LiDCO
Hemodynamic Monitoring

2018/19

LiDCO Group Plc

Annual Report & Accounts
for the year ended 31 January 2019

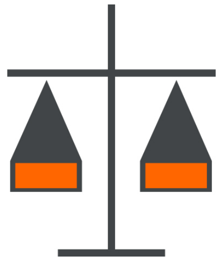
LiDCO Group Plc

81%* of

annual revenues come from RECURRING REVENUE

HIGH GROSS MARGIN @ 75%*

Scalable business model



£6.5m NET ASSETS

STRONG balance sheet CASH @ £1.7m

No.1 in UK

Used in over 50% of NHS hospitals. Excellent base for geographic expansion

PATENTED TECHNOLOGY

detects blood loss 5 TIMES FASTER than major competitors

CLINICAL EVIDENCE

Wealth of evidence showing benefits of hemodynamic technology

* Excludes distributed third-party disposables

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Operational highlights

- Recurring revenues increased to **81%** of total LiDCO product revenues (2018:71%)
- Global contracted base of High Usage Programme (HUP) monitors increased to **164** (2018: 96) monitors generating total annualised license revenues of **£1.40m** (2018: £0.73m)
- US contracted base of HUP monitors increased to **95** monitors (2018: 58 units); US recurring revenues grew nearly **50%** to **£1.27m** (2018: £0.85m)
- Three of LiDCO's larger UK customers signed multi-year HUP contracts – representing **£0.45m** (14%) of LiDCO's 2018/19 recurring revenues in the UK
- Exclusive UK distribution agreements signed with Maicuff, Antmed and Xavant
- Submission for new monitoring platform made to Chinese regulatory authorities
- New exclusive distributors signed in Sweden, Finland, Romania, Taiwan, and Sri Lanka

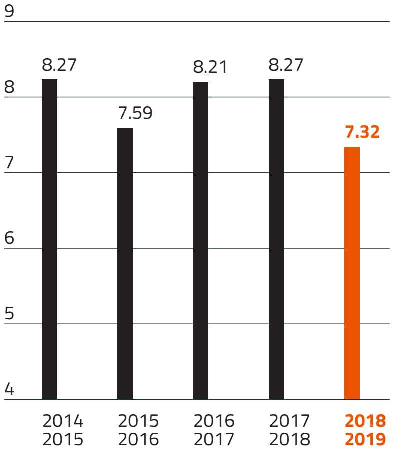
Financial highlights

- Total revenue of **£7.32m** (2018: £8.27m) and LiDCO product revenue (excluding third-party products) was down **10%** to **£6.19m** (2018: £6.87m), the reduction due to a number of non-recurring factors
- HUP deferred revenues of **£0.77m** up **28%** (2018: £0.60m)
- Gross margin (excluding third party products) of **74.5%** (2018: 73%)
- Adjusted loss before tax* of **£1.99m** (2018: loss £1.84m)
- Reported loss before tax of **£2.14m** (2018: loss £2.22m)
- Loss per share of **0.80 pence** (2018: loss per share 0.86 pence)
- Net cash outflow before financing of **£1.51m** (2018: £1.67m), H2 cash outflow **£0.32m** (2018: £0.76m)
- Debt free with cash at year-end of **£1.72m** (2018: £3.23m)

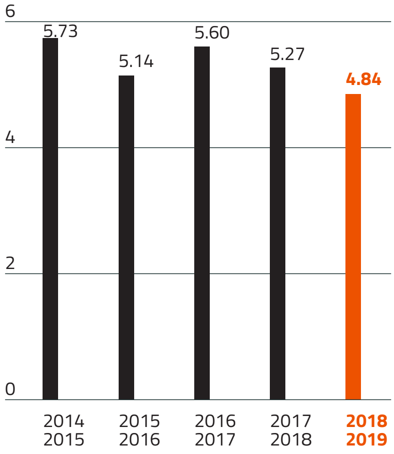
* adjusted for share-based payments of £0.1m in both 2018 and 2019 and one-off stock write-down of £0.3m in 2018

Post year end

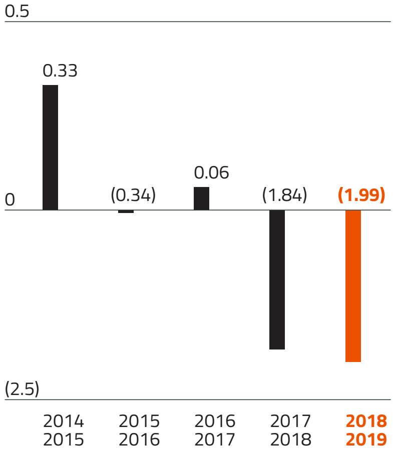
- Further **48** HUP monitors signed, bringing the global contracted base of HUP monitors to **212**, generating total annualised license revenues of **£1.82m**
- Appointment of Tim Hall as Chief Financial Officer
- New master distributor appointed in Latin America



Revenue
£million



Gross profit
£million



Profit/(loss) from operations*
£million

Strategic report
Chairman's statement
For the year ended 31 January 2019

On behalf of the Board, I am pleased to present the Group's Annual Report and Accounts for the year ended 31 January 2019 (2018/19).

The Group has continued to make good headway with its differentiated High Usage Programme ("HUP") business model following its launch in July 2017. As the business wins HUP contracts, it transitions towards multi-year licence revenues, giving greater visibility alongside stronger cash generation as customers pay in advance of services being provided, albeit with revenues being spread, typically over 12 months. In 2018/19 the number of monitors under HUP increased over 70% to 164. As at 20 March 2019, the Group had 212 monitors contracted under the HUP worth £1.82m per annum of recurring revenues.

Although total revenues for 2018/19 (including third party products) at £7.32m (2018: £8.27m) were down 11.4%, this fall was due to a number of non-recurring factors:

- the transition to HUP has deferred revenue from the current financial year;
- the transition to HUP has also dampened Q4 sales, as some customers have reduced purchases of consumables in anticipation of converting to HUP in their new financial year, which commences in April 2019;
- demand for capital monitor purchases was lower than expected in Q4 as customers conserved or diverted cash as part of their Brexit mitigation measures; and
- sales were reduced by the termination of the low-margin Argon distribution contract, which has been replaced by three higher margin distribution agreements coming on stream in 2019/20.

The Directors expect that growth will resume in 2019/20, underpinned by the growing contracted base of HUP contracts.

The Group's cash balances at 31 January 2019 totalled £1.72m and the Group remains debt free. As set out in note 1 to the financial statements the Board believes that LiDCO retains the appropriate strength in its balance sheet to deliver its strategic objective of creating a profitable business with good forward visibility from cash-generative recurring revenue streams.

Peter Grant
Non-executive Chairman

Jill McGregor, Chief Financial Officer and Company Secretary, informed the Board in September 2018 of her intention to leave the Group due to relocating to Scotland for personal reasons. Jill agreed to work her six months' notice period and left the Group on 22 March 2019 after a brief handover to her successor. We thank Jill for her contribution to LiDCO and wish her every success in her future career. On 11 March 2019, we were pleased to welcome Tim Hall to the Board as Chief Financial Officer and Company Secretary. Tim is a Chartered Accountant with extensive finance leadership within the med-tech sector.

I would like to also take this opportunity to thank shareholders, employees, customers and partners for their support during the year. We continue to look forward with confidence.

Peter Grant
Chairman

25 March 2019

Strategic report continued
Chief Executive Officer's report
For the year ended 31 January 2019

The Group continued its transition to its differentiated Software as a Service (SaaS) model, the High Usage Programme (HUP), which has the potential to substantially increase the adoption of hemodynamic monitoring and provide greater forward visibility of revenues and cash flows. Through this transition the Board believes that the Group will be positioned for sustained growth in the medium term.

Matthew Sassone
Chief Executive Officer

HUP is differentiated from competitors by not having a charge per patient use, which encourages hospitals to use hemodynamic monitoring more widely by removing concerns about budgetary constraints. Numerous studies have shown that the use of hemodynamic monitoring improves patient outcomes, reduces length of stay and healthcare costs. The Board believes that these benefits provide healthcare providers with a strong justification to adopt the HUP model.

LiDCO's differentiated SaaS model is focused on attracting the larger more established users of hemodynamic monitoring to convert to LiDCO technology and for the Group's larger existing customers to extend the adoption of hemodynamic monitoring to a wider patient base.

The initial hospitals that LiDCO converted to HUP in the year ended 31 January 2018 have been reporting their first-year experience after HUP implementation. Under the unlimited programme the number of patients receiving hemodynamic monitoring in these accounts in both the UK & US has significantly increased. In one NHS hospital, after the first 10 months of implementation, the number of patients treated had increased 31% to 5,338 patients compared with 4,065 in the corresponding prior period. Likewise, a major USA customer expanded the numbers of patients being monitored by 30% whilst hemodynamic monitoring expenditure reduced by over 50%. This provides clear, real-world, evidence that LiDCO technology is delivering increased value to both healthcare providers and patients.

The Group's strategy is to expand geographically from its strong position in its home UK market by gaining market share with its differentiated business model and market leading technology. HUP is a strategic focus for the Group, especially but not exclusively in the key US market. As of 20 March 2019, the global contracted base of HUP comprised 212 monitors, generating total annualised license revenues of £1.82m.

In the UK, the Group enjoys a leading market share, with over 50% of NHS acute care hospitals using its technology. However, the UK still represents 58% of LiDCO product revenues and the Board has identified a number of key geographies where it believes that the Group can gain a more significant market share.

The US is the largest market for hemodynamic monitoring, representing nearly half of the global demand. The Board believes this market offers the Group the greatest opportunity to grow and this has been the main focus of commercial efforts. Whilst highly competitive, early indications are that the market is responding well to LiDCO's differentiated pricing approach. Since launching the HUP in July 2017, the number of HUP monitors in the US has grown to 132 across 20 accounts as at 20 March 2019 generating contracted annualised recurring revenues in excess of $1.51m (£1.16m). In addition, the US sales team has developed a significant pipeline of potential large users that previously would not have considered changing from their current supplier. This pipeline continues to build with the value of annualised business currently in negotiation or evaluating LiDCO's offering worth approximately $1.5m and $2.1m respectively. The focus is very much on transitioning these to signed contracts, typically two to three years in length.

In the rest of the world, the Group continues to make progress in creating the infrastructure needed to deliver the Board's geographical expansion plans. The Group's internal resources are focussed on managing distributors in the territories with the greatest mid to long term market opportunities, and master distribution companies are utilised to manage those distributors which are expected to be better served by a more local presence. As part of this more tailored approach to distribution management, LiDCO has selected markets within Europe, the Middle East and Asia where strong growth opportunities have been identified and the Group is investing with the right partners to achieve the necessary registrations and promotional activities to further market development and widen the adoption of hemodynamic monitoring.

Post period end, the Company signed a master distribution agreement for LiDCO products with Elysian Fields Medical covering a number of territories across Latin America. The Brazil based distributor will cover all the major countries in Latin

Strategic report continued

America, including Brazil, Mexico, Argentina, Chile, Uruguay, Peru, Columbia and Paraguay, actively promoting the LiDCO product range in a market the LiDCO management estimate represents 10% of current global demand.

During the year the Group continued its investment in the commercial activities of the business in order to improve its sales efforts and the way that it promotes the LiDCO technology globally. Over the last two years investment has been made in additional commercial headcount for the USA, Europe and the UK. Management monitor where these additional resources are allocated to best accelerate future revenue growth and gain greater market share.

FINANCIAL REVIEW

Revenues

Overall, LiDCO product revenues for the year ended 31 January 2019 were £6.19m (2018: £6.87m) and total revenues (including third party products) were £7.32m (2018: £8.27m).

As of 31 January 2019, LiDCO had £0.77m (2018: £0.60m) of deferred revenues on the balance sheet arising from the HUP, with a global contracted base of 164 (2018: 96) monitors generating total annualised license revenues of £1.40m (2018: £0.73m).

Further comment on revenues by territory is provided in the operational review.

Gross profit and margin

Gross profit reduced by 8% to £4.84m (2018: £5.27m) due to lower revenue, partly offset by an increase in gross margin from 64% to 66%. The gross margin achieved on the sale of third-party products remained unchanged at 20%. However, the gross margin achieved on sales of LiDCO products increased to 74.5% (2018: 73%) even though a greater proportion of sales in rest of world were made through master distributors.

Overheads

Overheads before share-based payments reduced to £6.83m (2018: £7.38m) with strict control of expenditure and lower commissions payable. During the year the Group was able to realise some efficiencies in its back-office headcount and the average full-time equivalent headcount (excluding Non-executive Directors) was 48 employees (2018: 49 employees). Share-based payments were a charge of £143,000 (2018: £109,000).

