2016/17

LiDCO Group Plc

Annual Report & Accounts for the year ended 31 January 2017

About LiDCO

LiDCO is a supplier of non-invasive and minimally invasive hemodynamic monitoring equipment to hospitals. Our products are used principally in the treatment of high-risk patients in both critical care units and in the operating theatre. They monitor the amount of blood flowing around the body helping clinicians and nurses to ensure that vital organs are kept adequately perfused with oxygenated blood by the adjustment of supportive fluid and drugs.

Clinical studies show that the optimisation of the hemodynamic status of high-risk patients produces better outcomes. LiDCO's computer-based technology is proven to significantly reduce mortality, complications, length of stay and the overall costs associated with major surgery.

With few competitors, there is a large and growing market for LiDCO's monitors. Once installed our monitors generate high recurring revenues from single patient use disposables. LiDCO has established itself as a leading edge innovator in the hemodynamic monitoring market which the Company believes is a potential $2 billion market opportunity.

www.lidco.com

Contents

Click on the headings to navigate through the document

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)

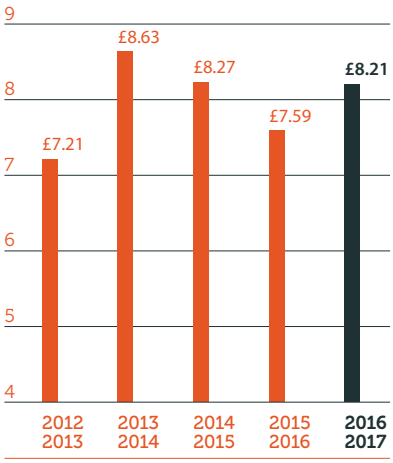
* adjusted for share-based payments and 2016 exceptional item

Operational highlights

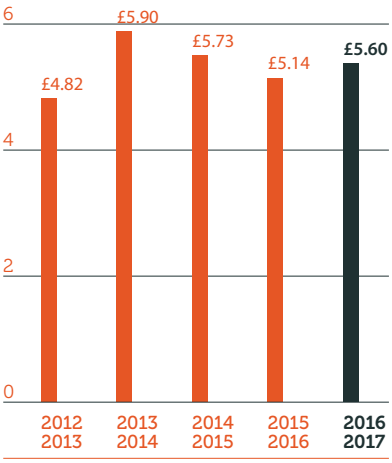
- US expansion commenced with appointment of Head of North America in January 2017
- 227 monitors sold/placed (2016: 160)
- Surgical disposable unit sales up 17% to 46,580 (2016: 39,975)
- Launch of LiDCO*rapid*^{v2} with non-invasive technology in Japan
- LiDCO*rapid*^{v2} approved by Chinese Food and 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

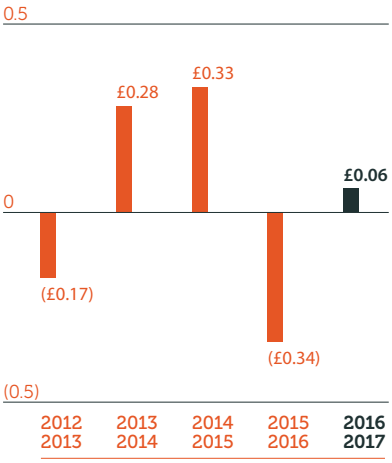
- Appointment of Peter Grant as Non-Executive Chairman designate
- Launch of new widescreen hemodynamic monitor platform with additional functionality in Europe



Revenue
£million



Gross profit
£million

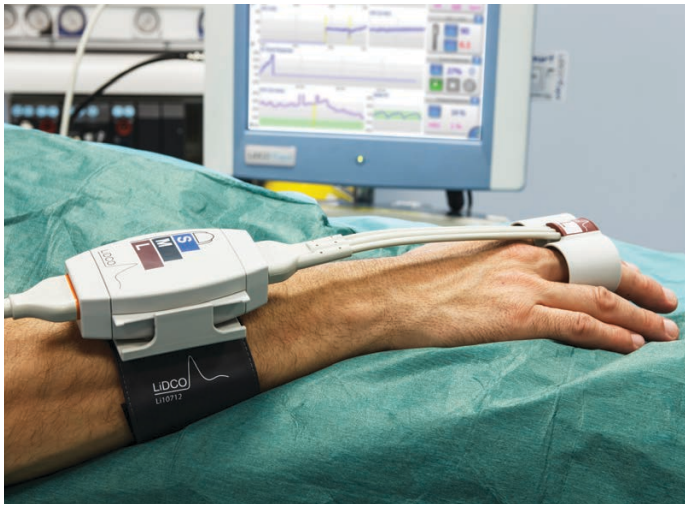


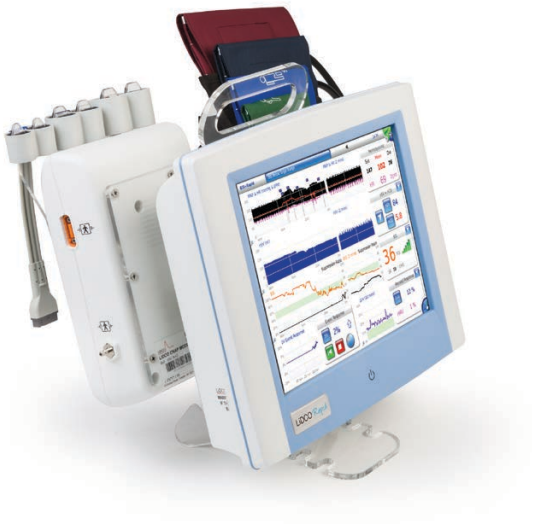
Profit/(loss) from operations*
£million

Our products

The growing market acceptance of the benefits of fluid monitoring offers significant opportunities for LiDCO's innovative, leading-edge products. They are easy to use in a variety of clinical settings and are under continual development. They require a low level of in-service resourcing and deliver recurring income with high margins. All our monitors use single-patient disposables that deliver an ongoing revenue stream. Our business model provides us with the ability to offer flexible customer solutions.

We have a strong track record of regulatory approval and intellectual property creation. We also benefit from several routes to market including direct sales, a distributor network, licence fees and royalties.





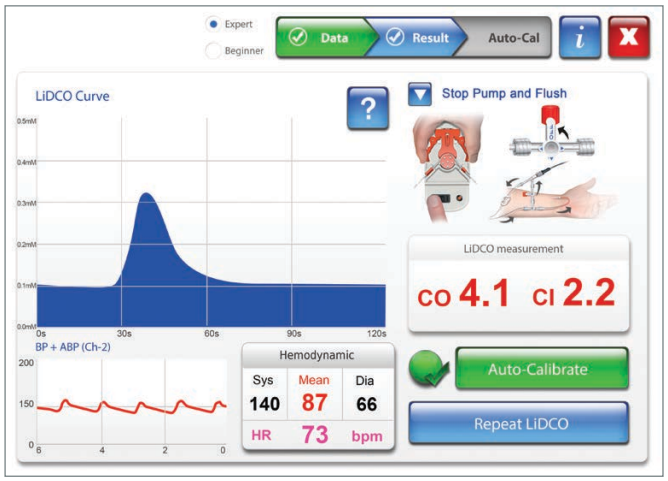
LiDCO*plus* a computer-based platform monitor used in the intensive care unit for real-time continuous display of hemodynamic parameters including cardiac output, oxygen delivery and fluid volume responsiveness (PPV% and SVV%).

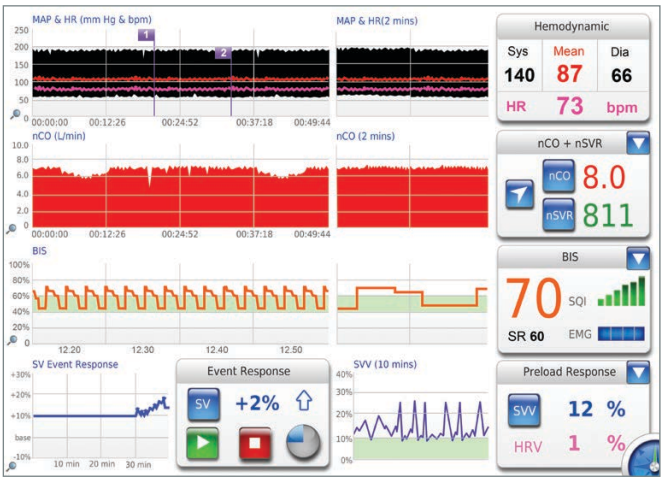
LiDCO*rapid* a cardiac output monitor aimed for use in the operating theatre and peri-operative arenas for fluid and drug management. Specifically designed for multi-parameter monitoring of both depth of anesthesia and fluids. The software incorporated into LiDCO*rapid*^{V2} allows the monitor to co-display Medtronic's level of consciousness parameter and add the convenience of CNSystems' continuous non-invasive blood pressure (CNAP^{TM}*) monitoring. This addresses the growing requirement for more comprehensive non-invasive monitoring solutions. The monitor enables anaesthetists to obtain immediate accurate feedback on a patient's fluid and hemodynamic status – a key measure of overall wellbeing before, during and after surgery.

LiDCO*view* an easy-to-use graphical display of historical LiDCO*plus* and LiDCO*rapid* hemodynamic data used for research and education purposes.

LiDCO*unity* is our new 3 in 1 hemodynamic monitor that combines the full suite of LiDCO technology into one offering. The advanced monitoring system adapts to patients changing acuity levels and enables our customers to have seamless monitoring from the emergency department to the intensive care unit, the operating room to 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.

* CNAP^{TM} is a trademark of CNSystems Medizintechnik AG.





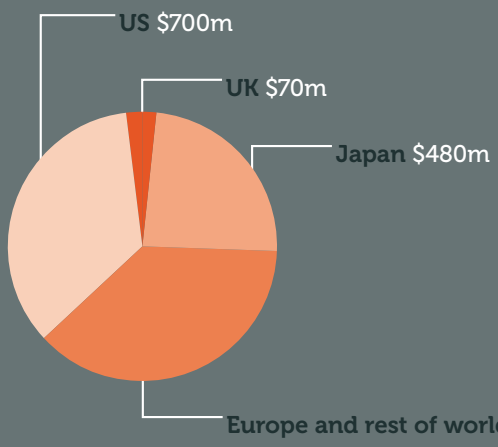
Positioned for growth

We aim to deliver long term, sustainable growth. Our strategy is to sell directly to hospitals in the UK and USA and through a network of specialty critical care and anesthesia distributors in Japan and the rest of the world.

As well as growing both domestic and international sales, we will develop and add more functions to our monitor platform, building acceptance and higher use through clinical outcome studies in targeted high-risk patient populations.

The surgical high-risk monitoring market is entering the growth early majority adoption phase in a number of territories. LiDCO expects surgery disposables to continue to grow in the UK, US, Japan and ROW territories. Higher levels of growth depend on further developing the market channel in territories where the opportunity has or is now entering mainstream adoption.

LiDCO's technology is portable and now completely non-invasive. This gives us the opportunity to further grow the market opportunity through extending the applications for our technology beyond the current peri-operative high-risk environment to additional surgical, interventional cardiology and medical settings.



Total potential market for LiDCO products is

$2 billion

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.

Matthew Sassone
Chief Executive Officer

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.

