



mediwatch Plc

Interim Results for the six month period ended 30 April 2009

Progress through evolution to meet
the future needs of healthcare

Join us on the journey

moving towards the future of healthcare

Growth sustained and US investment continues

Mediwatch plc ("Mediwatch" or "the Group", AIM: MDW), the innovative urological diagnostic company, has published its interim result for the six month ended 30 April 2009.

Highlights

- Signed worldwide marketing agreement with Inverness Medical for distribution of Mediwatch PSAwatch system
- European launch of upgraded Clinic and Portable systems together with new Sentic software
- Negotiating 1,000 patient trial for PSAwatch system in Australia – due to start September 2009
- Revenues up 13% to £4,950,000 (2008: £4,371,000)
- Profit before tax of £37,000 (2008: £158,000) – reflecting investment in US sales infrastructure

Philip Stimpson, Mediwatch Chief Executive commented

"Despite the tough economic environment, we have outperformed in our markets reporting stable underlying revenue growth, whilst continuing to focus our resources on building up our US distribution operation."

"We are continuing to enhance a "one stop" solution to the Urology market in order to reduce overall costs to hospitals and government healthcare groups whilst our ability to increase revenue, despite the global economic downturn is a significant achievement."



Enquires

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Mediwatch plc: Innovative Diagnostic Solutions

Founded in 1995, Mediwatch has developed a range of point-of-care medical equipment for the diagnosis of urological disorders. The business focuses its design skills towards diagnostic products that can be used across the medical profession. With the acquisition of the Medtronic Urodynamics business, completed in December 2006, Mediwatch added a number of complementary and well established capital equipment and disposable products to Mediwatch's existing range.

www.mediwatch.com

Ticker: AIM : MDW

Overview

The Group's strategy is to develop a "one-stop" system of urological diagnostic equipment for the US and international healthcare markets which incorporates hardware, software and biochemistry based products. This is a unique approach to diagnostics aimed at reducing healthcare costs.

Whilst the economic climate has temporarily contracted Mediwatch's market, the long term markets in which Mediwatch operates are growing as a result of an increasingly aging population. However, the Group has maintained its revenue growth, up 13%.

Furthermore, a key worldwide joint distribution agreement was signed recently with Inverness Medical to distribute the PSAwatch system into the point-of-care diagnostic markets. Inverness has an extensive global sales-force which will complement Mediwatch's own worldwide distribution network. There are 60 million PSA tests globally carried out annually with a market value of £300 million.

As part of a continuing programme for the distribution of the PSAwatch system, the Group is negotiating a 1,000 patient trial in Melbourne Australia due to start September 2009.

Trading

In the six month period to 30 April 2009, Group turnover increased 13% to £4,950,000, (2008: £4,371,000). Revenue was split almost 50% from the US and 50% from Europe and the rest of world (ROW). This growth was achieved as a result of a number of important developments:

- Portascan+ and Portaflow product lines beginning to grow in the US market
- Progress with direct sales in the UK market
- Increased sales presence in the US market
- Increase in the customer base in the US for consumable product lines
- European launch of upgraded Clinic and Portable urodynamic systems together with the new Sentic software

The Group reported a profit before tax of £37,000 (2008: £158,000) after reduced margins due to pricing pressure and the extra investment in the US sales team infrastructure. As the Group has an increasing US cost base, the effect of currency movement has had a minimal effect on Mediwatch's profitability.

Ultrasound Urodynamics Biochemistry Pathology

a "one stop" solution to the Urology market

The Group is also in the process of reducing its manufacturing costs to restore product margins. Progress has been made by bringing certain outsourced processes in house and the benefits from this are expected to be seen in the second half of this financial year.

At 30 April 2009, the Group had total net borrowings of £501,000 (2008: £466,000). After the period end the Group has renewed its banking facilities with Barclays. The Group continues to tightly control other costs including headcount.

US markets

The Group has continued to make good progress in the US market. Highlights include:

- An establishment of a clinical group for advanced urological accredited training programmes
- Expansion of the US direct sales team to better penetrate the market
- And the introduction of the Portable Urodynamics unit which can be marketed at a reduced cost to be more competitive

These initiatives taken in the US office over the last year are already showing positive results.

