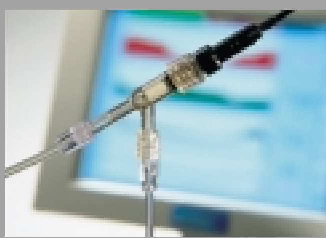
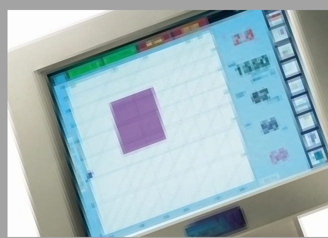
LiDCO Cardiac Sensor Systems

LiDCO Group Plc formerly M TECK Limited,
formerly Monitoring Technology Limited,
31 December 2001

Technology for your future

Annual report and financial statements
for the year ended 31 December 2001





LiDCO researches, develops, manufactures and markets innovative medical devices. Our products primarily serve critical care and cardiovascular risk hospital patients who require real-time cardiovascular monitoring.

Contents

Highlights The last year has been an excellent one, with great results which are seen below.

Turnover up 78% to £1.1 million;

Retained losses of £2.8 million, in line with expectations;

Net proceeds of £12.5 million from July 2001 flotation on AIM;

Lithium chloride injectate approved by Medicines Control Agency in February 2001, enabling commercialisation of LiDCO and PulseCO Systems in UK;

PulseCO System approved by US Food and Drug Administration in July 2001, allowing commercialization of LiDCO and PulseCO Systems in the US;

Clinical acceptance of technology with sales increasing dramatically in fourth quarter 2001;

Commercial validation of the business model evidenced by 128 PulseCO and LiDCO Systems sold on a capital sale basis; and

Continued innovation and exploration of expansion into the cardiology and paediatric markets, including development of a patent application relating to cardiology.

Chairman's Review LiDCO has made significant progress towards each of the benchmarks set out in our flotation prospectus.

T. William Alexander
Executive Chairman

Committed to working together

It is with great pleasure that I address both our new and our long-standing LiDCO Group Plc shareholders in our first annual report as a publicly traded company following the Company's flotation on the Alternative Investment Market of the London Stock Exchange in July 2001.

In our flotation prospectus, we defined a market opportunity and outlined a strategy for exploiting that opportunity, which included goals and objectives related to financial performance, commercialization, regulatory approval, clinical validation and product development. I am pleased to report that in 2001 LiDCO has either achieved or made significant progress towards achieving each of those benchmarks.

Market opportunity

Each year at least 10 million critical care patients worldwide require cardiovascular monitoring, both during and after major surgery. In 2001, the worldwide market for disposables, electronic processing and display equipment for cardiovascular monitoring was approximately £1.65 billion.

There is a compelling opportunity for the Company's minimally-invasive products which can improve standards of care and monitoring of high risk patients, both during and after surgery. Our technology can also reduce the incidence of adverse events in hospitals and reduce costs.

There may be significant diagnostic potential for our products in the cardiology market related to congestive heart failure. The ageing of western populations and the advent of numerous therapeutics to improve the performance of the heart in patients indicate that the cardiovascular treatment market has significant growth prospects.

Successful business model

Turnover of £1.1 million and retained losses for the year of £2.8 million were substantially in accordance with expectations of the Board. Results for the year were promising, reflecting sales of PulseCO and LiDCO Systems from initial commercial activity primarily in the US and the UK, which commenced in July and October 2001, respectively. These results are encouraging as the key aspects of our business model in terms of the capital sale of our equipment, product margins and pricing and the usage of disposables per installed PulseCO are all proving to be sound assumptions.

Future prospects

The enthusiastic acceptance of our technology for acute-care applications by the medical community, the promising results from the utilization of our technology in cardiology-related applications and the validation of our business model of the sale of capital equipment means that we are pleased with the progress we have made since flotation. The Board looks forward to 2002 with great expectations and is confident of the Company's future prospects.

Chief Executive's Review The enthusiastic response of our customer base to our products has been most rewarding. I am pleased with the progress made so far and am confident of the Company's prospects.

The PulseCO System of minimally-invasive cardiac monitoring

Terence O'Brien
Chief Executive Officer

Meeting the changing demands

Following the flotation on AIM I am pleased to report that the reception from our customers to our sales teams and products has been extremely encouraging. Our focus for 2002 is to accelerate our sales efforts and we anticipate developing clinician and nursing adoption of our minimally-invasive cardiovascular, monitoring technology.

Sales and Marketing

Post flotation, the Group's primary commercial focus was to establish an experienced direct sales and marketing organization for the USA and the UK. These two territories represent approximately two-thirds of the worldwide market potential for the Group's products. The sales-force now totals 13 in the US and six in the UK. Elsewhere the Group has continued with its declared strategy of identifying and appointing independent distributors.

The market's reaction to the Group's cardiovascular monitoring products has been excellent and reflects a genuine desire to move to less invasive and more useable products. Since launch, 95% of the Group's customers have elected for outright purchase (as against reagent rental), at the top end of our expectations. Disposable revenue flow looks encouraging at an average usage rate of 10 LiDCO disposables per month on each PulseCO sold, compared to an anticipated rate of 8 per month. Pricing remains in line with expectations.

The Board is encouraged by the sales of 128 PulseCO and LiDCO Systems up to 31 December 2001, and in particular by the quickening of the sales pipeline since the year end.

The Cardiovascular Market

The current market leading disposable product is the thermodilution pulmonary artery catheter. The Board believes that this product, while certainly an innovation when introduced almost 30 years ago, suffers from a number of limitations. In particular, the device is invasive, being placed in the heart, its insertion is highly skilled, and the user interface is difficult to interpret at the bedside.

By way of contrast, the Group's patented PulseCO and LiDCO Systems are minimally invasive, quick to set up and easy to use; generate real time, comprehensive and accurate data; and are widely applicable. Accordingly, the systems can significantly reduce costs and improve standards of care by the reduction of both adverse events and intensive care days.

Clinical Validation

A key near term objective is to establish the Group and its technology as a preferred partner for the critical care, anaesthesia and cardiac/major surgical communities. To accelerate acceptance of the LiDCO technology, it is important that key influencers within the medical community continually verify and promote the use of the Group's technology in its targeted applications.

