2008/09

LiDCO Group Plc

Annual Report & Accounts

For the year ended 31 January 2009

LiDCO Cardiac Sensor Systems

Contents

Financial Highlights

Revenue

	Million	
	£4.53	2008/09
	£4.05	2007/08

Product margins

	Per cent	
	81	2008/09
	81	2007/08

Administration and distribution expenses

	Million	
	£4.82	2008/09
	£4.62	2007/08

Product margins (disposables) (average)

	Per cent	
	91	2008/09
	87	2007/08

Net cash outflow before financing

	Million	
	£1.8	2008/09
	£1.7	2007/08

Loss per share

	Pence	
	1.2	2008/09
	1.5	2007/08

Loss from operations

	Million	
	£1.8	2008/09
	£2.0	2007/08

Cash balance

	Million	
	£0.5	2008/09
	£2.2	2007/08

LiDCO Group Plc

Welcome

LiDCO researches, develops, manufactures and markets innovative medical devices.

Our products primarily serve critical-care and cardiovascular risk hospital patients who require real-time cardiovascular monitoring.

Commercial Highlights

Highest single year increase in installed monitor base. LiDCO*plus* & LiDCO*rapid* monitors installed base up 28% to 1,510.

Successful launch of the LiDCO*rapid*; 279 monitors sold or placed in first ten months.

New distributors added for 18 territories. LiDCO products are now available in 47 countries worldwide.

Continued progress to profitability and significant increase in level of recurring revenue.

326 monitors sold or placed in the period up 116% (2007/08: 151).

Monitor revenue steady at £1.96m (2007/08: £1.93m).

Disposables income growth in all territories up 26% from £1.99m to £2.50m.

Selected as technology for two US multi-centre patient outcome studies.

Competitive Edge
Opportunity

$238M

The American market for minimally invasive hemodynamic monitoring for high risk surgery is currently valued at $238m per annum.

5.3M

At least 5.3m surgery patients per annum world-wide are suitable for monitoring of the key cardiovascular parameters – blood pressure, cardiac output and oxygen delivery.

78%

It is estimated that the over 65 age group in the US will increase by 78% by 2015, indicating the cardiovascular treatment market has significant prospects for growth. The older population in 2030 is projected to be twice as large as in 2000, growing from 35m to 71.5m and representing nearly 20% of the total US population.

Technical Innovation
Bringing real time benefits to patient care

Demands on healthcare resources and the costs of surgical and intensive care have led to a medical industry trend of providing point-of-care healthcare treatment, which is minimally invasive, portable, easy to use and overall reduces cost.

Point-of-care treatment is more efficient for both patients and healthcare providers, potentially reducing delays in treatment, morbidity and costs.

However, we believe that a number of limitations apply to the existing method of cardiovascular monitoring. To this end we have developed innovative medical devices to serve critical-care and surgery patients at cardiovascular risk.

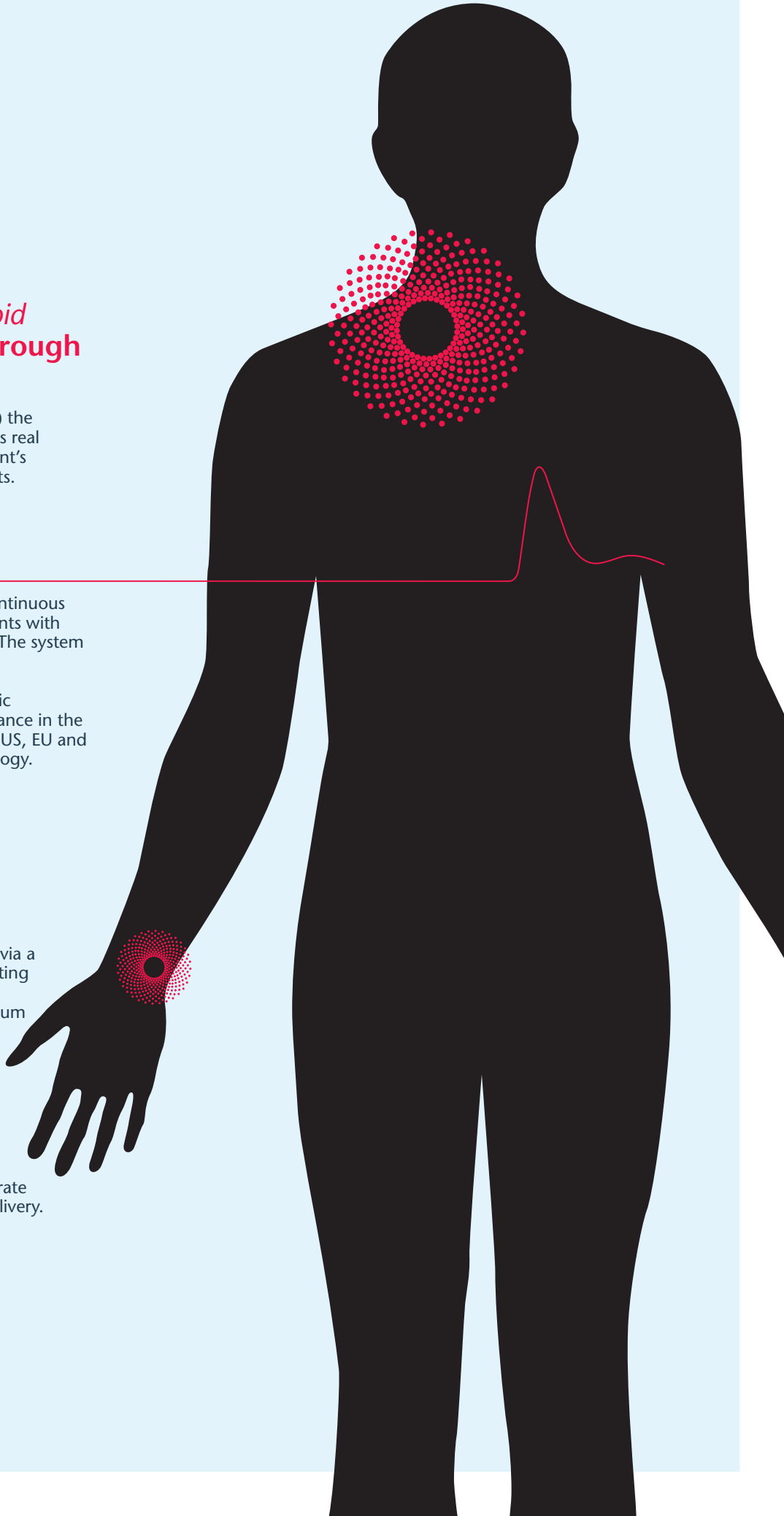
Unique Products
One step ahead

LiDCO*plus* and LiDCO*rapid* derive cardiac output through the PulseCO software

Via the complementary software (PulseCO) the LiDCO*plus* Hemodynamic Monitor provides real time, comprehensive assessment of a patient's hemodynamic status and fluid requirements.

The monitor is intended for monitoring continuous blood pressure and cardiac output in patients with pre-existing peripheral arterial line access. The system is safe, accurate and easy to use.

The use of minimally invasive hemodynamic monitoring is receiving widespread acceptance in the market place with many institutions in the US, EU and UK now routinely using the LiDCO technology.



The LiDCO System
Sensor technology/ Indicator dilution

A small dose of lithium chloride is injected via a central or peripheral venous line. The resulting arterial lithium concentration-time curve is recorded by withdrawing blood past a lithium sensor attached to the patient's existing arterial line.

The sensor consists of a lithium-selective electrode in a flow-through cell.
It is disposable, sterilised by gamma irradiation and foil packed.

The LiDCO System is used to calibrate the LiDCO*plus* monitor to provide an accurate measurement of bloodflow and oxygen delivery.

Channel Strategy
A strong performance

International Sales

Sales by region £'000	**2008/09**	2007/08
UK	**2,161**	1,724
USA	**1,027**	1,241
Continental Europe	**1,093**	873
Rest of the World	**251**	213

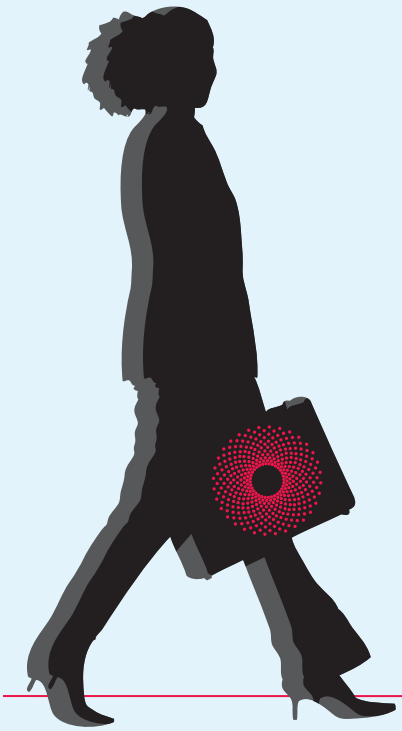
Monitor installed base (Units)		
UK	**266**	231
USA	**546**	469
Continental Europe	**458**	300
Rest of the World	**240**	184

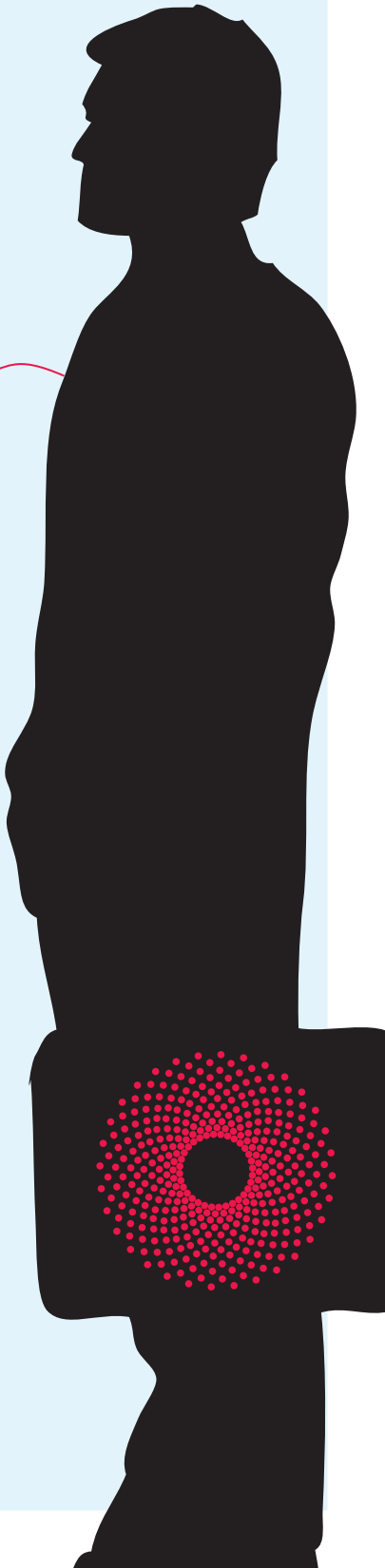
Broadening our network
Expanding our reach

Our commercial strategy has been to strengthen our product range, broaden our network of distributors and accelerate growth of the installed user base of our minimally invasive hemodynamic monitoring products.

