For immediate release **18 October 2006**

LIDCO GROUP PLC

("LiDCO" or the "Company")

Interim Results for the 6 months to July 2006

LiDCO, the UK-based, AIM-quoted cardiovascular monitoring company, announces its Interim Results for the six months ended 31 July 2006.

Terry O'Brien, Chief Executive, said:

"The Company's management remains confident that the second half of the year will see significantly higher sales than in the first half, due to the release of NHS budgets in the UK and the fulfilment of sales orders in the USA and elsewhere, which were delayed due to the intense competitor activity that affected hospital trials and other clinical case evaluations. We have a solid pipeline of future potential orders and we are now seeing these starting to come through."

Corporate Highlights

- Milestone new software product previewed earlier this month – version 4.0 software upgrade
    - Enhanced fluid management platform and intra thoracic blood volume parameter distances the LiDCO*plus* Monitor from non-PC based technologies
    - First in-licensing agreement signed in September 2006 to act as UK and Ireland distributor for Med-Dynamix's "URINFO" monitoring product
- Continued uptake with key university hospital centres in major markets

Financial Highlights

- Turnover up 3% at £1.62m (2005: £1.57m)
- Product margins maintained at average 75% on monitors, 85% on disposables
- Operating cash outflow 6% improved at £1.00m (2005 £1.06m)
- Operating loss £1.48m (2005: £1.25m)
- Loss per share of 1.33p (2005: 1.22p)
- Share placing in May 2006 raised £3.5 million (gross) from institutional investors
- Cash balance £2 million (undrawn Laurus loan facility of £1 million also available if required)

Commercial Highlights

- Continued broad adoption of technology with 44% of installed monitors in the USA, 39% in Europe and 17% in the ROW and sensor sales revenue up in all territories
- Installed base of monitors now up 12% at 962 (July 2005: 857)
- Monitors sold or placed: unit increase down from 87 to 39 units; sales value only reduced by 11% at £0.64m
- Sensors and fees per use volumes up 10% to 12,112 units; sales value also increased 16% to £0.94m
- 16% growth in domestic UK market sales – UK becoming profit contributor
- Sales force expansion in direct sales territories

Commercial Highlights Summary Table

	6 Months to 31 July 2006	6 Months to 31 July 2005	Increase/ (decrease)	Increase/ (decrease) %
Sales by Type (£'000)				
- Monitors	641	723	(82)	-11%
- Sensors	877	747	130	17%
- Fee per Use & Rentals	62	63	(1)	-2%
- License Fees	35	35	-	0%
- Total	1,615	1,568	47	3%
Monitors sold / placed (Units)	39	87	(48)	-55%
Sensor and Fee per Use Sales (Units)	12,112	11,061	1,051	10%
Installed Base (end period)	962	857	105	12%

For more information please contact:

LiDCO Group Plc **Tel: +44 (0)20 7749 1500**
Terry O'Brien (CEO), Hugh McGarel-Groves (FD)

Buchanan Communications **Tel: +44 (0)20 7466 5000**
Tim Anderson, James Strong

The investor presentation 'LiDCO's Interim Results – six months ended 31st July 2006' will be available on the LiDCO website (www.lidco.com).

CHIEF EXECUTIVE OFFICER'S STATEMENT

The six months under review were testing. Sales increased but were subject to greater competitive pressure, mainly in the US and Europe, leading to lengthy product assessments. However, the LiDCO*plus* Monitor continues to have invaluable endorsements following this process, which we believe from now on, will again boost sales. In the UK, constraints on NHS spending had a similar effect and although the UK NHS continues to be under financial pressure we are starting to see capital budgets being spent to improve critical care services.

Against this backdrop, the 3% increase in overall sales to £1.62 million compared to the same period last year and a 16% increase in the UK, which is our major territory, was a commendable result.

While monitor sales were held back, revenues from product usage sales continued to grow well and were ahead by 16% at £0.94 million. Indeed, product usage sales were up in all territories: in the UK they increased by 11%, in the USA by 9% and in the other more recently established territories of the EC and ROW by 43% and 170% respectively.

Management anticipate that sales in the second half of the year will be stronger due to a resumption of capital spend from UK hospitals and greater revenue generation from a fuller UK and USA sales pipeline. Sales resource is being increased through a strengthening of our direct sales teams in these two territories.

