LiDCO Group Plc
Annual Report and Financial Statements
for the 13 months ended 31 January 2005

LiDCO Cardiac Sensor Systems

LiDCO Group Plc Annual Report 2005

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.

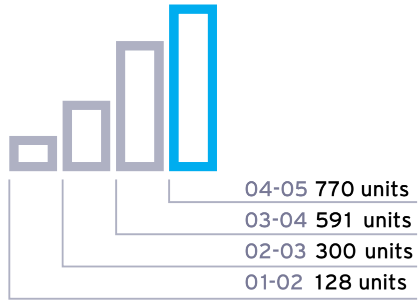
2004/05: Highlights

OPERATIONAL

- Sensor and fee for use unit sales increased by **91%** to **19,623** over the previous year **(10,260)** – fourth year in a row of disposable sales growth over 90%
- Planned transition from capital sales well advanced with disposable revenue (recurring sales) now **66%** of product sales – up from **20%** in 2002 and **33%** in 2003
- An independent clinical study shows £4,000 cost savings per patient, potentially worth £500m per annum to the UK's NHS
- The installed base of PulseCO/LiDCO*plus* monitors increased by **30%** to **770** at the end of the period **(2003: 591)**
- Contract signed with Philips Medical Systems and launch of the LiDCO*plus* v3.0 software – creates a communications link between LiDCO's monitoring system and Philips' patient monitors
- A placing of £3.7m (net) of new shares was completed in June 2004, providing capital to support the new US, European distributor programmes and additional R&D

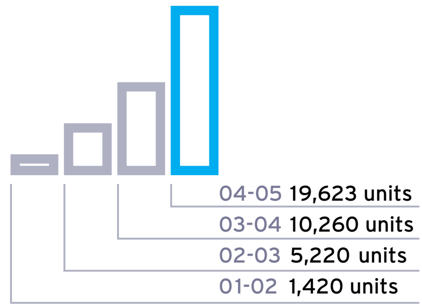
2004/05: Installed base

770units



2004/05: Sensor and fee for use sales

19,623units



FINANCIAL

- Total revenues of **£2.5m**/constant currency* **£2.6m (2003: £2.7m)**
- Pre-tax operating loss steady at **£4.2m (2003: £4.1m)**
- Loss per share down at **4.34p** from **5.34p**
- Administration expenses were held at **£6.0m (£6.1m in 2003)**
- Cash outflow before financing **£3.8m (2003: £3.4m)**

* using the $ exchange rate as at December 2003

LiDCO: Group at a glance

During the past year we have completed the commercial foundations required for an expansion of sales into our global distribution network.

PRODUCTS

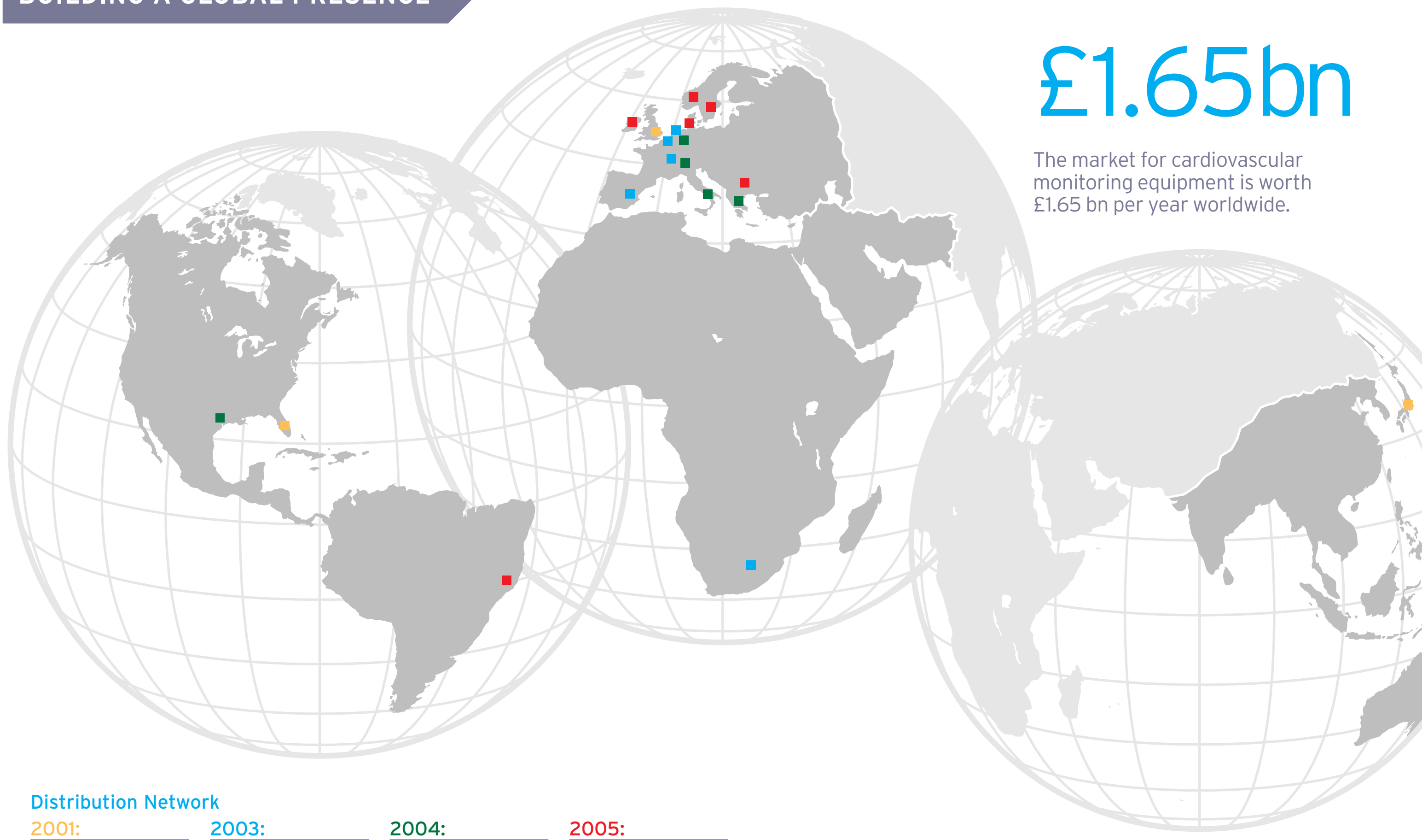
The LiDCO*plus* monitor

The LiDCO*plus* combines the measurement and monitoring features of LiDCO (lithium dilution cardiac output measurement) and PulseCO (real-time cardiovascular monitoring), significantly enhancing ease of use and saving space around the patient.

An increase in installed base of monitors:

591→770units +30%

BUILDING A GLOBAL PRESENCE



£1.65bn

The market for cardiovascular monitoring equipment is worth £1.65 bn per year worldwide.

Distribution Network

2001:	2003:	2004:	2005:
UK/USA	Belgium	Austria	Ireland
Japan	Czech Republic	Italy	Norway
	Netherlands	Germany	Sweden
	Spain	Greece	Denmark
	South Africa	USA	Bulgaria
			Brazil

focused on: delivering improved care that reduces complications and infections

The LiDCO*plus* sensor

LiDCO has developed a proprietary lithium sensor using lithium indicator dilution to calculate cardiac output. This is used to calibrate the LiDCO*plus* monitor. Safe and extremely accurate, this method is simple to perform, taking less than five minutes for the entire procedure.

