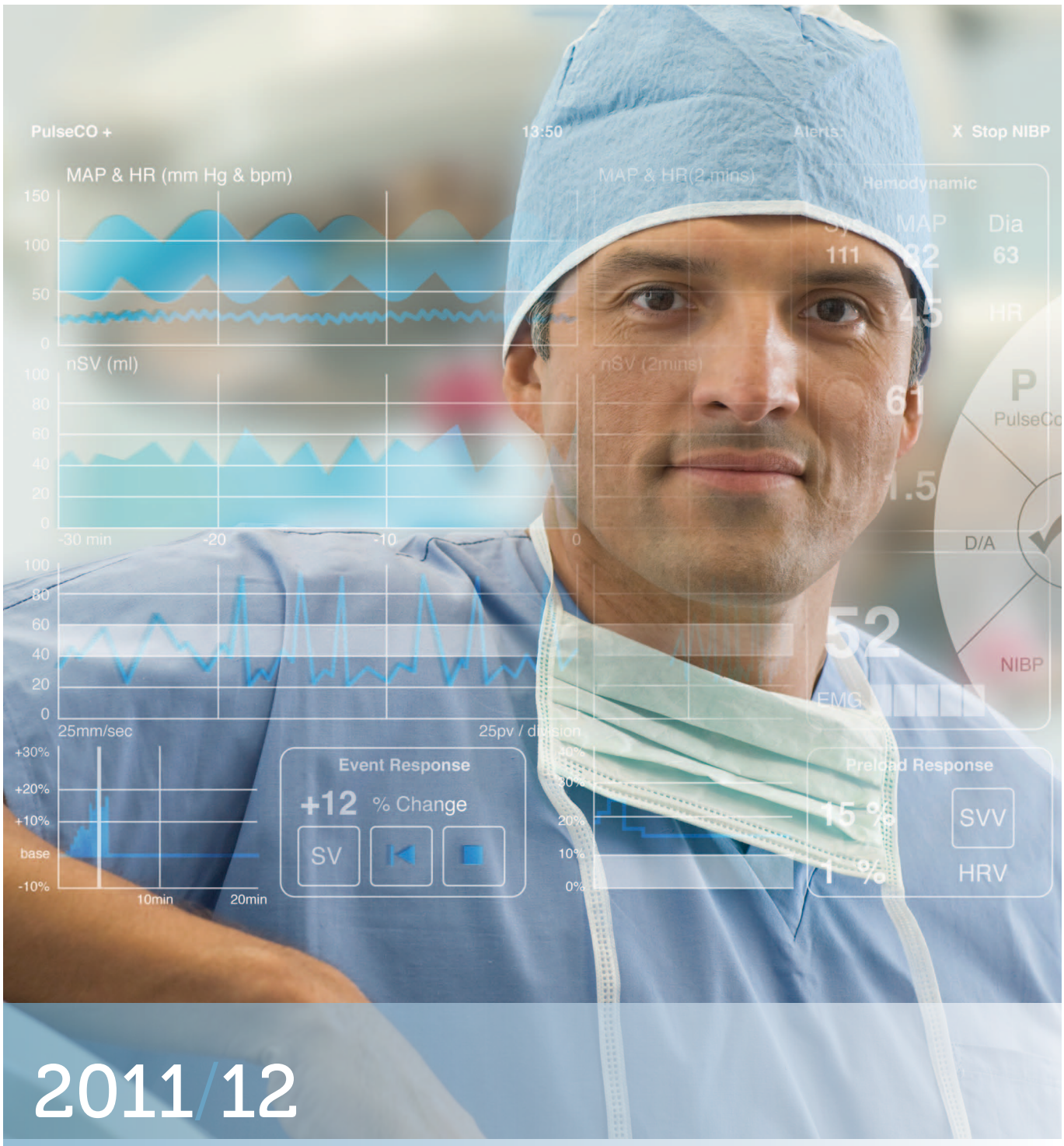


2011/12

LiDCO Group Plc Annual Report & Accounts for the year ended 31 January 2012

LiDCO Cardiac Sensor Systems

LiDCO Group Plc
www.lidco.com

LiDCO manufactures minimally invasive hemodynamic monitoring equipment and disposables. Our products are the result of a multi-disciplinary developmental approach that transforms complex physiological data into useable and effective information.

Early intervention to avoid potentially dangerous and life threatening events has been proven to reduce complications and length of hospital stay in high risk surgery patients.

Click on the headings below to navigate through the document

Financial highlights

Total revenue increased by 14% to £7.12m (2010/11: £6.24m)

Disposables revenues up 36% to £5.02m representing 70% of total revenues

Gross profit up 13% to £4.75m (2010/11: £4.22m). Significant margin improvement on LiDCO products to 76% (2010/11: 68%)

Operating loss reduced by 90% to £49,000 (2010/11: £0.50m)

Maiden profit after tax of £15,000 and EBITDA of £0.61m

Cash balance of £1.55m (2010/11: £1.40m)

Earnings per share of 0.01p (2010/11: loss per share 0.22p)

Operational highlights

364 monitors installed in the period (2010/11: 524) with the installed base up 9% to 2,189 units (rolling 7 year basis). LiDCO*rapid* represents 72% of the installed monitor base

UK revenues including Argon up 57% to £3.70m (sensors up 5%, LiDCO*rapid* smart cards up 47%)

NHS drive in England for full adoption of intra-operative hemodynamic monitoring

Japanese registration and supply and UK distribution agreements signed with Argon Medical in the year

Agreement signed with ICU Medical in July 2011 appointing LiDCO as UK distributor for ICU products and providing worldwide access to certain LiDCO IPR

Licensing agreement for continuous non-invasive blood pressure technology signed with CNSystems Medizintechnik AG in January 2012

Multi-parameter monitor project combining depth of anesthesia and non-invasive blood pressure progressing well

European patent for the LiDCO*rapid* graphical user interface accepted for grant

Revenue
£million

Loss from operations
£million

Net cash outflow before financing
£million

Products and development pathway

LiDCO has an active development programme of incremental product enhancement and evolution, improving ease of use and enabling convergence and integration of multiple monitoring parameters.

LiDCO*rapid*

Arterial line high-risk surgery

- 5.31 million high-risk surgery patients worldwide per annum
- Potential market value US$860 million per annum

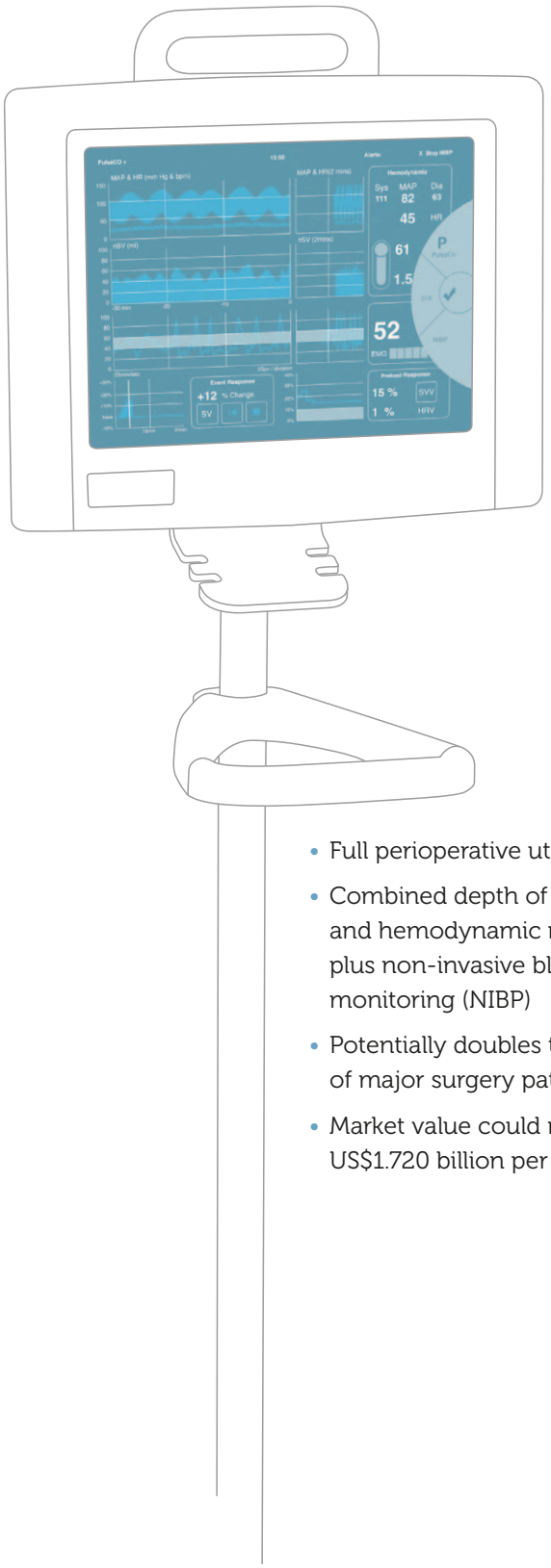
LiDCO*plus*

Intensive care

- Calibrated approach
- Suitable for treatment of sicker patients
- Management of shock – low blood pressure
- Market size estimated at US$400 million per annum

LiDCO*rapid* 'multi-parameter'

Enhanced surgery offering



Enhanced monitoring

of high and moderate risk surgical patients will be offered by the LiDCO*rapid* 'multi-parameter' monitor, with a potential market value of US$1.720 billion a year.

- Full perioperative utility
- Combined depth of anesthesia and hemodynamic monitoring plus non-invasive blood pressure monitoring (NIBP)
- Potentially doubles the number of major surgery patients
- Market value could reach US$1.720 billion per annum

Evidence, awareness and drivers of adoption

A considerable body of evidence has been accumulated in support of routine hemodynamic monitoring of high-risk surgery patients. Over time, the practice looks set to become an integral part of delivering effective care to the majority of these patients, with the relatively low upfront costs of the equipment outweighed by benefits to both patient and hospital. Our technology has been shown to reduce length of stay by up to an average of 12 days[1] and complications by 67%[2] in high risk surgery patients.

£400m
potential
net savings annually to the NHS

Published in December 2011, the NHS Improvement and Efficiency Directorate's 'Innovation, Health and Wealth' report stated that innovation was central to the future of the NHS. Citing a range of innovations that can improve patient outcomes and save money, the report emphasised the need to nurture and promote adoption of new techniques and technologies.

As part of the UK Department of Health's Quality, Innovation, Productivity and Prevention (QIPP) programme, certain treatment pathways are encouraged. Fluid management is an element of the treatment pathway known as Early Recovery After Surgery (ERAS), which is recommended for patients undergoing surgical procedures.

ERAS has been proven to reduce length of stay in hospital, as well as post-operative complications in high risk surgical patients.

The NHS report highlighted the fact that advanced fluid management monitoring can significantly reduce mortality rates for elective procedures. Adoption of such technologies would improve the quality of care for 800,000 patients in the UK each year and generate potential net savings to the NHS of some £400m annually. Currently fewer than ten per cent of patients benefit from such technologies.

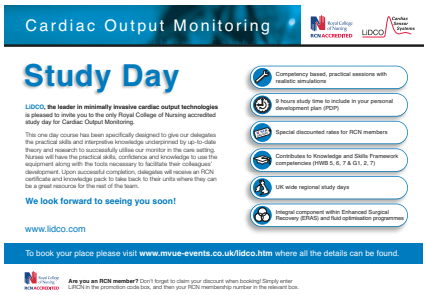
In identifying a number of high impact innovations, the report announced the launch of a national drive to get full implementation of advanced fluid management monitoring technology into practice across the NHS. Compliance with the recommendations on high impact innovations will become a pre-qualification requirement for Commission for Quality and Innovation (CQUIN) payments, with a requirement to 'comply or explain'.

[1] Pearse R, Dawson D, Fawcett J, Rhodes A, Grounds RM, Bennett ED (2005) Early goal-directed therapy after major surgery reduces complications and duration of hospital stay. A randomised, controlled trial. Crit Care 9 (6) 687-693

[2] Lobo S et al., (2011) Restrictive strategy of intraoperative fluid maintenance during optimization of oxygen delivery decreases major complications after high risk surgery. Critical Care vol 15:R226 doi: 10.1186/cc10466

Translational skills and education

With advanced hemodynamic monitoring set to become a key element in the effective care of high and moderate risk patients, high quality education and training for clinical staff is essential.



Dr Phil Newman (left) consultant anaesthetist at St George's Hospital, presenting at LiDCO's Hemodynamic Monitoring Workshop. Delegates attend our RCN accredited Study Day (above) at the University Hospital of Wales, Cardiff.

LiDCO is committed to supporting its hospital customers. Two years ago we established a hemodynamic workshop in collaboration with the doctors at St George's Hospital in London, teaching hemodynamic optimization techniques to senior physicians. The past year saw an increase in the number of workshops held, with a total of nine study days at St George's, attended by over 70 clinicians from hospitals around the UK and abroad. The course is accredited by the UK's Royal College of Anaesthetists for continuing medical education points.