We have been winning evaluations of our product against the market leader, so our conclusions from looking at the first six months is that competitor activities in major markets have at worst added a few months to our evaluations and hospitals continue to conclude in our favour in the majority of cases, where we have tendered.

A major milestone in the development of our LiDCO*plus* monitor occurred this month with the launch of the version 4.0 software upgrade which further distances us from out-dated and non-PC based and therefore, less adaptable technologies. We have added a considerable number of new features and a new parameter (Intra Thoracic Blood Volume) to our software that is expected to enhance the ability of the LiDCO*plus* Monitor to guide and target the administration of fluids and drugs. It is that focus on oxygen and fluid delivery in acutely ill patients that has dramatically improved outcomes. Increasingly, ease of interpretation of complex data by busy clinical staff will be required to both maintain and improve standards of care. Customers regard us as the leaders in user interface design and our lead in this area is becoming one of our most important and unique selling points.

I am pleased to announce that after an intensive 18 months of work we have previewed the LiDCO*plus* monitor version 4.0, which also incorporates the new clinical audit LiDCO*view* software, at our research open day and at two major meetings - the recent European Intensive Care Society meeting in Barcelona and the American Society of Anesthesiologists meeting in Chicago. Most of the new features of the version 4.0 software are unique and are designed to help users to more easily and quickly achieve appropriate levels of oxygen delivery in surgery and intensive care patients. Studies have shown that early goal directed therapy using the LiDCO*plus* monitor saves up to approximately £4,800 per patient treated through a significant reduction in side effects and bed stay days.

More clinical outcome studies are approaching conclusion and we are optimistic that we will see further development of the clinical and business case for the use of our products, both in the intensive care unit and operating theatre. The product improvements we have recently introduced further differentiate our technology from the competition. The LiDCO*view* software is designed to aid the implementation of clinical audit both at the bedside and within any windows based PC. Feedback from clinicians leads us to be optimistic that the LiDCO*plus* monitor version 4.0 software in combination with the LiDCO*view* will set a new standard in acute care patient management that should enhance sales both in the second half of 2006/7 and beyond.

Our service orientated sales force is highly regarded within the med-tech business community. We have in-licensed our first distribution product, the Med-Dynamix "URINFO" system, for the UK and Ireland markets. There is a natural technical and customer synergy between LiDCO's and Med-Dynamix's products, and the prevention of renal failure through early detection with the "URINFO" and subsequent appropriate fluid management with the LiDCO*plus* monitor is our goal. We believe this combined offering will make an even stronger case to our customers. Although these are still early days we feel that there is a good market for the "URINFO" product in the intensive care unit and general ward.

The Company's cash position remains strong following the fundraising in May 2006, with the balance sheet at 31 July 2006 showing a cash balance of approximately £2 million and an undrawn borrowing facility of £1million. The issue was well supported by existing investors and we were able to introduce some new investors into stock. As always we are indebted to our investors for their support to LiDCO. This new funding is allowing us to increase our sales staff and continue to invest in research and product development.

UK

- Overall sales revenue up 16% to £904,000 (2005: £781,000)
- Monitor sales revenue up 23% to £401,000 (2005: £326,000)
- Sensor, fee for use & rental sales of £503,000 up 11% (2005: £453,000)
- Sensor, fee for use units up 16% at 5,170 (2005: 4,449)

In the context of the well publicised financial difficulties within the NHS, this continued growth was a major achievement and I am pleased to note that since then we have started to see hospitals releasing their budgets.

The first half of the year was financially tough in the NHS. During the period, capital spend within the NHS was negligible until June. Despite this hold back of budgets, a number of notable university hospitals converted to our technology. In particular, we were delighted that in September 2006 the new cardiothoracic surgery department at Southampton University Healthcare Trust Hospital chose to purchase 6 of our LiDCO*plus* monitors, taking the total number of monitors at this hospital to 14. Interest in adopting the LiDCO*plus* Monitor for its ability to reduce bed costs (12 days reduction per patient treated) and complications (down 40%) of major risk surgery patients is growing. Our latest software product – version 4.0 – is now on limited release with customers and its new features for the management of fluid balance and targeting of oxygen delivery will further distance LiDCO's technology from older and non PC based monitoring technologies. We remain optimistic that the UK market will to grow at a brisk pace within the surgery and intensive care settings using the version 4.0 software to improve results and reduce costs.