Sensor and fee for use sales

+90% in 2004/05

GROWTH

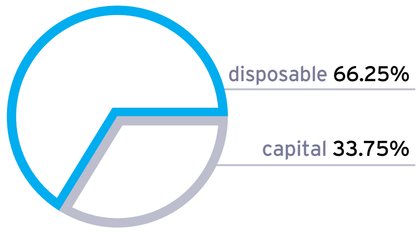
Increase in distribution reach

- Distributors – five appointed in the US with appointments in Germany and Austria, further increasing global sales reach
- Further product approvals – lithium chloride drug registration achieved in: Austria, Italy, Denmark, Sweden, Norway, Ireland, Bulgaria and Brazil
- Sales growth of 35% in our priority markets at **£2.3m (2003: £1.7m):** USA up **24%,** UK up **32%**, Europe up **55%**
- Worldwide uptake of LiDCO's technology with **46%** of installed monitors in the US, **35%** in Europe and **19%** in ROW
- Continual growth of disposable sales expected in 2005 from additional monitor placements into the recently expanded distribution territories

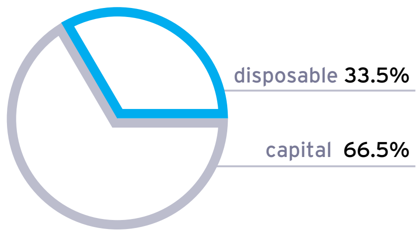
Disposable Income

Now the majority of sales

- 2004/05



- 2003



"We are looking forward to an acceleration of sales during 2005 through our considerably expanded global distributor network."

Terry O'Brien, Chief Executive

Chairman's review: Theresa Wallis

The Company is well placed to accelerate penetration of our target markets for hemodynamic monitoring systems.

The 13 months to 31 January 2005 saw a high level of activity and progress on several fronts. A significant new development was the expansion of LiDCO's international distributor network. In the US, this was possible because of the groundwork conducted by our direct US sales force. It has established the market for our products, setting pricing and sales models. In Europe, final regulatory approvals received in late 2004 and continuing into 2005 in a number of countries opened the way to appointing distributors in several European territories and initiating sales activity there. In the UK, US, continental Europe and Japan, we continued to encourage and support product validation studies by recognised opinion formers.

Meanwhile the Company's London-based manufacturing facility continued to produce a growing number of proprietary sensors efficiently and to the high standards required by the industry. The facility has the double benefit of providing a substantial increase in capacity with only marginal additional cost.

Having set the price for our monitors through direct sales activity, we started to shift our US sales strategy in 2004 from a capital sales model to one predominantly based on annuity revenues. This consists of an up-front charge, rental and fee per use revenues. The advantage of this approach is that it enables a larger number of hospitals to benefit from our minimally invasive hemodynamic monitoring system at a cost that is linked to usage and is therefore easier to justify to those budget holders who are not in a position to approve a capital sale. A further advantage of this approach is that annuity revenue, being proportional to the number of monitors installed in hospitals, is becoming increasingly predictable due to our experience of monitor usage since launch of our products in 2001.

As expected, given the targeted shift in our sales model from a capital sales model to an annuity sales model, headline turnover slipped, but excluding a large distributor stocking order from Japan in 2003, sales in 2004 were 37% higher than in 2003, reflecting strong, healthy growth in sales of monitors and sensors. Careful cost control enabled administrative costs to be held at £6 million.

In June, a placing of £3.7 million (net) was completed to provide additional working capital to support new US, German and Austrian distributor programmes and additional research and development.

During the year a non-exclusive partnership agreement was signed with Philips Medical Systems. Hemodynamic monitoring data gathered from patients using LiDCO's systems can be fed into the Philips IntelliVue Patient Monitor, a patient information system used in many of our target hospitals. Other recently developed links also enable our systems to connect directly to hospitals' own information systems, an increasingly important feature as the NHS and other healthcare providers move towards an electronic patient record system.

The recently announced results of the St George's Hospital outcome study are, we believe, of particular significance to the Company's future development. We believe that the study, which used LiDCO*plus* monitors, makes the clearest business and humanitarian case ever made for the adoption of hemodynamic monitoring for the treatment of high risk surgery patients, saving on average over ten hospital bed days per patient.

The Company is therefore well placed to accelerate penetration of our target markets for hemodynamic monitoring systems. In order to ensure that full advantage is taken of this opportunity, maximum effort and commitment will be required on the part of the Company's employees and management. For this reason the Board has decided to undertake a restructuring of its long term incentive programme. New Bridge Street Consultants LLP is advising the Board on this area.

I would like to take this opportunity to extend my thanks to the management and staff of LiDCO for all their dedication, hard work and enthusiasm and to our scientific advisory panel for their valuable support.

Theresa Wallis
Chairman
17 May 2005

focused on: significant savings and improved patient care

OUTCOME STUDY: **GOAL DIRECTED THERAPY: ST. GEORGE'S HOSPITAL, LONDON**

In a major trial at St. George's Hospital, London the LiDCO minimally invasive cardiovascular monitoring technology was used to both measure blood flow and increase oxygen delivery in surgery patients.

The results were clear:

- Savings in the cost of treating patients amounting to an average of £4000 per patient. Extrapolated nationally, this would equate to a saving of £500 million per annum for the NHS.
- The monetary saving – £248,000 – resulted from 640 hospital days saved for 62 patients, an average of more than 10 bed days per patient.
- The savings in cost and time were associated with a significant reduction in medical complications.

"Once we found out it was simple and easy to do, we could implement it immediately in our practice."

Jayne Fawcett RN, MSc, Team Leader, St George's Hospital, London

Chief Executive's review: Terry O'Brien

Hospitals will always need to maintain a high standard of patient care, which means a constant need for the latest technology, despite budget restraints.

The US spent $1.2 billion in 2002 on patient monitoring products and, with an annual growth rate of 8.9%, hospitals will continue to allocate a significant percentage (30–40%) of their resources to critical care patients. There remains a growing need for advances in cardiovascular monitoring and the care of such hospital patients.

The size of the available market therefore is not in doubt. The challenge for LiDCO in 2004/05 was to get into the position where the Company could fully exploit the potential for its technology to meet this growing need. Therefore it was key to complete residual registration activities in a number of new territories and appoint additional distributors in these territories. These activities have now been concluded successfully.

Following product approvals the publication of independent clinical studies showing both patient and economic benefits is crucial to the development of the minimally invasive monitoring market. With this in mind I am pleased to report that during the year, a number of trials using LiDCO's technology have concluded positively. Of these trials the most powerful report was the one presented on 22 March 2005 at the 25th International Symposium on Intensive Care and Emergency Medicine in Brussels – following the conclusion of a prospective controlled trial conducted by St. George's Hospital, London. This trial has demonstrated that better post operative intensive care can be achieved with the use of LiDCO's minimally invasive technology and importantly that such care translates into benefits for both the patient and cost savings for the healthcare provider. The savings achieved through adoption of this approach to the hospital per year have been estimated at £2 million. This represents a saving of £4,000 per patient through an average reduction in stay of more than ten bed days per patient treated. It has been estimated that if this form of advanced cardiovascular care was implemented throughout the UK, savings of up to £500 million per annum could be achieved for the NHS.

Business review

During the period we have made significant advances in the development of a truly worldwide sales and distribution network. In order to do so a number of regulatory milestones were reached in 2004 and in early 2005. We have paid particular attention to the European market – as this is the most developed territory for the adoption of advanced minimally invasive cardiovascular monitoring. We have received full approvals for marketing in eight additional territories: Italy, Germany, Austria, Norway, Sweden, Denmark, Ireland and Bulgaria. These latest registrations now provide LiDCO with full marketing approval in 13 European countries. Following these additional registrations we are now selling product in a greatly expanded group of territories: Germany, Austria, Italy, Sweden, Holland, Belgium, Denmark, Czech Republic, Croatia, Spain, Sweden, Norway and the UK. We expect continued and significant sales growth in Europe during 2005.
We also extended our sales reach in the US, signing agreements with five regional distributors. We are supporting these distributors with our direct sales staff and will continue to appoint additional organisations throughout 2005. Our

focused on: real-time beat to beat display of critical parameters

ambition is to achieve full coverage of the US market through a mixed direct and distributor sales force.