During 2001 and in 2002 to date, the Group continued to have success in this regard with positive clinical trial results being achieved from trials on the PulseCO System in the following leading academic centres: the University of Texas, Berlin Heart Centre and Southampton University Hospital. Trial results were

The PulseCO is calibrated using an injection of lithium chloride through the existing patient line

Steady state plasma lithium concentration is a mere 1/240th of the therapeutic level

Improving the standard of care

presented at the following prestigious meetings: American Association of Anesthesiology (New Orleans, October 2001), World Congress on Intensive Care (Sydney, November 2001) and the Cardiothoracic Techniques and Technology Meeting (Miami, January 2002). Collectively, there have been 44 publications and presentations on the Company's monitoring technology (see website lidco.com for a full bibliography).

Further studies are in progress at Duke University (N. Carolina), Stanford University (California) and the University of Chicago (Illinois).

Regulatory Affairs

Following UK approval in February 2001, 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 in the second half of 2002. The equipment elements of both the PulseCO and LiDCO devices are CE marked and therefore can already be freely sold in the EU.

In the Far East, the Group's Japanese distributor, Nipro Corporation, has concluded its first phase of registration of the LiDCO System clinical trials, with positive results. Japanese regulatory approval for the PulseCO and LiDCO Systems is expected in 2003/4.

Research & Development

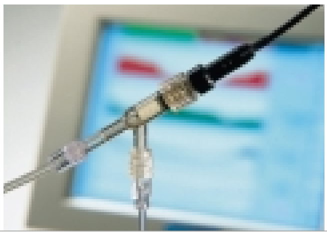
The research and development of new and proprietary cardiovascular monitoring products have always been and will continue to be a cornerstone of the Group's strategy.

The Group continues to fund and run an applied physiology research laboratory at St Thomas' Hospital, London, under the direction of Scientific Director, Dr David Band, and is actively developing additional physiologically meaningful measurements and products that will enhance patient care and reduce costs. Considerable progress was made during 2001 with the launch of a software upgrade to the PulseCO System that allows the real time monitoring of oxygen delivery and the patient's fluid status.

During the year the Group has added four distinguished consultants – Professor Solomon Aronson of the University of Chicago, Dr William Peruzzi of Northwestern Memorial Hospital, Chicago, Dr Max Jonas of Southampton University Hospital and Dr Christopher Wolff of St Bartholomew's Hospital, London – to provide advice from time to time on medical and scientific matters relevant to the Group's technologies.

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,



The lithium travels through the circulation and the resulting signal is detected by an ion selective electrode sensor

The PulseCO displays real-time beat to beat critical parameters, which are plotted on the monitor

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, for which a new product, that could be relatively quick to market, is 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 launch a paediatric product in the US market during 2002.

Prospects

Following the successful launch of the product, the Group is investing £0.8 million in new production facilities at its factory in London, including construction of a second clean room, to satisfy expected demand.

Alongside successful commercialization 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 provide an excellent commercial opportunity due to the current lack of an appropriate technology.

The Group's success in quickly establishing its technology, combined with the development of exciting new applications and products in areas in addition to those in the initial business plan mean the Board remains confident of the future prospects for the Group.

Technology for tomorrow's world

LiDCO's strategy is to apply a multi-disciplinary combination of physiological expertise, materials technology, computing technology and software to monitor and display the relationship between linked physiological variables.

Our technology The Group has developed a minimally invasive product, disposables and monitoring equipment which improve the standard of care, reduce the incidence of adverse events and reduce costs.

As a result of the current limitations inherent in the existing available cardiovascular monitoring technologies, the Company believes that a clear need exists for an improved monitoring system.

LiDCO has developed two products, both patent protected, the PulseCO System, (cardiovascular monitor) and the LiDCO System (sensor and disposables) which are required for the calibration of the PulseCO System.

The LiDCO System

The LiDCO System uses a proprietary lithium sensor and lithium indicator dilution to calculate cardiac output that is used to calibrate the PulseCO System. Safe and extremely accurate, this method is simple to perform taking less than five minutes for the entire procedure.

The PulseCO System

The PulseCO System is a truly innovative PC based cardiovascular monitor. It displays in an easy to use and interpret manner a comprehensive range of real-time continuous hemodynamic parameters including; cardiac output, oxygen delivery and fluid volume status.

£1.65bn market potential for existing products

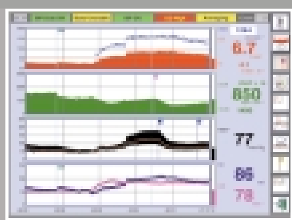
Our customers The Group's principal customers are hospitals primarily for critical care and cardiovascular risk patients who require real-time minimally invasive cardiovascular monitoring.

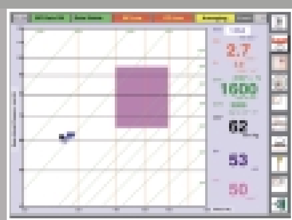
In the US and UK the Group has established direct sales organisations and in the rest of the world continues with its strategy of identifying and appointing independent distributors.

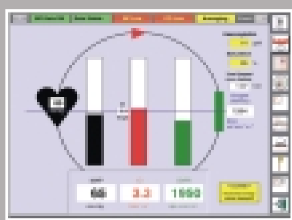
What is driving market growth

- Increasing numbers of elderly people living longer
- Greater expectation of better quality of life
- Demand for less invasive procedures
- Patient knowledge due to the internet and media

User Interface One of the principal criticisms levelled at current monitors is their limited facility for enabling data interpretation. LiDCO addresses this by using modern computing power and software to present the data in a novel and interpretable format.







Lithium chloride solution

The LiDCO System provides an indicator dilution method of measuring cardiac output. A small dose of lithium chloride is injected via a central venous catheter; the resulting arterial lithium concentration-time curve is recorded by withdrawing blood past a lithium sensor.

Trend Screen
With numeric values and two minute to twenty-four hour historic data. This allows intraoperative patient management, with immediate response to haemodynamic changes.

Chart Screen
This shows the relationship between pressure, flow and resistance in an integral bar chart display. Complex data can be easily interpreted and the necessary corrective actions taken quickly.

Graph Screen
The 'bedside' mode providing clear, easy to read feedback on changes to pressure, flow and resistance. Ideal in a busy ITU or high dependency unit as an early warning system.

Arterial Pressure Waveform Window
This window can be transposed onto the Trend, Graph or Chart screens, displaying a continuous measure of Systolic Pressure Variation.