Earnings and tax

The Group made an adjusted loss before tax (adjusting for share-based payments) of £1.99m (2018: £2.11m). After charging for share-based payments and receiving the benefit of £0.19m of research and development tax credits, the Group made an overall loss for the year of £1.94m (2018: £2.09m), equating to a loss per share of 0.80 pence (2018: 0.86 pence).

Cash flow, borrowings and cash balances

The Group continued to invest in the US market in line with the strategy of geographical expansion, supporting the sales force with marketing activities and had a net cash outflow in the year before financing activities of £1.51m (2018: £1.67m). HUP contributed £0.2m of positive cash flow in the year (2018: £0.3m). The outflow reflects the investments made in commercial resources and some significant non-recurring investments in working capital in H1 as the Group managed various changes in the supply chain of the LiDCO*plus* consumables, as explained under Inventory below.

The Group's cash outflow in H2 was £0.32m compared with £1.19m in H1 and cash balances at 31 January 2019 totalled £1.72m (31 January 2018: £3.23m). As set out in note 1 to the financial statements the Group remains debt free and the Board believes that LiDCO retains the appropriate strength in its balance sheet to deliver its strategic objectives.

Property, plant and equipment

There was a small investment in property, plant and equipment in the year of £0.35m (2018: £0.48m). Investment in medical monitors totalled £0.32m (2018: £0.39m) comprising HUP monitors, medical monitors placed on long-term loan to hospitals in the UK and USA for active use, where the hospital pays for disposables, and monitors for demonstration purposes and clinical trials.

Intangible assets

Expenditure on intangible assets in the period was £0.65m (2018: £0.48m) of which £0.59m (2018: £0.42m) was spent on product development with a further £0.06m (2018: £0.06m) on new product registrations predominantly in overseas territories. Expenditure on product development included the continued improvements to the next generation LiDCOunity hardware platform launched mid-2017, improving its Graphical User Interface (GUI) to include guided protocols, case reporting and parameter notifications.

Inventory

Inventory increased to £1.88m in the year (2018: £1.35m). During the year, the Group changed supplier for two of its LiDCO*plus* disposables products and purchased 18 months' supply of product to cover the transition period which resulted in significant non-recurring investments in working capital of £0.3m. The supplier of the Lithium Chloride also increased the manufacturing batch size five-fold resulting in the requirement to purchase larger quantities of product. 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

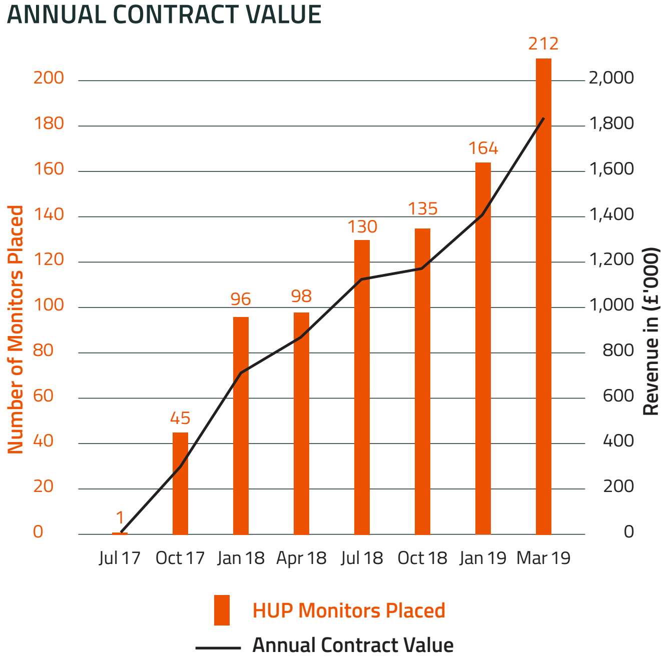
	12 months to January 2019				12 months to January 2018			
	Monitors £'000	Recurring revenues £'000	Other £'000	Total £'000	Monitors £'000	Recurring revenues £'000	Other £'000	Total £'000
LiDCO sales								
UK	378	3,108	73	3,559	686	3,383	73	4,142
USA	102	1,267	7	1,376	497	849	11	1,357
Europe	152	304	11	467	222	272	10	504
Rest of World	419	361	8	788	468	389	5	862
	1,051	5,040	99	6,190	1,873	4,893	99	6,865
Third party sales								
UK	–	1,134	–	1,134	–	1,402	–	1,402
Total sales	1,051	6,174	99	7,324	1,873	6,295	99	8,267

Recurring revenues include sales of smartcards, sensors, software licenses (including HUP) and service contracts. Japan revenues are included within Rest of World.

LiDCO continues to make progress with its HUP offering. Since its launch in July 2017, as at 20 March 2019 the Group had a total global contracted base of 212 HUP monitors (31 January 2018: 96 units) generating £1.82m (31 January 2018: £0.73m) of annualised HUP contracts with the revenue recognition being spread over the term of the contract. The total value of contracts signed to 20 March 2019 is £6.7m.

The growth of the HUP business is illustrated in the table below:

HUP MONITORS PLACED AND ANNUAL CONTRACT VALUE



UK

In the UK, LiDCO is seeking to convert its largest customers to the HUP business model. The Group initially evaluated this approach with its largest UK account in January 2018 and, encouragingly, the customer has been able to treat more patients and has increased its investment in hemodynamic monitoring. Following this success, three more of LiDCO's larger customers, have signed multi-year HUP contracts, meaning that a total of £0.45m or 14% of LiDCO's recurring revenues in the UK have now converted to HUP.

This strategy to actively convert UK customers to the SaaS business model had a transitional impact on revenue recognition within the financial year through the deferral of revenues which would normally have been booked in the year. These deferred revenues will be recognised over the 12 months from signing the HUP agreements. The transition to HUP has also dampened Q4 sales, as some customers have reduced purchases of consumables in anticipation of converting to HUP in their new financial year, which commences in April 2019. Demand for capital monitor purchases has also been lower than expected as customers conserved or diverted cash as part of their Brexit mitigation measures. As a result, sales in Q4 were less than the usual peak and LiDCO product revenues for the year were £3.56m (2018: £4.14m).

Following the previously announced termination of the Merit distribution contract for Argon products and subsequent signing of new third-party opportunities, third-party sales were £1.13m (2018: £1.40m). During the year, the Group has sourced alternative distribution opportunities to replace the contribution made by Argon products. In general, the margin on the alternative distribution opportunities will be significantly

Strategic report continued

higher than with the Argon products, although LiDCO will need to invest in inventory to support the sales. LiDCO is now the exclusive distributor for Maicuff, Antmed and Xavant in the UK.

In July 2018, the Group signed a three-year agreement to take full distribution responsibilities for Maicuff's extensive range of Non-Invasive Blood Pressure (NIBP) disposable products in the UK. LiDCO will introduce these products to the UK market. With increased focus on infection control, the UK market is experiencing significant growth in disposable NIBP cuffs as the market moves away from using reusable NIBP cuffs in high risk areas.

Antmed disposable pressure transducers are a direct competitor for the previously distributed Argon products. LiDCO introduced these products to the UK market having signed a three-year agreement in October 2018.

The Group has recently signed an exclusive UK distribution agreement with Xavant Technology (Pty) Ltd. ("Xavant") to take full distribution responsibilities for Xavant's Advanced Nerve Stimulation and Monitoring Technology in the UK as from 1 February 2019. Xavant is a leading supplier of quantitative neuromuscular monitoring for use during general anaesthesia.

USA

In the US, the strong growth of HUP meant that recurring revenues, which includes per patient disposables and service contracts, grew nearly 50% to £1.27m (2018: £0.85m). LiDCO has gained a further 11 new US HUP customers, with the US contracted base at 31 January 2019 standing at 95 monitors (2018: 58 units) worth £0.83m per annum. These new HUP customers are prestigious reference accounts. Since 31 January 2019 a further six HUP agreements have been signed in the US, covering 37 monitors and £0.33m per annum contracted revenue.

In the US, there remains an encouraging pipeline of prospective customers, many at an advanced stage of contracting, but the timing of finalising these agreements remains difficult to predict. Whilst, at times, progress appears slower than originally anticipated, the Group's management and sales team are learning how to anticipate and overcome identified causes as well as building various relationships to help penetrate the US market, which is the largest in the world for hemodynamic monitoring. The Board believes that its disruptive HUP model will continue to gain traction in the US and anticipates that its US operations will become cash flow break-even during the course of the coming financial year.

Continental Europe

Sales in Europe were flat at £0.47m (2018: £0.50m) with total monitor sales of 32 units compared with 52 units last financial year. The Group had a noteworthy tender win in Finland and had further success in Denmark with the HUP model. LiDCO has a strong position in a few selected markets within Europe and continues to work on expanding its presence in some of the larger countries in the region by partnering with the appropriate distributors. During 2018/19 the Group signed an exclusive three-year agreement with Spacelabs Healthcare SAS France to distribute LiDCO products in France.

Rest of World

Overall revenues outside of the UK, US and continental European markets were £0.79m (2018: £0.86m). Strong revenue growth in Japan and preliminary orders from new distribution channels were offset by weaker demand from the Middle East region primarily driven by no sales to Iran, where the market environment has been the impacted by US sanctions.

LiDCO continues to invest in geographical expansion, during the year applying for several regulatory registrations in key target markets in South East Asia and Latin America, which are expected to begin to bring benefits in 2019/20. Importantly, the Company made significant progress towards registering its latest monitor platform in China. All the prerequisite testing and documentation was completed during 2018 with the submission to CFDA being made in January 2019. The normal timescales for the CFDA to review this type of filing is a few months and LiDCO's distributor in China is standing by to launch the new monitor as soon as approval is received.

Outlook

The Board continues to assess its investments in its commercial operations, ensuring that the Group has the right resources to expand its product sales into the many countries where adoption of advanced hemodynamic monitoring is now occurring. LiDCO remains focused on exploiting the large number of opportunities identified by the introduction of its differentiated HUP pricing model.

As the business continues to win HUP contracts, it will transition towards more multi-year license contracts, providing good visibility of revenues alongside strong cash generation. The Board expects this to greatly enhance the quality of the Group's earnings although accounting for such contracts will continue to have a short-term impact on revenue recognition as the income will typically be spread over the term of the contract as opposed to monitor and consumables revenues being recognised when invoiced.

In the USA, the Board expects the contracted base of monitors to continue to grow and the business will benefit from the full year impact of HUP contracts won in 2018/19. In the UK the transition to HUP will make comparisons with prior years difficult as some customers will reduce purchases of consumables in anticipation of converting to HUP and HUP revenues are spread into the subsequent financial year, unlike capital sales of monitors which are, typically, recorded as sales as delivered.

The Group expects the three newly signed distribution agreements in the UK, which generate higher gross margins, to start to have an impact and go some way to close the contribution gap created by the loss of the Argon Medical products UK distribution contract.

The Board anticipates significant revenue growth in 2019/20 as the current annualised base of HUP contracts carries forward, partially offset by lower third-party sales as the business transitions to the new third-party distribution agreements. Gross margins are expected to improve further due to a favourable LiDCO product mix and higher margins on the new third-party sales, whilst operating expenses are expected to remain broadly stable.

How LiDCO creates value: the Group's business model

LiDCO is a UK-based manufacturer and supplier of monitoring equipment. 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. LiDCO technology, coupled with its low-cost manufacturing and product sourcing skills, combine to produce a highly differentiated, patent-protected monitor with a recurring income stream either from the sale of dedicated high margin single patient use disposables and/or usage licenses.

LiDCO monitors continuously display a number of crucial physiological parameters including arterial blood pressure, the effects of anaesthesia 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. This crucial data is provided via an easy-to-interpret monitor user interface which helps clinicians and nurses ensure that 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. Although that option is available with LiDCO*plus*, LiDCO's other technology does not require the insertion of central catheters and can be used completely non-invasively and in both ventilated and non-ventilated patients.

LiDCO's 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 LiDCO's business model:

LiDCO has 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.

- The Group generates revenues principally through the sale of high margin single-use disposables and/or the sale of software licenses into a growing contracted base of LiDCO-enabled monitors.
- The Group protects its recurring revenue income stream through having patented products with high levels of proprietary intellectual property which are subject to on-going development.
- Sales of LiDCO's products are supported by over 200 clinical studies and an ever-growing body of evidence to satisfy purchaser requirements for clinical and cost effectiveness.
- LiDCO provides first-class training and education to its customers. This helps entrench our technology and reduce hospitals costs, with a focus on providing LiDCO with a sustainable recurring income.

