



## Concepta PLC

### Final Results

RNS Number : 3179D

Concepta PLC

26 April 2017

**26 APRIL 2017**

### Concepta Plc

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

### Final Results

Concepta plc (AIM:CPT), the pioneering UK healthcare company and developer of a proprietary platform and suite of products targeted at the personalised mobile health market with a primary focus on women's fertility and specifically unexplained infertility, announces its results for the year ended 31 December 2016.

#### 2016 HIGHLIGHTS

- Significant progress made advancing flagship myLotus fertility product towards market launch in China and Europe
- Manufacturing Agreement signed with a leading Chinese manufacturer Shijiazhuang Huanzhong Biotech Limited to assemble and package myLotus
- Appointment of China Country Manager Kevin Su Wei to build distributor network in China
- Opening of new UK headquarters in Bedfordshire - doubling the size of Concepta's laboratory operational headquarters to increase R&D capacity
- 10 year lease signed for new manufacturing facility in Doncaster, Yorkshire
- Achievement of ISO13485 accreditation - a key step in attaining CE marking for EU and UK launch of myLotus
- New product development - signing of technology transfer and licence agreement with Selective Antibodies Limited to develop stress test for myLotus fertility product

#### Financial Overview

- EBITDA loss £1.82m excluding deemed reverse takeover costs (£2.46m including deemed reverse takeover costs)
- Cash at year end £2.7m
- £3.4m (net of issue expenses) share placing secured in July 2016

A copy of the annual report & accounts for year ended 31 December 2016 will be sent to shareholders shortly and will be available from the Company's website [www.conceptapl.com](http://www.conceptapl.com)

## **CHAIRMAN'S STATEMENT**

### **Business Progress**

It gives me great pleasure to report a successful start for Concepta since it joined AIM in July 2016, and on the progress it has made during the period under review as it builds itself into a leading health diagnostics company focused on women's fertility and specifically unexplained infertility. It has been an exciting year for Concepta following its reverse takeover and admission to AIM in July 2016, having successfully raised £3.4 million with the aim to launch our proprietary fertility product myLotus into China in 2017 and thereafter into the UK and Europe.

To this end, we enjoyed an active second half of 2016 which saw us setting up product manufacturing and logistics in both the UK and China and making a number of necessary preparations ahead of myLotus' launch. In tandem with this we have continued to build on the scope of our product offering through continued research and new product development and have forged partnerships with players in the same space in this respect.

A significant market opportunity exists to develop a 'best in class' product to help women with unexplained infertility to conceive. We believe our myLotus product delivers this being the only product that allows both quantitative and qualitative measurement of a woman's personal LH and hCG hormone levels to help increase conception probability. Concepta's platform allows the measurement of hormones and small molecules in the consumer's home. The ability to see quantitative as well as qualitative results, and the link with a mobile app, make us unique within the rapidly growing mobile health market. It is our intention to capitalise upon this opportunity and deliver value for shareholders as we continue to build this Group in 2017 and beyond.

Our initial focus is on helping women / couples with unexplained infertility, a highly motivated group but with very few medical options available to them. myLotus provides them with unique and personal information that allows them to increase their chances to conceive.

### **Strategy underpinned by results-driven operational focus**

Our growth strategy is focused on the commercial launch of our flagship myLotus product in the highly lucrative Chinese and EU infertility space where we see an addressable market of £600m. We have a defined route to market for myLotus with regulatory approvals for launch in China already secured and the process of obtaining CE-Marking for the UK and Europe well underway for a 2017 launch. Our primary focus on unexplained infertility presents a fantastic opportunity to grow our market share in the personalised mobile health space; the issue of infertility is universal and largely unaffected by demographics, resulting in a target consumer that is highly driven.

As we progress towards the launch of myLotus we plan to increase the scope of the product's applications through research and development, creating new means by which

we can capitalise on the profitability of the mobile health sector; a huge global market which is set to grow at an exponential rate. We remain dedicated to engaging in partnerships which complement our business model and further our ability to provide products that tackle the issue of unexplained infertility.

Our platform is currently unique and offers the potential to develop a wide range of additional tests that could dramatically change how we look after our own health.

Within Concepta PLC our structure initially centered on its fertility focused subsidiary, Concepta Diagnostics Limited, and as a result with cFDA product registration achieved in China, we are starting commercialisation in this large and important market. We aim to maximize fertility sales in China and then launch in subsequent markets, allowing us to develop other opportunities in parallel.

### **Managerial expertise**

We have assembled a management team with many years of experience in Women's Health across many areas and, in particular, international product development within Asia.

