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LiDCO GROUP PLC

INTERIM RESULTS – SIX MONTHS ENDED 30 JUNE 2002

LiDCO, the UK-based, AIM-traded cardiovascular monitoring company, announces continuing progress in its first year of commercialisation of the PulseCO and LiDCO Systems.

Highlights

- Turnover of £1.0m (2001: £0.1m), of which £0.7m in the second quarter of 2002, and retained losses of £2.6m (2001: £1.1m);
- Sustained growth in the sales pipeline and sales to major hospitals in the direct sales territories, but longer than anticipated purchasing cycle in the US;
- Continued commercial validation of products evidenced by a further 101 PulseCO and 56 LiDCO Systems sold, 87% on a capital sale basis;
- Appointment of European distributors, with sales to distributors ahead of expectations;
- Completion of PulseCO System clinical validation studies in Japan by our distributor (Nipro Corporation) – full product launch of PulseCO System in Japan scheduled for 2003;
- Completion of major facility expansion, including a new clean room and increased manufacturing capacity; and
- Paediatric PulseCO clinical trial in progress.

CEO, Dr Terry O'Brien, stated " One year following the entry of the Company to the AIM market and the start of our commercial activities I am pleased to report that our products and technology have been exceptionally well received by clinicians in all direct and distributor territories. While we have experienced a longer than predicted capital equipment purchasing cycle in the US, the genuine requirement for our simpler and safer monitoring products continues to underpin our confidence for the Company's commercial prospects."

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Notes for Editors

LiDCO researches, develops and sells innovative monitoring products, primarily for critical care and cardiovascular risk hospital patients who require real-time monitoring. The Group currently has two principal products, both of which are patent protected. The PulseCO System is a cardiovascular monitor displaying in real-time, on a touch screen colour monitor, the relevant cardiovascular parameters of arterial pressures, heart rate, blood flow and oxygen delivery while the LiDCO System, comprising a sensor and disposables, provides an accurate and minimally invasive measurement of blood flow and can be used to calibrate the PulseCO System. The Group's principal customers are hospitals.

LiDCO was founded in 1991 by Doctors Terry O'Brien (the current CEO), David Band (the current Scientific Director), Robert Linton and Jiri Kratochvil and by King's College, London. LiDCO's head office is in Hoxton, London N1, whilst its sales offices are located in the Granta Science Park, Cambridge and in Dallas, Texas.

CHAIRMAN'S STATEMENT

Financial Overview

Turnover for the six months was £1.0m (2001: £0.1m), of which £0.7m was in the second quarter. The retained loss was £2.6m (2001: £1.1m). These results reflect the position set out in the 23 August 2002 Trading Statement.

Administration expenses in the period were below our budget at £3.4m but up on 2001 (£1.3m) due almost entirely to the expansion in our sales and marketing organisation in the last quarter of 2001.

We have expanded our manufacturing capacity and in August completed a £0.8m investment at the Orsman Road, London N1 site which now has the capacity to meet our expected sensor manufacturing and software installation needs for the foreseeable future.

At 30 June 2002 net cash totalled £7.3m. Of the £4m of cash outflow for the first six months of the year, £0.6m was spent on expanding the new production facilities and fixed assets and a further £1.0m in building up inventories to ensure an uninterrupted supply for our strong sales pipeline.

Sales and Marketing

The listing of the Company on the AIM market in July 2001 coincided with the start of commercialisation of the Company's products in the direct sale territories of the US and UK. During 2002 commercial activities have also commenced in a number of other European and Far Eastern distributor territories. Results to June 2002 therefore provide an opportunity to review our first year of trading and commercial prospects.

I am pleased to report that clinicians' reactions to the Group's products continue to be excellent in all territories. This we believe reflects a genuine desire from the clinical community to move away from the existing technology to our less invasive and more useable monitoring products. To date, 87% of the Group's customers have elected for outright purchase (as against rental or a premium on disposables price) of our capital equipment, a level that exceeded our initial expectations. Revenue flow per installed PulseCO is also encouraging at an average usage rate of eight LiDCO disposables per month on each PulseCO installed in hospitals in our UK and US direct sales territories. Pricing and product margins continue in line with expectations.

In addition to continuing to establish its distributor network the Company has decided to explore further, broader collaboration possibilities with a number of organisations that have expressed interest in the Company's products and technology.

The sales pipeline continues to expand (see below for details). Cumulatively over 200 PulseCOs and 100 LiDCOs have been sold to hospitals and distributors and currently there are 46 active hospital accounts in the direct sales territories of the US and the UK.