Delivering the Board's objectives: strategy

The Board's strategy is to build shareholder value through the commercialisation of LiDCO monitoring systems and associated high margin recurring revenues. Excellence in product design, manufacturing and sales and marketing are at the core of the Group's values. LiDCO's main products are patent protected and supported by a growing body of data showing their clinical and cost-effectiveness. The Group's 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 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. The Group's sales and distribution model has three elements:

- Direct sales into hospitals in the UK and USA.
- Outside of the Group's two direct markets, sales are via distribution partners. The depth of margin on disposable sales allows LiDCO to attract quality specialist distribution partners on an exclusive and non-exclusive basis. In addition, where appropriate, the Group sometimes work through regional master distribution organisations to manage distributors on its behalf.
- LiDCO's core technologies are patented and the Board sees licensing the Group's technology as another way to access the market. The LiDCO algorithm has been licensed on a non-exclusive basis to a major corporate partner in the USA in return for future royalty payments.

Strategic report continued

Measuring the Group's 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 2019	Year to January 2018
Revenue growth of LiDCO products	-10%	2%
Gross profit margin on LiDCO products	74.5%	73%
LiDCO product revenue per FTE sales employee	£0.44m	£0.51m
% LiDCO product overseas revenue	43%	40%
% of recurring revenue	81%	71%
Monitors sold/placed in the year	236	315
Installed base of HUP monitors	164	96
Annualised value of HUP contracts	£1.40m	£0.73m

The KPIs are linked to the Group's strategic initiative of commercial expansion and measuring the success of its differentiated HUP pricing model. LiDCO product revenues were lower due to the transition to HUP, as some customers have reduced purchases in anticipation of converting to HUP and demand for capital monitor purchases was lower than expected in the UK. LiDCO gross margin percentage improved due to a favourable mix of product and geographical sales. The success of HUP in the US has positively influenced the regional revenue split and the specific HUP KPIs.

OPERATIONAL REVIEW

The Group maintains a comprehensive risk register and risk management as 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 seriousness):

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 48 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 and reports on health and safety matters are regularly reviewed by the Board.

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 Group 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 appropriate buffer levels of inventory to mitigate any risks and where possible and economic to do so seeks to identify further sources of supply. In addition the Group continues to invest in the maintenance of its manufacturing equipment and 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. 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 closely monitors partner activity to ensure that contracts with them continue to be effective and up to date. 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 associated 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 in many markets 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 September 2017 has increased pricing transparency within the NHS, and the Group aims to mitigate this by continuing to offer products and services with tangible health outcome and economic benefits to its customers. In selected instances the introduction of HUP will benefit both customers and LiDCO by extending the use of hemodynamic monitoring and its associated benefits.

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. The introduction of HUP will also mitigate this risk by moving the customer base onto medium term contracts with payments in advance. 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 assist 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, some of these are large companies with greater resources than LiDCO. In addition, new competitor technologies may appear and some clinicians may 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 and pursuing technology leadership. Through both differentiation from competitors, and continually drawing clinicians' attention to the advantages of our technology, we demonstrate through clinical studies the positive outcome benefits of hemodynamic monitoring using LiDCO solutions. The HUP offers a differentiated pricing model which enables LiDCO to offer solutions not currently offered by its competition.

Brexit

LiDCO continues to monitor the situation with respect to Brexit through updates from its Notified Body and the Government.

The belief is that a "hard Brexit" remains unlikely but in the current levels of uncertainty, everybody has to prepare for the unknown. Nobody can make any guarantees with respect to the post-Brexit position. The most likely scenario remains business as usual until at least December 2020. However, if the UK does crash out of the EU without a deal, there is no clarity at all about what the situation will be.

It is possible that UK-issued certificates may immediately be invalid which continues to be the position of the EU Commission. In this case LiDCO may not be able to sell pharmaceutical product into the EU however has plans in place to put sufficient product into the market before 29 March 2019. There is, however, a strong belief that a more pragmatic position will have to be adopted within the EU 27 in the face of potential supply and availability issues. This would see UK certificates recognised for an as-yet-to-be determined transitional period, allowing an orderly transfer to Notified Bodies remaining in the EU.

The Board recognise that until the political situation is resolved, there will not be definitive guidance however will continue to keep up to date with developments as they arise and will adapt the Group's contingencies accordingly.

Board of Directors

Peter Grant **Non-executive Chairman**
Peter Grant joined the Board as Non-executive Chairman Designate on 6 March 2017 and was elected Chairman of the Board and Audit and Nomination Committees on 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 Group 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 Chairman and Chair of the Finance and Audit Committee and member of the Remuneration Committee of Microsaic Systems plc and a Non-executive Director of Labatec Pharma SA, a private Swiss company. Mr Grant is Chairman of the Audit and Nomination Committees and a member of the Remuneration Committee.

Matthew Sassone **Chief Executive Officer**
Mr Sassone took over the role of Chief Executive Officer during August 2015 following the retirement the business' founder Dr Terry O'Brien. He has over 20 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 Regional 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.

Clinical Advisory Group

Dr Max Jonas
Dr Jonas is a Consultant Intensivist, Senior Lecturer and Tutor in critical care working at Southampton University and Hospitals. He is currently a senior consultant on the 28-bed general intensive care unit and has specific interests in hemodynamics and health technology assessment.

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. He has recently been appointed to the council of governors at UHS and is the clinician in charge of a £25M rebuild of the ICU.

Dr Terry O'Brien
Thirty-five years executive and consultancy experience within the Healthcare Industry. Co-founder and ex CEO of LiDCO Group PLC. Extensive knowledge of cardiovascular physiology and the application of hemodynamic monitoring technology to improve outcomes in high-risk acute care patients. Education – PhD in Stem Cell Transplantation from Westminster Medical School (now Imperial College, London), Bachelors in Human Biology from Surrey University. Publications & Patents – Author/co-author of a number of peer reviewed articles published in major medical and scientific journals. Co-inventor of 5 patent families granted in major territories (EU, UK, USA and Japan) covering the fields of sensor technology and physiological signal processing and display. Fellow of the Royal Society of Medicine, London.

Tim Hall **Chief Financial Officer**

Tim Hall joined the Board on 11 March 2019 as Chief Financial Officer and Company Secretary. Tim is a Chartered Accountant with almost 30 years' experience in financial roles in the life science industry.

Prior to joining LiDCO, Tim was Chief Financial Officer of Oxford Gene Technology IP Ltd ("OGT") from 2012 to 2018 during which time he helped to grow the business substantially through both geographic expansion and M&A activity before its successful sale to Sysmex Corporation in 2017. Before moving to OGT, Tim was Finance Director at AIM-listed Lombard Medical Technologies PLC for six years and previously had senior finance roles in UCB S.A, Celltech Group plc and Medeva PLC. Tim's early career included finance and project management roles at Glaxo Wellcome plc/ Wellcome plc. Tim qualified as a Chartered Accountant with Touche Ross & Co, now Deloitte.

Jill McGregor **Chief Financial Officer (resigned on 22 March 2019)**

Ms McGregor joined the Board on 3 July 2017 and is a Chartered Accountant with over 30 years' experience in a variety of financial roles. She has spent the last 14 years in SME medical device companies with a focus on sales growth in the US and German markets. Most recently she spent six years as Chief Financial Officer of Touch Bionics, a UK based provider of upper limb technologies, which was then acquired by Össur. In 2004 Ms McGregor joined Optos plc, a provider of retinal imaging devices, and spent seven years there firstly as Group Financial Controller and then as Vice President and Director of Finance. Prior to that she held a variety of financial roles mainly in the software, brewing and distribution industries.

Phil Cooper **Non-executive Director**

Mr Cooper was appointed in August 2016. He has more than 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. Phil is a Non-executive Director and member of the Remuneration Committee of Alesi Surgical Limited and a Non-executive Director of the Supervisory Board of Soest Medical Group. He is also a Governor of Taunton School Educational Charity where he is Chair of the Marketing and Admissions Panel. He is also a Director of PSMC Consultancy Limited and PSMC Holdings Limited. Mr Cooper is the Chair of the Remuneration Committee and a member of the Audit and Nomination Committees.

Chairman's Corporate Governance statement

The Board is committed to maintaining high standards of corporate governance and, with effect from 6 September 2018, the Board adopted the Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-size quoted companies (the "Code").

The full corporate governance statement is published and maintained up to date on the Company's website at www.lidco.com/investors/corporategovernance. This extract from that statement is included in the Annual Report & Accounts as required by the Code.

The Code was revised in April 2018 to meet the new requirements of AIM Rule 26 and sets out ten broad principles of corporate governance, states what are considered to be appropriate corporate governance arrangements for growing companies and requires companies to provide an explanation about how they are meeting the principles through certain prescribed disclosures.

The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. He manages the Board agenda and ensures that all Directors receive accurate, timely and clear information and effectively contribute their various talents and experience in the development and implementation of the Company's strategy. He ensures that the nature and extent of the significant risks the Company is willing to embrace in the implementation of its strategy are challenged and determined by the Board. The Chairman is responsible for ensuring that the Board implements, maintains and communicates effective corporate governance processes and for promoting a culture of openness and debate designed to foster a positive governance culture throughout the Company.

The Board has considered how each principle is applied and provides below an explanation of the approach taken in relation to each and how they support the Company's medium to long-term success.

The Board considers that it does not depart from any of the principles of the QCA Code.

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

LiDCO aims to capitalise on its market-leading position in hemodynamic monitoring in the UK by growing revenues and profitability in the sale of medical devices and related accessories in the US, Europe and selected markets in Asia. The Group's strategy is to seek to grow the available market for its products as well as its market share, by providing leading differentiated commercial and technical solutions to its customers.

Commercial strategy

The Group's 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 more cost effective and improve outcomes. Use of LiDCO monitors in high-risk patients in both intensive care and surgical settings has been shown in numerous independent studies to reduce mortality, complications, length of hospital stay and improve quality of life.

The key features of the business model:

- Revenues are principally generated through the sale of single-use consumables and/or the sale of usage licenses into a growing installed base of LiDCO-enabled monitors.
- The recurring revenue income stream is protected through having patented products with high levels of proprietary intellectual property which are subject to on-going development.
- LiDCO customers are provided with first-class training and education. This helps entrench the technology and reduce hospitals costs, with a focus on providing LiDCO with a sustainable recurring income.
- Sales of LiDCO products are supported by over 200 clinical studies and an ever-growing body of evidence to satisfy purchaser requirements for clinical and cost effectiveness.
- LiDCO single-use products are produced in high volume with low cost manufacturing processes and have a high margin.

Incorporated in the latest monitor platform is LiDCO's highly differentiated High Usage Programme (HUP).

HUP is a software license fee offering that enables customers to use LiDCO's non-invasive and minimally invasive technology for a fixed flat fee without limiting patient numbers. The HUP mode enables the monitor to function without any requirement for dedicated consumables, meaning that the Group can provide unlimited usage whilst maintaining high gross margins.

Until HUP was introduced by LiDCO, all hemodynamic monitoring was charged on a per patient basis, either through fees or through charging for consumables. The Directors believe that this has limited the use of monitoring, despite multiple studies having demonstrated its significant benefits to patients and reduction of overall healthcare costs. The Board believes that

LiDCO's HUP proposition to the customer is simple and compelling, allowing hospitals to treat more patients for a reduced cost per patient and for a known fixed cost.

Technology strategy

LiDCO's technology, coupled with the Group's low-cost manufacturing and product sourcing skills, combine to produce a highly differentiated, patent-protected monitor with a recurring income stream either from the sale of dedicated high margin single patient use disposables and/or usage licenses.

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.

Challenges to executing the strategy

The key challenges to executing the strategy are as follows:

- **Health service budgets** – the Group's performance is affected by governments' and hospitals' expenditure and any associated 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 about the value proposition of its products. In addition, in the Group's direct markets, it offers flexible models for purchasing. The Group focuses its efforts on sales opportunities where budgets are likely to be available. The Group aims to mitigate the effect of overall healthcare budgetary constraints by continuing to offer products and services with tangible health outcomes and economic benefits to its customers. In selected instances the introduction of HUP will benefit both customers and LiDCO by extending the use of hemodynamic monitoring and its associated benefits.
- **Competitive environment** – Whilst the number of direct competitors is small, some of these are large companies with greater resources than LiDCO. These risks are mitigated by ensuring continued improvement of the Group's products to keep them at the forefront of developments and pursuing technology leadership. Through both differentiation from competitors, and continually drawing clinicians' attention to the advantages of LiDCO's technology, the positive outcome benefits of hemodynamic monitoring using LiDCO solutions can be demonstrated through clinical studies. The HUP offers a differentiated pricing model which enables LiDCO to offer solutions not currently offered by its competition.

Principle 2: Seek to understand and meet shareholder needs and expectations

See website at www.lidco.com/investors/corporategovernance

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success.

See website at www.lidco.com/investors/corporategovernance

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Directors recognise their responsibility for the Group's system of internal control and have established systems to ensure that an appropriate and reasonable level of oversight and control is provided. The Group's systems of internal control are designed to help the Group meet its business objectives by appropriately managing, rather than eliminating, the risks to those objectives. The controls can only provide reasonable, not absolute, assurance against material misstatement or loss.