In response to this growing demand for our technology, we are increasing our UK direct sales force, using part of the recent fundraising to meet this additional cost. In September 2006 we were pleased to be able to add Med-Dynamix's renal monitoring product to those sold by our own sales force. The combination of LiDCO's hemodynamic monitor and this innovative renal function product is expected to provide customers with a fuller patient management solution initially in our existing intensive care/ surgical markets and ultimately in the general ward arena. We estimate the market opportunity in the UK to be multi-million – with all hospitals having an existing revenue budget for this technology. Our initial focus is to offer this product to existing LiDCO customers and work with them to establish a clinical and business case for this combination of technologies. St Thomas' Hospital will be the first centre to adopt this product and will change over to this technology for use in their intensive care and surgery patients. Hospitals can expect to make significant savings using this technology to detect the early signs of renal failure.

USA

- Overall sales revenue steady at £423,000 (2005: £425,000)
- Monitor sales down 13% at £157,000 (2005: £180,000)
- Sensor, fee for use & rental sales up 9% at £266,000 (2005: £245,000)
- Sensor and fee for use units down 9% at 4,512 (2005: 4,932)

The market for improved monitoring was very competitive in the US in the first six months of 2006. Sales in the US have been delayed by more protracted evaluations against other products as a result of targeted defensive action by our main US-based competitor demanding that their products are also evaluated by our prospective customers. This is the inevitable consequence of our successes in the US market. We are the only non US company to make headway and are up against a strong domestic market leader. Nevertheless in these evaluations our product has performed exceptionally well and we expect to see the pipeline delivering significantly more sales in the second half of the year. In this respect I am pleased to report that Harborview University Hospital, Seattle has chosen us, following a competitive review. As in the UK, we are increasing our direct sales resources in the US and will start to see the impact soon.

For the full year we expect to see significant growth in the US market. To support US sales we have worked with the University of Iowa on a clinical outcome study, where our technology's effects on patient outcome have been compared to those achieved with more traditional monitoring products. We expect the results of this study to be publicised within the next six months. A positive result from this study would add to the business case established through the St Georges' study and would be of great importance to the US marketing efforts.

Continental Europe

- Overall sales revenue down 11% to £200,000 (2005: £225,000)
- Monitor sales down 54% to £57,000 (2005: £125,000)
- Sensor sales up 43% to £143,000 (2005: £100,000)
- Sensor units up 33% at 2,000 (2005: 1,505)

The reduction in monitor sales was due to capital stocking order variances between the periods. We are still rolling the product out in Europe, so revenue variances will arise. Nevertheless, this strong disposable sales increase shows that once established, a good revenue stream can be generated from the installed base of monitors. As in the USA, competition for business has been intense, however our distributor confidence and their pipeline remains strong, so we are comfortable that the second half will see more capital stocking orders and a continued advance in the disposable revenues.

Rest of World

- Overall sales revenue down 35% to £88,000 (2005: £135,000)
- Monitor sales down 71% to £26,000 (2005: £90,000)
- Sensor sales up 170% to £27,000 (2005: £10,000)
- Sensor units up 146% at 430 (2005: 175)
- Licence fees unchanged at £35,000

Capital restocking cycles have impacted on this reporting period so overall turnover was reduced, but as in other territories, sensor sales grew, in this case more than doubling. A large part of this growth in disposables comes from Brazil where we have seen great enthusiasm for improved monitoring, using goal directed therapy for major surgery and intensive care patients.

FINANCIAL & TRADING REVIEW

Turnover was £1.62 million, up by 3% from £1.57 million in the six months ended 31 July 2005. Revenues in the UK, which accounts for 56% of total sales, showed the strongest growth, increasing by 16%.

The installed base of monitors increased in the six month period by 39 units and by 105 units over the previous twelve months to 962 (compared to 857 units as at 31 July 2005). This has led to an accompanying increase in sensor usage of 10% from 11,061 to 12,112 units. Continuing progress in the underlying business is clear, our sales pipeline looks strong and we are confident of a stronger second half trading.

Product margins against external procurement costs on non-leasing related sales continue to average about 75% on monitors and 85% on disposables, within a sales mix made up of UK and USA direct sales, plus lower margin distributor sales in continental Europe and elsewhere. The overall reported gross margin on sales is 68% (2005: 78%). Changes in sales mix are the main factor causing this reduction. The principal change in sales mix is the increasing volume of UK and US sales involving LiDCO's medical equipment leasing partner, which has resulted in sales being achieved that would not otherwise have occurred and consequent overall P&L and cashflow benefits, however these are lower margin sales, similar to those via distributors where margins typically do not exceed about 70%.