In line with our strategy we have expanded our sales reach by broadening our network of distribution partners. In July we signed an exclusive distribution agreement with KOL Bio Medical Instruments (KOL) for the sale of the LiDCO*rapid* Monitor in the eastern side of the US market.

This significantly enlarged sales force gives LiDCO access to more than 40% of the US market.





LiDCO and KOL
A productive partnership

KOL is a speciality distributor of medical technology with extensive experience of selling hemodynamic monitoring equipment.The company has a 15 strong specialist sales team and currently supplies to 21 states on the Eastern side of the US.

The combined sales and nurse educator sales force of LiDCO and KOL is now 20 people, approximately four times that of last year.

We are expecting good growth in sales from the US. In other territories, as anticipated, we have added distributors in Continental Europe and the Rest of the World territories:

UK
Sales revenue up 25% to £2,161,000 (2008 £1,724,000)

USA
Significant order for 12 LiDCO monitors ($250,000)
Duke University now has a total of 28 monitors

Continental Europe
New distributors appointed in Turkey, Portugal and Germany

Rest of the World
New distributors appointed in Russia, Israel, Canada, Australia, Middle East and Argentina

Chairman's Statement

During the last twelve months we have continued to pursue our strategy of growing our global product sales whilst maintaining our high product margins and careful control of costs.

Once again more than half of LiDCO's sales during the year came from outside the UK. For the second year running, the Group's sales continued to increase in continental Europe.

I am delighted to report that this has been a very successful and productive year for the Group. During the last twelve months we have continued to pursue our strategy of growing our global product sales whilst maintaining our high product margins and careful control of costs. Overall sales for the year increased by 12% to £4.53 million, split between 43% capital and 57% recurring revenue.

Once again more than half of LiDCO's sales during the year came from outside the UK. For the second year running, the Group's sales continued to increase in continental Europe. Disposables' sales across all territories showed strong growth, in particular in the UK, Europe and Rest of World.

An important milestone was the launch of the LiDCO*rapid* monitor and disposables in April 2008. The LiDCO*rapid* is designed specifically to meet the needs of the growing high-risk surgery market and other hospital applications where quick and easy set-up is required, and continuous trend information is important. This new monitor uses the same algorithm as that used in the existing LiDCO*plus* monitor, so data from studies involving the LiDCO*plus* also validate the LiDCO*rapid* monitor, aiding market acceptance.

Until recently, the market for our products was mainly the intensive/critical care units of hospitals. The launch of the LiDCO*rapid* monitor gave the Group access to the US$800 million potential high-risk surgery market. Furthermore, the LiDCO*rapid*'s ease of use is a key feature that enables us to attract a broader range of distributors in new and existing territories. As a result we significantly increased our distributor network this year in the EU, USA and the Rest of the World, whilst maintaining our direct sales forces in the UK and USA.

The market's positive reception of the LiDCO*rapid* was the key driver behind 2008/09 being a record year for the Group in terms of the number of monitors sold or placed in hospitals. The value of the total monitor sales was, however, broadly the same as last year's. This was due to the focus of our sales resources on the launch and establishment of the LiDCO*rapid*, which is priced at a lower level than the LiDCO*plus*.

In April this year the Group announced the extension of its existing exclusive collaboration with Becton, Dickinson and Company ('BD') to include additional territories beyond the UK. In addition we entered into an exclusive distribution and sales relationship for the LiDCO*rapid* monitor with BD in Japan. Collaborations such as these with a leading global medical technology company are a tribute to our technology and potentially help to increase penetration of our markets.

Our products continue to be developed and assembled, with certain proprietary elements manufactured, in our facility in East London, under strict quality standards.

The Group's product development activities are conducted in close consultation with leading clinicians. This means that we now have a portfolio of linked products to offer our customers, enabling not only the measurement but also the analysis, audit, training and sharing of real-time and historic hemodynamic data in both critical care units and the operating theatre. Meanwhile, there is an expanding amount of scientific data linking the optimisation of patients' hemodynamic status with better outcomes and reduced hospital stays.

The Group's cash balance at the year-end was £0.49 million. In August 2008, the Group's US$2m convertible loan facility reached maturity and was replaced by a combined overdraft and invoice financing facility with Royal Bank of Scotland, the maximum amount available under these being £1.25 million. At 31 January 2009, the borrowings under these facilities were £608,000.

We were pleased to announce in April 2009 the appointment of FinnCap as the Group's Nominated Adviser and Broker. FinnCap are based in London and have a strong track record in advising, raising capital, providing research and after market care for both growing and established smaller companies.

£4.53M

Overall sales for the year increased by 12% to £4.53m, split between 43% capital and 57% recurring revenue.

Whilst we are mindful that the current economic conditions could potentially lead to a tightening in public and private expenditure on healthcare, in particular capital budgets, we believe that our products are well positioned in the current environment for the following reasons:

- they have been shown to save costs by significantly reducing infections and length of hospital stays among patients who have undergone high risk surgery;
- Medicare's decision not to reimburse US healthcare providers for treatment of hospital-acquired infections will we believe further encourage use of our products to implement fluid optimisation strategies in high risk patients;
- the demand for the older invasive catheter-based hemodynamic monitoring products is declining due to concerns over the risks associated with these.

The addition of the LiDCO*rapid* and the expansion of our distributor network have given us a solid platform for growth. The substantial increase in the number of monitors sold or placed during 2008/09 means we are well placed to benefit from significant and consistent revenue streams from the sale of the disposables on both the LiDCO*plus* and the LiDCO*rapid*.

As we look with enthusiasm to the year ahead, I would like to thank our shareholders for their continued support, the Group's staff and Directors for their dedication and hard work over the past year and our Clinical Advisory Board for their valuable contribution.

Theresa Wallis
Chairman
20 April 2009

Chief Executive Officer's Statement

The recent launch of the LiDCO*rapid* monitor was an important milestone for the Company with excellent initial market acceptance resulting in us seeing good demand for the product.

Although still at an early stage, the strategy to access the surgery market in order to swiftly grow the installed base and secure a faster growing recurring revenue stream is already showing much promise.

Overview
Achievements

This last year has been highly significant for LiDCO, with the Company successfully achieving its goals, which were to:

1. Continue to grow income and progress toward profitability.
2. Strengthen the product range and address the surgery market.
3. Accelerate the growth of the installed user base.
4. Significantly broaden the network of distributors.

Broadening LiDCO's product range – the launch of the LiDCO*rapid*

One year on from the launch of the LiDCO*rapid* I am delighted to report that there has been an excellent initial market acceptance. The launch of this product allows LiDCO, and our distribution partners, to address an additional market that we estimate to be potentially worth US$800m per annum. From April 2008 to January 2009, 279 LiDCO*rapid* monitors have been sold or placed with distributors and hospital customers. The number of patients undergoing high risk surgery is higher than the numbers of patients admitted to the intensive care unit, thus the surgical market represents the biggest potential revenue stream for our technology.

The Company now has products to access two markets – the intensive care patient with the LiDCO*plus* technology and the high-risk surgery patient with the LiDCO*rapid*. Accordingly, looking at the last year we have seen the biggest yearly increase in our monitor installed-base since we started trading. Strong demand for our new surgery product means that our installed base of both types of our monitors stands at 1,510 units at the year-end.

Broadening our network of distributors – improving the channels to market

LiDCO's strategy is to increase sales by predominantly using a distribution route to market, rather than increasing its own sales force. During the year we have added 13 new distributors, covering 18 countries and have considerably increased the number of sales personnel now selling our technology. As planned, we have added distributors in all our major markets including North America, Continental Europe, the Middle East and Asia. Our distribution partners are major players in their respective markets and LiDCO products are now available in 47 countries worldwide. Our technology is attractive to distributors due to the market growth rate, potential and product margin.

The launch of the LiDCO*rapid* significantly increased the market potential for our products. As anticipated, we then saw an increased interest in selling or co-promoting our products from a number of distributors in new territories and from a major corporation (Becton Dickinson). With the expansion of our product line and the growing global interest in better fluid management and targeted oxygen delivery, our sales partners are showing an increasing commitment to investing the time and resources necessary to develop their respective markets. Following the launch of the LiDCO*rapid* and appointment of the new distributors in the first half of the year, we saw second half revenues increase over the first half by 24%. Distributors accounted for 76% of the 279 LiDCO*rapid* monitors sold or placed since April. We anticipate an increasing distribution sales revenue contribution as the full effect of the increased distributor appointments starts to be seen.

One of the most important appointments made was in July when we announced that LiDCO had signed an exclusive distribution agreement with KOL Bio Medical Instruments (KOL) for the sale of the LiDCO*rapid* monitor in the eastern side of the US. As a result, including our own direct sales force, we now have access to around 40% of US hospitals. KOL is establishing a strong pipeline of customers.

