13 October 2020

LIDCO GROUP PLC
("LiDCO", "Group" or the "Company")

Interim Results for the six months ended 31 July 2020

LiDCO (AIM: LID), the hemodynamic monitoring company, announces its unaudited Interim Results for the six months ended 31 July 2020 (H1). The Group has delivered a record H1 performance, seeing strong cash generation and trading, coupled with continued success seen with its High Usage Programme ("HUP"), for which revenues are up 83%.

Financial Highlights

- LiDCO product revenues (excluding third party products) up 83% to £6.1m (H1 FY20: £3.3m)
- Total revenues (including 3rd party products) up 75% to £6.2m (H1 FY20: £3.5m)
- Adjusted profit before tax (adjusting for share-based payments and exceptional items) increased by £2.0m to £1.2m (H1 FY20: £0.8m loss)
- Exceptional profit on exit of Orsman Road premises £0.2m (H1 FY20: £nil)
- Profit after tax up by £2.2m to £1.4m (H1 FY20: £0.8m loss)
- Earnings per share 0.56p (H1 FY20: loss per share 0.34p)
- Net cash inflow of £1.8m (H1 FY20: net cash outflow £0.5m)
- Strong balance sheet to support growth strategy, with cash balances on 31 July 2020 of £3.1m (31 January 2020: £1.4m) and no borrowings

Operational Highlights

- COVID-19 related demand resulted in the Company selling 230 monitors (H1 FY20: 111)
- Continued success with HUP, revenues up 83% to £1.5m (H1 FY20: £0.8m)
- Global installed base of HUP monitors increased by 14% to 327 at 31 July 2020 (31 January 2020: 286)
- Regulatory approvals received for commercial sale of latest monitor in Brazil and Columbia
- Successful transition of manufacturing and administration to two new London locations

Commenting, Matt Sassone, Chief Executive Officer of LiDCO, said:
"I am so proud of the team and all of their work which has enabled LiDCO to increase our market-leading share in the UK and achieve a record H1 performance. The cash generated in H1 will enable us to invest further in the business to accelerate our growth, especially in the US, the largest market for hemodynamic monitoring. We achieved a CAGR of 65% in US HUP revenues during the two years to 31 January 2020 and we believe there is the opportunity for a good return on focused investment in our commercial operations in the US to accelerate revenue growth further.

"As healthcare providers try to return to normal practice, they are facing unprecedented financial and operational challenges, and LiDCO, with its Software as a Service (SaaS) offering, is well-placed to meet both the clinical and financial needs of our customers."

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

LiDCO Group Plc	www.lidco.com
Matt Sassone (CEO)	Tel: +44 (0)20 7749 1500
Tim Hall (CFO)	
N+1 Singer	Tel: +44 (0)20 7496 3172
Aubrey Powell / George Tzimas (Corporate Finance)	
Tom Salvesen (Corporate Broking)	

Walbrook PR Ltd Tel: 020 7933 8780 or lidco@walbrookpr.com
Paul McManus Mob: 07980 541 893
Lianne Cawthorne Mob: 07584 391 303

CHIEF EXECUTIVE OFFICER'S REVIEW

The Group achieved a record first half performance with LiDCO product revenues up by 83% compared with the first half of last year, by successfully responding to the short-term increase in demand related to the COVID-19 pandemic. The Group introduced widespread measures to protect its employees and this performance was achieved due to the dedication and flexibility of employees who worked tirelessly during the period.

The exceptionally strong sales in the first half was due to increased demand for advanced hemodynamic monitors as healthcare providers expanded critical care services to deal with the COVID-19 pandemic, especially in the UK, where LiDCO is the market leader. LiDCO technology is now used in over 80% of acute NHS trusts.

The level of demand in the first half of the year clearly demonstrates how hemodynamic optimisation is seen by many clinicians as playing a key role in the management of the complex interaction of respiratory and cardiovascular factors seen when treating COVID-19 patients. LiDCO provides a market leading solution, via either the arterial line or non-invasively, to support the diagnostic and therapy-guiding functional hemodynamic tests as recommended by frontline experts and international guidelines[*].