We also hold accreditation from the Royal College of Nursing (RCN) for its LiDCO*plus* monitor competency-based study day. During 2011/12 we also conducted 27 study days for the RCN, with over 300 attendees including critical care nurses and junior doctors. Underpinned by up-to-date theory and research, the delegates acquire the practical skills and interpretative knowledge to successfully use the monitors in the critical care environment.

Chairman's statement

The year ended with LiDCO achieving break-even for the first time and an EBITDA of over £500,000. Revenues increased by 14%, reflecting the continued growing adoption of our technology, interest from licensing partners and sales of third party products. The year was marked by strong progress towards achieving a network of partnerships aimed at extending our global market reach, enhancing our product offering and leveraging the Company's assets and sales infrastructure. We closed the year with cash of £1.55 million, which included debt of £500,000 to finance costs associated with one of these licensing deals.

Theresa Wallis
Chairman

Products

LiDCO produces the LiDCO*plus* for critical care use and, since 2008, the LiDCO*rapid* for use in surgery. Each of these comprises monitors and disposables used for the measurement of hemodynamic parameters and their display in a manner designed to facilitate clinical treatment.

During the year LiDCO's intellectual property position was strengthened as we continued with our programme of product improvement and innovation. Furthermore, LiDCO's product offering in the UK was expanded by a range of complementary specialty critical care products, which we began distributing for our partner Argon Medical.

Looking ahead, we see the convergence of multiple parameters onto a single monitor as an increasingly important means of enabling hospitals to save costs, whilst improving quality of care. During the year a focus of our development activities was therefore to refine the software architecture of our products in order to enable a variety of parameters, whether measured using LiDCO or third party sensors, to be integrated for display on a single monitor, and to enable specific elements of our proprietary monitoring software to be licenced to partners.

Access

We continued to work closely with Covidien, our US distribution partner for the LiDCO*rapid* and were encouraged by the commitment they showed to our products and developing the market for them.

Four new partnership deals were signed during the year, including partners in Japan and the US, two of the world's largest markets. Historically LiDCO's products have been supplied through a combination of direct sales and a network of distributors. More recently we have been looking to intellectual property licensing collaborations as supplementary channels to market and our first software licensing contract was signed in July 2011.

Evidence and Awareness

The recognition of the clinical and economic benefits of using minimally invasive hemodynamic monitoring has continued to grow. In the UK, the Department of Health's drive for Quality, Innovation, Productivity and Prevention (QIPP) underpins the growing interest in the use of fluid optimisation during surgery. This has significant implications for LiDCO as our products can be used for the management of fluid and oxygen delivery in critical care and high risk surgery patients.

We were again well represented at conferences and tradeshows around the world during the year and our simulator-based training programmes continued to be popular with doctors and nurses.

Prospects

Independent research shows that cardiac output monitoring is the fastest growing sector within the European monitoring market. With the UK government taking steps to include fluid management into routine practice for high risk surgery, we believe the progress made by the Company last year in terms of sales, market access in the US and Japan and product development, leaves us in a strong position to take advantage of the opportunities that are open to us.

We will continue to work on collaborations aimed at driving both the use of disposables in our own and third parties' installed bases of monitors, and developing a single multi-parameter monitor. This coming year we expect to see the development of our first completely non-invasive hemodynamic monitoring product, which could provide access to a disposable revenue stream of approximately US$1.720 billion.

I would like to thank our shareholders for their continued support, my fellow directors and the staff at LiDCO for their hard work and our Clinical Advisory Group for their valuable insights and feedback. Professor David Bennett, a member of our Clinical Advisory Group since 2005, passed away in February this year and we will very much miss him; both as a friend of LiDCO and a wise contributor to our Clinical Advisory Group.

Theresa Wallis
Chairman
23 April 2012

Chief Executive Officer's statement

With sales growing, a maiden profit after tax, corporate partnerships expanded and mainstream adoption planned for the NHS in England, last year was our most productive since joining AIM.

Dr Terence O'Brien
Chief Executive Officer

Overview

The combination of marginally increasing administration expenses (by 2%), improvements to product margins and revenue growth of 14% resulted in a maiden profit after tax of £15,000. The majority of our revenue (70%) now comes from a growing recurring disposable income stream. This was an excellent performance given the background of another year of very mixed economic conditions in some of the markets where our products are sold.

During the past year we signed significant distribution and licensing agreements with Argon, ICU Medical and CNSystems Medizintechnik. These are all important commercial collaborations, aimed at increasing disposable income flow while significantly improving our major market reach. The retrofit nature of our non-invasive blood pressure option should significantly increase disposable income in both our existing and future LiDCO*rapid* monitor installed base.

The evidence for making hemodynamic monitoring of high-risk surgery patients routine is compelling. In our domestic market we are starting to see a strong push emerge from the National Health Service (NHS) for country-wide adoption. In December 2011 the NHS Improvement and Efficiency Directorate published its report Innovation, Health and Wealth. This report sets out actions to drive towards full adoption of advanced fluid and hemodynamic monitoring of surgery patients. We expect that this project will start from May 2012, and that hospitals will be encouraged to monitor more patients with a mixture of payment incentives coupled with the requirement to comply or explain. Ultimately, as detailed in the report of December 2011, this could result in the monitoring of an additional 750,000 patients per annum and a saving to the NHS of £400 million a year. We expect other countries to adopt similar approaches. Advanced hemodynamic monitoring looks set to become an integral part of delivering effective care to the majority of high and moderate risk surgical patients.

The economic background and emerging drivers of adoption

As a substantial part of the world's economy continues to attempt to recover from the global economic crisis, healthcare expenditure growth can no longer be automatically assumed. Increasingly, budgetary constraints will rouse demands for healthcare efficiency savings. In the UK, NHS hospitals are expected to deliver efficiency savings in the region of £15 billion over the three years to March 2014. Despite economic headwinds, the cost of treating an ageing population in the 'developed' world ensures that there will continue to be a growing demand for medical devices as part of treatments that are evidence-based and proven to be cost effective. Around 250 million major surgical procedures are performed worldwide annually, resulting in about 12.5 million patients with surgical complications (Pearse et al., 2011). The traditional methods of monitoring fluid, blood volume and oxygen delivery are notoriously inefficient and fail to accurately predict those patients who need, and will respond to, fluid therapy. In marked contrast, treatment guided by advanced hemodynamic monitoring has been shown to better maintain fluid volumes and ensure adequate blood flow and tissue viability. Use of these parameters has significantly reduced operative complications (Lobo et al., 2011). Advanced hemodynamic monitors greatly assist with therapeutic decision-making and more

Excellent performance

in a year of mixed economic conditions across our markets

accurately guide appropriate fluid and drug interventions. Through their use, anesthetists and surgeons can provide greater consistency of care for the higher risk surgery patients.

Worldwide sales for the new generation of minimally invasive hemodynamic monitors and disposables have grown to a substantial level already worth circa US$200 million per annum. In the UK, programmes are active in encouraging adoption and providing tariff payment enhancements; systematic adoption of hemodynamic monitoring is just starting to happen on a much larger scale. There is a growing realisation that the major surgery hemodynamic monitoring market is capable of reaching a recurring revenue business of approximately US$860 million per annum (Pearse et al., 2006). If a totally non-invasive monitor were available, the number of eligible patients and associated revenues could more than double.

LiDCO's route to the worldwide market

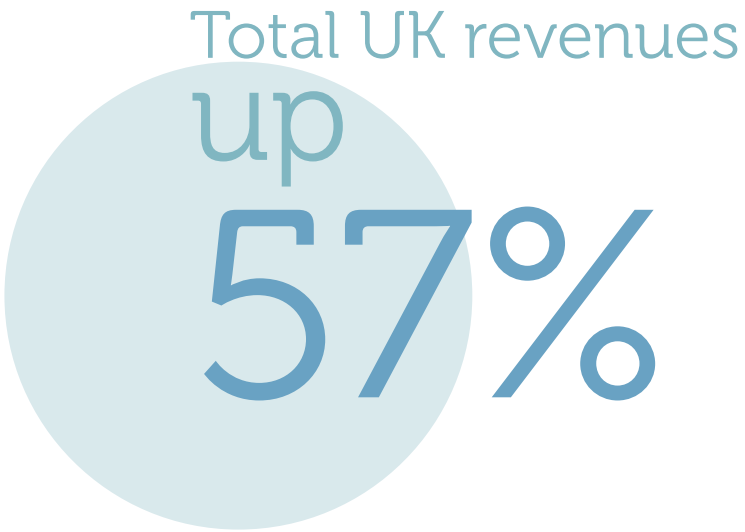
Smaller technology companies have to find an efficient and economic way to access the global market. It is almost impossible, both financially and logistically, for the Company to sell directly to the USA and Japanese markets. Recognising this market access challenge, LiDCO has chosen to export via third parties. This means that we sell through independent distributors in the smaller territories and through bigger medical device corporations in the major markets.

Registration in Japan of the LiDCO*rapid* monitor and disposables commenced in 2011 and the registration review is well advanced entering its final stage. Our best estimate is that this will conclude within the next few months. We have appointed Argon Medical Devices ('Argon') as our partner in this important territory and have signed heads of agreement with an additional major monitor sales organisation in order to fully access the Japanese market, which is the second biggest market for hemodynamic monitoring in the world. Minimally invasive hemodynamic monitoring is becoming well established in Japan and the Board believes that the Japanese hemodynamic monitoring high-risk surgery market has a potential market value of US$285 million per annum.

Our relationship with Argon brings additional benefits to both parties. In March 2011 we were appointed by Argon as the exclusive distributor for certain of their critical care disposable products in the UK. We started selling these products in June 2011. Sales have grown well and now provide an additional regular monthly disposable income and profit contribution. LiDCO has a substantial and effective sales and distribution presence in the UK hospital market that can be further leveraged in this way.

In the USA we continue to work closely with the Respiratory and Monitoring division of our US distribution partner Covidien. Considerable efforts are being made by Covidien to promote LiDCO*rapid* products through sales activities, sponsored workshops and satellite symposia. Covidien has achieved its monitor sales minimums in the first two years of our collaboration. We are working closely with them and their US customers to further develop the US market for surgical hemodynamic monitoring. We have a licence from Covidien to include their depth of anesthesia parameter into our monitor. The progressive engagement of Covidien's large sales force, coupled with our closer collaboration through parameter integration, should help foster the relationship and help drive sales over the next few years.

Chief Executive Officer's statement continued



Revenue and trading

Revenues were up by 14% to £7.12 million (2010/11: £6.24 million), with particularly good growth seen in disposable income £5.02 million (2010/11: £3.68 million). The seven year adjusted installed monitor base rose to 2,189 units (610 LiDCO*plus*; 1,579 LiDCO*rapid*) up by a net 188 (9%) units in the year. LiDCO*rapid* monitors have become the majority (72%) of our installed base just over three and a half years since launch. Although the installed base grew the number of monitors sold was less than in the prior year (364 vs. 524). The majority of this shortfall reflected lower monitor sales to Covidien (185 vs. 300) – the consequence of the unfavourable phasing of orders across the period. LiDCO*rapid* disposable sales in the US were similarly affected by the order phasing. We have now agreed regular quarterly shipments of monitors and disposables that will even out variances for comparisons made across periods. Sales to Europe were steady with overall growth being held back by lower sales to some southern European territories. LiDCO disposable income outside of the USA of £2.89 million was up 17% and was predominantly driven by LiDCO*rapid* smart card sales which were overall up a very commendable 107% to 17,750 units. Looking ahead we expect sales in the UK, Middle East, USA (Covidien), Japan and northern and eastern Europe to progress during 2012, particularly for the LiDCO*rapid* business.

During the year the Company entered into an agreement to distribute Argon's critical care product lines in the UK. Handling Argon's and later ICU Medical's product sales in the UK allows us to offer a more comprehensive offering to customers. Sales over the eight months of Argon's products were £1.21 million and, although at a lower margin than our own products, provided income that helped offset the effect on profitability and cash flow of the order phasing differences seen during the period with Covidien. Argon sales are projected to increase significantly in 2012/13, as we will be reporting a full year's revenue augmented with organic sales growth.

Markets

UK

Overall sales revenue growth was 57% to £3.7 million (2010/11: £2.36 million). Argon distribution revenue was £1.2 million (2010/11: nil). Monitor sales/placements in the period were higher at 66 units with monitor revenue was £471,000 (2010/11: 61 units; £500,000). LiDCO disposable revenue was £2,024,000 up 12% (2010/11: £1,800,000). Sensor (12,310 units) and smart card (8,735 units) were up 5% and 47% respectively, the latter reflecting strong growth in the high-risk surgery market segment of our business. Revenue from LiDCO disposables grew to 81% of total LiDCO product revenues (2010/11: 76%). The push by the NHS in England for full adoption of hemodynamic monitoring in surgery should help with more systematic use and wider adoption. We expect to be able to offer customers our new software with depth of anesthesia and the non-invasive blood pressure module towards the end of 2012 in the UK. Given the drive for adoption of intraoperative fluid and hemodynamic management and widening of the patient populations suitable for our products, the Board expects revenues to grow well in our domestic market during 2012. In particular we are expecting good sales growth of our LiDCO*rapid* and Argon distribution businesses.

