For immediate release **18 October 2005**

LIDCO GROUP PLC
("the Company")

INTERIM RESULTS

LiDCO, the UK-based, AIM-traded cardiovascular monitoring company, announces its Interim Results for the six months ended 31 July 2005. Group performance shows substantial sales growth and significantly reduced losses.

Financial Highlights

- Turnover up 71% at £1.6m (2004: £0.9m)
- Gross profit margin of £1.2m up to 78% (2004: 66%)
- Reduced administration expenses down 17% at £2.4m (2004: £2.9m)
- Cash outflow before financing down 36% at £1.1m (2004: £1.7m)
- Pre-tax loss down 50% at £1.1m (2004: £2.3m)
- Loss per share reduced by 60% at 1.16p (2004: 2.91p)
- US$2m three year secured revolving convertible loan agreement on 10th August 2005 with Laurus Master Fund

Corporate Highlights

- LiDCO announced in March the results of a major trial at St George's Hospital, London. The results revealed the following:
  - Savings in the cost of treating patients - average of £4,000 (10 bed days) per patient
  - Estimated national extrapolation equates to a saving of £500 m per annum for the NHS
- US specialist hospital equipment rental company, Med One, purchased 25 LiDCO*plus* monitors for £0.25m in July 2005 to rent to NHS hospitals in the UK
- Regulatory approval and launch in six new territories: Brazil, Denmark, Ireland, Norway, Sweden and Bulgaria
- Launch of the LiDCOplus Monitor v3 software enabling a communications link between LiDCO's proprietary stand-alone monitoring system and Philips' patient monitor

Commercial Highlights

- Installed base of monitors now at 857 (June 2004: 667)
- Number of PulseCO/LiDCO*plus* monitors sold/placed during the period increased by 14% (87 against 76)
- Sensor and fee per use volumes up 45% to 11,061 from 7,614

- Sales growth in priority markets; USA up 34%, UK & Europe up 91%
- Continued worldwide uptake of LiDCO's technology with 45% of installed monitors in USA, 37% in Europe and 18% in the ROW

Revenue Summary Table

Revenue & Installed Base Summary Table		
Sales Detail	July 05 £'000	June 04 £'000
Capital (% of total sales)	721 (46%)	321 (35%)
Sensors (% of total sales)	747 (48%)	515 (56%)
Monitor fee for use	41	44
Licence fees	35	35
Distributor rental	22	0
Service Contracts	2	0
Total	**1,568**	**915**
Installed base (Monitors)	**857**	**667**

Dr Terry O'Brien, Chief Executive, stated: "I am pleased to announce these results showing excellent cost control and very encouraging sales growth. We expect sales to continue to increase in the second half of the year as distributors in our recently licensed territories begin to close more accounts."

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The investor presentation 'Interim Results – Six months ended 31st July 2005' will be available on the LiDCO website (www.lidco.com).

CHIEF EXECUTIVE OFFICER'S STATEMENT

The first half of the year has seen good sales growth in LiDCO's key markets. This has been achieved despite the fact that most hospitals are struggling to find funding for new medical technologies. In the UK one in four National Health System (NHS) trusts is in deficit. The financial crisis has led to closed wards, cancelled operations and staff shortages in hospitals with managers struggling to meet targets and balance their books. Clearly hospital customers are looking for technologies that improve outcomes while reducing costs. Our technology has been shown to satisfy these requirements. The results of a trial conducted by St George's Hospital, London announced in March demonstrated that the use of the LiDCOplus Monitor to maintain oxygen levels following major surgery patients significantly reduced complications (particularly infections). Patient stay in hospital was significantly shortened - by an average of more than 10 days per patient. This equated to a saving of on average £4,000 per patient treated. It has been estimated that if this approach was adopted by the NHS throughout the UK it would result in a saving of £500 million per year.

Our minimally invasive hemodynamic monitoring equipment can significantly reduce hospital costs and reduce risks for patients. Interest in this modern approach to surgical care is on the increase. At the 4th Evidence Based Peri-Operative Medicine Conference in London in June a review paper* concluded that the resources are already available to hospitals to modernize the treatment of surgical patients, reduce costs and improve the outcomes from surgical intervention. Therefore the capital and running costs are 'marginal in comparison with the potential savings.' Of significance for the use of LiDCO's technology the report concluded that 'for hemodynamic optimization, the potential savings in terms of reduced hospital stays have been estimated for an average NHS trust to be in the order of over £2 million, based on a reduction in stays of 22-31% and taking into account capital outlay of £60,000 and annual running costs of £150,000.' A full paper further reporting these results will be published in Critical Care on the 8th of November 2005.

