16 September 2014

LIDCO GROUP PLC

("LiDCO" or the "Company")

Interim Results for the six months ended 31 July 2014

LiDCO (AIM:LID), the hemodynamic monitoring Company, announces its unaudited Interim Results for the six months ended 31 July 2014. The Company remains on track to deliver growth in LiDCO product revenues and profitability for the full year, perform well against established KPIs, and ensure that the Company is well positioned for further growth and to be debt free by the end of the year.

Financial Highlights

- Total revenue down 12% to £3.71m (2013: £4.24m)
- US sales up 41% to £585,000 (2013: £415,000)
- UK revenue down 16% to £2.61m (2013: £3.11m)
- Gross profit margin on LiDCO product sales increased from 78% to 82%
- Admin expenses reduced by 5% at £2.74m (2013: £2.90m)
- Disposable revenues (excluding third party products) of £2.20m (2013: £2.27m)
- Loss before tax* £190,000 (2013: loss £70,000) and loss per share 0.13p (2013: loss 0.06p)
- EBITDA positive at £112,000 (2013: £253,000)
- Cash at period end £1.81m (31 Jan 2014: £2.38m)

* *before share based payments*

Operational Highlights

- 128 monitors sold or placed in the period (Full year 2013: 303); 99 surgical, 29 ICU
- Higher margin disposable units represented 77% of LiDCO product revenues (2013: 68%)
- Disposable unit sales (ICU & surgery) 25,721 (2013: 26,105)
- Surgical disposables units up 4%
- Non-invasive surgery product roll out continues representing 30% of disposable units sold in UK & EU
- Successful completion of a proprietary communications link between LiDCO monitors and DeviceConX (formerly iSirona) systems
- Further clinical evidence supporting use of LiDCO's hemodynamic monitoring technology

Commenting on the results Terry O'Brien, Chief Executive Officer, said: "The first half has seen the business increase the number of monitors in the market, as well as the overall number of surgical disposable units sold. We have maintained our high profit margins on disposables and tightly controlled our costs. These achievements give us confidence that we remain on target to deliver overall growth in LiDCO product revenues and profitability for the full year, perform well against our KPIs, and ensure that the Company is well positioned for further growth and to be debt free by the end of the year."

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CHIEF EXECUTIVE OFFICER'S REVIEW

I am pleased to report our results for the first six months to July of this financial year.

Following our significant progress last year driven by exceptional growth in the UK of 37%, sales in the first half of this year have been slower. Revenues in the first half totalled £3.71m against £4.24m in the comparative period. The slow start to the year reflects the lower sales of disposables and surgery monitors in the UK and Japan. In contrast, sales from our direct sales channel in the USA and through ROW distribution territories were up on the prior period. Importantly our overall surgical disposable business grew. The roll out of our non-invasive monitoring module and Unity Software is happening at pace, with the associated disposables representing 30% of our surgical disposable units sold in the UK and EU during the period. Operationally, administration expenses were down on the prior period and the gross profit margin on LiDCO product sales was up, reflecting the increased percentage contribution from high margin disposable income.

In the UK sales were in part affected in the period by hospitals moving to holding lower levels of disposable inventories coupled to a marked reduction in capital equipment revenue from surgery monitor sales. Last year the NHS provided incentives for hospitals to purchase hemodynamic monitors, these incentives which helped drive UK sales have not been made available again this year. We believe that the reduced funding has resulted in a noticeable reduction in our first half monitor sales revenue. Nevertheless, we believe the appetite for our hemodynamic monitoring products remains strong. During the period we installed 33 new surgery monitors in the UK, with the majority of monitors being placed. So despite reduced capital funding availability the installed base of surgery monitors continues to grow. Our expectation is that growth of surgical disposables sales will return in the second half, as inventory levels unwind and new monitor placements positively impact use. The UK market opportunity for LiDCO remains substantial. Our new non-invasive monitoring option significantly expands the patient populations we can address. We are in the process of reorganising and enlarging our UK sales force to be able to further grow sales of our surgical monitoring products.

