

LiDCO Group Plc

(Registered in England and Wales. Registered Number: 02659005)

Directors:

Peter Grant (Non-executive Chairman)
Matthew Sassone (Chief Executive Officer)
Tim Hall (Chief Financial Officer)
Philip Cooper (Non-executive Director)
James Wetrich (Non-executive Director)

Registered and Head Office

16 Orsman Road
Hoxton
London
N1 5QJ

7 May 2020

Dear Shareholder

Notice of Annual General Meeting

I am pleased to write to you with details of the Annual General Meeting ("AGM") of the Company which will be held at 16 Orsman Road, Hoxton, London, N1 5QJ on Monday 1 June 2020 at 10.00 am. The formal notice of the AGM is set out on pages 5 and 6 of this document. Members who have elected or are deemed to have elected to receive copies of the Company's statutory accounts by electronic communications will find the audited accounts for the year ended 31 January 2020 on the Company and Investor page of our website at: <http://www.lidco.com/investors>. Members who have elected to receive paper copies of the statutory accounts will find a copy accompanying this letter.

Please be aware we no longer provide a paper form of proxy. If you would like to vote on the resolutions, please see the Notes in the Notice for the voting options. Please vote as soon as possible. **Votes must be received by 10.00 am on Thursday 28 May 2020 at the latest.**

Covid-19 measures

Under normal circumstances, the Board values greatly the opportunity to meet shareholders in person. However, the Board considers the safety and wellbeing of both its shareholders and employees to be of paramount importance and with this in mind, has made arrangements to comply with the current measures regarding restrictions on travel, limited gatherings and the 'stay at home' instructions introduced by the UK Government.

The Chairman of the meeting and one other person will attend the AGM thus fulfilling the requirement of the Company's Articles of Association for a quorum to be present consisting of two persons entitled to vote upon the business to be transacted being present in person or by proxy. Accordingly, other shareholders and proxies for shareholders will not be permitted to attend the AGM and will be refused entry to the meeting and shareholders are instead urged to submit proxy votes. Details on submitting proxy votes are contained in the Notes to the Notice of Annual General Meeting on pages 7 and 8.

The Board always welcomes questions from shareholders at the AGM. This year, shareholders should submit their questions directly to the Company in advance of the meeting. Shareholders should submit questions up until noon on Friday 29 May 2020 by emailing them to AGM@lidco.com. The Company will publish relevant questions received, together with answers, on the Company's website as soon as practicable after the deadline for receipt. The questions may be grouped into generic classes as the Directors deem appropriate and answers will not include any price-sensitive information which has not previously been made public in a Regulatory News Service announcement.

At the AGM, instead of the usual practice of each resolution being voted on initially by a show of hands, the Chairman shall exercise his right to demand a poll on each resolution which shall be taken immediately so that the votes cast by those members who have indicated how they wish their votes to be cast by submitting a proxy vote may be recorded and used as the basis for determining whether or not a resolution has been passed. Results of the votes cast on each resolution will be disclosed in the market announcement that follows the AGM confirming the outcome of the meeting.

The current situation is evolving and therefore further announcements may be required.

Resolutions to be proposed at the AGM

Nine resolutions will be proposed at the AGM, the first six will be proposed as ordinary resolutions and the last three as special resolutions. This means that for each of the ordinary resolutions to be passed, more than half of the votes of those members voting (including votes cast by the two individuals described above attending in person and those cast by proxy) must be cast in favour of each of the resolutions. In the case of the special resolutions (Resolutions 7, 8 and 9) for the resolution to be passed at least 75% of the votes cast must be in favour of the resolution.

Resolution 1 – Receiving the Annual Report and Accounts

This meets the requirement under section 737 of the Companies Act 2006 (“the Act”) that the directors lay before the Company in general meeting copies of the Company’s annual accounts and the directors’ and auditor’s reports on these accounts.

Resolution 2 – Approving the Directors’ Remuneration Report

This resolution seeks members’ approval of the Directors’ Remuneration Report.