Board of Directors

01


02


03


04


05


06


07


Advisors

Auditors Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

Bankers Natwest Bank PLC
PO Box
10 Southwark St
London SE1 1TT

Solicitors Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS

Registrars Capita IRG
34 Beckenham Road
Beckenham
Kent BR3 4TU

Stockbrokers Teather & Greenwood
Beaufort House
15 St. Botolph Street
London EC3A 7QR

Nomura International plc
Nomura House
1st St. Martin's-le-Grand
London EC1A 4NP

Registered Office
16 Orsman Road
London N1 5QJ
Company No. 2659005
www.lidco.com

Directors

01 Dr Terence O'Brien Chief Executive Officer
Dr O'Brien co-founded the Group in 1991. Prior to that, he has held senior positions with biomedical companies including Sandoz SA, Pharmacia AB, Meadox Medical Inc, Novamedix Ltd, Enzymatix Ltd and Surgicraft Ltd. Dr O'Brien was associate commercial director at Enzymatix, which subsequently listed on the London Stock Exchange as ChiroScience Plc.

02 Dr David Band Scientific Director
Dr Band co-founded the Group in 1991 and is the co-inventor of the LiDCO System. He was seconded to the Company full-time in 1992 from St Thomas' Hospital and is a specialist in the field of respiratory physiology, electrochemistry and ion-selective electrodes. He has degrees in both medicine and surgery, and is a Reader in Applied Physiology in the Division of Physiology, GKT School of Biomedical Sciences, St Thomas' campus. Dr Band retired from King's College in August 2001 and became a full-time employee of the Group. He has accepted an appointment as an Honorary reader in the Division of Physiology, GKT School of Biomedical Sciences with effect from October 2001.

03 Bill Alexander Chairman
Mr Alexander joined the Group in 1995, as part time executive Chairman and is now full time. He has been involved in venture vesting, acquisition finance and financial management for over 20 years. He has held executive positions with Energy Ventures, Inc, First Empire State Corporation and Canadian Imperial Bank of Commerce.

04 Richard Mills Finance Director
Mr Mills joined the Group in April 2001. He is a qualified chartered accountant with 20 years' experience in the medical diagnostics industry, with Corning Limited, Ciba Corning Diagnostics Limited, Chiron Diagnostics Limited and Bayer AG. He has considerable experience of assisting organisations through periods of growth and transition and establishing the financial and other systems required to successfully manage this.

05 John Barry Sales and Marketing Director
Mr Barry joined the Group in February 2001. He entered the medical industry working for Baxter Healthcare Inc. In 1997 he was appointed director of marketing for critical care in Europe and in 1999, when Baxter Healthcare sold Edwards Lifesciences Corporation, Mr Barry was appointed director of marketing for the cardiac surgery business of Edwards Lifesciences Corporation in Europe, the Middle East and Africa.

06 Pascal Levensohn Non Executive Director
Mr Levensohn is the founder, president and chief executive officer of Levensohn Capital Management LLC, a San Francisco based registered investment adviser which manages a group of partnerships investing in excess of $200 million in public and private technology companies.

07 Bert Wiegman Non Executive Director
Mr Wiegman is a partner in Langholm Capital LLP and has over 25 years experience in the private equity industry. He is Chairman of T&G AIM VCT Plc.

Scientific Advisory Panel

Professor Solomon Aronson
Professor, Department of Anaesthesia & Critical Care, University of Chicago, specializing in major surgery and intensive care medicine.

Dr William Peruzzi
Associate Professor of Anaesthiology, Northwestern University Medical School & Director of Respiratory Care, Northwestern Memorial Hospital, specializing in neurosurgical intensive care.

Dr Max Jonas
Consultant Anaesthetist, Southampton University Hospital, in medical intensive care.

Dr Christopher Wolff
Honorary Clinical Pharmacologist, St. Bartholomew's Hospital, in Applied Physiology.

Directors’ Report
Year ended 31 December 2001

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

Activities
The principal activity of the Group was the development, manufacture and sale of cardiac monitoring equipment. Sales of the LiDCO and PulseCO Systems commenced in the USA in July 2001 and in the UK in October 2001. Sales in the USA are handled via LiDCO’s US branch.

Results
The Group’s turnover for the year was £1,130,000 (2000 – £634,000), following the successful launch of the LiDCO and PulseCO Systems. The Group made a consolidated loss after taxation during 2001 of £2,803,000 (2000 (restated) – loss of £1,134,000). The directors do not recommend the payment of a dividend (2000 – £nil).

At 31 December 2001 the Group held £11.4 million of cash, which provides the Group with adequate funding for its business plan.

The results are substantially as anticipated by the Board. Regarding the pipeline and sales growth, initial indications are that the average time for clinical acceptance is as rapid as expected with subsequent administrative delays in accessing capital budgets slightly longer than predicted. Nine months following our flotation on the AIM market the Board remains confident of achieving its commercial goals in 2002.

Basis of preparation
As noted in the Group’s accounting policies the financial statements for the year ended 31 December 2001 have been prepared on merger accounting principles, as if the Group had been in existence in its current form throughout the current and previous financial years.

The purpose of the restructuring that took place during the year was to enable the successful flotation of the Group. The changes in share capital involved the merger of LiDCO Group with LiDCO Limited. LiDCO Group acquired the shares held by former minority shareholders in LiDCO Limited, which amounted to 21% of the ordinary share capital and 95% of the preference share capital in LiDCO Limited. Consideration was paid in the form of shares in LiDCO Group Plc. The relative rights of the two groups of shareholders remain in substance unchanged. Merger accounting has therefore been adopted as the accounting treatment for the re-organisation. All transactions were effective on 5 July 2001.

Flotation
The Company’s shares were admitted to trading on the Alternative Investment Market of the London Stock Exchange on 5 July 2001, following re-registration as a Public Limited Company on 21 June 2001. The flotation raised £12.5 million (net) to finance the sales and operational phase of the Group’s business plan.

On 5 July 2001 the Company purchased 262,118 of its own ordinary shares, representing 0.04% of the Company’s issued share capital, via an Employee Benefit Trust at a price of 140p. The shares were purchased in order to hedge future costs of granting unapproved share options to employees. The Company’s share price at 31 December 2001 was 98.5p.