Given these clear clinical and financial benefits we are working with our international distributor network to help hospital customers to adopt our advanced hemodynamic monitoring products. In doing so we expect there will be a considerable benefit to patients. Such adoption of a technology is not instantaneous – rather it takes time for hospitals to budget for the new equipment and then partner with our clinical educator support staff to implement the change at the ward level. The second half of this year will see an increasing volume of sales through our distribution partners, as the investment made in marketing in their territories coupled with strong clinical and financial arguments comes to fruition.

**"Modernising Care for Patients Undergoing Major Surgery: Improving Patient Outcomes and Increasing Clinical Efficiency" presented by the Improving Surgical Outcomes Group, June 2005.*

FINANCIAL & TRADING REVIEW

Turnover was £1.6m, up by 71% from £0.9m in the six months ended 30 June 2004, with an improvement in the gross profit margin from 66% to 78%. Revenues in our priority territories of the UK, USA and Continental EU territories rose by 114%, 34% and 38% respectively. The installed base of monitors increased by 87 units to 857 (compared to 667 units in June 2004) – with an accompanying increase in sensor usage of 45% from 7,614 to 11,061 units. Continuing progress in the underlying business is clear and we are confident in the development of associated annuity sales.

With the appointment of new distributors, the number of sales people representing our products in the USA, Europe and now Brazil has increased. The additional contribution from these territories will help to deliver higher growth in both placement of monitors and associated annuity revenue in the second half of this year. The sale of 25 monitors in the UK to Med One, the US specialist hospital equipment rental company, follows on from the sale of 75 monitors to Med One in the USA in January 2005; this is the first time Med One has purchased hospital equipment for rental outside the USA and demonstrates its confidence in LiDCO's cardiac monitoring system.

The gross profit of £1.2m represents a gross margin of 78% (2004: 66%), being a blend of the 84% and 73% margins for monitors and disposables respectively. Continuing with active cost management, administrative expenses fell by 17% during the period (£2.4m against £2.9m). Consequently the pre-tax loss was down by a very encouraging 50% (£1.1m vs £2.3m) and the loss per share reduced by 60% (1.16p against 2.91p).

In Europe and the USA sales increased significantly:

UK
- Six months turnover up 114% to £786,000 (2004: £367,000).
- Sensor sales up 55% at 4,449 (2004: 2,880).
- The market for minimally invasive hemodynamic monitoring is clearly growing in the UK and we expect this to continue as more hospital trusts invest in our technology to improve outcomes in intensive care and post operative major surgery patients.

USA
- Turnover up 34% to £425,000 (2004: £316,000).
- Sensor sales up 44% at 4,932 (2004: 3,434).
- USA sales are still predominantly derived from our direct sales force of 5 people. In the next six months we expect to see a contribution from distribution partners.

Continental Europe
- Turnover up 38% to £222,000 (2004: £161,000)
- Sensor sales up 67% at 1,505 (2004: 900).
- As with the US in the second half of 2005, we should start to see an increasing contribution from our distribution partners in the EU territories where we have achieved registration in the last year – Sweden, Denmark, Ireland, Norway and Bulgaria.

Japan, Far East and Rest of World
- Turnover up 178% to £100,000 (2004: £36,000)
- Sensor sales down by 56% at 175 (2004: 400).

Licence Fees
- Turnover £35,000 (2004: £35,000)

Having already purchased 100 PulseCO monitors, our distributor Nipro Corporation is currently selling these to Japanese hospitals via the capital sales route. Response to the product has been encouraging. Following these positive signs from Japanese customers, Nipro Corporation is currently engaged in establishing the clinical trials necessary to establish a hospital reimbursement code for the use of our product.

The reduction in sensor sales across the period is due to a combination of product purchase

timing issues and a reduction in distributor sensor sales to the Far East. Following launch of our products in Brazil we anticipate that this market will represent a significant opportunity for our technology and sensor sales have commenced since the product launch in June.

RESEARCH AND DEVELOPMENT AND PRODUCT APPLICATIONS

Phillips VueLink

In May 2004, LiDCO signed a contract with Philips Medical Systems to create a communications link (VueLink interface) between LiDCO's proprietary stand-alone monitoring system and Philips' patient monitors. I am pleased to announce that the software was launched in March of this year. A considerable number of customers have already elected to upgrade to the new software which includes a number of additional new features. The added functionality, which allows the monitor to communicate with Phillips and other third party hospital information systems, is becoming a mandatory feature for a hemodynamic monitor.

New Applications for LiDCO's Minimally Invasive Monitoring System

Important progress has been made in taking LiDCO's technology into new markets: Obstetrics, expanding the use in existing markets by improving patient outcomes and reducing invasiveness, and veterinary.