Feedback from frontline clinicians indicate that, due to the high patient-to-staff ratios associated with a surge of ICU patients, customers gravitated to LiDCO's hemodynamic monitor because it is easy to interact with, simple to set up and has guided clinical protocols to support patient care. For example, LiDCO is unique in incorporating three ventilator-associated, guided fluid tests as recommended by key opinion leaders during COVID-19 educational webinars hosted by the European Society of Intensive Care Medicine.

As has been widely reported, around the world many elective surgeries have been postponed as healthcare systems prioritised resources to deal with the pandemic. In the UK, there was a three-month postponement of non-urgent elective surgery which began in April 2020 and resulted, according to Birmingham University, in June's routine NHS procedures being as much as 72% lower year-on-year. Feedback from LiDCO's commercial staff in the UK and US indicate that surgical activity is gradually returning to previous levels, but remains dampened by additional infection control practices and continuing preparations for a further wave of infections.

LiDCO's Software as a Service (SaaS) HUP business model continues to be a success by enabling healthcare providers to improve patient outcomes while reducing the cost of care. The ability to treat an unlimited number of patients without the need for a dedicated disposable is greatly appreciated by customers. From a business perspective, in H1 the forward visibility of revenues and historical growth of the HUP contract base protected the business from some of the reduction in consumable sales as a result of postponement of elective surgeries. HUP contracts vary in length, typically being multi-year with fees invoiced annually at the beginning of each contract year but recognised as revenues over the contract year, with the unrecognised portion being shown as deferred income on the balance sheet. As the HUP contract base grows, so does the forward income visibility.

Despite the postponement of elective surgeries, LiDCO's recurring revenues grew by 12% to £2.83m (H1 FY20: £2.53m) as HUP revenues increased by 83% to £1.46m (H1 FY20: £0.80m) more than offsetting the reduction of consumable sales of £0.36m compared with H1 FY20. The growth in HUP revenues was generated by the contracted HUP revenue base, as well as additional demand from new and existing customers.

As countries across the world continue to manage the COVID-19 pandemic with some preparing for a second wave, the business is primed to meet any increased demand and is actively engaging with a number of customers considering further investment in advanced hemodynamic monitoring to treat an anticipated rise in the number of COVID-19 patients.

Financial Results

Total revenues were up 75% to £6.16m (H1 FY20: £3.51m) as a result of strong growth in sales of LiDCO products which increased 83% to £6.10m (H1 FY20: £3.33m). This was driven by increased demand, primarily in the UK, for hemodynamic monitors during the peak months of the COVID-19 pandemic. As anticipated, sales of low margin, third-party products declined by 68% to £0.06m (H1 FY20: £0.18m) following termination of the Merit Medical distribution contract for Argon products.

Gross profit increased 102% to £4.47m (H1 FY20: £2.22m) as a result of the strong sales growth and an increase in gross margin to 72.6% (H1 FY20: 63.2%). The improvement in gross margin was mainly due to labour and overhead cost efficiencies, and changes to the sales mix as the direct market proportion of LiDCO product sales increased to 80.0% of total sales (H1 FY20: 71.2%).

Sales and marketing costs decreased by 2% to £1.67m (H1 FY20: £1.70m) with savings from reduced travel and exhibition costs during the pandemic being partly offset by increased commission payments in the UK on the above budget sales.

Development and regulatory expenses increased by 4% to £0.42m (H1 FY20: £0.40m). Administration expenses increased by 35% to £1.16m (H1 FY20: £0.86m) due to a number of factors, including increased provisions for management bonuses reflecting the exceptionally strong financial performance in H1, increased legal and professional fees in part due to the capital reorganisation and above inflationary rises in several expenses such as insurance. These increases outweighed the savings in sales and marketing costs such that total operating expenses increased by 10% to £3.24m (H1 FY20: £2.96m).

Share-based payments resulted in a charge of £49,000 (H1 FY20: £69,000).

Exceptional income of £332,000 (H1 FY20: £nil) was recorded in the period primarily relating to compensation due from the landlord on the vacation of the Group's previous premises in Orsman Road. Exceptional expenses of £132,000 (H1 FY20: £nil) were incurred in moving to the new production facility in north London and the new office in central London.