Administrative expenses have increased by 4% (£107,000). Administrative costs are expected to show a lower percentage increase for the full year, as the cost saving from the termination of the lease for the Company's sales and marketing headquarters in Cambridge and its replacement with a much lower cost lease on another smaller property nearby took effect from July 2006.

Overall, reported net loss before tax of £1.48 million is £270,000 higher than for the prior period, principally due to the £150,000 effect of the lower gross margin (68% vs 78%) as explained previously and £107,000 of administrative cost increases also mentioned above. A R&D tax credit of £55,000 is included (nil in prior period), which results in a net loss after tax of £1.43 million and a loss per share of 1.33p versus 1.22p in the half year to 31 July 2005.

In May 2006, we raised £3.5 million gross (£3.2 million net) by an institutional share placing, which was supported by a number of existing shareholders and also allowed the introduction of several new institutional shareholders. In order to save interest cost, £1.0 million was used from this fundraising to repay all but $100,000 of the $2 million Laurus loan. At the end of July, the Company’s cash balance was £2.0 million. In addition, the undrawn Laurus borrowing facility of £1.0 million is available if necessary.

RESEARCH AND DEVELOPMENT AND PRODUCT APPLICATION

At our recent research day at St Thomas’ Hospital we demonstrated the potential of our new version 4.0 software and clinical research / clinical audit software (LiDCO*view*) to help customers review and audit patient care. Full details of the improvements have been covered in our announcement of 9 October 2006. In essence these software improvements are designed to make our products more usable and auditable both within the existing patient population but also within an expanded group of arterial line patients where fluid management is important. We have applied our physiological expertise, sensor and computing technology to monitor and display the relationship between hemodynamic variables in a simplified and easy to interpret form at the point of care. The transformation of raw physiological data into useable information - in effect a ‘heads up’ display of the parameters that matter the most and then the targeting of specific treatment protocols that can improve clinical outcome has been a key objective throughout the development of the Company's products.

The older invasive catheter technologies were not only more risky to use, but also poor at the display of data in an approachable and usable form. Using LiDCO’s technology to apply a nurse-led goal-directed protocol to high risk surgery patients has been shown to reduce total hospital stay by an average of 12 days, saving £4,800 per patient treated. If extrapolated throughout the NHS, this could result in estimated savings of £500 million annually within the UK. Our ambition is that this goal directed protocol should become a standard of care at all hospitals using existing nursing and clinical resources.

The evolution of LiDCO’s products has led to its current form which represents a new generation of cardiovascular monitor, fuelled by data from minimally invasive sensors, employing algorithms that model the cardiovascular system and with user interfaces that facilitate decision support and protocolization of care. Through this combination of technologies we are entering a new era where the costs of applying our products are far outweighed by the clinical, human and financial return.

REGULATORY AFFAIRS

The submission of the next regulatory application, that will allow further market expansion in the EU, is planned for Q1 2007. We are currently waiting for clearance from the Medicines and Healthcare Products Regulatory Association and for completion of certain mutual recognition procedures. The successful completion of mutual recognition procedures will open markets in France, Greece and Slovenia for the Lithium Chloride solution. We are also including the Czech Republic as a simple administrative change in this application, following its recent inclusion in the EU.

OUTLOOK

Our prospective sales order pipeline continues to grow, but competitive pressure, mainly in the US and Europe, combined with constraints on NHS budgets in the UK, delayed it being turned into sales until very recently. This has now started to change and we look forward to stronger sales in the second half of this year.

