

28 July 2010

Mediwatch Plc

Interim Results for the six months to 30 April 2010

Mediwatch plc ("Mediwatch", "the Company" or "the Group", AIM: MDW), the innovative urological diagnostic company, has published its interim result for the six months ended 30 April 2010.

Highlights

- Maintained revenues at £4,959,000 (H1 2009: £4,950,000)
- Increased profit before tax to £130,000 (H1 2009: £37,000)
- Signed agreement with GE Healthcare to distribute its ultrasound devices to certain markets in the US
- Worldwide launch of "Venus" a pelvic floor rehabilitation system through an OEM agreement with Thought Technologies Limited.
- Launch of the Mobilewatch Clinic division in the US with first customer served in April 2010
- Launch of Urodyn+ uroflow system

Omer Karim, Mediwatch Chairman commented'

"We are pleased with the first half results along with the new partnerships the Company has formed during the period. This puts Mediwatch in a strong position moving forward to build on the foundations laid in previous years."

"We are concentrating our efforts on developing the service orientated business to further expand our one-stop solution for Urology and have launched Mobilewatch Clinic diagnostic service in the US which we intend to expand into other areas of the world."

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Editors Notes:

Mediwatch plc: Innovative Diagnostic Solutions

Mediwatch is a leader in its field. The Company is continually striving to develop and market faster, simpler and less invasive diagnostic products to save lives and restore quality of life for people with a variety of urological conditions. Founded in 1995, Mediwatch (www.mediwatch.com) 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.

Mediwatch has established excellent foundations for continued growth building on the acquisition and integration of a division of Medtronic Inc in 2006, an international distribution network and its research and development programmes.

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Overview

The Group continues to develop its strategy to be a single point-of-call for hardware, software and biochemistry based urological diagnostic equipment for the US and international healthcare markets. This is an innovative approach to diagnostics and is the basis of our integrated "one-stop" platform which is aimed at improving the level of patient care whilst, at the same time, reducing overall healthcare costs.

The economic climate has held Mediwatch's revenue steady over the first half of this financial year. We believe, in the long term however, the market outlook is very positive as a result of the aging population and the increasing need for healthcare products and services. This may become particularly evident in the US where the Healthcare Reform Bill is expected to give an additional 32 million people access to medical services.

Mediwatch launched the Mobilewatch Clinic division in April 2010 and served its first customer in the US in that month. Mobilewatch Clinic has been specifically designed to deliver lower healthcare costs in anticipation of the future implementation of the Affordable Care Act (March 2010) in the US.

Mediwatch Mobilewatch Clinic allows us to service medical practitioners, who may lack the volume of cases or the recurring patient episodes necessary to justify the capital equipment outlay, with our Mediwatch diagnostic tests without their need to purchase our equipment.

Mobilewatch Clinic offers a new service to Mediwatch's customers and opens up a new market segment to the Company which has not been previously available.

Following the half year end, Mediwatch executed two key agreements adding to the breadth of products it offers to the Urology diagnostic market:

- A distribution agreement was signed with GE Healthcare for Mediwatch to distribute GE Ultrasound equipment into certain markets in the US. This has allowed the US division to add a key piece of equipment to its offering to customers increasing both the breadth and value of products offered to customers.
- "Venus" a pelvic floor rehabilitation system has been introduced worldwide. This system was developed through an OEM agreement with Thought Technology Limited ("Thought Technology") which provides for collaboration between the Company and Thought Technology to develop a range of pelvic floor rehabilitation systems. The Venus range of systems will be offered exclusively through Mediwatch's distribution channels.

The integration of Thought Technology into the Mediwatch Venus pelvic floor rehabilitation and diagnostic system enables a quick entry into this expanding market with a ready product that does not require a large R&D spend. This new product compliments the existing product range offered by Mediwatch so cross selling opportunities are expected to arise.

In addition, the Group announces that it will be moving to new head office premises in the UK enabling it to bring the UK administration, research and development,

manufacturing and warehouse facilities into one excellent site less than a mile away from the existing premises. We believe that this move to further integrate the business will reduce our costs, increase efficiency and accelerate product development in response to customer needs. The move is expected to be completed in August 2010.