Corporate governance
There is no requirement for the directors for the directors to report on compliance with the Combined Code on Corporate Governance. However, the Board fully supports the principles contained in the Combined Code and has sought to comply with the provisions of the Code, so far as is practicable given the Group’s size and structure. The main features of the Group’s corporate governance procedures are:

Board structure
The Board has two non-executive directors with a wide range of experience in industry and commerce. The Board meets a minimum of twelve times per annum. The Board has established three committees, each of which has specific terms of reference:

- The Audit Committee consists of the Chairman and the non-executive directors. Meetings are held at least twice a year with the auditors. The terms of reference of the committee are to consider the scope and results of the external audit, to review the cost effectiveness, independence and objectivity of the auditors and to review interim and full year accounts;

- The Remuneration Committee consists of the Chairman and the non-executive directors. Meetings are held twelve times a year to approve remuneration arrangements and share options for all employees. Remuneration levels are set to attract and retain individuals of the best calibre, qualification and experience. A proportion of the remuneration package is incentive driven, which is linked to the performances of the individual and the Group; and

- The Nominations Committee consists of the Chairman and the non-executive directors. It meets at least once a year to consider the re-appointment of directors at the Annual General Meeting and to provide recommendations to the Board on the appointment of new directors.

Internal financial control
The Board is responsible for establishing and maintaining the Group's system of internal financial control. Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the directors have established to provide effective internal financial control are as follows:

- There is a formal schedule of important financial and strategic matters specifically reserved for decision by the Board;

- Each year the Group executives approve the annual budget prepared by operational management. Performance is monitored through the distribution of monthly management accounts to all Board members. These are reviewed at the monthly Board meetings; and

- Capital expenditure is regulated through the budgetary process and authorization levels. Written proposals for projects are submitted to the Board for approval. Reviews are undertaken during the projects to minimize budgetary variances. The raising of additional finance is subject to Board approval.

The Board has reviewed the effectiveness of the system of internal financial control as it operated during the year.

Research and development
The Group continued to develop the PulseCO system during the year. Expenditure on research and development amounted to £161,000 in the year (2000 – £206,000) in addition to software development costs of £393,000 (2000 – £35,000) which are capitalised on the balance sheet and amortized.

Euro
The implications of European Monetary Union (EMU) for the firm have been considered. The necessary changes have been made to our systems and procedures to accommodate the new currency. The cost of these changes is not significant.

Directors and their interests
The directors who served during the year and their beneficial interests in the ordinary shares of the Company at 31 December 2001 and 1 January 2001 were as follows:

Directors	Appointed	Resigned	**31 December 2001 No.**	1 January 2001 No.
Dr D Band	–	–	**9,089,613**	30
Dr T O'Brien	–	–	**9,061,682**	30
Dr R A F Linton	–	10 January 2001	**6,040,555**	20
Mr T W Alexander	5 July 2001	–	**2,424,200**	–
Mr R J Mills	5 July 2001	–	–	–
Mr J G Barry	5 July 2001	–	**7,142**	–
Mr P N Levensohn (non-executive)	5 July 2001	–	**2,114,800**	–
Mr A E B Wiegman (non-executive)	5 July 2001	–	**64,285**	–
			28,802,477	80

Further details relating to directors' share options, including options granted and exercised in the year, are given in note 3 to the accounts. The directors have no interests in the shares of the Company's subsidiary undertakings.

At 31 December 2000 the Company was controlled by Dr Band, Dr O'Brien and Dr. Linton who owned 30%, 30% and 20% of the ordinary share capital of the Company, respectively. At 31 December 2001 there was no controlling party.

Supplier payment policy
The Companies Act 1985, as amended, requires the Group to make a statement of its policy and practice on the payment of creditors.

It is and will continue to be the policy of the Group to negotiate with suppliers so as to obtain the best available terms taking account of quality, delivery, price and period of settlement and, having agreed those terms, to abide by them.

The total amount of of the Group's trade creditors falling due within the period ended 31 December 2001 represents 119 days' worth (2000 – 193 days' worth) as a proportion of the total amount invoiced by suppliers during the year.

Donations
The Group made charitable contributions during the year of £1,000 (2000 – £nil). No political donations were made during the year (2000 – £nil).

Statement of Directors' Responsibilities
United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors
A resolution to reappoint Deloitte & Touche as auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 26 April 2002
and signed on behalf of the Board

Richard Mills
Finance Director

Independent Auditors' report to the members of LiDCO Group Plc
Year ended 31 December 2001

We have audited the financial statements of LiDCO Group Plc for the year ended 31 December 2001 which comprise the consolidated profit and loss account, the balance sheets, consolidated cash flow statement, reconciliation of movement in consolidated shareholders' funds and related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of opinion
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of the state of affairs of the Company and the Group at 31 December 2001 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE
Chartered Accountants and
Registered Auditors
10 May 2002

Hill House
1 Little New Street
London EC4A 3TR

Consolidated Profit and Loss Account

Year ended 31 December 2001

	Note	2001 £'000	2001 £'000	2000 £'000 (restated)	2000 £'000 (restated)
Turnover	*1,2*		**1,130**		634
Cost of sales			**(298)**		(204)
Gross profit			**832**		430
Administration expenses – other		**(3,897)**		(1,703)	
Administration expenses – exceptional items	*4*	**(102)**		–	
			(3,999)		(1,703)
Operating loss	*5*		**(3,167)**		(1,273)
Interest receivable and similar income			**364**		145
Interest payable and similar charges			**–**		(6)
Loss on Ordinary Activities before Tax			**(2,803)**		(1,134)
Tax on loss on ordinary activities	*6*		**–**		–
Loss on Ordinary Activities after Tax			**(2,803)**		(1,134)
Loss per share (basic) (p)	*16*		**5.70**		4.07
Loss per share (diluted) (p)	*16*		**5.54**		4.04

All amounts derive from continuing operations.
There are no recognised gains or losses for the current or preceding years other than as stated above.