More recently, in April we announced a significant expansion of our existing marketing collaboration with Becton Dickinson ('BD'), a multi-billion dollar global medical technology company. BD has made an upfront payment for a license to sell (following registration and reimbursement) the LIDCO*rapid* in Japan. In addition, we have expanded our co-marketing arrangements with BD beyond the original UK agreement, to cover a number of export territories. This marketing partnership aims to enhance sales coverage for BD's and LiDCO's product lines. BD is one of the world's biggest global suppliers of medical disposables to the surgery and critical care market. BD is a very important and influential corporate partner for us. The reputation of the LiDCO brand amongst our customers was a key factor in BD's decision to extend this exclusive collaboration. Their increased commitment to working with us is reflective of a growing belief within the medical device industry that hemodynamic monitoring is a market with strong growth potential.

Market trends/Prospects for sales

The worldwide market for hemodynamic monitoring products continues to experience significant growth. We estimate sales revenues (worldwide) for minimally invasive hemodynamic monitoring products grew by 28% from £68m to £87m during 2008. This followed growth of 33% in reported revenues in the prior year. The move away from the use of the older, invasive catheter products towards the newer, less invasive devices reflects a shift in attitude of both hospitals and insurers. Dr David Green at King's College Hospital, London recently reported to the Portuguese national anesthetists' meeting that he had been able to more than halve his use of central venous catheters from 85% to 35% of his high-risk surgery patients by using the LiDCO*rapid*. LiDCO is therefore well placed to benefit from the USA's Medicare decision to no longer pay hospitals for the cost of treatment of catheter and surgery related complications and infections. Not only can the technology be used to reduce the requirement to insert a central catheter for fluid management – we have also demonstrated that use of oxygen delivery targeting using LiDCO*plus* technology on high-risk surgery patients can reduce:

- complications by more than one third[1]
- costs by £4,800 on average per patient
- hospital stay per patient by an average of 12 days

These benefits have been estimated to save a single hospital up to £2m per year.

[1]Early goal-directed therapy after major surgery reduces complications and duration of hospital stay. A randomised, controlled trial, Critical Care 2005, 9:R687-R693 doi:10.1186/cc3887.

279

From April 2008 to January 2009, 279 LiDCO*rapid* Monitors have been sold or placed with distributors and hospital customers.

$800M

The launch of the LiDCO*rapid* Monitor will allow us to address an additional surgical market that we estimate to be potentially US$800m per annum.

Chief Executive Officer's Statement continued

Business Review
Summary Table

	Year to 31 Jan 2009	Year to 31 Jan 2008	Increase/ (decrease)	% Increase/ (decrease)
Revenue by type (£'000)				
Monitors	**1,959**	1,934	25	1
Sensors/smart cards	**2,495**	1,986	509	26
Fee per use and rentals	**78**	78	(0)	0
Licence fees	**0**	53	(53)	(100)
Total revenues	**4,532**	4,051	481	12
Monitors (Units)	**326**	151	175	116
Sold	**310**	150	160	
Placed	**16**	1	15	
Sensor and fee per use Sales (Units)	**30,125**	26,081	4,044	16
Installed base (year-end)	**1,510**	1,184	326	28

Although the world economy is in a significant downturn, healthcare is one of the most defended expenditures made by developed societies. Healthcare expenditure in the USA rose to $2.4 trillion in 2008 according to figures released by the Centers for Medicare and Medicaid Services (CMS). This represents a 6.1% increase, outpacing economic growth in the US, which was 3.5% in 2008. Healthcare expenditure is projected (March 2009, Clinica) to increase by 5.5% in 2009. Our expectation is that, despite recessionary pressures, the hemodynamic monitoring market will continue to grow in 2009. Hospitals are increasingly looking to improve profitability through improved efficacy of treatments and reduced complications. Patients with complications tend to require extended hospital stay and this costs a disproportionate amount. However, while anticipating continued growth for the minimally invasive hemodynamic monitoring market, we are seeing a significant shift regarding how hospitals propose to pay for the adoption of this technology. Revenue budgets will be progressively more used, as capital equipment purchase budgets will be put on hold. We have therefore prudently made an allowance for this trend in our sales forecasting. There will be significantly more product placements (where the monitor is given to a hospital at no cost but the disposables incur a higher charge) and use of revenue budget streams than has been the case in the last few years. We started to see this happening towards the end of 2008 and this will impact on capital sales revenue in our direct and distributor markets, particularly the USA.

The strong LiDCO brand strengths of safety, minimally invasive monitoring, accuracy and ease-of-use, are increasingly being accepted by the clinical community. This is evidenced by the choice of our technology for use in key outcome studies and the continued expansion of our customer base. With the launch of the LiDCO*rapid* and expansion of distribution partners we have the products, structure and sales resources to progress further during 2009.

Sales and trading
Revenues were up 12% to £4.53m (2007: £4.05), this increase understates the much more pronounced growth in the monitor installed base and underlying disposables income growth. Disposable revenue growth and higher numbers of monitors placed have been driven by the launch of the LiDCO*rapid* and by our expanded distribution network. The focus necessary to launch and promote the LiDCO*rapid* had a knock-on effect on the growth and capital revenues from sales of our ICU product – the LiDCO*plus* monitor. As a result the LiDCO*plus* monitor installed base continued to grow, but at a slower rate compared to 2008. Due to the price differential between the LiDCO*rapid* monitor and the more expensive LiDCO*plus* monitor, the modest increase in monitor revenues (1%) across the period belies the considerable increase (up 116% at 326 units compared with 151 units in 2007/8) in units sold and placed. Better, and still emerging, evidence of the underlying good commercial progress was seen in the associated disposables income which was up 26% to £2.5m (2007/8 £1.99m), as smart card income from the LiDCO*rapid* base starts to augment existing LiDCO*plus* sensor income.

These results underplay the full impact that the launch of the LiDCO*rapid* and increase in the distributor sales force are likely to have in the future on disposables sales. We anticipate that our products will exhibit higher disposable usage, as the monitors are transferred from distributors and ultimately into full use in hospitals. LiDCO*rapid* smart card sales revenues should produce a fast growing and secure income stream. LiDCO is well placed to benefit from the shift away from invasive catheter-based hemodynamic monitoring. We now have the sales reach to ensure we are more adequately represented when hospitals are making this decision.

Geographic segmental sales reporting
Revenues were up by between 18 – 25% in the UK, Continental Europe and the Rest of the World territories. Disposables revenues were up in all territories by between 14 – 56%. All territories showed significant increases in the LiDCO monitor installed base. However, in the USA revenues were down, despite a rise of 14% in recurring disposables income. This was a consequence of hospitals acquiring the LiDCO*rapid*, rather than the more expensive LiDCO*plus* monitor, and simultaneously more customers requiring monitor placements, rather than exclusively following a capital purchase route. This resulted in a reduction in reported capital sales revenues (£0.46m vs. 2007/08 £0.75m). Despite this revenue reduction, in the USA the installed base increased more strongly than in the prior year by 77 monitors, which was up almost double (93%) the increase seen in the prior year.

We are expecting good sales revenue growth in all territories during 2009, as the installed base begins to contribute further to disposable revenues augmented by an additional income stream from our new distributors.

56%

Continental Europe
Sensor, smart card sales up 56% to £0.50m (2007/08: £0.32m).

UK
- Total sales revenue up 25% to £2.16m (2007/08: £1.72m)
- Monitor sales revenue up 36% to £0.71m (2007/08: £0.52m)
- Sensors, smart card and fee for use sales up 20% to £1.45m (2007/08: £1.20m)
- Installed base up by 35 (15%) to 266 (2007/08: 231)

USA
- Total sales revenue down by 17% to £1.03m (2007/08: £1.24m)
- Monitor sales decreased by 39% to £0.45m (2007/08: £0.74m)
- Sensors, smart card, fee for use sales up 14% at £0.57m (2007/08: £0.50m)
- Installed base up by 77 (16%) to 546 (2007/08:469)

Continental Europe
- Total sales revenue up 25% to £1.09m (2007/08: £0.87m)
- Monitor sales up 8% to £0.59m (2007/08: £0.55m)
- Sensors, smart card sales up 56% to £0.50m (2007/08: £0.32m)
- Installed base up by 158 (53%) to 458 (2007/08: 300)

Rest of World & Other Income
- Total sales revenue up 18% to £0.25m (2007/08: £0.21m)
- Monitor sales up 70% to £0.20m (2007/08: £0.12m)
- Sensor and Smart Card sales up 26% to £50,317 (2007/08: £40,000)
- No license fees income in the period (2007/08: £52,000)
- Installed base up by 56 (30%) to 240 (2007/08: 184)

Financial Review

The foundations are now in place to significantly increase revenues and earnings in the coming years.

We look to the future with confidence.

Operating results
Turnover increased by 12% to £4.53m (2007/08: £4.05m). Operating losses decreased by 11% to £1.8m (2007/08: £2.01m) and the loss per share was reduced to 1.16 pence (2007/08: 1.50 pence).

The installed base of monitors increased in the year by 326 units (2007/08: 151 units) to 1,510 units (2007/08: 1,184 units), representing an increase of 28%. Similarly the sales of disposables increased by 26% from £1.99m to £2.50m.

The average product margin across all products against external procurement costs has been maintained at 81%. For LiDCO*plus* monitors this product margin improved slightly to 80% albeit on lower volumes than usual due to displacement by the LiDCO*rapid*. The product margin on LiDCO*plus* sensors was maintained at 87%. The strategy of selling the new LiDCO*rapid* monitor for less than half the price of the LiDCO*plus* monitor came with a margin reduction although this was still very respectable at 70%. Conversely, LiDCO*rapid* smart card produces the highest product margin, which bodes well for the future as we anticipate significant volume growth in this area. The overall gross margin on sales after allowing for Med One costs was 67%, up from 64% in 2007/08. Med One payments in the year amounted to £587,000 (2007/08; £444,000).

Sales of LiDCO*rapid* smart cards are expected to be an important growth revenue stream in future years. It is far too early to establish the average smart card usage per monitor but within months since launch, usage rates in individual hospitals have been as high as 11 per month in the UK.

During the year, whilst increasing turnover by 12% and incurring the costs of introducing the LiDCO*rapid*, the administrative and distribution expenses increased by just £200,000 (4%) from £4.62m to £4.82m and employee numbers remained almost static at 39.