In export markets, revenues (excluding Japan) were up by 16%. The progress we are making in the US gives us confidence about the effectiveness of our US strategy to transition from a single exclusive distribution arrangement to a direct sales model whilst continuing to seek non-exclusive distribution and licensing arrangements. The number of surgical disposable units sold continues to grow in export markets with surgical disposable revenues (excluding Japan) up by 21%. In Japan we are reviewing our exclusive distribution arrangements and are in the process of registering our non-invasive product.

We continue to operate the business efficiently. Administrative expenses were lower than the prior year and product margins improved which together mitigated the impact of lower revenues.

Turning to the high-risk surgery patient market dynamics, we continue to see growing interest in the identification and better treatment and monitoring of high-risk surgery patients. The UK has led the way in this field and we are now seeing widespread adoption throughout the NHS. LiDCO, through its development of a new generation of minimally and non-invasive monitoring equipment, has contributed to the substantive changes in clinical practice that have been taking place in UK hospitals. Worldwide there are 240 million anesthetic procedures per annum and 24 million high-risk surgeries performed. We would estimate that only a few percent of high-risk surgery patients have been cared for with advanced hemodynamic and fluid monitoring to date. Clearly considerable market growth has still to occur. LiDCO has established an excellent brand reputation coupled to a product that can address the hemodynamic monitoring needs of the majority of these patients. Other countries are beginning to follow, particularly in the US where the perioperative surgical home ("PSH"), an innovative practice model, has been proposed by the American Society of Anesthesiologists. This is seen as a solution to improve the quality and safety of the patient experience of care, and to decrease cost. Under this model of care, each patient will receive the right care, at the right place and the right time. Standardisation of anesthetic, nursing and surgical protocols is a critical component of the PSH. Careful monitoring of fluid administration is a key evidence based element that involves the use of hemodynamic monitoring equipment. With more than 51 million inpatient procedures performed nationally each year in the US, better surgical services represent a major component of national health care expenditures and a sizeable opportunity to reduce costs and improve outcomes.

Financial Results

Primarily as a result of reduced capital monitor sales and de-stocking of disposables in the UK, revenue in the period decreased by 12% to £3.71m (2013: £4.24m) including sales of third party products of £828,000 (2013: £871,000). Revenue from LiDCO's own product sales decreased by 14% to £2.88m (2013: £3.36m).

The gross profit on LiDCO product sales increased from 78% to 82%, as a result of reduced sales of lower margin monitors and improved margins on UK disposables. Overall gross profit fell by 10% to £2.52m (2013: £2.80m). Tight control on overheads has been maintained during the period with total overheads decreasing by £156,000 to £2.74m (2013: £2.90m). Front line sales costs increased in the period but these were more than offset by reduced costs elsewhere. Excluding the effect of share based payment charges, the operating loss in the period increased from £59,000 to £188,000. EBITDA remains positive at £112,000 (2013: £253,000).

Net cash outflow from operating activities in the period was £90,000 which is more normalised than the exceptional net cash inflow of £931,000 in the comparative period. The significant differences between the two periods are in respect of increasing inventory and reducing creditors. Although inventory is expected to reduce during the second half of the year, there was an increase in the period due to payment for the last batch of forward ordered LiDCO*rapid* monitors referred to previously. During the period the company repaid £85,000 of loans and the final installment of £112,000 relating to the buy-back of the US customer base and inventory from LiDCO's former distributor in the US. With the major aspects of the development of LiDCO*rapid* ^{v2} now complete, development costs incurred in the period were significantly reduced at £179,000 compared with £391,000 in the comparative period.

Cash balances at 31 July 2014 amounted to £1.81 million (31 January 2014: £2.37m). The Company expects to be debt free by the year end, as previously anticipated.

Key Performance Indicators (KPIs) and Operational Review

Our objective is to grow the business profitably with revenue growth expected to predominantly come from increased sales of our surgical disposables. We expect growth of surgical disposable sales in both of our direct markets of the UK and USA and also in export markets. Surgical disposable sales growth is one of our KPIs. Overall they grew by 4% to 17,535 units (2013: 16,860). I am pleased to say that excluding Japan, export unit sales of surgical disposables were up 38% (from 4,845 units to 6,675 units), while including Japan sales were up 14%. In the UK the number of surgical disposable units sold decreased by 1% due to destocking in the NHS and are expected to regrow strongly in the second half, as we see the impact of new monitor installations coming through.