Strategic report
continued

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 an 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: 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 January 2017				Year to January 2016			
	Monitors £'000	**Disposables £'000**	**Other £'000**	**Total £'000**	Monitors £'000	Disposables £'000	Other £'000	Total £'000
LiDCO product								
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
Rest of World	**319**	**624**	**3**	**946**	265	264	7	536
	1,249	**5,168**	**346**	**6,763**	784	4,821	353	5,958
Third party product								
UK	**–**	**1,449**	**–**	**1,449**	–	1,635	–	1,635
Total revenue	**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 (including placed monitors)	Year to January 2017		Year to January 2016	
	Monitors units	**Disposables units and use**	Monitors units	Disposables units and 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
Rest of World	**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**	**61,771**	160	56,752

Strategic report
continued

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.

LiDCO product revenue up 14%

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 LiDCO*rapid* 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

Strategic report
continued

LiDCO*rapid* 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 LiDCO*rapid*'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 LiDCO*rapid* 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 LiDCO*rapid* 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%

Strategic report
continued

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.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group maintains a comprehensive risk register and risk management is an important part of the management process. Regular reviews are undertaken at all levels of the business to assess the nature and magnitude of risks and the means by which they may be mitigated.

The directors consider the key commercial risks currently associated with the business are as follows (these are not listed in order of significance):

Employees, forecasting and performance

The Group relies on a small number of senior management with a wide range of relevant skills and specialist sector knowledge. The Group employs about 45 people and recognises that its success depends on the calibre of all its employees, retaining their knowledge and ensuring that their productivity is maximised. The Group therefore maintains programmes for appraising, incentivising, training and recruiting employees. The risk of underperformance is mitigated by adopting systems and processes to develop realistic plans and budgets and then closely monitoring performance against those plans. Such systems and processes provide a level of resilience and the ability to take corrective actions should a potential risk of underperformance be identified. The Group also pays close attention to safeguarding the health and safety of employees.

Intellectual property

The Group has generated a valuable portfolio of proprietary intellectual property and its success and value depend to a significant extent on this. The Company mitigates the risk of a weakening of its intellectual property position through securing and maintaining patents for its products, maintaining confidentiality agreements regarding its know-how and regularly reviewing where opportunities might exist to file new patent applications.

Supply chain management

The manufacture of the Group's products relies on the supply of components from third parties; therefore the failure of suppliers or subcontractors to continue in business or meet their commitments constitutes a risk to continuity of supply. This is mitigated by maintaining good relationships with key suppliers in order to understand their capabilities and maintaining contracts and technical agreements as appropriate. In addition we work with all of our suppliers to ensure that they meet the latest regulatory requirements. Where the Group uses small volumes of critical components or where there are single sources suppliers, the Group generally maintains high levels of inventory to mitigate any risks and where possible work to identify further sources of supply. In addition the Group continues to review its disaster recovery plans to mitigate any potential interruptions to supply.

Distributors and corporate partnerships

The Group relies on distributors for its sales and marketing activities outside the UK and US, as well as distributing third party products in the UK. There can be no certainty of the on-going performance of these distributors / partners and the Group mitigates the risk of distribution / licensing partner underperformance by selecting partners with the requisite resources, skills, access to customers and creditworthiness. In addition, the Group provides ongoing training programmes and supports and closely monitors partner activity to ensure that contracts with partners continue to be effective and up to date. To further mitigate any risk the Group seeks to enter appropriate length contracts on reasonable terms with its corporate partners to ensure continuity of business.

Health service budgets and introduction of online / e-procurement

The Group's performance is affected by governments' and hospitals' expenditure and any, or developing, budgetary constraints. The Group mitigates this risk by targeting a wide geographical area for its products and reducing its overall reliance on one market as well as by educating customers as to the value proposition of its products. In addition, in its direct markets it offers flexible models for purchasing. The Group has committed and effective distribution partners and focuses its efforts on sales opportunities where budgets are likely to be available. The introduction by the UK Department of Health of online procurement in late 2017 may increase pricing pressures.

Liquidity

The key financial risk is the management and maintenance of sufficient cash balances to support the ongoing development, supply and marketing of the LiDCO products. The Group mitigates this risk by seeking to maintain a high level of recurring disposable income which reduces its reliance on the sale of capital equipment to its customers together with, when appropriate, the use of shareholders' funds, overdrafts and finance facilities. The Group has in place a system of internal financial controls to protect against unauthorised use of funds.

Product liability and litigation

Our products are used in critical applications and are used to direct clinicians' decision-making where the consequences of incorrect use could be extremely serious. The Group therefore seeks to ensure that customers are familiar with the use of the Group's products and are properly trained in their use. In addition the Group has insurance cover for certain product liability risks. Further mitigation is achieved by operating within a system of good design, test and manufacturing practices in line with the Group's quality assurance system and compliance with product regulatory requirements and standards relevant to the territories in which its products are sold. The Group is subject to regular audits by or on behalf of regulatory agencies and seeks to keep up to date with evolving regulatory requirements and standards.

Competition

Whilst the number of direct competitors is small, these include large companies with greater resources than LiDCO. In addition new competitor technologies may appear and some clinicians favour alternative approaches to the use of hemodynamic monitoring. These risks are mitigated by ensuring continued improvement of the Group's products to keep at the forefront of developments, maintaining technology leadership and differentiation from competitors, and by continuing to draw clinicians' attention to the advantages of our technology and the results of studies that show outcome benefits through the use of hemodynamic monitoring.

On behalf of the Board.

Matthew Sassone
Chief Executive Officer
27 March 2017

Glossary of terms

ASER – The American Society for Enhanced Recovery
ERAS – Enhanced Recovery After Surgery
GDFT – Intraoperative goal-directed fluid therapy
ICU – Intensive Care Unit
ISICEM – International Symposium on Intensive Care and Emergency Medicine
Meta-analysis – A systematic review of clinical trials with a meta-analysis is often considered the most objective of all types of reviews. A meta-analysis provides a quantitative analysis and estimation of the effectiveness of an intervention. In this meta-analysis the intervention was the protocolized and hemodynamically monitored use of a drug and/or fluid to increase blood flow in surgery patients.
NHS – National Health Service (UK)
OR – Operating Room
POQI – Perioperative Quality Initiative

Board of Directors


Theresa Wallis
Non-Executive Chairman


Peter Grant
Non-Executive Director and Chairman Designate


Matthew Sassone
Chief Executive Officer


Paul Clifford
Finance Director

Theresa Wallis
Non-Executive Chairman
Ms Wallis was appointed in December 2002. She has worked most of her career in financial services, moving into the technology commercialisation sector in 2001. She worked for the London Stock Exchange for 13 years, where from 1995 to 2001 she was chief operating officer of AIM, the market for smaller growing companies, having managed the market's development and launch in 1994/5. From 2001 to end 2006 she was a principal executive of ANGLE plc, a venture management and consulting business focusing on the commercialisation of technology. Since 2001 she has held a number of non-executive directorships and she is currently a non-executive director of Special Products Limited. Ms Wallis chairs the Group's Audit and Nomination Committees and is a member of the Remuneration Committee.

Peter Grant
Non-Executive Director and Chairman Designate
Peter Grant joined the Board as Non Executive Director and Chairman Designate on 6 March 2017. It is the Board's intention that Mr Grant will succeed Ms Wallis as Chairman of the Board, Audit and Nomination Committees when she steps down at the Annual General Meeting scheduled for 10 May 2017. Mr Grant was Chief Executive Officer of Skyepharma PLC from January 2012 to June 2016, until its merger with Vectura Group plc. He joined Skyepharma as Chief Financial Officer in November 2006. Prior to Skyepharma, Mr Grant was Interim Chief Executive Officer of Voice Commerce Group, Group Finance Director at Eurodis Electron plc, Chief Financial Officer at WorldPay plc, Group Chief Executive at Molins plc and Finance Director at Molins plc. Prior to this he held a variety of senior commercial, financial and general management roles in the General Electric Company plc group of companies. He holds an MA in Mathematics from the University of Oxford and is a Chartered Accountant. Mr Grant is Non-Executive Director and Chair of the Audit and Risk Committee at Abzena plc. Mr Grant is a member of the Audit, Nomination and Remuneration Committees.

Matthew Sassone
Chief Executive Officer
Mr Sassone was appointed to the board on 15 June 2015 and took over the role of Chief Executive Officer on the retirement of Dr Terry O'Brien on 14 August 2015. He has over 19 years' experience in the medical industry having started his career in sales for Quintiles in 1996. He spent 12 years at Smiths Medical in various sales, marketing and business development roles achieving the role of Managing Director, Northern and Eastern Europe and Russia in 2010. In 2012 he moved to ArjoHuntleigh, a division of the Getinge Group, as Senior Vice President Global Marketing and was subsequently appointed Chief Marketing Officer of Maquet, also a division of Getinge. Mr Sassone has a degree in biochemistry with microbiology. Mr Sassone is a member of the Group's Nomination Committee.

Paul Clifford
Finance Director
Mr Clifford is a chartered accountant, qualifying with Touche Ross (now Deloitte) in 1975. He joined the Group and was appointed to the Board in April 2008 having spent 28 years in finance positions in technology companies. In 1991 he co-founded BCS Computing Limited, a venture capital backed concern investing in computer software companies. He became finance director of software group Comino in 1996 prior to its flotation on AIM in 1997. Comino moved to a full listing in 1999 and was acquired by AIM quoted Civica plc in 2006 when Mr Clifford became finance director of Civica UK Limited, its main operating subsidiary, leaving in 2008.

Ian Brown
Non-Executive Director

Phil Cooper
Non-Executive Director

Ian G. Brown
Non-Executive Director
Mr Brown was appointed in October 2005. He has over 30 years' experience in the medical devices and biotech industry and has extensive experience of developing and introducing new technologies to the market in the UK and Internationally. Between 1986 and 2003, he was an executive director and founder shareholder in a medical device start-up company (Novamedix Group). The company was progressively sold to a major US healthcare group (Ofix). In his early career, Mr Brown worked in a number of UK and international sales and marketing positions for Johnson & Johnson, Smiths Industries and Pharmacia AB. Mr Brown also invests in and advises a number of private technology and healthcare companies. Mr Brown is a member of the Group's Remuneration, Audit and Nomination Committees.

Phil Cooper
Non-Executive Director
Mr Cooper was appointed in August 2016. He has 30 years of experience in the medical device industry and grown businesses through geographical expansion, introduction of new products and concepts and the creation of new customer channels and segments. Having gained experience in sales, sales management and logistics he was appointed UK Marketing Director for the Clinical Division of SCA Molnlycke and subsequently, on its sale to private equity in 1998, UK Managing Director of Molnlycke Health Care. In 2001 he joined the Group Executive Board and initiated the Customer Procedure Tray business for Molnlycke, now the European market leader. From 2005 he focussed on the Wound Care Division business and was appointed President in 2007. In his tenure as President from 2007 to 2014, Molnlycke became the global leader for advanced wound dressings and the market leader in the US and Europe, also entering directly in a number of key Asia-Pacific territories. Since 2014 Mr Cooper has been an independent advisor to a number of health care companies and is a non-executive director of Alesi Surgical. Mr Cooper is the Chair of the Remuneration Committee and a member of the Audit and Nomination Committees.