Obstetric Use

Positive data was presented at the Society of Obstetric Anesthesia and Perinatology meeting held in June in Palm Springs, California, USA. Doctors at the Departments of Anesthesiology & Obstetrics and Gynecology, University of Texas Health Science Center, San Antonio, TX reported that the LiDCOplus Monitor, used to observe cardiovascular changes during continuous epidural anesthesia in a patient undergoing caesarean section, was able to safely maintain cardiac output and blood pressure monitoring where this otherwise would not have been possible without the use of an invasive catheter.

This department is one of a number of University centers actively investigating the potential applications of the LiDCO technology to the anesthetic management of high risk obstetric patients. We expect this to develop as a valuable niche market following publication of further positive clinical reports.

Improving Outcomes and Reducing Costs in High-Risk Surgery Patients

Perioperative optimization is the preventative increase in patients' blood flow during the period around surgery to ensure adequate oxygen delivery to the brain and other critical organs. Not surprisingly, these optimization protocols reduce complications and hospital stay as shown by the St George's research group who used our technology to reduce hospital stay in surgical patients by an average of 10 days. Following the presentation of these results we were delighted to announce that Professor David Bennett has joined our Clinical Advisory Board. Professor Bennett was the Director of the Intensive Care Unit, St George's Hospital for more than 25 years and is a member of the editorial board of Intensive Care Medicine and Critical Care. David is internationally renowned for his pioneering work on the application of less invasive cardiovascular monitoring to improve outcomes and reduce costs associated with the treatment of risk surgery patients. We have a high degree of interest from academic centers for speakers who can scientifically review and present the opportunities to improve care with the use of advanced hemodynamic monitoring.

In conjunction with our Clinical Advisory Board and a number of research centers, LiDCO is further developing the LiDCO*plus* user interface software to further simplify the physician and nurse-led optimization of fluid and drug administration to at risk critical care and surgical patients. We expect these additional product features will be available for customers in 2006.

We continue to assess the potential to combine third party, less invasive sensor technologies, i.e. not requiring an arterial line, with the LiDCO*plus* monitor to measure arterial blood pressure and derive blood flow measurements. Such combinations of technology could open up additional markets – where the placement of an arterial line is not indicated.

Veterinary use

A paper from the Royal Veterinary Hospital, London validating LiDCO's LiDCOplus Monitor, and in particular the Company's pulse contour software (PulseCO), for use in the care of horses during surgery was published in a prestigious veterinary journal in July. This is the first time that LiDCO's proprietary software, providing continuous pulse contour cardiovascular monitoring, has been demonstrated to be applicable in horses. The paper was entitled: *"Use of Lithium dilution and pulse contour analysis cardiac output determination in anaesthetized horses: a clinical evaluation – G. Hallowell & K. Corley, Veterinary Anaesthesia and Analgesia, 2005, 32, 201 – 211."*

The paper concluded that LiDCO's method of pulse contour analysis is a relatively non-invasive and reliable way of monitoring continuous cardiac output in horses under anaesthesia. The paper also concluded that the ability to easily monitor continuous cardiac output might decrease morbidity and mortality in the anaesthetized horses.

REGULATORY AFFAIRS

Lithium Chloride Mutual Recognition Approvals in Five Further European Territories & Brazil

Lithium Chloride is used in conjunction with the LiDCOplus System to provide an absolute measure of a patient's cardiac output. During the period we announced five further European country approvals for the Lithium Chloride injection for use with the LiDCOplus System in the territories of: Denmark, Ireland, Norway, Sweden and Bulgaria. These latest registrations now provide LiDCO with full marketing approval in thirteen European countries including UK, Spain, Germany, Austria, Italy, Czech Republic, Belgium and Holland.

In addition, the LiDCOplus Monitor and associated disposables have been approved for sale in Brazil. Brazil is the largest medical market in Latin America with around 7,200 hospitals and an estimated hospital services market of $5 billion.

Given the recent enlargement of the EU further applications (in up to 10 territories) through a third wave application to the Mutual Recognition Procedure are scheduled for the Lithium Chloride injection in the first quarter of 2006. Full marketing approvals are expected to start coming through in the last quarter of the same year.

Terry O'Brien
Chief Executive Officer
18 October 2005

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 31 July 2005 which comprises the profit and loss account, the balance sheet, the cash flow statement and related notes 1 to 4. 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. This report is made solely to the company, in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

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.

Going concern

As set out in the notes to the interim financial information, the Company may require additional funding in the event that new customer sales are not achieved as forecast by the directors. The directors believe that there are sufficient opportunities available to them to obtain additional funding if necessary. The interim financial information does not include any adjustments that might arise from a failure to obtain new funding, should this prove necessary. In view of the significance of this uncertainty, we draw attention to this matter but our review conclusion is not qualified in this respect.