Executive Directors and senior management meet bi-annually to review both the risks facing the business and the controls established to minimise those risks and their effectiveness in operation on an ongoing basis. The aim of these reviews is to provide reasonable assurance that material risks and problems are identified and appropriate action taken at an early stage. From this review the Company maintains its internal risk register which forms the foundation of the Audit Committee and Board review processes.

Chairman's Corporate Governance statement continued

The Group maintains a comprehensive risk register which includes commercial, operational and financial internal and external risks that are assessed according to nature and magnitude and given a score based on the seriousness of the risk and the likelihood of the risk occurring. Those ranked in the highest category which are considered both serious and more likely to occur are managed by the Executive Directors and reviewed by the Board including monitoring actions to mitigate the risks. The senior management team manages the remainder of the risks and reviews them as part of the management meeting cycle. On an annual basis the whole register is reviewed and updated by the senior management team and presented for review by the Audit Committee and the Board. New potentially material risks which arise in the meantime, such as the potential effect of Brexit, are added to the risk register and discussed at Board level as they arise.

The annual budget is reviewed and approved by the Board. Financial results, with comparisons to budget and latest forecasts are reported on a monthly basis to the Board together with a report on operational achievements, objectives and issues encountered. Significant variances from plan are discussed at Board meetings and actions set in place to address them.

Approval levels for authorisation of expenditure are at set levels throughout the management structure with any expenditure in excess of pre-defined levels requiring approval from the Executive Directors and selected senior managers.

Measures continue to be taken to review and embed internal controls and risk management procedures into the business processes of the organisation and to deal with areas of improvement which come to the management's and the Board's attention. Metrics and quality objectives continue to be actively implemented and monitored as part of a continual improvement programme.

The Company's auditors are encouraged to raise comments on internal control in their management letter following their audit, and the points raised and actions arising are monitored through to completion by the Audit Committee.

Shortly after joining the Company as CFO in 2017, Jill McGregor, carried out a review of financial internal controls and a number of actions arising were monitored by the Board through to completion.

Principle 5: Maintain the Board as a well-functioning, balanced team led by the Chair

During FY19 the Board consisted of two executive and two Non-executive Directors with a gender balance of 75% male and 25% female. Following the appointmnent of Tim Hall on 11 March 2019 the gender balance is 100% male.

The Chairman is responsible for the effective leadership, operation and governance of the Board and its Committees. He ensures that all Directors contribute effectively in the development and implementation of the Company's strategy whilst ensuring that the nature and extent of the significant risks the Company is willing to embrace in the implementation of its strategy are determined and challenged. The Chief Executive Officer is responsible for the management of the Group's business and for implementing the Group's strategy

Each of the Non-executive Directors is considered independent of management and free of any relationship that could materially interfere with the exercise of their independent judgement. The Chairman was considered independent upon his appointment.

The Board has established Audit, Remuneration and Nomination committees – details and links to their terms of reference are set out under Principle 9 below.

Details of Directors and their time commitment is set out under Principle 6 below.

The number of board and committee meetings and attendance records of Directors is set out in the Annual Report & Accounts and under Principle 9 below.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

Peter Grant, Independent Chairman
Term of office: Appointed Non-executive Director and Chairman Designate on 6 March 2017. On 10 May 2017, he was appointed Chairman of the Board and was also appointed Chairman of the Audit and Nomination Committees and member of the Remuneration Committee.

Background and suitability for the role: Peter Grant had an executive career spanning 40 years, nearly half at listed company board level spanning the healthcare, electronics, software and engineering industries. His executive career included CEO of Skyepharma PLC, CFO of Skyepharma PLC, Group Finance Director at Eurodis Electron PLC, CFO at WorldPay Group 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. He brings a combination of listed company and financial expertise, experience of developing, manufacturing and distributing electronic and software products and experience of the healthcare sector.

Current external appointments: Peter is Chairman and Chair of the Finance and Audit Committee and member of the Remuneration Committee of Microsaic Systems plc, and a Non-executive Director of Labatec Pharma SA, a private Swiss company. In addition to chairing the Board of the Company, Peter chairs the Audit and Nomination Committees and is a member of the Remuneration Committee of the Company.

Time commitment: Approximately 2-4 days a month. Peter estimates that his current appointments, including that with the Company, comprise about 8 days a month, and he considers that he would have the time to be able to step up the commitment to the Company should temporary circumstances require him to do so.

Matt Sassone, Chief Executive Officer

Term of office: Mr Sassone was appointed in August 2015 and is a member of the Nomination Committee.

Background and suitability for the role: Matt Sassone has been in the healthcare industry for the last 22 years and holds a degree in biochemistry with microbiology from Leeds University. Matt 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 where he had full P&L responsibility for 300 employees and £150m of revenue. In 2012 he moved to ArjoHuntleigh, a division of the Getinge Group, as Senior Vice President Global Marketing and was then appointed Chief Marketing Officer of Maquet (turnover £1.1 billion in intensive care, surgery and anesthesia systems), also a division of Getinge. During his career Matt has been involved with products used in surgery and intensive care. His knowledge of the market for LiDCO's products and customers, coupled to a broad management and international sales skill set, ideally positions him to execute on the Company's sales expansion in the UK and overseas.

Current external appointments: None

Time commitment: Full time

Tim Hall, Chief Financial Officer and Company Secretary

Term of office: Appointed Chief Financial Officer and Company Secretary on 11 March 2019.

Background and suitability for the role: Tim Hall is a Chartered Accountant with nearly 30 years' experience of financial roles in the life science industry. He was previously CFO of Oxford Gene Technology IP Ltd and Finance Director of AIM-listed Lombard Medical Technologies PLC. Prior to these positions Tim held senior finance roles in UCB S.A, Celltech Group plc and Medeva PLC.

Tim is also Company Secretary and is responsible for legal, statutory and regulatory matters and assists the Chairman and the Board Committee Chairs in preparing for meetings.

Current external appointments: None

Time commitment: 9 out of every 10 working days

Jill McGregor, Chief Financial Officer and Company Secretary

Term of office: Appointed Chief Financial Officer on 3 July 2017 and Company Secretary on 10 January 2018. As announced on 24 September 2018, Jill decided to leave the Company to return to Scotland and stepped down from the Board and Company on 22 March 2019.

Background and suitability for the role: Jill McGregor is a Chartered Accountant with over 30 years' experience and was previously CFO at Touch Bionics and Director of Finance at Optos. She has spent the last 14 years working in medical device companies with a focus on sales growth in the USA and Germany. Prior to that she worked for a US multinational in telecommunications software. She has both listed and private company experience.

Until her departure Jill was also Company Secretary and was responsible for legal, statutory and regulatory matters and assists the Chairman and the Board Committee Chairs in preparing for meetings. It is anticipated that her replacement as CFO will take up these responsibilities.

Chairman's Corporate Governance statement continued

Current external appointments: None

Time commitment: Full time

Phil Cooper, Independent Non-executive Director
Term of office: Phil Cooper was appointed as a Non-executive Director in August 2016. He is Chair of the Remuneration Committee and a member of the Audit and Nomination Committees.

Background and suitability for the role: Phil has more than 30 years' experience in the medical device industry and has Executive Board experience of more than 17 years, having been involved in senior sales, marketing, logistics and general management positions. He has grown businesses through geographical expansion in North America, Europe and Asia-Pacific; introduction of new products and the creation new customer channels and segments; and grown businesses through mergers and acquisitions.

In his last Executive Board role from 2007 – 2014 he was Executive President of the Wound Care Division for Molnlycke Health Care AB. He had full P&L responsibility for 1700 employees and €600m of revenue. In this period the Division achieved global market leadership; more than doubled sales revenue; improved significantly profitability; moved from number 6 market position to number 1 in the US; led direct sales investments in China, Japan and India; acquired and integrated 3 companies in the US and Germany.

During his career Phil has been involved with products used in the operating theatre and the acute care setting. His knowledge of both the UK market and that of international markets, particularly US, Europe and Asia, coupled to a broad management and international sales skill set, ideally positions him to provided strategic level input on the Company's sales expansion in the UK and overseas.

Phil has a BA (Hons) in Business Studies and a MSc in Logistics.

Current external appointments: Phil is a Non-executive Director and member of the Remuneration Committee of Alesi Surgical Limited and a Non-executive Director of the Supervisory Board of Soest Medical Group. He is also a Governor of Taunton School Educational Charity where he is Chair of the Marketing and Admissions Panel. He is also a Director of PSMC Consultancy Limited and PSMC Holdings Limited.

Time commitment: Approximately 1-2 days a month. Phil estimates that his current appointments, including that with the Company, comprise about 10 days a month, and he considers that he would have the time to be able to step up the commitment to the Company should temporary circumstances require him to do so.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board believes that, in addition to dealing with any matters as they arise, it is appropriate to carry out a formal evaluation of the performance of the Board and its Committees each year. This is intended to ensure that the Board remains effective, well-informed and able to make high quality and timely decisions for the benefit of all stakeholders in the Company.

In February 2019 the Board carried out an evaluation of the performance of the Board and its Committees. This involved each Director completing an evaluation questionnaire which covered effectiveness from multiple angles including: Board structure and committees; Board arrangements, frequency and time; content of Board meetings; Board culture; Board evaluation and succession; and Individual contributions. The completed questionnaires were provided to the Company's independent company secretarial service where they were anonymised and collated independently into a summary. All comments and any areas of concern were highlighted, and the Chairman led an open discussion of these with the whole Board.

This process is similar to that adopted in the previous year, which was similar to prior years, but with a more extensive questionnaire and full anonymisation of results, encouraging more open answers.

In general, no major concerns were identified with the evaluation carried out in January 2019 but a number of matters were felt to be worth consideration as follows:

- Whether to recruit an additional Non-executive Director. The Board again considered whether to recruit an additional Non-executive Director, especially one with relevant US experience. It was concluded that it would be helpful to seek to recruit such a person.
- Effective monitoring and contribution to strategy. It was felt that the annual day dedicated to considering strategy was very constructive, but that the Board should include the follow up from that day as a regular agenda item.

Risk management

Whilst there is a good process for identifying risks and mitigating actions, the Board could spend more time considering the level of risk the Company should take to achieve its strategic objectives. This will be included in the FY20 risk review cycle.

Matters raised for consideration in the previous evaluation exercise carried out in March 2018 have been dealt with as follows:

- The Board implemented a process of the Non-executive Directors meeting at least once per annum without the Executive Directors to discuss their performance and for the Board to meet at least once per annum without the Chairman to discuss the Chairman's effectiveness.
- The Board continues to keep under review the possibility of adding an additional Non-executive Director member with particularly relevant up to date industry contacts
- The Board continued to keep succession planning under review, especially when recruiting for senior roles as vacancies arise. However, the Board did not believe it is appropriate to recruit additional Directors or senior personnel solely for the purpose of succession planning.
- Terms of reference for committees were reviewed and updated and published on the Company's website.
- Arrangements were made for regional commercial management and key advisers to present to the Board regularly and for meetings of Non-executive Directors to be arranged with customers at a major conference.
- The Board implemented an annual process of dedicating a day to discuss the strategic direction of the Company and it was concluded that this should become an annual part of the Board calendar.
- The Board continued to ensure that Directors receive appropriate support to keep them up to date.

Principle 8: Promote a culture that is based on ethical values and behaviours

LiDCO's medical products for hemodynamic monitoring are used in hospitals in many parts of the world and 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. The Company's good reputation is key to continuing to grow its business in existing markets and penetrate new markets.

In addition, as a highly innovative Company, LiDCO's medium and long-term success depends on maintaining a supportive and innovative culture with strongly embedded ethical values in dealing with customers and suppliers throughout the world.

The Group's long-term growth is underpinned by the Group's employees and its corporate culture. Based on a companywide process in 2015, the Company culture is based on the following themes:

- Motivated staff with a positive attitude. Supported by the mantra "Today is going to be a good day because I am going to make it a good day"
- Agile methodology. Supported by the mantra "Will it make the boat go faster?"
- Team work and working as one. Supported by the mantra "A boat only goes forward if everyone rows in the same direction"

The Company operates a very flat structure with all staff having the ability to discuss matters with the Executive Directors. The management team meets weekly to promote communication, teamwork and agility.

The culture is monitored through an engagement survey that is operated on a biennial basis and to which all permanent staff are invited to contribute.

The Board reviews the findings of the survey and determines whether any action is required. An incentivised staff suggestion scheme is operated with ideas being recognised at Company-wide briefings

In whatever the Group does, the Directors believe that it will always be the Group's people that make the greatest difference, therefore there is a keen focus on the Group's employee culture, reward and recognition.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

See website for further disclosures.

The Group normally conducts about eight regular Board Meetings a year. In addition, the Board meets routinely to approve financial statements, the allotment of shares and to approve significant commercial agreements or transactions. Ad hoc

Chairman's Corporate Governance statement continued

meetings are called as required to discuss specific topics.