Balance Sheets
As at 31 December 2001

		The Group		The Company	
		2001	2000	**2001**	2000
		£'000	£'000	**£'000**	£'000
	Note		(restated)		
Fixed Assets					
Intangible fixed assets	*7*	**567**	250	**–**	–
Tangible fixed assets	*8*	**183**	49	**–**	–
Investments	*9*	**258**	–	**323**	3
		1,008	299	**323**	3
Current Assets					
Stocks	*10*	**1,973**	518	**–**	–
Debtors	*11*	**1,196**	41	**1,552**	15
Cash at bank and in hand		**11,365**	4,368	**10,823**	262
		14,534	4,927	**12,375**	277
Creditors: amounts falling due within one year	*12*	**(1,194)**	(427)	**–**	(120)
Net Current Assets		**13,340**	4,500	**12,375**	157
Total Assets less Current Liabilities		**14,348**	4,799	**12,698**	160
Creditors: amounts falling due after more than one year	*13*	**(525)**	(665)	**–**	–
Net Assets		**13,823**	4,134	**12,698**	160
Capital and Reserves					
Called up share capital	*15*	**354**	62	**354**	–
Share premium	*22*	**12,359**	–	**12,359**	–
Merger reserve	*22*	**8,512**	8,512	**–**	–
Profit and loss account	*22*	**(7,402)**	(4,440)	**(15)**	160
Equity Shareholders' Funds		13,823	4,134	**12,698**	160

These financial statements were approved by the Board of Directors on 26 April 2002.
Signed on behalf of the Board of Directors

Richard Mills
Director

Consolidated Cash Flow Statement

Year ended 31 December 2001

	Note	2001 £'000	2000 £'000
Net cash outflow from operating activities	*17*	**(4,935)**	(1,585)
Returns on investment and servicing of finance	*18*	**364**	139
Capital expenditure and financial investment	*18*	**(925)**	(66)
Cash outflow before financing		**(5,496)**	(1,512)
Financing	*18*	**12,493**	3,971
Increase in cash in the year		**6,997**	2,459

Reconciliation of net cash flow to movement in net funds

	Note	2001 £'000	2000 £'000
Movement in cash in the period	*19*	**6,997**	2,459
Net funds at 1 January	*19*	**4,368**	1,909
Net funds at 31 December	*19*	**11,365**	4,368

Reconciliation of movement in Consolidated Shareholders' Funds

Year ended 31 December 2001

	2001 £'000	2000 £'000
Loss for the financial year	**(2,803)**	(1,134)
Issue of shares	**12,492**	3,971
Net addition to shareholders' funds	**9,689**	2,837
Opening shareholders' funds	**4,134**	1,297
Closing shareholders' funds	**13,823**	4,134

Notes to the accounts

Year ended 31 December 2001

1. Accounting Policies

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Advantage has been taken of the exemption under s230 of the Companies Act 1985 not to disclose the profit and loss account of the Company. The loss of the Company for the year is shown in note 22.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated accounts incorporate the financial statements of the Company and all its subsidiaries.

Merger accounting

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. Under this method, results are reported as if the acquiring companies have been combined since incorporation. No purchased goodwill is created in the transaction and the assets and liabilities of LiDCO Limited are not adjusted to reflect their market value. The comparative figures have been restated.

Turnover

Turnover represents amounts receivable from product sales and income from licence agreements granted. Dependent upon the terms of each licence agreement, income from licence agreements is recognized on a straight line basis, commencing from the date of receipt of cash over the period of the licence, subject to a maximum of ten years.

Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates prevailing at that date. These translation differences are dealt with in the profit and loss account.

Deferred taxation

Deferred taxation is provided in full on timing differences arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future without replacement, calculated at the rates at which it is expected that tax will arise.

Intangible fixed assets

Intangible fixed assets represent software development costs and clinical trials on the LiDCO and PulseCO systems. These have been capitalized and are amortized in equal annual amounts over three years.

Tangible fixed assets

Depreciation is provided on a straight line basis over the estimated useful economic lives of the assets. The annual rates of depreciation are as follows:

Plant and machinery	20% per annum
Tools and equipment	33% per annum
Fixtures and fittings	20% per annum
Computer equipment	33% per annum

1. Accounting Policies continued

Stocks

Stocks are stated at the lower of cost and net realisable value.

Leases

Operating lease rentals are charged to the profit and loss account as incurred.

Capital instruments

Capital instruments are accounted for and classified as equity or non-equity share capital, equity or non-equity minority interests and debt according to their form. There is no premium payable on redemption of non-equity minority interests.

2. Turnover and Cost of Sales

	2001 £'000	2000 £'000
Turnover by class of business		
Licence agreements	**140**	607
Product sales	**990**	27
	1,130	634
Turnover by destination		
United States	**632**	–
Far East	**271**	167
United Kingdom	**113**	–
Other European countries	**114**	467
	1,130	634

The licence agreement between the Group and its distributor for a number of European territories for both the LiDCO and PulseCO systems, Byk Gulden Lomberg Chemische Fabrik GmbH ("Byk Gulden"), was terminated in March 2000 by mutual agreement. Byk Gulden have decided to focus on the development of pharmaceuticals and have sold their medical device business. As a consequence of the termination the Group has been able to recognise an additional £404,000 of income during 2000 which would otherwise have been deferred until future periods.

All turnover, operating profit and net assets originated within the United Kingdom.

3. Information regarding Directors and Employees

	2001 Salary £'000	2001 Benefits £'000	2001 Fees £'000	2001 Bonus £'000	2001 Total £'000	2000 Total £'000
Directors' remuneration						
Dr D M Band	**73**	**–**	**17**	**34**	**124**	20
Dr R A F Linton	**1**	**–**	**1**	**–**	**2**	39
Dr T K O'Brien	**180**	**–**	**–**	**57**	**237**	100
T W Alexander	**84**	**6**	**–**	**54**	**144**	–
R J Mills	**47**	**–**	**–**	**23**	**70**	–
J G Barry	**79**	**–**	**–**	**23**	**102**	–
P N Levensohn	**10**	**–**	**–**	**–**	**10**	–
A E B Wiegman	**10**	**–**	**–**	**–**	**10**	–
	484	**6**	**18**	**191**	**699**	159

No pension contributions were payable by the Group (2000 – £nil).