Resolutions 3 – Re-election of Mr Peter Grant as a director

Under Article 102(a) of the Company’s Articles of Association directors must retire and offer themselves for re-election at least every three years. Mr Cooper and Mr Hall were re-elected last year. Mr Sassone was re-elected in 2018. By rotation, Mr Grant retires at this meeting and offers himself for re-election.

Resolution 4 – Re-election of Mr James Wetrich as a director

Under Article 108 a new director appointed during the year must retire at the first AGM following their appointment and offer themselves for re-election. Mr Wetrich was appointed on 15 August 2019 and offers himself for re-election.

Resolution 5 – Re-appointment of the Auditors and the Auditor’s Remuneration

At every general meeting at which accounts are laid, the Company must appoint auditors to hold office until the conclusion of the next such meeting. You are requested to re-appoint Grant Thornton UK LLP as auditor for another year and, following normal practice, to authorise the directors to fix the remuneration of the auditor.

Resolution 6– Power to allot Ordinary Shares

This resolution seeks the annual renewal of the authority for the directors to allot shares or other relevant securities up to an amount equal to approximately one-third of the nominal amount of the Company’s current issued share capital. This equates to 80,577,000 ordinary shares of 0.5 pence each, having an aggregate nominal value of £402,885. The authority will expire on the earlier of the 2021 Annual General Meeting and 30 June 2021.

Resolution 7 – Power to allot equity securities for cash

This special resolution, which follows the Pre-Emption Group guidelines regarding the proportion of share capital that may be raised for general corporate purposes without offering them first to existing shareholders, seeks the annual renewal of the authority for the directors to allot securities for cash:

- (a) in connection with a rights issue or other offer of securities to existing shareholders subject to such arrangements as the directors consider expedient to deal with such matters as fractional entitlements and legal and practical problems arising in overseas jurisdictions;
- (b) for general corporate purposes without offering them first to existing shareholders in proportion to their shareholdings but limited to an aggregate nominal value of £244,170 representing 48,834,000 shares of 0.5 pence, which equates to approximately 20% of the Company’s current issued share capital. Previous authorities have been to disapply pre-emption rights to be able to issue up to 10% of the Company’s issued share capital for cash for general corporate purposes. Although, as an AIM-quoted company, the Company is not obliged to follow the Pre-Emption Group guidelines, the directors believe that it would be better to come in line with those best practice guidelines. In response to Covid-19 the Pre-Emption Group has updated its guidelines to allow for a higher level of disapplication of pre-emption rights for a temporary period and, although the Board does not currently envisage using this facility, the directors believe that it is prudent for the Company to have the additional flexibility in these times. As set out in the resolution, the authority will persist until 30 September 2020, or any later date applicable in any revised Pre-Emption Group guidelines. Once the temporary additional authority expires, the authority will reduce in line with normal Pre-Emption Group guidelines to shares with an aggregate nominal value of £61,043 representing 12,208,600 shares of 0.5 pence each which equates to approximately 5% of the Company’s issued share capital for cash for general corporate purposes. This authority will expire at the conclusion of the Annual General Meeting in 2021; and
- (c) for specified acquisitions or investments without offering them first to existing shareholders in proportion to their shareholdings but limited to an aggregate nominal value of £61,043 representing 12,208,600 shares of 0.5 pence, which equates to approximately 5% of the Company’s current issued share capital. This authority will expire at the conclusion of the Annual General Meeting in 2021.

Resolution 8 – Power to reorganise Company's share capital

Introduction

This special resolution seeks authorisation to reorganise the Company's share capital, to, amongst other things, improve the Company's eligibility for certain grants. This will not affect the number of ordinary shares of the Company in issue or the total voting rights in any way.

Shareholder approval is sought to cancel the share premium account, being the non-distributable capital reserve with that name in the accounts of the Company (the "Share Premium Account") and to transfer the sum arising on such cancellation to the profit and loss reserve of the Company (the "Profit and Loss Account") (the "Capital Reduction").