Taxation
As the Group is still at the pre-profit stage there was no tax charge for the year and in addition the Group has a deferred tax asset of £6m although this has not been recognised in the accounts. In the UK, the Group qualifies for research and development tax credits, which are estimated as £120,000 in 2008/09 and are shown in the income statement.

Cash, financing and working capital
The net cash outflow of £1.8m before financing activities was the same as the operating loss. There were no untoward movements in working capital items although year-end stock increased by £214,000 from launching the LiDCO*rapid* as an additional mainstream product during the year. Stock at the year-end was £1.05m and as a percentage of turnover increased slightly from 21% to 23%. Expenditure on fixed assets in the year was broadly similar to the charge for depreciation and amortization.

The Laurus US dollar convertible loan facility was repaid at the end of its three year term in August 2008. On repayment, the amount outstanding was £553,000 and was replaced with facilities from Royal Bank of Scotland. The facility with Royal Bank of Scotland comprises a £250,000 overdraft and an invoice discount facility of up to £1m although this latter facility is geared to outstanding sales invoices at any time and has yet to be made fully available.

At the year-end the cash balances amounted to £487,000. Together with the facilities detailed above the Board anticipates that this should be sufficient to see the Company through to profitability and positive cashflow. However the Board consider that given the current credit environment, reducing reliance on such banking facilities would be prudent and is therefore considering further strengthening the balance sheet if and when it is appropriate to do so.

Outlook and Prospects
We are pleased to have more than doubled the rate of selling/placing monitors and have seen significant increases in recurring revenue in all territories. The foundations are now in place to significantly increase revenues and earnings in the coming years. We have made solid, sustainable progress and are confident that in the coming year we will take our proportionate share of the minimally invasive hemodynamic monitoring market. We look to the future with confidence.

Product Development
The product development activities in 2008 centred around existing product support and enhancements, along with the market expansion to surgery with launch of the LiDCO*rapid*. The broad development aims for 2009 are not only to further refine and differentiate the LiDCO*rapid* user interfaces, but also improve and simplify customer use of our technology. This includes making it easier to set up an interface with the patient (universal pressure waveform module) and further work on language localization to simplify interpretation and use.

LiDCO*rapid* user interface enhancements
Since launch of the LiDCO*rapid* customer feedback has been very positive regarding the product's ease of setup, user interface and utility. In line with our strategy of continuous product improvement our aim is to further evolve this product by adding more user options, without adding complexity to setup and use. I am pleased to say that a follow-on software release containing additional user interface improvements is at an advanced stage and planned for release in the first half of 2009. These features include longer display periods for the fluid monitoring parameters and the addition of history and charting screens further differentiating the product from the competition and enhancing functionality.

Universal pressure waveform module
Easier access to arterial blood pressure data should allow fuller market penetration for both of our monitoring products. Development of a universal waveform acquisition module simplifies the acquisition of the raw arterial data stream. This will allow the use of our products in situations where access to the blood pressure waveform is difficult, or involves the additional purchase of expensive cabling, or where on occasion the primary patient monitor does not provide the necessary analogue arterial pressure output. For example this module will allow the LiDCO*plus* and LiDCO*rapid* to be connected to patients in new locations of use, such as the trauma department where existing primary patient monitors may not have the arterial pressure analogue output function we require. This project was initiated in 2008 and has progressed well. It is planned for release in late 2009/early 2010.

LiDCO*view & live*
LiDCO*view* Pro continues to be a successful tool for customers involved in research and training on hemodynamic monitoring. We are seeing increasing numbers of customers becoming familiar with our proprietary software.

LiDCO*live* has been developed to prototype demonstration stage. We believe that this product will be useful for clinicians in both the intensive care unit and operative room. Customer feedback is always very positive and the concept of remote monitoring is easy to convey. LiDCO*live* will require an IT investment by hospitals and we shall be seeking to partner with a few hospitals with the aim of developing and demonstrating a business case for its adoption.

Development of supportive clinical & business cases
Our ambition is to be able to present customers with a compelling clinical and business case linked to the use of our products. To that end improved outcomes have already been demonstrated in two different intensive care populations:

- in a post-operative surgical intensive care setting, where treated patients' hospital stay was reduced by 12 days and complications by more than one third;
- in severely ill patients with shock and sepsis, where the use of LiDCO technology substantially reduced mortality to 12% of patients treated, compared with 32% in the invasive catheter treated group.

In the Interim announcement I was pleased to report that LiDCO had been selected as the technology for use in two further significant multi-centre outcome trials in the USA. Both studies will be coordinated by doctors working at the University of Pittsburgh and will use LiDCO*plus* monitors. They are summarised below:

Prospective trial improving outcomes in high-risk surgery
The first study is a 200 patient randomised controlled trial looking at the application of oxygen delivery mediated, goal-directed therapy in high-risk surgery patients. This takes the treatment protocol previously established in the original St George's hospital trial and goes one step further. Patients in the trial will be hemodynamically managed both during and after surgery with the LiDCO*plus* technology.

USA "Monitor" multi-centre randomised transplantation donor optimization study
The second trial for which we have been chosen is in the field of organ transplantation. The trial has been funded by the US Government and is known as MOnIToR (Monitoring Organ donors to Improve Transplantation Results). The background to this study is that despite efforts to increase organ donation, there remains a critical shortage in both the numbers of organ donors and with the numbers of organs procured per donor. Early research has shown that donors who are adequately fluid resuscitated with LiDCO's technology provided a significantly higher number of organs per donor (3.7 compared with 2) that were deemed suitable for transplant. Donors who had inadequate volume resuscitation had a higher inflammatory response and patients transplanted with organs from poorly resuscitated patients had higher readmission rates back to hospital after surgery.

Significant funding has now been awarded to the University of Pittsburgh in order to conduct a much expanded USA multi-centre randomised transplantation donor optimisation study, using our technology in 960 subjects. In this study donors will be resuscitated conventionally, or with a protocol targeting fluids and cardiac output using the LiDCO*plus* monitor. Success will be judged as a 0.5 increase in the numbers of organs per donor transplanted as compared to the control group. Nevertheless, if only successful in harvesting 0.5 extra organs per donor and implemented throughout the USA, this would represent a 17% increase in the numbers of organs available – from around 22,500 to 26,250 per annum.

Regulatory Affairs and Quality
LiDCO was successfully audited against the requirements of ISO13485:2003, ISO9001:2000, the EC Medical Devices Directive and the Health Canada Medical Device Regulations.

In October 2008, U.K. Medicines & Healthcare products Regulatory Agency carried out a Statutory Pharmacovigilance Inspection of LiDCO Ltd. All LiDCO's responses to the findings were to the Inspector's satisfaction.

Health Canada issued the Medical Device Licence for the LiDCO*rapid* and the Australian TGA listed the LiDCO*rapid* on the Australian Register of Therapeutic Goods.

Dr Terence O'Brien
Chief Executive Officer
20 April 2009

Board of Directors




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 the Alternative Investment Market (AIM), 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. She is currently a non-executive director of FTSE International Limited and Special Products Limited. She is also a member of the Quoted Companies Alliance's Executive Committee and its Markets and Regulations Committee.

John Barry
Sales & 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.

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.

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 part-time finance director of private equity backed Cityspace Limited and a non-executive director of AIM quoted Prologic plc.

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

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.

Clinical Advisory Board

Dr Max Jonas
Dr Jonas is a consultant intensivist and senior lecturer in critical care working at Southampton University and Hospitals. He has responsibility for a 28 bed intensive care unit and has specific interests in hemodynamics and the assessment of monitoring equipment. He is currently deputy chairman of the technology assessment section of the European Society of Intensive Care Medicine and president of the Society of Critical Care Technologists.

Professor David Bennett
David Bennett is visiting Professor of Intensive Care Medicine at King's College Hospital, London and was formerly Professor of Intensive Care Medicine at St George's Hospital London, where until 2003 he was director of the mixed medical/surgical intensive care unit, a position he held for more than 25 years. David has chaired numerous scientific committees, was honorary secretary of the European Society of Intensive Care Medicine and editor-in-chief of Clinical Intensive Care. He is on the editorial board of Intensive Care Medicine and Critical Care. He reviews regularly for these journals and also for Critical Care Medicine and Anesthesia and Analgesia.

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 hooris 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 London 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.

Corporate Governance

The Combined Code

Companies that have shares traded on the Alternative Investment Market (AIM) of the London Stock Exchange are not required to comply with the disclosures of the Combined Code on Corporate Governance which is appended to the Listing Rules of the Financial Services Authority (the 2008 FRC 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 four executive directors and two non-executive directors. The non-executive directors are free from any relationship with the executive management of the Company and the Board considers that both non-executive directors, other than through their shareholdings, are independent directors. The non-executive directors bring a wide range of skills and experience to the Board and fulfil a vital role in corporate accountability.

The Chairman of the Board is Ms Wallis and Mr Brown is the senior independent non-executive director. Directors' biographies are provided on pages 14 & 15.

There were 11 Board meetings during the year. The attendance of the individual directors at the Board meetings and Committee meetings was as follows:

Attendance record at Board and Committee meetings

Name	Position	Board Meetings	Audit Committee	Remuneration Committee	Nominations Committee
Ms T A Wallis	Non-executive Chairman	11 (11)	2 (2)	3 (3)	1 (1)
Dr T K O'Brien	Chief Executive Officer	11 (11)	n/a	n/a	1 (1)
Mr P L Clifford*	Finance Director	8 (8)	n/a	n/a	n/a
Dr D M Band	Scientific Director	9 (11)	n/a	n/a	n/a
Mr J G Barry	Sales & Marketing Director	9 (11)	n/a	n/a	n/a
Mr I G Brown	Non-executive Director	10 (11)	2 (2)	3 (3)	1 (1)

*Mr Clifford was appointed Finance Director on 23 April 2008

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 2009, the Board carried out an evaluation of the performance, functioning and composition of the Board and that of each Committee. This involved each director completing an evaluation, the results of which were then 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 £12,000 against an audit fee of £41,000. 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 cannot be justified, 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 three 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.