Clinical Advisory Group

Dr Max Jonas
Dr Jonas is a Consultant Intensivist and Senior Lecturer in critical care working at Southampton University Hospitals. He is currently the Director of the 28 bed general intensive care unit and has specific interests in hemodynamics and the assessment of monitoring equipment. He is an elected member of the Council of the Intensive Care Society and has completed a six year term of the technology assessment section of the European Society of Intensive Care Medicine. He is the ex-president of the Society of Critical Care Technologists.

Professor Michael Pinsky
Professor Pinsky is Professor of Critical Care Medicine, Bioengineering, Anesthesiology, Cardiovascular Diseases, Clinical and Translational Research and Anesthesiology at the University of Pittsburgh School of Medicine, USA and is a member of the editorial board of the Journal of Critical Care and Critical Care Forum. He is editor-in-chief of the eMedicine WebMD's textbook Critical Care Medicine. He was awarded Docteur honoris causa (Dr hc) from the Université de Paris V (La Sorbonne), Master of Critical Care Medicine (MCCM) from the Society for Critical Care Medicine and the SMART lifetime achievement award from Milan. He has a wide range of research interests – among them being the study of heart-lung interactions, hemodynamic monitoring, cardiovascular physiology, sepsis, predictive analytics and outcomes research. He is a world leading authority on the application of both existing invasive, and the more recent introduced minimally invasive, monitoring technologies.

Dr Christopher Wolff
Dr Wolff holds the post of senior research fellow at The Centre for Clinical Pharmacology, The William Harvey Research Institute, Bart's and Queen Mary School of Medicine and Dentistry, London. He is a clinician, physiologist and mathematician and has major research interests in respiratory and cardiovascular physiology.

Dr David Band
Dr Band was appointed to the Clinical Advisory Group in April 2011. He co-founded LiDCO in 1991, is the co-inventor of the LiDCO system and until April 2011 was the Group's Scientific Director. He is a specialist in the field of respiratory physiology, electrochemistry and ion-selective electrodes. He has a degree in medicine and was a reader in applied physiology in the Division of Physiology, GKT School of Biomedical Sciences, St Thomas' campus.

Corporate Governance report

The UK Corporate Governance Code
Companies that have shares traded on AIM, the London Stock Exchange's market for smaller growing companies, are not required to comply with the UK Corporate Governance Code ('the Code'). Whilst the Group does not adhere to the Code, the Board is committed to maintaining high standards of corporate governance, and draws on best practice including those aspects of the Code it considers to be appropriate and practicable for a company of this size. In line with a focus on cost-effectiveness across the Group, the corporate governance processes in place balance the need to ensure that the Board carries out its responsibilities effectively with the need to do so cost-effectively.

The Board of Directors
The Board currently consists of two executive and four non-executive directors. Biographies of the directors are provided on page 14. There is a clear division of responsibilities between the Chairman and the Chief Executive Officer (CEO) and their roles have been set out in writing and agreed by the Board.

The non-executive directors are Ms Wallis (Chairman), Mr Grant (Chairman Designate), Mr Brown (Senior Independent Director) and Mr Cooper. The non-executive directors bring a wide range of skills and experience to the Board. The Board considers that the non-executive directors are independent, despite the fact that the terms of Ms Wallis and Mr Brown now exceed nine years, a factor which the UK Corporate Governance Code states is likely to affect or could appear to affect their independence, although they meet the Code's other independence criteria. In last year's Annual Report, the Board indicated its support for refreshing the non-executive director representation on the board and stated it was actively engaged in a search for a new non-executive director. In August 2016 Mr Cooper was appointed to the Board as a non-executive director. In March 2017 Mr Grant was appointed as Chairman Designate and a non-executive director and it is the Board's intention that Mr Grant will succeed Ms Wallis as Chairman of the Board, Audit and Nomination Committees when she steps down at the 2017 Annual general Meeting. Mr Brown has also stated his intention to step down at the 2017 Annual General Meeting. Mr Clifford will retire at the end of March 2017 and his replacement Jill McGregor has agreed to take up the role of Chief Financial Officer no later than 3 July 2017.

In February 2017, the Board carried out an evaluation of the performance of the Board and its Committees. This involved each director reviewing information and completing an evaluation questionnaire, the results and feedback from which were collated into a document and discussed by the Board. It is the Board's intention to continue to review annually its performance and that of its Committees.

Board processes
There is a list of the types of decisions reserved for the Board, which is reviewed annually by the Board. In addition, an agenda plan is prepared with the aim of ensuring that the Board considers all the matters that it should, whilst allowing for the unexpected. The agenda plan is reviewed regularly.

The Group normally conducts about eight Regular Board Meetings a year. In addition the Board meets to approve financial statements, the allotment of shares and to approve significant commercial agreements or transactions. The attendance of the individual directors at the Regular Board Meetings and the Audit and Remuneration Committee Meetings during the year were as follows:

Attendance record at Board Meetings and Committees

Name	Position	Regular Board Meetings	Audit Committee	Remuneration Committee
Ms T A Wallis	Non-executive Chairman	8 (8)	4 (4)	9 (9)
Mr M G Sassone	Chief Executive Officer	8 (8)	n/a	n/a
Mr P L Clifford	Finance Director	8 (8)	n/a	n/a
Mr I G Brown	Non-executive Director	7 (8)	4 (4)	7 (9)
Mr P M Cooper*	Non-executive Director	4 (4)	2 (2)	5 (5)

*Mr P M Cooper was appointed as a director on 11th August 2016

The above table does not include Mr P W Grant as he was appointed on 6 March 2017, after the year end.

Numbers in brackets denote the total number of meetings during the year. The Nomination Committee met once during the year with all committee members present.

All the directors have access to the advice and services of the Company Secretary, whose appointment and removal is a matter for the Board as a whole. All directors are able to take independent advice in the furtherance of their duties, if necessary, at the Company's expense.

Under the Company's Articles of Association, all new directors are required to resign and seek re-election at the first Annual General Meeting following their appointment. All directors are required to seek re-election at intervals of no more than three years.

Committees of the Board
The terms of reference of the committees are set out in full on the Company's website, but a summary of the membership and work of each committee is set out below:

Audit Committee
The members of the Committee are Ms Wallis (Chairman), Mr Grant (Chairman Designate), Mr Brown and Mr Cooper. The executive directors and the external auditors attend the meetings by invitation. The Committee considers financial reporting and internal controls. It also reviews the scope and results of the external audit and the independence and objectivity of the auditors. It meets at least twice a year and reviews the interim and annual financial statements before they are submitted for approval by the Board. The Committee met four times during the year; twice to approve results and twice in connection with the planning of year end audits. The Committee considers annually whether the auditors remain independent for the purposes of the audit. This year the fee for non-audit work is £10,000 against an audit fee of £48,000. The Committee is satisfied that the auditors remain independent for the purposes of the annual audit. The Committee considers that given the size of the Group and its current stage of development a separate internal audit function is not required, but the matter is reconsidered annually by the Committee.

Remuneration Committee
The members of the Committee are Mr Cooper (Chairman), Ms Wallis, Mr Grant and Mr Brown. The Committee reviews and sets the remuneration of the executive directors and considers any bonuses to be awarded to them. The Committee decides upon all aspects of share schemes including the approval of share options. The Committee met nine times during the year. The Remuneration Committee met more times than usual during the year due to business relating to the recruitment of the new Chief Financial Officer, reviewing existing share options and the granting of share options to new members of staff.

Nomination Committee
The members of the Committee are Ms Wallis (Chairman), Mr Grant (Chairman Designate), Mr Cooper, Mr Brown and Mr Sassone. At the request of the Board, the Committee recommends candidates for new appointments to the Board and advises on all matters relating to such Board appointments. The Committee met once during the year relating to the appointment of the new Chief Financial Officer although consideration of this matter was largely undertaken by the Board as a whole.

Relations with shareholders
The Company seeks to maintain and enhance good relations with its shareholders. The Company's interim and annual reports are supplemented by public announcements to the market on technological, commercial and financial progress. All investors have access to up-to-date information on the Company via its website, www.lidco.com, which also provides contact details for investor relations enquiries. All shareholders are invited to make use of the Group's Annual General Meeting to raise any questions regarding the management or performance of the Company.

The Chief Executive Officer and the Finance Director meet regularly with shareholders and the investing community and report to the Board feedback from those meetings. In addition, the Group's stockbrokers provide independent feedback to the Board on shareholders' views. The non-executive directors attend the AGM and have the opportunity to attend other meetings with shareholders and do so from time to time or as requested. The Board is kept informed on market views about the Group.

Corporate Social Responsibility statement

The Company recognises the importance of Corporate Social Responsibility.

At the core of LiDCO are its medical products for hemodynamic monitoring which have been developed over a number of years. The original objective of the design of these products was to translate specialist physiological parameters and principles into useable information and tangible protocols to improve clinical outcomes. The Company has been successful in achieving this objective and its products, which are used in hospitals in many parts of the world, help surgeons to improve the outcome of clinical operations for the benefit of the patient both during and after surgery and help hospitals to reduce their costs.

LiDCO works with its employees, customers and suppliers to conduct its business in an ethical way. The Company is of a relatively small size but growing and thus the Company's commitment to Corporate Social Responsibility is dynamic and is reviewed when considered appropriate.

Employees
The Company recognises that an essential part of its continued success is the support and involvement of its employees.

- Effective communication is essential to ensure its employees are fully engaged with the business. The senior management team meets regularly throughout the year as a forum to discuss business progress and interdepartmental issues and line managers update employees on Company progress and objectives.
- Employees have annual appraisals to set objectives, identify strengths and areas for development.
- Training is provided where necessary to enhance job performance and aid development.
- The Company regularly reviews the benefits offered to employees.

Environment
Whilst not of substantial impact compared with many other manufacturing industries, nevertheless the Company recognises its activities have an impact on the environment and acknowledges its responsibility to ensure this is minimised.

- In accordance with the requirements of the Waste Electrical and Electronic Equipment Regulations (WEEE), the Company is registered with the UK Environment Agency as a Small WEEE Producer, and disposes of electrical equipment waste responsibly.
- Where possible, other products are recycled within the Company.
- Paper, cardboard, batteries and printer cartridge recycling collection facilities are in place in the Company's offices.
- Redundant computer equipment is offered to employees or disposed of in accordance with good practice.
- The Company encourages employees to participate in the cycle to work scheme to minimise our carbon foot print.
- The Company continually reviews the substances it uses in its manufacturing processes with the aim of using the least toxic and most environmentally friendly products commensurate with producing high quality products.

Ethics and values
- The Company designs and manufactures products that help clinicians to improve the outcome of clinical operations for the benefit of patients both during and after surgery and help hospitals to reduce their costs.
- The Company aims for all employees to have job satisfaction, a safe and secure working environment, the feeling that their achievements are recognised and an opportunity to develop their full potential.
- The Company recognises customer needs for a high level of customer service and quality of its products, at the right price.

Health and safety
- As a producer of medical products the Company operates in a highly regulated environment and is subject to regular inspection and audit.
- The Company uses an external specialist to advise on its health and safety policy and practice. Stringent procedures are in place in areas of the Company where risks are apparent, and the Company provides a physically safe working environment and training, protective clothing and equipment as appropriate to all employees.
- All company car drivers are provided with a full driving risk assessment and training upon joining, and a further paper-based risk assessment is completed every three years.
- Health and safety matters are regularly reviewed at Board Meetings.