The Sales & Marketing team has substantial experience of gaining consumer insights and have contributed to the development of products that are unique and highly relevant to our target group.

### **Financial position**

Financially, the Group is in the early stages of its development, and in 2016 concentrated on the steps required to launch the myLotus product in China. The funds raised in July 2016, supported by Mercia Technologies PLC, underpin the Group's Business Plan for the commercialisation of its products and the R&D on its next generation of products.

### **Outlook**

Our strategy remains unchanged and we expect to continue to focus our efforts on the Chinese and European launch of our myLotus product. We believe we are well positioned to deliver strong, organic growth from our myLotus product and also plan to continue concentrating additional efforts on research and development to expand the breadth and depth of the platform's features, building ourselves as a highly cash generative healthcare company and market leaders within the growing market for personalised mobile health.

A key challenge for companies is the transition from laboratory-based small volume manufacturing, to full-scale commercial manufacturing. Concepta is setting up a dedicated manufacturing facility in Doncaster, with initial manual assembly progressing to automated assembly, making us far less dependent on the lead times of our supply chain.

The Group has made huge strides since its admission to AIM in July 2016 and it goes without saying that we couldn't have done this without the help and support of our employees, shareholders and advisors. We have no doubt that Concepta will continue to excel and deliver on its objectives from here onwards.

We are building a business that has an exciting future and I look forward to the journey of building an international mobile health business.

### **Board change**

We are pleased to welcome Neil Mesher to the Board as Non-Executive Director, who joined with effect from 29 March 2017. His experience and insight within the healthcare industry and consumer electronics in particular will complement our existing expertise in diagnostics and will also supplement our efforts to diversify our offering to improve users' ability to manage a range of conditions beyond our current core fertility business.

Finally, I would like to take this opportunity to thank Neil Herbert for remaining as a Non-Executive Director during the reverse takeover and over the previous 2 years.

**Adam Reynolds**

Chairman

**CHIEF EXECUTIVE'S REVIEW**

Millions of women worldwide find it difficult to conceive. The medical profession cannot find anything physically wrong with them or their partner. They enter an agonising and frustrating period of waiting or contemplate IVF.

Concepta is addressing common factors that can affect fertility in any given cycle. The initial product range offers personalised measurement of hormones at home and the ability to see whether they may be the cause of the lack of success.

myLotus is the only known home platform to offer both qualitative and quantitative results.

In 2013 the idea for the products grew out of a lack of solutions that targeted the women most at need: those with unexplained infertility rather than the "average woman".

The idea for the product grew into a prototype and, after an initial fundraising in April 2014, Concepta Diagnostics Limited was formed to further develop and commercialise the product.

The myLotus brand name was created, laboratory testing refined the product and thanks to founder member contacts we put the products through cFDA registration in China.

We achieved product registration for China in January 2016 and sought funding to start commercialisation. After listing on AIM in 2016 we obtained the funding to put a commercial organisation in place. We signed a manufacturing agreement for the final products in China, set up a manufacturing site in Doncaster to manage the production of the medical devices in the UK and are in the final stages of non-regulatory trials prior to obtaining our first order from China.

**Strategy**

Whilst the system was designed to support fertility it became apparent that we had a platform that fits in perfectly with the aims of mobile health: provide better patient outcomes at home at a reduced cost to healthcare systems.

The ability to monitor what is wrong with you and have results sent to a medical professional through the app is appealing in a variety of conditions.

Unexplained infertility is a global issue. We will roll the products out to other markets after appropriate regulatory approvals. Where possible we will handle the operations directly.



Our product developments are initially focused on addressing different parameters that can affect women with unexplained infertility. We aim to offer cumulatively improved chances of conception through an understanding of issues linked to unexplained infertility.

Our ability to develop quantitative home tests could take us outside the industries we are familiar with. Where this is in the interest of creating shareholder value we will evaluate the merits of OEM opportunities. Our structure is such that this would not detract from our core fertility business.

### **Markets**

Our initial product offering in fertility offers a simple message to a motivated target group: the potential to increase your chances to conceive if you have been trying for 6 months or longer.

The technology of using urine tests is well established and consumers are used to obtaining these products directly.

In many markets we can reach these women without the need for an expensive infrastructure. We will establish learning of the sales & marketing activities that work best before rolling out to additional markets.

Both the rate of sale and production capacity will be managed to avoid out of stock periods or large overcapacity.

### **Products**

We have announced that our next product in development is a test to differentiate chronic stress from acute stress.

The impact of chronic stress on both male and female fertility is well documented. Monitoring this will allow the couple to help manage their stress levels and the impact this is having on them.

A chronic stress test would also have large applications outside of fertility.