USA

Sales to the USA of £1,788,000 were down by 24% (2010/11: £2,359,000). This was principally due to timing/phasing differences of bulk orders to Covidien (for both monitors and disposables) which affected comparisons across the two periods. In the prior year we had five bulk orders, compared with only three in the last reporting period. Monitor sales were down from £748,000 to £575,000 with disposables down to £923,000 (2010/11: £1,207,000). Revenues were also affected, but to a lesser extent by reduced sales of disposables in the older LiDCO*plus* sensor intensive care accounts where a number of these accounts have transitioned to the LiDCO*rapid* monitor instead. Sales to Covidien are predicted to grow this year following the move to more regularly spaced bulk order shipments.

Business review – summary table

	Year to 31 Jan 2012	Year to 31 Jan 2011	Increase/ (decrease)	Increase/ (decrease) %
Revenue by type (£'000)				
– Monitors	**1,565**	1,953	(388)	(20%)
– LiDCO disposables	**3,811**	3,681	130	4%
– Third party disposables	**1,206**	0	1,206	
– Licence fees	**540**	603	(63)	(10%)
– Total revenues	**7,122**	6,237	885	14%
Monitors (Units)	**364**	524	(160)	(31%)
Sold	**353**	515	(162)	
Placed	**11**	9	2	
Sensor, smart card and Fee per use sales (units)	**50,595**	47,938	2,657	6%
Monitor base (7 year net)	**2,189**	2,001	188	9%

Continental Europe
Total revenue in Continental Europe was steady at £853,000 (2010/11: £859,000). Monitor sales revenue was £279,000 (2010/11: £320,000) and disposables sales were up by 6% to £574,000 (2010/11: £539,000). Strong growth in sales of LiDCO*rapid* disposables was seen with units up by 83% to 4,455 units. Sales prospects in Europe remain quite challenging in the southern territories. In the countries where economies are stronger and we have successful distributors we expect to see continued progress.

Rest of World
Total revenues were up 17%. In June 2011 the Company signed an agreement in Japan with Argon Medical Devices, as previously noted above. Outside of Japan, we have made good progress in both the Middle East and Brazilian markets.

Regional sales performance summary

UK
- Total revenue up 57% to £3,701,000 (2010/11: £2,356,000)
- Monitor units sold: 66 with monitor revenue of £471,000 (2010/11: 61 units; £500,000)
- Sensor and smart card revenue £2,024,000 up 12% (2010/11: £1,800,000)
- Sensor (12,310) and smart card (8,735) unit sales up 5% and 47% respectively
- Third party disposable sales £1,206,000 (2010/11: nil)
- Other income nil (2010/11: £55,000)
- LiDCO disposables as a percentage of LiDCO product sales: 81% (2010/11: 76%)

USA
- Total revenue down 24% to £1,788,000 (2010/11: £2,359,000)
- Revenue fall predominantly due to unequal phasing of Covidien bulk orders
- Monitor revenue down 23% to £575,000 (2010/11: £748,000)
- Sensor, smart card and fee for use sales down 24% to £923,000 (2010/11: £1,207,000)
- Licence fee income of £290,000 (2010/11: £404,000)

Continental Europe
- Total revenue steady at £853,000 (2010/11: £859,000)
- Monitor sales units 60 with revenue of £279,000 (2010/11: 75 units; £320,000)
- Sensor/smart card sales revenue £574,000 (2010/11: £539,000)
- Sensor/smart card units 9,445 vs. 7,230 up 31%, sensors up 4%, smart cards up 83%

Rest of World and Licence Fee Income
- Total revenue up 17% to £780,000 (2010/11: £664,000)
- Monitor sales units 50 vs. 83, with revenue down £240,000 (2010/11: £385,000)
- Sensor/smart card sales revenue up by 115% to £290,000 (2010/11: £135,000)
- Sensor/smart card units 5,700 vs. 1,435 up 297%, sensors down 7%, smart cards up 2021%
- Licence fee income of £250,000 (2010/11: £144,000)

Chief Executive Officer's statement continued

FINANCIAL REVIEW

Operating results

Turnover increased by 14% to £7.12 million (2010/11: £6.24 million). Operating losses decreased significantly by 90% to £49,000 (2010/11: £498,000). The Company produced its maiden profit after tax of £15,000 (2010/11: loss £390,000) and earnings per share of 0.01p (2010/11: loss 0.22p). Exports fell by 12% to £3.42 million (2010/11: £3.89 million) largely the result of reduced sales to the US caused by the phasing of orders to Covidien. Exports represented 48% of turnover.

During the year a total of 364 monitors (2010/11: 524 monitors) were sold or placed. The seven year installed base of monitors at the year end was 2,189 (2010/11: 2,001) representing a net increase in the year of 9% or 188 monitors. The installed base includes demonstration and evaluation monitors sold to distributors. The monitors sold/placed in the year comprised 310 LiDCO*rapid* monitors (2010/11: 474) and 54 LiDCO*plus* monitors (2010/11: 52) including 11 (2010/11: 9) being placed.

Recurring revenues from the sales of LiDCO disposables, service contracts and fees for use increased by 4% to £3.81 million (2010/11: £3.68 million). Including third party disposables, recurring revenue increased by 36% and represented 70% (2010/11: 59%, though it should be noted there were no third party disposable sales last year) of total revenues. The number of LiDCO disposables sold increased by 6% to a milestone 50,595 (2010/11: 47,938).

The average product margin across all LiDCO products after external procurement costs increased during the period from 76% to 80%. This was largely the result of mix variance compared with the prior year with an increased proportion of disposable sales and licence revenue, which have a higher margin than monitor sales. Future profitability will significantly depend on margins achieved on disposables and these have remained high during the year.

Margins achieved on LiDCO*plus* sensors remained steady at 86% and LiDCO*rapid* smart cards increased marginally to 94% (2010/11: 93%).

Unit sales of LiDCO*rapid* smart cards rose by 9% overall. Excluding the US where there were reduced sales caused by the phasing of orders, smart card unit sales increased by 107%. In the UK, total disposable unit sales increased by 20% with smart cards increasing by 47%. In the UK where we have detailed usage information, the average use rate remained steady at 4.7 uses per monitor per month but with use in some hospitals as high as 20 uses per monitor per month.

Total overheads increased by £85,000 (2%) compared with the previous year.

Taxation

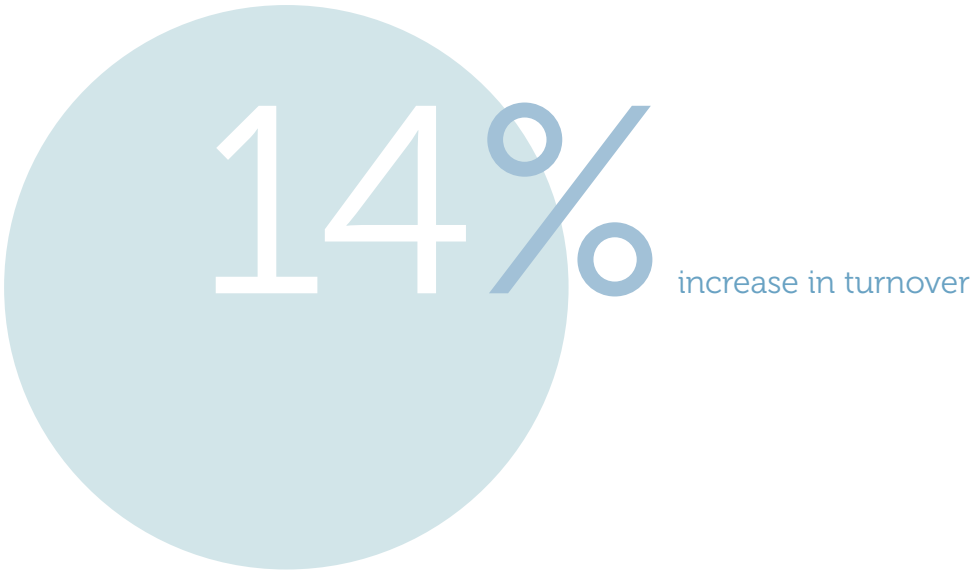
Although the Company continues to benefit from research and development tax credits, the receipt of these in cash is reducing as the Company approaches profitability and the credit of £60,000 this year is likely to be the last received in cash. The Company has a deferred tax asset of £5.3 million although this has not been recognised in the accounts.

Cash, financing and working capital

To mitigate against the effect of end of life notices being issued by manufacturers on some monitor components, the Company placed larger than normal forward orders for monitors as noted in last year's financial statements. This resulted in an increase in inventories during the year of £302,000. It is anticipated that these forward monitor orders will be absorbed into normal trading in 2013. This increase in inventories together with shorter-term working capital movements and an increase in fixed assets resulted in a net cash outflow before financing activities of £582,000 (2010/11: £433,000).

In January 2012, the Company entered into a sale and leaseback financing arrangement in respect of 77 upcharge monitors in the UK resulting in a cash inflow of £518,000 repayable in equal instalments over three years. These funds are to finance the costs for licensing and development of the continuous non-invasive blood pressure technology project with CNSystems Medizintechnik AG, which was announced on 9 January 2012, and the increase in inventory. Cash balances at 31 January 2012 totalled £1,553,000 (2010/11: £1,404,000). Cash net of the overdraft facility was £1,341,000 (2010/11: £1,404,000). The Board anticipates that this will be sufficient to see the Company through to profitability and positive cash flow.

Expenditure on intangible assets in the year of £453,000 was broadly similar to the previous year. This will increase significantly during 2012/13 as a result of the continuous non-invasive blood pressure technology project noted above.



Expenditure on plant property and equipment was £292,000 (excluding the effect of the sale and leaseback of the upcharge monitors). Of this £211,000 was in respect of medical monitors used for demonstration purposes, upcharge and clinical trials and product development.

PRODUCT DEVELOPMENT

Hemodynamic monitoring is a key part of an effective surgical care pathway for high-risk surgery patients. Better outcomes can be achieved through more balanced fluid, drug and anesthetic use in patients. Research will continue to further refine and quantify the most effective approaches for treating these high-risk surgery patients. LiDCO is the sole hemodynamic monitoring technology used in two of the world's biggest multi-center trials of their kind: OPTIMISE (in the UK) and MOnITоR (in the USA). Both trials are progressing well with 371 patients recruited in the MOnITоR trial and over 400 in the OPTIMISE trial.

In September 2011, the Company was informed by the European Patent Office of the intention to grant our European patent protecting the novel Graphical User Interface (GUI) features that we believe help make the LiDCO*rapid* unique and easy to use. The broadening of our patented intellectual property into the display is a significant development. We are delighted that key aspects of our software can be protected in this way and have also applied for additional patent protection for developments that will be part of our multi-parameter software.

Parameter convergence pathway for high-risk surgery

LiDCO is committed to monitor integration and parameter convergence that will realize the full potential for our PC monitor hardware platform. We believe that customers require total monitoring solutions, ie complete products that can replace the multiple existing single parameter monitors, and that convergence creates more effective monitoring devices. The new LiDCO*rapid* software, that is currently being developed, will allow the connection of two modules that effectively integrate Covidien's depth of anaesthesia and CNSystem's non-invasive blood pressure technology. The non-invasive blood pressure module will provide continuous data from a simple to use dual finger sensor. Combined hemodynamic and depth of anesthesia monitoring will help anesthetists limit and control the fall in blood pressure and blood flow seen after anesthetic induction. The technology will be quick to set-up, completely non-invasive and usable in the more than 80% of surgery patients who do not have an existing arterial blood pressure catheter. The addition of this technology potentially doubles the number of major surgery patients suitable for fluid and hemodynamic monitoring and should increase disposable use in both the existing and future installed base of LiDCO*rapid* monitors. It has been estimated that the addition of non-invasive blood pressure monitoring could take the worldwide major surgery market potential to approximately 10.5 million patients per annum with a potential disposable revenue stream of US$1.72 billion per annum.

Intensive care

Regarding the Company's intensive care product, the LiDCO*plus*, we expect to significantly update the monitor software (v 4.02). This will involve updating the operating system, adding the arterial line blood pressure module option and further improving ease of use and calibration methodology.

Outlook

This has been an exciting and very productive year, and with our broadening corporate partnerships we are very well placed for the future. The increasing levels of adoption within the NHS, along with our planned expansion into Japan, together with the forthcoming product developments give us confidence for 2012 and beyond.