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, Chairman and Finance Director 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.

Accountability and audit – Going concern

As noted in the accounting policies and on the basis of current financial projections, the directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Internal control, 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. Further details may be found in the Directors' Report.

Corporate Social Responsibility Statement

The Company recognises the importance of Corporate Social Responsibility.

At the core of LiDCO are its medical monitors 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 by the Board on a regular basis.

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 and has recently introduced childcare vouchers which are available to all 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 16.

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 2009.

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 three times in the year.

Base salary
All four executive directors receive a base salary and, if appropriate, an allowance in lieu of benefits. The salary reflects the experience and level of competence 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. Corporate objectives included sales performance and loss before tax. 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 2009					
	Salary and fees £'000	Allowance in lieu of benefits £'000	Benefits £'000	Bonus £'000	Total £'000	2008 £'000
T A Wallis	**44**	**–**	**–**	**–**	**44**	44
T K O'Brien	**185**	**37**	**–**	**30**	**252**	244
J G Barry	**171**	**34**	**3**	**30**	**238**	229
P L Clifford*	**37**	**–**	**–**	**7**	**44**	–
D M Band	**45**	**9**	**–**	**8**	**62**	56
I G Brown	**28**	**–**	**–**	**–**	**28**	28
Total	**510**	**80**	**3**	**75**	**668**	601

*Mr Clifford was appointed Finance Director on 23 April 2008, on a part-time basis.

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, Dr Band 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 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 Chairman's appointment was renewed for a term ending 19 December 2011 and Mr Brown's appointment was renewed for a term ending 11 October 2011.

Directors' Remuneration Report continued

Directors' interests in share options

Options were granted to the executive directors as follows:

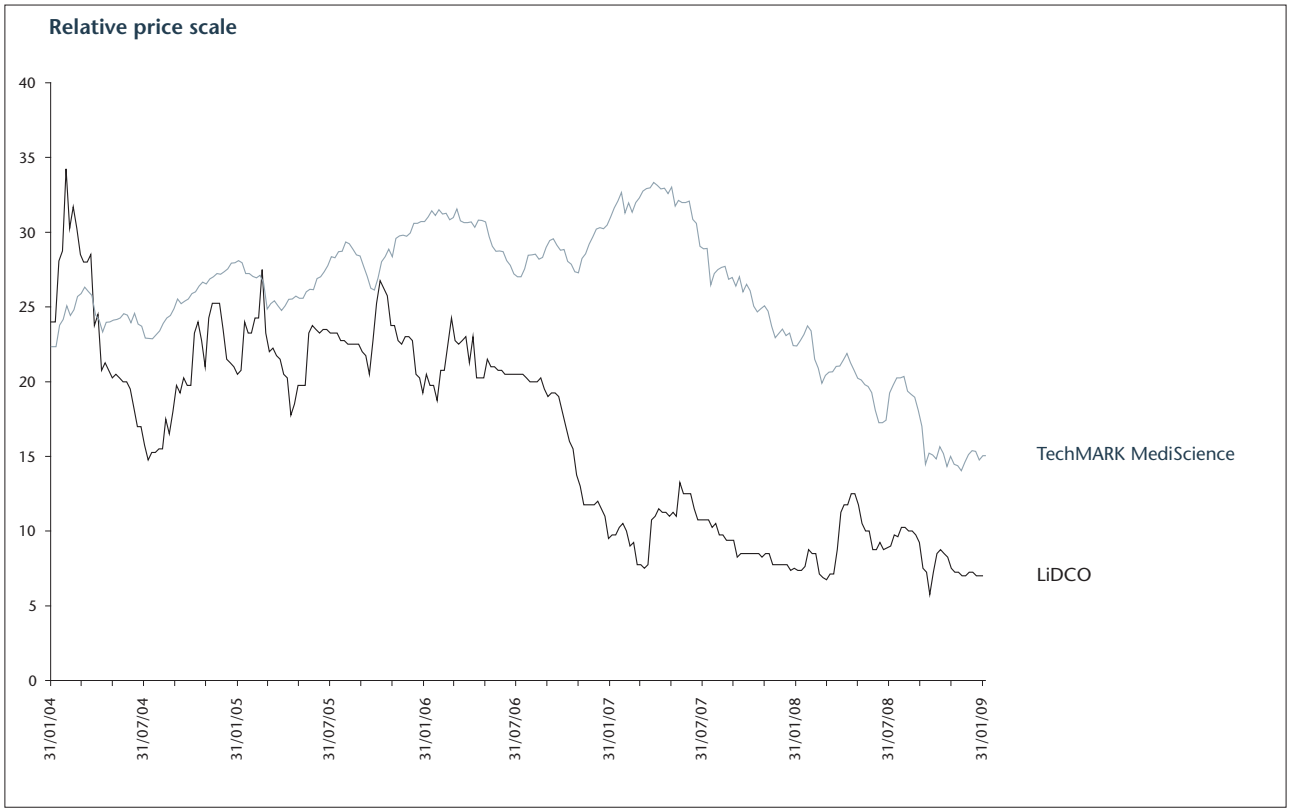
	Option type	Options at 31 Jan 2008	Date of grant	Options granted during 2008	Lapsed during the year	**Options at 31 Jan 2009**	Exercise price	Exercisable from	Expiry date
T K O'Brien	EMI	750,000	Dec-02	–	–	**750,000**	13p	Dec-05	Dec-12
	EMI	11,627	Apr-05	–	–	**11,627**	21.5p	Apr-08	Apr-15
	Unapproved	265,768	Apr-05	–	–	**265,768**	21.5p	Apr-08	Apr-15
		1,027,395		–	–	**1,027,395**			
D M Band	EMI	750,000	Dec -02	–	–	**750,000**	13p	Dec-05	Dec-12
	EMI	11,627	Apr -05	–	–	**11,627**	21.5p	Apr-08	Apr-15
	Unapproved	53,489	Apr -05	–	–	**53,489**	21.5p	Apr-08	Apr-15
		815,116		–	–	**815,116**			
J G Barry	Unapproved	106,250	July-01	–	–	**106,250**	0.5p	July-04	Dec-11
	Unapproved	211,000	Dec-02	–	–	**211,000**	13p	Dec-05	Dec-12
	EMI	539,000	Dec-02	–	–	**539,000**	13p	Dec-05	Dec-12
	Unapproved	90,000	Nov-03	–	–	**90,000**	28.25p	Nov-06	Nov-13
	Unapproved	356,844	Apr- 05	–	–	**356,844**	21.5p	Apr-08	Apr-15
	Unapproved	192,436	Apr-05	–	–	**192,436**	22p	Dec-05	Apr-15
	Unapproved	328,481	Apr-05	–	–	**328,481**	22p	Apr-06	Apr-15
	Unapproved	656,961	Apr-05	–	–	**656,961**	22p	Sep-06	Apr-15
	EMI	136,045	Apr-05	–	–	**136,045**	22p	Dec-05	Apr-15
	Unapproved	45,000	Jun-06	–	–	**45,000**	21p	Jun-09	Jun-16
	Unapproved	75,000	Jun-07	–	–	**75,000**	12.5p	Jun-10	Jun-17
	Unapproved		Apr-08	83,333	–	**83,333**	7.5p	Apr-11	Apr-18
	EMI		Apr-08	266,667	–	**266,667**	7.5p	Apr-11	Apr-18
		2,737,017		350,000	–	**3,087,017**			
P L Clifford	Approved	Nil	Apr-08	66,000	–	**66,000**	7.5p	Apr-11	Apr-18
		Nil		66,000	–	**66,000**			
Totals		4,579,528		416,000	–	**4,995,528**			

The share price was 7.50p on 1 February 2008 and 7.00p on 30 January 2009, with high and low during the year of 13.00p and 5.25p respectively.

Pensions

No pension contributions were payable by the Group during the year (2007/08: £nil).

Shareholder return
The graph below shows the share price performance since January 2004, using the FTSE TechMARK Mediscience Index as a comparator, which the directors consider to be the most suitable benchmark index.



Theresa Wallis
Chairman of the Remuneration Committee
20 April 2009

Directors' Report

The directors of LiDCO Group Plc present their annual report and audited financial statements (Annual Report) for the year ended 31 January 2009.

Principal activities, business review and business risks

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

The business review is included in the Chief Executive Officer's Review and Corporate Social Responsibility Statement which should be read as part of this Directors' Report.

The key commercial risks associated with the business are:

- healthcare spending – the Group's performance is affected by hospitals' expenditure and any, or developing, capital budgetary constraints, which the Group mitigates by targeting its efforts and resources according to sales opportunities where budgets are likely to be available and a wider geographic sales growth predominately through an expanding specialist distributor network;
- competitive activity from other producers of hemodynamic monitors who sell competing products which may restrict the Group's ability to maintain or make further progress in increasing its share of the growing minimally invasive hemodynamic monitoring market. The Group addresses this by encouraging independent clinical validation of its products, introducing product developments/enhancements and sponsoring clinical studies that focus on patient outcome improvement; and
- the Group is competing against more established suppliers and the Group's progress and competitive advantage is more fully covered in the Chief Executive Officer's Review and in the Corporate Responsibility Statement which should be read as part of this Directors' Report.

The key financial risk is the management and maintenance of sufficient cash balances to support the ongoing development, supply and marketing of the LiDCO products.

Results and dividends

The Group's revenue for the year was £4,532,000 (2007/08: £4,051,000). The Group made a consolidated loss after taxation of £1,650,000 (2007/08: £1,866,000). The directors do not recommend the payment of a dividend (2007/08: £nil).

The Company's share price at 30 January 2009 was 7.00p (2008: 7.50p)

Research and development

The Group continued to develop the LiDCO systems 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 34 and 37 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 6 and 7 on page 47 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 pages 14 & 15.

T A Wallis	Non-Executive Chairman
T K O'Brien	Chief Executive Officer
P L Clifford (appointed 23 April 2008)	Finance Director
D M Band	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 19 and 20.