The attendance of the individual Directors at the Regular Board Meetings and the Audit and Remuneration Committee Meetings during the year to January 2019 were as follows:

Name	Position	Regular Board Meetings	Audit Committee	Remuneration Committee
Mr P W Grant	Non-executive Chairman	10 (10)	3 (3)	6 (6)
Mr M G Sassone	Chief Executive Officer	10 (10)	n/a	n/a
Ms J A McGregor	Chief Financial Officer	10 (10)	n/a	n/a
Mr P M Cooper	Non-executive Director	10 (10)	3 (3)	6 (6)

Numbers in brackets denote the total number of meetings that each Director was eligible to attend during the year.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The following committee reports are included in these Annual Report & Accounts as shown below. They include details of the work of those committee.

The Audit Committee Report – pages 24 to 25.

The Remuneration Committee Report – pages 19 to 23.

The Nominations Committee met once during the year to discuss and agree the specification and plan for recruiting a CFO to replace Jill McGregor when she steps down on 22 March 2019.

See website for further disclosures.

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 2018/19 the main decisions the Committee made were:

Bonus

The bonuses for the year were 5% and 9% of salary respectively for Mr Sassone and Ms McGregor, 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 targets were not met.

Share options

On 20 April 2018 Matt Sassone was awarded the following options;

- Unapproved options over 1,000,000 shares, exercisable at nominal value i.e. at 0.5 pence per Ordinary Share. The options were based on a closing midmarket share price on 19 April 2018 of 6.38p and at that date had a gross value of £63,800 which is approximately 30% of the CEO's 2018-19 salary.
- These options are subject to the following share price conditions, based on the Group'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 8.38p	0%
8.38p	15%
Between 8.38p and 12.38p	15% to 100% pro rata
12.38p or higher	100%

Note: in setting the above share price targets the Remuneration Committee had regard to the closing price just prior to issue as well as the December 2016 fund raise share price of 6p. Thus, achieving the threshold vesting share price of 8.38p would represent share price growth of 39.67% compared with the December 2016 fund raise. 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 Group 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.

No further share options were awarded to Jill McGregor during the year ended 31 January 2019, as she was awarded substantial options when she joined the Group on 3 July 2017.

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 2019 Mr Sassone's salary was increased by 0% and the salary of Ms McGregor who is leaving on 22 March 2019 was not increased. Although Mr Sassone's salary was not increased the Remuneration Committee decided to include him in the Group's auto enrolment pension scheme in addition to the benefit of 20% of salary to which he is entitled. The cost to the Group of this change is 3% of Mr Sassone's salary. The new CFO, Tim Hall, who joined on 11th March 2019 has a base salary of £165,000.

As a result of the above changes, the salaries are as follows:

Name	Salary	% increase
Mr M G Sassone	£209,100	0%
Ms J A McGregor	£146,450	0%
Mr T R Hall	£165,000	–

Bonus

The Executive Directors' maximum bonus opportunity for 2019/20 remains unaltered and is 60% of base salary and the award for on-target performance is 30%.

Directors' remuneration report continued

Executive Directors Corporate and Personal Bonus Targets 2019/20
On-target Corporate Targets are focused on LiDCO Product Sales, Operating Profit (EBIT) and Cash Flow. The stretch Corporate Targets are focused on LiDCO Product Sales and Cash Flow.

For the CEO his Personal Objectives are focused upon the continued successful expansion of HUP, in particular in the USA; accelerated expansion of growth in current and new markets in South East Asia; growth of strategic partner sales in the UK and the expansion of strategic corporate alliances.

For the CFO his personal objectives are focused upon the implementation of a new ERP system; evaluation and development of corporate infrastructure and delivering supply chain efficiencies.

Further 2019-20 option grant
The Remuneration Committee intends to approve the grant of further share options to the CEO in 2019, as follows:

- Unapproved options over 2,000,000 shares, exercisable at nominal value i.e. at 0.5 pence per Ordinary Share. The performance conditions will be determined at the time of award; however, the Remuneration Committee's current thinking is that they will follow a similar structure to share options granted to Mr Sassone in 2018.

The Remuneration Committee intends to approve the grant of share options to the new CFO in 2019, as follows

- EMI options over 2,000,000 shares, exercisable at nominal value i.e. at 0.5 pence per Ordinary Share. The performance conditions will be determined at the time of award; however, the Remuneration Committee's current thinking is that they will follow a similar structure to share options granted to Mr Sassone in 2018.

No grant of further share options will be awarded in 2019 for Jill McGregor, CFO, as she is leaving the Group in March 2019.

Approval to this report will be sought at our Annual General Meeting on 16 May 2019.

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
25 March 2019

Committee membership
The membership of the Remuneration Committee is made up of the following Non-executive Directors:

Mr P M Cooper (Chairman)
Mr P W Grant

None of the Committee members have any day-to-day involvement in the running of the Group, 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 six 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 Group. 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 Group 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 other senior employees.

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 Group's future remuneration policy for the Executive Directors.

	Purpose and link to strategy	Operation	Opportunity	Performance metrics	Changes in policy for 2019/20
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 £209,100 (no increase) J A McGregor £146,450 (no increase) T R Hall commenced on 11 March 2019 on a base salary of £165,000
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: M G Sassone £1,189 J A McGregor £489 This benefit was waived by both Executive Directors in October 2018 for the remainder of 2018/19. From 1 March 2019, M G Sassone is also entitled to benefit from the Group's auto enrolment pension scheme.	None	M G Sassone was entered into the Group auto enrolment pension scheme 1 March 2019.
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 Group'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 2018/19 M G Sassone £63,800 J A McGregor 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 2019/20 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 2019

	Salary and fees £'000	Allowance in lieu of benefits £'000	Benefits £'000	Bonus £'000	Total £'000	2018 £'000
P W Grant[1]	45	–	–	–	45	39
M G Sassone	209	42	1	10	262	263
J A McGregor[2]	146	29	–	13	188	107
P M Cooper	30	–	–	–	30	30
T A Wallis[3]	–	–	–	–	–	8
P L Clifford[4]	–	–	–	–	–	42
I G Brown[5]	–	–	–	–	–	5
Total	430	71	1	23	525	494

Notes

[1] Mr P W Grant was appointed as Chairman designate and a Non-executive Director on 6 March 2017
[2] Ms J A McGregor was appointed on 3 July 2017 and resigned on 22 March 2019
[3] Ms T A Wallis resigned on 10 May 2017
[4] Mr P L Clifford resigned on 31 March 2017
[5] Mr I G Brown resigned on 10 May 2017

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. Ms McGregor has a service contract with the Group dated 28 February 2017 which is not for a specific term but includes a rolling six months' notice period. Ms McGregor resigned on 22 March 2019. Mr Hall has a service contract dated 11 March 2019 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 Group. 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 Group 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:

P W Grant	5 March 2020
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 2018	Date of grant	Options granted during 2018	Exercised during 2018	Lapsed during the year	Options at 31 Jan 2019	Exercise price (p)	Exercisable from	Expiry date
M G Sassone	EMI	1,248,262	Apr-2017				**1,248,262**	0.5	Jun-2018	Jun-2025
	Unapproved	949,540	Apr-2017				**949,540**	0.5	Jun-2018	Jun-2025
	Unapproved	2,197,802	Apr-2017				**2,197,802**	0.5	Jun-2019	Jun-2025
	EMI	2,200,000	Apr-2017				**2,200,000**	0.5	Apr-2020	Apr-2022
	Unapproved		Apr-2018	1,000,000			**1,000,000**	0.5	Apr-2021	Apr-2023
		6,595,604		1,000,000			**7,595,604**			
J A McGregor	EMI	1,500,000	Jul-2017				**1,500,000**	0.5	Jun-2020	Jun-2022
		1,500,000					**1,500,000**			
P L Clifford[2]	Approved	66,000	Apr-2008			(66,000)		7.50	Apr-2011	Mar-2018
	Approved	75,000	May-2009			(75,000)		12.67	May-2012	Mar-2018
		141,000				(141,000)				
Totals		8,236,604		1,000,000		(141,000)	**9,095,604**			

[1] J A McGregor's options lapsed on 22 March 2019 being the date of resignation.

[2] P L Clifford's options expired on 31 March 2018 being the twelve-month anniversary of his retirement.

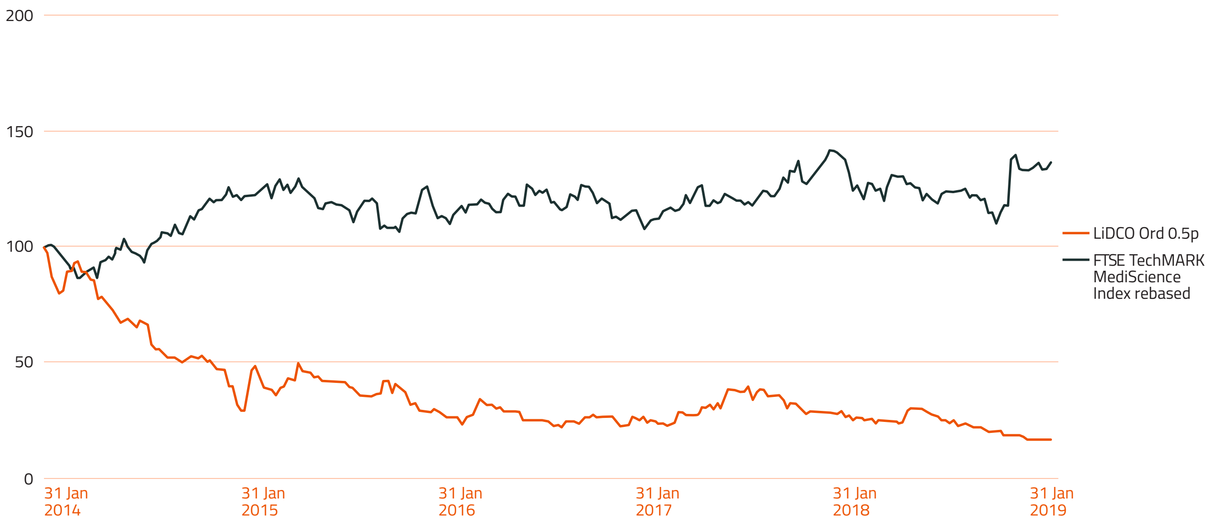
The share price was 7.00 pence on 1 February 2018 and 4.35 pence on 31 January 2019, with high and low during the year of 7.875 pence and 4.203 pence respectively.

Pensions

No pension contributions were payable by the Group during the year (2018: £nil).

Shareholder return

The graph below shows the share price performance since January 2014, 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
25 March 2019

Audit Committee report

For the year ended 31 January 2019

Introduction

This report details how the Audit Committee ("the Committee") has met its responsibilities under its terms of reference. The Committee is a sub-committee of the board and the ultimate responsibility for reviewing and approving the Annual Report and Accounts and interim financial statements remains with the Board.

The Committee does not believe it is appropriate to have an internal audit function at this point in time as the Group is relatively small and not sufficiently complex.

Members

The members of the Audit Committee are Peter Grant (Chairman) and Phil Cooper. The Executive Directors and the external auditors attend the meetings by invitation. The Board considers that the Committee has an appropriate and experienced blend of commercial, financial and industry expertise to enable it to fulfil its duties, and that the committee chairman, Peter Grant, a Chartered Accountant, has appropriate recent and relevant financial experience.

Committee Meetings

The Committee met three times in the year to 31 January 2019. One meeting related to the 2017-18 Annual Report and Accounts, the second meeting was to review and sign off the 2018 Interim Financial Statements and the third meeting was to plan the 2018-19 audit. The external auditors attended all meetings.

Role and Responsibilities

The Board has established an Audit Committee to monitor the integrity of the Group's financial statements and the effectiveness of the Group's internal financial controls. The Committee's role and responsibilities are set out in the terms of reference which are available from the Group's website (http://www.lidco.com/investors/governance – refer to Principle 9). The Terms of Reference are reviewed annually and amended where appropriate. During the year the Committee worked with management, the external auditors, and other members of the senior management team in fulfilling these responsibilities.

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 considers annually whether the auditors remain independent for the purposes of the audit and whether a separate internal audit function is required.

The Committee report deals with the key areas in which it plays an active role and has responsibility. These areas are as follows:

i) Financial reporting and related primary areas of judgement;

ii) The external audit process;

iii) Risk management and Internal controls; and

iv) Whistleblowing procedures

Annual Report and Accounts

General

The Committee has satisfied itself that the 2018-19 Annual Report and Accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, are fair, balanced and provide the information necessary for shareholders to assess the Group's performance, business model and strategy. The Committee reviewed the key risk areas as identified in the Audit Plan document including: revenue recognition; management override of controls and recoverability of investment in LiDCO Limited (parent company risk). The Committee understand that the auditors have followed their procedures for reviewing these risks and have undertaken detailed testing as appropriate. In addition, the Committee has also considered the key audit matter affecting the Company and any material misstatement arising. The key audit matter for 2018-19 is the valuation of the investment in LiDCO Limited which is a parent company risk and does not materially affect the consolidated financial statements.

