

MEDIWATCH PLC

30 January 2006

Review of the six months ended 31st October 2005

Mediwatch Plc (AIM:MDW), the high - tech medical diagnostic equipment manufacturer and supplier announces its interim results and review for the half year ended 31st October 2005.

Distribution deals with two of the world's largest medical equipment companies are bringing Mediwatch products to new, larger international markets for the first time, helping to build underlying trading performance.

In addition, continuing development of PSAwatch, a new test which speeds up dramatically the diagnosis of prostate disease is generating substantial interest from the medical profession.

Significant achievements during the period

- Continued improved underlying trading performance.
- 9% increase in sales compared with the same period in 2004.
- Distribution agreement established with Medtronic Inc. for US and other markets across the world.
- Continued progress with the development of the quantitative point of care PSA diagnostic system.

Trading and Financial Overview

In the six months ended 31st October 2005 turnover of £842,000 was some 9% greater than that of the comparable period in 2004 (£772,000). Turnover in the period was particularly influenced by two important issues:

- Increased sales to C R Bard under the long term supply agreement, including sales to the French, Benelux and Nordic markets.
- Increased exports, including sales to GE in the Australasian and South East Asia markets and MC Medical in Japan.

The operating margin in the period was maintained at 42% and the benefits of continuing firm control of overheads resulted in a reduction in the loss before tax to £542,000 compared with the loss for the equivalent period last year of £562,000. During the period R&D expenditure amounted to £272,000 (2004: £253,000). Adjusting for the R&D costs, the underlying trading loss was £270,000, representing an improvement of some £39,000 with the comparable figure from the previous year.

In October, the Group agreed terms with its bank, HSBC plc, for a sales finance facility. This will provide adequate funding as the working capital increases with the greater sales anticipated during 2006 when the sales to the US market will commence.

In December, a further £470,000 (net of expenses) was raised through the issue of 4,277,000 fully paid new ordinary 1p shares. These funds are being used to complete the R&D expenditure related to the Bioscan reader and the desk top derivative of the Multiscan which are both planned for completion during early 2006. In addition, the funds will be used for further research with a new antigen to be added to the PSA test strip facilitating a new application for the Bioscan reader at a future date.

At 31st October 2005 the Group had borrowings of some £196,000 (£306,000 cash in hand at 31st October 2004).

Mediwatch UK Limited

Sales in the period were positively affected by the factors outlined above and continued success in the export markets is materialising.

Export markets remained a major focus for business development in the period, in particular USA and a distribution agreement was signed with Medtronic Inc. Under the terms of the agreement, Medtronic will have exclusive rights in USA and other countries around the world to market and distribute the innovative Multiscan, a complete, portable, urological diagnostic platform, providing clinicians with a variety of key measurements assessing bladder, kidney and prostate function.

As well as linking Mediwatch to Medtronic's well established, extensive, medical equipment sales network, the agreement will introduce the Multiscan and Mediwatch to many new international markets.

Earlier this month, the Company received SDA approval on its portable bladder scanner, the Portascan, and the uroflow system, the Portaflow. These approvals will allow sales of the Portascan and Portaflow to both the China and Hong Kong markets via the Company's agents Physiotec Electronics and Tronda Electronics.

Gross margins have been maintained, despite considerable pressure on prices in the UK markets, particularly with imports from the Far East. Overhead costs continued to be rigorously controlled. These factors have resulted in a reduced loss before tax at £542,000, (2004: £562,000) and an improved underlying trading performance.

Development of the existing product range and adding new complementary products is a continuous activity and considerable progress was made in the period, including:

- The completion of the new Multiscan. The ground breaking Multiscan provides clinicians with mobile, real time, ultrasound imaging, accurate measurement and organ volume calculation of the bladder, kidney and prostate. It has been designed to be further developed to be used in other areas of pathology, vascular, emergency and veterinary medicine particularly.
- Significant progress with the desk top derivative of the Multiscan.
- Portascan Plus - the second generation of the well established and successful Portascan, incorporating some of the technology found in the Multiscan.
- Bladderwatch - a new quantitative point of care bladder cancer test to be used in conjunction with the Bioscan reader is under development.

Mediwatch Biomedical Limited

Encouraging progress has been made with Mediwatch Biomedical's PSAwatch(TM) quantitative point of care diagnostic test.

