28 March 2017

LIDCO GROUP PLC
("LiDCO" or the "Company" or the "Group")

Final Results

LiDCO (AIM: LID), the hemodynamic monitoring company, announces its audited Final Results for the year ended 31 January 2017.

Financial highlights

- LiDCO product revenue (excluding third party products) up 14% to £6.76m (2016: £5.96m)
- Revenue up 8% to £8.21m (2016: £7.59m)
- Gross margins (excluding third party products) of 79% (2016: 81%)
- Surgery disposables revenue up 12% to £3.60m (2016: £3.21m)
- Adjusted profit before tax* of £0.06m (2016: loss £0.34m)
- Earnings per share of 0.09p (2016: loss 0.21p)
- Completed an oversubscribed fundraise of £3.0m in December 2016 to accelerate overseas expansion
- Net cash inflow before fundraise of £0.52m (2016: £0.08m)
- Debt free with cash at year-end of £4.90m (2016: £1.59m)

* *Adjusted for share-based payments and 2016 exceptional item*

Operational highlights

- US expansion commenced with appointment of Head of North America in January 2017
- 227 monitors sold/placed (2016: 160)
- Surgical disposable unit sales up 17% to 46,580 (2016: 39,975)
- Launch of LiDCO*rapid*^{v2} with non-invasive technology in Japan
- LiDCO*rapid*^{v2} approved by Chinese Food and Drug Administration (CFDA)
- Launch of new LiDCO*unity* hemodynamic monitor in Europe and USA
- Master Distribution companies appointed to manage Middle East, Canada, Sub-Sahara Africa and former Soviet States
- Awarded a NHS Supply Chain Framework Agreement for LiDCO products
- Distribution agreement with ICU Medical to sell LiDCO LXi monitor in USA
- Renewal of five-year commercial agreement with Argon Medical to distribute pressure monitoring products in UK & Ireland

Post year-end

- Appointment of Peter Grant as Non-Executive Chairman designate
- Launch of new widescreen hemodynamic monitor platform with additional functionality in Europe

Commenting on the results, Matthew Sassone, Chief Executive Officer, said:
"LiDCO continues to take the right steps forward in delivering the strategic plan I outlined when becoming CEO. We are delivering on the plan to expand overseas from our market leading position in our home UK market. The fund raising enables us to accelerate our plans, investing in our commercial operations will enable us to realise more from the growing attractive market of hemodynamic monitoring."

This announcement contains information which, prior to its disclosure, was considered inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 (MAR).

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The Company presentation will be available from today on the LiDCO website: www.lidco.com.

Strategic Report

The Group has spent the year delivering on the plan to expand from our core UK market. Revenues outside of the UK grew by 25% and in 2016/17 represented 36% of our business, up from 31% in the prior year. Overall we are pleased with the performance of the business, with LiDCO product revenues growing 14% over the prior year. The fundamentals of our high margin recurring disposable business model remain strong and the global market for hemodynamic monitoring continues to grow. The Group ended the year having generated cash from operations and debt free. During the year, we made the strategic decision to raise the necessary capital to accelerate the future growth of the Group. The fundraising was oversubscribed and provided the Group with £3.0m (before costs) to invest in expanding our commercial operations.

The Group is benefiting from the results of the building blocks put in place when we launched our strategic plan in October 2015, which can be grouped under the following headings:

- Geographical expansion
- Commercial focus
- Maintain our technology leadership
- Focus on specific market applications

Geographical expansion

Geographical expansion is our greatest driver of future growth and the Board has identified a number of key geographies in which we feel that we can gain a significant market share. This is only possible if we have a solid foundation in the UK, our home market, from which to grow. During the year, we further strengthened our UK market leading position and we were pleased with the robust growth of LiDCO product revenues, where sales are predominately to the NHS.

We believe the USA offers us the greatest opportunity and remains the largest market for hemodynamic monitoring. During the year we added to our direct sales force and signed a distribution agreement with ICU Medical for our LiDCO LXi monitor which will support the launch of their own hemodynamic monitor Cogent, from which we expect to receive a royalty.

In our distributor markets, we continue to make progress in creating the infrastructure needed to deliver our geographical expansion plans. Our internal resources manage distributors in the territories with the greatest mid to long term market opportunities, and we utilise master distribution companies to manage those distributors which we feel will be better served by a more local presence. As part of this more tailored approach to distribution management, we have selected markets within Europe, Middle East and Asia where we have identified strong growth opportunities and are investing together with our partners in promotional activities to develop the market further and widen the adoption of hemodynamic monitoring.

