RNS Number : 6489M
Concepta PLC
01 May 2018

1 May 2018

Concepta Plc

("Concepta", the "Company" or the "Group")

Final Results

Concepta plc (AIM: CPT) the UK healthcare company and developer of a proprietary product targeted at the mobile health market and with a primary focus on women's fertility, announces its results for the year ended 31 December 2017.

2017 Highlights

- Received first order from Huan Zhong Biotech Co Ltd (£225,000) and delivered first shipment of products
- Successfully completed hospital evaluation in China in November 2017 and held the first distributor meeting in Shanghai to commence launch of product into the Chinese market
- Completed £1.9m (net) fund raise
- Appointment of Neil Mesher as Non-Executive Director in March 2017
- Appointment of David Darrock as Site Director, subsequently promoted to COO in February 2018
- Appointment of Zhang Zhi Gang as Head of China Operations

Financial Overview

- Revenue of £108,115
- EBITDA loss £2.237m
- Cash at year end £1.537m
- £1.9m (net of issue expenses) share placing secured in November 2017

A copy of the annual report & accounts for year ended 31 December 2017 will be sent to shareholders shortly and will be available from the Company's website www.conceptaplc.com

CHAIRMAN'S STATEMENT

Business Progress

During the year Concepta faced a number of challenges but also made good progress towards the launch of its myLotus fertility product in China. Launching a new product into a new market is a complex process and, although progress has been slower than anticipated, we have built robust foundations in China and are well on our way to launching in the EU.

The hospital trials undertaken in China were hugely successful, demonstrating that myLotus offers exceptional correlation with laboratory blood tests and that it can help women who experience weaker positives to determine when they are most fertile. This places myLotus in a class of its own compared to existing commercially available home tests. The results from the hospital evaluation of the myLotus pregnancy testing were equally impressive.

Strategy review - operational focus and market entry

The progress of Concepta during 2017 has been solid and the focus has been on optimising operations at our manufacturing sites, both in China and the UK, whilst delivering high quality products. There have, however, been a number of challenges both internally and externally. This included an issue with the supply of raw materials in China which has impacted our ability to deliver products in a timely manner, namely the order from ShanDong WeiHei HaiChen Pharmaceutical Co. Ltd. Product will be delivered against this order upon receipt of payment, and although the order from ShanDong WeiHei HaiChen Pharmaceutical Co. Ltd has not been cancelled, payment has not been received to date and therefore this order has not been additive in Q1.

The supply chain has now been fully audited and reviewed to ensure that all future orders will be delivered on time. Following an internal review of the distribution channels and associated risk of being over reliant on existing relationships, we are establishing other distribution channels. We are now confident our focus on securing a few key successful distribution channels will deliver robust revenue growth in 2018.

Managerial expertise

As the Company enters the launch phase for myLotus, the transition to larger scale manufacturing requires additional skills and knowledge that we have addressed with personnel changes. The appointment of David Darrock as COO, as of February 2018, has enhanced Concepta's operational expertise and resulted in a significant improvement in the supply chain and manufacturing facilities.

The China team has also been strengthened by both additional input from Zhang Zhi Gang as our Head of China Operations and the appointment of Michelle Yao as China General Manager, both of whom have significant operational experience within the Chinese market. The team is now making inroads into the complex and extensive Chinese distributor network with some 180,000 MedTech distributors. Since joining Concepta, Michelle has negotiated and secured an agreement with Sinopharm, one of the largest state owned pharmaceutical companies in China, with annual sales in excess of £23bn. This agreement is not only an endorsement of Concepta's ability to engage with organisations of such high calibre but also highlights our decision to focus on a few key strategic partners in China.

Financial position

In November 2017, the Company raised £1.9m after costs via a placing. Commercially, the Group has reported a loss in the period of £2.345m with funds being deployed to support future operations for manufacture, selling and marketing of myLotus products.

Outlook

Concepta has established a solid foundation and now looks to accelerate the launch of myLotus in 2018. We have a cutting-edge product in a global marketplace and, in addition to China, we believe the launch into Europe in Q4 will be core to the future business and provide a valuable secondary revenue stream.