Rationale for the Capital Reduction

Innovate UK supports UK businesses to invest in research, development and innovation. Some of the support it provides comes under the EU's state aid rules, which continue to apply under the EU-UK Withdrawal Agreement. The General Block Exemption Regulation ("GBER") covers a range of types of state aid that, provided certain conditions are met, do not require individual approval from the European Commission in advance of being granted. Examples include aid for: small and medium-sized enterprises ("SMEs"), research and development, and innovation. One of the conditions of GBER is that funding is not provided to "undertakings in difficulty" which in the case of a limited liability company is when more than half of its subscribed share capital has been eroded as a result of accumulated losses. For the purposes of this provision, 'share capital' includes, where relevant, any share premium. With its current balance sheet structure, the Company would be unable to receive grants from Innovate UK or any public source. Although, once Brexit is completed, the UK might choose to change the rules which apply to public grants, this cannot be assumed and may be prevented by any further agreement on future trade with the EU which incorporates principles of a level playing field. In order for the Company to be able to seek and obtain grants from Innovate UK and similar sources, the directors of the Company propose the Capital Reduction.

Background to the Capital Reduction

As at 31 January 2020, the Company had called up share capital of approximately £1,221,000, approximately £30,342,000 to the credit of the Company's Share Premium Account and accrued historic losses in the Profit and Loss Account of approximately £19,754,000. The Board considers that it would be preferable to cancel the Share Premium Account and credit the sum arising on the cancellation to the Profit and Loss Account. The implementation of the Capital Reduction is subject to a number of criteria and legal processes as explained further below.

Procedure to effect the Capital Reduction

Share premium forms part of the capital of the Company and arises on the issue by the Company of ordinary shares of 0.5p each in the Company from time to time ("Ordinary Shares") at a premium to their nominal value. The premium element is credited to the Share Premium Account. Under the Act, the Company is generally precluded from paying any dividends or making other distributions in the absence of sufficient distributable reserves, and the Share Premium Account, being a non-distributable reserve, can be applied by the Company only for limited purposes. However, provided the Company obtains the approval of Shareholders by way of a special resolution and subsequent confirmation by the High Court of England and Wales (the Court) it may reduce all or part of its Share Premium Account.

In order to effect the Capital Reduction, the Company first requires the authority of its shareholders by the passing of a special resolution at the AGM. The resolution is proposed in this regard to cancel the Share Premium Account and, thereafter, transfer the sum arising on the cancellation of the Share Premium Account to the Profit and Loss Account. Secondly, the Capital Reduction must be confirmed by the Court, to which the Company will make an application if the Resolution is passed.

The Capital Reduction will take effect when the order of the Court confirming it and a statement of capital approved by the Court have been registered with the Registrar of Companies (the "Effective Date"). The Effective Date of the Capital Reduction is currently expected to be the next working day following the hearing at which the Capital Reduction is to be confirmed by the Court, which is currently expected to be on or around 23 June 2020. An announcement would be made confirming the Effective Date once known.

In order to approve the Capital Reduction, the Court will need to be satisfied that the interests of the Company's creditors (if any) will not be prejudiced by the Capital Reduction. For the benefit of those of its creditors who do not consent, the Company may be obliged to provide security in a form acceptable to the Court.

If the Company is unable in the timetable proposed to obtain consent from, or is unable or unwilling to provide security (where security is required) for any such creditors, then the amount released by the Capital Reduction, when the Capital Reduction is confirmed by the Court, will remain undistributable for the time being until any such outstanding consents have been obtained, security (where security is required) has been put in place, or the relevant obligations have been discharged, and the Company may be required to give an undertaking to that effect to the Court. Additionally, the Company may not be eligible for the grants as set out above under the heading 'Rationale for the Capital Reduction'.