Number of demos and field trials in the US and UK	Six months to 31 December 2001	Six months to 30 June 2002	Cumulative position as at 31 August 02
Demonstrations made	149	112	284
Requests for field trial	149	112	284
Field trials commenced	82	112	218
Field trials completed	48	79	154
Requests for sales proposals	47	131	198 (*)

(*) - Of the sales proposals made to 31 August 2002, 146 are post a successful field trial. The balance is sales proposals requested following demonstrations. Cumulatively to 31 August, 54 of these sales proposals have resulted in a sale.

- *US*

Our US sales have been overwhelmingly capital sales, not rentals. This embedded base of purchased product increases the likelihood of a continuing disposables revenue flow. This is our preferred business model and we believe will yield a more reliable and profitable business result. While clinical acceptance is running at a high level, US sales to date, as previously noted in the 23 August 2002 Trading Statement, have been impacted by the longer than anticipated capital approval cycle in US hospitals. The increased length of the sales cycle is kept under constant review as volumes increase. To the end of August we have made 195 demonstrations to hospitals in the US.

- *UK*

While the UK is a challenging market for capital equipment, sales in this market are progressing well. There has been considerable interest from the critical care and major surgery clinicians and we believe that our equipment will have a significant impact in improving the outcomes in high risk surgery. Additionally, the UK plays a fundamental role in terms of facilitating product and application development in the surgery, paediatrics and cardiology markets and therefore provides a good market for validating our products and technology. To the end of August we have made 89 demonstrations to hospitals in the UK.

- *Europe*

Marketing authorisation in other EU countries for the lithium chloride injectate of the LiDCO system marker element is being pursued via the EU mutual recognition procedure and is anticipated to be received toward the end of 2002 or in the first quarter of 2003. The equipment elements of both the PulseCO and LiDCO devices are CE marked and therefore can already be freely sold in the EU. Since the first quarter of this year we have been actively identifying and recruiting a skilled and knowledgeable network of distributors throughout continental Europe. We have to date signed agreements with distributors in Holland, Belgium, Spain and Italy. Negotiations with distribution partners for France, Germany and the Czech Republic are in progress. To date sales to European distributors are ahead of expectations. We have started or are about to start clinical evaluation in ten major centres throughout Europe.

- *Japan*

Our distributor, Nipro Corporation, has successfully concluded product validation trials of the PulseCO System in three Japanese Hospitals (including the prestigious Tokyo Women's Medical University). Final regulatory approvals and full launch of the PulseCO Monitor are expected in 2003 – followed by the LiDCO System in 2004. The Japanese territory is the second biggest market for our technology after the US with around 1,000 hospitals offering acute and critical care services.

New Products and Applications

On 14 February 2002 LiDCO announced that PulseCO technology had been seen to be applicable to the congestive heart failure market (which afflicts five million people in the US alone, at an annual treatment cost of almost £15 billion) and that the Group was actively exploring ways to commercialise the technology in the cardiology market. A new software product, that could be relatively quick to bring to the market, is currently under development.

Considerable interest has been expressed by the paediatric clinical community in adapting the Group's technology for the cardiovascular monitoring of small children. The catheter-based pulmonary artery catheter cannot be used in many paediatric patients due to size limitations. Validation trials are in progress at the following centres: Bristol Children's Hospital, Southampton University Hospital and Guy's Hospital, London. The Company expects to conclude paediatric trials and registration activity and commence marketing in the US around the end of 2002.

Appointment of Nomura

The Company has appointed Nomura International as its joint broker. Teather & Greenwood remains the Company's Nominated Adviser and Broker.

Prospects

The key aspects of our business model in terms of the capital sale of our equipment, pricing and the usage of disposables per installed PulseCO are all proving to be sound assumptions. Only the length of the sales cycle has proved greater than originally anticipated. The Board will continue to monitor the time to clinical acceptance of our technology and subsequent receipt of capital revenues via our comprehensive web-based sales management information system.

Alongside commercialisation of its existing products, the Group is continuing to invest in new product development, particularly in the cardiology and paediatric markets. Considerable change is occurring in the cardiology device market, such as the recent launch of biventricular pacemakers for congestive heart failure management and the soon to be launched next generation of drug-eluting stents for treatment of coronary artery disease. The Board believes that this next generation of cardiovascular products further increases the requirement for real-time, minimally invasive monitoring data to select appropriate patient populations, monitor device efficiency and maintain or improve patient safety and outcome. Paediatrics provides an excellent commercial opportunity due to the current lack of an appropriate technology.

The broad-based acceptance of the Group's technology, combined with the development of exciting new applications and products in areas not previously considered, underlies the Board's confidence in the prospects for the Group.

T. William Alexander
Executive Chairman
23 September 2002

INDEPENDENT REVIEW REPORT TO LiDCO GROUP PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2002, which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 5. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are also responsible for ensuring that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2002.