Building a scientific manufacturing business from scratch is never easy and I'm pleased to report that in 2017 we have acted to rectify the initial challenges we faced. Our overheads are low, our product is unique and we have a substantial market with regulatory approval to sell into, thus we expect 2018 to be a positive year for the Company.

Adam Reynolds
Chairman

CHIEF EXECUTIVE'S REVIEW

Concepta's myLotus brand starts with the premise that everyone is different. Existing at-home fertility tests tend to be based on what is "normal" in a large group of women. As a result, there are a considerable number of women who are not helped by traditional qualitative tests. The uniqueness of the myLotus platform is that it allows monitoring of personal hormone levels at home, something that would ordinarily require daily visits to the doctor to have blood tests. The latter is often too expensive and inconvenient so this has, until now, been out of reach for women with unexplained infertility.

Over the course of this year we have made a significant push into our initial market of China. After obtaining cFDA registration for our products and establishing our manufacturing infrastructure we also conducted two very successful hospital evaluations. The results showed near perfect correlation between myLotus urine testing and clinical laboratory testing in blood samples. This excellent result gave us proof of concept to then increase our expansion efforts. It also demonstrates the usefulness of the platform for Personalised Healthcare, a key development for sustainable healthcare provision.

Strategy

Our initial product offering in fertility is simple: myLotus can increase your chances to conceive if you have been trying for 6 months or longer. The issue of infertility is largely unaffected by demographics, the product offering is therefore universal and the target group is highly motivated. Our primary focus remains on this area of mobile health and presents a sizeable market opportunity for us.

Over the course of this year we plan to expand our manufacturing capability in the UK and China. We have worked hard to ensure all of the necessary patents are in place and are confident that myLotus will remain a leading-edge product on the market offering simple quantitative and qualitative hormone measurement at home.

In 2017 we achieved ISO13485 certification and are now audited annually to these standards. We have now commenced the CE-marking process which will be the final requirement for us to sell in the UK and all EU markets and hope to have this in place by H2 2018.

We have already begun our digital marketing strategy in the UK ahead of launch and will be rolling out our full marketing effort over the next few months. We will be able to apply what we learn in the UK to subsequent EU regions; however, our initial focus remains on the Chinese and UK markets. Our infrastructure and manufacturing capabilities will be increased in line with geographical expansion.

Products

Our focus in 2017 has been to optimise the existing fertility product range. However, parallel to this we have been exploring the capabilities of the myLotus platform, including the samples that can be used for testing, the analytes we can test for, the patient's need for the application and its commercial viability.

We have identified a number of additional factors which we can measure to add further detail for users on what is happening in their bodies and the subsequent impact on not only their fertility but also their general wellbeing. This allows the user to take greater control over their personal healthcare.

We also plan to make full use of advancements in mobile technology, which are opening up myriad opportunities for product development and collaboration with the healthcare industry. Our technology has the potential for remote monitoring, with doctors having access to test results. We envisage that doctors could make decisions based on physiological monitoring rather than symptoms and that this could eliminate large amounts of unnecessary doctor visits.

We have produced a large and interesting list of innovative products for potential development. To avoid dilution of effort and resources in Concepta's early stage of commercialisation, exploration of further applications will be undertaken through the use of potential grants and collaboration with third parties.

Outlook

There is increasing momentum in the development of Digital Health initiatives. Healthcare systems are finding it increasingly difficult to provide desired standards of care within their resource constraints.

A move towards Personalised Healthcare implies a shift in control from the medical sector to the individual. This involves serious debate around patient safety, legal implications and the psychological aspects of the medical sector having to "let go" of some of their authority.

We are well positioned in this space to adapt our platform to the rapidly changing landscape in digital healthcare and are confident that Concepta can be a part of this trend. Whilst we remain focused on delivering our initial fertility product, we are unique in our ability to develop low-cost personal health monitoring and are confident that we will play a major part in this shifting dynamic.

Erik Henau
Chief Executive Officer

FINANCIAL REVIEW

Income statement

During the year 2017 the Group's loss after taxation was £2,344,949 (11 months to December 2016: £2,415,226).