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 31 July 2005.

Deloitte & Touche LLP
Chartered Accountants
London
18 October 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the six months ended 31 July 2005

	Six months ended 31 July 2005 (unaudited) £'000	Six months ended 30 June 2004 (unaudited) £'000	Thirteen months ended 31 January 2005 (audited) £'000
TURNOVER	1,568	915	2,456
Cost of sales	(351)	(312)	(808)
Gross profit	1,217	603	1,648
Administrative expenses	(2,403)	(2,910)	(5,965)
OPERATING LOSS	(1,186)	(2,307)	(4,317)
Interest receivable and similar income	39	12	77
LOSS ON ORDINARY ACTIVITIES BEFORE TAX	(1,147)	(2,295)	(4,240)
Tax on loss on ordinary activities	-	-	41
LOSS ON ORDINARY ACTIVITIES AFTER TAX	(1,147)	(2,295)	(4,199)
Loss per share (basic and diluted) (p)	1.16	2.91	4.65

CONSOLIDATED BALANCE SHEET
As at 31 July 2005

	Six month ended 31 July 2005 (unaudited) £'000	Six months ended 30 June 2004 (unaudited) £'000	Thirteen months ended 31 January 2005 (audited) £'000
FIXED ASSETS			
Tangible assets	1,125	1,300	1,221
Intangible assets	301	335	313
	1,426	1,635	1,534
CURRENT ASSETS			
Stocks	1,172	1,522	1,165
Debtors	1,441	974	1,510
Cash at bank and in hand	668	3,659	1,607
	3,281	6,155	4,282
CREDITORS: amounts falling due within one year	(458)	(622)	(558)
NET CURRENT ASSETS	2,823	5,533	3,724
TOTAL ASSETS LESS CURRENT LIABILITIES	4,249	7,168	5,258
CREDITORS: amounts falling due after more than one year	(88)	(163)	(123)
NET ASSETS	4,161	7,005	5,135
CAPITAL AND RESERVES			
Called up share capital	497	491	495
Share premium account	17,313	17,080	17,142
Merger reserve	8,513	8,513	8,513
Other reserve	(88)	(60)	(88)
Profit and loss account	(22,074)	(19,019)	(20,927)
EQUITY SHAREHOLDERS' FUNDS	4,161	7,005	5,135

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 31 July 2005

	Six months ended 31 July 2005 (unaudited) £'000	Six months ended 30 June 2004 (unaudited) £'000	Thirteen months ended 31 January 2005 (audited) £'000
Operating loss	(1,186)	(2,307)	(4,317)
Depreciation and amortization	203	318	623
(Increase)/decrease in stocks	(7)	143	500
Decrease/(increase) in debtors	69	227	(309)
(Increase)/decrease in creditors	(135)	72	(32)
Net cash outflow from operating activities	(1,056)	(1,547)	(3,535)
Returns on investment and servicing of finance	39	12	77
Capital expenditure and financial investment	(96)	(205)	(390)
Cash outflow before financing	(1,113)	(1,740)	(3,848)
Financing	174	3,799	3,855
(Decrease)/increase in cash in the period	(939)	(2,059)	7

NOTES TO THE INTERIM STATEMENT

1. NATURE OF THE FINANCIAL INFORMATION

The financial information has been prepared in accordance with generally accepted accounting principles in the UK and was approved by the Board on 18 October 2005. The accounting policies applied in preparing the financial information are consistent with those adopted and disclosed in the Group's statutory accounts for the 13 months ended 31 January 2005.

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 13 months ended 31 January 2005 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 period ended 31 January 2005 was unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

The financial statements have been prepared on the going concern basis, which assumes the Company will have sufficient funds to continue in operational existence for the foreseeable future. Following the Laurus convertible loan agreement mentioned below, the Directors have approved forecasts which indicate the Company will have sufficient funding to continue to trade for the foreseeable future. These forecasts assume a level of new customer sales about which there is some degree of uncertainty. If necessary, the Directors believe there are sufficient opportunities available to the Company to obtain additional funding to address this uncertainty.

2. EVENTS AFTER THE BALANCE SHEET DATE

On 10 August 2005 LiDCO Group Plc entered into a US$2 million three year secured revolving convertible loan agreement with Laurus Master Fund.

3. DIVIDENDS

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

4. DISTRIBUTION OF THE INTERIM STATEMENT

Copies of this statement will be available for collection free of charge from the Company's registered office at 16 Orsman Road, London N1 5QJ. An electronic version will be available on the Company's website, www.lidco.com.