The Group made a profit before tax in the period of £1.37m (H1 FY20: £0.82m loss). The availability of tax losses, for which no deferred tax asset had been recognised, reduced the tax charge such that the Group recorded a profit after tax in the period of £1.36m (H1 FY20: £0.82m loss) and earnings per share of 0.56p (H1 FY20: 0.34p loss per share).

Adjusted EBITDA (adjusted for share-based payments and exceptional items) for the period increased by £2.04m to £1.85m (H1 FY20: £0.19m loss).

	Six months ended 31 July 2020 Unaudited £'000	Six months ended 31 July 2019 Unaudited £'000	Year ended 31 January 2020 Audited £'000
Profit/(loss) from operations	**1,382**	(812)	(1,202)
Depreciation and amortisation	**621**	551	1,146
EBITDA	**2,003**	(261)	(56)
Share-based payments charge	**49**	69	96
Exceptional items (net)	**(200)**	-	-
Adjusted EBITDA	**1,852**	(192)	40

Net cash inflow from operating activities increased by £2.40m to £2.53m (H1 FY20: 0.13m) mainly as a result of the increase in EBITDA and receipt of the R&D tax credit of £0.18m in H1, rather than in H2 as in the previous financial year.

Net cash used in investing activities, which comprises purchases of plant and equipment including monitors placed on long-term loan to hospitals and capitalised R&D, increased 15% to £0.62m (H1 FY20: £0.54m) primarily due to an investment of £0.26m in fitting out of the Group's new production and office facilities.

Interest and capital payments in respect of leases increased as a result of the move to the new facilities, leading to an increase in the net cash outflow from financing activities to £0.13m (H1 FY20: £0.12m).

Overall there was an increase in net cash of £1.77m (H1 FY20: £0.53m outflow) in the period such that the Group had cash balances of £3.13m as at 31 July 2020 (31 January 2020: £1.36m). The Board believes that a large part of this cash is not needed for day-to-day working capital purposes and is available for investment in accelerating the growth of the business.

Sales Performance

In the UK, LiDCO product revenues grew by 157% to £4.14m (H1 FY20: £1.61m), as UK hospitals invested in growing their critical care provision by acquiring new monitors to meet anticipated COVID-19 needs. The Company sold 146 monitors to NHS hospitals (H1 FY20: 14). Although the majority of these were sold to existing customers, the Company was successful in winning a number of new customers, further increasing LiDCO's share of the UK market. During the period, the number of HUP monitors with annual licences increased by 28% to 96 units (31 January 2020: 75 units) with an annualised value of £1.01m (31st January 2020: £0.77m) and 10 customers have now contracted for HUP agreements (including 2 new customers). In addition to this, a number of short-term HUP licences were sold to customers dealing with the influx of COVID-19 patients. The majority of these were extended beyond the initial three-month term and the Company expects that a significant percentage will convert to contracted annual licences in the future. As a result, revenues from these licences are included in recurring revenues.

US revenues declined 11% to £0.79m (H1 FY20: £0.89m), as US hospitals focussed on preparing for or dealing with COVID-19 and did not appear to have the same urgency to expand hemodynamic monitoring capacity as the UK NHS hospitals. Instead, the focus on dealing with the pandemic suppressed routine purchasing activity, leading to delays in finalising a number of new HUP contracts which had been expected to close during H1. Recurring revenues grew slightly compared with the first half of last year driven by the carry-through from strong growth in HUP contracts last year, which offset declines in per patient disposables due to the reduced number of elective surgeries. Testament to the attractiveness and high retention rate of the HUP business model, all existing customers due to renew their contracts in H1 did so during the period. At the end of July, the number of HUP monitors in the US remained at 156 units (31 January 2020: 156 units). As at 31 July 2020, the US pipeline of potential HUP contracts was worth approximately USD 5m of annual revenue, of which over a third have successfully completed on-site clinical evaluations.