DELOITTE & TOUCHE
London

Chartered Accountants
23 September 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the six months ended 30 June 2002

	Note	Six months ended 30 June 2002 (unaudited) £'000	Six months ended 30 June 2001 (unaudited) £'000 (restated)	Year ended 31 December 2001 (audited) £'000
TURNOVER		984	102	1,130
Cost of sales		(367)	(64)	(298)
Gross profit		617	38	832
Administration expenses – other	3	(3,409)	(1,268)	(3,897)
Administration expenses – exceptional items		-	-	(102)
OPERATING LOSS		(2,792)	(1,230)	(3,167)
Interest receivable and similar income		168	81	364
LOSS ON ORDINARY ACTIVITIES BEFORE TAX		(2,624)	(1,149)	(2,803)
Tax on loss on ordinary activities		-	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAX		(2,624)	(1,149)	(2,803)
Loss per share (basic) (p)		3.69	1.91	5.70
Loss per share (diluted) (p)		3.61	1.86	5.54

CONSOLIDATED BALANCE SHEET
As at 30 June 2002

	Note	30 June 2002 (unaudited) £'000	30 June 2001 (unaudited) £'000 (restated)	31 December 2001 (audited) £'000
FIXED ASSETS				
Tangible assets		708	51	183
Intangible assets		587	310	567
Investments		164	-	258
		1,459	361	1,008
CURRENT ASSETS				
Stocks		2,520	716	1,973
Debtors		1,098	98	1,196
Cash at bank and in hand		7,308	2,838	11,365
		10,926	3,652	14,534
CREDITORS: amounts falling due within one year		(687)	(507)	(1,194)
NET CURRENT ASSETS		10,239	3,145	13,340
TOTAL ASSETS LESS CURRENT LIABILITIES		11,698	3,506	14,348
CREDITORS: amounts falling due after more than one year		(455)	(595)	(525)
NET ASSETS		11,243	2,911	13,823
CAPITAL AND RESERVES				
Called up share capital		355	62	354
Share premium		12,402	-	12,359
Merger reserve	2	8,512	8,512	8,512
Profit and loss account		(10,026)	(5,663)	(7,402)
EQUITY SHAREHOLDERS' FUNDS		11,243	2,911	13,823

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2002

	Six months ended 30 June 2002 (unaudited) £'000	Six months ended 30 June 2001 (unaudited) £'000	Year ended 31 December 2001 (audited) £'000
Operating loss	(2,792)	(1,230)	(3,167)
Depreciation and amortisation	130	39	107
Decrease in the value of investments	94	-	108
Increase in stocks	(547)	(198)	(1,455)
Decrease/(increase) in debtors	98	(57)	(1,155)
(Decrease)/increase in creditors	(577)	8	627
Net cash outflow from operating activities	(3,594)	(1,438)	(4,935)
Returns on investment and servicing of finance	168	81	364
Capital expenditure and financial investment	(675)	(173)	(925)
Cash outflow before financing	(4,101)	(1,530)	(5,496)
Financing	44	-	12,493
(Decrease)/increase in cash in the period	(4,057)	(1,530)	6,997

1. NATURE OF THE FINANCIAL INFORMATION

The financial information has been prepared in accordance with generally accepted principles in the UK. The accounting policies applied in preparing the financial information are consistent with those adopted and disclosed in the Group's statutory accounts for the year ended 31 December 2001.

These results are unaudited and the financial information does not constitute statutory accounts as defined under section 240 of the Companies Act 1985. The financial information for the year ended 31 December 2001 has been derived from the Group's statutory accounts for that period as filed with the Registrar of Companies. The auditors' report on the statutory accounts for the year ended 31 December 2001 was unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

2. RESTATEMENT OF 2001 FIGURES

Admission to the Alternative Investment Market of the London Stock Exchange ("AIM") occurred on 5 July 2001. The restructuring of the Group agreed by the shareholders in February 2001, under which the minority holdings in LiDCO Limited would be bought out in exchange for shares in LiDCO Group, was conditional upon admission and is therefore deemed to have occurred on 5 July 2001.

The directors consider that the relative rights of the shareholders have in substance remained unchanged during the re-organization. Merger accounting has therefore been adopted as the accounting treatment for the re-organization. The comparative figures have been restated.

This approach is identical to the policy adopted in the Company's audited financial statements for the year ended 31 December 2001.

3. ADMINISTRATION EXPENSES

Administration expenses include a loss of £94,000 (six months ended 30 June 2001 - £nil, year ended 31 December 2001 - £108,000) on shares held in the Company's Employee Share Ownership Trust.

The further fall in the Company's share price since 30 June 2002 has increased this loss by a further £106,000.

4. DIVIDENDS

It remains the Company's policy that no dividends will be paid until future operations have provided appropriate levels of distributable profits.

5. DISTRIBUTION OF THE INTERIM STATEMENT

Copies of this statement are being sent to all shareholders and will be available for collection free of charge from the Company's registered office at 16 Orsman Road, London N1 5QJ.