PSAwatch(TM) coupled with the BioScan(TM) reader, both developed by Mediwatch Biomedical, delivers a point - of - care PSA result . The system will reduce the time taken to provide PSA results to GPs, hospital doctors and patients, from days to minutes, and can be conducted by nursing staff using equipment costing a fraction of the current procedure. PSAwatch(TM) takes testing for prostate disease out of a higher cost laboratory environment and into the clinic or GP's surgery.

The incidence of prostate disease is rising and PSA requests are generating further demand for urology services. It has been estimated that up to 40% of men over 50 have at least one PSA test per year, largely in a primary care environment (D'Ambrosio, et al, 2004). Active surveillance of early, localised prostate cancer may decrease the number of cases undergoing radical treatment but, in turn, will increase the number of requests for PSA and clinicians outpatient workload.

Experts believe that the PSAwatch(TM) test could have a profound effect upon the way prostate disease is diagnosed and treated worldwide. In June 2005, results from the first clinical trials were presented at the British Association of Urological Surgeons (BAUS) Annual Meeting and PSAwatch(TM) was cited as "best of BAUS" in the President's closing presentation.

Further developments with PSAwatch(TM) have lead to two further papers being presented at the forthcoming meeting of the European Urological Association (EUA) conference in April and one paper at the American Urological Association conference in May.

Following the successful clinical evaluation of the system, the Company has commenced work relating to obtaining regulatory approvals in Europe and the USA and anticipate releasing this ground breaking system to the market later this year.

The biochemistry platform has been designed specifically to facilitate expansion into other identified areas of medical diagnostics.

The first revenues are expected from this system in the 2006 - 07 financial year.

Board Changes

Dr. John R. Forrest CBE, FREng joined the Board as a non executive director on 27th June 2005, assuming the position of Chairman on 29th July. Dr. Wang Chong MBBS, MBA, ASI, joined the Board as a non executive director on 6th January 2006.

Outlook

The directors believe there is optimism for 2006 and beyond.

Much had been achieved over the last few months. The recent commencement of the Medtronic relationship and the continuing success of the relationships with C R Bard and GE significantly strengthen the Company's position.

The excellent relationship with the Company's marketing associates coupled with the recent introduction of the Multiscan, the advanced stage of development of the Multiscan desk top derivative which, together with the second generation of the Portascan, is planned to be launched mid 2006, and the expected completion of the first phase of the PSAwatch(TM) and BioScan(TM) system, also anticipated for release to market later in the summer, provide strong prospects for the future.

The recent placing, raising £470,000, together with flexible borrowing facilities arranged with its bank, places the Company in a good position to benefit from the opportunities ahead.

Dr. John R. Forrest, CBE, FREng.
Chairman

Philip G Stimpson
Chief Executive

Mediwatch Plc

Consolidated Summarised Profit & Loss Account

For the six months ended 31 October 2005

| | Note | 2005 £000 | 2004 £000 | Year ended 30th April 2005 £000 |
|---|------|--------------|--------------|---------------------------------------|
| Turnover | | 842 | 772 | 1,768 |
| Cost of sales | | (486) | (447) | (1,046) |
| Gross profit | | 356 | 325 | 722 |
| Administrative expenses | | | | |
| - General | | (505) | (519) | (938) |
| - Amortisation of goodwill | | (174) | (174) | (347) |
| - Research and development | | (272) | (253) | (551) |
| | | (951) | (946) | (1,836) |
| Other operating Income | | 65 | 54 | 54 |
| Operating loss before interest | | (530) | (567) | (1,060) |
| Interest receivable and similar income | | 1 | 5 | 7 |
| Interest payable | | (13) | - | (3) |
| Loss on ordinary activities before taxation | | (542) | (562) | (1,056) |
| Taxation | | - | - | - |
| Loss for the period | | (542) | (562) | (1,056) |
| Loss per share in pence | 1 | (0.6) | (0.6) | (1.2) |