In May 2004 the Company announced it had contracted with Philips Medical Systems ('Philips') to create a communications link between LiDCO's proprietary, stand-alone monitoring system (LiDCO*plus* Monitor) and Philips' patient monitors, via the Philips Open VueLink Interface protocol. The communications link allows Philips' customers access to LiDCO's proprietary, minimally-invasive hemodynamic monitoring data on the IntelliVue Patient Monitor. The integration of critical care parameters and hemodynamic data derived from the LiDCO*plus* monitor will allow a fuller picture of the patient's condition and history to be displayed and accessed throughout the hospital. I am pleased to say that this communication link software has now been completed and launched. In addition, for those hospitals without Phillips monitors we have provided a real time ethernet based communication feature. This means that LiDCO monitors can now be interfaced through both proprietary and inexpensive non proprietary protocols. This is a major step forward as hospital information systems can now be updated with LiDCO's oxygen delivery data, shown by the St. George's trial to be fundamental to improving outcomes for surgical patients. We believe that there is a growing requirement from intensive care staff and the hospital administration for the provision and clinical audit of such crucial information. Our experience is that interconnectivity of hemodynamic monitors to hospital information systems is becoming a key part of the hemodynamic monitor purchase specification. Our PC based monitor approach is highly flexible and able to accommodate this developing requirement.

Trading review

Sales, margins and placing

In the period turnover was modestly down in comparison to 2003. This was a consequence of our continuing strategy to promote monitor rental and disposable sales at the expense of one-off revenues from capital sales to distributors and hospitals. Revenues in 2003 were also boosted by the receipt of an initial £0.7 million stocking order from Japan. Thus the overall revenue figure disguises the underlying strong growth of revenue in Europe and the US – which was increased by 32% over the previous year. This reflects continued encouraging levels of disposable usage and the expansion in the installed monitor base – up 30% (from 591 to 770 systems). Overall disposable sales increased strongly in the period – up by 87%. Thus 2004 was the fourth year in succession where we have seen such growth in recurring revenue. These more predictable revenues from sales of disposables, fee for use and rentals now account for the majority (64%) of total revenue – see Table 1.

As disposable sales increase in existing markets and territories that were added in the second half of the year the Company expects continued strong recurring revenue growth in 2005. We continue to make progress in the USA which represents 46% of our installed base of monitors. We expect that, in addition to the sales achieved by our own sales team, there will be a growing contribution from the five US regional agents who, following training, are starting to make an impact on income. The global interest in minimally invasive technology is supported by the widespread distribution of our installed base of monitors US (46%), Europe (35%), ROW (17%).

The slightly increased operating loss for the period reflects the modestly reduced turnover with administration expenses held at just below the previous year's figure.

Cost controls have been maintained and the underlying monthly cash usage is steady despite servicing a larger distributor sales organisation in a considerably expanded number of territories. Our expectation is that the installed base of monitors (770 as at 31 January 2005) will continue to increase and our first commercial milestone of an installed base of 1,000 monitors looks within reach during 2005.

In order to support the sales expansion in the US and Continental Europe, and to finance product development, the Company concluded a placing of shares in June raising approximately £3.7 million (net). It was gratifying to see a number of our existing investors supporting this financing round, and at the same time we were able to welcome a number of new institutional investors.

Hospitals will always need to maintain a high standard of patient care – which means a constant need for the latest technology, despite budget restraints. In January 2005 LiDCO signed an

Following the additional registrations we are now selling product in a greatly expanded group of territories.

agreement with a major US finance house – a leading provider of equipment acquisition solutions for acute-care hospitals throughout the United States and Canada. We will use the flexible leasing programs on offer to help sell equipment to US hospital customers via leasing programs that give hospitals the ability to obtain equipment immediately and pay for it in monthly instalments. The provision of this facility greatly enhances the ability of our sales team and agents to provide appropriate financing solutions for our customers.

Table 1. Revenue summary – showing transition to annuity stream

Sales detail	13 months to January 2005 £000	% of total	Year ended December 2003 £000	% of total
Capital sale	803	33	1,669	61
Sensor revenue	1,456	59	844	31
Monitor fee per use	120	5	–	–
Licence fees	77	3	204	8
Total	2,456		2,717	
Total at constant currency	2,586			
Installed base at period end (number of monitors)	770		591	

US

Turnover in 2004 was £935,000 (2003: £754,000) an increase of 24% despite an adverse currency impact from the weakening dollar of £131,000. Currency adjusted turnover (£1.1 million) shows an increase of 41%. Capital sales of monitors represented 27% of systems placed in the period (2003: 58%). The number of monitors placed and sales of sensors/ fees for use increased by 36% and 111% respectively compared to 2003. A number of distributors were appointed during the second half of 2004 to supplement our existing direct sales force, and increase the sales coverage within the US. The training of their staff took place during the second half of 2004 and sales have commenced. Further appointments of US agents are expected in 2005.

Given the lengthy US capital sales cycle, the rental/consignment model was introduced during the last quarter of 2003 to accelerate market penetration of our monitoring systems alongside the existing capital sales option, and sales through higher charges on disposables ('Upcharge'). Under this new model, customers are charged a fee each time they use the LiDCO*plus* software, but pay no up-front fee for the monitor. Furthermore, they can cost-effectively calibrate their installed LiDCO*plus* system using third party products, as well as LiDCO sensors, thereby further increasing the range of clinical situations in which our monitors can be used. With this sales model we have had successes at a number of US hospitals where we have been able to provide advanced, real-time cardiovascular monitoring, while still saving the hospital money against their existing revenue budget for invasive monitoring.

UK

Turnover in the UK increased by 32% to £930,000 (2003: £706,000) with both monitor placements and sensor numbers increasing by 64%. Sales in the UK are made via a direct sales force of seven people, ensuring that LiDCOis kept in direct contact with clinical developments in the critical care community and can rapidly adapt its products to meet changing demands. As in the US, a variety of sales models are also used in the UK, with hospitals able to select from simple capital purchase, up charged sensor prices (but no capital purchase) or, more recently, a fee-for-use programme. The flexibility offered to NHS hospitals assists them in the acquisition of the LiDCO technology according to local budgetary and planning circumstances. We expect sales growth in the UK to be accelerated through adoption of the protocol for improving outcome in high risk surgery patients pioneered at St. George's hospital.

focused on: immediate response to interventions

DATA MANAGEMENT: **ST. THOMAS' HOSPITAL, LONDON**

In March 2005, LiDCO launched a new software inter-connectable with Philips' technology. The new software incorporates the Philips VueLink protocol as well as an intranet connectivity. This means that LiDCO monitors can now be interfaced with hospital information systems already in place. This will allow many more hospitals around the world to achieve significant improvement in patient care and reduction of complication related costs.

"The LiDCOplus monitor, with its ability to connect to other primary patient monitors, helps us to improve our patient care by showing all the key clinical information we need on one screen."

Richard Beale Head of Perioperative, Critical Care and Pain Services and Consultant Intensivist at Guys and St Thomas' NHS Foundation Trust

Looking ahead, we are also assessing the potential to use completely non-invasive (skin applied) sensor technology with the LiDCO*plus* monitor to identify and optimise high-risk surgery patients.

"The USA is the biggest single market and now represents approximately 50% of our potential worldwide sales."

Continental Europe

Turnover for the period was £386,000 – an increase of 55% (2003: £249,000). With the first wave of mutual recognition approvals only achieved in late 2003, first sales into continental Europe started in earnest in mid 2004. The registration process has continued, with second wave approvals received in the first quarter of 2005. There are now 13 European territories open to LiDCO and its products, with further European approvals scheduled for 2006.

Sales in Europe are made via a network of distributors supported by LiDCO staff based in the UK and Northern Europe. The market for less invasive

cardiovascular monitoring is most advanced in Europe, compared to the rest of the world and interest in adopting minimally invasive monitoring is strong. We expect significant sales growth in 2005.