As the world's second largest hemodynamic monitoring market, Japan is strategically important to us and it is pleasing to see that in the year we recommenced sales of both monitors and disposables to our strategic partners in this country.

The proceeds of the fundraising will assist with this strategy of developing overseas markets, accelerating revenue growth and reinforcing our leadership position in the UK.

Commercial focus

During the year we continued to re-direct spending towards the commercial activities of the business in order to improve our sales efforts and the way that we promote ourselves globally. However it became apparent that if LiDCO was to realise its full potential, greater commercial resources were going to be necessary to execute our strategic plan. After a full review of the strategy the Company undertook the necessary fundraising in order to raise the capital required to support our growth plans.

Technology leadership

In March 2016 we launched our latest monitor, LiDCO*unity*, which combines the full suite of LiDCO technology into one product, offering our customers the ability to use one monitor and one disposable for the whole acute care patient pathway. This is a unique differentiator and enables us to maintain ourselves as a technology leader in this field. The launch of this new product was one of the factors behind our strong monitor sales performance this year.

Specific market application focus

We estimate that the global market for hemodynamic monitoring to be currently in excess of $200m per annum of which we have approximately a 4% share. With a broad potential application of our technology we need to be focused on the areas that offer us the greatest return on our investment. At a high level we define this as high risk surgery and critical care, with particular focus within these two areas on:

- Colorectal surgery
- Emergency laparotomy surgery
- Oncology surgery
- Vascular surgery
- Cardiac surgery
- Septic shock

LiDCO's technology, when used in these groups of patients in both intensive care and surgical settings as part of goal-directed hemodynamic therapy, has been shown to improve patient outcomes through the optimisation of cardiac output and oxygen delivery to tissues.

Following the successful fundraising we enter a period of accelerating revenue growth through significant investment in our commercial resources. By doing this we believe that we will better position the Group for sustained higher growth in the medium term.

Board changes

On 6 March 2017 we announced some key changes to the Board in line with the Board's succession plans.

Peter Grant joined the Board as Non-Executive Director and Chairman Designate. It is the Board's intention that Peter will succeed Theresa Wallis as Chairman of the Board, Audit and Nomination Committees when she steps down from the Board at the 2017 Annual General Meeting ("AGM"), after 14 years as Chairman. Another of our Non-Executive Directors, Ian Brown, has also announced his intention to step down from the Board at the forthcoming AGM, after 11 years as a Non-Executive Director.

Jill McGregor will join the Board in July 2017 in the role of Chief Financial Officer. Jill joins the Board as a replacement for Paul Clifford, the current Finance Director, who will retire from the Group at the end of March 2017.

On behalf of the Board I would like to thank Theresa, Ian and Paul for their services and dedication to the Group over many years.

Financial Review

Revenues

LiDCO product revenues in the year grew by 14% to £6.76m (2016: £5.96m) with total revenues (including third party products) up 8% to £8.21m (2016: £7.59m).

Overall we saw strong demand for monitors with 227 units being sold/placed (2016: 160 units) and growth in disposables of 8% to 61,471 units (2016: 56,752 units). Further comment on revenues by territory is provided below.

Gross profit and margin

The overall gross profit margin from LiDCO product was 79% (2016: 81%) with the reduction largely the result of an increased proportion of lower margin monitor and distributor revenues. The gross margin achieved on the sale of third party products remained unchanged at 20%. Overall, gross profit grew by 9% to £5.60m (2016: £5.14m).

Overheads

Overheads before share-based payments and the 2016 exceptional item increased marginally to £5.54m (2016: £5.48m). Personnel related costs amounted to 66% of overheads and the average full time equivalent headcount (excluding Non-Executive Directors) was 42 employees (2016: 44 employees).

Share-based payments were, unusually, a credit of £41,000 (2016: charge £72,000). The implementation of the expansion plans notified in the circular dated 7 December 2016 (the "Circular") are expected to result in increased costs in the 2017/18 financial year. It is, therefore, considered unlikely that the earnings per share vesting conditions on certain options will be met and this resulted in the credit.

Geographical expansion remains the greatest driver of our future growth and we expect to progressively increase sales resources across all regions but particularly in the US as set out in the Circular.