Sales outside of the Group's two direct markets grew by 41% to £1.17m (H1 FY20: £0.83m). Sales to distributors in Europe and ROW increased by 28% and 49% respectively. The number of monitors under HUP contracts was up nearly 50% to 75 units (31 January 2020: 51 units). Following discussions with its supplier, the Company has agreed to temporarily suspend supplying CNAP finger-cuff technology to its distributor in China. LiDCO products continue to be sold there using the more prevalent arterial line input. The Board does not expect this temporary suspension to have a material effect on the Group's sales.

Third-party sales in H1 FY21 included zero sales (H1 FY20: £0.16m) of Argon critical care products following earlier termination of the contract with Merit Medical. The UK commercial team is continuing to promote selected third-party products, as previously announced, but progress in H1 was impeded by the COVID-19 pandemic.

Further details of the Company's performance, in terms of revenues by key geographies, are given in the table below:

	6 months to July 2020				6 months to July 2019			
	Capital Revenues	**Recurring Revenues**	**Other**	**Total**	Capital Revenues	Recurring Revenues	Other	Total
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
LiDCO Revenues								
UK	**2,698**	**1,430**	**11**	**4,139**	221	1,369	23	1,613
US	**1**	**788**	**2**	**791**	112	771	4	887
Europe	**151**	**231**	**3**	**385**	68	223	9	300
Rest of World	**404**	**381**	**1**	**786**	357	167	4	528
	3,254	**2,830**	**17**	**6,101**	758	2,530	40	3,328
3rd Party Revenues								
UK	**49**	**9**	**-**	**58**	-	183	-	183
Total Sales	**3,303**	**2,839**	**17**	**6,159**	758	2,713	40	3,511

Capital revenues include the sales of monitors and other equipment to customers. Recurring revenues include sales of smartcards, sensors, software licenses and service contracts. Japan revenues are included within Rest of World.

Strategic plans

LiDCO's strategy is to build shareholder value through the commercialisation of LiDCO monitoring systems and associated high-margin recurring revenues. Increasing the numbers of productive LiDCO-enabled monitors is expected to increase the amount of recurring revenues generated from customers.

Geographical expansion is key to LiDCO's capacity to address the worldwide opportunity for sales of its technology. A key focus for geographic expansion is the US, which is the largest market for hemodynamic monitoring. Pre-pandemic HUP revenues in the US grew at a two year CAGR of 65% and, given the substantial pipeline of opportunities, generated by a relatively small commercial resource, the Board believes that there is the opportunity for good returns by expanding its commercial operations in the US to accelerate revenue growth further. The Board's intention is to gradually invest existing cash resources to start this expansion with a goal of more than tripling LiDCO's market share in the US to 10% within the next five years. The timing and pace of this expansion will depend upon the Board's assessment of the effect of COVID-19 on market receptiveness.

The Group continues to explore corporate partnerships which would expand LiDCO's commercial reach and drive increased returns from its technology.

LiDCO will continue to invest in research and development to maintain its technology leadership and deliver further differentiation of LiDCO's offering. The Group continues to work on developing its next generation algorithms including exploring the use of artificial intelligence by applying machine learning to analyse data and provide assistance to clinicians.

The Board believes that the quality of LiDCO's products, along with promotion of its highly differentiated and attractive SaaS HUP model for customers with high annual usage, has the potential to drive significant market share gains in the US and other target markets.

Excellence in product design, manufacturing and sales and marketing are at the core of LiDCO's values. Patent protection is sought where possible for LiDCO products, the efficacy of which continues to be supported by a growing body of data showing their clinical benefit and cost-effectiveness.

Brexit and the end of the Transition Period

The Board continues to follow the progress of the trade negotiations and has actioned plans in case the transition period ends without a trade agreement.

The Board continues to hope that a no deal situation will be avoided but is reassured by the steps already taken by management. The Board believes that a no deal scenario will have no material impact on staffing and talent retention.

Premises

During H1, the Company exited its former premises in Orsman Road, London and completed lease agreements on two more suitable premises: a serviced office in central London for administrative staff; and a facility in north London for logistics and production activities. Despite considerable disruption caused by the COVID-19 pandemic, the move was completed ahead of the budgeted timeframe due to the hard work and dedication of those employees involved. The costs of the move were more than covered by compensation received from the landlord of the Orsman Road premises for agreeing to an early lease termination – as set out in Note 8: Exceptional Income and Expense. The change of premises is not expected to have a material impact on the on-going operating costs of the business.