Research and development

Expenditure in research and development, including capitalised costs, was £369,000 (2008: £323,000). Current projects underway include:

- New generation Urodynamics hardware
- Added features and benefits to the Urodynamic software
- A digital redesign of the existing ultrasound scanner to reduce manufacturing costs and enhance performance
- Development of a new point-of-care diagnostic platform for the Biomedical division
- Research to identify further markers to use with the Bioscan reader

The development team has also successfully introduced an HL-7 (Health Level 7 – The standard protocol for medical equipment electronic communication) bi-directional interface to allow its Urodynamic systems to integrate with customers Electronic Medical Record (EMR) systems.

Current trading & outlook

The general awareness of prostate cancer continues to grow. It is the second most common cause of cancer deaths with 670,000 men worldwide diagnosed with it annually. Approximately 10,000 men die every year in the UK alone from prostate cancer with over 34,000 diagnosed with the disease (Source: Cancer Research UK).

The Group is maintaining its commitment to investing in research and development as well as developing its sales and marketing capabilities. These efforts are adding new products to the portfolio, enhancing the existing lines to maintain Mediwatch's leading position and increasing the Group's international brand awareness.

The introduction of new products (Portaflow Advanced, HL-7 interface and PSAwatch) and services (clinical workshops) are all important developments in providing a "one stop" system approach to diagnostics.

Overall the Board remains confident that the Group has the range of products to exploit the opportunities in the urology market whilst trading remains in line with its expectations.

30th July 2009

Consolidated Income Statement

Consolidated Balance Sheet

for the six months ended 30 April 2009

	Unaudited 30 April 2009 £000s	Unaudited 30 April 2008 £000s	Audited 31 October 2008 £000s
Revenue	4,950	4,371	9,327
Cost of sales	(2,985)	(2,314)	(5,056)
Gross profit	1,965	2,057	4,271
Other administrative expenses	(1,925)	(1,781)	(3,631)
Other income	30	17	17
Exceptional items	-	(112)	(111)
Profit / (loss) from operating activities	70	181	546
Net Finance expenses	(33)	(23)	(138)
Profit / (loss) before taxation	37	158	408
Tax	-	(13)	(5)
Profit / (loss) for the period attributable to the equity shareholders	37	145	403
Earnings per share (p)			
- basic and diluted	0.03	0.11	0.30

All of the activities of the Group are classified as continuing.

at 30 April 2009

	Unaudited 30 April 2009 £000s	Unaudited 30 April 2008 £000s	Audited 31 October 2008 £000s
Non current assets			
Property, plant and equipment	576	443	563
Intangible assets	947	381	622
Goodwill	2,256	2,256	2,256
Total non current assets	3,779	3,080	3,441
Current assets			
Inventories	1,779	1,834	1,595
Trade and other receivables	1,339	1,548	1,641
Cash and cash equivalents	221	145	296
Total current assets	3,339	3,527	3,532
Total assets	7,118	6,607	6,973
Current liabilities			
Borrowings	722	555	703
Finance leases	-	4	14
Trade and other payables	1,584	1,803	1,466
Total current liabilities	2,306	2,362	2,183
Non current liabilities			
Borrowings	-	52	23
Finance leases	-	-	2
Total non current liabilities	-	52	25
Total liabilities	2,306	2,414	2,208
Net assets	4,812	4,193	4,765
Capital and reserves			
Share capital	3,770	3,737	3,770
Share premium	5,813	5,648	5,813
Other reserves	7,000	7,000	7,000
Share based payment reserve	10	27	1
Retained earnings	(11,781)	(12,219)	(11,819)
Shareholders funds	4,812	4,193	4,765

Consolidated Statement of Changes in Equity as at 30 April 2009

Consolidated Statement of cash flows

For the six months ended 30 April 2009

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	£000s	£000s	£000s	£000s	£000s
At start of period	3,770	5,813	7,001	(11,819)	4,765
Profit for the period	-	-	-	37	37
Shares issued in the period	-	-	-	-	-
Share based payment reserve	-	-	9	-	9
Foreign currency translation difference	-	-	-	1	1
At end of period	3,770	5,813	7,010	(11,781)	4,812

For the six months ended 30 April 2008

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	£000s	£000s	£000s	£000s	£000s
At start of period	3,735	5,629	7,027	(12,364)	4,027
Profit for the period	-	-	-	145	145
Shares issued in the period	2	19	-	-	21
At end of period	3,737	5,648	7,027	(12,219)	4,193