Earnings and tax

The Group made an adjusted profit before tax (adjusting for share-based payments and the 2016 exceptional item) of £61,000 (2016: loss £343,000). After charging those items and receiving the benefit of £93,000 of research and development tax credits, the Group made an overall profit for the year of £187,000 (2016: loss £416,000) equating to earnings per share of 0.09 pence (2016: loss per share 0.21 pence).

The Group has a potential unrealised deferred tax asset of £4.10m, recognition of which will be considered when a sustained trend of profits is more established.

Cash flow, borrowings and cash balances

The Group was cash generative in the year having a net cash inflow before financing activities of £522,000 (2016: £79,000) with inventories having been reduced by £472,000. In December 2016 the Group raised £3.0m gross through a placing and subscription of 50m new ordinary shares at 6 pence per share to provide growth capital to enable the Group to expand its global sales team and undertake a more extensive and focused marketing effort.

Year-end cash balances amounted to £4.90m (2016: £1.59m). The Group remains debt free.

Property, plant and equipment

There was a net decrease in property, plant and equipment in the year of £122,000 with additions of

£168,000 offset by depreciation of £290,000. The most significant additions continue to be £140,000 of medical monitors that comprise placed monitors on long term loan to hospitals in the UK and USA for active use, where the hospital pays for disposables, together with monitors for demonstration purposes and clinical trials. The placed monitors generally attract a premium on the price of disposables to compensate for the cost of providing and servicing these monitors. The placed monitors remain the property of the Group, under its control and can be substituted at the Group's discretion.

Intangible assets

Expenditure on intangible assets in the period was £521,000 (2016: £493,000) of which £461,000 (2016: £419,000) was spent on product development with a further £60,000 (2016: £74,000) on new product registration, predominantly in overseas territories. Expenditure on product development included the next generation LiDCO*unity* hardware platform, significant improvements to the operating system and amendments to the software to allow additional flexible pricing models.

Inventory

Inventory was reduced by £472,000 in the year. Although inventory levels may reduce further in the current financial year, traditional rates of inventory turn cannot always be applied to the Group as it relies on a number of single-source key suppliers and strategically maintains high levels of inventory in respect of such suppliers.

Operational Review

Revenue performance by product and key geographies

	Year to Jan 2017				Year to Jan 2016			
	Monitors £'000	**Disposables £'000**	**Other £'000**	**Total £'000**	Monitors £'000	Disposables £'000	Other £'000	Total £'000
LiDCO products								
UK	**336**	**3,131**	**318**	**3,785**	279	2,983	322	3,584
US	**295**	**881**	**7**	**1,183**	86	976	9	1,071
Japan	**32**	**79**	**-**	**111**	9	26	-	35
Europe	**267**	**453**	**18**	**738**	145	572	15	732
ROW	**319**	**624**	**3**	**946**	265	264	7	536
	1,249	**5,168**	**346**	**6,763**	784	4,821	353	5,958
Third party products								
UK	**-**	**1,449**	**-**	**1,449**	-	1,635	-	1,635
Total sales	**1,249**	**6,617**	**346**	**8,212**	784	6,456	353	7,593

Surgery disposables revenue was £3.60m (2016: £3.21m). The most significant component of the revenue labelled 'Other' above is monitor service contracts in the UK which were £251,000 (2016: £256,000).

Unit sales performance by category in key geographies

Unit sales	Year to Jan 2017		Year to Jan 2016	
LiDCO products (incl placed monitors)	Monitors Units	Disposables Units & Use	Monitors Units	Disposables Units & Use
Surgery products				
UK	51	24,365	48	22,965
US	40	5,650	31	6,885
Japan	10	1,500	-	500
Europe	33	5,310	29	6,895
ROW	72	9,755	29	2,730
Surgery Total	**206**	**46,580**	**137**	**39,975**
ICU products				
All territories	21	14,891	23	16,777
Total	**227**	**61,471**	**160**	**56,752**

During the period a total of 227 monitors (2016: 160 monitors) were sold or placed, with total disposable unit sales of 61,471 (2016: 56,752). Revenue from sales of monitors was £1.25m (2016: £0.78m). Surgical disposables units and revenues were up 17% to 46,580 units (2016: 39,975 units) and up 12% to £3.60m (2016: £3.21m) respectively, driven by strong demand from the UK, Middle East and China. Sales of intensive care disposables units were down from 16,777 units to 14,891 units with revenue of £1.54m (2016: £1.61m). We see a reducing demand for our traditional intensive care disposables from the USA and some European countries as customers move to using the more convenient surgery disposables to treat their patients in this care setting. Total disposable revenues (including third party products) represent 81% of total product revenues (2016: 85%).