Far East, Japan and the Rest of the World

Sales in the Far East, Japan and the Rest of the World totalled £204,000 (2003: £822,000). Adjusting for the one-off stocking order received from our Japanese distributor in 2003 (£700,000), reveals a sales increase in territories outside of Japan. In Japan, following their purchase of an initial stocking order of 100 monitors in 2003 our distributor Nipro have established a number of key clinical reference sites for our technology. The strategy is to concentrate on these centres initially and then expand sales through local referrals. The market for real time hemodynamic monitoring is less well developed in Japan when compared to Europe – 2005 will therefore represent a year where the product advantages are still being established by our distributor partner. We therefore expect modest sales during this market development period.

Research & development and product application

Focus on improving hospital patient outcomes and reducing costs

Our core development activities centre on the acquisition and intelligent display, through a platform PC based monitor, of combinations of measurements, that have been proven to influence hospital patient outcomes positively, and thereby reduce costs. The advantages to be obtained through targeting one such parameter (oxygen delivery) have already been demonstrated. LiDCO believe that there will be an increasing recognition of the advantages of this form of hemodynamic driven care.

Hemodynamic driven care and intravenous fluid management

The Company expects to add a further software product to simplify and make safer the administration of fluids for re-hydration purposes. Knowing the precise amount of fluids to administer is surprisingly difficult. Too little fluid and the oxygen delivery and blood pressure can fall to dangerous levels. Too much can result in overloading the circulation and heart resulting in a greatly extended hospital stay. LiDCO is developing a unique interface allowing the nurse/physician-led optimisation of fluid administration to such patients. This development activity will result in an intelligent fluid administration screen and new software product. This will not only improve safety but also help in the implementation of early goal directed therapy (EGDT) in surgery patients.

focused on: achieving lasting customer satisfaction

Oxygen delivery and consumption ratio patent application

Improved outcomes are achieved when the consumption and delivery of oxygen are well matched – the EGDT/ St. George's study is an example of where increasing oxygen delivery to pay back an oxygen debt has markedly improved outcome. To further simplify the monitoring of the relationship of these two parameters LiDCO have filed a patent on a unique way of calculating and displaying their relationship in a simplified form. Through such a display, the user can be alerted to any deterioration in this key ratio and a menu of appropriate responses is presented e.g. giving additional blood, more fluids or the administration of a drug. It is our intention to add this functionality to our software.

Potential neonatal application for the LiDCO*plus* monitor

Monitoring of cardiovascular status in the unwell pre-term baby (neonate) is mostly limited to the continuous measurement of blood pressure through an umbilical artery catheter. However, these blood pressure values, although useful, may not accurately reflect actual tissue perfusion with oxygen. The continuous measurement of cardiac output and estimation of oxygen delivery in these very small babies has not been possible, except intermittently by echocardiography. Researchers from the Clinical Science Department (Child Health), University of Bristol, UK have shown that continuous analysis of cardiac output is possible with the LiDCO*plus* monitor. The cardiac output trend derived from our monitor shows a closer correlation to changing tissue oxygen perfusion than standard arterial blood pressure monitoring. They conclude that 'This methodology is applicable to the term and preterm infant in assessing cardiovascular function, using either a standard umbilical catheter, or a peripheral arterial line'. The LiDCO*plus* monitor is not registered for use in subjects less than 40 kgs in weight; however, this work has encouraged us to further investigate the potential for sales of the LiDCO*plus* monitor in neonatal intensive care units. If an attractive business case can be made then the appropriate steps will be taken for registration of this new clinical indication.

Dr Terence O'Brien
Chief Executive Officer
17 May 2005

Board of Directors

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1 Dr Terence O'Brien
Chief Executive Officer
Dr O'Brien co-founded the Group in 1991. Prior to that, he 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.

2 Theresa Wallis
Chairman
Ms Wallis is a Principal Executive of ANGLE Technology Limited and a Non-Executive Director of T&G AIM VCT plc. She worked for the London Stock Exchange for 13 years, where from 1995 she was Chief Operating Officer of the Alternative Investment Market (AIM), having managed the market's development and launch in 1994–1995. She is currently a member of the Quoted Companies Alliance's Markets and Regulation Committee.

3 Hugh McGarel-Groves
Finance Director *(with effect from 10 May 2005)*
Mr McGarel-Groves has held Finance Director roles in the private healthcare sector at Hospital Corporation International, Medical Services International (Cromwell Hospital) and Nestor Healthcare (BNA). He started his career as a chartered accountant with KPMG in London, and then held senior finance positions at BP, Guinness and Sedgwick. His experience includes four years managing his own specialist engineering company.

4 Dr David Band
Scientific Director
Dr Band co-founded the Group in 1991 and is the co-inventor of the LiDCO System. He is a specialist in the field of respiratory physiology, electrochemistry and ion-selective electrodes. He has a degree in medicine, and was a Reader in Applied Physiology in the Division of Physiology, GKT School of Biomedical Sciences, St. Thomas' campus.

5 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.

6 Bert Wiegman
Non-Executive Director
Mr Wiegman is a partner in Langholm Capital a €250m private equity fund investing in fast growth European consumer facing businesses. He has been involved in venture capital all of his career and is also Non-Executive Chairman of T&G AIM VCT Plc.

Corporate governance report

Companies that have shares traded on the Alternative Investment Market (AIM) of the London Stock Exchange are not required to comply with the disclosures of the Combined Code on Corporate Governance which is appended to the Listing Rules of the Financial Services Authority ('the 2003 FRC Code'). However, the Board is committed to maintaining the highest standards of corporate governance, where appropriate for a company of this size.

The Board of Directors

There were four Executive and two Non-Executive Directors throughout 2004. The Finance Director resigned on 19 January 2005. Post year end, Mr Hugh McGarel-Groves was appointed as Finance Director with effect from 10 May 2005. Mr R Bird was Company Secretary until 27 January 2005, since when Mrs L O'Brien assumed the position. The Board normally meets 12 times a year, with additional special meetings as required.

Both of the Non-Executive Directors bring independent judgement to bear on issues considered by the Board. Mr Wiegman served as the Senior Independent Director throughout the year.

All Directors have access to the services and advice of the Company Secretary who is responsible for ensuring compliance with the relevant procedures, rules and regulations. All Directors are able to take independent financial advice in the furtherance of their duties if necessary.

All new Directors are required to resign and seek re-election at the first Annual General Meeting following their appointment. All Directors are required to seek re-election at intervals of no more than three years. Executive Directors have service contracts containing a notice period of one year. Non-Executive Directors do not have service contracts with the Company.

Committees of the Board

Audit Committee

The members of the Committee are Ms Wallis (Chairman) and Mr Wiegman. The external auditors also attend meetings. The committee considers financial reporting, corporate governance and internal controls. It also reviews the scope and results of the external audit and the independence and objectivity of the auditors. It meets at least twice a year and reviews the interim and annual accounts before they are submitted to the Board.

Remuneration Committee

The members of the Committee are Ms Wallis (Chairman) and Mr Wiegman. The Committee reviews and sets the remuneration of the Executive Directors. It also agrees a policy for the salaries and bonuses of all staff. It advises on share schemes and the granting of share options. The decisions of the Committee are formally ratified by the Board.

Details of Directors' remuneration are included in note 4 to the accounts.

Nominations Committee

The members of the Committee are Ms Wallis (Chairman), Mr Wiegman and Dr O'Brien. The Committee considers, at the request of the Board, candidates for new appointments to the Board and advises on all matters relating to Board appointments.

Relations with shareholders

The Company seeks to maintain and enhance good relations with its shareholders. The Company's interim and annual reports are supplemented by published updates to investors on technical and commercial progress.

All investors have access to up-to-date information on the Company via its website, www.lidco.com which also provides contact details for investor relations enquiries. All shareholders are invited to make use of the Company's Annual General Meeting to raise any questions regarding the management of the Company.