We will continue to develop our own Intellectual Property but will enter into collaborative deals as and when appropriate.

### **Scientific support**

The management team has many years of experience in Women's Health in a variety of functions.

Our technology allows us to move outside of the classic tests available. We plan to assemble an advisory board to stimulate scientific debate around the areas we enter and also ensure that all claims are supported.

### **Outlook**

There are several independent industry reports on mobile health and the potential benefits it can deliver to individuals, healthcare systems and the whole of society.

This will be a multi-faceted development involving infrastructure as well as ethical debates and control systems.

We believe that we are very well placed to play a role in this development. We have a platform that is easy to understand, easy to use, economical and applicable for a wide variety of tests.

We will collaborate with healthcare initiatives to make the most of our offering in this exciting new world of personalised healthcare.

**Erik Henau**

Chief Executive Officer

**FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Notes	11 month period ended 31 December 2016 £	Year ended 31 January 2016 £
Revenue	4	-	3,730
Cost of sales		(37,972)	-
<b>Gross (loss)/profit</b>		<b>(37,972)</b>	<b>3,730</b>
Other administrative expenses		(966,896)	(1,240,916)
AIM admission expenses		(843,448)	-
Deemed cost of reverse acquisition		(640,958)	-
Share-based payments		(74,040)	(25,959)
<b>Administrative expenses</b>		<b>(2,525,342)</b>	<b>(1,266,875)</b>
<b>Operating loss</b>	5	<b>(2,563,314)</b>	<b>(1,263,145)</b>
Finance income	7	222	910
Finance expenses	7	(1,355)	-
<b>Loss before income tax</b>		<b>(2,564,447)</b>	<b>(1,262,235)</b>
Tax credit	8	149,221	164,112
<b>Loss for the period</b>		<b>(2,415,226)</b>	<b>(1,098,123)</b>
Attributable to owners of the parent:		<b>(2,415,226)</b>	<b>(1,098,123)</b>
Loss per ordinary share - basic and diluted (£)	9	(0.03)	(0.04)

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		31 December 2016	31 January 2016
	Notes	£	£
<b>Non-current assets</b>			
Property, plant and equipment	10	186,933	253,268
Intangible assets	11	215,993	-
<b>Total non-current assets</b>		<b>402,926</b>	<b>253,268</b>
<b>Current assets</b>			
Inventories	12	70,500	-
Trade and other receivables	13	215,103	20,011
Corporation tax receivable		96,221	178,146
Cash and cash equivalents	14	2,708,477	100,389
<b>Total current assets</b>		<b>3,090,301</b>	<b>298,546</b>
<b>Total assets</b>		<b>3,493,227</b>	<b>551,814</b>
<b>Current liabilities</b>			
Trade and other payables	15	181,957	108,443
Loans and borrowings	16	-	30,000
<b>Total current liabilities</b>		<b>181,957</b>	<b>138,443</b>
<b>Non - current liabilities</b>			
Deferred tax liability	17	-	53,000
<b>Total non-current liabilities</b>		<b>-</b>	<b>53,000</b>
<b>Total liabilities</b>		<b>181,957</b>	<b>191,443</b>
<b>Net assets</b>		<b>3,311,270</b>	<b>360,371</b>
Share capital	18	2,740,631	425
Share premium account		8,663,326	2,305,374
Share-based payment reserve	19	541,364	43,879
Capital redemption reserve		1,814,674	-
Reverse acquisition reserve		(6,044,192)	-
Retained earnings		(4,404,533)	(1,989,307)
<b>Total equity</b>		<b>3,311,270</b>	<b>360,371</b>

These financial statements were approved and authorised for issue by the board of directors on 25 April 2017 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
	£	£	£	£	£	£	£	£
<b>Concepta Diagnostics Limited</b>								
<b>Equity as at 1 February 2015</b>	425	-	2,305,374	-	(891,184)	-	17,920	1,432,535
Loss for the year	-	-	-	-	(1,098,123)	-	-	(1,098,123)
<b>Total comprehensive loss</b>	-	-	-	-	(1,098,123)	-	-	(1,098,123)
Share-based payments	-	-	-	-	-	-	25,959	25,959
<b>Equity as at 31 January 2016</b>	425	-	2,305,374	-	(1,989,307)	-	43,879	360,371
<b>Concepta PLC</b>								
<b>Equity as at 1 February 2016</b>	361,999	1,488,875	3,672,903	-	-	-	-	5,523,777
Loss for the period	-	-	-	-	(2,415,226)	-	-	(2,415,226)
<b>Total comprehensive loss</b>	-	-	-	-	(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 &	-	(1,814,674)	-	1,814,674	-	-	-	-

cancellation of shares									
Share-based payments	-	-	-	-	-	-	-	497,485	<b>497,485</b>
<b>Equity as at 31 December 2016</b>	<b>2,740,631</b>	<b>-</b>	<b>8,663,326</b>	<b>1,814,674</b>	<b>(4,404,533)</b>	<b>(6,044,192)</b>	<b>541,364</b>	<b>3,311,270</b>	