The Board reserves the right (where necessary by application to the Court) to abandon, discontinue or adjourn any application to the Court for confirmation of the Capital Reduction, and hence the Capital Reduction itself, if the Board believes that the terms required to obtain confirmation are unsatisfactory to the Company or if the Board considers that to continue with the Capital Reduction is inappropriate or not advisable and would not be in the best interests of the Company and its Shareholders.

The Capital Reduction does not affect the voting or dividend rights of any shareholder, or the rights of any shareholder on a return of capital.

Expected timetable of principal events relating specifically to the Capital Reduction

The dates and times set out below are based on the Company's current expectations and may be subject to change. Any change will be notified via a service approved by London Stock Exchange plc for the distribution to the public of announcements and included within the list maintained on London Stock Exchange plc's website. References to times in this document are to London times, unless otherwise stated.

Court hearing to confirm the Capital Reduction	on or around 23 June 2020
Registration of Court order and Effective Date of the Capital Reduction	Expected to be the business day after the Court order confirming the Capital Reduction

Resolution 9 – Articles of Association

This special resolution seeks authority to adopt new articles of association to allow for hybrid general meetings whereby shareholders may participate either in a physical only meeting or may participate in a meeting by attending the physical meeting or using electronic means. The proposed new articles are available for inspection on the Company's website at <http://www.lidco.com/investors>.

The directors consider that all the resolutions to be put to the meeting would promote the success of the Company for the benefit of its members as a whole and look forward to your support for all the proposed resolutions.

Yours sincerely

Peter Grant
Chairman

LiDCO Group Plc
Notice of Annual General Meeting

This year's Annual General Meeting will be held at 16 Orsman Road, Hoxton, London, N1 5QJ on Monday 1 June 2020 at 10.00 am. You will be asked to consider, and if thought appropriate, pass the resolutions set out below:

Resolutions 1 to 6 inclusive will be proposed as ordinary resolutions and resolutions 7, 8 and 9 as special resolutions.

Ordinary resolutions

- 1** That the audited accounts of the Company and the Directors' and Auditor's Reports thereon for the year ended 31 January 2020 be received.
- 2** That the Directors' Remuneration Report for the year ended 31 January 2020 be received and approved.
- 3** That Mr Peter Grant be re-elected a director of the Company.
- 4** That Mr James Wetrich be re-elected a director of the Company.
- 5** That Grant Thornton UK LLP, be re-appointed as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting at which accounts are laid before the Company, and that the directors be authorised to set the remuneration of the auditor.
- 6** That the directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("the Act") to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate amount of £402,885 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2021 or on 30 June 2021 (whichever is the earlier), save that the Company shall be entitled to make, prior to the expiry of such authority, any offer or agreement which would or might require equity securities (as defined in section 560 of the Act) to be allotted after the expiry of such authority, and the directors may allot such securities pursuant to such offer or agreement as if such authority had not expired; and all prior unutilised authorities to allot shall be revoked, but without prejudice to the allotment of any shares or securities already made or to be made pursuant to such authorities.

Special resolutions

- 7 That the directors be and are empowered pursuant to section 571 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred on them by resolution 6 and to allot equity securities (as defined in section 560(3) of the Act (sale of treasury shares)) for cash in each case as if section 561 of the Act did not apply to any such allotment provided that this power shall be limited:
- (i) to the allotment of equity securities in connection with a rights issue, open or other offers of securities in favour of holders of ordinary shares in the Company on the register of members at such record date as the directors may determine and other persons entitled to participate therein where the equity securities respectively attributable to the interest of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of the ordinary shares in the Company held or deemed to be held by them on such record dates, subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient to deal with fractional entitlements, treasury shares or legal or practical problems arising under the laws of any overseas territory or the requirements of any other regulatory body or stock exchange by virtue of shares being represented by depository receipts or any other matter whatever;
 - (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) to any person or persons of equity securities up to an aggregate nominal value of £244,170 for general corporate purposes on or prior to 30 September 2020 or such later date as published in any revised Pre-Emption Group guidelines (the "Temporary Authority Date");
 - (iii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) to any person or persons of equity securities up to an aggregate nominal value of £61,043 for general corporate purposes after the Temporary Authority Date subject to no shares having been allotted pursuant to sub-paragraph (ii) above; and
 - (iv) to the allotment (otherwise than pursuant to sub-paragraph (i) above) to any person or persons of equity securities up to an aggregate nominal value of £61,043 for specified investments or acquisitions.