Increasing the numbers of productive monitors ultimately increases the amount of disposables used in hospitals driving high margin repeat revenue. We can monitor this most closely in the UK as a KPI. Our average sales of disposables per surgery monitor per month in the UK was 4.9 disposables compared with 6.02 for the full year to January 2013. We believe the reduction was largely the result of de-stocking noted above.

The monitor installed base is an important KPI for our business. In H1 we sold or placed 128 monitors (surgery: 99 LiDCO*rapid* & ICU 29 LiDCO*plus*). This was a good performance, particularly in export territories (excluding Japan). This compares with the prior year where 180 monitors (surgery: 156 LiDCOr*apid* & ICU 24 LiDCO*plus*) were placed or sold impacted by an order of 40 monitors to Japan and an unusually high number (42) of monitors purchased in the UK partly through the result of a government incentive last year and the immediate sales related to the launch of the LiDCO*rapid*^{v2}.

The gross profit margin on all LiDCO product sales increased from 78% to 82%, reflecting lower sales of monitors. Our gross margin on disposables was strong at 90% for intensive care products and 94% on surgery disposables. LiDCO product disposables sales into our installed base of monitors are high margin recurring income and in H1 were 77% of our total income, rising from 68% in the prior year.

Clearly a factor central to growth in our surgery market will be how we maximise the impact of the new non-invasive LiDCO*rapid*[v2] both in upgrading the existing surgical monitor installed base and in acquiring new hospital accounts. The product has been available in the EU and UK for 18 months and in the US more recently. We are pleased with progress and have since launch sold/placed 248 non-invasive modules, 114 in direct sales territories of the UK and US and 134 in export markets. In the markets where registration was first achieved (i.e. the UK and EU), non-invasive disposable units sold are already 30% of our surgery disposable business. Work is already in place to expand into new hospital areas, for example obstetrics, emergency medical and non-elective surgical patients. These are potential high volume new applications where we expect our technology will be useful to improve outcomes and reduce costs.

Further details of the Company's performance, in terms of revenues and unit sales by key geographies, are given in the tables below:

	6 months to July 2014				6 months to July 2013			
	Monitors £'000	**Disposables £'000**	**Other £'000**	**Total £'000**	Monitors £'000	Disposables £'000	Other £'000	Total £'000
LiDCO sales								
UK	**180**	**1,466**	**140**	**1,786**	524	1,595	120	2,239
US	**118**	**462**	**5**	**585**	24	387	4	415
Europe	**84**	**203**	**8**	**295**	184	182	12	378
Japan	**-**	**-**	**-**	**-**	133	48	-	181
ROW	**137**	**75**	**2**	**214**	91	59	-	150
	519	**2,206**	**155**	**2,880**	956	2,271	136	3,363
3rd party sales								
UK	**-**	828	-	828	-	872	-	872
Total sales	**519**	**3,034**	**155**	**3,708**	956	3,143	136	4,235

Unit sales performance by category in key geographies

Unit sales	**6 months to July 2014**		6 months to July 2013	
(incl placed monitors)	**Monitors Units**	**Disposables Units**	Monitors Units	Disposables Units
LiDCO products				
UK – Surgical	**33**	**10,860**	74	11,015
UK – Critical care	**18**	**5,740**	12	6,510
UK Total	**51**	**16,600**	**86**	**17,525**
US	**35**	**4,241**	13	3,645
Europe	**15**	**3,405**	26	2,965
Japan	**-**	**-**	40	1,000
ROW	**27**	**1,475**	15	970
Total	**128**	**25,721**	**180**	**26,105**

OUTLOOK

Our focus remains on delivering on our KPIs over the full year. We will continue to increase the installed base of surgery monitors, although we expect a significant portion of these to be placed rather than sold. The installed base of monitors continues to drive our business model and we expect a further increase in surgical disposable sales in the second half. Whilst the first half results reflect a pause in the UK market, we believe it to be short lived. We expect to make further good progress in the year to 31 January 2015 in both revenues and profits. We will finish this financial year debt free with a strong balance sheet.