The administration costs incurred during the period for the year ended 31 December 2017 of £2,035,005 included no one-off costs. (11 months to December 2016: £2,525,342 included one-off costs of £1,484,406).

Other administration costs of £1,925,482 (11 months to December 2016: £966,896) included £427,113 (11 months to December 2016: £222,225) research and development costs (net of capitalised development costs), staff costs and head office costs.

The tax credit of £104,818 (11 months to December 2016: £149,221) included research and development tax credit of £104,818 (11 months to December 2016: £96,221) and deferred tax of £nil (11 months to December 2016: £53,000 credit).

One-off costs and non-cash items

Included in the administration costs of the Group, no one-off costs (11 months to December 2016: £1,484,406) were incurred, of which none (11 months to December 2016: £843,448) were expenses associated with AIM admission and fundraising costs and previous period also included deemed cost of the reverse acquisition of £640,958. See note 5 - loss from operations in the notes to the financial statements for more details.

Loss per share

The basic and diluted loss per share was £0.02 (2016: £0.03).

Financial Position

The Group net assets at 31 December 2017 were £2,939,935 (2016: £3,311,270). This comprised total assets of £3,481,351 and total liabilities of £541,416.

The total assets included property, plant and equipment, intangible assets (capitalised development costs and patent costs) of £863,990 (2016: £402,926), of which £174,750 represents additional development costs capitalised net of amortisation, equipment spend net of sale and leaseback transaction of £312,170 and leasehold improvements spend of £117,863 on the Doncaster factory facility during the year and cash and cash equivalents of £1,537,759 (2016: £2,708,477).

Cashflow

The Group's cash balance at the period end was £1,537,759.

During the period the net cash used in operations was £2,439,684 (2016: £1,288,414) and total spend on property, plant and equipment and intangible assets of £670,292, with financing activities generating net proceeds of £1,939,258 (2016: £4,027,405).

Dividends
No dividend is recommended (2016: £nil) due to the early stage of the development of the Group.

Capital management
The Board's objective is to maintain a balance sheet that is both efficient and delivers long term shareholder value. The Group had cash balances of £1,537,759 at 31 December 2017 and has a 5-year sale and leaseback financing for one of its manufacturing equipment. The Board continues to monitor the balance sheet to ensure it has an adequate capital structure.

Events after the reporting period
Events after the reporting period are described in Note 23 to the financial statements.

Barbara Spurrier
Chief Financial Officer

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2017 £	11-month period ended 31 December 2016 £
Revenue	4	108,115	-
Cost of sales		(519,522)	(37,972)
Gross loss		(411,407)	(37,972)
Other administrative expenses		(1,925,482)	(966,896)
AIM admission expenses		-	(843,448)
Deemed cost of reverse acquisition		-	(640,958)
Share-based payments		(109,523)	(74,040)
Administrative expenses		(2,035,005)	(2,525,342)
Operating loss	5	**(2,446,412)**	**(2,563,314)**
Finance income	7	-	222
Finance expenses	7	(3,355)	(1,355)
Loss before income tax		**(2,449,767)**	**(2,564,447)**
Tax credit	8	104,818	149,221
Loss for the period		**(2,344,949)**	**(2,415,226)**
Attributable to owners of the parent:		(2,344,949)	(2,415,226)
Loss per ordinary share - basic and diluted (£)	9	(0.02)	(0.03)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2017 £	31 December 2016 £
Non-current assets			
Property, plant and equipment	10	473,247	186,933
Intangible assets	11	390,743	215,993
Total non-current assets		**863,990**	**402,926**

Current assets			
Inventories	12	296,548	70,500
Trade and other receivables	13	678,236	215,103
Corporation tax receivable		104,818	96,221
Cash and cash equivalents	14	1,537,759	2,708,477
Total current assets		**2,617,361**	**3,090,301**
Total assets		**3,481,351**	**3,493,227**
Current liabilities			
Trade and other payables	15	462,895	181,957
Loans and borrowings	16	16,211	-
Total current liabilities		**479,106**	**181,957**
Non-current liabilities			
Loans and borrowings	16	62,310	-
Total liabilities		**541,416**	**181,957**
Net assets		**2,939,935**	**3,311,270**
Share capital	17	3,454,917	2,740,631
Share premium account		9,813,131	8,663,326
Share-based payment reserve	19	650,887	541,364
Capital redemption reserve		1,814,674	1,814,674
Reverse acquisition reserve		(6,044,192)	(6,044,192)
Retained earnings		(6,749,482)	(4,404,533)
Total equity		**2,939,935**	**3,311,270**