Directors' interests in shares

The directors who held office at 31 January 2009 had beneficial interests in the ordinary shares of the Company as shown below:

Directors' shareholdings

	Ordinary shares of 0.5p each	
	31 January 2009 Number	31 January 2008 Number
T A Wallis	**201,037**	145,037
T K O'Brien	**11,035,461**	10,935,461
P L Clifford*	**188,000**	–
D M Band	**7,060,832**	7,060,832
J G Barry	**379,642**	379,642
I G Brown	**100,000**	100,000

*Mr Clifford was appointed a director on 23 April 2008 and acquired his shareholding on 28 April 2008

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 policy of the directors is to encourage the involvement of all employees in the development and performance of the Group. Employees are regularly briefed on the Group's activities through regular meetings. 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 total amount of the Group's trade creditors falling due within the year ended 31 January 2009 represents 42 days' worth (2007/08:29 days) as a proportion of the total amount invoiced by suppliers during the period.

Significant shareholdings
As at 15 April 2009, 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	19,843,972	13.98%
H J Leitch	10,879,489	7.66%
P A Brewer	9,678,727	6.82%
Cheviot Asset Management Limited	9,585,486	6.75%
Liontrust Intellectual Capital Trust	9,543,851	6.72%
R M Greenshields	9,042,407	6.37%
AXA Framlington Investment Management	6,651,470	4.68%
Charles Stanley & Co	4,310,586	3.04%

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

Charitable and political donations
The Group made no charitable or political donations in the year (2007/08: £nil).

Directors' responsibilities for the financial statements
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.

In so far 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 1985. 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Report continued

Going concern
The financial statements have been prepared on the going-concern basis, which assumes that the Company will have sufficient funds to continue in operational existence for the foreseeable future. The Group has continued to invest in the development of its operations and in particular its sales and marketing presence by continuing to invest in both its direct and indirect sales channels during the year and in a new product offering. As a result it has continued to trade at a loss during the year ended 31 January 2009.

The Group finances its operations through a mixture of shareholders' funds and loan facilities. During the year a three year US dollar based convertible loan facility came to the end of its term and was replaced by a combined sterling based overdraft and invoice discount financing facility. The directors have approved forecasts for the foreseeable future, which indicate that the Group will have sufficient funds to trade during that period. The forecasts assume a certain level of drawdown from the invoice discount financing facility and include projections for new sales about which there is a degree of uncertainty. If such a level of drawdown and/or new sales are not achieved, the directors believe that there are sufficient opportunities available to them to obtain additional funding from sources which are currently being explored, to enable the Group to continue to develop its operations and meet its liabilities as they fall due. The financial statements do not include any adjustments that would be required in the event that the Company had insufficient funding available.

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 39 to 41.

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

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

Detailed budgets are prepared annually and progress against budget and forecasts is reviewed monthly by the Board. 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 2009.

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 ISO 9001 (Quality Management Systems) and ISO13485 (Medical Devices – Quality Management Systems).

During the year the Board performed a comprehensive risk and controls analysis. The Board has established a process involving all departments for the assessment of key risks to the business. The risk register is updated on an ongoing basis and reviewed by the Board four times a year. Actions to mitigate risk are indentified 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 24 June 2009 is set out on pages 49 and 50 of this Annual Report including an explanation of each resolution.

By order of the Board

John Rowland
Company Secretary
20 April 2009

Report of the Independent Auditor to the Members of LiDCO Group Plc

We have audited the Group financial statements of LiDCO Group Plc for the year ended 31 January 2009 which comprise the principal accounting policies, the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement and the consolidated statement of changes in shareholders' equity and notes 1 to 18. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of LiDCO Group Plc for the year ended 31 January 2009.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chief Executive's Report that is cross referred from the business review section of the Directors' Report.

In addition we also report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Directors' Report, Corporate Governance Statement, Remuneration Report, Chief Executive's Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 January 2009 and of its loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements for the year ended 31 January 2009.

Emphasis of matter

The Directors have highlighted in the basis of preparation section of the accounting policies the issues the Company continues to face with regards to the need to generate significant revenue growth and to have available sufficient funds to enable it to achieve that growth. The Directors have initiated a number of discussions and strategic plans to mitigate these uncertainties and have a reasonable expectation that they will reach a successful conclusion. These would ensure that the Company and Group will have adequate resources to continue in operational existence for the foreseeable future. Consequently, the annual report and accounts have been prepared on a going concern basis.

In forming our opinion on the financial statements, which is not qualified, we have considered and are satisfied with the disclosures made in the Accounting Policies in the Company and Group financial statements concerning the going concern basis of preparation.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants

London
20 April 2009

Note: The maintenance and integrity of the Lidco Group Plc website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement
For the year ended 31 January 2009

	Note	**Year ended 31 January 2009 £'000**	Year ended 31 January 2008 £'000
Revenue	2	**4,532**	4,051
Cost of sales		**(1,512)**	(1,442)
Gross profit		**3,020**	2,609
Distribution costs		**(107)**	(93)
Administrative expenses		**(4,709)**	(4,526)
Loss from operations	3	**(1,796)**	(2,010)
Finance income		**57**	49
Finance expense		**(31)**	(25)
Loss before tax		**(1,770)**	(1,986)
Income tax	5	**120**	120
Loss for the year attributable to equity holders of the parent		**(1,650)**	(1,866)
Loss per share (basis and diluted) (p)	6	**(1.16)**	(1.50)

All transactions arise from continuing operations.

There were no recognised gains or losses other than the loss for the financial year.

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

Consolidated Balance Sheet
At 31 January 2009

	Note	2009 £'000	2008 £'000
Non-current assets			
Property, plant and equipment	7	**671**	833
Intangible assets	8	**746**	747
		1,417	1,580
Current assets			
Inventory	9	**1,053**	839
Trade and other receivables	10	**1,686**	1,329
Current tax		**120**	120
Cash and cash equivalents		**487**	2,234
		3,346	4,522
Current liabilities			
Trade and other payables	11	**(905)**	(707)
Deferred income	11	**(37)**	(41)
Borrowings	11	**(618)**	(563)
		(1,560)	(1,311)
Net current assets		**1,786**	3,211
Total assets less current liabilities		**3,203**	4,791
Equity attributable to equity holders of the parent			
Share capital	14	**710**	710
Share premium		**22,531**	22,550
Merger reserve		**8,513**	8,513
Retained earnings		**(28,575)**	(27,016)
Total equity		**3,179**	4,757
Non-current liabilities			
Finance lease liability	12	**24**	34
Total non-current liabilities		**24**	34
Total equity and non-current liabilities		**3,203**	4,791

The financial statements were approved by the Board of Directors on 20 April 2009.

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 2009

	Year ended 31 January 2009 £'000	Year ended 31 January 2008 £'000
Operating loss	**(1,796)**	(2,010)
Depreciation and amortisation charges	**688**	611
Share based payments	**91**	88
(Increase)/decrease in inventories	**(214)**	241
(Increase)/decrease in receivables	**(357)**	(50)
Increase/(decrease) in payables	**294**	(96)
Finance expense	**(31)**	(25)
Income tax credit received	**121**	142
Net cash outflow from operating activities	**(1,204)**	(1,099)
Cash flows from investing activities		
Purchase of property, plant & equipment	**(208)**	(170)
Purchase of intangible fixed assets	**(447)**	(467)
Interest received	**57**	49
Net cash used in investing activities	**(598)**	(588)
Net cash outflow before financing	**(1,802)**	(1,687)
Cash flows from financing activities		
Issue of ordinary share capital	**–**	1,945
Convertible loan repayment	**(553)**	502
Invoice discounting financing facility	**364**	–
Net cash outflow from financing activities	**(189)**	(2,447)
Net (decrease)/increase in cash and cash equivalents	**(1,991)**	760
Opening cash and cash equivalents	**2,234**	1,474
Closing cash and cash equivalents	**243**	2,234

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 2009

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 February 2007	592	20,723	8,513	(25,240)	4,588
Issue of share capital	118	1,827	–	–	1,945
Share based payment expense	–	–	–	90	90
Loss and total recognised loss for the year	–	–	–	(1,866)	(1,866)
At 31 January 2008	**710**	**22,550**	**8,513**	**(27,016)**	**4,757**
Issue of share capital	–	(19)	–	–	(19)
Share based payment expense	–	–	–	91	91
Loss and total recognised loss for the year	–	–	–	(1,650)	(1,650)
At 31 January 2009	**710**	**22,531**	**8,513**	**(28,575)**	**3,179**

The share premium account represents the excess over the nominal value for shares allotted. The charge to the share premium account is in respect of costs relating to the issues of shares in the year ended 31 January 2008.

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 2009

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 48. 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 International Financial Reporting Standards (IFRSs) as adopted by the EU and under the historical cost convention. 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 31st January 2009.

IFRS standards and interpretations not yet adopted
New standards and interpretations currently in issue but not effective for accounting periods commencing on 1 January 2008 currently are:

- IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)
- IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective 1 January 2009)
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009)
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective 1 July 2009)
- Improvements to IFRSs (effective 1 January 2009 other than certain amendments effective 1 July 2009)
- IFRS 3 Business Combinations (revised 2008) (effective 1 July 2009)
- IFRS 8 Operating Segments (effective 1 January 2009)
- IFRIC 15 Agreements for the Construction of Real Estate (effective 1 January 2009)

Note that the amendment to IAS 39 and IFRS 7 issued in October 2008 took immediate effect (and may be applied from 1 July 2008) so this is a standard in issue but not yet effective in an annual period that had not ended at 1 July 2008.

Going concern
The financial statements have been prepared on the going concern basis, which assumes that the Group will have sufficient funds to continue in operational existence for the foreseeable future. The Group has continued to invest in the development of its operations and in particular its direct and indirect sales channels during the year and in a new product offering. As a result the Group has continued to trade at a loss during the year ended 31 January 2009.