Shareholders
The Company aims to treat its shareholders in a responsible manner. It maintains regular contact with its major shareholders to explain developments in the business and all shareholders are invited to question the Board at the Annual General Meeting. See also 'Relations with Shareholders' in the Corporate Governance Report on page 17.

Directors' remuneration report

Dear Shareholder
The remuneration of our Executive Directors and senior management is intended to motivate, retain and when necessary attract executives of the right calibre. Remuneration levels are set in order to ensure the future success of the business and to deliver shareholder value. This is achieved by a combination of base salary, bonuses and share options.

In respect of year 2016/17, the main decisions the Committee made were:

Bonus
The bonuses for the year were 9.5% and 8% of salary respectively for Mr Sassone and Mr Clifford, which was below the maximum bonus opportunity of 60% of salary. The bonuses paid out related only to performance against personal targets as the corporate target was not met.

Share Options
No share options were granted to the directors during the year. The awards made in May 2013, with an exercise price of 13.50 pence lapsed as the earnings per share performance condition for the year to 31 January 2016 was not met.

In respect of future remuneration, the main decisions the Committee made were:

Salaries
Executive Directors' salaries are normally reviewed with effect from 1 February each year. As a result of the review undertaken in February 2017 Mr Sassone's salary was increased by 2.5% and was his first review since commencing employment in June 2015. Mr Clifford's salary remains unchanged given that he will be retiring at the end of March 2017. As a result of the above changes, the salaries are as follows:

Name	Salary	% increase
Mr M G Sassone	£205,000	2.5%
Mr P L Clifford	£145,278	Nil

Mr P L Clifford normally works four days per week and works additional days if required.

Bonus
The executive directors' maximum bonus opportunity for 2017/18 remains unaltered and is 60% of base salary and the award for on-target performance is 30%.

Share Options
When his employment commenced on 15 June 2015, Matt Sassone, CEO, was awarded EMI share options over 2,197,802 shares and unapproved options over 2,197,802 shares.

The Options are exercisable at nominal value i.e. at 0.5 pence per Ordinary Share, subject to the achievement of certain targets relating to the Company's earnings per share (EPS) and share price over three and four year vesting periods for the EMI and unapproved options respectively i.e. in June 2018 and June 2019.

The EPS targets relate to growth to levels above the EPS for the financial year ending 31 January 2015, which was 0.18 pence per share (profit after tax was £343k), and were aligned to the strategy that was set out in the annual report for 2014/15. This stated that 'our financial objectives are to continue to profitably grow the business with cash generation' and were reflected in the forecasts in the research note issued by finnCap, the Company's broker, on 31 March 2015, which included an expected net profit of £800k for the year ended January 2017.

The share price targets were 12.8 pence and 15 pence respectively, set at a premium to the mid-market share price of 11.375 pence on the date the options were granted. In order for the share price condition to be met, the share price needs to have remained at or above the target levels for at least 12 months prior to the date of exercise, except in the event of certain circumstances such as a takeover, in which case the share price target applies, but does not need to have been maintained for the previous 12 months. No further options have been granted to Matt Sassone since the above award.

The current situation and rationale for change
As a result of the fund raise in December 2016 to finance the Company's new expansion strategy, it has become clear that the EPS conditions for these particular options are no longer appropriate as it would not be in the Company's interests for the CEO to attempt to meet them. This is because the expansion plans envisage growing revenues globally through an investment programme over the coming 2 years, significantly reducing expected profit levels in the years ending 31 January 2018 and 2019 respectively compared with pre-fundraise analyst expectations. Currently the terms of the CEO's long term incentives are not aligned with the new strategy and associated fund raising.

Planned changes to 2015 options
Given the above, and in order to ensure that the CEO's share-based incentives serve to retain and motivate the CEO, our plans are to cancel the entirety of the June 2015 options and grant new ones (in aggregate over the same number of shares) with the following performance conditions:

Directors' remuneration report
continued

- share price targets of 12.8 pence and 15 pence for each half of the replacement options, as per the existing options, but modified such that the share price targets relate to the average share price, instead of the minimum share price, over any 12 month period between now and 15 June 2020 for the 3-year vest options and 15 June 2021 for the 4-year vest options. To the extent that these conditions are not met by these dates, the options lapse. To the extent that they are met by these dates, then the options become and remain exercisable until they lapse 10 years after the grant date. The share price would not need to be at the target levels on the day of exercise. In the event of certain circumstances such as a takeover, the share price targets would also be deemed to have been met if the takeover share price equals or exceeds the respective share price targets.

There will be no EPS conditions for the new awards.

Whilst continuing to be challenging, we believe these proposed revised performance conditions will ensure that the CEO's share options will be better aligned with our new strategy and will be genuinely motivating for the CEO.

Further 2017-18 option grant

In addition to the above changes, the Remuneration Committee intends to approve the grant of further share options to the CEO in 2017, as follows:

- options over circa 2,200,000 shares, exercisable at nominal value i.e. at 0.5 pence per Ordinary Share. The amount of options to be granted, based on a share price of 6.0p is worth circa £132,000 which is approximately 64% of the CEO's 2017-18 salary.

- these options will be subject to the following share price conditions, based on the Company's average share price over the three-month period ending on the proposed vesting date, which will be the third anniversary of the grant date:

Average share price	% vesting
Below 8p	0%
8p	15%
Between 8p and 12p	15% to 100% pro rata
12p or higher	100%

Note: the above share price targets have been based on the fund raise share price of 6p. Thus achieving the threshold vesting share price of 8p represents share price growth of 33.33%. In the event of certain circumstances such as a takeover, the takeover share price would apply instead of the average over 3 months.

- if vested, the exercise period will be two years i.e. the latest date of exercise will be the fifth anniversary of the grant date. The Company has been advised by its remuneration consultants that it is regarded as best practice to implement a shortened exercise period such as this for these types of share option awards.

Conclusion

For the reasons stated, the Remuneration Committee intends to proceed with the above amendments to the CEO's 2015 share options and the grant of further options to the CEO in 2017 shortly after the annual results have been announced. The Company has also contractually agreed with Jill McGregor, the incoming Chief Financial Officer, to award share options over circa 1,500,000 shares, exercisable at nominal value i.e. at 0.5 pence per Ordinary Share. Vesting conditions will be agreed on or shortly after her arrival. However they will follow a similar structure to that of the proposed share option grant for the CEO 2017-18 as stated above.

We will be seeking approval to this report at our Annual General Meeting on 10 May 2017. If any shareholder wishes to contact me in relation to the Group's director and senior executive remuneration arrangements they can do so at the Group's head office address.

Phil Cooper
Chairman of the Remuneration Committee
27 March 2017

Committee membership

The membership of the Remuneration Committee is made up of the following non-executive directors: Mr P M Cooper (Chairman), Ms T A Wallis, Mr P W Grant and Mr I G Brown.

None of the Committee members have any day-to-day involvement in the running of the Company, nor do they have any business or other relationship that could affect, or appear to affect, the exercise of their independent judgement, other than as shareholders. No director votes on any decision about his or her own remuneration. The Committee met nine times in the year.

Remuneration policy

The Committee determines on behalf of the Board, the remuneration for the executive directors and such other members of the senior management as it is designated to consider and oversees any major changes in employee benefit structures throughout the Company. Remuneration levels are set in order to attract high calibre recruits and to retain and motivate those directors and employees once they have joined the Company to ensure the future success of the business and to deliver shareholder value. This is achieved by a combination of base salary, bonuses and share options, which are offered to executive directors and employees at all levels. During the year, the Committee received advice from remuneration advisors MM&K on matters relating to the Group's share option schemes.

Future remuneration policy table

The following table summarises details of the Company's future remuneration policy for the executive directors.

	Purpose and link to strategy	Operation	Opportunity	Performance metrics	Changes in policy for 2017/18
Base salary	Help recruit and retain employees. Reflects individual experience and role.	All executive directors receive a base salary. The salary reflects the experience, level of competence and days worked of the individual to whom it applies, as judged by the Committee, taking into account salary levels in the market. Reviewed annually and fixed for 12 months commencing 1 February. Decision influenced by: – role, experience and performance – average change in broader workforce salary – total organisational salary budgets. Salaries have been benchmarked against companies of similar size and complexity in similar sectors.		None	M G Sassone £205,000 (increased by 2.5%) P L Clifford £145,278 (no increase)
Benefits and pension	Help recruit and retain employees.	Directors are entitled to permanent health insurance in common with all other employees. In addition directors are entitled to an allowance in lieu of pensions, car and other benefits.	Benefit allowance is 20% of base salary. Full cost of the annual PHI policy: P L Clifford £625 M G Sassone £1,208	None	None
Annual bonus	Rewards the achievement of annual targets, delivery of personal objectives and strategic business targets if appropriate.	The executive directors who served during the year are members of the Company's Senior Management Bonus Scheme. Under the terms of the Scheme, the Remuneration Committee assesses the directors' individual performances soon after the end of the financial year, judged against pre-determined targets. The criteria for awarding bonuses include corporate and personal objectives. The principal corporate financial objective on which the directors are currently judged is profitability and LiDCO product sales growth. Bonuses are capped at 60% of base salary. Targets are renewed annually and relate to trading performance. If appropriate, there are gate conditions that apply to the payment of bonuses. Bonus level is determined by the Committee after the year end, based on performance against targets. There is no deferral of bonus, nor any clawback provisions as the Committee thinks such complexity is unnecessary where the bonus maximum is 60% of salary in a business environment like LiDCO's.	Target % of salary: 30% Maximum % of salary: 60%	The majority of the bonus is based on achievement of specific targets of profitability and sales as well as partly on the achievement of other financial or non-financial objectives which may be relevant for the year in question: – maximum 50% salary for corporate targets – maximum 10% salary for personal objectives	No change to policy.
Share options	Incentivises executive directors to achieve returns for shareholders over a longer time frame.	LiDCO has four share option plans including EMI, HMRC Approved, Unapproved Options and consultants. Awards of share options are made with vesting dependent on the achievement of performance conditions over at least the three subsequent years. The Committee is of the opinion that clawback provisions are an unnecessary complication for a company of the size of LiDCO.	Awards in 2016/17: M G Sassone £nil P L Clifford £nil	The release of an award is dependent upon the individual's continued employment for at least a three-year holding period from the date of grant. Executives only benefit when the share price increases. Awards will have performance conditions.	No change to policy. Note re 2016/17 awards: future award levels will depend on headroom capacity under the 10% dilution rule.

Directors' remuneration report
continued

Remuneration policy of the non-executive directors
The Board determines the remuneration of the Chairman and non-executive directors. The non-executive directors do not participate in the Group's share option schemes and are not eligible for annual incentive payments or benefits in kind.

Remuneration of directors

Year ended 31 January 2017

	Salary and fees £'000	Allowance in lieu of benefits £'000	Benefits £'000	Bonus £'000	Total £'000	2016 £'000
T A Wallis	39	–	–	–	39	46
M G Sassone	200	40	1	19	260	164
T K O'Brien[1]	–	–	–	–	–	162
P L Clifford	145	29	1	12	187	190
I G Brown	22	–	–	–	22	29
P M Cooper[2]	14	–	–	–	14	–
Total	420	69	2	31	522	591

Notes
[1] T K O'Brien retired on 14 August 2015. In addition to the salary he received for the year to that date, he received a sum in lieu of salary for the period 14 August to 11 September 2015, in respect of his outstanding holiday entitlement.