These financial statements were approved and authorised for issue by the board of directors on 30 April 2018 and were signed on its behalf by:

Erik Henau
Chief Executive Officer

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Deferred shares & 'A' deferred shares	Share Premium	Capital redemption reserve	Retained earnings	Reverse acquisition reserve	Share-based payment reserve	Total
	£	£	£	£	£	£	£	£
Concepta Diagnostics Limited Equity as at 31 January 2016	**425**	**-**	**2,305,374**	**-**	**(1,989,307)**	**-**	**43,879**	**360,371**
Concepta PLC Equity as at 1 February 2016	**361,999**	**1,488,875**	**3,672,903**	**-**	**-**	**-**	**-**	**5,523,777**
Loss for the period	-	-	-	-	(2,415,226)	-	**-**	**(2,415,226)**
Total comprehensive loss	-	-	-	**-**	**(2,415,226)**	**-**	**-**	**(2,415,226)**
Issue of shares net of expenses	2,433,597	-	4,611,257	-	-	-	**-**	**7,044,854**
Loan notes converted to shares	270,834	-	379,166	-	-	-	**-**	**650,000**
Reverse acquisition reserve	-	-	-	-	-	(6,044,192)	**-**	**(6,044,192)**
Transfer to 'A' deferred shares	(325,799)	325,799	-	-	-	-	**-**	**-**
Buyback & cancellation of shares	-	(1,814,674)	-	1,814,674	-	-	**-**	**-**
Share-based payments	-	-	-	-	-	-	497,485	**497,485**
Equity as at 31 December 2016	**2,740,631**	**-**	**8,663,326**	**1,814,674**	**(4,404,533)**	**(6,044,192)**	**541,364**	**3,311,270**
Loss for the period					(2,344,949)			**(2,344,949)**
Total comprehensive loss	**-**	**-**	**-**	**-**	**(2,344,949)**	**-**	**-**	**(2,344,949)**
Issue of shares net of expenses	714,286	-	1,149,805	-	-	-	-	**1,864,091**

Share-based payments	-	-	-	-	-	-	109,523	**109,523**
Equity as at 31 December 2017	**3,454,917**	**-**	**9,813,131**	**1,814,674**	**(6,749,482)**	**(6,044,192)**	**650,887**	**2,939,935**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December 2017 £	11 month period ended 31 December 2016 £
Cash flows from operating activities		
Loss before taxation	(2,449,767)	(2,564,447)
Adjustments for:		
Deemed cost of reverse acquisition	-	640,958
Depreciation and amortisation	209,228	104,153
Finance expenses	3,355	1,355
Finance income	-	(222)
Share-based payments	109,523	497,485
Operating loss before working capital changes	**(2,127,661)**	**(1,320,718)**
Changes in working capital		
Increase in inventory	(226,047)	(70,500)
Decrease in trade and other receivables	(463,134)	81,712
Decrease in trade and other payables	280,937	(157,054)
Cash used in operations	**(2,535,905)**	**(1,466,560)**
Tax received	96,221	178,146
Net cash outflow from operating activities	**(2,439,684)**	**(1,288,414)**
Investing activities		
Purchase of property, plant and equipment	(430,033)	(19,848)
Purchase of intangible assets	(240,259)	(233,963)
Interest received on bank deposit account	-	222
Payment for the acquisition of Concepta Diagnostics Limited	-	(750,120)
Acquisition, net of cash acquired[1]	-	872,806
Net cash flows used in investing activities	**(670,292)**	**(130,903)**
Financing activities		
Issue of ordinary shares (net of issue expenses)	1,864,091	3,408,760
Interest paid on sale & lease back	(1,142)	-
Interest paid on loans and borrowings	(784)	(1,355)
Proceeds from sale and leaseback	118,000	-
Repayment of sale and leaseback	(40,907)	-
Proceeds from loans	-	650,000
Repayment of loans	-	(30,000)
Net cash flows from financing activities	**1,939,258**	**4,027,405**
Net change in cash and cash equivalents	**(1,170,718)**	**2,608,088**
Cash and cash equivalents at the beginning of the period	2,708,477	100,389
Cash and cash equivalents at the end of the period	**1,537,759**	**2,708,477**