Directors' share options

	Number of options						
Directors	1 January 2001	Granted	Exercised	31 December 2001	Exercise price	Date from which exercisable	Expiry date
Dr D M Band	–	637,500	–	637,500	140p	5/7/04	5/7/14
Dr T K O'Brien	–	637,500	–	637,500	140p	5/7/04	5/7/14
T W Alexander	–	637,500	–	637,500	140p	5/7/04	5/7/14
R J Mills	–	212,500	–	212,500	140p	5/7/04	5/7/14
R J Mills	–	106,250	–	106,250	0.5p	see below	see below
J G Barry	–	637,500	–	637,500	140p	5/7/04	5/7/14
J G Barry	–	318,750	–	318,750	0.5p	see below	see below
	–	3,187,500	–	3,187,500			

Mr. Mills' options priced at 0.5p vest in three equal tranches on 1 April 2002, 1 April 2003 and 1 April 2004. Mr. Barry's options priced at 0.5p vest in three equal tranches on 1 January 2002, 1 January 2003 and 1 January 2004. Each tranche remains exercisable for a period of ten years.

The Group	2001 No.	2000 No.
Average number of persons employed		
Production	**9**	8
Sales	**14**	4
Administration	**9**	8
	32	20

Staff Costs	£'000	£'000
Wages and salaries	**2,149**	674
Social security costs	**189**	55
	2,338	729

4. Exceptional Items

Professional fees of £102,000 (2000 – £nil) in respect of work performed by advisers on the restructuring of the Group prior to the flotation has been expensed. Direct costs of the flotation have been debited against the share premium account.

5. Operating Loss

Operating loss is stated after charging:

The Group	**2001 £'000**	2000 £'000
Auditors' remuneration		
Group audit fees	**25**	4
Company audit fees	**5**	2
Loss on shares in Employee Share Ownership Trust	**109**	–
Research and development	**161**	206
Rentals under operating leases		
Hire of plant and machinery	**26**	7
Land and buildings	**135**	37
Depreciation – owned assets	**31**	50
Amortization	**76**	–

Auditors' remuneration of non-audit fees in respect of professional services on the Group's flotation of £369,000 (2000: £nil) have been charged directly to the share premium account.

6. Tax on Loss on Ordinary Activities

No tax was payable in 2001 or 2000 due to the existence of brought forward tax losses.

7. Intangible Fixed Assets

The Group	Clinical trials £'000	Software development £'000	Total £'000
Cost:			
At 1 January 2001	–	250	250
Additions during the year	35	358	393
At 31 December 2001	35	608	643
Accumulated amortization:			
At 1 January 2001	–	–	–
Charge for the year	–	76	76
At 31 December 2001	–	76	76
Net book value:			
At 31 December 2001	35	532	567
At 31 December 2000	–	250	250

8. Tangible Fixed Assets

The Group	Plant and machinery £'000	Tools and equipment £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost:					
At 1 January 2001	158	14	27	37	236
Additions during the year	35	10	61	59	165
At 31 December 2001	193	24	88	96	401
Accumulated depreciation:					
At 1 January 2001	127	12	20	28	187
Charge for the year	14	3	5	9	31
At 31 December 2001	141	15	25	37	218
Net book value:					
At 31 December 2001	52	9	63	59	183
At 31 December 2000	31	2	7	9	49

The Company	Computer equipment £'000
Cost:	
At 1 January 2001	2
Additions during the year	–
At 31 December 2001	2
Accumulated depreciation:	
At 1 January 2001	2
Charge for the year	–
At 31 December 2001	2
Net book value:	
At 31 December 2001	–
At 31 December 2000	–

9. Investments

	Shares in subsidiary undertakings £'000	Other investments £'000	Total £'000
The Group			
At 1 January 2001 (restated)	–	–	–
Additions	–	367	367
Gain/(loss) in the year	–	(109)	(109)
At 31 December		258	258
The Company			
At 1 January 2001 (restated)	3	–	3
Additions	62	367	429
Gain/(loss) in the year	–	(109)	(109)
At 31 December	65	258	323

The Company's beneficial interest in subsidiary undertakings consists of:

	Country of incorporation	Beneficial holding	Nature of business
LiDCO Limited	England and Wales	100%	Surgical instruments and appliances
CAS Limited	England and Wales	100%	Dormant
PulseCO Limited	England and Wales	100%	Dormant

10. Stocks

	2001 £'000	2000 £'000
Raw materials and consumables	**59**	65
Finished goods	**1,914**	453
	1,973	518

11. Debtors

	The Group		The Company	
	2001 £'000	2000 £'000	**2001 £'000**	2000 £'000
Trade debtors	**707**	–	**–**	–
Amounts owed by Group undertakings	**–**	–	**1,552**	14
Other debtors	**407**	41	**–**	1
Prepayments and accrued income	**82**	–	**–**	–
	1,196	41	**1,552**	15

12. Creditors: Amounts falling due within one year

	The Group		The Company	
	2001 £'000	2000 £'000	**2001 £'000**	2000 £'000
Trade creditors	**617**	108	**–**	–
Other creditors	**2**	121	**–**	120
Accruals and deferred income	**575**	198	**–**	–
	1,194	427	**–**	120

13. Creditors: Amounts falling due after more than one year

	The Group		The Company	
	2001	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000
Deferred income	**(525)**	(665)	**–**	–

14. Deferred Taxation

No deferred taxation was provided at 31 December 2001 (2000 – none). The amounts of deferred taxation unprovided were:

	The Group		The Company	
	2001	2000	**2001**	2000
	£'000	£'000	**£'000**	£'000
	Unprovided	Unprovided	**Unprovided**	Unprovided
Capital allowances	**184**	42	**–**	–
Other	**(2,235)**	(1,318)	**(2)**	(30)
	(2,051)	(1,276)	**(2)**	(30)

15. Called up share capital

	2001	2000	**2001**	2000
			£'000	£'000
The Group		(restated)		(restated)
Authorized shares of 0.5p each	**100,000,000**	100,000,000	**500**	500
Called up, issued and fully paid	**70,844,561**	12,416,600	**354**	62
The Company				
Authorized shares of 0.5p each	**100,000,000**	–	**500**	–
Authorized shares of £1 each	**–**	100	**–**	–
Called up, issued and fully paid shares of 0.5p each	**70,844,561**	–	**354**	–
Called up, issued and fully paid shares of £1 each	**–**	100	**–**	–

16. Loss per share

Loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares during the year. Share options are regarded as dilutive if the exercise price was below the market price at 31 December.