Terry O'Brien
Chief Executive Officer
23 April 2012

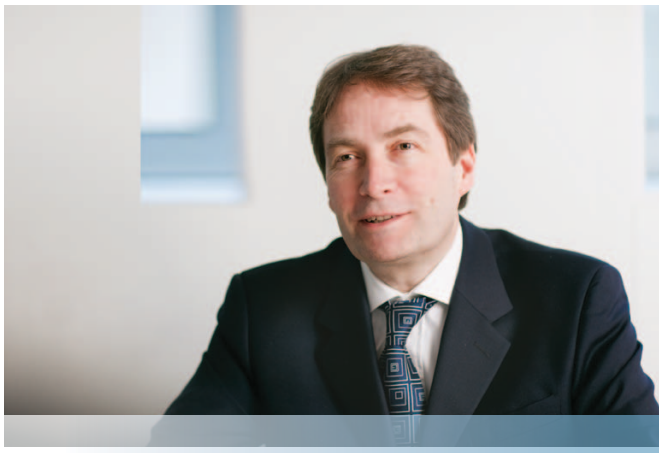
Board of Directors and Company Secretary

Theresa Wallis
Non-Executive Chairman

Dr Terence O'Brien
Chief Executive Officer

John Barry
Sales and Marketing Director

Paul Clifford
Finance Director



Ian Brown
Non-Executive Director

John Rowland
Company Secretary

Theresa Wallis
Non-Executive Chairman
Ms Wallis has worked most of her career in financial services, moving into the technology commercialisation sector in 2001. She worked for the London Stock Exchange for 13 years, where from 1995 she was chief operating officer of AIM, the market for smaller growing companies, having managed the market's development and launch in 1994/5. From 2001 to end 2006 she was a principal executive of ANGLE plc, a venture management and consulting business focusing on the commercialisation of technology. Since 2001 she has held a number of non-executive directorships and she is currently a non-executive director of Special Products Limited. She is also a member of the Quoted Companies Alliance's Executive Committee.

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. Over the last 25 years Dr O'Brien has been involved in the research and development and subsequent marketing of a number of medical device technologies that are now standards of care in the anesthesia, critical care and surgery markets.

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.

Paul Clifford
Finance Director
Mr Clifford qualified as a chartered accountant with Touche Ross (now Deloittes) in 1975. He joined the Group in April 2008 having spent 28 years in finance positions in technology companies. In 1991 he co-founded BCS Computing Limited, a private equity backed concern investing in computer software companies. He became finance director of software group, Comino in 1996, prior to its flotation on AIM in 1997. In 2006, Comino was acquired by AIM quoted Civica plc and Mr Clifford became finance director of Civica UK Limited, its £80m turnover main operating subsidiary, leaving in 2008. Mr Clifford is also a non-executive director of AIM quoted Prologic plc.

Ian Brown
Non-Executive Director
Mr Brown has over 25 years' experience in the medical devices industry and has extensive experience of developing and introducing new medical devices to the market in the UK and overseas. Between 1986 and 2003, he was an executive director and shareholder in a medical device start-up company (Novamedix Group), initially as sales and marketing director and later as managing director. The company was progressively sold to a major US healthcare group (Ofix). In his early career, Mr Brown worked in a number of UK and international sales and marketing positions for Johnson & Johnson, Smiths Industries and Pharmacia AB.

John Rowland
Company Secretary
Mr Rowland joined the Group in October 2007 qualifying as a Chartered Secretary in 1983. Prior to joining the Group he was Group Company Secretary of Robert Dyas, the high street retailer, between 2000 and 2007 and remains a trustee of their pension scheme. He has also served as Company Secretary of Aegis Group plc and The Birkdale Group plc both media companies and as an Assistant Company Secretary of National Westminster Bank PLC. Mr Rowland has previously held senior positions with Gestetner Holdings plc and Raybeck plc.

Clinical Advisory Group

Dr Max Jonas
Dr Jonas is a Consultant Intensivist and Senior Lecturer in critical care working at Southampton University Hospitals. He is currently the Director of the 28 bed general intensive care unit and has specific interests in hemodynamics and the assessment of monitoring equipment. He is an elected member of the Council of the Intensive Care Society and has completed a six year term of the technology assessment section of the European Society of Intensive Care Medicine. He is the ex-president of the Society of Critical Care Technologists.

Professor Michael Pinsky
Professor Pinsky is Professor of Critical Care Medicine, Bioengineering, Cardiovascular Diseases and Anesthesiology at the University of Pittsburgh School of Medicine, USA and is a member of the editorial board of the Journal of Critical Care and Critical Care Forum. He is editor-in-chief of the eMedicine textbook Critical Care Medicine. He was awarded Docteur honoris causa from the Université de Paris V (Le Sorbonne). He has a wide range of research interests – among them being the study of heart-lung interactions, hemodynamic monitoring, cardiovascular physiology, sepsis and outcomes research. He is a world leading authority on the application of both existing invasive, and the more recent introduced minimally invasive, monitoring technologies.

Dr Christopher Wolff
Dr Wolff holds the post of senior research fellow at The Centre for Clinical Pharmacology, The William Harvey Research Institute, Bart's and Queen Mary School of Medicine and Dentistry, London. He is a clinician, physiologist and mathematician and has major research interests in respiratory and cardiovascular physiology.

Dr David Band
Dr Band was appointed to the Clinical Advisory Group in April 2011. He co-founded LiDCO in 1991, is the co-inventor of the LiDCO system and until April 2011 was the Group's Scientific Director. 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.

Corporate Governance report

The UK Corporate Governance Code
Companies that have shares traded on AIM, the London Stock Exchange's market for smaller growing companies, are not required to comply with the UK Corporate Governance Code. However, the Board is committed to maintaining the highest standards of corporate governance, where appropriate for a company of its size.

The Board of Directors
The Board currently consists of three executive and two non-executive directors. Biographies of the directors are provided on page 15. There is a clear division of responsibilities between the Chairman and the Chief Executive Officer and their roles have been set out in writing and agreed by the Board.

The non-executive directors are Theresa Wallis (Chairman) and Ian Brown (Senior Independent Director). The non-executive directors bring a wide range of skills and experience to the Board. The Board considers that the non-executive directors are independent although Ms Wallis's term now exceeds nine years (she was appointed in December 2002).

During the current year, the Board intends to review its composition following a review of the organisational structure of the business being undertaken to optimise the next phase of the Group's growth.

There were ten Board meetings during the year. The attendance of the individual directors at the Board Meetings and the Audit and Remuneration Committee Meetings were as follows:

Attendance record at Board Meetings and Committees

Name	Position	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Ms T A Wallis	Non-executive Chairman	10(10)	2(2)	7(7)	n/a
Dr T K O'Brien	Chief Executive Officer	10(10)	n/a	n/a	n/a
Mr P L Clifford	Finance Director	10(10)	n/a	n/a	n/a
Dr D M Band*	Scientific Director	2(3)	n/a	n/a	n/a
Mr J G Barry	Sales and Marketing Director	10(10)	n/a	n/a	n/a
Mr I G Brown	Non-executive Director	10(10)	2(2)	7(7)	n/a

*Dr Band resigned as Scientific Director on 15 April 2011.

Numbers in brackets denote the total number of meetings during the year.

All the directors have access to the advice and services of the Company Secretary, whose appointment and removal is a matter for the Board as a whole. All directors are able to take independent advice in the furtherance of their duties, if necessary, at the Company's expense. The Company Secretary supports both the Board and the Committees.

Under the Company's Articles of Association, 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.

Board evaluation and performance
In February 2012, the Board carried out an evaluation of the performance, functioning and composition of the Board and its Committees. This involved each director reviewing information and completing an evaluation questionnaire, the results of which were collated and discussed by the Board and actions were agreed. It is the Board's intention to continue to review annually its performance and that of its Committees.

Committees of the Board

Audit Committee

The members of the Committee are Ms Wallis (Chairman) and Mr Brown. The external auditors also attend meetings. The Committee considers financial reporting 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 financial statements before they are submitted for approval by the Board. The Committee met twice during the year. The Committee considers annually whether the auditors remain independent for the purposes of the audit. This year the fee for non-audit work is £8,000 against an audit fee of £44,000. The Committee is satisfied that the auditors remain independent for the purposes of the annual audit. The Committee considers that given the size of the Company and its current stage of development a separate internal audit function is not required, but the matter is re-considered annually by the Committee.

Remuneration Committee

The members of the Committee are Ms Wallis (Chairman) and Mr Brown. The Committee reviews and sets the remuneration of the executive directors. It also reviews the policy for the salaries and bonuses of all other staff. It advises on share schemes and approves the granting of share options. The Committee met seven times during the year.

Nomination Committee

The members of the Committee are Ms Wallis (Chairman), Mr Brown 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. The Committee did not meet during the year.

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 public announcements to the market on technological 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 or performance of the Company.

The Chief Executive Officer, Finance Director and Chairman meet regularly with shareholders and the investing community and report to the Board feedback from those meetings. Both non-executive directors have the opportunity to attend shareholder meetings. The Board is kept informed on market views about the Company.

Corporate Social Responsibility statement

The Company recognises the importance of Corporate Social Responsibility.

At the core of LiDCO are its medical products for hemodynamic monitoring which have been developed over a number of years and continue to be developed. The original objective of the design of these products was to translate specialist physiological parameters and principles into useable information and tangible protocols to improve clinical outcomes. The Company has been successful in achieving this objective and its products, which are used in hospitals in many parts of the world, are life saving and help surgeons to improve the outcome of clinical operations for the benefit of the patient both during and after surgery and help hospitals to reduce their costs.

LiDCO works with its employees, customers and suppliers to conduct its business in an ethical way. The Company is of a relatively small size but growing and thus the Company's commitment to Corporate Social Responsibility is dynamic and is reviewed when considered appropriate.

Employees
The Company recognises that an essential part of its continued success is the support and involvement of its employees.

- Effective communication is essential to ensure its employees are fully engaged with the business. The senior management team meets regularly throughout the year as a forum to discuss interdepartmental issues and briefing sessions are also held by the Chief Executive to update employees on Company progress, strategy and objectives.
- Employees have annual appraisals to set objectives, identify strengths and areas for development.
- Training is provided where necessary to enhance job performance and aid development.
- The Company has a share option scheme with a high level of employee participation.
- The Company regularly reviews the benefits offered to employees.

Environment
Whilst not of substantial impact compared with many other manufacturing industries, nevertheless the Company recognises its activities have an impact on the environment and acknowledges its responsibility to ensure this is minimised.

- In accordance with the requirements of the Waste Electrical and Electronic Equipment Regulations (WEEE), the Company has signed up to a compliance system to recycle and dispose of electrical equipment waste.
- Where possible, other products are recycled within the Company.
- Paper, cardboard and ink cartridge recycling collection facilities are in place in London and Cambridge.
- Redundant computer equipment is offered to employees or disposed of in accordance with good practice.
- Company purchased vehicles are run on diesel fuel for fuel efficiency.
- The Company continually reviews the chemicals it uses in its manufacturing processes with the aim of using the least toxic and most environmentally friendly products commensurate with producing high quality products.

Ethics and Values

- The Company designs and manufactures life saving products which help clinicians to improve the outcome of clinical operations for the benefit of patients both during and after surgery and helps hospitals to reduce their costs.
- The Company aims for all employees to have job satisfaction, a safe and secure working environment, the feeling that their achievements are recognised and an opportunity to develop their full potential.
- The Company recognises customer needs for a high level of customer service and quality of its products, at the right price.

Health and Safety

- As a producer of medical products the Company operates in a highly regulated environment and is subject to regular inspection and audit.
- The Company uses an external specialist to advise on its health and safety policy and practice. Stringent procedures are in place in areas of the Company where risks are apparent, and the Company provides a physically safe working environment, training, protective clothing and equipment to all employees who undertake their duties.
- All Company car drivers are provided with a full driving risk assessment and training upon joining, and a further paper based risk assessment is completed every three years.
- Health and safety matters are regularly reviewed at Board Meetings.

Shareholders

The Company aims to treat its stakeholders in a responsible manner. It maintains regular contact with its major shareholders to explain developments in the business and all shareholders are invited to question management at the Annual General Meeting. See also 'Relations with Shareholders' in the Corporate Governance Report on page 17.

Directors' remuneration report

The directors present their Remuneration Report which covers the remuneration of both the executive and non-executive directors. The report will be subject to shareholder vote at the forthcoming Annual General Meeting in June 2012.

Committee membership
The membership of the Remuneration Committee is made up of the following non-executive directors:

T A Wallis (Chairman)
I G Brown

Neither of the Committee members has any day-to-day involvement in the running of the Company, nor do they have any business or other relationship that could affect, or appear to affect, the exercise of their independent judgement, other than as shareholders. No director plays a part in any decision about his or her own remuneration.

Remuneration policy
The Committee determines on behalf of the Board, the remuneration for the executive directors and reviews remuneration policies for all employees. 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 to ensure the future success of the business and to deliver shareholder value. This is achieved by a combination of base salary, bonuses and share options, which are offered to executive directors and employees at all levels. The Committee met seven times in the year.

Base salary
All executive directors receive a base salary and, if appropriate, an allowance in lieu of benefits. The salary reflects the experience, level of competence and days worked of the individual to whom it applies, as judged by the Committee, taking into account salary levels in the market.

Annual bonus
The executive directors who served during the year are members of the Company's Senior Management Bonus Scheme. Under the terms of the Scheme, the Remuneration Committee assesses the directors' individual performances soon after the end of the financial year, judged against pre-determined targets.

The criteria for awarding bonuses during the year included corporate and individual objectives. The principal corporate financial objective on which the directors are judged is operating profit/loss. Bonuses are capped at 50% of base salary.

Remuneration policy of the non-executive directors
The Board determines the remuneration of the non-executive directors. The non-executive directors do not participate in the Group's share option schemes and are not eligible for annual incentive payments or benefits in kind.