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

### 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 2016. 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.

On 26 July 2016 Concepta PLC ("Company") acquired the entire issued share capital of Concepta Diagnostics Limited ("legal subsidiary") for a consideration of £3,025,916, satisfied by the issue of shares of £2,275,796 and cash of £750,120. As the legal subsidiary is reversed into the Company (the legal parent), which originally was a public-listed cash shell company, this transaction cannot be considered a business combination, as the Company, the accounting acquiree does not meet the definition of a business, under IFRS 3 'Business Combinations'. However, the accounting for such capital transaction should be treated as a share-based payment transaction and therefore accounted for under IFRS 2 'Share-based payment'. Any difference in the fair value of the shares deemed to have been issued by the Concepta Diagnostics Limited (accounting acquirer) and the fair value of Concepta PLC's (the accounting acquiree) identifiable net assets represents a service received by the accounting acquirer.

Although the consolidated financial information has been issued in the name of Concepta PLC, the legal parent, it represents in substance continuation of the financial information of the legal subsidiary.

The assets and liabilities of the legal subsidiary are recognised and measured in the Group financial statements at the pre-combination carrying amounts and not re-stated at fair value.

The retained earnings and other reserves balances recognised in the Group financial statements reflect the retained earnings and other reserves balances of the legal subsidiary immediately before the business combination and the results of the period from 1 February 2016 to the date of the business combination are those of the legal subsidiary only.

The equity structure (share capital and share premium) appearing in the Group financial statements reflects the equity structure of Concepta PLC, the legal parent. This includes the shares issued in order to effect the business combination.

The comparatives numbers presented in the financial statements are the accounts of the legal subsidiary for the year ended 31 January 2016.

The difference between the aggregate deemed fair value of the consideration paid and the identified assets and liabilities acquired of Concepta PLC is £640,958 and this amount is charged to the income statement for the period ended 31 December 2016. The cash inflow on acquisition (net of cash acquired) is £872,806. This amount is the cash and cash equivalent of Concepta PLC as at date of acquisition (26 July 2016).

#### **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 February 2016. However, none of them has a material impact on the Group's consolidated financial statements.

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

A number of new standards, amendments to standards and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning after 1 February 2016, or later periods, where the Group intends to adopt these standards, if applicable, when they become effective. 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 impact of this standard has not yet been assessed.

- IFRS 9 Financial Instruments, effective date 1 January 2018, subject to the endorsement by the EU. IFRS 9 is a replacement for IAS 39 'Financial Instruments' and covers three distinct areas. Phase 1 contains new requirements for the classification and measurement of financial assets and liabilities. Phase 2 relates to the impairment of financial assets and requires the calculation of impairment on an expected loss basis rather than the current incurred loss basis. Phase 3 relates to less stringent requirements for general hedge accounting.

The impact of this standard has not yet been assessed.

- 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.

The impact of this new standard has not yet been assessed.

### **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 the total amount receivable by the Company for services supplied, excluding VAT and trade discounts.

### **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.

### **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 assets	- 50% straight line on second hand assets

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

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

### **Intangible assets**

#### **(i) Research and development**

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

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

1. it is technically feasible to develop the product to be used or sold;
2. there is an intention to complete and use or sell the product;
3. the 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.

**Inventory**

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 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.

### **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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#### **About Concepta Plc:**

Concepta plc is a pioneering UK healthcare company that has developed a proprietary platform and products targeted at the personalised mobile health market with a primary focus on women's fertility and specifically unexplained infertility\*.

Founded in 2013, Concepta has developed a revolutionary flagship product 'myLotus' for home self-testing that helps women with unexplained infertility to conceive.

myLotus is the only consumer product which allows both quantitative and qualitative measurements of a woman's personal hCG and LH hormone levels in an easy to use home test to facilitate higher conception rates and early diagnosis of any fertility problems. Competitor products currently only allow qualitative measurement and are based on the 'average woman'.

Concepta has a defined route to market for its new 'myLotus' product with Regulatory approvals for launch in China in place for H1 2017 and CE-Marking for UK and Europe to follow later in 2017, where the revenue potential of the Chinese and EU infertility market is worth c.£600m per annum for the company.

\*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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