	2001	2000
The Group		(restated)
Loss for the financial year (£'000)	**2,803**	1,134
Weighted average number of ordinary shares ('000)	**49,162**	27,843
Effect of dilutive share options	**1,472**	220
Adjusted weighted average number of ordinary shares ('000)	**50,634**	28,063
Loss per share – basic (p)	**5.70**	4.07
Loss per share – diluted (p)	**5.54**	4.04

17. Net cash outflow from Operating Activities

The Group	2001 £'000	2000 £'000
Operating loss	**(3,167)**	(1,273)
Depreciation and amortisation charges	**107**	50
Decrease in the value of investments	**108**	–
(Increase) in stocks	**(1,455)**	(48)
(Increase)/decrease in debtors	**(1,155)**	34
Increase/(decrease) in creditors	**627**	(348)
Net cash outflow from operating activities	**(4,935)**	(1,585)

18. Analysis of Cash Flows for headings netted in the Cash Flow Statement

The Group	2001 £'000	2000 £'000
Returns on investment and servicing of finance		
Interest received	**364**	145
Interest paid	**–**	(6)
	364	139
Capital expenditure and financial investment		
Payments to acquire intangible fixed assets	**(393)**	(35)
Payments to acquire tangible fixed assets	**(165)**	(31)
Investing activities	**(367)**	–
	(925)	(66)
Financing		
Issue of preferred shares in LiDCO Limited	**–**	3,971
Issue of ordinary share capital	**12,493**	–
	12,493	3,971

19. Analysis of net funds

The Group	2000 £'000	Cashflow £'000	2001 £'000
Cash in hand and at bank	4,368	6,997	**11,365**

20. Financial Instruments
The Group did not trade in financial instruments in 2001 or 2000.

20 (a) Maturity Profile of Financial Liabilities
The Group did not have any financial liabilities in 2001 or 2000.

20 (b) Interest Rate Profile

The Group	Floating rate financial assets £'000	Fixed rate financial assets £'000	Total £'000
At 31 December 2001			
Sterling	10,989	200	11,189
US$	176	–	176
Gross financial assets	11,165	200	11,365
At 31 December 2000			
Sterling	247	150	397
US$	3,971	–	3,971
Gross financial assets	4,218	150	4,368

Debtors and creditors have been excluded from the analysis.

20 (c) Fair Values of Financial Assets and Liabilities
There was no difference between the fair value and the book value of financial assets and liabilities.

20 (d) Hedging
The Group did not hedge its financial transactions in 2001 or 2000.

20 (e) Currency Profile
Sterling is the main functional currency of the Group. The following analysis of net monetary assets and liabilities shows the Group's currency exposures. The Group did not use forward contracts or other derivatives to manage its currency exposure in the years ended 31 December 2001 and 31 December 2000. The amounts shown represent the transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in sterling.

The Group	**2001 £'000**	2000 £'000
Sterling	**255**	76

21. Re-organization upon flotation

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.

22. Movements on Reserves

	Share premium account £'000	Merger reserve £'000	Profit & loss account £'000	Total £'000
The Group				
Balance at 1 January 2001 as previously stated	–	–	(3,476)	(3,476)
Restatement of minority interest	–	8,512	(964)	7,548
Balance at 1 January 2001 as restated	–	8,512	(4,440)	4,072
Issue of share capital	12,359	–	(159)	12,200
Loss for the financial year	–	–	(2,803)	(2,803)
Balance at 31 December 2001	12,359	8,512	(7,402)	13,468
The Company				
Balance at 1 January 2001	–	–	160	160
Issue of share capital	12,359	–	(159)	12,200
Loss for the financial year	–	–	(16)	(16)
Balance at 31 December 2001	12,359	–	(15)	12,344

23. Operating Lease Commitments

The Group was committed to making the following payments under operating leases during the year:

The Group	**2001 Land and buildings**	2000 Land and buildings	**2001 Other**	2000 Other
Leases which expire				
Within one year	**13**	–	**–**	5
Within two to five years	**201**	–	**58**	2
After more than five years	**37**	37	**–**	–
	251	37	**58**	7

24. Related Party Transactions

The following transactions took place with related parties during the year ended 31 December 2001:

1. Mr P Keen served as a non-executive director of the Company's subsidiary undertaking LiDCO Limited until his resignation on 5 July 2001. Mr Keen is the Managing Director of Merlin Biosciences Limited, which held 3,128,000 ordinary shares in LiDCO Group Plc at 31 December 2001 (previously 133,000 preferred shares in LiDCO Limited at 31 December 2000).

2. Mr P Levensohn served as a non-executive director of LiDCO Limited throughout the year and was appointed a non-executive director of LiDCO Group Plc on 5 July 2001. Mr. Levensohn also serves as president and chief executive officer of Levensohn Capital Management LLC, a registered investment adviser which manages a Group of investment partnerships which invest in public and private technology companies. One of the clients of this partnership is Star Bay Partners LP, which held 2,114,800 ordinary shares in LiDCO Group Plc at 31 December 2001 (previously 89,930 preferred shares in LiDCO Limited at 31 December 2000).

3. Dr D Band was employed by King's College London ("KCL") until August 2001 and fees of £16,000 were paid during 2001 by the Group to reimburse KCL for his payroll costs.

25. Contingent Liability

At 31 December 2001 the Group had a trade debt guarantee of £200,000 (2000 – £nil) outstanding in favour of Advantech UK Limited ("Advantech"), the Group's supplier of PulseCO monitors. In July 2001 the Group signed an agreement with Advantech for the purchase of 1,000 monitors in five tranches between September 2001 and March 2002 at a total cost of £2,000,000. The guarantee expires at the conclusion of this supply contract, at which point the Group has no further liability towards Advantech.

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting (the "Meeting") of LiDCO Group Plc (the "Company")will be held at 1pm on Tuesday 18 June 2002 at Herbert Smith, First Floor, Exchange House, Primrose Street, London EC2A 2HS to transact the following business:

1. To receive the audited financial statements of the Company for the year ended 31 December 2001 and to receive the directors' report and the auditors' report thereon.

2. To re-elect Dr T K O'Brien, who retires as a director by rotation and, being eligible, offers himself for re-election.

3. To re-elect Dr D M Band, who retires as a director by rotation and, being eligible, offers himself for re-election.

4. To re-elect Mr T W Alexander, who was elected as a director during the year and, being eligible, offers himself for re-election.

5. To re-elect Mr R J Mills, who was elected as a director during the year and, being eligible, offers himself for re-election.

6. To re-elect Mr J G Barry, who was elected as a director during the year and, being eligible, offers himself for re-election.