Terry O'Brien

Chief Executive Officer

18 October 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the six months ended 31 July 2006

	Six months ended 31 July 2006 (unaudited) £'000	Restated six months ended 31 July 2005 (unaudited) £'000	Restated twelve months ended 31 January 2006 (audited) £'000
TURNOVER	1,615	1,568	3,421
Cost of sales	(517)	(351)	(871)
Gross profit	1,098	1,217	2,550
Administrative expenses	(2,575)	(2,468)	(4,771)
OPERATING LOSS	(1,477)	(1,251)	(2,221)
Interest receivable and similar income	28	39	43
Interest payable	(33)	-	(36)
LOSS ON ORDINARY ACTIVITIES BEFORE TAX	(1,482)	(1,212)	(2,214)
Tax on loss on ordinary activities	55	-	179
LOSS ON ORDINARY ACTIVITIES AFTER TAX	(1,427)	(1,212)	(2,035)
Loss per share (basic and diluted) (p)	1.33	1.22	2.05

CONSOLIDATED BALANCE SHEET
As at 31 July 2006

	Six months ended 31 July 2006 (unaudited) £'000	Restated six months ended 31 July 2005 (unaudited) £'000	Restated twelve months ended 31 January 2006 (audited) £'000
FIXED ASSETS			
Tangible assets	917	1,125	1,038
Intangible assets	562	301	473
	1,479	1,426	1,511
CURRENT ASSETS			
Stocks	1,146	1,172	1,140
Debtors	1,757	1,441	1,995
Cash at bank and in hand	1,973	668	951
	4,876	3,281	4,086
CREDITORS: amounts falling due within one year	(801)	(458)	(759)
NET CURRENT ASSETS	4,075	2,823	3,327
TOTAL ASSETS LESS CURRENT LIABILITIES	5,554	4,249	4,838
CREDITORS: amounts falling due after more than one year	(72)	(88)	(1,177)
NET ASSETS	5,482	4,161	3,661
CAPITAL AND RESERVES			
Called up share capital	590	497	503
Share premium account	20,683	17,313	17,566
Merger reserve	8,513	8,513	8,513
Other reserve	85	(23)	41
Profit and loss account	(24,389)	(22,139)	(22,962)
EQUITY SHAREHOLDERS' FUNDS	5,482	4,161	3,661

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 31 July 2006

	Six months ended 31 July 2006 (unaudited) £'000	Restated six months ended 31 July 2005 (unaudited) £'000	Restated twelve months ended 31 January 2006 (audited) £'000
Operating loss	(1,477)	(1,251)	(2,221)
Depreciation and other non cash items	199	268	569
(Increase)/decrease in stocks	(6)	(7)	25
Decrease/(increase) in debtors	238	69	(307)
Increase/(decrease) in creditors	51	(135)	130
Net cash outflow from operating activities	(995)	(1,056)	(1,804)
Interest receivable	28	39	43
Interest payable	(33)	-	(36)
Capital expenditure and financial investment	(110)	(96)	(417)
Cash outflow before financing	(1,110)	(1,113)	(2,214)
Issue of ordinary share capital	3,203	174	203
Convertible loan (repayment) / drawdown	(1,071)	-	1,355
Increase/(decrease) in cash in the period	1,022	(939)	(656)

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 17 October 2006. The accounting policies applied in preparing the financial information have no significant changes from those adopted and disclosed in the Group's statutory accounts for the 12 months ended 31 January 2006, other than the implementation of FRS 20, Share Based Payments, which has been adopted with effect from 1 February 2006. It should be noted that for comparison purposes the prior year's results have also been adjusted to include a FRS 20 charge. The results shown for the twelve months to 31 January 2006 are based on the audited accounts for that period, restated for the effect of FRS 20.

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 12 months ended 31 January 2006 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 2006 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 that the Company will have sufficient funds to continue in operational existence for the foreseeable future. The Company has continued to invest in the development of its operations and as a result has continued to trade at a loss in the six months to 31 July 2006. The Directors have approved forecasts until the end of January 2008, which indicate that the Company will have sufficient funding to continue to trade during that period. The forecasts assume a level of sales about which there is uncertainty. If such new sales are not achieved, the Directors believe that there are sufficient opportunities available to them to obtain additional funding from existing sources, which would enable the Company to continue to develop its operations and to meet its liabilities as they fall due. Accordingly the financial statements have been prepared on a going-concern basis. The financial statements do not include any adjustments that would be required in the event that the Company had insufficient funding available.

2. 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.

3. SHARE BASED PAYMENT

The adoption of FRS 20 has resulted in a change to the accounting policy for share based payments. A prior year adjustment has been made to the financial information set out for the period ended 31 July 2005. The Company recognised a total expense of £44,000 relating to equity settled share option transactions in the six month period ended 31 July 2006; six months to 31 July 2005 £64,500; twelve months to 31 January 2006 £129,000.

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.