Outlook

The COVID-19 pandemic has reaffirmed the importance of hemodynamic monitoring when treating critically ill patients. By being able to respond to the surge in demand, LiDCO has benefited from a significant increase in sales, cash and installed base, with the potential for increased recurring revenues in the future. The pipeline of opportunities, especially USD 5m of potential HUP contracts in the US, remains significant and more attractive than ever as hospitals face a backlog of surgical procedures at the same time as unprecedented financial pressures.

Healthcare systems have had to delay standard purchasing decisions and postpone many elective surgeries as they prioritised their efforts to deal with the pandemic. Given the current status of the pandemic, it is too early to predict whether delayed purchasing decisions and postponed elective surgeries will catch up in time to benefit LiDCO's performance in H2. Although some opportunities are under discussion, the Board does not currently expect that H2 will benefit from a further significant boost to sales as a result of the pandemic.

The attractiveness of LiDCO's SaaS business model - its ease of use, the ability to serve, unlimited patients, and associated reduced costs - means that the Company is well-positioned to take further market share. Furthermore, the resilience of revenues in the last six months is testament to the value of having a large contracted base of recurring revenues with high retention rates.

In the last few months, LiDCO's commercial teams have been able to recommence visits to customers and, based on current trading, the Board anticipates that total sales in the second half will be broadly in line with in the second half of last year. Operational costs for the year as a whole are expected to be slightly higher than last year as higher commissions and bonuses earned from the exceptional performance in H1 are expected to exceed savings made due to travel restrictions.

The Board remains confident that LiDCO is well-placed to grow sales from pre-pandemic levels as markets return to normal.

Matt Sassone
Chief Executive Officer
13 October 2020

**To find out more information about the use of hemodynamic monitoring in managing COVID-19 sources please use the following links:*

- *Key Opinion Leader webinar*
  https://esicm-tv.org/webinar7_live_27-haemodynamic-management-in-covid-19-patients.html?fbclid=IwAR0NbnD5vH5zM_wsKvtP4j31KQwtKKfIOuEHLjXZtx_t7WMCV9zmIE0y9O4
- *Key Opinion Leader webinar*
  https://esicm-tv.org/webinar11_live_32-haemodynamic-management-of-covid-19-septic-shock.html
- *NICE guidelines*
  https://www.bmj.com/content/369/bmj.m1963
- *Surviving Sepsis Campaign: guidelines on the management of critically ill adults with Coronavirus Disease 2019 (COVID-19)*
  https://link.springer.com/article/10.1007/s00134-020-06022-5
- *Blog by LiDCO user: Adapting in COVID-19? Calibrate the LiDCO system with an echo!*
  https://www.lidco.com/adapting-in-covid-19-calibrate-the-lidco-system-with-an-echo/

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
For the six months ended 31 July 2020

	Note	**Six months ended 31 July 2020 Unaudited £'000**	Six months ended 31 July 2019 Unaudited* £'000	Year ended 31 January 2020 Audited £'000
Revenue	7	**6,159**	3,511	7,547
Cost of sales		**(1,685)**	(1,293)	(2,627)
Gross profit		**4,474**	2,218	4,920
Sales and marketing		**(1,670)**	(1,704)	(3,419)
Development and regulatory		**(416)**	(400)	(783)
Administration		**(1,157)**	(857)	(1,824)
Total operating expenses		**(3,243)**	(2,961)	(6,026)
Operating profit/(loss) before share-based payments and exceptional items		**1,231**	(743)	(1,106)
Share-based payment charge		**(49)**	(69)	(96)
Exceptional income	8	**332**	-	-
Exceptional expense	8	**(132)**	-	-
Operating profit/(loss)		**1,382**	(812)	(1,202)
Finance income		**-**	1	1
Finance expense		**(14)**	(9)	(13)
Profit/(loss) before tax		**1,368**	(820)	(1,214)
Taxation		**(4)**	(1)	185
Profit/(Loss) for the period and total comprehensive income/(expense) attributable to equity holders of the parent		**1,364**	(821)	(1,029)
Earnings/(Loss) per share (basic and diluted)	9	**0.56p**	(0.34p)	(0.42p)

* The figures for the six months ended 31 July 2019 have been restated for a change in classification of certain expenses from administrative expenses to cost of sales. Further details of this restatement can be found in note 4 to the accounts.