UK

Sales in the UK market (excluding third party products) were up 6% to £3.79m (2016: £3.58m). Including third party products, sales were £5.23m (2016: £5.22m). LiDCO products had a strong performance considering the restricted spending climate in the NHS as we consolidated our position as the market leader. The total number of monitors sold and placed was similar to the previous year at 67 units but the launch of our new monitor LiDCO*unity* enabled us to achieve a higher selling price, with monitor revenues up 20% to £0.34m (2016: £0.28m). Total LiDCO disposable units were up 5% to 34,450 (2016: 32,865) indicating a continuing adoption of our technology. Sales of third party products in the UK declined 11% to £1.45m (2016: £1.63m) due to pricing pressure.

A new sales channel opened during the year as LiDCO products were awarded a NHS Supply Chain Framework Agreement for the first time, enabling our customers to purchase without undertaking a local tender process. In a move to bolster our representation in Ireland, we appointed an exclusive distributor to manage this market.

US

The US market is where we see the greatest opportunities for growth globally. This reflects a greater drive to adopt Enhanced Recovery After Surgery (ERAS) and Perioperative Surgical Home (PSH) programmes, both of which advocate a proactive management of the patient's hemodynamic status.

Market access has been our greatest challenge and is now being addressed post our fundraising although our performance in the year was restricted as we sold direct via a small sales team. With the benefit of a strong first half performance driven by capital sales, total sales grew by 10% to £1.18m (2016: £1.07m). However, with an increasingly competitive environment, disposables sales declined to £0.88m (2016: £0.98m) largely due to a significant customer loss in March 2016. Initially in the year we focused on winning new business and were successful in winning new customer accounts but given the significant customer loss we subsequently focused our existing resources on maintaining our customer base.

During the year we started to realise sales from the five-year purchasing agreement signed in November 2015 with a large US healthcare group. To better exploit this and other opportunities we recruited an additional sales person during the year and a Head of North America in January 2017. Further to the fundraising we expect to increase our direct presence significantly during 2017, more than doubling our sales team, which will enable us to better serve our existing customer base whilst focusing on increasing our market share in this large, growing and attractive market.

Although ICU Medical were awarded FDA approval during the year for their new hemodynamic monitor (Cogent) that incorporates our technology they have delayed the commercial launch until spring 2017. ICU Medical has a substantial existing invasive catheter-based cardiac output monitoring business and we now expect to start receiving a royalty income from sales of both monitors and disposables from them in this new financial year.

Japan

During the year we launched the LiDCO*rapid*^{v2} Unity software with non-invasive blood pressure module in Japan. This enables us to expand our offering, target an additional patient population with the non-invasive product and revitalise our commercial efforts. Whilst we are encouraged by the growth in monitor and disposable sales we continue to explore the best approach to this considerable yet conservative market. We are addressing a market with a highly embedded market leader and are re-evaluating our routes to market. Nihon Kohden was appointed in August 2012 as the exclusive distributor for five years to sell the LiDCO*rapid* monitor and disposable kit in Japan. In 2017 we plan to review our distribution arrangements in Japan.

Continental Europe

Sales in Europe were steady at £0.74m (2016: £0.73m) with total monitors sales of 38 units compared with 31 units last financial year. We have a strong position in a few selected markets within Europe and are working on expanding our presence in some of the larger countries in the region. Historically these larger markets have not been responsive to LiDCO's technology. We believe that we have an opportunity to re-launch ourselves and will use 2017 to build a more significant business by targeting the high risk surgery segment. With our much strengthened balance sheet, we expect to recruit additional sales resource into this region to support this initiative.

Rest of World

As anticipated, we saw strong demand from China after gaining registration in March 2016 and from the Middle East where there is a growing awareness of ERAS and perioperative fluid management principles. Sales in ROW grew by 76% to £0.95m (2016: £0.54m), driven by strong monitor sales 72 units (2016: 29 units) and surgery disposables which grew 257% to 9,755 units (2016: 2,730 units).