Remuneration of directors

Year ended 31 January 2012

	Salary and fees £'000	Allowance in lieu of benefits £'000	Benefits £'000	Bonus £'000	Total £'000	2011 £'000
T A Wallis	44	–	–	–	44	44
T K O'Brien	191	38	2	33	264	246
J G Barry	180	36	4	33	253	233
P L Clifford	109	20	1	17	147	128
D M Band*	24	5	–	–	29	58
I G Brown	29	–	–	–	29	29
Total	577	99	7	83	766	738

* Dr Band resigned as Scientific Director on 15 April 2011.

Contracts of service

Details of the service contracts currently in place for the directors who have served during the year are as follows:

Executive directors

The service contracts of Dr O'Brien and Mr Barry are dated 29 June 2001 and are not set for a specific term but include a rolling 12 months' notice period. Mr Clifford, who is part-time, has a service contract with the Company dated 21 April 2008; as with the other executive directors, this is not for a specific term, but includes a rolling six months' notice period.

Non-executive directors

The non-executive directors do not have service contracts with the Company. The letter of appointment for each non-executive director states that they are appointed for an initial period of three years. At the end of the initial period, the appointment may be renewed for a further period if the Company and the director agree. In keeping with best practice, these appointments are terminable without notice by either party. During the year the appointments of Ms Wallis and Mr Brown were renewed for a period of one year. The Chairman's appointment is for a term ending 19 December 2012 and Mr Brown's appointment for a term ending 11 October 2012.

Directors' remuneration report
continued

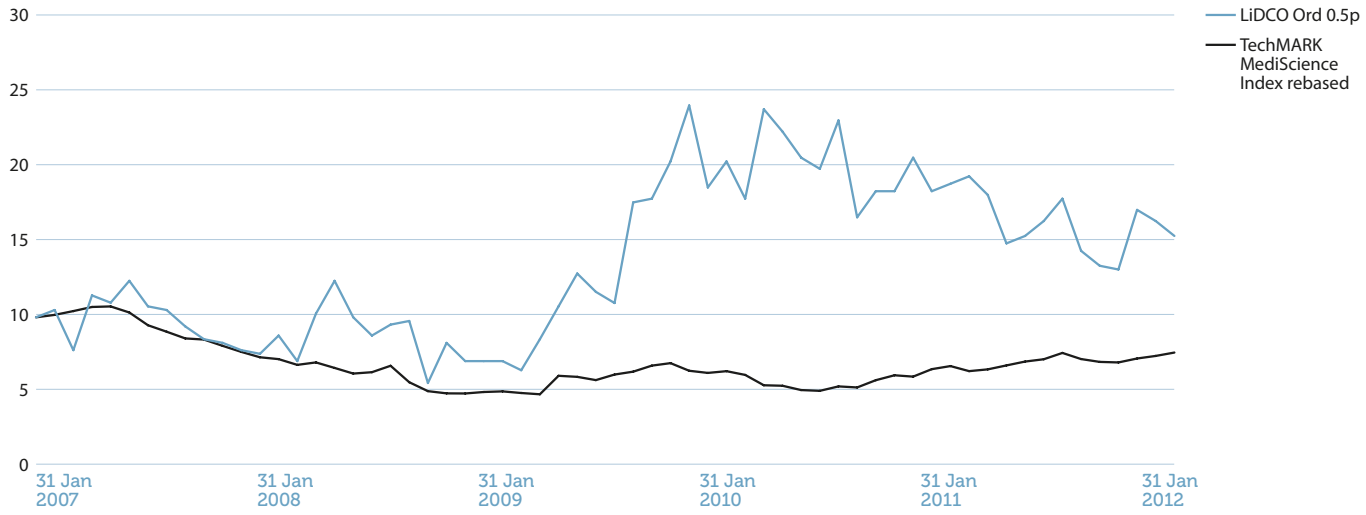
Directors' interests in share options
Options were granted to the executive directors as follows:

Name	Option type	Options at 31 Jan 2011	Date of grant	Options granted during 2011	Exercised during 2011	Lapsed during the year	**Options at 31 Jan 2012**	Exercise price (p)	Exercisable from	Expiry date
T K O'Brien	EMI	750,000	Dec-2002				**750,000**	13.00	Dec-2005	Dec-2012
	EMI	11,627	Apr-2005				**11,627**	21.50	Apr-2008	Apr-2015
	Unapproved	265,768	Apr-2005				**265,768**	21.50	Apr-2008	Apr-2015
	EMI	150,000	May-2009				**150,000**	12.67	May-2012	May-2019
		1,177,395		Nil	Nil	Nil	**1,177,395**			
J G Barry	Unapproved	106,250	July-2001		(106,250)		**Nil**	0.50	July-2004	Jul-2011
	Unapproved	211,000	Dec-2002				**211,000**	13.00	Dec-2005	Dec-2012
	EMI	539,000	Dec-2002				**539,000**	13.00	Dec-2005	Dec-2012
	Unapproved	90,000	Nov-2003				**90,000**	28.25	Nov-2006	Nov-2013
	Unapproved	356,844	Apr-2005				**356,844**	21.50	Apr-2008	Apr-2015
	Unapproved	192,436	Apr-2005				**192,436**	22.00	Dec-2005	Apr-2015
	Unapproved	328,539	Apr-2005				**328,539**	22.00	Apr-2006	Apr-2015
	Unapproved	656,903	Apr-2005				**656,903**	22.00	Sep-2006	Apr-2015
	EMI	136,045	Apr-2005				**136,045**	22.00	Dec-2005	Apr-2015
	Unapproved	45,000	Jun-2006				**45,000**	21.00	Jun-2009	Jun-2016
	Unapproved	75,000	Jun-2007				**75,000**	12.50	Jun-2010	Jun-2017
	Unapproved	83,333	Apr-2008				**83,333**	7.50	Apr-2011	Apr-2018
	EMI	266,667	Apr-2008				**266,667**	7.50	Apr-2011	Apr-2018
	Unapproved	150,000	May-2009				**150,000**	12.67	May-2012	May-2019
	Unapproved	100,000	Jun-2010				**100,000**	19.92	Jun-2013	Jun-2020
	Unapproved		Apr-2011	150,000			**150,000**	15.00	Apr-2014	Apr-2021
		3,337,017		150,000	(106,250)	Nil	**3,380,767**			
P L Clifford	Approved	66,000	Apr-2008				**66,000**	7.50	Apr-2011	Apr-2018
	Approved	75,000	May-2009				**75,000**	12.67	May 2012	May-2019
	EMI	100,000	Jun-2010				**100,000**	19.92	Jun-2013	Jun-2020
	EMI		Apr-2011	478,650			**478,650**	15.00	Apr-2014	Apr-2021
		241,000		478,650	Nil	Nil	**719,650**			
Totals		4,755,412		628,650	(106,250)		**5,277,812**			

The share price was 18.75p on 1 February 2011 and 14.00p on 31 January 2012, with high and low during the year of 19.50p and 12.00p respectively.

Pensions
No pension contributions were payable by the Group during the year. (2010/11: £nil).

Shareholder return
The graph below shows the share price performance since January 2007, using the FTSE TechMARK Mediscience Index as a comparator, which the directors consider to be a suitable benchmark index.



Theresa Wallis
Chairman of the Remuneration Committee
23 April 2012

Directors' report

The directors of LiDCO Group Plc present their annual report and audited financial statements (Annual Report) for the year ended 31 January 2012.

Principal activities, business review and business risks
The principal activity of the Group is the development, manufacture and sale of cardiac monitoring equipment.

The Chairman's statement, the Chief Executive Officer's Statement and Corporate Social Responsibility Statement form part of this business review.

The directors consider the key commercial risks and uncertainties associated with the business are:

The Group employs about 40 people and recognises that its success depends on the calibre of all its employees and ensuring that their productivity is maximised. The Company therefore maintains programmes for recruiting, appraising, training and motivating employees. The risk of underperformance is mitigated by selecting and adopting systems and processes needed to develop realistic plans and budgets and then closely monitoring performance against those plans.

The Group has generated a valuable portfolio of proprietary intellectual property and its success and value depend to a significant extent on this. The Company mitigates the risk of a weakening of its intellectual property position through securing and maintaining patents for its products, maintaining confidentiality agreements regarding its know-how and regularly reviewing where opportunities might exist to file new patent applications.

The manufacture of the Group's products relies on the supply of components from third parties; therefore the failure of suppliers or subcontractors to continue in business or meet their commitments constitutes a risk to continuity of supply. This is mitigated by maintaining good relationships with key suppliers in order to understand their capabilities and maintaining contracts and technical agreements as appropriate. Where possible, but with regard to cost, each type of component is obtained from multiple sources. The amount of critical components and materials held in stock is determined according to risk-based lead times which are regularly reviewed.

The Group relies on distributors for its sales and marketing activities outside the UK. The Company mitigates the risk of distributor underperformance by selecting distributors with the requisite resources, skills, access to customers and creditworthiness and by providing training programmes and extensive support both in the initial phase following appointment and on an on-going basis.

The key financial risk is the management and maintenance of sufficient cash balances to support the on-going development, supply and marketing of the LiDCO products. The Group mitigates this risk by the use of shareholders' funds, overdrafts and finance facilities. In addition the Group seeks to maintain a high level of recurring revenues which reduces its reliance on the sale of capital equipment to its customers.

The Group's performance is affected by hospitals' expenditure and any, or developing, capital budgetary constraints, which the Company mitigates by targeting its efforts and resources according to sales opportunities where budgets are likely to be available and a wider geographic sales growth predominantly through its specialist distributor network.

Results and dividends
The Group's revenue for the year was £7,122,000 (2010/11: £6,237,000). The Group made a consolidated profit after taxation of £15,000 (2010/11: loss £390,000). The directors do not recommend the payment of a dividend (2010/11: £nil).

The Company's share price at 31 January 2012 was 14.00p (2011:18.75p).

Research and development
The Group continued to develop the LiDCO products during the year. Details of the costs expended on research and development are set out in Notes 3 and 8 to the financial statements on pages 39 and 42 respectively.

Share capital and share premium account
Full details of the authorised and issued share capital of the Company, together with details of the movements in the Company's issued share capital and the share premium accounts during the year, are shown in notes 14 on page 47 and 4 on page 52 to the financial statements.

Directors
The directors of the Company who served during the year are set out below; short biographies are set out on page 15.

T A Wallis	Non-Executive Chairman
T K O'Brien	Chief Executive Officer
P L Clifford	Finance Director
D M Band *(resigned 23/4/2011)*	Scientific Director
J G Barry	Sales and Marketing Director
I G Brown	Non-Executive Director

Mr Barry and Ms Wallis retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Directors' remuneration
The Remuneration Report, which includes information regarding directors' service contracts, appointment arrangements and interests in share options, can be found on pages 21 and 22.

Directors' interests in shares
The directors who held office at 31 January 2012 had beneficial interests in the ordinary shares of the Company as shown below:

Directors' shareholdings

	Ordinary shares of 0.5p each	
	31 January 2012 Number	31 January 2011 Number
T A Wallis	**331,037**	301,037
T K O'Brien	**11,516,563**	11,516,563
P L Clifford	**600,000**	575,000
J G Barry	**475,139**	429,642
I G Brown	**200,000**	200,000

The directors have no interests in the shares of the Company's subsidiary undertakings.

Directors' indemnities and Directors' and Officers' insurance
The Company has exercised the power given by shareholders at the 2006 Annual General Meeting to extend the indemnities to directors and officers against liability to third parties. The directors also have Directors' and Officers' insurance cover in place in respect of personal liabilities which may be incurred by directors and officers in the course of their service with the Company.

Employment policy
Equal opportunity is given to all employees regardless of their gender, race or ethnic origin, religion, age, disability, or sexual orientation.

The Company's policy is to encourage the involvement of all employees in the development and performance of the Group. Employees are briefed on the Group's activities through meetings and discussions with management and all employees are encouraged to give their views on matters of common concern through the line management. A significant number of employees have share options.

Supplier payment policy
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 Group's average creditor payment period as at 31 January 2012 was 30 days. (2011: 41 days).

Directors' report
continued

Significant shareholdings
As at 16 April 2012, the Company has been notified that the following shareholders, other than directors, had the following interest of 3% or more of the Company's ordinary share capital:

Shareholder	Number of shares in which there is an interest	Percentage notified*
Ingalls & Snyder LLC	29,016,594	16.65%
Cheviot Asset Management Limited	13,543,736	7.77%
H J Leitch	13,177,489	7.56%
P A Brewer	11,724,727	6.73%
Liontrust Intellectual Capital Trust	10,913,411	6.26%
R M Greenshields	9,042,407	5.19%
D M Band	7,160,832	4.11%
Octopus Investments Limited	6,580,800	3.78%

* The percentages shown are based on the issued share capital at that date.