CONDENSED CONSOLIDATED BALANCE SHEET
At 31 July 2020

	31 July 2020 Unaudited £'000	31 July 2019 Unaudited £'000	31 January 2020 Audited £'000
Non-current assets			
Property, plant and equipment	**1,003**	1,013	867
Right-of-use assets	**906**	367	224
Intangible assets	**2,345**	2,125	2,342
	4,254	3,505	3,433
Current assets			
Inventory	**1,458**	1,539	1,545
Trade and other receivables	**1,401**	1,440	1,986
Tax receivable	**-**	188	183
Cash and cash equivalents	**3,134**	1,188	1,360
	5,993	4,355	5,074
Current liabilities			
Lease liabilities	**(114)**	(218)	(116)
Trade and other payables	**(1,404)**	(963)	(1,440)
Deferred income	**(893)**	(766)	(1,230)
	(2,411)	(1,947)	(2,786)
Net current assets	**3,582**	2,408	2,288
Non-current liabilities			
Lease liabilities	**(822)**	(131)	(120)
	(822)	(131)	(120)
Net assets	**7,014**	5,782	5,601
Equity attributable to equity holders of the parent			
Share capital	**1,221**	1,221	1,221
Share premium	**-**	30,342	30,342
Merger reserve	**8,513**	8,513	8,513
Retained earnings	**(2,720)**	(34,294)	(34,475)
Total equity	**7,014**	5,782	5,601

CONDENSED CONSOLIDATED COMPREHENSIVE CASH FLOW STATEMENT
For the six months ended 31 July 2020

	Six months ended 31 July 2020 Unaudited £'000	Six months ended 31 July 2019 Unaudited £'000	Year ended 31 January 2020 Audited £'000
Profit/(Loss) before tax	**1,368**	(820)	(1,214)
Finance income	**-**	(1)	(1)
Finance expense	**14**	9	13
Depreciation and amortisation charges	**621**	551	1,146
Share based payments	**49**	69	96
Decrease in inventories	**87**	341	335
Decrease/(increase) in receivables	**585**	465	(81)
(Decrease)/increase in payables	**(38)**	(411)	66
(Decrease)/increase in deferred income	**(337)**	(71)	393
Income tax received/(paid)	**179**	(2)	192
Net cash inflow from operating activities	**2,528**	130	945
Cash flows from investing activities			
Purchase of property, plant & equipment	**(294)**	(232)	(306)
Purchase of intangible assets	**(329)**	(309)	(794)
Finance income	**-**	1	1
Net cash used in investing activities	**(623)**	(540)	(1,099)
Cash flows from financing activities			
Finance expense	**(14)**	(9)	(13)
Principal elements of lease payments	**(117)**	(110)	(190)
Net cash outflow from financing activities	**(131)**	(119)	(203)
Net increase/(decrease) in cash and cash equivalents	**1,774**	(529)	(357)
Opening cash and cash equivalents	**1,360**	1,717	1,717
Closing cash and cash equivalents	**3,134**	1,188	1,360

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the six months ended 31 July 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 February 2019	1,221	30,342	8,513	(33,542)	6,534
Share-based payment expense	–	–	–	96	96
Transactions with owners	–	–	–	96	96
Loss and total comprehensive expense for the year	–	–	–	(1,029)	(1,029)
At 31 January 2020	**1,221**	**30,342**	**8,513**	**(34,475)**	**5,601**
Share based payment expense	–	–	–	49	49
Transactions with owners	–	–	–	49	49
Capital reduction	–	(30,342)	–	30,342	–
Profit and total comprehensive income for the period	–	–	–	1,364	1,364
At 31 July 2020	**1,221**	–	**8,513**	**(2,720)**	**7,014**

NOTES TO THE INTERIM STATEMENT

1. BASIS OF PREPARATION

The Group's interim report for the six months ended 31 July 2020 was authorised for issue by the directors on 12 October 2020. The consolidated interim financial information, which is unaudited, does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. Accordingly, this condensed report is to be read in conjunction with the Annual Report for the year ended 31 January 2020, which has been prepared in accordance with the principal accounting policies adopted by the Group, International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations (IFRIC) as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, and any public announcements made by the Group during the interim reporting period.