The high margin on our products supports working through partners that manage groups of distributors on our behalf, enabling us to concentrate our direct resources on larger priority markets. We now have master distribution arrangements in place for the Middle East, South East Asia, Sub-Sahara Africa, former Soviet States and Canada. We will use some of the proceeds from the recent fundraising to add clinical and distribution management resources to these regions to accelerate adoption and penetration in selected growth markets.

New Products

In 2016 we launched our latest monitor LiDCO*unity,* a '3 in 1' hemodynamic monitor that combines the full suite of LiDCO technology into one offering. This advanced monitoring system adapts to patients' changing acuity levels and enables our customers to have seamless monitoring from the Emergency Department to the Operating Room, to the Intensive Care Unit and to the other High Dependency Units. LiDCO*unity* has the

flexibility to offer non-invasive, minimally invasive and calibrated hemodynamic monitoring all on one platform, meeting our customers' needs as their patients' acuity changes.

During the year we sold 43 unity monitors representing 19% of our overall monitor units shipped during the period.

This year at the International Symposium on Intensive Care and Emergency Medicine ('ISICEM'), March 2017, we launched in Europe our next generation monitor platform. In addition to the sleek new look, we have made significant improvements to our operating system and graphical user interface. The new monitor comes with the next version of our unity software with added features and functionality. A pre-market notification under Section 510(k) of the Food, Drug and Cosmetic Act has been submitted to US Food and Drug Administration (FDA) and once we have clearance this product will be launched in the US.

This new monitor hardware is a significant step forward and provides the platform for new developments in the future. In addition the Group intends to introduce a differentiated pricing model in target markets for customers with high annual usage. The Board believes that this will reduce the time taken to close business, encourage higher patient use, increase technology adoption and provide greater forward visibility of revenue.

Intellectual Property

Underpinning our technology and revenue streams is a strong brand and patent position. Patent cover provides us with a protectable product and strong market position. Wherever possible we take the initiative in developing and protecting our advances in physiological signal processing and intelligent graphical user interfaces. We are pleased to report that we have submitted further patent applications, one of which has been granted in Europe, covering features that enhance our core PulseCO™ algorithm.

Clinical evidence and support

For medical technologies to be introduced into mainstream practice, their use has to be increasingly shown to be both clinically and cost effective.

Since the publication of last year's annual report, a number of important clinical papers were published supporting the use of LiDCO technology:

1. *The American Society for Enhanced Recovery (ASER) and Perioperative Quality Initiative (POQI) published a joint consensus statement on perioperative fluid management within an enhanced recovery pathway for colorectal surgery. The group outlined a framework for the use of intraoperative goal-directed fluid therapy (GDFT) and the use of advanced hemodynamic monitoring equipment used to guide clinical decision-making. Reference: Perioperative Medicine (2016) 5:24 DOI 10.1186/s13741-016-0049-9*

2. *Further to the study by Huddart et al that demonstrated a significant reduction in mortality for patients undergoing emergency laparotomy in four UK hospital ,a 600 patient study from Denmark has also shown a significant reduction in mortality when using a multidisciplinary perioperative protocol incorporating LiDCO technology. The unadjusted 30-day mortality rate was 21.8 per cent in the control group compared with 15.5 per cent in the group receiving the intervention. Reference: Br J Surg. 2017 Mar;104(4):463-471. doi: 10.1002/bjs.10427*

3. *The Society of Critical Care Medicine journal has published a study evaluating the effects of goal directed therapy using LiDCOrapid in high-risk patients undergoing cardiac surgery. The randomised controlled trial involved 126 patients undergoing coronary artery bypass surgery or valve repair. The authors concluded that using LiDCOrapid in these high-risk patients for implementing a goal-directed hemodynamic therapy decreased major complications and also reduced ICU and hospital length of stay. The incidence of infection was reduced by 57% and the frequency of low cardiac output*

syndrome was reduced by 76%. This group stayed in hospital on average three days less than the standard treatment group. This is an important study, high-risk cardiac patients require hemodynamic and fluid management both in surgery and also post operatively in the ICU. Historically this has only been possible through using a highly invasive pulmonary artery catheter. The LiDCOrapid's minimal and non-invasive nature provides advanced monitoring while avoiding additional invasive catheter insertion. Reference: Crit Care Med. 2016 Apr; 44(4):724-33. doi: 10.1097/CCM.0000000000001479