7. To re-elect Mr A E B Wiegman, who was elected as a director during the year and, being eligible, offers himself for re-election.

8. To re-elect Mr P N Levensohn, who was elected as a director during the year and, being eligible, offers himself for re-election.

9. To re-appoint Deloitte & Touche as auditors of the Company and to authorise the directors to fix the remuneration of the auditors.

10. That the directors of the Company be generally and unconditionally authorized pursuant to section 80 of the Companies Act 1985 ("the Act") to allot any relevant securities (as defined in section 80(2) of the Act) of the Company up to an aggregate nominal amount of £118,513 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company or fifteen months from the date of this meeting, 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 relevant securities to be allotted after the expiry of such authority and the directors may allot any such securities pursuant to such offer or agreement as if such authority had not expired; and all prior authorities to allot relevant securities be revoked, but without prejudice to the allotment of any relevant securities already made or to be made to such authorities.

To propose the following resolution as a special resolution:

11. That the directors of the Company be granted power pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) wholly for cash pursuant to the authority conferred on them by that resolution as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

    i) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares in the Company on the register of members at such record dates as the directors of the Company may determine and other persons entitled to participate therein where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares in the Company held or deemed to be held by them on any 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 or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and

Notice of Annual General Meeting continued

ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) to any person or persons of equity securities up to an aggregate nominal amount of £17,777;

and shall expire upon the expiry of the general authority conferred by Resolution 10 above 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 after such expiry and the Board may allot securities pursuant to any such offer or agreement as if the power conferred had not expired; and all prior powers granted under section 95 of the Act shall be revoked provided that such revocation shall not have retrospective effect.

Dated 17 May 2002
By Order of the Board

Richard Mills
Company Secretary

Registered Office: 16 Orsman Road, London N1 5QJ
Registered in England & Wales No. 2659005

Notes to the Notice of Annual General Meeting

1. A member entitled to attend and vote at the Meeting may appoint a proxy to attend and, on a poll, to vote in his place. The proxy need not be a member of the Company.

2. A form of proxy is enclosed with this notice. The instrument appointing a proxy (together with any power of attorney or other authority under which it is executed or a duly certified copy of such a power) must be deposited with the Company's Registrars, Capita IRG, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time of the Meeting or adjourned Meeting as the case may be. A corporation may execute a proxy under its common seal or by the hand of a duly authorised officer or other agent. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the Meeting.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders entered on the register of members of the Company as at 9.00am on 17 June 2002 shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 9.00am on 17 June 2002 shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

4. The register of directors' shareholdings and transactions will be available for reference at the commencement and remain open until the conclusion of the Meeting.

5. Copies of the directors' service contracts with the Company are available for inspection at the registered office of the Company during usual business hours (Saturdays, Sundays and public holidays excluded) and will also be available at the venue of the Meeting for at least 15 minutes prior to and until the conclusion of the Meeting.

Notes

Proxy Form

Relating to the Annual General Meeting (the "Meeting") of LiDCO Group Plc (the "Company") to be held at 1pm on Tuesday 18 June 2002 at Herbert Smith, First Floor, Exchange House, Primrose Street, London EC2A 2HS.

I/We --

of --

being (a) holder(s) of -------------------- ordinary shares of 0.5p each in the Company hereby appoint the Chairman of the meeting or (see Note 4)

----

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 1pm on Tuesday 18 June 2002 and at any adjournment therof.

My/our proxy is to vote on the resolutions as follows:-

	Resolutions	For	Against
1.	To receive the audited financial statements of the Company for the year ended 31 December 2001 and to receive the directors' report and the auditors' report theron.		
2.	To re-elect Dr T K O'Brien as a director of the Company.		
3.	To re-elect Dr D M Band as a director of the Company.		
4.	To re-elect Mr T W Alexander as a director of the Company.		
5.	To re-elect Mr R J Mills as a director of the Company.		
6.	To re-elect Mr J G Barry as a director of the Company.		
7.	To re-elect Mr A E B Wiegman as a director of the Company.		
8.	To re-elect Mr P N Levensohn as a director of the Company.		
9.	To re-appoint Deloitte & Touche as auditors of the Company and to authorise the directors to fix the remuneration of the auditors.		
10.	To grant authority to allot equity securities under Section 80 of the Companies Act, 1985.		
11.	To disapply statutory pre-emption rights under Section 95 of the Companies Act, 1985.		

In the absence of instructions, the proxy is authorised to vote (or abstain from voting) at his or her discretion on the specified resolutions.
The proxy is also authorised to vote (or abstain from voting) on any other business which may properly come before the meeting.

Date ------------------------------ Signatures ------------------------------

Notes to Proxy Form

1. Please indicate how you wish your proxy to vote on the resolutions by inserting 'X' in the appropriate space.
2. In the case of a corporation the proxy must be under its common seal (if any) or the hand of its duly authorised agent or officer. In the case of an individual the proxy must be signed by the appointor or his agent, duly authorised in writing.
3. This proxy should reach the Company's Registrar, Capita IRG, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time for the holding of the Meeting or adjourned Meeting together with any authority (or a notarially certified copy of such authority) under which it is signed.
4. If you wish to appoint a proxy other than the Chairman of the meeting, delete the words "the Chairman of the Meeting or (see Note 4)" and insert the name and address of your proxy in the space provided. Please initial the amendment. A proxy, who need not be a member of the Company, must attend the meeting in person to represent you.
5. In the case of joint holders the signature of only one of the joint holders is required but, if more than one joint holder vote at the Meeting, the vote of the first named on the register of members will be accepted to exclusion of other joint holders.

Third fold and tuck in

BUSINESS REPLY SERVICE
Licence No. LOL395

1

Capita IRG
34 Beckenham Road
Beckenham
Kent BR3 4TU

First fold

Second fold

LiDCO Cardiac Sensor Systems

LiDCO Group Plc

UK Office:
16 Orsman Road
London N1 5QJ
Tel: +44 (0)20 7256 1006
Fax: +44 (0)20 7256 1645

USA Distribution Office:
Wren Medical Systems
101 Ambrogio Drive
Suite A, Gurnee, IL 60031
Tel: 847 625 0600
Fax: 847 625 0981

Sales and Marketing:
Flowers Building
Granta Park
Cambridge CB1 6GU

Web: **www.lidco.com**