[2] P M Cooper's employment and appointment to the Board was with effect from 11 August 2016.

Contracts of service
Details of the service contracts for the directors are as follows:

Executive directors
The service contract of Mr Sassone is dated 20 April 2015 and is not set for a specific term but includes a rolling six months' notice period. Mr Clifford has a service contract with the Company dated 21 April 2008 which is not for a specific term but includes a rolling six months' notice period.

Non-executive directors
The non-executive directors do not have service contracts with the Company. The letter of appointment for each non-executive director states that they are appointed for an initial period of three years. At the end of the initial period, the appointment may be renewed for a further period if the Company and the director agree. In keeping with best practice, these appointments are terminable without notice by either party.

The non-executive director appointments are for terms ending on the following dates:

T A Wallis	19 December 2017
P W Grant	5 March 2020
I G Brown	11 October 2017
P M Cooper	7 August 2019

Directors' interests in share options

Options granted to the executive directors are as follows:

Name	Option type	Options at 31 Jan 2016	Date of grant	Options granted during 2016	Exercised during 2016	Lapsed during the year	**Options at 31 Jan 2017**	Exercise price (p)	Exercisable from	Expiry date
M G Sassone	EMI	2,197,802	Jun-2015				**2,197,802**	0.5	Jun-2018	Jun-2025
	Unapproved	2,197,802	Jun-2015				**2,197,802**	0.5	Jun-2019	Jun-2025
		4,395,604					**4,395,604**			
P L Clifford	Approved	66,000	Apr-2008				**66,000**	7.50	Apr-2011	Apr-2018
	Approved	75,000	May-2009				**75,000**	12.67	May-2012	May-2019
	EMI	100,000	Jun-2010				**100,000**	19.92	Jun-2013	Jun-2020
	EMI	478,650	Apr-2011				**478,650**	15.00	Apr-2014	Apr-2021
	EMI	76,833	Apr-2012				**76,833**	18.00	Apr-2015	Apr-2022
	EMI	145,448	Jul-2012				**145,448**	18.38	Jul-2015	Jul-2022
	EMI	764,938	May-2013			(764,938)	**–**	13.50	May-2016	May-2023
	Unapproved	264,358	May-2013			(264,358)	**–**	13.50	May-2016	May-2023
		1,971,227		Nil	Nil	(1,029,296)	**941,931**			
Totals		6,876,333		Nil	Nil	(1,029,296)	**5,337,535**			

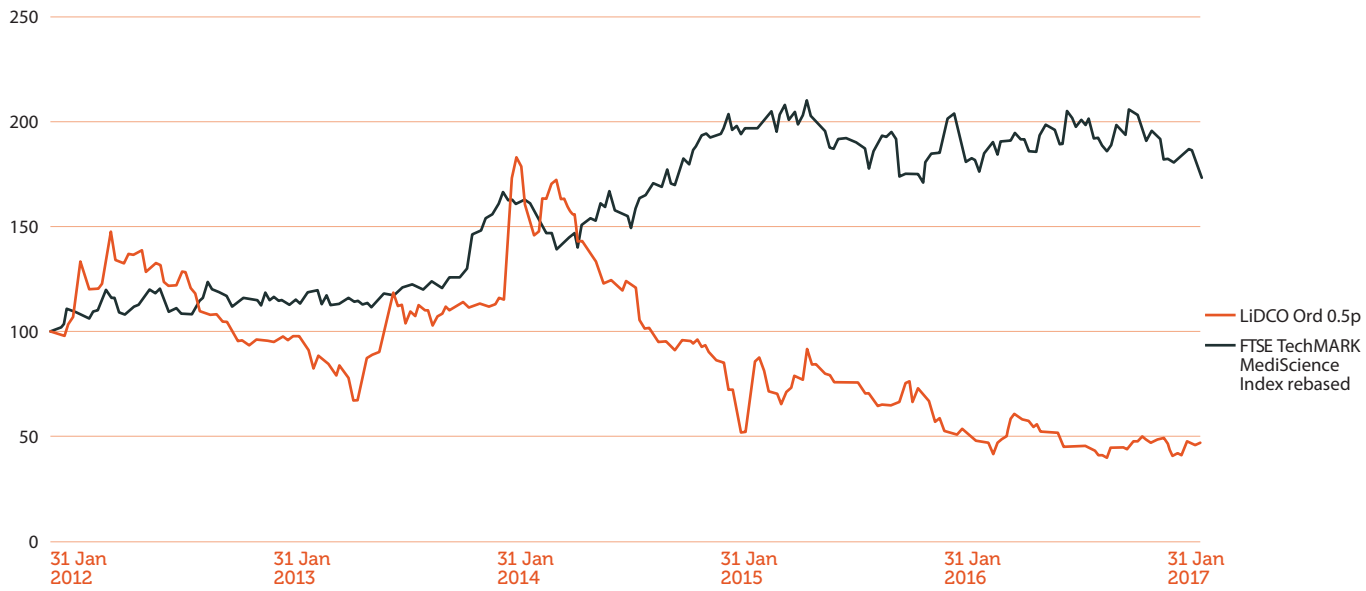
The share price was 7.125 pence on 1 February 2016 and 6.75 pence on 31 January 2017, with high and low during the year of 9.00 pence and 5.50 pence respectively.

Pensions

No pension contributions were payable by the Group during the year (2016: £nil).

Shareholder return

The graph below shows the share price performance since January 2012, using the FTSE TechMARK Mediscience Index as a comparator, which the directors consider to be a suitable benchmark index.



Phil Cooper
Chairman of the Remuneration Committee
27 March 2017

Directors' report

The directors of LiDCO Group Plc present their annual report and audited financial statements (Annual Report) for the year ended 31 January 2017.

Results and dividends
The Group's revenue for the year was £8,212,000 (2015/16: £7,593,000). The Group made a consolidated profit after taxation of £187,000 (2015/16: loss £416,000). The directors do not recommend the payment of a dividend (2015/16: £nil).

Research and development
The Group continued to develop the LiDCO products during the year. Details of the costs expended on research and development are set out in Notes 3 and 8 to the financial statements.

Share capital and share premium account
Full details of the authorised and issued share capital of the Group, together with details of the movements in the Company's issued share capital and the share premium accounts during the year, are shown in note 13 on page 46 and page 50.

Directors
The directors of the Group who served during the year are set out below; short biographies are set out on page 14 to 15.

T A Wallis	Non-Executive Chairman
M G Sassone	Chief Executive Officer
P L Clifford	Finance Director
I G Brown	Non-Executive Director
P M Cooper	Non-Executive Director (appointed 11 August 2016)

P W Grant was appointed as Non-Executive Director and Chairman Designate on 6 March 2017.

Mr Cooper and Mr Grant retire being their first Annual General Meeting since appointment. The retiring directors, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Directors' remuneration
The Remuneration Report, which includes information regarding directors' service contracts, appointment arrangements and interests in share options, can be found on page 19.

Directors' interests in shares
The directors who held office at 31 January 2017 had beneficial interests in the ordinary shares of the Group as shown below:

Directors' shareholdings

	Ordinary shares of 0.5p each	
	31 January 2017 Number	31 January 2016 Number
T A Wallis	**497,704**	331,037
M G Sassone	**250,000**	–
P L Clifford	**659,660**	659,660
I G Brown	**200,000**	200,000
P M Cooper	**1,666,667**	–

The directors have no interests in the shares of the Company's subsidiary undertakings.

Directors' indemnities and Directors' and Officers' insurance
The Company has exercised the power given by shareholders at the 2006 Annual General Meeting to extend the indemnities to directors and officers against liability to third parties. The directors also have Directors' and Officers' insurance cover in place in respect of personal liabilities which may be incurred by directors and officers in the course of their service with the Group.

Employment policy
Equal opportunity is given to all employees regardless of their gender, race or ethnic origin, religion, age, disability or sexual orientation.

The Group's policy is to encourage the involvement of all employees in the development and performance of the Group. The Group has less than 50 employees who are briefed on the Group's activities through meetings and informal discussions and all employees are encouraged to give their views on matters of common concern through their line management. A significant number of employees have share options.

Significant shareholdings
As at 28 February 2017 the Company was aware of the following shareholdings in excess of 3% of the Group's ordinary share capital:

Shareholder	Number of shares in which there is an interest	Percentage notified*
Alto Invest	20,443,777	8.37%
Ingalls & Snyder LLC	20,066,692	8.22%
Old Mutual Wealth	16,924,440	6.93%
H J Leitch	16,806,183	6.88%
Herald Investment Management	16,666,667	6.83%
P A Brewer	15,884,747	6.51%
T K O'Brien	10,796,563	4.42%
R M Greenshields	8,899,550	3.64%

* The percentages shown are based on the issued share capital at that date.

Directors' responsibilities for the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) and International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and IFRS have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. To the best of our knowledge:

- the Group financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Directors' report
continued

Going concern
The Group's business activities, together with a review of the market and the Group's distribution channels are set out in the Strategic Report on pages 5 to 13. In addition, note 12 to the financial statements include the Group's policies for managing its capital; its financial risks; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Group has a number of customers across different geographic areas and considerable recurring revenue through the sales of its disposables which represented 81% of its revenues in the year to 31 January 2017.

The Group finances its operations through shareholders' funds. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Financial risk management
The Financial risk management objectives and policies of the Group, including the exposure to interest rate risk, liquidity risk and currency risk are set out in note 12 to the financial statements on pages 43 to 46.

Internal controls, regulation and risk management
The composition of the Board and the senior management team provides a suitable range of knowledge and experience to enable adequate risk monitoring and internal control. The Company has implemented an organisational structure with clearly-defined responsibilities and lines of accountability.

Detailed budgets are prepared annually and progress against budget is reviewed monthly. Underpinning the monthly financial reporting is a system of internal control, based on authorisation procedures.

The Board has established a process involving all departments for the comprehensive assessment of risks to the business including the development and regular updating of a risk register which is reviewed by the Board at least annually. Actions to mitigate risk are identified and agreed. In addition the principal risks are discussed at regular Board meetings. There is a list of the types of decisions reserved for the Board and Board decisions include discussion of the risks as well as the benefits and opportunities.

As a medical device Company, LiDCO also has a system of regulatory controls, to ensure compliance with all requirements of the EC Medical Devices Directive (93/42/EEC), the US Food & Drug Administration (FDA) and other national regulatory authorities. During the year the Company maintained its compliance with ISO 13485 (Medical Devices – Quality Management Systems).

The adequacy of internal controls and the internal control structures are reviewed annually by the Board and were last reviewed in March 2017.

Auditors
A resolution to re-appoint Grant Thornton UK LLP as auditors and to authorise the directors to set their remuneration will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting
The Notice to convene the Annual General Meeting of the Company to be held on Wednesday 10 May 2017 is set out in a separate circular including an explanation of each resolution.