[1] The cash inflow on acquisition (net of cash acquired) relates to the cash and cash equivalent of Concepta PLC as at date of acquisition (26 July 2016).

<u>Significant non-cash transactions</u>
On 26 July 2016 Concepta PLC acquired the entire issued share capital of Concepta Diagnostics Limited for a consideration of £3,025,916, satisfied by the issue of shares of £2,275,796 (non-cash transaction) and cash of £750,120. Also, shares were issued in settlement of Concepta Diagnostics Limited's debt of £650,000. No significant non-cash transaction in 2017.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

Concepta PLC (the "Company", formerly, Frontier Resources International PLC) is a public limited company incorporated and domiciled in England and Wales. The registered office of the Company is 1 Park Row, Leeds, England, LS1 5AB. The registered company number is 06573154.

The Company was incorporated on 22 April 2008. The Company became an AIM Rule 15 cash shell on 23 March 2016, following the disposal or dissolution of its previous oil and gas related subsidiaries. On 26 July 2016, the Company with its enlarged share capital started trading on AIM, following a reverse takeover of Frontier Resources International PLC (renamed as Concepta PLC).

The Company's principal activity is in the development and commercialisation of mobile health diagnostics medical devices.

The consolidated financial statements comprised of the Company and its subsidiary (together referred to as "the Group") as at and for the period to 31 December 2017. The parent Company financial statements present information about the Company as a separate entity and not about its Group.

2. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs), as adopted by the European Union ("adopted IFRSs") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in compliance with adopted IFRSs requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed below.

Basis of consolidation

The consolidated financial statements include the results of the Company and its subsidiaries ("the Group") as if they formed a single entity for the full period or, in the case of acquisitions, from the date control is transferred to the Group. The Company controls an entity, when the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. Intercompany transactions and balances between Group companies are therefore eliminated in full.

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The Group has applied any applicable new standards, amendments to standards and interpretations that are mandatory for the financial year beginning on or after 1 January 2017. However, none of them has a material impact on the Group's consolidated financial statements.

(b) New, amended standards, interpretations not yet effective and not adopted by the Group

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective in future accounting periods that the group has decided not to adopt early. The Group has disclosed below those standards that are likely to be applicable to the Group and is currently assessing the impact of these standards.

- IFRS 15 Revenue from Contracts with Customers, effective date 1 January 2018, subject to the endorsement by the EU. IFRS 15 is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition. This standard replaces the previous standard IAS 11 Construction Contracts, IAS18 Revenue and revenue related IFRICs. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  The directors have reviewed the standard and its potential effects in the context of the Group's revenue policy and have concluded that, on adoption, there will be no impact on the Group's revenue.

- IFRS 9 Financial Instruments is effective for periods commencing on or after 1 January 2018 and will therefore be adopted no later than the period commencing 1 May 2018. The standard is a replacement for IAS 39 'Financial Instruments'. The Group's financial assets consist of receivables and the liabilities consist of payables and borrowings. Under the provisions of the standard the treatment of any doubtful receivables will change to reflect an expected credit loss rather than an incurred credit loss.

  The Group will need to apply an expected credit loss model when calculating impairment losses on its trade and other receivables (both current and non-current). This will result in increased impairment provisions and greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the group must consider the probability of a default occurring over the contractual life of its trade receivables and contracts asset balances on initial recognition of those assets. The directors are in the process of reviewing the potential effects of adopting this standard.

- IFRS 16 Lease, effective date 1 January 2019 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 completes the IASB's project to improve the financial reporting of leases and replaces the previous leases Standard, IAS 17 Leases, and related Interpretations.