Accountability and audit

Going concern

As discussed in note 1 to the accounts and on the basis of current financial projections, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the forseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Internal control

The key procedures designed to provide an effective system of internal control are described below:

- **Control environment**
  The Company's control environment is the responsibility of the Directors and individual managers at all levels. The Board has implemented an organisational structure with clearly-defined responsibilities and lines of accountability.

- **Information systems and controls**
  Detailed budgets and forecasts are prepared annually and progress against expectations is reviewed monthly by the Board. Underpinning these budgets is a system of internal financial control, based on authorisation procedures. As a medical device company, LiDCO also has a system of Regulatory controls, to ensure compliance with all requirements of the Medicines and Healthcare Products Regulatory Agency, the US Food & Drug Agency and other medical bodies.

- **Monitoring of effectiveness**
  The composition of the Board and the senior management team provides a suitable range of knowledge and experience to enable adequate risk monitoring. The Company's information systems provide detailed, regular variance reports which are reviewed and acted upon by the Board. The external auditors report separately to the Board on the Company's accounting and internal controls as part of their normal audit work.

Statement of compliance

During the course of 2004/05 there were two areas of non-compliance with the 2003 FRC Code. Firstly a full review of the effectiveness of the Group's system of internal controls did not take place in the the year (the last full review took place in December 2003). A full review will be undertaken in the coming few months. Secondly, a formal evaluation of the Board's performance was not performed. Again, this will take place in the coming months.

Remuneration report

Policy on remuneration
The Remuneration Committee recommends Directors' remuneration and remuneration policies for all staff. Remuneration levels are set in order to attract high calibre recruits and to retain and motivate those Directors and employees once they have joined the Company. This is achieved by a combination of base salary, bonuses and share options, which are offered both to Executive Directors and to employees at all levels.

The fees paid to Non-Executive Directors are determined by the Board.

Remuneration Committee
The members of the Committee are Ms Wallis and Mr Wiegman. The Committee is assisted by the Company Secretary.

Service contracts
Dr O'Brien, Dr Band and Mr Barry have service contracts with the Company dated 29 June 2001. The contracts are not set for a specific term, but include a rolling 12-month notice period. In addition, all Directors retire by rotation at the Company's Annual General Meeting and, where appropriate, offer themselves for re-election.

Mr McGarel-Groves has a service contract with the Company dated 5 April 2005; as with the other Directors, this is not set for a specific term, but includes a rolling six months' notice period.

Non-Executive Directors have letters of appointment dated 20 December 2002 in the case of Ms Wallis and 2 July 2001 in the case of Mr Wiegman. These letters are issued in place of service contracts. In keeping with best practice, these appointments are terminable without notice by either party.

Remuneration package
All four Executive Directors receive a base salary and allowance in lieu of benefits, as shown in the table in note 4 to the accounts. Non-Executive Directors' fees are also shown in note 4.

The four Executive Directors are members of the Company's Senior Management Bonus Scheme. Under the terms of the scheme, the Remuneration Committee assesses the Directors' individual performances at the end of the financial year, judged against pre-determined benchmarks. In 2004 the criteria for awarding bonuses were based on sales performance and the Company's cash position. Bonuses are capped at 100% of base salary. Non-Executive Directors are not eligible for bonuses.

No pension contributions were payable by the Group (2003: £nil).

Directors' shareholdings

Directors	**31 January 2005 Number**	1 January 2004 Number
D M Band	**7,060,832**	7,060,832
T K O'Brien	**10,109,577**	9,801,682
T A Wallis (non-executive)	**85,000**	85,000
R J Mills*	**-**	570,833
J G Barry	**379,642**	379,642
A E B Wiegman (non-executive)	**239,285**	239,285
	17,874,336	18,137,274

The Directors have no interests in the shares of the Company's subsidiary undertakings.
* R J Mills resigned on 19 January 2005 – his shareholding as at that date was 623,463.

Directors' share options

Directors	Number of options: 1 January 2004	Granted	Exercised	31 January 2005	Exercise price	Date from which exercisable	Expiry date
D M Band	637,500	-	-	**637,500**	140p	5/7/04	5/7/14
	750,000	-	-	**750,000**	13p	15/12/05	15/12/15
T K O'Brien	637,500	-	-	**637,500**	140p	5/7/04	5/7/14
	750,000	-	-	**750,000**	13p	15/12/05	15/12/15
J G Barry	637,500	-	-	**637,500**	140p	5/7/04	5/7/14
	106,250	-	-	**106,250**	0.5p	see below	see below
	100,000	-	-	**100,000**	116p	16/1/05	16/1/15
	750,000	-	-	**750,000**	13p	15/12/05	15/12/15
	90,000	-	-	**90,000**	28.25p	25/11/06	25/11/16
	4,458,750	-	-	**4,458,750**			

Mr Barry's options priced at 0.5p vested 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.

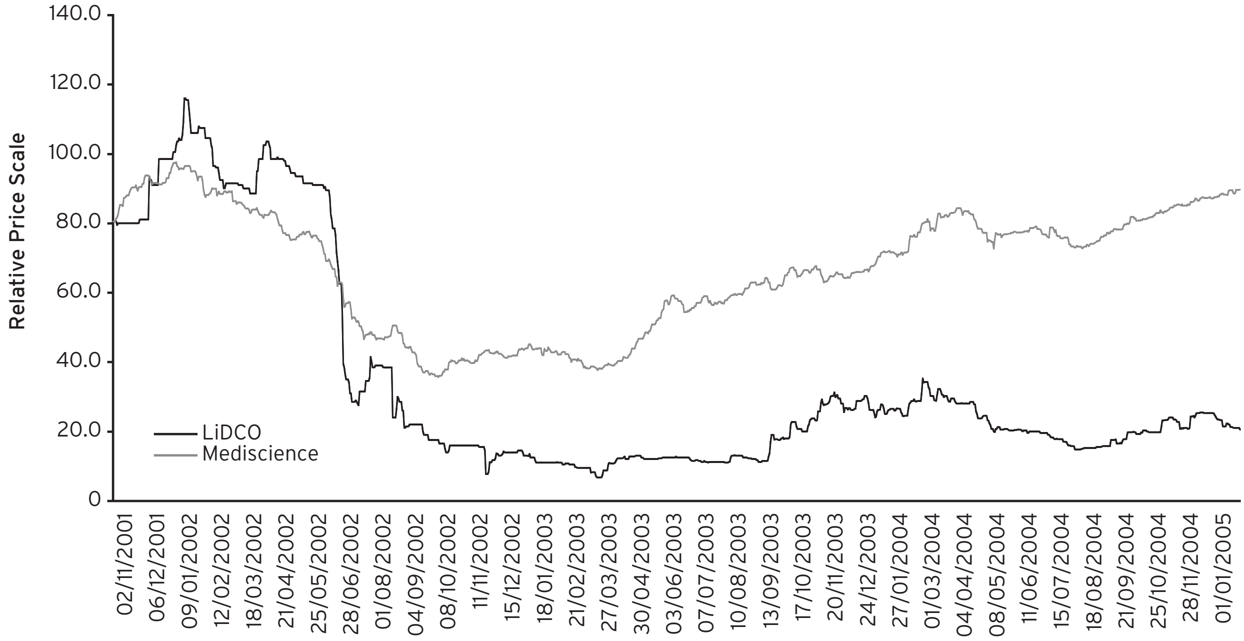
The following options were granted in April 2005:

		Exercise price	Date from which exercisable	Expiry date
D M Band	65,116	21.5p	6/4/08	5/4/18
T K O'Brien	277,395	21.5p	6/4/08	5/4/18
J G Barry	356,844	21.5p	6/4/08	5/4/18
	328,481	22p	31/12/05	30/12/15
	328,481	22p	30/4/06	29/04/16
	656,961	22p	30/9/06	29/09/16

Shareholder return

The Directors' remuneration report regulations specify that a company must provide a graph of its share price over the last five years against an appropriate benchmark index. The Company's shares have been traded on the AIM market of the London Stock Exchange since 5 July 2001, prior to which they were not publicly traded. A graph of the Company's share price since that date is shown below, using the FTSE Techmark MediScience Index as a comparator, which the Directors consider to be the most suitable benchmark index.