The statutory accounts for the year ended 31 January 2020 have been reported on by the Group's auditors, received an unqualified audit report and have been filed with the registrar of companies at Companies House. The unaudited condensed interim financial statements for the six months ended 31 July 2020 have been drawn up using accounting policies and presentation expected to be adopted in the Group's full financial statements for the year ending 31 January 2021, which are those set out in note 1 to the Group's audited financial statements for the year ended 31 January 2020 together with the new accounting policies that have been applied from 1 February 2020 included in note 3.

Having reviewed the Group's operations and forecasts, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the unaudited condensed interim financial statements.

2. ACCOUNTING POLICIES

The interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRS, which were the accounting policies used in the Report and Accounts for the Group for the year ended 31 January 2020 as amended for new accounting policies that have been applied from 1 February 2020 as set out in Note 3 below.

3. CHANGES IN ACCOUNTING POLICIES – NEW IFRS

The following pronouncements have been issued by the International Accounting Standards Board (IASB) and are effective for annual periods on or after 1 January 2020.

- Amendments to IFRS 9, IAS 39 and IFRS 7 – "Interest Rate Benchmark Reform"
- Amendments to IFRS 3 – "Definition of a Business"
- Amendments to IAS 1 and IAS 8 – "Definition of Material"
- "Amendments to References to the Conceptual Framework in IFRS Standards"

The adoption of the above pronouncements has had an immaterial impact on the financial position of the Group as at 31 July 2020 and on the consolidated results and cash flows of the Group in six months ending 31 July 2020.

4. CHANGES IN ACCOUNTING POLICIES – PRIOR YEAR RECLASSIFICATION

In the interim results for the financial period ending 31 July 2019, the Group reported labour and direct overhead costs related to the following activities within operating expenses:

- the production of manufactured products;

- the testing of bought-in products;
- the repair of products;
- goods inwards and warehousing of raw materials and finished goods stock; and
- the assembly, packaging and dispatch of products.

In preparing the Report and Accounts for the year ended 31 January 2020, the Board that it would provide more meaningful information and be more comparable with the reporting of other companies if the labour and direct overhead costs related to these activities were reported within cost of sales. Furthermore, facility and information technology costs not reallocated to cost of sales and previously included within overhead expenses classed as "Operations" have been reallocated to other overhead expense categories. The impact of these changes to the reported figures for the six months ending 31 July 2019 are shown in the table below.

Six months ended 31 July 2019	As previously reported	Adjustments	**As reported in this Interim Statement**
Cost of sales (£'000s)	(948)	(345)	**(1,293)**
Gross profit (£'000s)	2,563	(345)	**2,218**
Gross margin (%)	73%	(10%)	**63%**
Operations	(507)	507	**-**
Sales and marketing	(1,702)	(2)	**(1,704)**
Development and regulatory	(393)	(7)	**(400)**
Administration	(704)	(153)	**(857)**

5. CHANGES IN ACCOUNTING POLICIES – EXCEPTIONAL ITEMS

In order to provide more meaningful information and not to distort trends the directors have decided to separately identify exceptional items in the Condensed Consolidated Comprehensive Income Statement. Exceptional items are defined as those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions that may give rise to an exceptional item include gains and losses on the disposal of an asset, costs incurred in relation to the acquisition or sale of a business, and non-recurring restructuring costs.

6. GOING CONCERN

As mentioned in the Chief Executive's Review, the COVID-19 pandemic has led to increased sales of the Group's hemodynamic monitors that in turn have generated significant profits and cash inflows for the Group in the reporting period. In light of the use of the Group's hemodynamic monitors in the treatment of COVID-19 patients and the sales performance in the first half of the financial year, the directors do not expect the continuing pandemic or "second wave" of COVID-19 cases to have a negative impact on the financial performance of the Group.