As announced separately today, it is my intention to retire from the Board on my 60th birthday next September. I look forward to maintaining momentum in the business as we look for a suitable replacement to drive the business as it enters a new and exciting stage in its growth.

Terry O'Brien
Chief Executive Officer
15 September 2014

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
For the six months ended 31 July 2014

	Note	**Six Months ended 31 July 2014 Unaudited £'000**	Six Months ended 31 July 2013 Unaudited £'000	Year ended 31 January 2014 Audited £'000
Revenue	3	**3,708**	4,235	8,631
Cost of sales		**(1,192)**	(1,430)	(2,736)
Gross profit		**2,516**	2,805	5,895
Administrative expenses		**(2,744)**	(2,900)	(5,660)
(Loss)/profit from operations		**(228)**	(95)	235
Finance income		**5**	7	13
Finance expense		**(7)**	(18)	(31)
(Loss)/profit before tax		**(230)**	(106)	217
Income tax		**(14)**	(7)	82
(Loss)/profit for the period and total comprehensive income attributable to equity holders of the parent		**(244)**	(113)	299
(Loss)/earnings per share (basic and diluted) (p)		**(0.13p)**	(0.06p)	0.15p

CONDENSED CONSOLIDATED BALANCE SHEET
At 31 July 2014

	31 July 2014 Unaudited £'000	31 July 2013 Unaudited £'000	31 January 2014 Audited £'000
Non-current assets			
Property, plant and equipment	**1,106**	1,089	1,065
Intangible assets	**1,583**	1,561	1,537
	2,689	2,650	2,602
Current assets			
Inventory	**2,262**	2,113	2,051
Trade and other receivables	**1,777**	2,037	2,139
Current tax	**-**	-	83
Cash and cash equivalents	**1,809**	2,292	2,373
	5,848	6,442	6,646
Current liabilities			
Trade and other payables	**(1,176)**	(1,644)	(1,550)
Deferred income	**(186)**	(293)	(274)
Borrowings	**(90)**	(178)	(175)
	(1,452)	(2,115)	(1,999)
Net current assets	**4,396**	4,327	4,647
Total assets less current liabilities	**7,085**	6,977	7,249
Long term liabilities			
Finance lease liabilities	**-**	(89)	-
Deferred income	**-**	(79)	-
	-	(168)	-
	7,085	6,809	7,249
Equity attributable to equity holders of the parent			
Share capital	**971**	969	969
Share premium	**27,798**	27,756	27,760
Merger reserve	**8,513**	8,513	8,513
Retained earnings	**(30,197)**	(30,429)	(29,993)
Total equity	**7,085**	6,809	7,249

CONDENSED CONSOLIDATED COMPREHENSIVE CASH FLOW STATEMENT
For the six months ended 31 July 2014

	Six Months ended 31 July 2014 Unaudited £'000	Six Months ended 31 July 2013 Unaudited £'000	Year ended 31 January 2014 Audited £'000
(Loss)/profit before tax	**(230)**	(106)	217
Finance Income	**(5)**	(7)	(13)
Finance expense	**7**	18	31
Depreciation and amortisation charges	**340**	348	856
Share based payments	**40**	36	60
(Increase)/decrease in inventories	**(211)**	158	220
Decrease in receivables	**362**	323	221
(Decrease)/increase in payables	**(374)**	71	(23)
Decrease in deferred income	**(88)**	(49)	(147)
Net tax received	**69**	139	144
Net cash (outflow)/inflow from operating activities	**(90)**	931	1,566
Cash flows from investing activities			
Purchase of property, plant & equipment	**(193)**	(142)	(342)
Purchase of intangible assets	**(234)**	(463)	(723)
Net interest paid	**5**	7	13
Net cash used in investing activities	**(422)**	(598)	(1,052)
Net cash *(outflow)*/inflow before financing	**(512)**	333	514
Cash flows from financing activities			
Finance expense	**(7)**	(18)	(31)
Repayment of finance lease	**(85)**	(99)	(190)
Issue of ordinary share capital	**40**	16	20
Net cash outflow from financing activities	**(52)**	(101)	(201)
Net (decrease)/increase in cash and cash equivalents	**(564)**	232	313
Opening cash and cash equivalents	**2,373**	2,060	2,060
Closing cash and cash equivalents	**1,809**	2,292	2,373

