax	19%	19.247%
Loss before tax multiplied by the standard rate of corporation tax	476,871	417,592
Effects of:		
Adjustment in respect of the previous year	-	-
Non-deductible expenses	(2,835)	(33,277)
Deferred tax not recognised	(444,253)	(217,369)
Additional deduction for R&D expenditure	38,718	80,766
Effect of different rate for R&D tax credit	(16,224)	(142,894)
Tax credit	52,277	104,818

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% will apply from 1 April 2018 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 £5,868,822 (2017: £3,449,676) due to uncertainty of their future recovery.

CONCEPTA DIAGNOSTICS LIMITED

8. Property, plant and equipment

	Plant & Equipment £	Factory Leasehold improvements £	Fixtures, fittings & equipment £	Total £
Cost				
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
Additions	834,425	-	4,626	839,051
Disposals ¹	(381,215)	-	(1,047)	(382,262)
At 31 December 2018	1,047,260	117,863	113,795	1,278,918
Depreciation				
At 31 December 2016	195,682	-	9,481	205,163
Charge for the period	105,418	22,701	15,600	143,719
At 31 December 2017	301,100	22,701	25,081	348,882
Charge for the period	106,935	13,466	20,751	141,152
Disposal	-	-	(305)	(305)
At 31 December 2018	408,035	36,167	45,527	489,729
Net book value				
At 31 December 2017	292,950	95,162	85,135	473,247
At 31 December 2018	639,225	81,696	68,268	789,189

¹ Disposed 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:

	2018 £	2017 £
Plant and equipment	448,726	118,000
	448,726	118,000

The depreciation charge for these assets in 2018 was £50,489 (2017: £nil) . In 2017, there was no depreciation charge as the equipment was not in use in the period.

9. Intangible assets

	Patents £	Development costs £	Total £
Cost			
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
Additions	37,604	131,956	169,560
At 31 December 2018	89,505	554,277	643,782
Amortisation			
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
Charge for the year	7,810	43,298	51,108
At 31 December 2018	15,692	118,895	134,587
Net book value			
At 31 December 2017	44,019	346,724	390,743
At 31 December 2018	73,813	435,382	509,195

10. Inventories

	31 December 2018 £	31 December 2017 £
Raw materials	269,113	272,990
Work in progress	67,659	23,558
Finished goods	62,410	-
Raw materials	399,182	296,548

The cost of inventories recognised as an expense and included in research and development costs in the period amounted to £39,480 (December 2017: £45,798).

11. Trade and other receivables

	31 December 2018 £	31 December 2017 £
Trade receivables - net	-	107,481
Prepayments	52,528	69,578
Other receivables	50,775	403,968
VAT receivable	54,435	73,674
	157,738	654,701

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

CONCEPTA DIAGNOSTICS LIMITED

12. Cash and cash equivalents

	31 December 2018	31 December 2017
	£	£
Cash at bank and in hand	47,988	70,189

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. For the purpose of the cash flow statement, cash and cash equivalent comprise the amounts shown above.

13. Trade and other payables

	31 December 2018	31 December 2017
	£	£
Trade payables	126,645	293,248
Accruals and deferred income	47,290	34,918
Social security & other taxes payable	15,253	15,681
Other payables	-	449
	189,188	344,296

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 2018 was measured at the present value of all future cash payments discounted using the prevailing market interest rate of 2.8% (2017: 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 £104,076 (2017: £146,949) for the year included in the fair value was expensed to profit or loss.

15. Loans and borrowings

	31 December 2018	31 December 2017
	£	£
Current		
Finance lease	64,228	16,211
Non-current		
Finance lease	227,243	62,310
	291,471	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 2018.

16. Share capital and reserves

	Authorised share capital (Number)	Ordinary shares of £0.025 each		Share premium
		Number	Nominal value £	£
At 31 December 2017 and 31 December 2018	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 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 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 2018.

Out of the 3,159,600 outstanding options (2017: 4,044,000 options) at year ended 31 December 2018, 1,980,833 options (2017: 2,245,833 options) were exercisable. No options were exercised in 2018 and prior year.

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

	31 December 2018	31 December 2017
EMI scheme		
Number of options	1,575,000	2,219,400
Exercise price range (£)	0.06-0.166	0.075-0.166
Exercise period	April 2017 - February 2028	April 2017 - December 2026
Unapproved scheme		
Number of options	1,584,600	1,584,600
Exercise price range (£)	0.04-0.075	0.075
Exercise period	July 2016 - July 2025	July 2016 - July 2025

Warrants over Concepta plc shares

The number of outstanding warrants over Concepta plc shares at 31 December 2018 was 1,584,600 (2017: 1,584,600). 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 exercised in 2018 and prior year.

CONCEPTA DIAGNOSTICS LIMITED

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

	Year ended 31 December 2018	Year ended 31 December 2017
	£	£
Options issued to external consultants	-	14,417
Options issued to employees and services received	14,923	11,531
Included in share-based payments	14,923	25,948

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 2018			31 December 2017		
	Plant and equipment £	Land and building £	Total £	Plant and equipment £	Land and building £	Total £
Within one year	779	95,300	96,079	779	84,913	85,692
Between one and five years	1,493	300,244	301,737	2,272	322,941	325,213
After more than five years	-	98,112	98,112	-	132,612	132,612
Total	2,272	493,656	495,928	3,051	540,466	543,517

b) Finance lease

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

	31 December 2018			31 December 2017		
	Minimum lease payment £	Interest £	Present value £	Minimum lease payment £	Interest £	Present value £
Within one year	84,395	20,167	64,228	21,609	5,398	16,211
Between one and five years	255,553	28,310	227,243	71,475	9,165	62,310
Total	339,948	48,477	291,471	93,084	14,563	78,521

CONCEPTA DIAGNOSTICS LIMITED

19. Capital commitments

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

	31 December 2018	31 December 2017
	£	£
Property, plant and equipment	-	376,974

Of this contracted amount, deposits of £174,949 were paid during the reporting period 2017.

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 2018 £	31 December 2017 £
Transactions				
Adaxis Limited	Consultancy fees	1	-	1,010
CFPro Limited	Accounting and consultancy fees	2	72,019	64,495
Amount outstanding at year end (included in Trade and other payables)				
CFPro Limited			8,749	6,574

1. 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.
2. 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 2018 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

On 26 April 2019, Concepta Plc raised £2,302,500 (before expenses) through a placing and subscription of 76,750,000 new Ordinary Shares at 3p per ordinary share. The primary use of the net proceeds will be to strengthen and develop the marketing and additional working capital requirements of the Company and to target strategic commercial contracts to internationally exploit the myLotus product and technology.

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 requested from the Company's registered office.