The Group finances its operations through a mixture of shareholders funds' and loan facilities. During the year a three year US dollar based convertible loan facility came to the end of its term and was replaced by a combined sterling based overdraft and invoice discount financing facility. The directors have approved forecasts for the foreseeable future, which indicate that the Group will have sufficient funds to trade during that period. The forecasts assume a certain level of drawdown from the invoice discount financing facility and include projections for new sales about which there is a degree of uncertainty. If such a level of drawdown and/or new sales revenues are not realised, the directors believe that there are sufficient opportunities available to them to obtain additional funding from sources to enable the Group to continue to develop its operations and to meet its liabilities as they fall due. Given the current credit environment the Board is considering strengthening the balance sheet. The financial statements do not include any adjustments that would be required in the event that the Company had insufficient funding available.

Basis of consolidation
The Group's consolidated financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 January 2009. 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.

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 and provides a number of deferred payment arrangements together with product support and advice. The Group sells monitors to Med One and recognises the revenue as a sale. Title to the monitors passes to Med One, as do the significant risks and rewards of ownership and there is no obligation for the Group to re-purchase the monitors. The full revenue arising from the sale of consumables relating to these monitors is recognised as revenue by the Group. Med One is entitled to a portion of the monthly revenue from the sale of consumables for a period of three years and payments made to Med One in this way are included within cost of sales.

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 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 three to five 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 & 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 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

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 statements account on a straight-line basis over the lease term.

Notes to the Financial Statements continued

1 Principal accounting policies continued

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.

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 equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to 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 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 statement.

Trade and other receivables
Trade receivables, which generally have 30-90 day terms, are recognised and initially recognised at fair value amount 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 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.

Share-based payments
The Group has one equity-settled share-based remuneration scheme 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, and non-market vesting conditions such as sales growth are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied.

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 judgments in applying the entity's accounting policies
The Group's management makes estimates and assumptions regarding the future. Estimates and judgments 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.

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 & 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 two groups, hospitals in the UK and USA where sales are made by the Group's own sales force and distributors, predominantly in Europe and the Rest of the World. In making provision for overdue trade receivables, management consider those due directly from hospitals to be generally of lower risk than those due from 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).

Revenue recognition
The recognition of sales to Med One, as fully explained in the accounting policy on revenue recognition above, is considered to be a key judgment.

2 Revenue and segmental information

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

Turnover and result by geographical region

Group Revenue	**Year ended 31 January 2009 £'000**	Year ended 31 January 2008 £'000
UK	**2,161**	1,724
USA	**1,027**	1,241
Europe	**1,093**	873
Rest of World	**251**	213
	4,532	4,051
Result		
UK	**565**	249
USA	**(329)**	(111)
Europe	**477**	291
Rest of World	**92**	93
Total	**805**	522
Unallocated costs	**(2,601)**	(2,532)
Loss from operations	**(1,796)**	(2,010)

Notes to the Financial Statements continued

2 Revenue and segmental information continued

Turnover and result by geographical region continued

Revenue by type	Year ended 31 January 2009 £'000	Year ended 31 January 2008 £'000
Monitor sales	**1,959**	1,934
Consumables sales	**2,495**	1,986
Fees for use	**78**	78
Licence fees	**–**	53
	4,532	4,051

Sales of monitors to Med One as detailed in Note 1 under revenue recognition during the year amounted to £314,000 (2007/08: £467,000). The monthly payments to Med One relating to consumables and included within cost of sales amounted to £587,000 (2007/08: £444,000) during the year.

The Group can identify trade receivables and trade payables relating to the geographical segments. As noted above, the Group has one primary 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.

3 Loss from operations

The loss on operations before taxation is stated after:

	Year ended 31 January 2009 £'000	Year ended 31 January 2008 £'000
Auditors' remuneration:		
– Fees payable to the Company auditors for the audit of the Group accounts:	**16**	15
Fees payable to the Company auditors for other services:		
– Audit of the Company's subsidiaries	**25**	24
– Other services relating to the interim review*	**7**	7
– Other services	**5**	3
Research and development	**149**	177
Depreciation of property, plant and equipment	**241**	235
Amortisation of intangible assets	**447**	376
Operating leases – rental of land and buildings	**149**	162

The cost of goods sold during the year amounted to £765,000 (2008: £666,000)

* Non-audit services comprise £7,000 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 2009 £'000	Year ended 31 January 2008 £'000
Wages and salaries	**2,099**	2,015
Social security costs	**183**	178
Share based payments charge	**91**	88
	2,373	2,281

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

	2009 Number	2008 Number
Production	**10**	10
Sales	**17**	17
Administration	**11**	12
	38	39

Remuneration of directors is shown in the Remuneration Report.

Remuneration in respect of other key management personnel was as follows:

	2009 £'000	2008 £'000
Emoluments	**380**	371

5 Tax on loss on ordinary activities

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

	Year ended 31 January 2009 £'000	Year ended 31 January 2008 £'000
United Kingdom corporation tax at 28% (2008: 28%)	**–**	–
Research and development expenditure tax credits	**(120)**	(120)
Total tax	**(120)**	(120)

Loss on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 28% (2008: 28%)	**(496)**	(587)
Effect of:		
Expenses not deductible for tax purposes	**164**	164
Depreciation for the period in excess of capital allowances	**68**	50
Increase in tax losses	**264**	389
Other timing differences	**–**	(16)
Adjustments in respect of prior year	**–**	–
Research and development expenditure tax credits	**(120)**	(120)
Total tax	**(120)**	(120)

The Group has a deferred tax asset of approximately £6.4m (2008: £6.1m) arising primarily from operating losses which has not been recognised due to the uncertainty of future taxable profits.

Notes to the Financial Statements continued

6 Loss per share

The calculation of basic earnings per share is based on the 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 increase the loss per share.

	Year ended 31 January 2009 £'000	Year ended 31 January 2008 £'000
Loss after tax for the financial year	**(1,650)**	(1,866)

	Number ('000)	Number ('000)
Weighted average number of ordinary shares	**141,983**	122,353
Effect of dilutive share options	**–**	–
Adjusted weighted average number of ordinary shares	**141,983**	122,353
Loss per share – basic and diluted (p)	**(1.16)**	(1.50)

7 Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost					
At 1 February 2007	555	411	161	947	2,074
Additions	–	17	–	316	333
Disposals	–	–	–	(191)	(191)
At 31 January 2008	555	428	161	1,072	2,216
Additions	–	3	23	107	133
Disposals	–	–	(13)	(252)	(265)
At 31 January 2009	**555**	**431**	**171**	**927**	**2,084**
Accumulated depreciation					
At 1 February 2007	244	245	123	608	1,220
Charge for the year	58	30	12	135	235
Disposals	–	–	–	(72)	(72)
At 31 January 2008	302	275	135	671	1,383
Charge for the year	53	33	16	139	241
Disposals	–	–	(13)	(198)	(211)
At 31 January 2009	**355**	**308**	**138**	**612**	**1,413**
Carrying amount at 31 January 2009	**200**	**123**	**33**	**315**	**671**
Carrying amount at 31 January 2008	253	153	26	402	833

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.

The carrying amount of the Group's plant and equipment includes £34,000 (2008: £43,000) in respect of assets held under finance leases.

8 Intangible assets

	Clinical trials £'000	Product registration £'000	Software development £'000	Total £'000
Cost				
At 1 February 2007	92	369	1,278	1,739
Additions	24	90	353	467
At 31 January 2008	116	459	1,631	2,206
Additions	–	97	349	446
At 31 January 2009	**116**	**556**	**1,980**	**2,652**
Accumulated amortisation				
At 1 February 2007	77	78	928	1,083
Charge for the year	9	70	297	376
At 31 January 2008	86	148	1,225	1,459
Charge for the year	15	112	320	447
At 31 January 2009	**101**	**260**	**1,545**	**1,906**
Carrying amount at 31 January 2009	**15**	**296**	**435**	**746**
Carrying amount at 31 January 2008	30	311	406	747

Intangible assets are all 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 Inventories

	2009 £'000	2008 £'000
Raw materials and consumables	**250**	207
Finished goods and goods for resale	**803**	632
	1,053	839

Notes to the Financial Statements continued

10 Trade and other receivables

	2009 £'000	2008 £'000
Trade receivables	**1,537**	1,185
Other receivables	**48**	45
Prepayments	**101**	99
	1,686	1,329

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 2009, trade receivables of £1.24m (2008: £0.92m) 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:

	2009 £'000	2008 £'000
Not more than three months	**50**	129
More than three months but not more than six months	**30**	59
More than six months but not more than one year	**106**	82
More than one year	**111**	–
	297	270

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

	2009 £'000	2008 £'000
Opening balance	**100**	228
Provision for receivables impairment	**44**	47
Receivables written off in year	**(24)**	(175)
Unused amounts reversed	**(25)**	–
Closing balance	**95**	100

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

11 Current liabilities

	2009 £'000	2008 £'000
Trade payables	**560**	364
Social security and other taxes	**92**	100
Accruals	**253**	243
Deferred income	**37**	41
Convertible loan	**–**	553
Bank overdraft	**244**	–
Invoice discount financing facility	**364**	–
Finance leases	**10**	10
	1,560	1,311

The bank overdraft and invoice discount financing facility are provided by a UK bank. The bank has a charge over the assets of the Group, but excluding any intellectual property rights.

12 Non-current financial liabilities

	2009 £'000	2008 £'000
Finance leases	**24**	34

13 Financial instruments

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 £2,072,000 (2008: £3,464,000).

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 facilities is available to meet foreseeable needs and to invest surplus cash assets safely and profitably.

Liquidity Risk Analysis
The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week 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 2009, the Group's liabilities have contractual maturities which are summarised below:

	Current		Non Current	
	Within 6 months	6 to 12 months	1 to 5 years	Over 5 years
31 January 2009	£'000	£'000	£'000	£'000
Invoice discount financing facility	–	364	–	–
Bank overdraft	–	244	–	–
Finance lease obligations	7	7	24	–
Trade payables	905	–	–	–
	912	615	24	–

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

	Current		Non Current	
	Within 6 months	6 to 12 months	1 to 5 years	Over 5 years
31 January 2008	£'000	£'000	£'000	£'000
Loan note	–	553	–	–
Finance lease obligations	5	5	34	–
Trade payables	707	–	–	–
	712	558	34	–

Notes to the Financial Statements continued

13 Financial instruments continued

Market Risks

Interest rate risk

The Group finances its operations through a mixture of shareholder funds and variable rate bank facilities. 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 the US dollar based loan liability and US dollar payables are party mitigated by US dollar receivables from sales.