4. *The World Journal of Surgery published a large study examining the influence of an enhanced recovery programme using LiDCOrapid for the fluid management element on the outcomes of upper gastrointestinal cancer surgery in 252 patients. Oesophageal cancer surgery is frequently performed in malnourished patients who go on to have a higher incidence of surgical complications that impede recovery. Both overall length of hospital stay and critical care length of stay were significantly shorter. Patients in the enhanced recovery group, where LiDCO technology was used, left hospital on average three days earlier. Reference: World J Surg (2016) 40:1645–1654. DOI 10.1007/s00268-016-3473-6*

5. *Presented at the 11th Annual Academic Surgical Congress in the USA early in 2016 and then peer-reviewed and published, a 394 patient study from a major hospital in the USA showed that implementing an enhanced recovery programme for elective abdominal surgery using intraoperative fluid management guided by LiDCOrapid resulted in a statistically significant decrease of two days in mean length of stay. In addition, the enhanced recovery group had a zero mortality rate compared to a 2.6% mortality rate in the standard care group. The authors also noted that the cost of surgery was less in the enhanced recovery group. Reference: Surgery Research and Practice Volume 2016 (2016), Article ID 6830260*

Outlook

The recent fundraising has transformed the outlook for the Group and we now enter a period of investment in our sales and marketing activities, for which costs are expected to be approximately £1.9m more in 2017/18 than in 2016/17. This investment will enable us to better execute our strategic plan, ensuring that we have the resources to expand our product sales into the many countries where adoption of advanced hemodynamic monitoring is now occurring. With the additional sales and marketing resources, our new product launches and the introduction of the new high usage pricing model coming on stream during the year, the Board is targeting a year of significant sales growth for LiDCO products in 2017/18 compared with the year just ended.

How we create value: our business model

LiDCO is a UK-based manufacturer and supplier of monitoring equipment and associated single patient use disposables to hospitals. LiDCO monitors are 'platform' in design. This means they can be easily and cost-effectively upgraded to add new software features and parameters by the addition of USB-connected modules. Our technology, coupled with our low cost manufacturing and product sourcing skills, combine to produce a highly differentiated, patent-protected monitor with a recurring income stream from the sale of dedicated high margin single patient use disposables and usage licenses.

Our monitors continuously display a number of crucial physiological parameters including arterial blood pressure, the effects of anesthesia on the level of consciousness of the brain, the requirement for intravenous fluids and the amount of blood and oxygen supplied to the body's tissues and organs. We provide this crucial data via an easy-to-interpret monitor user interface which helps clinicians and nurses ensure vital organs are adequately perfused and that patients are not over-anesthetised or sedated.

Historically, hemodynamic monitoring was invasive in nature, requiring the insertion of invasive central catheters. For this reason, it was only available to a restricted number of the high-risk patients that could potentially benefit. LiDCO's technology does not require the insertion of central catheters and can be used completely non-invasively and in both ventilated and non-ventilated patients.

Our customers are acute care physicians and nurses working in major hospitals caring for emergency and high-risk patients. Hospitals are migrating away from invasive technologies towards the use of less invasive monitoring, which has been shown to be cost effective and improve outcomes. Use of LiDCO monitors in high-risk patients in both intensive care and surgical settings has been shown to reduce mortality, complications, length of hospital stay and improve quality of life.

The key features of our business model:

We have developed a new generation of hemodynamic monitoring products designed to address a developing disposable market opportunity - internally estimated to be potentially $2 billion per annum

- Our disposable products are produced in high volume with low cost manufacturing processes and have a high margin.
- Sales of our products are supported with a growing body of evidence to satisfy purchaser requirements for clinical and cost effectiveness.
- We generate revenues principally through the sale of single-use disposables and, in future, sale of usage licenses into a growing installed base of LiDCO-enabled monitors.
- We protect our disposable income stream through having patented products with high levels of proprietary intellectual property which are subject to on-going development.
- We provide first-class training and education to our customers. This helps entrench our technology and reduce hospitals costs, with a focus on providing LiDCO with a sustainable recurring income.

Delivering our objectives: our strategy

Our strategy is to build shareholder value through the commercialisation of LiDCO monitoring systems and associated high margin repeat revenues. Excellence in product design, manufacturing and sales and marketing are at the core of our values. Our products are patent protected and supported by a growing body of data showing their clinical and cost-effectiveness. Our technology is not only usable in traditional locations such as the intensive care and surgery departments, but also in any area of the hospital where high-risk patients require such monitoring. Hospitals acquiring our compelling hemodynamic platform monitors can transition from traditional invasive catheter-based monitoring to LiDCO's minimally or non-invasive monitoring in high-risk patients, thereby reducing complications and lowering costs and length of stay.