For the twelve months ended 31 October 2008

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	£000s	£000s	£000s	£000s	£000s
At start of period	3,735	5,629	7,027	(12,364)	4,027
Profit for the period	-	-	-	403	403
Shares issued in the period	35	184	-	-	219
Share based payment reserve	-	-	(26)	-	(26)
Foreign currency translation difference	-	-	-	142	142
At end of period	3,770	5,813	7,001	(11,819)	4,765

for the six months ended 30 April 2009

	Unaudited 30 April 6 Months 2009	Unaudited 30 April 6 Months 2008	Audited 31 October 12 Months 2008
	£000s	£000s	£000s
Cashflow from operating activities			
Profit / (loss) for the period	70	181	546
Adjustments for:			
Depreciation	70	41	101
Amortisation of intangible assets	20	61	16
Impairment of intangible assets	-	-	21
Equity settled share based expense	-	-	(26)
Interest expense	(33)	(28)	(144)
Other non cash adjustments	7	(32)	(5)
	134	223	509
Changes in inventories	(115)	(301)	(13)
Changes in trade and other receivables	328	20	1
Changes in trade and other payables	(71)	345	161
	142	64	149
Net cash movement from operating activities	276	287	658
Cashflow from investing activities			
Proceeds from sales of property, plant and equipment	-	-	-
Interest income	-	5	6
Purchase of property, plant & equipment	(40)	(50)	(212)
Purchase of intangible fixed assets	(345)	(173)	(451)
Net cash movement used in investing activities	(385)	(218)	(663)
Cashflow from financing activities			
Proceeds from issue of equity	-	-	98
Costs of Share Issue	-	-	(2)
Finance Lease repayments	-	-	(16)
Repayment of borrowings	(31)	(82)	(60)
Net cash from financing activities	(31)	(82)	26
Increase / (decrease) in cash and cash equivalents in the period	(140)	(13)	21
Opening cash and cash equivalents	(345)	(335)	(335)
Currency exchange difference	42	-	(31)
Closing cash and cash equivalents	(443)	(348)	(345)
Analysed as follows:			
cash and cash equivalents per balance sheet	221	145	296
less: bank overdraft	(664)	(493)	(641)
	(443)	(348)	(345)

Notes to the Financial Statements

1. BASIS OF PREPARATION OF INTERIM REPORT

As permitted, IAS 34, 'Interim Financial Reporting' has not been applied in this interim report.

The financial information presented in this report has been prepared using accounting policies that will be used in the preparation of the financial statements for the year ending 31 October 2009.

These policies are in accordance with the recognition and measurement principles of International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board as endorsed for use in the European Union, and these principles are disclosed in the Financial Statements for the year ended 31 October 2008.

The financial information in this interim report does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006.

The comparative financial information for the year ended 31 October 2008 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The statutory accounts of Mediwatch plc for the year ended 31 October 2008 have been reported on by the Company's auditors and have been delivered to the Registrar of Companies. The auditor's report was unqualified, did not include a reference to matters which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under Section 237(2) or 272(3) of the Companies Act 1985.

2. SEGMENTAL ANALYSIS

A geographical analysis of the Group's turnover by destination is as follows:

	Six months ended 30 April 2009	Six months ended 30 April 2008	Twelve months ended 31 October 2008
	£000s	£000s	£000s
United Kingdom	690	841	1,867
United States of America	2,556	1,777	3,911
Europe	1,157	1,262	2,203
Rest of the world	547	491	1,346
Total	4,950	4,371	9,327

The turnover, profit on ordinary activities and net assets of the Group are attributable to one business segment, the supply of primary care products used in the diagnosis of urological disorders and early prostate cancer detection.

3. PROFIT PER SHARE

The calculation of profit per share for the six months ended 30 April 2009 is based on the profit attributable to equity shareholders of £37,000 (for the six months ended 30 April 2008: £145,000) divided by the weighted average number of shares in issue during the period which was 133,671,072 (2008: 130,198,302)

4. PRESS RELEASE

This press release will be available at www.mediwatch.com. If shareholders would like to receive a printed copy contact the Mediwatch offices at +44 (0)1788 547 888.



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