Group interest rate profile

	Floating rate		
Financial assets at 31 January 2009	Cash current bank accounts £'000	Deposit and reserve account £'000	Total £'000
Currency			
Sterling	1	370	371
US dollars	78	–	78
Euro	38	–	38
	117	370	487

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, principle accounting policies, covering financial issues, financial liabilities and derivative instruments and hedge accounting for explanations about how the category of instruments affects their subsequent measurement.

Current assets	2009 £'000	2008 £'000
Loans and receivables:		
– Trade and other receivables	1,686	1,329
– Cash and cash equivalents	487	2,234
	2,173	3,563

Non-current liabilities	2009 £'000	2008 £'000
Other payables	24	34
	24	34

Current liabilities	2009 £'000	2008 £'000
Financial liabilities measured as amortised cost:		
– Borrowings	618	563
Trade payables and other short-term financial liabilities	905	707
Deferred income	37	41
	1,560	1,311

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through an optimal balance of debt and equity.

The Board reviews the capital structure, including the level of indebtedness and interest cover as required. As part of this review, the Board considers the cost of capital and the risk associated with each class of capital.

The Group is exposed to translation and transaction foreign exchange risk. The currencies where the Group is most exposed to foreign currency volatility are US dollars.

Transactions and balances of the subsidiaries are denominated in the local currency and had the following balances denominated in US dollars:

	US Dollars	
	2009	2008
	£'000	£'000
Trade and other receivables	**576**	581
Cash and cash equivalents	**79**	107
Convertible loan	**–**	(553)
Invoice discounting financing facility	**(97)**	–
Trade and other payables	**(253)**	(92)
	305	43

Currently, 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	
	2009	2008
	£'000	£'000
Currency fluctuation	**25%**	12%

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

	US Dollars	
	2009	2008
	£'000	£'000
Net result for the year	**(12)**	(39)
Equity	**(12)**	(39)

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

	US Dollars	
	2009	2008
	£'000	£'000
Net result for the year	**12**	39
Equity	**12**	39

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.

Notes to the Financial Statements continued

14 Share capital

	2009 £'000	2008 £'000
Authorised – 200,000,000 ordinary shares of 0.5 pence each	**1,000**	750

Issued and fully paid – ordinary shares of 0.5 pence each	2009 Number of shares 000	2008 Number of shares 000
At the beginning of the year	**141,983**	118,336
Issued for cash	**–**	23,647
At the end of the year	**141,983**	141,983

	£'000	£'000
At the beginning of the year	**710**	592
Issued for cash	**–**	118
At the end of the year	**710**	710

15 Share based payments

Equity-settled share option scheme
The Group has a share option scheme for employees and directors of the Group. Options are exercisable at a price equal to the average quoted market price of the Group's shares on the date of grant. The vesting period is over a period of three years.

	2009		2008 (restated)	
	Number	Weighted average exercise price (p)	Number	Weight average exercise price (p)
Outstanding at the beginning of the year	**7,962,277**	**17.6**	8,452,738	15.5
Issued in the year	**1,601,120**	**7.8**	577,000	12.2
Forfeited during the year	**(209,525)**	**16.0**	(1,067,461)	19.1
Exercised during the year	**–**	**–**	–	–
Outstanding at the end of the year	**9,353,872**	**20.1**	7,962,277	17.6
Exercisable at the end of the year	**6,855,872**	**13.8**	4,329,628	12.3

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 behavioral considerations. These fair values were calculated using a Black-Scholes option pricing model as follows:

	2009	2008
Weighted average share price (p)	**20.1**	19.0
Weighted average exercise price (p)	**–**	19.0
Expected volatility	**40%**	40%
Expected life	**3.5**	3.5
Risk free rate	**3.5%**	5%
Expected dividend yield	**–**	–

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 the 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.

16 Capital commitments

The Group had no capital commitments at 31 January 2009 or 31 January 2008.

17 Contingent liabilities

There were no contingent liabilities at 31 January 2009 or 31 January 2008.

18 Leasing commitments

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

	2009		2008	
Group	**Land and buildings £'000**	**Other £'000**	Land and buildings £'000	Other £'000
In one year or less	**164**	**56**	149	39
Between one and five years	**60**	**70**	224	54
	224	**126**	373	93

Report of the Independent Auditor 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 2009 which comprise the principal accounting policies, the balance sheet and notes 1 to 8. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of LiDCO Group Plc for the year ended 31 January 2009.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, and the parent company financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Corporate Governance Statement, Directors' Report, Directors' Remuneration Report, Chief Executive's Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 January 2009;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter

The Directors have highlighted in the basis of preparation section of the accounting policies the issues the Company continues to faces with regards to the need to generate significant revenue growth and to have available sufficient funds to enable it to achieve that growth. The Directors have initiated a number of discussions and strategic plans to mitigate these uncertainties and have a reasonable expectation that they will reach a successful conclusion. These would ensure that the Company and Group will have adequate resources to continue in operational existence for the foreseeable future. Consequently, the annual report and accounts have been prepared on a going concern basis.

In forming our opinion on the financial statements, which is not qualified, we have considered and are satisfied with the disclosures made in the Accounting Policies in the Company and Group financial statements concerning the going concern basis of preparation.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants

London
20 April 2009

Note: The maintenance and integrity of the LiDCO Group Plc website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Company Balance Sheet
At 31 January 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Investments	2	**65**	65
		65	65
Current assets			
Debtors	3	**5**	27
Amount due from subsidiary undertakings	3	**10,955**	9,831
Cash at bank		**371**	2,037
		11,331	11,895
Current liabilities			
Creditors: Amounts falling due within one year	4	**–**	(553)
		–	(553)
Net current assets		**11,331**	11,342
Total assets less current liabilities		**11,396**	11,407
Net assets		**11,396**	11,407
Shareholders' funds			
Share Capital	5	**710**	710
Share premium	6	**22,531**	22,550
Retained earnings	6	**(11,845)**	(11,853)
Shareholders' funds		**11,396**	11,407

The financial statements were approved by the Board of Directors on 20 April 2009.

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 2009

1 Principal accounting policies

Basis of preparation
The separate financial statements of the company are presented as required by the Companies Act 1985. 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 financial statements have been prepared on the going concern basis, which assumes that the Group will have sufficient funds to continue in operational existence for the foreseeable future. The Group has continued to invest in the development of its operations and in particular its direct and indirect sales channels during the year and in a new product offering. As a result the Group has continued to trade at a loss during the year ended 31 January 2009.

The Group finances its operations through a mixture of shareholders funds' and loan facilities. During the year a three year US dollar based convertible loan facility came to the end of its term and was replaced by a combined sterling based overdraft and invoice discount financing facility. The directors have approved forecasts for the foreseeable future, which indicate that the Group will have sufficient funds to trade during that period. The forecasts assume a certain level of drawdown from the invoice discount financing facility and include projections for new sales about which there is a degree of uncertainty. If such a level of drawdown and/or new sales revenues are not realised, the directors believe that there are sufficient opportunities available to them to obtain additional funding from sources to enable the Group to continue to develop its operations and to meet its liabilities as they fall due. Given the current credit environment the Board is considering strengthening the balance sheet. The financial statements do not include any adjustments that would be required in the event that the Company had insufficient funding available.

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 profit and loss 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. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

2 Investments

Company	Shares in subsidiary undertakings £'000
Cost and net book value	
At 1 February 2008 and at 31 January 2009	65

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

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

3 Debtors

	2009 £'000	2008 £'000
Prepayments	**–**	22
Other debtors	**5**	5
Amount due from subsidiary	**10,955**	9,831
	10,960	9,858

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 no further impairment provision is necessary at 31 January 2009. The timing of the repayment of this debt is uncertain and unlikely to be within one year.

4 Current liabilities

Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Convertible loan	–	553

	2009 £'000	2008 £'000
Nominal value of convertible loan	–	553
Equity component	–	–
Liability component at final drawdown date	–	553
Interest charged	**23**	25
Interest paid	**(23)**	(21)
Liability component at 31 January 2009	–	557

The directors believe the amount shown above represents a fair value of the liability component.

5 Share capital

	2009 £'000	2008 £'000
Authorised		
200,000,000 ordinary shares of 0.5p each	**1,000**	750
Allotted, called up and fully paid		
141,983,054 ordinary shares of 0.5p each	**710**	710

6 Reserves

	Share premium £'000	Other reserve £'000	Equity reserve £'000	Profit & loss account £'000
At 1 February 2008	22,550	–	–	(11,853)
Issue of share capital	(19)	–	–	–
Profit for the year	–	–	–	8
At 31 January 2009	**22,531**	–	–	**(11,845)**

The charge to the share premium account is in respect of costs relating to the issue of shares in the year ended 31 January 2008.

7 Reconciliation of shareholders' funds

	2009 £'000	2008 £'000
Profit/(loss) for the year	**8**	(12,027)
Shares issued	–	1,945
Share premium account	**(19)**	–
	(11)	(10,082)
Opening shareholders' funds	**11,407**	21,489
Closing shareholders' funds	**11,396**	11,407

8 Loss for the financial year

In accordance with the exemptions given by section 230 of the Companies Act 1985, the holding company has not prepared its own profit and loss account. The profit for the year of the Company was £8,000 (2007/08: loss £12,027,000). The loss for 2007/08 includes an impairment provision of £12m in respect of the amount due from subsidiary undertakings.

Company Information

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2659005

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Dr T K O'Brien	Chief Executive Officer
Mr P L Clifford	Finance Director
Mr J G Barry	Sales and Marketing Director
Dr D M Band	Scientific Director
Mr I G Brown	Non-Executive Director
Mr J P Rowland	Company Secretary

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Printed on Satimat. Made from 15% recycled de-inked FSC certified pulp with all virgin fibres that are 100% FSC certified and PCF bleached, without using chlorine gas.

FSC Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fiber
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