Geographical expansion is key to LiDCO's capacity to address the worldwide opportunity for sales of our technology. Our sales and distribution model has three elements. Firstly, we have direct sales into hospitals in the UK and USA. Elsewhere we sell via distribution partners. Our depth of margin on disposable sales allows us to attract quality specialist distribution partners on an exclusive and non-exclusive basis, plus where necessary work through master distribution organisations to manage our distributors on our behalf.

By enabling us to increase our investments in our commercial operations, the proceeds of the fundraising will assist with this strategy of developing overseas markets, accelerating revenue growth and reinforcing our leadership position in the UK.

Our core technologies are patented and we see licensing our technology as another way to access the market. We have licensed our algorithm on a non-exclusive basis to a major corporate partner in the US in return for future royalty payments.

Measuring our performance: KPIs

The following KPIs are some of the indicators used by management to measure performance during the year:

Key performance indicators	**Year to January 2017**	Year to January 2016
Revenue growth of LiDCO products	**14%**	(10%)
Direct LiDCO product revenue per sales employee	**£325,000**	£266,000
Indirect LiDCO product revenue per sales employee	**£1,795,000**	£1,303,000
% LiDCO product overseas revenue	**44%**	40%
% of revenues in repeat LiDCO disposables	**76%**	81%
Monitors sold/placed in the year	**227**	160
Unit sales/use of surgery disposables	**46,580**	39,975
Gross profit margin on LiDCO products	**79%**	81%

Business objectives

Our objective is to increase our geographical presence beyond our market leading position in our home UK market. We see multiple opportunities in the growing hemodynamic monitoring market, with the largest opportunity being in the USA. To realise accelerated revenue growth we plan to significantly increase our investments in our commercial operations. We are aiming to expand our presence in the USA and UK as well as other key identified markets in the distribution territories. Due to the high margins of our offering we expect this strategy will result in stronger profitability in the mid-term.

Our corporate collaborations are an important element of our business. There are a number of these in place, ranging from OEM module licensing-in (Medtronic and CNSystems), distribution provisions (ICU Medical, Nihon Kohden and Argon) through to royalty-based licensing-out arrangements (ICU Medical).

Our recent new product launches will enable us to maintain our technology leadership position and we will look to differentiate ourselves further by introducing innovative payment models for high volume users. Further product improvements will look to add additional features that improve clinical decision making as well as catering for both the expert and novice user. At the foundation of our product development strategy is the objective of enabling our technology to be used along every step of the emergency or elective patient's care pathway.

We will focus on improving our promotional activities, with an increased digital presence as we recognise our customers rely on this for large parts of purchasing or post-purchase support. New websites and on-line services are being developed that will provide improved education for users and highlight the application of our technology in multiple clinical settings. We continue to target specific high risk surgery and critical care patient care pathways with our promotional activities to maximise our return on the greatest opportunities in our direct markets of UK and USA.

Matthew Sassone
Chief Executive Officer
27 March 2017

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
For the year ended 31 January 2017

	Note	**Year ended 31 January 2017 £'000**	Year ended 31 January 2016 £'000
Revenue		**8,212**	**7,593**
Cost of sales		(2,612)	(2,455)
Gross profit		5,600	5,138
Administrative expenses		(5,502)	(5,718)
Operating profit/(loss)		98	(580)
Share-based payments		(41)	72
Exceptional cost		-	163
Adjusted operating profit/(loss)		57	(345)
Finance income		6	3
Finance expense		(2)	(1)
Profit/(loss) before tax		102	(578)
Income tax		85	162
Profit/(loss) and total comprehensive income/(expense) for the year attributable to equity holders of the parent		**187**	**(416)**
Earnings/(loss) per share (basic and diluted) (pence)	**2**	**0.09**	**(0.21)**