Directors' responsibilities for the financial statements accounts
The directors are responsible for preparing the Annual Report and Group financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union. The parent company financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Insofar as the directors are aware:
- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern
The Company's business activities, together with a review of the market and the Company's distribution channels are set out in the Chief Executive Officer's Statement on pages 8 to 13. In addition, note 13 to the financial statements include the Company's policies for managing its capital; its financial risk; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Company has a number of customers across different geographic areas and considerable recurring revenue streams through the sales of its disposable sensors and smart cards which represented 54% of its total revenues in the year to 31 January 2012.

The Group finances its operations through shareholders' funds, short term borrowings such as overdrafts and medium term borrowings such as finance leases. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Financial Risk Management
The Financial Risk Management objectives and policies of the Group, including the exposure to interest rate risk, liquidity risk and currency risk are set out in note 13 to the financial statements on pages 44 to 46.

Key Performance Indicators (KPIs)
The Board monitors progress against the Group's strategy and by reference to the KPIs, specifically revenue growth, gross margin and working capital levels. These KPIs have been addressed in the Chief Executive Officer's Review and the Financial Review.

Internal controls, regulation and risk management
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 has implemented an organisational structure with clearly-defined responsibilities and lines of accountability.

Detailed budgets are prepared annually and progress against budget are reviewed monthly. Underpinning the monthly financial reporting is a system of internal control, based on authorisation procedures.

The adequacy of internal controls and the internal control structures was reviewed by the Board in April 2012.

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 (MHRA), the US Food & Drug Administration (FDA) and other medical bodies. During the year the Company was compliant with ISO13485 (Medical Devices – Quality Management Systems) and ISO 9001 (Quality Management Systems).

The Board has established a process involving all departments for the comprehensive assessment of key risks to the business. The risk register is regularly updated and reviewed by the Board. Actions to mitigate risk are identified and agreed.

Auditors
A resolution to re-appoint Grant Thornton UK LLP as auditors and to authorise the directors to set their remuneration will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting
The Notice to convene the Annual General Meeting of the Company to be held on Wednesday 13 June 2012 is set out on page 3 of the separate circular including an explanation of each resolution.

By order of the Board

John Rowland
Company Secretary
23 April 2012

Independent auditor's report to the members of LiDCO Group Plc

We have audited the Group financial statements of LiDCO Group Plc for the year ended 31 January 2012 which comprise the consolidated comprehensive income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in shareholders equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. 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 auditor's 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 work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

In our opinion the Group financial statements:
- give a true and fair view of the state of the Group's affairs as at 31 January 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the parent company financial statements of LiDCO Group Plc for the year ended 31 January 2012.

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London
23 April 2012

Consolidated comprehensive income statement

For the year ended 31 January 2012

	Note	Year ended 31 January 2012 £'000	Year ended 31 January 2011 £'000
Revenue	2	**7,122**	6,237
Cost of sales		**(2,372)**	(2,021)
Gross profit		**4,750**	4,216
Administrative expenses		**(4,799)**	(4,714)
Loss from operations	3	**(49)**	(498)
Finance income		**4**	8
Loss before tax		**(45)**	(490)
Income tax	5	**60**	100
Profit/(loss) and total comprehensive income/(expense) for the year attributable to equity holders of the parent		**15**	(390)
Earnings/(loss) per share (basic and diluted) (p)	6	**0.01**	(0.22)

All transactions arise from continuing operations.

There were no items of other comprehensive income for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated balance sheet

At 31 January 2012

	Note	2012 £'000	2011 £'000
Non-current assets			
Property, plant and equipment	7	**1,055**	513
Intangible assets	8	**775**	755
		1,830	1,268
Current assets			
Inventory	9	**1,349**	1,047
Trade and other receivables	10	**2,367**	1,607
Current tax		**60**	109
Cash and cash equivalents		**1,553**	1,404
		5,329	4,167
Current liabilities			
Trade and other payables	11	**(1,210)**	(767)
Deferred income	11	**(266)**	(74)
Borrowings	11	**(388)**	(10)
		(1,864)	(851)
Net current assets		**3,465**	3,316
Long term liabilities			
Finance lease liabilities	12	**(346)**	(4)
Deferred income	12	**(317)**	–
		(663)	(4)
Net assets		**4,632**	4,580
Equity attributable to equity holders of the parent			
Share capital	14	**871**	870
Share premium		**25,403**	25,393
Merger reserve		**8,513**	8,513
Retained earnings		**(30,155)**	(30,196)
Total equity		**4,632**	4,580

The financial statements were approved by the Board of Directors on 23 April 2012.

Theresa Wallis
Director

Terence O'Brien
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated cash flow statement

For the year ended 31 January 2012

	Year ended 31 January 2012 £'000	Year ended 31 January 2011 £'000
Loss before tax	**(45)**	(490)
Net finance income	**(4)**	(8)
Depreciation and amortisation charges	**658**	639
Share based payments	**26**	150
(Increase)/decrease in inventories	**(302)**	47
(Increase)/decrease in receivables	**(760)**	42
Increase in payables	**443**	164
Increase/(decrease) in deferred income	**34**	(540)
Income tax credit received	**109**	111
Net cash inflow from operating activities	**159**	115
Cash flows from investing activities		
Purchase of property, plant and equipment	**(292)**	(127)
Purchase of intangible assets	**(453)**	(429)
Interest received	**4**	8
Net cash used in investing activities	**(741)**	(548)
Net cash outflow before financing	**(582)**	(433)
Cash flows from financing activities		
Repayment of finance lease	**(10)**	(10)
Issue of ordinary share capital	**11**	1
Cash inflow from sale and leaseback arrangement	**518**	–
Net cash inflow/(outflow) from financing activities	**519**	(9)
Net decrease in cash and cash equivalents	**(63)**	(442)
Opening cash and cash equivalents	**1,404**	1,846
Closing cash and cash equivalents	**1,341**	1,404
Closing cash and cash equivalents comprises:		
Cash balances	**1,553**	1,404
Overdraft	**(212)**	–
Closing cash and cash equivalents	**1,341**	1,404

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated statement of changes in shareholders' equity

For the year ended 31 January 2012

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 February 2010	869	25,393	8,513	(29,956)	4,819
Issue of share capital	1	–	–	–	1
Share based payment expense	–	–	–	150	150
Transactions with owners	1	–	–	150	151
Loss and total comprehensive expense for the year	–	–	–	(390)	(390)
At 31 January 2011	870	25,393	8,513	(30,196)	4,580
Issue of share capital	1	10	–	–	11
Share based payment expense	–	–	–	26	26
Transactions with owners	1	10	–	26	37
Profit and total comprehensive income for the year	–	–	–	15	15
At 31 January 2012	**871**	**25,403**	**8,513**	**(30,155)**	**4,632**

The share premium account represents the excess over the nominal value for shares allotted.

The merger reserve represents a non distributable reserve arising from historic acquisitions.

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 January 2012

1 Principal accounting policies

The Group's principal activity is the development, manufacture and sale of cardiac monitoring equipment. LiDCO Group Plc is the Group's ultimate parent company. It is incorporated and domiciled in England & Wales and situated at the address shown on page 53. The Group's shares are quoted on the Alternative Investment Market of the London Stock Exchange.

Basis of preparation

These financial statements have been prepared in accordance with the principal accounting policies adopted by the Group, International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations (IFRIC) as adopted by the EU and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. They are presented in Sterling, which is the functional currency of the parent company.

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The accounting policies have been applied consistently throughout all periods presented in these financial statements. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 January 2012.

The following standards have been amended or implemented during the year. The Group's consolidated financial statements have been prepared in accordance with these changes where relevant.

- IFRS 1 (Amendment) Limited exemption from comparative IFRS 7 disclosures for first-time adopters
- IAS 24 (Revised) Related party disclosures introducing revised definitions of related parties
- IAS 32 (Amendment) Changes in the classification of certain qualifying financial instruments from financial liabilities to equity instrument
- IFRIC 14 (Amendment) Address unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments which addresses when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability commonly referred to as 'debt for equity swaps'

IFRS standards and interpretations not yet adopted

Standard issued but not yet effective

The following standards and interpretations are in issue but not yet adopted by the EU:

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 11 Joint Arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- Disclosures - Transfers of Financial Assets - Amendments to IFRS 7 (effective 1 July 2011)
- Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2012)
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective 1 July 2011)
- Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 (effective 1 July 2012)

The directors do not anticipate that the adoption of these standards will have a material impact on the Group's reported results.

The current endorsement status is listed on the EFRAG website under 'Endorsement Status': http://www.efrag.org/homepage.asp

Notes to the financial statements
continued

Going concern
The Company's business activities, together with a review of the market and the Company's distribution channels are set out in the Chief Executive Officer's Statement on pages 8 to 13. In addition, note 13 to the financial statements include the Company's policies for managing its capital; its financial risk; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Company has a number of customers across different geographic areas and considerable recurring revenue streams through the sales of its disposable sensors and smart cards which represented 54% of its total revenues in the year to 31 January 2012.

The Group finances its operations through shareholders' funds, short term borrowings such as overdrafts and medium term borrowings such as finance leases. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Accounting convention
The financial statements are prepared under the historic cost convention. The measurement basis and significant accounting policies are set out below.

Basis of consolidation
The Group's consolidated financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 January 2012. Subsidiary undertakings are all entities over which the Group has the power to control the financial and operating policies so as to obtain economic benefits from its activities. The Group obtains and exercises control through voting rights.

Business combinations are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary at the acquisition date whether or not they were recognised in the statements of the subsidiary prior to acquisition. On initial recognition the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. The results of any subsidiary undertakings acquired during the period, where applicable, are included from the date of acquisition. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition
Revenues are recognised at fair value of the consideration receivable net of the amount of value added taxes.

Sale of goods
Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products to entities outside the consolidated entity. Sales revenue is recognised when the risks and rewards of ownership of the goods passes to the customer, which is normally upon delivery, and when the amount of revenue can be measured reliably.

Where delivery is delayed at the buyer's request, but the buyer takes title to the goods and accepts invoicing, the Group recognises the revenue as a capital Bill and Hold sale provided that it is probable that delivery will be made, the goods are on hand and ready for delivery, the buyer acknowledges the deferred delivery and usual payment terms apply.

The Group has an arrangement for the placing of monitors in hospitals with Med One Capital Funding, LLC, a US company that has trading relationships with the majority of US hospitals. When the Group has sold monitors to Med One they are entitled to a portion of the monthly revenue from the sale of consumables relating to those monitors for a period of three years. The full revenue arising from the sale of such consumables is recognised as revenue by the Group and payments made to Med One in this way are included within cost of sales.

Licence fees
Licence fees are recognised in accordance with the substance of the relevant distribution agreement, provided that it is probable that the economic benefit associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. Licence fees received in advance of the recognition of those fees is shown as deferred income.

Delivery of services
Revenue from rendering services is recognised in the period in which the service is provided.

Interest income
Interest income is brought to account as it accrues, using the effective interest method.

Other income
Other income from support and maintenance is brought to account when the consolidated entity's right to receive income is established and the amount can be reliably measured.

Research and development
Research expenditure is charged to the income statement in the period in which it is incurred.

Development costs are capitalised when all the following conditions are satisfied:
- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the Group intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Capitalised development costs which comprise cost of materials, labour and attributable overheads are amortised over a period of 3 to 5 years.

Development costs not meeting the criteria for capitalisation are expensed as incurred.

Intangible assets – development costs
Intangible assets represent costs relating to product registration in new countries, software development costs and clinical trials on the LiDCO system. Where the directors are satisfied as to the technical, commercial and financial viability of these projects, the expenditure has been capitalised and is amortised in equal amounts over the useful life.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The amortisation periods generally applicable are:

Clinical trials	Three years
Product registration costs	Five years
Software development	Three years

Property, plant and equipment
Property, plant and equipment are stated at cost, net of depreciation. Depreciation is calculated to write down the cost less estimated residual value of these assets by equal annual instalments over their estimated useful economic lives which are re-assessed annually. The periods/rates generally applicable are:

Leasehold improvements	Over the expected life of the lease
Plant and machinery	10% per annum
Fixtures and fittings	12.5% per annum
Office equipment	20% per annum
Computer equipment	33% per annum
Medical monitors	20% to 33% per annum

Medical monitors include equipment on long term loan to hospitals for active use where the hospital pays for disposables. Also included in this category is equipment for demonstration purposes, clinical trials and testing.

Leases
Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are capitalised at the lower of fair value or present value of the minimum lease payments in the balance sheet and depreciated over their estimated useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight-line basis over the lease term. Profits generated on the sale and leaseback of fixed assets are deferred and recognised over the period of the lease.

Inventories
Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing locations and condition.

Notes to the financial statements
continued

Income tax
Current tax is the tax currently payable based on the taxable result for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to other comprehensive income or equity in which case the related deferred tax is also charged or credited directly to other comprehensive income or equity.

Foreign currency
Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the income statement.

Trade and other receivables
Trade receivables, which generally have 30-90 day terms, are initially recognised at fair value and subsequently at amortised cost using the effective interest method, less provisions for impairment. Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand, bank overdrafts and demand deposits with an original maturity of three months or less, and which are subject to an insignificant risk of change in value.

Financial liabilities and equity
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes party to the contractual provisions of the instrument and are initially recorded at fair value net of issue costs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities
The Group's financial liabilities include borrowings, trade and other creditors. Financial liabilities are measured initially at fair value net of transaction costs and thereafter at amortised cost using the effective interest rate method.