The Committee having reviewed valuations of LiDCO Limited concluded that its value in use was above the carrying value of the investment and hence no impairment provision was required. Further information on the methodology and assumptions used in the valuation of LiDCO Limited is given in note 2 to the Company accounts on page 57.

Going Concern

The Committee reviewed the going concern paper prepared by management including detailed monthly financial forecasts, which included the 12 months from the date of signing the financial statements for 2018/19 and included related assumptions, risks and opportunities, sensitivities, areas for mitigation and contingency plans. Based on this review, the Committee has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being the period of 12 months from the date of signing the financial statements for 2018/19. Accordingly, the Committee concluded that it is appropriate to adopt the going concern basis in preparing the annual financial statements.

Internal Control Systems

Another key responsibility of the Committee is to review the Group's internal control systems, including internal financial controls. The Committee monitored the plan that was put in place following a review by Jill McGregor, CFO in the previous year to ensure that actions identified were carried out. Jill McGregor also carried out a review of internal controls and systems in the US during the year and, whilst no major issues were identified, an action plan was established to address the weaknesses found.

Risk Management

The main risks facing the business are highlighted in the Strategic Report and Directors' Report. During the year the Committee asked Jill McGregor, CFO to review and update the business continuity and disaster recovery plan and carry out an analysis of IT, production and general business risks. The results of this analysis were used to update the risk register and create an action plan which was reviewed by the whole Board.

Board Conduct and Effectiveness Review

As reported in the Chairman's Corporate Governance Statement, a review of the Board's conduct and effectiveness was undertaken by the Board in January 2019, involving each Director completing a questionnaire. The results were anonymised and collated by an independent person. As part of this exercise the effectiveness of the Audit Committee was reviewed. On a scale of 1 to 5, with 5 being strongly agree the Board ranked the Committee as follows:

The Audit Committee gives appropriate attention to:	
Regulatory compliance	**4.75**
Financial controls	**4.75**
Risk management	**4.75**
Audit processes	**4.75**
The Audit Committee is effective in its role, composition, chairmanship and performance	**4.75**
The Audit Committee evaluates the performance and independence of its outside auditors after adequate review	**4.50**
The outside auditors provide you with sufficient information, particularly with regard to areas of judgement in the financial statements, for you to fulfil your obligations	**4.50**
The Audit Committee evaluates the significant risks to the Group adequately	**4.25**

Following this review, the Board has agreed to consider the level of risk the Group should take to achieve its strategic objectives on a quarterly basis in 2019-20.

Auditors Fees and Non-Audit Services

The Committee reviewed the estimated fee proposed by the Auditors in the Audit Plan document of £50,000. There was no increase over 2018. Other advisory fees incurred with the Auditors during the year amounted to £2,500 relating to the review of 2018 interims.

Auditor Independence

The Committee satisfied itself on the auditors' independence. Mr Marc Summers has been the senior statutory auditor for four years.

Whistleblowing

The Committee had no whistleblowing incidents reported directly or indirectly during the year to 31 January 2019.

The Report of the Audit Committee was approved by the Board of Directors on 25 March 2019 and signed on its behalf by:

Peter Grant
Chairman of the Audit Committee

Directors' report

The Directors of LiDCO Group Plc present their annual report and audited financial statements (Annual Report) for the year ended 31 January 2019.

Results and dividends

The Group's revenue for the year was £7,324,000 (2017/18: £8,267,000). The Group made a consolidated loss after taxation of £1,941,000 (2017/18: loss £2,093,000). The Directors do not recommend the payment of a dividend (2017/18: £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 49 and note 3 on page 57.

Directors

The Directors of the Group who served during the year are set out below; short biographies are set out on page 10 to 11.

P W Grant	Non-executive Chairman
M G Sassone	Chief Executive Officer
J A McGregor	Chief Financial Officer (resigned 22 March 2019)
T R Hall	Chief Financial Officer (appointed 11 March 2019)
P M Cooper	Non-executive Director

Mr Cooper retires by rotation and Mr Hall retires being his first Annual General Meeting since appointment. The retiring Directors being eligible, offers 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 pages 19 to 23.

Directors' interests in shares

The Directors who held office at 31 January 2019 had beneficial interests in the ordinary shares of the Group as shown below:

Directors' shareholdings

	Ordinary shares of 0.5p each	
	31 January 2019 Number	31 January 2018 Number
P W Grant	**500,000**	500,000
M G Sassone	**250,000**	250,000
P M Cooper	**1,666,667**	1,666,667

The Directors have no interests in the shares of the Group's subsidiary undertakings.

Directors' indemnities and Directors' and Officers' insurance

The Group 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 60 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 2019 the Group 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	24,387,442	9.99%
Ingalls & Snyder LLC	19,800,983	8.11%
Quilter Cheviot	18,876,899	7.73%
Joseph Leitch	16,806,183	6.88%
Herald Investment Management	16,666,667	6.83%
P A Brewer	15,884,747	6.51%
James Ede-Golightly	12,300,000	5.04%
R M Greenshields	8,899,550	3.64%
T K O'Brien	8,251,563	3.38%

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

Share not in public hands

In accordance with the terms of the AIM rules and insofar as it is aware, as at 28 February 2019, 1.0% of the Group's AIM securities were not in public hands.

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group 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 Group'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 Group'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 Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' report continued

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 Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Business activities

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 3 to 9. 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 smartcards, sensors, software licenses (including HUP) and service contracts, which represented 81% of its revenues in the year to 31 January 2019.

Going concern

The Group finances its operations through shareholders' funds. As set out in Note 1 to the financial statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being the period of 12 months from the date of signing the financial statements for 2018/19. On this basis, the Board continues 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 47 to 49.

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 Group 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 an approval authority matrix 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 Group 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 February 2019.

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 Group to be held on Thursday 16 May 2019 is set out in a separate circular including an explanation of each resolution.

On behalf of the Board

Peter Grant
Director
25 March 2019

Company Registration Number: 2659005

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

Opinion

Our opinion on the consolidated financial statements is unmodified

We have audited the consolidated financial statements of LiDCO Group Plc for the year ended 31 January 2019 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the consolidated financial statements:

- give a true and fair view of the state of the group's affairs as at 31 January 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the group financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the group financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £138,000, which represents 1.75% of our preliminary assessment of Group revenue;
- The key audit matter identified was revenue recognition;
- We performed a full scope audit of the financial statements of the parent and its only trading subsidiary LiDCO Limited

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key Audit Matters	How the matter was addressed in the audit
Revenue recognition Revenue is recognised as the fair value of the consideration earned in respect of the sale of goods, license fees and the delivery of services. For the year ended 31 January 2019 the Group have adopted the requirements of IFRS 15 "Revenue from contracts with customers" and assessed and disclosed its impact on the results for the Group. In assessing the first-time adoption of IFRS 15 management have considered the appropriateness of revenue recognition for capital and consumable sales whilst High Usage Programme ("HUP") revenues are recognised in accordance with IAS 17 "Leases". As a result of the significant judgement applied in the first time adoption of IFRS 15 and in the recognition of HUP revenue we identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • assessing the appropriateness of revenue recognised in accordance with IFRS 15 and IAS 17 • sampling capital and consumable sales to ensure they are supported by despatch notes • sampling HUP revenue transactions to ensure they are supported by appropriate contractual agreements The group's accounting policy on revenue recognition is shown in note 1 to the financial statements and related disclosures are included in note 2. **Key observations** Based on our audit work we are satisfied that the judgements made, and assumptions used by management in accounting for revenues in accordance with IFRS 15 and IAS 17 is supported by the evidence obtained from our testing.

Our application of materiality

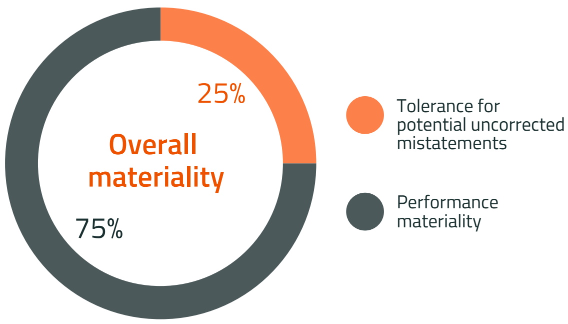
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We determined materiality for the audit of the group financial statements as a whole to be £138,000, using 1.75% of our preliminary assessment of revenue as a benchmark. This benchmark is considered the most appropriate because revenue best reflects the level of activity of interest to the user of the financial statements.

Materiality for the current year is lower than the level that we determined for the year ended 31 January 2018 as revenues have fallen year on year.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the consolidated financial statements.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



We also determine a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £6,900. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Planning meetings with management to gain an update on the business and trade during the year, as well as leveraging our knowledge of the business from past audits.
- We performed full scope audits for LiDCO Group Plc and LiDCO Limited.
- The operations that were subject to full scope audit procedures representing 100% of consolidated revenues and 100% of the loss before tax.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the group financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the group financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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 consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- 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 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 in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 27, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these group financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matter

We have reported separately on the parent company financial statements of LiDCO Group Plc for the year ended 31 January 2019. That report includes details of the parent company key audit matters; how we applied the concept of materiality in planning and performing our audit; and an overview of the scope of our audit.

Use of our report

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.

Marc Summers, FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
25 March 2019

Consolidated comprehensive income statement

For the year ended 31 January 2019

	Note	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000
Revenue	2	**7,324**	8,267
Cost of sales		**(2,489)**	(2,999)
Gross profit		**4,835**	5,268
Administrative expenses		**(6,830)**	(7,380)
Operating loss before share based payments		**(1,995)**	(2,112)
Share-based payments charge		**(143)**	(109)
Operating loss	3	**(2,138)**	(2,221)
Finance income		**1**	3
Loss before tax		**(2,137)**	(2,218)
Income tax	5	**196**	125
Loss and total comprehensive expense for the year attributable to equity holders of the parent		**(1,941)**	(2,093)
Loss per share (basic and diluted) (pence)	6	**(0.80)**	(0.86)

All transactions arise from continuing operations.

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

The accompanying accounting policies and notes on pages 36 to 51 form an integral part of these financial statements.

Consolidated balance sheet

At 31 January 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Property, plant and equipment	7	**949**	912
Intangible assets	8	**2,083**	1,950
		3,032	2,862
Current assets			
Inventory	9	**1,880**	1,354
Trade and other receivables	10	**1,928**	3,246
Current tax		**188**	127
Cash and cash equivalents		**1,717**	3,227
		5,713	7,954
Current liabilities			
Trade and other payables	11	**(1,374)**	(1,816)
Deferred income	11	**(837)**	(668)
		(2,211)	(2,484)
Net current assets		**3,502**	5,470
Net assets		**6,534**	8,332
Equity attributable to equity holders of the parent			
Share capital	13	**1,221**	1,221
Share premium		**30,342**	30,342
Merger reserve		**8,513**	8,513
Retained loss		**(33,542)**	(31,744)
Total equity		**6,534**	8,332

The financial statements for LiDCO Group Plc (Company registration number 02659005) were approved by the Board of Directors on 25 March 2019.

Peter Grant
Director

Matthew Sassone
Director

The accompanying accounting policies and notes on pages 36 to 51 form an integral part of these financial statements.

Consolidated cash flow statement

For the year ended 31 January 2019

	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000
Loss before tax	**(2,137)**	(2,218)
Finance income	**(1)**	(3)
Depreciation and amortisation charges	**832**	862
Share-based payments	**143**	109
(Increase)/decrease in inventories	**(526)**	113
Decrease/(increase) in receivables	**1,318**	(562)
(Decrease)/increase in payables	**(442)**	312
Increase in deferred income	**169**	576
Income tax received	**135**	91
Net cash outflow from operating activities	**(509)**	(720)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(351)**	(480)
Purchase of intangible assets	**(651)**	(477)
Finance income	**1**	3
Net cash used in investing activities	**(1,001)**	(954)
Net cash outflow before and after financing activities	**(1,510)**	(1,674)
Net decrease in cash and cash equivalents	**(1,510)**	(1,674)
Opening cash and cash equivalents	**3,227**	4,901
Closing cash and cash equivalents	**1,717**	3,227

The accompanying accounting policies and notes on pages 36 to 51 form an integral part of these financial statements.