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the six months ended 31 July 2014

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
At 1 February 2013	968	27,741	8,513	(30,352)	6,870
Issue of share capital	1	19	–	–	20
Share based payment expense	–	–	–	60	60
Transactions with owners	1	19	–	60	80
Profit for the year	–	–	–	299	299
At 31 January 2014	**969**	**27,760**	**8,513**	**(29,993)**	**7,249**
Issue of share capital	2	38	–	–	40
Share based payment expense	–	–	–	40	40
Transactions with owners	2	38	–	40	80
Loss for the half year	–	–	–	(244)	(244)
At 31 July 2014	**971**	**27,798**	**8,513**	**(30,197)**	**7,085**

NOTES TO THE INTERIM STATEMENT

1. BASIS OF PREPRATION

The Group's interim report for the six months ended 31 July 2014 were authorised for issue by the directors on 16 September 2014. 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 2014, which has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and any public announcements made by the Group during the interim reporting period.

The statutory accounts for the year ended 31 January 2014 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 2013 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 2015, which are not expected to be significantly different to those set out in note 1 to the Group's audited financial statements for the year ended 31 January 2014.

The interim report has not been audited but it has been reviewed under the International Standard on Review Engagements (UK and Ireland) 2410 of the Auditing Practices Board.

After review of the Group's operations, 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 2014. The accounting policies are unchanged from those used in the last annual accounts.

3. 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:

<u>Turnover and result by geographical region</u>

Group Revenue	**Six Months ended 31 July 2014 £'000**	Six Months ended 31 July 2013 £'000	Year ended 31 January 2014 £'000
UK	2,614	3,112	6,167
USA	585	415	857
Japan	-	181	269
Europe	295	377	959
Rest of World	214	150	379
	3,708	4,235	8,631

Result			
UK	1,034	1,373	2,750
USA	117	77	59
Japan	(1)	29	167
Europe	104	23	407
Rest of World	73	50	165
Total	1,327	1,552	3,548
Unallocated costs	(1,555)	(1,647)	(3,313)
Loss from operations	(228)	(95)	235

Revenue by type

Monitor sales	519	956	1,433
Consumables sales	2,206	2,271	5,145
Distributed third party disposables	828	872	1,765
Total product revenue	3,553	4,099	8,343
License fees		-	-
Other income including service contracts	155	136	288
	3,708	4,235	8,631

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.

4. LOSS PER SHARE

The calculation of the loss per share for the six months to 31 July 2014 is based on the loss for the period of £244,000 and the weighted average number of shares in issue during the period of 194,174,908.

5. DISTRIBUTION OF THE INTERIM STATEMENT

Copies of this statement will be available for collection free of charge from the Company's registered office at 16 Orsman Road, London N1 5QJ. An electronic version will be available on the Company's website, www.lidco.com.

The Company presentation will be available from today on the LiDCO website www.lidco.com.

Independent review report to LiDCO Group Plc

Introduction

We have been engaged by the Company to review the financial information in the half-yearly financial report for the six months ended 31 July 2014 which comprises the condensed consolidated comprehensive income statement, condensed consolidated balance sheet, condensed consolidated comprehensive cashflow statement, condensed consolidated statement of changes in shareholders' equity and notes. We have read the other information contained in the half yearly financial report which comprises only the Chief Executive Officer’s Review and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in a review 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, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors.

As disclosed in Note 1 the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the financial information in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2014 is not prepared, in all material respects, in accordance with the basis of accounting described in Note 1.

Grant Thornton UK LLP
Auditor
London
15 September 2014

The maintenance and integrity of the LiDCO Group Plc website is the responsibility of the directors: the interim review does not involve consideration of these matters and, accordingly, the Company's reporting accountants accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the interim report differ from legislation in other jurisdictions.