LiDCO share price performance November 2001 – January 2005 relative to the Techmark Mediscience Index



Approved by the Board of Directors on 17 May 2005 and signed on behalf of the Board

Lucy O'Brien
Secretary

Directors' report

The Directors present their Annual Report and the audited financial statements for the 13 months ended 31 January 2005.

Activities
The principal activity of the Group was the development, manufacture and sale of cardiac monitoring equipment.

Results and future prospects
The Group's turnover for the period was £2,456,000 (2003: £2,717,000). The Group made a consolidated loss after taxation during the period of £4,199,000 (2003: £3,875,000). The Directors do not recommend the payment of a dividend (2003: £nil).

At 31 January 2005 the Group held £1.6 million of cash (31 December 2003: £1.6 million), which provides the Group with adequate funding for its business plan. In June 2004 the Company issued £3.7 million of new shares, net of expenses, to enable the US distributor programme to commence, to finance additional research and development and to provide additional working capital.

Recent regulatory approvals in Europe and Brazil have opened more markets in Europe and a new one in South America. This brings to thirteen the number of European territories in which we are registered to sell lithium chloride as well as Brazil – the largest medical market in South America. With distributors already appointed in these countries, we are looking forward to an acceleration of sales through this expanded network of distributors and territories.

The Company's share price at 31 January 2005 was 20.5p (31 December 2003: 29.25p).

Change of year end
The Company has altered its financial year end from 31 December to 31 January. This enables the completion of sales to hospitals to be achieved within the financial year, which might otherwise be delayed into future periods due to the absence of key customer personnel during the Christmas holiday period in the US, UK and Europe.

Research and development
The Group continued to develop the LiDCO*plus* system during the year, as set out in the Chief Executive's Statement. Expenditure on research and development amounted to £310,000 in the period (2003: £269,000) in addition to software development costs of £126,000 (2003: £210,000) which are capitalised on the balance sheet and amortised.

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 throughout the year are shown on page 13 with the exception of Mr R Mills who resigned on 31 January 2005. The Directors' beneficial interests in the ordinary shares of the Company at 31 January 2005 and 1 January 2004 are shown on page 16.

Significant shareholdings
In addition to the Directors, the following shareholders had beneficial interests in more than 3% of the Company's share capital at 31 January 2005:

	Beneficial holding	
Name	Number of shares	%
R M Greenshields	9,042,407	9.1
P A Brewer	6,822,221	6.9
H J Leitch	5,876,571	5.9
H G Wellington Inc.	3,300,000	3.3
Merlin Biosciences Fund LP	3,128,000	3.2
J Kratochvil	3,020,278	3.2

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 January 2005 represents 81 days' worth (2003: 81 days' worth) as a proportion of the total amount invoiced by suppliers during the period.

Donations
The Group made no charitable contributions during the period (2003: none). No political donations were made during the period (2003: none).

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 Group and Company 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 a 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for systems of internal control, safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern
After making reasonable enquiries and performing analysis, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the forseeable future.

On the basis of the anticipated levels of sales, costs and cash flow, the Directors have satisfied themselves that the level of cash in the business is sufficient for at least the next 12 months.

For these reasons, the Directors continue to adopt the going concern basis in preparing the financial statements.

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

Approved by the Board of Directors on 17 May 2005 and signed on behalf of the Board

Lucy O'Brien
Secretary

Independent Auditors' report to the members of LiDCO Group plc

We have audited the financial statements of LiDCO Group Plc for the 13 months ended 31 January 2005 which comprise the consolidated profit and loss account, the balance sheets, consolidated cash flow statement, the reconciliation of movement in consolidated equity shareholders' funds, the consolidated statement of total recognised gains and losses and related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit report, for this report, or for the opinions we have formed.

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 and other members of the Group 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 or material inconsistencies in the financial statements.

Basis of audit 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 and the Group'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.

Going concern

As set out in note 1 to the financial statements the Company has continued to record operating losses as a result of continuing to invest in the development of its operations and may require additional funding in the event that new sales are not achieved as forecast by the Directors. If necessary, the Directors believe that there are sufficient opportunities available to them to obtain additional funding from sources which are currently being explored. The financial statements do not include any adjustments that might arise from the new sales required by the forecasts not being achieved or if necessary, a failure to obtain new funding. In view of the significance of this uncertainty, we draw attention to this matter, but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 January 2005 and of the loss of the Group for the 13 months then ended and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE LLP
Chartered Accountants and
Registered Auditors
London

17 May 2005

Consolidated profit and loss account

for the 13 months ended 31 January 2005

	Note	13 months ended 31 January 2005 £'000	Year ended 31 December 2003 £'000 (restated)
Turnover	1,3	**2,456**	2,717
Cost of sales		**(808)**	(808)
Gross profit		**1,648**	1,909
Administration expenses		**(5,965)**	(6,090)
Operating loss	5	**(4,317)**	(4,181)
Interest receivable and similar income		**77**	68
Loss on ordinary activities before tax		**(4,240)**	(4,113)
Tax on loss on ordinary activities	6	**41**	238
Loss on ordinary activities after tax and retained for the period/year	22	**(4,199)**	(3,875)
Loss per share (basic and diluted) (p)	16	**4.65**	5.34

The prior period restatement is due to a change in accounting policy, as set out in note 2.

All amounts derive from continuing operations.

Balance Sheets

as at 31 January 2005

		The Group		The Company	
	Note	31 January 2005 £'000	31 December 2003 £'000 (restated)	31 January 2005 £'000	31 December 2003 £'000 (restated)
Fixed assets					
Intangible fixed assets	7	**313**	421	**-**	-
Tangible fixed assets	8	**1,221**	1,305	**-**	-
Investments	9	**-**	-	**65**	65
		1,534	1,726	**65**	65
Current assets					
Stocks	10	**1,165**	1,665	**-**	-
Debtors	11	**1,510**	1,201	**16,449**	12,668
Cash at bank and in hand		**1,607**	1,600	**1,213**	1,074
		4,282	4,466	**17,662**	13,742
Creditors: amounts falling due within one year	12	**(558)**	(515)	**(3)**	(2)
Net current assets		**3,724**	3,951	**17,659**	13,740
Total assets less current liabilities		**5,258**	5,677	**17,724**	13,805
Creditors: amounts falling due after more than one year	13	**(123)**	(198)	**-**	-
Net assets		**5,135**	5,479	**17,724**	13,805
Capital and reserves					
Called up share capital	15	**495**	386	**495**	386
Share premium account	22	**17,142**	13,396	**17,142**	13,396
Merger reserve	22	**8,513**	8,513	**-**	-
Other reserve	22	**(88)**	(88)	**(88)**	(88)
Profit and loss account	22	**(20,927)**	(16,728)	**175**	111
Equity shareholders' funds		**5,135**	5,479	**17,724**	13,805

The prior period restatement is due to a change in accounting policy, as set out in note 2.

These financial statements were approved by the Board of Directors on 17 May 2005.