CONSOLIDATED BALANCE SHEET
At 31 January 2017

	2017 **£'000**	2016 **£'000**
Non-current assets		
Property, plant and equipment	809	931
Intangible assets	1,958	1,869
	2,767	**2,800**
Current assets		
Inventory	1,467	1,939
Trade and other receivables	2,684	2,480
Current tax	93	168
Cash and cash equivalents	4,901	1,587
	9,145	**6,174**
Current liabilities		
Trade and other payables	(1,504)	(1,482)
Deferred income	(92)	(116)
	(1,596)	**(1,598)**
Net current assets	7,549	4,576
Net assets	**10,316**	**7,376**
Equity attributable to equity holders of the parent		
Share capital	1,221	971
Share premium	30,342	27,798
Merger reserve	8,513	8,513
Retained earnings	(29,760)	(29,906)
Total equity	**10,316**	**7,376**

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 January 2017

	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000
Profit/(loss) before tax	102	(578)
Finance income	(6)	(3)
Finance expense	2	1
Depreciation and amortisation charges	722	720
Share-based payments	(41)	72
Decrease in inventories	472	180
(Increase)/decrease in receivables	(204)	338
Increase/(decrease) in payables	21	(114)
Decrease in deferred income	(24)	(5)
Income tax credit received	161	117
Net cash inflow from operating activities	**1,205**	**728**
Cash flows from investing activities		
Purchase of property, plant & equipment	(168)	(163)
Purchase of intangible assets	(521)	(493)
Proceeds on the sale of equipment	-	4
Finance income	6	3
Net cash used in investing activities	**(683)**	**(649)**
Net cash inflow before financing	**522**	**79**
Cash flows from financing activities		
Finance expense	(2)	(1)
Repayment of finance lease	-	-
Issue of ordinary share capital (net of issue costs)	2,794	-
Net cash inflow/(outflow) from financing activities	**2,792**	**(1)**
Net increase in cash and cash equivalents	**3,314**	**78**
Opening cash and cash equivalents	1,587	1,509
Closing cash and cash equivalents	4,901	1,587

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 January 2017

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 February 2015	971	27,798	8,513	(29,562)	7,720
Share-based payment expense	–	–	–	72	72
Transactions with owners	–	–	**–**	**72**	**72**
Profit and total comprehensive income for the year	–	–	–	(416)	(416)
At 31 January 2016	**971**	**27,798**	**8,513**	**(29,906)**	**7,376**
Issue of share capital (net of issue costs)	250	2,544	–	–	**2,794**
Share-based payment credit	–	–	–	**(41)**	**(41)**
Transactions with owners	**250**	**2,544**	**–**	**(41)**	**2,753**
Loss and total comprehensive expense for the year	–	–	–	**187**	**187**
At 31 January 2017	**1,221**	**30,342**	**8,513**	**(29,760)**	**10,316**

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF THE FINANCIAL INFORMATION

These financial statements have been prepared in accordance with the principle accounting policies adopted by the Group, International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations (IFRIC) as adopted by the EU and those parts of the Companies Act 2006 applicable to companies reporting under and were approved by the Board on 27 March 2017. They are presented in sterling, which is the functional currency of the parent company and the Group. The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

These results are audited, however the financial information does not constitute statutory accounts as defined under section 434 of the Companies Act 2006. The financial information for the year ended 31 January 2016 has been derived from the Group's statutory accounts for that year, as filed with the Registrar of Companies. The auditors' report on the statutory accounts for the year ended 31 January 2016 was unqualified and did not contain statements under section 498 of the Companies Act 2006.

The accounting policies used in completing this financial information have been consistently applied in all periods shown. These accounting policies are detailed in the Group's financial statements for the year ended 31 January 2016 which can be found on the Group's website.

2. EARNINGS PER SHARE

The earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. The basic earnings per share for the year is based on a profit after tax of £187,000 (2016: loss £416,000) and weighted average number of shares in issue of 198,969,429 (2016: 194,174,908). The diluted earnings per share is based on the above calculation adjusted to allow for the issue of shares on the assumed conversion of all dilutive options. Share options are regarded as dilutive when, and only when, their conversion would decrease earnings or increase the loss per share. The diluted earnings per share is based upon a weighted average number of shares of 197,574,507.

3. DISTRIBUTION

Copies of this statement will be available for collection free of charge from the Company's registered office at 16 Orsman Road, London N1 5QJ. An electronic version of this announcement and the Annual report and accounts will be available today on the Company's website, www.lidco.com. Copies of the Annual report and accounts will be posted to shareholders on 10 April 2017 together with the notice of the Annual General Meeting.