Share-based payments
The Group has three equity-settled share-based remuneration schemes for employees. Where share options are awarded to employees, the fair value of the options at the date of grant is calculated using a pricing model and is charged to the income statement over the vesting period. Market related performance conditions are factored into the fair value of the options granted and a charge is made irrespective of whether the market related performance conditions are satisfied. In respect of awards with non market related performance conditions, an estimate of the proportion that will vest is made at the award date which is adjusted if the number of share options expected to vest differs from the previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period.

Where the Group issues share warrants in respect of distributor arrangements, the fair value of the options at the date of grant is calculated using a pricing model and is charged to the income statement over the vesting period.

Impairment
The carrying values of property, plant and equipment and intangible assets with finite lives are reviewed for impairment when events or changes in circumstances indicate the carrying value may be impaired. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of impairment loss.

Key judgements in applying the entity's accounting policies
The Group's management makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates
Useful lives of intangible assets and property, plant and equipment
Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the income statement in specific periods (notes 7 and 8).

Inventory
The Group reviews the net realisable value of, and demand for, its inventory on a regular basis to provide assurance that recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices include the timing and success of future technological innovations, competitor actions, supplier prices and economic trends (note 9).

Trade receivables
Trade receivables are primarily due from three groups, hospitals in the UK and USA where direct sales are made, global distributors predominantly in the USA and independent distributors, predominantly in Europe and the Rest of the World. In making provision for overdue trade receivables, management consider the first two groups to be generally of lower risk than those due from independent distributors and apply a lower level of provision. The size of the distributor together with its financial credit rating and the length of relationship with the Group are also taken into account (note 10).

Judgements
Licence income
The Group may receive licence fees in connection with the granting of distribution rights for overseas territories. When recognising such licence fees management considers the substance of the relevant distribution agreement. Any work that the Group needs to undertake to fulfil its obligation is taken into consideration and the period over which the work is likely to be performed. Revenue is only recognised provided that it is probable that the economic benefit associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. Normally such licence fees are received on signature of the distribution agreement.

Bill and Hold sales
The Group recognises Bill and Hold sales where delivery is delayed at the buyers request. The recognition of these sales require management's judgment of certain criteria as detailed in the Accounting Policies under revenue recognition.

Capitalisation of development costs
The Group's policy on the capitalisation of development costs of intangible assets are detailed in the accounting policies above. The inclusion of such costs requires management's judgment on the technical, commercial and financial viability of the projects.

Notes to the financial statements
continued

2 Revenue and segmental information

The Group has one segment – the supply of monitors, disposables and support services associated with the use of the LiDCO's cardiac monitoring equipment. Geographical and product type analysis is used by the chief operating decision maker to monitor sales activity and is presented below:

Revenue and result by geographical region

Group revenue	Year ended 31 January 2012 £'000	Year ended 31 January 2011 £'000
UK	**3,701**	2,356
USA	**1,788**	2,358
Continental Europe	**853**	859
Rest of World	**780**	664
	7,122	6,237
Result		
UK	**842**	495
USA	**947**	965
Continental Europe	**492**	449
Rest of World	**485**	373
Total	**2,766**	2,282
Unallocated costs	**(2,815)**	(2,780)
Loss from operations	**(49)**	(498)

Products and services

	Year ended 31 January 2012 £'000	Year ended 31 January 2011 £'000
Monitor sales	**1,563**	2,009
Disposable sales and recurring revenues	**3,813**	3,681
Distributed third party disposables	**1,206**	–
Licence fees and other income	**540**	547
	7,122	6,237

Payments to Med One as detailed in Note 1 under revenue recognition relating to disposables and included within cost of sales amounted to £227,000 (2010/11: £526,000) during the year.

The Group can identify trade receivables and trade payables relating to the geographical areas. As noted above, the Group has one segment and other assets and liabilities together with non sales related overheads are not accounted for on a segment by segment basis. Accordingly, segment assets, liabilities and segment cash flows are not provided.

All non-current assets are located in the United Kingdom.

Material customers

During the year, a customer based in the USA, accounted for more than 10% of the Group's total revenue. Revenue recognised during the year is as follows:

	2012 £'000	2012 % revenue	2011 £'000	2011 % revenue
Revenue recognised	**1,426**	**20%**	1,894	30%

3 Loss on operations

The loss on operations before taxation is stated after:

	Year ended 31 January 2012 £'000	Year ended 31 January 2011 £'000
Auditors' remuneration:		
– Fees payable to the Company auditors for the audit of the Group accounts:	**18**	18
Fees payable to the Company auditors for other services:		
– Audit of the Company's subsidiaries	**26**	25
– Other services relating to the interim review*	**8**	8
– Other services	**–**	5
Research and development expenditure	**186**	146
Depreciation of property, plant and equipment	**226**	201
Amortisation of intangible assets	**433**	438
Operating leases – rental of land and buildings	**167**	165
Share based payment charge in respect of distributor arrangements	**(32)**	120
Write down of inventories	**42**	47
Exchange rate losses/(gains)	**21**	(9)

The cost of goods sold during the year amounted to £1,889,000 (2011: £1,225,000).

*Non-audit services comprise £8,000 for interim review services. The Board considers it cost-effective for the auditors to provide these services.

4 Staff costs

Staff costs during the year were as follows:

Group	Year ended 31 January 2012 £'000	Year ended 31 January 2011 £'000
Wages and salaries	**2,154**	2,019
Social security costs	**216**	209
Share based payments charge	**26**	30
	2,396	2,258

The average number of employees (including executive directors) of the Company during the year was:

	2012 Number	2011 Number
Production	**11**	11
Sales	**17**	14
Administration	**13**	12
	41	37

The remuneration of directors and key management personnel is set out below. Additional information on directors' and key management remuneration, share option, long-term incentive plans, pension contributions and entitlements can be found in the audited section of the Directors' Remuneration Report on pages 21 to 23 and forms part of these accounts.

	2012 £'000	2011 £'000
Short-term employee benefits	**766**	738
Share-based payments	**17**	10
	783	748

Notes to the financial statements
continued

5 Tax on loss on ordinary activities

The tax credit is based on the loss for the year and represents:

	Year ended 31 January 2012 £'000	Year ended 31 January 2011 £'000
United Kingdom corporation tax at 26.32% (2011: 28%)	–	–
United States income taxes	–	9
Research and development expenditure tax credits – current year	(60)	(109)
Total tax	(60)	(100)

United States tax has been calculated at the Federal/State tax rates applicable to profits arising in the respective States.

The tax assessed for the year differs from the standard rate of corporation tax applied to the trading results. The differences are explained below:

Loss on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 26.32% (2011: 28%)	(12)	(137)
Effect of:		
Expenses not deductible for tax purposes	13	13
Depreciation for the period in excess of capital allowances	(41)	(20)
Disposals of fixed assets over cost	59	–
Decrease in tax losses	–	(5)
Other temporary differences	7	39
Additional deduction for research and development expenditure	(149)	(111)
Losses surrendered for research and development tax credit	123	221
United States income taxes	–	9
Research and development expenditure tax credits	(60)	(109)
Total tax income	(60)	(100)

The above table reconciles the income tax credit with the accounting loss at the standard rate of UK corporation tax.

The current year research and development tax credit of £60,000 (2011: £109,000) represents 14% (2011: 14%) of the Group's qualifying research and development spend.

The amount of the unused tax losses and temporary differences for which no deferred tax asset was recognised at the balance sheet date was:

	Year ended 31 January 2012 £'000	Year ended 31 January 2011 £'000
Unused losses (available indefinitely)	24,149	24,149
Temporary differences (available indefinitely)	58	304
	24,207	24,453

The related deferred tax asset (calculated at 22%) of £5.3m (2011: £5.6m) has not been recognised as it is not considered to meet criteria laid down in IAS 12.

6 Earnings per share

The calculation of basic earnings or loss per share is based on the earnings or loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. The calculation of diluted earnings per share is based on the calculation described above adjusted to allow for the issue of shares on the assumed conversion of all dilutive options. Share options are regarded as dilutive when, and only when, their conversion to ordinary shares would decrease earnings or increase the loss per share.

	Year ended 31 January 2012 £'000	Year ended 31 January 2011 £'000
Profit/(loss) after tax for the financial year	**15**	(390)

	Number ('000)	Number ('000)
Weighted average number of ordinary shares	**174,084**	173,963
Earnings/(loss) per share – basic and diluted (p)	**0.01**	(0.22)

The diluted effect of share options in 2011/12 is considered immaterial for reporting purposes.

7 Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Medical monitors £'000	Total £'000
Cost						
At 1 February 2010	555	436	169	476	492	2,128
Additions	1	6	4	21	95	127
At 31 January 2011	556	442	173	497	587	2,255
Additions	2	8	1	71	686	768
Retirements	-	-	-	(28)	(168)	(196)
At 31 January 2012	**558**	**450**	**174**	**540**	**1,105**	**2,827**
Accumulated depreciation						
At 1 February 2010	408	340	150	425	218	1,541
Charge for the year	53	34	8	27	79	201
At 31 January 2011	461	374	158	452	297	1,742
Additions	54	34	5	38	95	226
Retirements	–	–	–	(28)	(168)	(196)
At 31 January 2012	**515**	**408**	**163**	**462**	**224**	**1,772**
Carrying amount at 31 January 2012	**43**	**42**	**11**	**78**	**881**	**1,055**
Carrying amount at 31 January 2011	95	68	15	45	290	513

Plant and equipment is depreciated at various rates depending on the estimated life of the item of plant or equipment. The rates of depreciation are shown in Note 1.

Medical monitors include equipment on long term loan to hospitals for active use where the hospital pays for disposables. Also included in this category is equipment for demonstration purposes, clinical trials and testing.

The carrying amount of the Group's plant and equipment includes £4,000 (2011: £14,000) in respect of assets held under finance leases.

During the year the Company sold a number of medical monitors and leased them back on a financing lease basis. The net book value of the assets at the time of sale was £43,000 and are shown as a disposal. The monitors have been included as additions at their fair value of £518,000 and will be depreciated over three years.

Notes to the financial statements
continued

8 Intangible assets

	Clinical trials £'000	Product registration £'000	Product development £'000	Total £'000
Cost				
At 1 February 2010	116	629	2,381	3,126
Additions	–	77	352	429
At 31 January 2011	116	706	2,733	3,555
Additions	53	62	338	453
At 31 January 2012	**169**	**768**	**3,071**	**4,008**
Accumulated amortisation				
At 1 February 2010	116	379	1,867	2,362
Charge for the year	–	88	350	438
At 31 January 2011	116	467	2,217	2,800
Charge for the year	1	91	341	433
At 31 January 2012	**117**	**558**	**2,558**	**3,233**
Carrying amount at 31 January 2012	**52**	**210**	**513**	**775**
Carrying amount at 31 January 2011	–	239	516	755

Intangible assets includes assets that are internally generated and amortised over their estimated useful lives. Amortisation costs are included in administrative expenses. The rates of amortisation are shown in note 1.

9 Inventory

	2012 £'000	2011 £'000
Raw materials and disposables	**450**	310
Finished goods and goods for resale	**899**	737
	1,349	1,047

At 31 January 2012, inventories stated net of allowances for obsolete or slow moving items, was £47,000 (2011: £85,000).

10 Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables	**2,093**	1,432
Other receivables	**99**	12
Prepayments	**175**	163
	2,367	1,607

All amounts are short term and the directors consider that the carrying amount of trade and other receivables approximates to their fair value. All of the Group's trade and other receivables have been reviewed for indicators of impairment. At 31 January 2012, trade receivables of £1.56m (2011: £1.07m) were fully performing. In addition, some of the unimpaired trade receivables are past due as at the reporting date. The age of trade receivables past due but not impaired is as follows:

	2012 £'000	2011 £'000
Not more than three months	**230**	195
More than three months but not more than six months	**64**	31
More than six months but not more than one year	**78**	30
More than one year	**159**	104
	531	360

Movements in Group provisions for impairment of trade receivables are as follows, which are included within administrative expenses in the income statement.

	2012 £'000	2011 £'000
Opening balance	**29**	6
Provision for receivables impairment	**63**	32
Receivables written off in year	**–**	(9)
Closing balance	**92**	29

The other classes within trade and other receivables do not contain impaired assets.

11 Current liabilities

	2012 £'000	2011 £'000
Trade payables	**796**	534
Social security and other taxes	**155**	67
Accruals	**259**	166
Bank overdraft	**212**	–
Deferred income	**266**	74
Finance leases	**176**	10
	1,864	851

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

The loan is repayable in equal monthly instalments over three years, and loan is denominated in US Dollars.

Notes to the financial statements
continued

12 Non-current liabilities

	2012 £'000	2011 £'000
Finance leases due within 2 to 5 years (see note 7)	346	4
Deferred income	317	-
	663	4

The finance lease liability is repayable in equal monthly instalments over three years, and the loan is denominated in US Dollars.