Signed on behalf of the Board of Directors

Dr Terence O'Brien
Director
17 May 2005

Consolidated cash flow statement
for the 13 months ended 31 January 2005

	Note	13 months ended 31 January 2005 £'000	Year ended 31 December 2003 £'000
Net cash outflow from operating activities	17	**(3,535)**	(3,094)
Returns on investment and servicing of finance	18	**77**	68
Capital expenditure and financial investment	18	**(390)**	(344)
Cash outflow before financing		**(3,848)**	(3,370)
Financing	18	**3,855**	996
Increase/(decrease) in cash in the year		**7**	(2,374)

Reconciliation of net cash flow to movement in net funds

	Note	13 months ended 31 January 2005 £'000	Year ended 31 December 2003 £'000
Movement in cash in the period	18	**7**	(2,374)
Net funds at 1 January	18	**1,600**	3,974
Net funds at 31 January/31 December	18	**1,607**	1,600

Reconciliation of movement in consolidated equity shareholders' funds
for the 13 months ended 31 January 2005

	13 months ended 31 January 2005 £'000	Year ended 31 December 2003 £'000 (restated)
Loss for the financial period/year	**(4,199)**	(3,875)
Issue of shares	**3,855**	996
Net reduction in equity shareholders' funds	**(344)**	(2,879)
Opening equity shareholders' funds	**5,479**	8,358
Closing equity shareholders' funds	**5,135**	5,479

Consolidated statement of total recognised gains and losses
for the 13 months ended 31 January 2005

	13 months ended 31 January 2005 £'000	Year ended 31 December 2003 £'000 (restated)
Loss for the period	**4,199**	3,875
Total recognised gains and losses relating to the period/year	**4,199**	3,875
Prior year adjustment (as explained in note 2)	**88**	
Total gains and losses recognised since last annual report and financial statements	**4,287**	

Notes to the accounts
for the 13 months ended 31 January 2005

1. Accounting policies
The financial statements are prepared in accordance with applicable United Kingdom law and 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. There have been no changes in the Group's accounting policies from those used in the 2003 statutory accounts, with the exception of the implementation of UITF 38 as described in note 2.

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

Going concern
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 thirteen months ended 31 January 2005.

The Directors have approved forecasts until the end of May 2006, which indicate that the Company will have sufficient funding to continue to trade during that period. The forecasts assume a level of new 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 sources which are currently being explored, to 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.

Merger accounting
Admission to the AIM Market of the London Stock Exchange 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-organisation. Merger accounting has therefore been adopted as the accounting treatment for the re-organisation. 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.

Turnover
Turnover represents amounts receivable from product sales – whether sales of monitors, sensors (and associated disposables) or fees for use of the LiDCO*plus* monitor (where calibration is performed with another product) and monitor rentals – and income from licence agreements granted. Dependent upon the terms of each licence agreement, income from licence agreements is recognised on a straight-line basis, commencing from the date of receipt of cash over the period of the licence, subject to a maximum of 10 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. Deferred taxation is not discounted.

Intangible fixed assets
Intangible fixed assets represent software development costs and clinical trials on the LiDCO*plus* system. These have been capitalised and are amortised in equal annual amounts over three years.

1. Accounting policies *continued*

Tangible fixed assets
Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

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:

Land and buildings	10 – 20% per annum
Plant and machinery	20% per annum
Fixtures and fittings	20% per annum
Computer equipment	20 – 33% per annum

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. Restatement of comparative figures

As disclosed in the Company's interim results, following the introduction of UITF 38 ('Accounting for Employee Share Ownership Trusts') the Company has restated its figures relating to its investment in the LiDCO Group Plc Employee Benefit Trust. This change has had the effect of transferring the investments balance of £60,000 (2003: £38,000) directly to reserves. A reversal of impairment of £46,000 in the year ended 31 December 2003 has now been taken directly to reserves. Changes in the value of shares held in the Trust are no longer shown in the Company's results.

3. Turnover

	13 months ended 31 January 2005 £'000	Year ended 31 December 2003 £'000 (restated)
Turnover summary – showing transition to annuity stream		
Capital sale	**803**	1,669
Sensor revenue	**1,456**	844
Monitor fee per use	**120**	-
Licence fees	**77**	204
Total	**2,456**	2,717
Installed base (number of monitors)	**770**	591
Turnover by destination		
United States	**935**	754
Far East	**114**	1,001
United Kingdom	**931**	706
Other European countries	**386**	249
Rest of World	**90**	7
	2,456	2,717

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

Notes to the accounts *continued*
for the 13 months ended 31 January 2005

4. Information regarding Directors and employees

The Group	13 months ended 31 January 2005 Number	Year ended 31 December 2003 Number
Average number of persons employed (including Directors)		
Production	**13**	13
Sales	**20**	23
Administration	**7**	7
	40	43

Staff costs (including Directors)	£'000	£'000
Wages and salaries	**2,526**	2,421
Social security costs	**208**	234
	2,729	2,655

Directors' emoluments for the 13 months ended 31 January 2005	2005 Salary and fees £'000	2005 Benefits £'000	2005 Bonus £'000	2005 Total £'000	Year ended 31 December 2003 Total £'000
D M Band	**130**	**-**	**-**	**130**	117
T K O'Brien	**215**	**-**	**-**	**215**	195
T A Wallis[1]	**43**	**-**	**-**	**43**	40
R J Mills[2]	**159**	**-**	**-**	**159**	125
J G Barry	**194**	**-**	**30**	**224**	180
A E B Wiegman	**22**	**-**	**-**	**22**	20
	763	**-**	**30**	**793**	667

[1]Ms Wallis' fees are payable to ANGLE Technology Limited.

[2]Mr Mills resigned as a Director on 19 January 2005.

5. Operating loss
Operating loss is stated after charging:

The Group	13 months ended 31 January 2005 £'000	Year ended 31 December 2003 £'000
Auditors' remuneration		
Group audit fees	**33**	38
Company audit fees	**3**	5
Non-audit services	**18**	49
Research and development	**310**	269
Rentals under operating leases		
Hire of plant and machinery	**57**	58
Land and buildings	**293**	269
Depreciation – owned assets	**389**	301
Amortisation	**234**	354

6. Tax on loss on ordinary activities

	13 months ended 31 January 2005 £'000	Year ended 31 December 2003 £'000 (restated)
Loss on ordinary activities before tax	**(4,240)**	(4,113)
Tax at 30% thereon:	**(1,272)**	(1,234)
Effects of:		
Expenses not deductible for tax purposes	**116**	196
Capital allowances in excess of depreciation	**107**	90
Tax losses not recognised	**998**	886
Other timing differences	**51**	62
Research and development tax credits	**(41)**	(238)
Current tax credit for period	**(41)**	(238)

7. Intangible fixed assets

The Group	Clinical trials £'000	Software development £'000	Total £'000
Cost:			
At 1 January 2004	74	767	841
Additions during the year	-	126	126
At 31 January 2005	74	893	967
Accumulated depreciation:			
At 1 January 2004	49	371	420
Charge for the year	25	209	234
At 31 January 2005	74	580	654
Net book value:			
At 31 January 2005	-	313	313
At 31 December 2003	25	396	421

8. Tangible fixed assets

The Group	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost:					
At 1 January 2004	541	385	151	670	1,747
Additions during the period	–	16	3	551	570
Disposals	–	–	–	299	299
At 31 January 2005	541	401	154	922	2,018
Accumulated depreciation:					
At 1 January 2004	70	105	62	205	442
Charge for the period	61	84	37	207	389
Disposals	–	–	–	34	34
At 31 January 2005	131	189	99	378	797
Net book value:					
At 31 January 2005	410	212	55	544	1,221
At 31 December 2003	471	280	89	465	1,305

The Company held no tangible fixed assets as 31 January 2005 (31 December 2003: nil).