On behalf of the Board

Paul Clifford
Director
27 March 2017
Company Registration Number: 2659005

Independent auditor's report to the members of LiDCO Group Plc

We have audited the Group financial statements of LiDCO Group Plc for the year ended 31 January 2017 which comprise the consolidated comprehensive income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in shareholders' equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement on page 25, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the group financial statements:
- give a true and fair view of the state of the Group's affairs as at 31 January 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where under the Companies Act 2006 we are required to report to you if, in our opinion:
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the parent company financial statements of LiDCO Group Plc for the year ended 31 January 2017.

Marc Summers, FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London
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	2	**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), before exceptional cost and share based payments		**57**	(345)
Exceptional cost		**–**	(163)
Share-based payments credit/(charge)		**41**	(72)
Operating profit/(loss)	3	**98**	(580)
Finance income		**6**	3
Finance expense		**(2)**	(1)
Profit/(loss) before tax		**102**	(578)
Income tax	5	**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)	6	**0.09**	(0.21)

All transactions arise from continuing operations.

There were no items of other comprehensive income for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated balance sheet

At 31 January 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Property, plant and equipment	7	**809**	931
Intangible assets	8	**1,958**	1,869
		2,767	2,800
Current assets			
Inventory	9	**1,467**	1,939
Trade and other receivables	10	**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	11	**(1,504)**	(1,482)
Deferred income	11	**(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	13	**1,221**	971
Share premium		**30,342**	27,798
Merger reserve		**8,513**	8,513
Retained loss		**(29,760)**	(29,906)
Total equity		**10,316**	7,376

The financial statements were approved by the Board of Directors on 27 March 2017.

Theresa Wallis
Director

Matthew Sassone
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

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 and 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)
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

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated statement of changes in shareholders' equity

For the year ended 31 January 2017

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained loss £'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
Loss and total comprehensive expense 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 expense	–	–	–	(41)	(41)
Transactions with owners	250	2,544	–	(41)	2,753
Profit and total comprehensive income for the year	–	–	–	187	187
At 31 January 2017	**1,221**	**30,342**	**8,513**	**(29,760)**	**10,316**

The share premium account represents the excess over the nominal value for shares allotted.

The merger reserve represents a non distributable reserve arising from historic acquisitions.

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 January 2017

1 Principal accounting policies

The Group's principal activity is the development, manufacture and sale of cardiac monitoring equipment. LiDCO Group Plc is the Group's ultimate parent company. It is incorporated and domiciled in England & Wales and situated at the address shown on page 53. The Group's shares are listed on the Alternative Investment Market of the London Stock Exchange.

Basis of preparation

These financial statements have been prepared in accordance with the principal 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 IFRS. They are presented in Sterling, which is the functional currency of the parent company.

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.

The accounting policies have been applied consistently throughout all periods presented in these financial statements. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31st January 2017.

Standards issued but not yet effective

The following is a list of standards that are in issue but are not effective in the year to 2017.

- IFRS 9: Financial Instruments – effective 1 January 2018
- IFRS 15: Revenue from contracts with customers – effective 1 January 2018
- IFRS 16: Leases – effective 1 January 2019 (not yet endorsed for use in the EU)

IFRS 15 should be applied for annual reporting periods beginning on or after 1 January 2018. The standard will be applied in full for the year of adoption, including retrospective application to all contracts that were not yet complete at the beginning of that period. Implementation of this standard may have an impact on the financial statements of the Group and an assessment of the impact of this standard is being carried out. The Group is presently unable to quantify the potential impact until this assessment has been concluded.

IFRS 16 should be applied for annual reporting periods beginning on or after 1 January 2019. Implementation of this standard may have an impact on the financial statements of the Group and an assessment of the impact of this standard is being carried out. The Group is presently unable to quantify the potential impact until this assessment has been concluded.

The other new standards and amendments are not expected to have a material impact on the financial statements.

Going concern
The Group's business activities, together with a review of the market and the Group's distribution channels are set out in the Strategic Report on pages 5 to 13. In addition, note 12 to the financial statements include the Group's policies for managing its capital; its financial risk; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Group has a number of customers across different geographic areas and considerable recurring revenue streams through the sales of disposables which represented 81% of total revenues in the year to 31 January 2017.

The Group currently finances its operations through shareholders' funds. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Accounting convention
The financial statements are prepared under the historic cost convention. The measurement basis and significant accounting policies are set out below.

Basis of consolidation
The Group's consolidated financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 January 2017. Subsidiary undertakings are all entities over which the Group has the power to control the financial and operating policies so as to obtain economic benefits from its activities. The Group obtains and exercises control through voting rights.

Business combinations are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary at the acquisition date whether or not they were recognised in the statements of the subsidiary prior to acquisition. On initial recognition the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. The results of any subsidiary undertakings acquired during the period, where applicable, are included from the date of acquisition. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition
Revenues are recognised at fair value of the consideration receivable net of the amount of value added taxes.

Sale of goods
Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products and services to entities outside the consolidated entity. Product sales revenue is recognised when the risks and rewards of ownership of the goods passes to the customer, which is normally upon delivery, and when the amount of revenue can be measured reliably.

Where delivery is delayed at the buyer's request, but the buyer takes title to the goods and accepts invoicing, the Group recognises the revenue as a capital Bill and Hold sale provided that it is probable that delivery will be made, the goods are on hand and ready for delivery, the buyer acknowledges the deferred delivery and usual payment terms apply.

Licence fees
Licence fees are recognised in accordance with the substance of the relevant distribution agreement, provided that it is probable that the economic benefit associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. Licence fees received in advance of the recognition of those fees is shown as deferred income.

Delivery of services
Revenue from rendering services is recognised over the period in which the service is provided.

Interest income
Interest income is brought to account as it accrues, using the effective interest method.

Other income
Other income from support and maintenance is brought to account when the consolidated entity's right to receive income is established and the amount can be reliably measured.

Notes to the financial statements
continued

Research and development
Research expenditure is charged to the income statement in the period in which it is incurred.

Development costs are capitalised when all the following conditions are satisfied:
- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the Group intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Capitalised development costs which comprise cost of materials, labour and attributable overheads are amortised over a period of seven years, from the date the asset is available for use. Labour costs of the development department are apportioned between development work which fulfils the above criteria and is capitalised and the maintenance of existing products which are expensed as incurred. Development costs not meeting the criteria for capitalisation are expensed as incurred.

Intangible assets – development costs
Intangible assets represent costs relating to product registration in new countries, product development costs and clinical trials on the LiDCO system. Where the Directors are satisfied as to the technical, commercial and financial viability of these projects, the expenditure has been capitalised and is amortised in equal amounts over the useful life, commencing when the asset is available for use.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Amortisation is calculated to write down the cost of assets less estimated residual value by equal instalments over their estimated useful life, on a straight line basis. The amortisation periods generally applicable are:

Clinical trials	Three years
Product registration costs	Five years
Product development	Seven years

Property, plant and equipment
Property, plant and equipment are stated at cost, net of depreciation. Depreciation is calculated to write down the cost less estimated residual value of these assets by equal annual instalments on a straight line basis over their estimated useful economic lives which are reassessed annually. The periods/rates generally applicable are:

Leasehold improvements	Over the expected life of the lease
Plant and machinery	10% per annum
Fixtures and fittings	12.5% per annum
Office equipment	20% per annum
Computer equipment	33% per annum
Medical monitors	20% per annum

Medical monitors include equipment on long term loan to hospitals for active use where the hospital pays for disposables. Also included in this category is equipment for demonstration purposes, clinical trials and testing. Such monitors remain the Group's property, under its control and can be substituted at its discretion.

Leases
Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are capitalised at the lower of fair value or present value of the minimum lease payments in the balance sheet and depreciated over their estimated useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight-line basis over the lease term. Profits generated on the sale and leaseback of fixed assets are deferred and recognised over the period of the lease.

Inventories
Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing locations and condition.

Income tax
Current tax is the tax currently payable/receivable based on the taxable result for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to other comprehensive income or equity in which case the related deferred tax is also charged or credited directly to other comprehensive income or equity.

Foreign currency
Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss statement.

Trade and other receivables
Trade receivables, which generally have 30-90 day terms, are initially recognised at fair value and subsequently at amortised cost using the effective interest method, less provisions for impairment. Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand, bank overdrafts and demand deposits with an original maturity of three months or less, and which are subject to an insignificant risk of change in value.

Financial liabilities and equity
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes party to the contractual provisions of the instrument and are initially recorded at fair value net of issue costs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities
The Group's financial liabilities include borrowings, trade and other creditors. Financial liabilities are measured initially at fair value net of transaction costs and thereafter at amortised cost using the effective interest rate method.

Share-based payments
The Group has four equity-settled share-based remuneration schemes for employees and consultants. Where share options are awarded, the fair value of the options at the date of grant is calculated using a pricing model and is charged to the income statement over the vesting period. Market-related performance conditions are factored into the fair value of the options granted and a charge is made irrespective of whether the market-related performance conditions are satisfied. In respect of awards with non market-related performance conditions, an estimate of the proportion that will vest is made at the award date which is adjusted if the number of share options expected to vest differs from the previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period.

Impairment
The carrying values of property, plant and equipment and intangible assets with finite lives are reviewed for impairment when events or changes in circumstances indicate the carrying value may be impaired. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

Notes to the financial statements
continued

Key judgements in applying the entity's accounting policies
The Group's management makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates
Useful lives of intangible assets and property, plant and equipment
Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the income statement in specific periods (notes 7 & 8).

Inventory
The Group reviews the net realisable value of, and demand for, its inventory on a regular basis to provide assurance that recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices include the timing and success of future technological innovations, competitor actions, supplier prices and economic trends (note 9).

Trade receivables
Trade receivables are primarily due from three groups: hospitals in the UK and USA where direct sales are made, global corporate distributors and independent distributors, predominantly in Europe and the Rest of the World. In making provision for overdue trade receivables, management consider the first two groups to be generally of lower risk than those due from independent distributors and apply a lower level of provision. The size of the distributor together with its financial credit rating and the length of relationship with the Group are also taken into account (note 10).

Judgements
Bill and Hold sales
The Group recognises Bill and Hold sales where delivery is delayed at the buyer's request. The recognition of these sales require management's judgement of certain criteria as detailed in the Accounting Policies under revenue recognition.

Capitalisation of development costs
The Group's policy on the capitalisation of development costs of intangible assets are detailed in the accounting policies above. The inclusion of such costs requires management's judgement on the technical, commercial and financial viability of the projects.

2 Revenue and segmental information

The Group has one reportable segment – the supply of monitors, consumables and support services associated with or complementary to the use of the LiDCO's cardiac monitoring equipment. Geographical and product type analysis is used by the chief operating decision maker to monitor sales activity and is presented below:

Revenue and result by geographical region

Group revenue	**Year ended 31 January 2017 £'000**	Year ended 31 January 2016 £'000
UK – LiDCO products	**3,785**	3,584
UK – third party products	**1,449**	1,635
USA	**1,183**	1,071
Japan	**111**	35
Continental Europe	**738**	732
Rest of World	**946**	536
	8,212	7,593
Result		
UK – LiDCO products	**2,015**	1,691
UK – third party products	**240**	277
USA	**11**	91
Japan	**75**	27
Continental Europe	**304**	376
Rest of World	**534**	251
Total	**3,179**	2,713
Unallocated costs	**(3,081)**	(3,293)
Profit/(loss) from operations	**98**	(580)

Products and services

	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000
Monitor sales	**1,249**	784
Disposable sales	**5,168**	4,821
Distributed third party disposables	**1,449**	1,635
Total product revenue	**7,866**	7,240
Other income including service contracts	**346**	353
	8,212	7,593

The Group can identify trade receivables and trade payables relating to the geographical areas. As noted above, the Group has one segment and other assets and liabilities together with non sales-related overheads are not accounted for on a segment by segment basis. Accordingly, segment assets, liabilities and segment cash flows are not provided.