Consolidated Summarised Balance

Sheet to 31 October 2005

| | Unaudited As at 31st October 2005 £000 | Unaudited As at 31st October 2004 £000 | Audited As at 30th April 2005 £000 |
|--|--|--|--|
| Fixed Assets | | | |
| Intangible assets | | | |
| - goodwill on consolidation | 2,603 | 2,950 | 2,777 |
| Tangible assets | 201 | 176 | 178 |
| | ----- | ----- | ----- |
| Total Fixed Assets | 2,804 | 3,126 | 2,955 |
| Current assets | | | |
| Stocks | 244 | 179 | 177 |
| Debtors | 345 | 251 | 346 |
| Cash at bank and in hand | 0 | 306 | 179 |
| | ----- | ----- | ----- |
| | 589 | 736 | 702 |
| Creditors: amounts falling due within one year | (861) | (524) | (582) |
| | ----- | ----- | ----- |
| Net current (liabilities)/assets | (272) | 212 | 120 |
| | ----- | ----- | ----- |
| Total assets less current liabilities | 2,532 | 3,338 | 3,075 |
| Creditors: amounts falling due after more than one year | (203) | (4) | (235) |
| Provision for liabilities and charges | - | - | - |
| | ----- | ----- | ----- |
| Total assets less liabilities | 2,329 | 3,334 | 2,840 |
| | ----- | ----- | ----- |
| Capital and Reserves | | | |
| Called up share capital | 3,359 | 3,352 | 3,352 |
| Share premium account | 3,113 | 3,089 | 3,089 |
| Other reserves | 7,000 | 7,000 | 7,000 |
| Profit & loss account | (11,143) | (10,107) | (10,601) |
| | ----- | ----- | ----- |
| Shareholder's funds | 2,329 | 3,334 | 2,840 |
| | ----- | ----- | ----- |

Consolidated Cash Flow Statement

For the six months ended 31 October 2005

| | | Unaudited As at 31st October 2005 £000 | Unaudited As at 31st October 2004 £000 | Audited As at 30th April 2005 £000 |
|---|---|--|--|--|
| Net cash outflow from operating activities | 2 | (351) | (369) | (718) |
| Returns on investments and servicing of finance | | | | |
| Interest received | | 1 | 5 | 7 |
| Interest paid | | (13) | (0) | (3) |
| | | ----- | ----- | ----- |
| Net cash outflow from returns on investments and servicing of finance | | (12) | 5 | 4 |
| Capital expenditure and financial investment | | | | |
| Purchase of tangible fixed assets | | (43) | (9) | (30) |
| Proceeds of tangible fixed assets disposed | | 0 | 0 | 0 |
| Financing | | | | |
| Issue of shares | | 31 | 615 | 615 |
| Share issue costs | | 0 | (5) | (5) |
| Receipts from borrowing | | - | - | 250 |
| Repayment of borrowing | | - | - | (6) |
| | | ----- | ----- | ----- |
| Net cash inflow from financing | | 31 | 610 | 854 |
| | | ----- | ----- | ----- |
| Increase (decrease) in cash | 3 | (375) | 237 | 110 |
| | | ----- | ----- | ----- |

Notes to the Consolidated Financial Statements

Note 1 - Loss per share

The calculation of loss per share is based on the loss attributable to ordinary shareholders £541,766 (2004: £562,032) divided by the weighted average number of shares in issue during the period which was 92,148,394 (2004: 88,238,774)

There would be no dilutive effect from the exercise of share options.

Note 2 - Cash outflow from operating activities

| | Unaudited As at 31st October 2005 £000 | Unaudited As at 31st October 2004 £000 | Audited As at 30th April 2005 £000 |
|----------------------------------|--|--|--|
| Operating loss | (530) | (567) | (1,060) |
| Depreciation and amortisation | 193 | 191 | 383 |
| Increase in stocks | (67) | (19) | (17) |
| Increase in debtors | (1) | (10) | (105) |
| Increase in creditors | 54 | 36 | 81 |
| | ----- | ----- | ----- |
| | (351) | (369) | (718) |
| | ----- | ----- | ----- |

Note 3 - Analysis of changes in net debt

| | At 1 May 2005 £'000 | Cash Flow £000 | At 31 October 2005 £'000 |
|--------------------------------------|---------------------------|----------------------|--------------------------------|
| (Overdraft)/Cash at bank and in hand | 179 | (375) | (196) |
| Loans | (250) | 0 | (250) |
| | ----- | ----- | ----- |
| Net debt | (71) | (375) | (446) |
| | ----- | ----- | ----- |

Note 4 - Basis of Preparation

These accounts have been prepared in accordance with the accounting policies of the previous year.

Note 5 - Unaudited Accounts

These accounts do not constitute accounts in the meaning of the Companies Act of 1985.

For further information please contact Mediwatch CEO Philip Stimpson or Finance Director Kevin Middis on 01788 547888.

Also, log on to the website: www.mediwatch.com