13 Financial instruments

Capital risk management
The Group manages its capital structure to ensure that it will be able to continue as a going concern. The capital structure of the Group consists of cash and cash equivalents (as disclosed in the cash flow statement), borrowings (as disclosed in note above) and equity (as disclosed in the consolidated statement of changes in shareholders' equity) attributable to the shareholders of the parent as disclosed in the consolidated statement of changes in equity.

Financial risks
The Group's financial instruments comprise cash and liquid resources, borrowings and items such as trade receivables and trade payables that arise from its operations.

The main risks that arise from the Group's financial instruments are credit, interest rate, liquidity and currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk
The Group's credit risk is primarily attributable to trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimates by management based on prior experience of customers which is typified by a small number of high value accounts and their assessment of the current economic environment. The maximum exposure is £3,805,000 (2011: £2,848,000).

The credit risk on liquid funds is limited because the counterparties are reputable international banks.

Liquidity risk
The Group seeks to manage this financial risk by ensuring sufficient liquidity through the use of variable rate bank overdraft facilities to meet foreseeable needs and investing surplus cash assets safely and profitably.

Liquidity risk analysis
The Group manages its liquidity needs by carefully monitoring scheduled finance lease payments for long term financial liabilities as well as cash-outflows due in month-to-month business. Liquidity needs are monitored in various time bands, on a month-to-month basis.

The Group maintains cash and marketable securities to meet its liquidity requirements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at 31 January 2012, the Group's financial liabilities have contractual maturities which are summarised below:

	Current		Non Current	
31 January 2012	Within 6 months £'000	6 to 12 months £'000	1 to 5 years £'000	Over 5 years £'000
Bank overdraft	212	–	–	–
Trade payables	1,210	–	–	–
Finance lease liabilities	90	86	346	–
	1,512	86	346	–

This compares to the maturity of the Group's financial liabilities in the previous reporting period as follows:

	Current		Non Current	
31 January 2011	Within 6 months £'000	6 to 12 months £'000	1 to 5 years £'000	Over 5 years £'000
Finance lease obligations	5	5	4	–
Trade and other payables	767	–	–	–
	772	5	4	–

Market risks

Interest rate risk

The Group finances its operations through a mixture of shareholder funds, variable rate bank facilities and long-term loans. The Group accepts the risk attached to interest rate fluctuations as interest rates have been relatively stable or declined over the last three years and the interest expense is a small proportion of total administrative expenses.

Currency risk

The Group manages currency risk by assessing the net exposure in each non-Sterling currency in which exposure arises. The only significant exposure relates to US Dollars. The Group accepts the risk attached to fluctuations in the US Dollar exchange rate as US Dollar payables are partly mitigated by US Dollar receivables from sales.

Group interest rate profile

	Floating rate		
Financial assets at 31 January 2012	Cash current bank accounts £'000	Deposit and reserve account £'000	Total £'000
Currency			
Sterling	**75**	**940**	**1,015**
US Dollars	**528**	**–**	**528**
Euro	**10**	**–**	**10**
	613	**940**	**1,553**

Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as follows. See note 1, principal accounting policies, covering financial assets and financial liabilities for explanations about how the category of instruments affects their subsequent measurement.

	2012	2011
Current assets	**£'000**	£'000
Loans and receivables:		
– Trade and other receivables	**2,252**	1,444
– Cash and cash equivalents	**1,553**	1,404
	3,805	2,848

	2012	2011
Current liabilities	**£'000**	£'000
Trade payables and other short term financial liabilities	**951**	601
	951	601

Notes to the financial statements
continued

Capital risk management
The Group is exposed to translation and transaction foreign exchange risk. The currency where the Group is most exposed to foreign currency volatility is US Dollars. The Group had the following balances denominated in US Dollars:

	US Dollars	
	2012	2011
	£'000	£'000
Trade and other receivables	**37**	46
Cash and cash equivalents	**528**	28
Trade and other payables	**(33)**	(30)
	532	44

No hedging instruments are used. The Group keeps under review the extent of its exposure to currency fluctuations, which relate entirely to trading transactions.

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities and the Sterling to US Dollar exchange rates. It assumes a percentage change in the exchange rate based on the foreign currency financial instruments held at each balance sheet date. Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months.

	US Dollars	
	2012	2011
Currency fluctuation	**8%**	11%

If Sterling had strengthened against the US Dollar by the percentage above retrospectively, then this would have had the following impact:

	US Dollars	
	2012	2011
	£'000	£'000
Net result for the year	**(30)**	(67)
Equity	**(30)**	(67)

If Sterling had weakened against the US Dollar by the percentage above retrospectively, then this would have had the following impact:

	US Dollars	
	2012	2011
	£'000	£'000
Net result for the year	**30**	67
Equity	**30**	67

Exposure to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Fair values of financial assets and liabilities
There was no difference between the fair value and the book value of financial assets and liabilities.

14 Share capital

Issued and fully paid – ordinary shares of 0.5 pence each	2012 Number of shares 000	2011 Number of shares 000
At the beginning of the year	173,984	173,942
Issued for cash	236	42
At the end of the year	174,220	173,984

	£'000	£'000
At the beginning of the year	870	869
Issued for cash	1	1
At the end of the year	871	870

During the year 236,250 shares were issued at 0.5p per share on exercise of share options.

15 Share-based payments

Equity-settled share option scheme
The Group has three equity-settled share option schemes for employees. Where share options are awarded to employees, the fair value of the options at the date of grant is calculated using a pricing model and is charged to the income statement over the vesting period. Market related performance conditions are factored into the fair value of the options granted and a charge is made irrespective of whether the market related performance conditions are satisfied. In respect of awards with non market related performance conditions, an estimate of the proportion that will vest is made at the award date and this is trued up or down at each accounting period.

	2012 Number	2012 Weighted average exercise price (p)	2011 Number	2011 Weighted average exercise price (p)
Outstanding at the beginning of the year	11,002,579	17.7	10,568,579	15.8
Issued in the year	2,070,500	15.0	745,750	19.9
Forfeited during the year	(104,500)	3.3	(269,250)	13.9
Exercised during the year	(221,250)	4.6	(42,500)	0.5
Outstanding at the end of the year	12,747,329	16.9	11,002,579	16.5
Exercisable at the end of the year	8,785,329	16.7	7,823,079	17.7

Fair value is determined by reference to the fair value of the instrument granted to the employee. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. These fair values were calculated using a Black-Scholes option pricing model with the following assumptions:

	2012	2011
Weighted average shares price (p)	15.0	19.9
Weighted average exercise price (p)	15.0	19.9
Expected volatility	40%	50%
Expected life (years)	3.5	3.5
Risk free rate	2%	2%
Expected dividend yield	–	–

The weighted average share price for options exercised during the year was 4.55p (2011: 0.5p).

The expected volatility is based on the Group's historical share price averaged over a period equal to the expected life. The expected life is the average expected period to exercise. The risk free rate of return is based on UK Government gilts. The share options outstanding at the end of the year have exercise prices of between 0.5p and 28.25p per share and a weighted average remaining contractual life of 4.5 years.

Notes to the financial statements
continued

Share warrants in respect of distributor arrangements
On 28 July 2009 the Group issued share warrants in respect of an arrangement with a distributor. The distributor may exercise the warrants subject to purchasing certain minimum quantities of monitors and disposables during the first and second years of the distribution agreement. The maximum number of warrants that the distributor can exercise are over a total of 10,436,493 shares at an exercise price of 14.3 pence. The fair value of the exercisable warrants at the date of grant has been calculated using the same pricing model as that used for the equity-settled share option schemes and has been charged to the income statement over the vesting period.

16 Capital commitments

At 31 January 2012 the Company had placed forward orders for the purchase of monitors and monitor components to the value of £1,015,000 (2011: £1,382,000). Delivery of these orders is scheduled between February 2012 and June 2013.

17 Contingent liabilities

There were no contingent liabilities at 31 January 2012 or 31 January 2011.

18 Leasing commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group	**2012 Land and buildings £'000**	**Other £'000**	2011 Land and buildings £'000	Other £'000
In one year or less	**168**	**84**	11	39
Between one and five years	**1,098**	**106**	–	37
	1,266	**190**	11	76

19 Related party transactions

During the year, no contracts of significance other than those disclosed within the Directors' Remuneration Report were existing or entered into by the Group or its subsidiaries in which the directors had a material interest.

Key management compensation
Compensation for directors who are the only employees with responsibility for planning, directing and controlling the Group is disclosed in the Directors' Remuneration Report.

Transactions between the Company and its subsidiaries which are related parties are eliminated on consolidation. There were no transactions between the Company and its subsidiaries.

Independent auditor's report to the members of LiDCO Group Plc

We have audited the parent company financial statements of LiDCO Group Plc for the year ended 31 January 2012 which comprise the parent company balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006. 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 auditor's 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 work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion the parent company financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 January 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the Group financial statements of LiDCO Group Plc for the year ended 31 January 2012.

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London
23 April 2012

Company balance sheet

At 31 January 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Investments	2	**65**	65
		65	65
Current assets			
Amount due from subsidiary undertakings	3	**14,344**	14,344
Cash at bank		**75**	66
		14,419	14,410
Current liabilities			
Creditors: Amounts falling due within one year		**–**	–
Net current assets		**14,419**	14,410
Total assets less current liabilities		**14,484**	14,475
Net assets		**14,484**	14,475
Shareholders' funds			
Share capital	4	**871**	870
Share premium	5	**25,403**	25,393
Retained earnings	5	**(11,790)**	(11,788)
Shareholders' funds		**14,484**	14,475

The financial statements were approved by the Board of Directors on 23 April 2012.

Theresa Wallis
Director

Terence O'Brien
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 January 2012

1 Principal accounting policies

Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with all applicable United Kingdom accounting standards. The principal accounting policies of the Company are set out below.

The financial statements have been prepared on the historical cost basis.

Going concern

The Company's business activities, together with a review of the market and the Company's distribution channels are set out in the Chief Executive Officer's Statement on pages 8 to 13. In addition, note 13 to the financial statements include the Company's policies for managing its capital; its financial risk; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Company has a number of customers across different geographic areas and considerable recurring revenue streams through the sales of its disposable sensors and smart cards which represented 54% of its total revenues in the year to 31 January 2012.

The Group finances its operations through shareholders' funds, short term borrowings such as overdrafts and medium term borrowings such as finance leases. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Investments

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

Foreign currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the income account.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Share-based payment charges

The Group has three equity-settled share-based remuneration schemes for employees. Where share options are awarded to employees, the fair value of the options at the date of grant is calculated using a pricing model and is charged to the income statement over the vesting period. Market related performance conditions are factored into the fair value of the options granted and a charge is made irrespective of whether the market related performance conditions are satisfied. In respect of awards with non market related performance conditions, an estimate of the proportion that will vest is made at the award date which is adjusted if the number of share options expected to vest differs from the previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period.

Where the Group issues share warrants in respect of distributor arrangements, the fair value of the options at the date of grant is calculated using a pricing model and is charged to the income statement over the vesting period.

2 Investments

Company	Shares in subsidiary undertakings £'000
Cost and net book value	
At 1 February 2011 and at 31 January 2012	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%	Medical instruments and appliances
Cassette Analytical Systems Limited	England and Wales	100%	Dormant

Notes to the financial statements
continued

3 Debtors

	2012 £'000	2011 £'000
Amount due from subsidiary	**14,344**	14,339

The amount due from subsidiary relates to the ongoing funding provided to the principal trading subsidiary, LiDCO Limited, whilst it continues to be loss-making. The directors made a provision for impairment of £12m in the year to 31 January 2008, and consider that no further impairment provision is necessary at 31 January 2012. The timing of the repayment of this debt is uncertain and unlikely to be within one year.

4 Share capital

	2012 £'000	2011 £'000
Allotted, called up and fully paid 174,220,304 ordinary shares of 0.5p each	**871**	870

During the year 236,250 shares were issued at 0.5p per share on exercise of share options.

5 Reserves

	Share premium £'000	Other reserve £'000	Equity reserve £'000	Profit and loss account £'000
At 1 February 2011	25,393	–	–	(11,788)
Loss for the year	–	–	–	(2)
Shares issued	10	–	–	–
At 31 January 2012	**25,403**	**–**	**–**	**(11,790)**

6 Reconciliation of shareholders' funds

	2012 £'000	2011 £'000
(Loss)/profit for the year	**(2)**	55
Shares issued	**2**	1
Share premium account	**9**	–
	9	56
Opening shareholders' funds	**14,475**	14,419
Closing shareholders' funds	**14,484**	14,475

7 Loss for the financial year

In accordance with the exemption given by section 408 of the Companies Act 2006, the holding company has not presented its own profit and loss account. The loss for the year of the Company was £2,000 (2010/11: £55,000 profit).

8 Related party transactions

There were no transactions between the Company and its subsidiary, which are related parties.

Company information

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2659005

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Directors and Company Secretary:

Ms T A Wallis	Non-Executive Chairman
Dr T K O'Brien	Chief Executive Officer
Mr J G Barry	Sales and Marketing Director
Mr I G Brown	Non-Executive Director
Mr P L Clifford	Finance Director
Mr J P Rowland	Company Secretary

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