9. Investments

The Company	Shares in subsidiary undertakings £'000
Cost and net book value	
At 1 January 2004 and 31 January 2005	65

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

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

10. Stocks

The Group	31 January 2005 £'000	31 December 2003 £'000
Raw materials and consumables	**389**	74
Finished goods	**776**	1,591
	1,165	1,665

11. Debtors

	The Group		The Company	
	31 January 2005 £'000	31 December 2003 £'000	31 January 2005 £'000	31 December 2003 £'000
Trade debtors	**1,291**	970	**-**	-
Amounts owed by Group undertakings	**-**	-	**16,449**	12,667
Other debtors	**145**	120	**-**	1
Prepayments and accrued income	**74**	111	**-**	-
	1,510	1,201	**16,449**	12,668

12. Creditors: amounts falling due within one year

	The Group		The Company	
	31 January 2005 £'000	31 December 2003 £'000	31 January 2005 £'000	31 December 2003 £'000
Trade creditors	**182**	206	**-**	-
Other creditors	**95**	62	**3**	2
Accruals and deferred income	**281**	247	**-**	-
	558	515	**3**	2

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

	The Group		The Company	
	31 January 2005 £'000	31 December 2003 £'000	31 January 2005 £'000	31 December 2003 £'000
Deferred income	**123**	198	**-**	-

14. Deferred taxation

No deferred taxation was provided at 31 January 2005 (31 December 2003: none). The amounts of deferred taxation unprovided were:

	The Group		The Company	
	31 January 2005 Unprovided £'000	31 December 2003 Unprovided £'000	31 January 2005 Unprovided £'000	31 December 2003 Unprovided £'000
Capital allowances in excess of depreciation	**53**	159	**-**	-
Other	**(5,428)**	(4,327)	**-**	(1)
	(5,376)	(4,168)	**-**	(1)

15. Called up share capital

The Group and the Company	31 January 2005 Number	31 December 2003 Number	31 January 2005 £'000	31 December 2003 £'000
Authorised shares of 0.5p each	**150,000,000**	100,000,000	**750**	500
Called up, issued and fully paid	**98,906,930**	77,235,698	**495**	386

The authorised share capital was increased to 150,000,000 ordinary shares at the Company's Annual General Meeting in June 2004. 21,052,632 shares were then issued at 19p pursuant to a £4.0 million fundraising, on 17 June 2004. 618,600 share options were exercised in the period.

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 January 2005.

The Group	13 months ended 31 January 2005 £'000	Year ended 31 December 2003 £'000
Loss for the financial year (£'000)	**4,199**	3,875
Weighted average number of ordinary shares ('000)	**90,239**	72,604
Effect of dilutive share options ('000)	**6018**	5,081
Adjusted weighted average number of ordinary shares ('000)	**96,757**	77,685
Loss per share – basic and diluted (p)	**4.65**	5.34

17. Net cash outflow from operating activities

The Group	13 months ended 31 January 2005 £'000	Year ended 31 December 2003 £'000
Operating loss	**(4,317)**	(4,181)
Depreciation and amortisation charges	**623**	655
Decrease/(increase) in stocks	**500**	627
Decrease/(increase) in debtors	**(309)**	166
Increase/(decrease) in creditors	**(32)**	(361)
Net cash outflow from operating activities	**(3,535)**	(3,094)

18. Analysis of cash flows for headings netted in the cash flow statement

The Group	13 months ended 31 January 2005 £'000	Year ended 31 December 2003 £'000
Returns on investment and servicing of finance		
Interest received	**77**	68
Capital expenditure and financial investment		
Payments to acquire intangible fixed assets	**126**	210
Payments to acquire tangible fixed assets	**264**	134
	390	344
Financing		
Issue of ordinary share capital	**3,855**	996

19. Analysis of net funds

The Group	1 January 2004 £'000	Cash flow £'000	**31 January 2005 £'000**
Cash in hand and at bank	1,600	7	**1,607**

20. Financial instruments
The Group did not trade in financial instruments in the current period or preceding year.

20. (a) Maturity profile of financial liabilities
The Group did not have any financial liabilities in the current period or preceding year.

20. (b) Interest rate profile

The Group	Floating rate financial assets £'000	Fixed rate financial assets £'000	Total £'000
At 31 January 2005			
Sterling	1,481	121	1,602
US$	5	-	5
Gross financial assets	1,486	121	1,607
At 31 December 2003			
Sterling	1,174	295	1,469
US$	131	-	131
Gross financial assets	1,305	295	1,600

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 the current period or preceding year.

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 period ended 31 January 2005. 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	**31 January 2005 US$'000**	31 December 2003 US$'000
Sterling	**5**	233

21. Movement of reserves

	Share premium account £'000	Merger reserve £'000	Other reserve £'000 (restated)	Profit and loss account £'000	Total £'000
The Group					
Balance at 31 December 2003					
as previously stated	13,396	8,513	-	(16,728)	5,181
Prior year adjustment	-	-	(88)	-	(88)
Balance at 1 January 2004 as restated	13,396	8,513	(88)	(16,728)	5,093
Issue of share capital	3,746	-	-	-	3,746
Loss for the financial year	-	-	-	(4,199)	(4,199)
Balance at 31 January 2005	17,142	8,513	(88)	(20,927)	4,640

	Share premium account £'000	Merger reserve £'000	Other reserve £'000 (restated)	Profit and loss account £'000	Total £'000
The Company					
Balance at 31 December 2003					
as previously stated	13,396	-	-	111	13,507
Prior year adjustment	-	-	(88)	-	(88)
Balance at 1 January 2004 as restated	13,396	-	(88)	111	13,419
Issue of share capital	3,746	-	-	-	3,746
Profit for the financial year	-	-	-	64	64
Balance at 31 January 2005	17,142	-	(88)	175	17,229

The other reserve relates to the former investment in shares in the Employee Share Ownership Trust. As stated in note 2, this investment is no longer classified as an investment of the Company or the Group.

22. Operating lease commitments

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

The Group	**31 January 2005 Land and buildings £'000**	31 December 2003 Land and buildings £'000	**31 January 2005 Other £'000**	31 December 2003 Other £'000
Leases which expire				
Within one year	**-**	-	**57**	58
Within two to five years	**293**	201	**-**	-
After more than five years	**-**	100	**-**	-
	293	301	**57**	58

23. Commitment and contingent liabilities

At 31 January 2005, the Group had a bank guarantee outstanding for £118,116 (31 December 2003: £118,116) in favour of Granta Park Limited. The amount is a rent deposit on the Group's Sales & Marketing office in the Granta Science Park in Cambridge. The guarantee is effective until July 2006.

At 31 January 2005 the Group had a trade debt guarantee of £100,000 (31 December 2003: £nil) outstanding in favour of Advantech (UK) Limited, the Group's supplier of LiDCO*plus* monitor hardware. On 26 April this guarantee was cancelled.

It is Group policy to commit to making these payments to suppliers in preference to paying for goods and services in advance, in order to maintain a satisfactory cash flow.

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 – Chief Medical Officer at Memorial Hermann Hospital, Texas.

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

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

Professor Patrick Wouters – Professor of Cardiovascular Anaesthesia, University of Leuven, Belgium.

Shareholder information

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

Bankers
Barclays Bank PLC
PO Box 885
Mortlock House
Vision Park
Histon
Cambridge CB4 9DE

Solicitors
Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS

Registered Office
16 Orsman Road
London N1 5QJ

Stockbroker
Durlacher Limited
Moorgate Hall
155 Moorgate
London EC2M 6XB

Registrars
Capita Registrars
34 Beckenham Road
Beckenham
Kent BR3 4TU

Company Number
2659005

Company Website
www.lidco.com

Designed and produced by **Emperor Design Consultants Ltd**
Telephone **020 7729 9090 www.emperordesign.co.uk**

Cardiac Sensor Systems

LiDCO Group Plc
UK Office:
16 Orsman Road
London N1 5QJ
T: +44 (0)20 7749 1500
F: +44 (0)20 7749 1501

USA Distribution Office:
Wren Medical Systems
905 Lakeside Drive
Gurnee, IL 60031
T: +1 847 625 0600
F: +1 847 625 0981

Sales and Marketing:
Flowers Building
Granta Park
Cambridge CB1 6GU
T: +44 (0)1223 893 081
F: +44 (0)1223 890 187

www.lidco.com