All non-current assets are located in the United Kingdom.

Material customers

During the year there were no customers that accounted for more than 10% of the Group's total revenue. In 2015/16 there was one UK customer that accounted for 10% of revenues with sales of distributed third party products of £753,000.

Notes to the financial statements
continued

3 Profit/(loss) from operations

The profit/(loss) on operations before taxation is stated after:

	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000
Fees payable to the Company auditors:		
– Audit of the Group accounts	**20**	22
– Audit of the Company's subsidiaries	**28**	30
– Audit-related assurance services*	**10**	10
Research and development expenditure	**139**	161
Depreciation of property, plant and equipment	**290**	307
Amortisation of intangible assets	**432**	413
Operating leases – rental of land and buildings	**151**	168
Operating leases – motor vehicles and other	**117**	133
Write down of inventories	**3**	16
Exchange rate gains	**27**	30

The cost of goods sold during the year amounted to £2,143,000 (2016: £2,107,000)

* Audit-related assurance services comprise £10,000 for interim review services. The Board considers it cost effective for the auditors to provide these services.

4 Staff costs

Staff costs during the year were as follows:

Group	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000
Wages and salaries	**2,673**	2,615
Social security costs	**253**	265
Pension contributions	**97**	88
Share-based payments (credit)/charge	**(41)**	72
	2,982	3,040

The average number of employees (including non-executive directors) of the Group during the year was:

	2017 Number	2016 Number
Production	**12**	12
Sales	**17**	20
Administration	**15**	14
	44	46

The remuneration of directors is set out below. Additional information on directors' remuneration, share options, long-term incentive plans, pension contributions and entitlements can be found in the Directors' Remuneration Report on pages 19 to 23 and forms part of these accounts.

	2017 £'000	2016 £'000
Short-term employee benefits	**594**	673
Share-based payments (credit)/charge	**(92)**	32
	502	705

5 Tax on profit/(loss) on ordinary activities

The tax credit is based on the loss for the year and represents:

	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000
United Kingdom corporation tax at 20.00% (2016: 20.17%)	–	–
United States income taxes	8	6
Research and development expenditure tax credits – current year	(93)	(168)
– prior year	–	–
Total tax	(85)	(162)

United States tax has been calculated at the Federal/State tax rates applicable to profits arising in the respective States.

The tax assessed for the year differs from the standard rate of corporation tax applied to the trading results. The differences are explained below:

Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 20.00% (2016: 20.17%)	20	(117)
Effect of:		
Expenses not deductible for tax purposes	4	5
(Capital allowances in excess of depreciation charge for the year)		
United States income taxes	8	6
Deferred tax not recognised	(43)	26
Additional deduction for research and development expenditure	(109)	(148)
Losses surrendered for research and development tax credit	128	234
Research and development expenditure tax credits – current year	(93)	(168)
Total tax income	(85)	(162)

The above table reconciles the income tax credit with the accounting loss at the standard rate of UK corporation tax.

The current year research and development tax credit of £93,000 (2016: £168,000) represents 22% (2016: 29%) of the Group's qualifying research and development spend.

The amount of the unused tax losses and temporary differences for which no deferred tax asset was recognised at the balance sheet date was:

	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000
Unused losses (available indefinitely)	24,149	24,149
Temporary differences (available indefinitely)	(9)	35
	24,140	24,184

The related deferred tax asset (calculated at 17%) of £4.1m (2016: £4.1m calculated at 17%) which will be recognised in the accounts when the trend of profits has been established.

Notes to the financial statements
continued

6 Earnings per share

The calculation of basic earnings or loss per share is based on the earnings or loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. The calculation of diluted earnings per share is based on the calculation described above 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 to ordinary shares would decrease earnings or increase the loss per share.

	Year ended 31 January 2017 £'000	Year ended 31 January 2016 £'000
Profit/(loss) after tax for the financial year	**187**	(416)
	Number ('000)	Number ('000)
Weighted average number of ordinary shares	**198,969**	194,175
Earnings/(loss) per share – basic and diluted (p)	**0.09**	(0.21)

7 Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Medical monitors £'000	Total £'000
Cost						
At 1 February 2015	564	484	110	685	1,858	3,701
Additions	6	1	8	21	127	163
Retirements	–	–	–	(6)	(10)	(16)
At 31 January 2016	570	485	118	700	1,975	3,848
Additions	–	7	12	9	140	168
Retirements	(21)	–	(47)	(33)	–	(101)
At 31 January 2017	**549**	**492**	**83**	**676**	**2,115**	**3,915**
Accumulated depreciation						
At 1 February 2015	558	427	95	573	969	2,622
Charge for the year	3	18	5	61	220	307
Retirements	–	–	–	(2)	(10)	(12)
At 31 January 2016	561	445	100	632	1,179	2,917
Charge for the year	5	17	6	48	214	290
Retirements	(21)	–	(47)	(33)	–	(101)
At 31 January 2017	**545**	**462**	**59**	**647**	**1,393**	**3,106**
Carrying amount at 31 January 2017	**4**	**30**	**24**	**29**	**722**	**809**
Carrying amount at 31 January 2016	9	40	18	68	796	931

Plant and equipment is depreciated at various rates depending on the estimated life of the item of plant or equipment. The rates of depreciation are shown in Note 1.

Medical monitors include equipment on long term loan to hospitals for active use where the hospital pays for disposables. Also included in this category is equipment for demonstration purposes, clinical trials and testing.

8 Intangible assets

	Clinical trials £'000	Product registration £'000	Product development £'000	Total £'000
Cost				
At 1 February 2015	283	1,018	5,080	6,381
Additions	–	74	419	493
At 31 January 2016	283	1,092	5,499	6,874
Additions	–	60	461	521
At 31 January 2017	**283**	**1,152**	**5,960**	**7,395**
Accumulated amortisation				
At 1 February 2015	236	780	3,576	4,592
Charge for the year	19	51	343	413
At 31 January 2016	255	831	3,919	5,005
Charge for the year	28	71	333	432
At 31 January 2017	**283**	**902**	**4,252**	**5,437**
Carrying amount at 31 January 2017	**–**	**250**	**1,708**	**1,958**
Carrying amount at 31 January 2016	28	261	1,580	1,869

Intangible assets includes assets that are internally generated and amortised over their estimated useful lives. Amortisation costs are included in administrative expenses. Additions for the year included internally generated assets of £316,000 (2016: £279,000), and externally purchased assets of £205,000 (2016: £214,000). The rates of amortisation are shown in note 1.

9 Inventory

	2017 £'000	2016 £'000
Raw materials and consumables	**277**	589
Finished goods and goods for resale	**1,190**	1,350
	1,467	1,939

At 31 January 2017, inventories stated net of allowances for obsolete or slow moving items, was £28,000 (2016: £21,000).

Notes to the financial statements
continued

10 Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	**2,505**	2,252
Other receivables	**92**	97
Prepayments	**87**	131
	2,684	2,480

All amounts are short term and the directors consider that the carrying amount of trade and other receivables approximates to their fair value. All of the Group's trade and other receivables have been reviewed for indicators of impairment. At 31 January 2017, trade receivables of £2.03m (2016: £1.53m) were within their agreed payment terms. In addition, some of the unimpaired trade receivables were past due as at the reporting date. The age of trade receivables past due but not impaired was as follows:

	2017 £'000	2016 £'000
Not more than three months	**429**	429
More than three months but not more than six months	**54**	82
More than six months but not more than one year	**42**	198
More than one year	**16**	32
	541	741

Movements in Group provisions for impairment of trade receivables are as follows, which are included within administrative expenses in the income statement.

	2017 £'000	2016 £'000
Opening balance	**20**	36
Provision for receivables impairment	**60**	20
Receivables written off in year	**(14)**	(36)
Closing balance	**66**	20

The other classes within trade and other receivables do not contain impaired assets.

11 Current liabilities

	2017 £'000	2016 £'000
Trade payables	**828**	772
Social security and other taxes	**274**	308
Accruals and other creditors	**402**	402
Deferred income	**92**	116
	1,596	1,598

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

12 Financial instruments

Capital risk management
The Group manages its capital structure to ensure that it will be able to continue as a going concern. The capital structure of the Group consists of cash and cash equivalents (as disclosed in the cash flow statement), borrowings (as disclosed in the note below) and equity (as disclosed in the consolidated statement of changes in shareholders' equity) attributable to the shareholders of the parent.

Financial risks
The Group's financial instruments comprise cash and liquid resources, borrowings and items such as trade receivables and trade payables that arise from its operations.

The main risks that arise from the Group's financial instruments are credit, interest rate, liquidity and currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk
The Group's credit risk is primarily attributable to trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimates by management based on prior experience of customers which is typified by a small number of high value accounts and their assessment of the current economic environment. The maximum exposure to trade receivables is £2,597,000 (2016: £2,349,000).

The credit risk on liquid funds is limited because the counterparties are UK-based clearing banks.

Notes to the financial statements
continued

Liquidity risk
The Group seeks to manage this financial risk by ensuring sufficient liquidity through the use of variable rate bank and overdraft facilities is available to meet foreseeable needs and by investing surplus cash assets safely and profitably.

Liquidity risk analysis
The Group manages its liquidity needs by carefully monitoring scheduled finance lease payments for long term financial liabilities as well as cash outflows due in month-to-month business. Liquidity needs are monitored on a month-to-month basis.

The Group maintains cash and marketable securities to meet its liquidity requirements.

As at 31 January 2017, the Group's financial liabilities have contractual maturities which are summarised below:

	Current		Non Current	
31 January 2017	Within 6 months £'000	6 to 12 months £'000	1 to 5 years £'000	Over 5 years £'000
Bank overdraft	–	–	–	–
Trade payables	**828**	–	–	–
Finance lease liabilities	–	–	–	–
	828	–	–	–

This compares to the maturity of the Group's financial liabilities in the previous reporting period as follows:

	Current		Non Current	
31 January 2016	Within 6 months £'000	6 to 12 months £'000	1 to 5 years £'000	Over 5 years £'000
Bank overdraft	–	–	–	–
Trade payables	772	–	–	–
Finance lease liabilities	–	–	–	–
	772	–	–	–

Market risks
Interest rate risk
The Group currently finances its operations through shareholders' funds and has no borrowings at present.

Currency risk
The Group manages currency risk by assessing the net exposure in each non-Sterling currency in which exposure arises. The only significant exposure relates to US dollars. The Group accepts the risk attached to fluctuations in the US dollar exchange rate as US dollar payables are largely offset by US dollar receivables from sales.