  If the standard were to be adopted during the current financial period and applied to the operating leases currently in the Group, the impact would not be material. It is envisaged that, as the Group expands, the use of operating leases will increase but it is unlikely that this would have a material impact in the foreseeable future.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

Going concern

The Directors have prepared a cash flow forecast covering a period extending beyond 12 months from the date of these financial statements.

The forecast contains certain assumptions about the performance of the business including growth in future revenue, the cost model and margins; and 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 Group 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 annual 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 Pound (£) and its subsidiary is also in £. The presentational currency of the Company is £ because a significant amount of its transactions is in £.

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

Revenue recognition

Revenue is 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, as defined under IFRS 8. 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.

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

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period and the corresponding entry recorded in the share-based payment 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 the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income 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
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 Group is able to use or sell the product;
4. use or sale of the product will generate future economic benefits;
5. adequate resources are available to complete the development; and
6. expenditure on the development of the product can be measured reliably.

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

Capitalised development expenditure is measured at cost less accumulated amortization and accumulated impairment costs. Amortisation is charged on a straight-line basis over the useful life of the related asset which management estimated to be 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 Group has looked to obtain intellectual property through patents, Company know-how, design rights and trademarks. The Group has a portfolio of patent applications which is currently being pursued.

The costs incurred in obtaining these patents have been capitalised as the Group 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 estimated 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 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 Group has a legally enforceable right to offset current tax assets and liabilities.

The Group is entitled to a tax deduction on the exercise of certain employee share options. A share-based payment expense is recorded in the income statement over the period from the grant date to the vesting date of the relevant options. As there is a temporary difference between the accounting and tax bases, a deferred tax asset may be recorded. The deferred tax asset arising on share option awards is calculated as the estimated amount of tax deduction to be obtained in the future (based on the Group's share price at the balance sheet date) pro-rated to the extent that the services of the employee have been rendered over the vesting period. If this amount exceeds the cumulative amount of the remuneration expense at the statutory rate, the excess is recorded directly in equity, against retained earnings. Similarly, current tax relief in excess of the cumulative amount of the Share-based payments expense at the statutory rate is also recorded in retained earnings.

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

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

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

Equity
Equity comprises the following:
- Share capital: the nominal value of equity shares
- Share premium
- Share-based payment reserve
- Capital redemption reserve
- Reverse acquisition reserve and
- Retained earnings.

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

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

Loans and receivables
The Group 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 Group'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 payable comprise trade and other payables (excluding other taxes and social security costs and deferred income).

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

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

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

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

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

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

The leaseback transaction is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. This is the case with the Group's equipment which is under this arrangement.

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

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 within the next financial year 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 Group. Tangible fixed assets are depreciated over their useful lives taking into account of 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.

- **Share-based payments**

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 19 Share-based payments.

- **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. 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.

-ENDS -

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Notes to Editors

Concepta Plc

Concepta plc is an AIM-quoted pioneering UK healthcare company that has developed a proprietary product, myLotus, targeted at the personalised mobile health market with a primary focus on unexplained infertility[†] in women.

myLotus is currently the only consumer product which allows both quantitative and qualitative measurements of a woman's personal LH and human chorionic gonadotropin (hCG) hormone levels in a home test, facilitating higher conception rates and early diagnosis of issues with fertility hormones. The proposition of myLotus is to help women conceive naturally.

Concepta has made significant progress recently, establishing relationships with a number of distributors in China where myLotus has been given cFDA approval. Concepta is initially targeting the traditional route to market in China through Chinese hospitals and plans to add the direct-to-consumer route in the near future.

The Company is also well on its way to achieving CE-marking and commencing its direct-to-consumer launch in the UK and Europe in H2 2018. The Company has identified a significant global market opportunity, with revenue potential of the Chinese and EU unexplained infertility market estimated to be worth c.£600m per annum.

†Unexplained infertility refers to women that have been unable to conceive after 6 months of trying. This highly motivated target group of consumers won't typically be offered medical intervention until 12 months of unsuccessfully trying, with IVF not offered until two years. Research indicates couples start to take positive action ahead of this time and there is little medical support to help them do so.

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