Consolidated statement of changes in shareholders' equity

For the year ended 31 January 2019

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained loss £'000	Total equity £'000
At 1 February 2017	1,221	30,342	8,513	(29,760)	10,316
Share-based payment expense	–	–	–	109	109
Transactions with owners	–	–	–	109	109
Loss and total comprehensive expense for the year	–	–	–	(2,093)	(2,093)
At 31 January 2018	1,221	30,342	8,513	(31,744)	8,332
Share-based payment expense	–	–	–	143	143
Transactions with owners	–	–	–	143	143
Loss and total comprehensive expense for the year	–	–	–	(1,941)	(1,941)
At 31 January 2019	**1,221**	**30,342**	**8,513**	**(33,542)**	**6,534**

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 on pages 36 to 51 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 January 2019

1 Principal accounting policies

The Group's principal activity is the development, manufacture and sale of hemodynamic 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 59. 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, and rounded to the nearest thousand pounds.

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 ended on 31 January 2019.

Standards issued but not yet effective

The following is a list of standards that are not in issue in the year to 31 January 2019.

- IFRS 16: Leases – effective for periods beginning on or after 1 January 2019 (endorsed 31 October 2017)

IFRS 16 should be applied for annual reporting periods beginning on or after 1 January 2019 and for lessees significantly revises the way that entities account for leases. It will result in leases for which the Group is a lessee being accounted for on-balance sheet recognising a new category of right-of-use asset and liability based on discounted future lease payments. The current undiscounted operating lease commitments of £0.48m as of 31 January 2019, disclosed in note 17, provide, subject to the provision of the standard, an indicator of the impact of the implementation of IFRS 16 on the Group's consolidate balance sheet. The impact of the results of the group are expected to be material with these assets being depreciated over their useful lives and the lease payment charge being apportioned between a finance charge and capital repayment.

Upon adoption of the new standard, a portion of the annual operating lease costs, which is currently recognised as an administrative expense will be recorded as an interest expense. In addition, the portion of the annual lease payments recognised in the cash flow statement as a reduction of lease liability will be recognised as an outflow of financing activities, which are currently recognised as an outflow from operating activities.

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 2 to 9. 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 smartcards, sensors, software licenses (including HUP) and service contracts which represented 81% of total revenues in the year to 31 January 2019. These recurring revenue streams give some underpinning to revenue projections for the business.

The Board has considered detailed monthly financial forecasts, which included the 12 months from the date of signing the financial statements for 2018/19 and included related assumptions, risks and opportunities, sensitivities, areas for mitigation and contingency plans. Based on this review, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being the period of 12 months from the date of signing the financial statements for 2018/19. Accordingly, the Directors believe that it is appropriate 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 2019. 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

Adoption of IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 for the year to 31 January 2019 which did not have any material impact on the Group's transactions or the Group's reported revenue or loss before tax.

Capital sales

Capital sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of monitors including peripherals to entities outside the consolidated entity. The performance obligation is recognised at a point in time when control of the goods passes to the customer, which is normally upon shipment and when the amount of revenue can be measured reliably.

Where shipment 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 shipment will be made, the goods are on hand and ready for delivery and the buyer acknowledges the deferred delivery and usual payment terms apply.

Recurring revenues

Software License Fees (HUP Agreements)

Arrangements between LiDCO and its customers are assessed on a case by case basis, taking into account the terms of the contract, the fair value and the estimated residual life of the product to ascertain if the contract contains a lease. See leases on page 38.

Sale of goods

Sale of goods comprises revenue earned (net of returns, discounts and allowances) from the provision of consumables including smartcards and sensors to entities outside the consolidated entity.

The performance obligation is recognised at a point in time when control of the goods passes to the customer, which is normally upon shipment and when the amount of revenue can be measure reliably.

Where shipment 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 shipment will be made, the goods are on hand and ready for delivery and the buyer acknowledges the deferred delivery and usual payment terms apply.

License fees

The Group's license fee agreements consist of royalty income from the out-licensing of intellectual property. The performance obligation is recognised as earned when 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.

Service contracts

The performance obligation from the provision of services is recognised over the period in which the service is provided which is typically on a straight line basis over a twelve month period.

Interest income

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

Other income

The performance obligation from other income is recognised when the Group's right to receive income is established and the amount can be reliably measured, typically at a point in time.

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.

Notes to the financial statements continued

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 smartcards, sensors and software licenses (including HUP). 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

Group as a lessor

Arrangements between LiDCO and its customers are assessed on a case by case basis, taking into account the terms of the contract, the fair value and the estimated residual life of the product.

Finance leases

Arrangements between LiDCO and the customer where substantially all of the risks and rewards of ownership have transferred to the customer are classified as finance leases. The Group makes this assessment at the inception of the lease or at the date of contract extension, on the basis of one or more of the following factors;

- the lease transfers ownership of the product to the customer at end of lease term
- the customer has the right to buy the product at a price that is expected to be sufficiently lower than the fair value and it is reasonably certain that they will exercise that option
- the lease term is for the major economic life of the underlying asset even if title is not transferred
- the present value of the lease payments amounts to at least substantially all of the fair value of the asset
- the customer has the ability to continue the lease for a secondary period at a rent that is substantially lower than the market rent.

An amount equal to the fair value of the asset, or if lower, the present value of the minimum lease payments is recognised as revenue in the income statement and as an asset in balance sheet. Finance income is recognised on the basis of a constant monthly rate of return on the net investment in the finance lease which is equivalent to the incremental borrowing rate charged to the Group. During the year to 31 January 2019 there were no finance leases (2018: nil).

Operating leases

Arrangements between LiDCO and the customer where substantially all of the risks and rewards of ownership have not transferred to the customer are classified as operating leases. The Group makes this assessment based on the following factors;

- Ownership of the asset does not transfer to the customer at the end of the lease term and there is no advantageous acquisition option for the customer at the end of the lease.
- The estimated useful life of the asset is considered to be five years which is in excess of the lease term; and/or
- At the inception of the lease the present value of the minimum lease payments is significantly less than the fair value of the asset.

The Group's HUP contracts typically commit the customer to pay a fixed annual sum and these payments from operating leases are recognised monthly in the income statement on a straight-line basis over the lease term.

Group as a lessee

All 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.

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 consolidated comprehensive income 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.

Adoption of IFRS 9 'Financial Instruments'

The Group has applied IFRS 9 for the year to 31 January 2019 and this did not have a material impact on the Group's classification, measurement and impairment at or from the date of initial application, namely 1 February 2018.

Notes to the financial statements continued

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.

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.

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. This judgement primarily relates to the prior year.

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.

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 and 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).

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 hemodynamic 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 2019 £'000	Year ended 31 January 2018 £'000
UK – LiDCO products	3,559	4,142
UK – third party products	1,134	1,402
USA	1,376	1,357
Continental Europe	467	504
Rest of World	788	862
	7,324	8,267
Result		
UK – LiDCO products	1,305	1,769
UK – third party products	227	230
USA	(779)	(1,169)
Continental Europe	132	88
Rest of World	163	276
Total	1,048	1,194
Unallocated costs	(3,186)	(3,415)
Loss from operations	(2,138)	(2,221)

Products and services

	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000
Capital revenue	1,051	1,873
Recurring revenue	5,040	4,893
Distributed third party disposables	1,134	1,402
Total product revenue	7,225	8,168
Other income	99	99
	7,324	8,267

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. Service contract income is included within recurring revenue.

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 (2018: nil).

Notes to the financial statements continued

3 Loss from operations

The loss on operations before taxation is stated after:

	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000
Fees payable to the Company auditors:		
– Audit of the Group accounts	20	20
– Audit of the Company's subsidiaries	30	30
– Audit-related assurance services*	3	3
Research and development expenditure	205	106
Depreciation of property, plant and equipment	314	377
Amortisation of intangible assets	518	485
Operating leases – rental of land and buildings	168	168
Operating leases – motor vehicles and other	113	115
Write down of inventories	83	267
Exchange rate gains/(losses)	6	(78)

The cost of goods sold during the year amounted to £1,830,000 (2018: £2,200,000).

*Audit-related assurance services comprise £3,000 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 2019 £'000	Year ended 31 January 2018 £'000
Wages and salaries	3,336	3,454
Social security costs	367	342
Pension contributions	75	107
Share-based payments charge	143	109
	3,921	4,012

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

	2019 Number	2018 Number
Production	9	10
Sales	27	25
Administration	14	16
	50	51

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.

	2019 £'000	2018 Number
Short-term employee benefits	525	494
Employers NI	72	68
Share-based payments charge	81	75
	678	637

5 Tax on loss on ordinary activities

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

	Year ended 31 January 2019 £'000	Year ended 31 January 2018 £'000
United Kingdom corporation tax at 19% (2018: 19.17%)	–	–
United States income taxes	1	2
Research and development expenditure tax credits – current year	(188)	(127)
– prior year	(9)	–
Total tax	(196)	(125)

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:

Loss on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2018: 19.17%)	(406)	(425)
Effect of:		
Expenses not deductible for tax purposes	4	6
Capital allowances in excess of depreciation charge for year	(24)	72
United States income taxes	1	2
Increase in unused tax losses	292	254
Other temporary timing differences	27	21
Additional deduction for research and development expenditure	(139)	(95)
Losses surrendered for research and development tax credit	246	167
Research and development expenditure tax credits – current year	(188)	(127)
– prior year	(9)	–
Total tax income	(196)	(125)

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 £188,000 (2018: £127,000) represents 33% (2018: 33%) 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 2019 £'000	Year ended 31 January 2018 £'000
Unused losses (available indefinitely)	26,976	25,473
Temporary differences (available indefinitely)	242	99
	27,218	25,572

The related deferred tax asset (calculated at 17%) of £4.6m (2018: £4.2m calculated at 17%) which will be recognised in the accounts when a 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 2019 £'000	Year ended 31 January 2018 £'000
Loss after tax for the financial year	**(1,941)**	(2,093)

	Number ('000)	Number ('000)
Weighted average number of ordinary shares	**244,175**	244,175
Loss per share – basic and diluted (p)	**(0.80)**	(0.86)

7 Property, plant & equipment

	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Medical monitors £'000	Total £'000
Cost						
At 1 February 2017	549	492	83	676	2,115	3,915
Additions	–	6	26	54	394	480
Retirements	–	–	(13)	–	–	(13)
At 31 January 2018	549	498	96	730	2,509	4,382
Additions	–	26	–	9	316	351
Retirements	–	–	–	–	(434)	(434)
At 31 January 2019	**549**	**524**	**96**	**739**	**2,391**	**4,299**
Accumulated depreciation						
At 1 February 2017	545	462	59	647	1,393	3,106
Charge for the year	1	13	11	35	317	377
Retirements	–	–	(13)	–	–	(13)
At 31 January 2018	546	475	57	682	1,710	3,470
Charge for the year	1	13	11	25	264	314
Retirements	–	–	–	–	(434)	(434)
At 31 January 2019	**547**	**488**	**68**	**707**	**1,540**	**3,350**
Carrying amount at 31 January 2019	**2**	**36**	**28**	**32**	**851**	**949**
Carrying amount at 31 January 2018	3	23	39	48	799	912

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 smartcards, sensors and software licenses (including HUP). 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 2017	283	1,152	5,960	7,395
Additions	–	57	420	477
At 31 January 2018	283	1,209	6,380	7,872
Additions	–	61	590	651
At 31 January 2019	**283**	**1,270**	**6,970**	**8,523**
Accumulated amortisation				
At 1 February 2017	283	902	4,252	5,437
Charge for the year	–	73	412	485
At 31 January 2018	283	975	4,664	5,922
Charge for the year	–	63	455	518
At 31 January 2019	**283**	**1,038**	**5,119**	**6,440**
Carrying amount at 31 January 2019	**–**	**232**	**1,851**	**2,083**
Carrying amount at 31 January 2018	–	234	1,716	1,950

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 £310,000 (2018: £318,000), and externally purchased assets of £341,000 (2018: £159,000). The rates of amortisation are shown in Note 1.

9 Inventory

	2019 £'000	2018 £'000
Raw materials and consumables	**428**	388
Finished goods and goods for resale	**1,452**	966
	1,880	1,354

Notes to the financial statements continued

10 Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	**1,516**	2,927
Other receivables	**242**	148
Prepayments	**170**	171
	1,928	3,246

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 2019, trade receivables of £1.09m (2018: £2.08m) 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:

	2019 £'000	2018 £'000
Not more than three months	**227**	268
More than three months but not more than six months	**62**	97
More than six months but not more than one year	**35**	54
More than one year	**106**	430
	430	849

Included in trade receivables past due, more than one year, but not impaired, is a balance due from a distributor which is making payments in accordance with an agreed payment plan and therefore is not considered impaired.

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

	2019 £'000	2018 £'000
Opening balance	**68**	66
Provision for receivables impairment	**28**	29
Receivables written off in year	**(70)**	(27)
Closing balance	**26**	68

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

11 Current liabilities

	2019 £'000	2018 £'000
Trade payables	**513**	957
Social security and other taxes	**236**	261
Accruals and other creditors	**625**	598
Deferred income	**837**	668
	2,211	2,484

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), 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 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 and other receivables is £1,758,000 (2018: £3,075,000).