Group interest rate profile

	Floating rate		
	Cash current bank accounts	Deposit and reserve account	Total
Financial assets at 31 January 2017	£'000	£'000	£'000
Currency			
Sterling	**441**	**4,320**	**4,761**
US dollars	**133**	**–**	**133**
Euro	**7**	**–**	**7**
	581	**4,320**	**4,901**

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as follows. See note 1, principal accounting policies, covering financial assets and financial liabilities for explanations about how the category of instruments affects their subsequent measurement.

	2017	2016
Current assets	**£'000**	£'000
Loans and receivables:		
– Trade and other receivables	**2,597**	2,348
– Cash and cash equivalents	**4,901**	1,587
	7,498	3,935

	2017	2016
Current liabilities	**£'000**	£'000
Trade payables and other short term financial liabilities	**1,102**	1,080
	1,102	1,080

Currency risk management

The Group is exposed to translation and transaction foreign exchange risk. The currency where the Group is most exposed to foreign currency volatility is US dollars. The Group had the following balances denominated in US dollars:

	US dollars	
	2017	2016
	£'000	£'000
Trade and other receivables	**126**	196
Cash and cash equivalents	**133**	274
Trade and other payables	**(54)**	(76)
	205	394

No hedging instruments are used. The Group keeps under review the extent of its exposure to currency fluctuations, which relate entirely to trading transactions.

Notes to the financial statements
continued

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities and the Sterling to US dollar exchange rates. It assumes a percentage change in the exchange rate based on the foreign currency financial instruments held at each balance sheet date. Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months.

	US dollars	
	2017	2016
	£'000	£'000
Currency fluctuation	**20%**	10%

If Sterling had strengthened against the US dollar by the percentage above retrospectively, then this would have had the following impact:

	US dollars	
	2017	2016
	£'000	£'000
Net result for the year	**(23)**	(19)
Equity	**(23)**	(19)

If Sterling had weakened against the US dollar by the percentage above retrospectively, then this would have had the following impact:

	US dollars	
	2017	2016
	£'000	£'000
Net result for the year	**23**	19
Equity	**23**	19

Exposure to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Fair values of financial assets and liabilities
There was no difference between the fair value and the book value of financial assets and liabilities.

13 Share capital

	2017	2016
	Number of shares	Number of shares
Issued and fully paid – ordinary shares of 0.5 pence each	**000**	000
At the beginning of the year	**194,175**	194,175
Issued for cash	**50,000**	–
At the end of the year	**244,175**	194,175

	£'000	£'000
At the beginning of the year	**971**	971
Issued for cash	**250**	–
At the end of the year	**1,221**	971

14 Share-based payments

Equity-settled share option scheme

The Group has four equity-settled share option schemes for employees and consultants. The normal earliest date for vesting is at least three years from the date of grant. The rules of the 2002 scheme provide that earlier vesting may occur in certain prescribed circumstances such as redundancy. The rules of all share option schemes provide for vesting in less than three years in the event of a change of control of the Group or for exceptional reasons at the absolute discretion of the Remuneration Committee. The latest date for exercise is ten years from the date of grant. The options are settled in equity once exercised. At the discretion of the Group the options maybe settled in cash. Where share options are awarded, the fair value of the options at the date of grant is calculated using appropriate pricing models and is charged to the income statement over the vesting period.

	2017 Number	**2017 Weighted average exercise price (p)**	2016 Number	2016 Weighted average exercise price (p)
Outstanding at the beginning of the year	**11,752,084**	**9.7**	13,971,541	15.4
Issued in the year	**2,732,795**	**7.4**	4,695,604	1.1
Forfeited during the year	**(2,433,164)**	**16.9**	(6,915,061)	15.3
Exercised during the year	**–**	**–**	–	–
Outstanding at the end of the year	**12,051,715**	**7.7**	11,752,084	9.7
Exercisable at the end of the year	**3,708,803**	**10.5**	3,255,332	15.3

Fair value is determined by reference to the fair value of the instrument granted. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. These fair values were calculated using a Black-Scholes option pricing model with the following assumptions:

	2017	2016
Weighted average shares price (p)	**7.4**	11.2
Weighted average exercise price (p)	**7.4**	1.1
Expected volatility	**49%**	46%
Expected life (years)	**3.5**	4.0
Risk free rate	**0.6%**	1.3%
Expected dividend yield	**–**	–

No options were exercised during the year or the prior year.

The expected volatility is based on the Group's historical share price averaged over a period equal to the expected life. The expected life is the average expected period to exercise. The risk free rate of return is based on UK Government gilts. The share options outstanding at the end of the year have exercise prices of between 0.5p and 21.5p per share and a weighted average remaining contractual life of 7.3 years.

Notes to the financial statements
continued

15 Capital commitments

At 31 January 2017 the Company had placed forward orders for the purchase of monitors, monitor components and disposables for inventory to the value of £621,000 (2016: £82,000). Delivery of these orders is scheduled between February 2017 and February 2018.

16 Contingent liabilities

There were no contingent liabilities at 31 January 2017 or 31 January 2016.

17 Leasing commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group	**2017 Land and buildings £'000**	**Other £'000**	2016 Land and buildings £'000	Other £'000
In one year or less	**140**	**53**	152	109
Between one and five years	**443**	**43**	583	90
	583	**96**	735	199

18 Related party transactions

In the fund raise Ms Wallis, Mr Sassone and Mr Cooper subscribed for a total of 2,083,333 ordinary shares at a total subscription price of £125,000. Other than as noted above or within the directors' remuneration report, no contracts of significance were existing or entered into by the Group or its subsidiaries in which the directors had a material interest.

Key management compensation
Compensation for directors who are the only employees with responsibility for planning, directing and controlling the Group is set out in note 4 and disclosed in the directors' remuneration report.

Transactions between the Company and its subsidiaries which are related parties are eliminated on consolidation.

Independent auditor's report to the members of LiDCO Group Plc

We have audited the parent company financial statements of LiDCO Group Plc for the year ended 31 January 2017 which comprise the parent company balance sheet, statement of changes in shareholders' equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement on page 25, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the parent company financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 January 2017;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements;
- the Strategic Report and the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the Group financial statements of LiDCO Group Plc for the year ended 31 January 2017.

Marc Summers, FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London
27 March 2017

Company balance sheet
At 31 January 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Investments	2	**16,849**	16,849
		16,849	16,849
Current assets			
Cash at bank and in hand		**2,924**	130
		2,924	130
Net assets		**19,773**	16,979
Capital and reserves			
Called up share capital	3	**1,221**	971
Share premium account		**30,342**	27,798
Profit and loss account		**(11,790)**	(11,790)
Shareholders' funds		**19,773**	16,979

The loss for the year of the Company was £nil (2016: £nil).

The financial statements were approved by the Board of Directors and authorised for issue on 27 March 2017.

Theresa Wallis
Director

Matthew Sassone
Director

Company statement of changes in shareholders' equity
For the year ended 31 January 2017

	Share capital £'000	Share premium £'000	Retained loss £'000	Total equity £'000
At 1 February 2015	971	27,798	(11,790)	16,979
Result for the year	–	–	–	–
At 31 January 2016	971	27,798	(11,790)	16,979
Issue of share capital (net of issue costs)	250	2,544	–	2,794
Transactions with owners	250	2,544	–	2,794
Result for the year	–	–	–	–
At 31 January 2017	**1,221**	**30,342**	**(11,790)**	**19,773**

The share premium account represents the excess over the nominal value for shares allotted.

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 January 2016

1 Principal accounting policies

Basis of preparation

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated. The financial statements have been prepared on a historical cost basis except for the revaluation of certain properties and financial instruments. The financial statements are presented in Sterling (£) and have been presented in round thousands (£'000).

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) the requirement of paragraphs 45 and 46-52 of IFRS 2 Shared based payment,
b) the requirement of IFRS 7 Financial Instruments: Disclosures,
c) the requirements in paragraphs 91-99 of IFRS 13 Fair Value Measurement,
d) the requirements in paragraphs 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1; (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and (iii) paragraph 118(e) of IAS 38 Intangible Assets,
e) the requirement of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements,
f) the requirements of IAS 7 Statement of Cash Flows,
g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Change in Account Estimates and Errors,
h) the requirements of paragraph 17 of IAS 24 Related Party Disclosure,
i) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and,
j) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Going concern

The Group's business activities, together with a review of the market and the Group's distribution channels are set out in the Strategic Report on pages 5 to 13. In addition, note 12 to the financial statements includes the Group's policies for managing its capital; its financial risk; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Group has a number of customers across different geographic areas and considerable recurring revenue streams through the sales of its disposables which represented 81% of its revenues in the year to 31 January 2017.

The Company currently finances its operations through shareholders' funds. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment.

Foreign currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Share-based payment charges

The Company has four equity-settled share-based remuneration schemes for employees. Where share options are awarded to employees, the fair value of the options at the date of grant is calculated using a pricing model and is charged to the income statement over the vesting period. Any cumulative adjustment prior to vesting is recognised in the current period. Where the Company issues share warrants in respect of distributor arrangements, the fair value of the options at the date of grant is calculated using a pricing model and is charged to the income statement over the vesting period.

Notes to the financial statements
continued

2 Investments

Company	Shares in subsidiary undertakings £'000
Cost and net book value	
At 1 February 2016 and at 31 January 2017	16,849

The Company's beneficial interest in subsidiary undertakings consists of:

	Country of registration	Beneficial holding	Nature of business
LiDCO Limited	England and Wales	100%	Medical instruments and appliances
Cassette Analytical Systems Limited	England and Wales	100%	Dormant

3 Share capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid 244,174,908 ordinary shares of 0.5p each (2016: 194,174,908 ordinary shares)	**1,221**	971

4 Result for the financial year

In accordance with the exemption given by section 408 of the Companies Act 2006, the holding company has not presented its own profit and loss account. The loss for the year of the Company was £nil (2016: £nil).

5 Related party transactions

In the fund raise Ms Wallis, Mr Sassone and Mr Cooper subscribed for a total of 2,083,333 ordinary shares at a total subscription price of £125,000. Other than as noted above or within directors remuneration report, no contracts of significance were existing or entered into by the Group or its subsidiaries in which the directors had a material interest. The Company has taken advantage of the exemption in Financial Reporting Standard 101 paragraph 8(k) from disclosing related party transactions between the Company and its subsidiary undertakings.

Company information

Company registration number:
2659005

Registered office:
16 Orsman Road
London
N1 5QJ

Company website:
www.lidco.com

Directors and Secretary:

Ms T A Wallis	Non-Executive Chairman
Mr P W Grant	Non-Executive Director and Chairman Designate
Mr M G Sassone	Chief Executive Officer
Mr I G Brown	Non-Executive Director
Mr P L Clifford	Finance Director
Mr P M Cooper	Non-Executive Director
Ms K Williams	Company Secretary

Advisers to the Company

Auditor:
Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

Registrar:
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Nominated adviser and stockbroker:
finnCap
60 New Broad Street
London
EC2M 1JJ

Banker:
NatWest Bank Plc
63-65 Piccadilly
London
W1J 0AJ

designed by www.randallwilkinson.co.uk

LiDCO Group Plc

Head Office:
16 Orsman Road
London
N1 5QJ
T: + 44 (0)20 7749 1500
F: + 44 (0)20 7749 1501

US Office:
500 Park Avenue
Suite 103
Lake Villa
IL, 60046
T: + 1 (0) 847 265 3700
F: + 1 (0) 847 264 3737

www.lidco.com