Unless specified, this power shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2021 or 30 June 2021, whichever is the earlier, unless previously varied, revoked or renewed by the Company in general meeting provided that the Company may, before such expiry, make any offer or agreement which would or might require securities to be allotted, or treasury shares sold, after such expiry and the directors may allot securities or sell treasury shares pursuant to such offer or agreement as if the power conferred had not expired; and all prior powers granted under section 570 of the Act shall be revoked provided that such revocation shall not have retrospective effect.

- 8 That, subject to the consent of the Court, the share premium account of the Company be cancelled and the sum arising on the cancellation be credited to the Company's profit and loss reserve.
- 9 That, with immediate effect the Company adopt the new articles of association as laid before the meeting.

By order of the Board

Tim Hall
Company Secretary

7 May 2020

Registered Office: 16 Orsman Road, Hoxton, London N1 5QJ. Registered in England and Wales, Number 02659005

Notes to the Notice of Annual General Meeting

- 1 Under the provisions of the Company's articles of association, a member entitled to attend and vote at the meeting may appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company but must attend the meeting for the member's vote to be counted. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member. If a member wishes to appoint more than one proxy they may do so at www.signalshares.com. In light of Covid-19, the Board encourages all shareholders to exercise their votes by appointing the Chairman of the meeting as their proxy rather than another person who will not be permitted to attend the meeting.
- 2 To be effective, the proxy appointment and/or vote must be submitted at www.signalshares.com so as to have been received by the Company's registrars not less than 48 hours (excluding weekends and public holidays) before the time appointed for the meeting or any adjournment of it. By registering on the Signal Shares portal at www.signalshares.com, you can manage your shareholding, including:
 - cast your vote
 - change your dividend payment instruction
 - update your address
 - select your communication preference.

Any power of attorney or other authority under which the proxy is submitted must be returned to the Company's Registrars, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF. If a paper form of proxy is requested from the registrar, it should be completed and returned to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF to be received not less than 48 hours (excluding weekends and public holidays) before the time of the meeting.

- 3 Pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001 (as amended), the Company has specified that only those members registered on the register of members of the Company at 6pm on Saturday 30 May 2020 (the "Specified Time") (or, if the meeting is adjourned to a time more than 48 hours after the Specified Time, by close of business on the day which is two days prior to the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. If the meeting is adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting. As previously noted, in light of Covid-19, shareholders will not be permitted to attend the meeting.
- 4 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- 5 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy, or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrars (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in Note 2 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- 6 CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (www.euroclear.com/CREST).
- 7 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

- 8** Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares. The Board encourages all shareholders to exercise their votes by appointing the Chairman of the meeting as their corporate representative rather than another person who will not be permitted to attend the meeting.
- 9** Any electronic address provided either in this Notice or in any related documents (including the paper form of proxy) may not be used to communicate with the Company for any purposes other than those expressly stated.
- 10** If you need help with voting online, or require a paper form of proxy, please contact our registrar, Link Asset Services by email at enquiries@linkgroup.co.uk, or telephone (on 0871 664 0391 if calling from the UK, or +44 (0) 371 664 0391 if calling from outside of the UK). Link Asset Services is open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Submission of a proxy vote shall in itself not preclude a member from attending and voting in person at the meeting in respect of which the proxy is appointed or at any adjournment thereof. However, with the exception of the two persons making quorum, shareholders, proxies and corporate representatives will not be permitted to attend the meeting due to the restrictions set out in the Health Protection (Coronavirus, Restrictions) (England) Regulations 2020.