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

Liquidity risk

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

Liquidity risk analysis

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 2019, the Group's current contractual financial liabilities are summarised below:

	2019 within 6 months £'000	2019 6 to 12 months £'000	2018 within 6 months £'000	2018 6 to 12 months £'000
Trade payables	**513**	**–**	957	–
	513	**–**	957	–

There are no non-current trade payables.

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 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.

Notes to the financial statements continued

Group interest rate profile

Financial assets at 31 January 2019	Floating rate Cash current bank accounts £'000	Floating rate Deposit and reserve account £'000	Total £'000
Currency			
Sterling	717	787	1,504
US dollars	157	–	157
Euro	56	–	56
	930	787	1,717

Financial assets at 31 January 2018	Floating rate Cash current bank accounts £'000	Floating rate Deposit and reserve account £'000	Total £'000
Currency			
Sterling	2,587	538	3,125
US dollars	100	–	100
Euro	2	–	2
	2,689	538	3,227

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.

Current assets	2019 £'000	2018 £'000
Loans and receivables:		
– Trade and other receivables	1,758	3,075
– Cash and cash equivalents	1,717	3,227
	3,475	6,302

Current liabilities	2019 £'000	2018 £'000
Trade payables and other short term financial liabilities	749	1,218
	749	1,218

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 2019 £'000	US dollars 2018 £'000
Trade and other receivables	132	225
Cash and cash equivalents	157	100
Trade and other payables	(115)	(177)
	174	148

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

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	
	2019 £'000	2018 £'000
Currency fluctuation	11%	9%

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

	US dollars	
	2019 £'000	2018 £'000
Net result for the year	(48)	(21)
Equity	(48)	(21)

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

	US dollars	
	2019 £'000	2018 £'000
Net result for the year	48	21
Equity	48	21

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

Issued and fully paid – ordinary shares of 0.5 pence each	2019 Number of shares '000	2018 Number of shares '000
At the beginning of the year	244,175	244,175
Issued for cash	–	–
At the end of the year	244,175	244,175

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

Notes to the financial statements continued

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.

	Number	2019 Weighted average exercise price (p)	Number	2018 Weight average exercise price (p)
Outstanding at the beginning of the year	16,099,178	5.2	12,051,715	7.7
Issued in the year	2,050,000	0.5	9,545,604	1.1
Forfeited during the year	(1,195,802)	9.8	(5,498,141)	3.8
Exercised during the year	–	–	–	–
Outstanding at the end of the year	16,953,376	4.3	16,099,178	5.2
Exercisable at the end of the year	2,924,977	14.0	3,620,779	14.0

There were no options issued without performance conditions during the year. Fair value of standard options with no performance conditions issued during the prior year is determined by reference to the fair value of the instrument granted. The expected life used in the model was adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. The prior year fair values were calculated using a Black-Scholes option pricing model with the following assumptions:

	2019	2018
Weighted average shares price (p)	N/A	6.75
Weighted average exercise price (p)	N/A	6.75
Expected volatility	N/A	48.1%
Expected life (years)	N/A	3.5
Risk free rate	N/A	0.22%
Expected dividend yield	N/A	–

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

For options granted during the year with performance conditions the share price performance conditions are market conditions which are incorporated in the calculation of the fair value at the grant date. Monte-Carlo simulations were used to estimate the fair value with the following assumption:

	Unapproved	EMI	Weighted average
Number of shares	1,600,000	450,000	2,050,000
Weighted average share price (p)	6.00	8.00	7.00
Weighted average exercise price (p)	0.50	0.50	0.50
Expected volatility	47.0%	47.7%	47.2%
Expected life (years)	3.5	3.5	3.5
Risk free rate	0.94%	0.70%	0.89%
Expected dividend yield	0%	0%	0%

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 5.38 years.

15 Capital commitments

At 31 January 2019 the Group had placed forward orders for the purchase of monitors, monitor components and disposables for inventory to the value of £530,000 (2018: £931,000). Delivery of these orders is scheduled between February 2019 and January 2020.

16 Contingent liabilities

There were no contingent liabilities at 31 January 2019 or 31 January 2018.

17 Leasing commitments

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

	2019		2018	
Group	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
In one year or less	140	104	140	101
Between one and five years	163	71	303	128
	303	175	443	229

18 Related party transactions

During the year, no contracts of significance other than those disclosed in the Directors' Remuneration report 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

Opinion

Our opinion on the parent company financial statements is unmodified

We have audited the parent company financial statements of LiDCO Group Plc for the year ended 31 January 2019 which comprise the Company balance sheet, the Company statement of changes in shareholders' equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 January 2019;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the parent company financial statements section of our report. We are independent of the parent company in accordance with the ethical requirements that are relevant to our audit of the parent company financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the parent company financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £99,000, which represents 0.5% of the Company's gross assets;
- The key audit matter identified was the recoverability of the investment in LiDCO Limited.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
The recoverability of the investment in LiDCO Limited The Company's investment in its subsidiary undertaking, LiDCO Limited, is held at cost less provision for impairment. During the year, LiDCO Limited made a net loss which is an indicator of impairment. Management has prepared a value in use calculation, in accordance with International Accounting Standard 36 Impairment of Assets, using discounted cash flow forecasts based on Board approved budgets and forecasts. Future discounted cash flow forecasts of this nature are inherently judgemental and include a number of estimates about future performance and other assumptions. The estimates and assumptions that give rise to the greatest uncertainty relate to revenue growth over the five year forecast period. As a result we identified the recoverability of the investment in LiDCO Limited as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Agreeing that the budgets and forecasts used by management in their impairment assessment are Board approved • Testing the calculations in the model of future discounted cash flows for accuracy • Evaluating the future cash flow forecasts used by management by reference to historical performance and the best estimate of future HUP sales • Assessing other key assumptions including long term growth rates and discount rates to ensure these were estimated appropriately • Reading the disclosures relating to key judgements and estimates in relation to impairment of investments and ensuring these provide sufficient and appropriate disclosure The parent company's accounting policy on the carrying value of investments is shown in note 1 to the financial statements and related disclosures are included in note 2. **Key observations** Based on our audit work we are satisfied that the judgements made, and assumptions used by management in assessing the recoverability of the investment in LiDCO Limited are appropriate and are supported by the evidence obtained from our testing.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the parent company financial statements as a whole to be £99,000, which is 0.5% of gross assets. This benchmark is considered the most appropriate because the Company is a holding company and does not trade.

Materiality for the current year is the same as the level that we determined for the year ended 31 January 2018.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.

We determined the threshold at which we will communicate misstatements to the audit committee to be £4,950. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the company's business, its environment and risk profile. We performed a full scope audit of the Company.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the parent company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the parent company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the parent company financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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 parent company financial statements are prepared is consistent with the parent company financial statements; and
- 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 parent company and its environment obtained in the course of the audit, we have not identified 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 in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 27, 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, and for such internal control as the directors determine is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

A further description of our responsibilities for the audit of the parent company financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matter

We have reported separately on the group financial statements of LiDCO Group Plc for the year ended 31 January 2019. That report includes details of the group key audit matters; how we applied the concept of materiality in planning and performing our audit; and an overview of the scope of our group audit. The opinion in that report is unqualified.

Use of our report

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.

Marc Summers, FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
25 March 2019

Company balance sheet

At 31 January 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Investments	2	**19,069**	17,199
		19,069	17,199
Current assets			
Cash at bank and in hand		**707**	2,577
		707	2,577
Net assets		**19,776**	19,776
Capital and reserves			
Called up share capital	3	**1,221**	1,221
Share premium account		**30,342**	30,342
Profit and loss account		**(11,787)**	(11,787)
Shareholders' funds		**19,776**	19,776

The result for the year of the Company was £nil (2018: £3,000).

The financial statements were approved by the Board of Directors and authorised for issue on 25 March 2019

Peter Grant
Director

Matthew Sassone
Director

Company statement of changes in shareholders' equity

For the year ended 31 January 2019

	Share capital £'000	Share premium £'000	Retained loss £'000	Total equity £'000
At 1 February 2017	1,221	30,342	(11,790)	19,773
Issue of share capital (net of issue costs)	–	–	–	
Transaction with owners	–	–	–	–
Result for the year	–	–	3	3
At 31 January 2018	1,221	30,342	(11,787)	19,776
Result for the year	–	–	–	–
At 31 January 2019	**1,221**	**30,342**	**(11,787)**	**19,776**

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

The accompanying accounting policies and notes on pages 56 to 58 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 January 2019

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 2 to 9. 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 smartcards, sensors, software licenses (including HUP) and service contracts which represented 81% of total revenues in the year to 31 January 2019. These recurring revenue streams give some underpinning to revenue projections for the business.

The Board has considered detailed monthly financial forecasts, which included the 12 months from the date of signing the financial statements for 2018/19 and included related assumptions, risks and opportunities, sensitivities, areas for mitigation and contingency plans. Based on this review, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being the period of 12 months from the date of signing the financial statements for 2018/19. Accordingly, the Directors believe that it is appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.

Investments

Investments which comprise investments in share capital and inter-company loan balances are stated at cost less any provisions for impairment in value. At each balance sheet date the Company reviews the carrying amount of the investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of the investments value in use and its fair value less costs of disposal. Value in use is calculated using cash flow projections for the investments discounted at the Company's cost of capital.

If the recoverable amount of the investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss in the Comprehensive Income statement, unless the relevant investment is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Judgements and keys sources of estimation uncertainty

The Company has funded the trading activities of its principal subsidiaries by the way of inter-company loans. The amounts advanced did not have any specific terms relating to their payment, were unsecured and were interest free. In light of the above, the Board have had to determine whether such loan balances should be accounted for as loans and receivables in accordance with IAS 39, 'Financial Instruments: Measurement', or whether it represents an interest in a subsidiary which is outside the scope of IAS 39 and accounted for in accordance with IAS 27, 'Separate Financial Statements'.

The Board have concluded that, in substance, the loans represent an interest in a subsidiary as the funding provided is considered to provide the subsidiary with a long term source of capital. Therefore the loans are accounted for in accordance with IAS 27 and are carried at their historical cost less provision for impairment, if any.

The carrying amount of these loans are tested for impairment if events occur which may indicate that these assets are impaired. The carrying value of these loans are compared to the value in use of the relevant subsidiary which is also the cash generating unit (CGU). The estimation of the value in use of a CGU requires the Group to make an estimate of the expected future cash flows from the CGU and also the selection of a suitable pre-tax discount rate to calculate the present value of those cash flows.

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 consolidated comprehensive income statement.

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.

2 Investments

	Shares in subsidiary undertakings	
Company	2019 £000	2018 £'000
Cost and net book value		
Amount due from subsidiary	19,069	17,199

The Company's investment in subsidiary undertakings has been reviewed for impairment with reference to the value in use of the Company's principal subsidiary, LiDCO Limited. The value in use of LiDCO Limited has been calculated using: i) five-year cash flow projections; ii) a discount rate of 14%; and iii) a terminal growth rate of 3%. The cash flow forecasts are based on the budget and longer-term projections reviewed and approved by the Board. Sensitivity analysis indicates that the cash flows in each year could be up to 16% less than forecast before the value in use would be less than the carrying value of the Company's investment in subsidiary undertakings, resulting in an impairment loss. The impairment loss if cash flows were 20%, 30% and 40% less than forecast would be £0.8m, £2.9m and £4.9m respectively.

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
LiDCO Netherlands B.V.	Netherlands	100%	Dormant

The registered office of both LiDCO Limited and Cassette Analytical Systems Limited is 16 Orsman Road, London, N1 5QJ. The registered office of LiDCO Netherlands B.V. is Van Goedhartlaan 935A, 1181 L D Amstelveen, Netherlands.

Notes to the financial statements continued

3 Share capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid		
244,174,908 ordinary shares of 0.5p each (2018: 244,174,908 ordinary shares)	**1,221**	1,221

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 result for the year of the Company was £nil (2018: £3,000).

5 Related party transactions

During the year, no contracts of significance other than those disclosed in the Directors' Remuneration report 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:
02659005

Registered office:
16 Orsman Road
London
N1 5QJ

Company website:
www.lidco.com

Directors and Secretary:

Mr P W Grant	Non-executive Chairman
Mr M G Sassone	Chief Executive Officer
Mr T R Hall	Chief Financial Officer (appointed 11 March 2019)
Ms J A McGregor	Chief Financial Officer (resigned 22 March 2019)
Mr P M Cooper	Non-executive Director
Mr T R Hall	Company Secretary (appointed 11 March 2019)
Ms J A McGregor	Company Secretary (resigned 22 March 2019)

Advisers to the Company

Auditor:
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Registered Auditors
Chartered Accountants
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London
EC2A 1AG

Registrar:
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The Registry
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Banker:
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