The Board has considered detailed monthly financial forecasts for the remainder of the current financial year as well as longer-term forecasts for the next five years along with related assumptions, risks and opportunities. Having considered these forecasts, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future being the period of 12 months from the date of this interim statement. Accordingly, the directors continue to adopt the going concern basis in preparing the unaudited condensed interim financial statements.

7. REVENUE AND SEGMENTAL INFORMATION

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

Revenue and result by geographical region

Group revenue	**Six months ended 31 July 2020 £'000**	Six months ended 31 July 2019 £'000	Year ended 31 January 2020 £'000
UK – LiDCO products	**4,139**	1,613	3,580
UK – third party products	**58**	183	191
USA	**791**	887	1,766
Continental Europe	**385**	300	631
Rest of World	**786**	528	1,379
	6,159	3,511	7,547

Result			
UK – LiDCO products	**2,331**	485	1,362
UK – third party products	**27**	27	38
US	**(164)**	(124)	(461)
Europe	**221**	152	266
Rest of World	**389**	211	533
Total	**2,804**	751	1,738
Unallocated costs	**(1,622)**	(1,563)	(2,940)
Exceptional item (net)	**200**	-	-
Operating profit/(loss)	**1,382**	(812)	(1,202)

Revenue by type

	Six months ended 31 July 2020 £'000	Six months ended 31 July 2019 £'000	Year ended 31 January 2020 £'000
Capital revenues	**3,254**	758	1,051
Recurring revenues	**2,830**	2,530	5,040
Distributed third party disposables	**58**	183	1,134
Total product and license revenue	**6,142**	3,471	7,225
Other income	**17**	40	99
Total revenues	**6,159**	3,511	7,324

The Group can identify trade receivables and trade payables relating to the geographical segments. As noted above, the Group has one segment and other assets and liabilities together with non-sales related overheads are not accounted for on a segment by segment basis. Accordingly, segment assets, liabilities and segment cash flows are not provided. Service contract income is included within recurring revenue.
During the period there was one customer (H1 FY20: none) that accounted for more than 10% of the Group's total revenue. This customer accounted for 26% of the Group's total revenue in the period.

8. EXCEPTIONAL INCOME AND EXPENSE

The exceptional income and expense relate to the move from the Group's previous premises in Orsman Rd to its new production facility in north London and administrative offices in central London. The exceptional income of £332,000 (H1 FY20: £nil) consists of £330,000 of initial compensation from the landlord payable within five business days of the Group vacating the premises and a £2,000 gain under IFRS 16 from the early termination of the lease. The Group vacated the Orsman Rd premises on 23 July 2020 and received the initial compensation in its bank account on 3 August 2020. This cash is not included in the cash balance reported as at 31 July 2020.

The Group is due a further £110,000 of compensation from the landlord contingent on the landlord selling the Orsman Rd facility. This amount will be recognised in the Group's accounts when notification has been received from the landlord that the building has been sold. The landlord has advised that its current expectation is for the sale to complete in early 2021, once necessary planning and other matters are resolved. The exceptional expense of £132,000 (H1 FY20: £nil) consists of the following expenses:

	£'000s
Running expenses of the new facilities prior to occupation	**43**
Running expenses of old facility post occupation	**31**
Extra employment costs related to the move	**50**
Other move related costs	**8**
	132

9. EARNINGS PER SHARE

The calculation of the earnings per share (basic and diluted) for the six months to 31 July 2020 is based on the profit for the period of £1,364,000 (H1 FY20: £821,000 loss) and the weighted average number of shares in issue during the period of 244,174,908 (H1 FY20: 244,174,908).

10. DISTRIBUTION OF THE INTERIM STATEMENT

Copies of this statement will be available for collection free of charge from the Company's registered office at Unit D4, Mowlem Trading Estate, Leeside Road, London, N17 0QJ. An electronic version will be available on the Company's website, www.lidco.com.

The Company's presentation of its interim results for the six months ended 31 July 2020 will also be available from today on the LiDCO website www.lidco.com.