Trading

In the six month period to 30 April 2010, Group turnover was £4,959,000, (H1 2009: £4,950,000). Revenue remained split with almost 50% from the US and 50% from Europe and the rest of world (ROW) as it was in the comparative period last year. The product mix experienced during the first half of the 2010 financial year was also similar to that experienced in the first half of 2009.

The Group achieved a profit before tax of £130,000 for the six months to 30 April 2010 (H1 2009: £37,000). This increase in profit was mainly attributable to a reduction in manufacturing costs brought about by the effort last year to bring manufacturing processes in-house.

The Group is also in the process of re-designing third party manufactured equipment to allow in-house production and further reduce costs. As a consequence of this initiative, the Group was able to launch the Urodyn+ product worldwide in May. This new device delivers advanced features with simplified operation at a reduced manufacturing cost and more competitive selling price.

Administrative costs were up slightly £1,940,000, (H1 2009: £1,925,000) on last year and interest charges were lower £17,000, (H1 2009: £33,000) due to a reduced level of debt over the period. At 30 April 2010, the Group had net borrowings of £267,000 (at 30 April 2009: £501,000) and in the current environment continues to manage cash carefully.

US markets

In the US, the Group is well positioned to offer new products into the market:

- GE Healthcare's line of ultrasound equipment will be available through Mediwatch in certain territories beginning in the fourth quarter of the current financial year;
- The Venus pelvic floor rehabilitation systems are available as standalone systems or as an integrated part of the currently available urodynamic system;
- Mobilewatch Clinic services are being marketed into new and existing markets; and
- The Urodyn+ flow meter is now available with increased features and at a reduced cost.

In addition, the US sales team has been restructured and enlarged to bring an increased level of experience to the market. This, along with the new products, allows the US division to provide a broader offering and greater value to the market.

Business Opportunities

The Group raised £347,000 before expenses in November 2009 by way of a placing of shares at 5.75p per share. An update on the business opportunities identified last year is as follows:

We are pleased to announce that we have successfully completed the distribution agreement with GE Healthcare to distribute its ultrasound devices to certain markets in the US. We have completed a training program and are awaiting demo equipment to start the sales process. This being the most significant of the four projects proposed.

The international medical company whose technology we were going to use with our range of markers is still awaiting approval from their senior management. However, we have identified and are working with another research company in the UK and assessing their technology platform should the proposed partnership not materialise.

The kidney test system we were proposing has become uneconomical to pursue. Using our existing technology platform we have decided to develop our own system using cystatin-C as a marker.

The bladder cancer marker project continues whilst we determine the most favourable marker to use. Two such markers are currently being evaluated.

Research and development

Expenditure on research and development, including capitalised costs, was £350,000 (H1 2009: £369,000) during the six months to 30 April 2010. Current ongoing projects include:

- Exploring new technology to bring outsourced products in-house in order to reduce manufacturing costs;
- New software application for the Mobilewatch Clinic division to increase efficiency and deliver cost reduction to our service customers;
- Development of a low cost urodynamic system and software package that is portable and easy to use aimed at the Mobilewatch Clinic business;
- Exploring a new prostate cancer marker to work in conjunction with the PSAwatch test;
- Developing a new point-of-care test to determine kidney function; and
- Exploring a new biochemistry test platform which can deliver a greater sensitivity needed for new cancer markers.

Current trading and outlook

The Board is very pleased with the results for the first half, maintaining turnover and increasing profits despite the current economic and political climate having an effect on customer budgets. In the UK the government cuts will ultimately affect capital expenditure so we are addressing this problem in advance as we have already done in the US. We plan to gradually launch the Mobilewatch Clinic diagnostic service in the UK and place bigger emphasis on our disposable products which come out of our clients' operational rather than capital budgets. The Board will continue to monitor overheads and will actively manage the cost base as appropriate.

The successfully negotiated agreement with GE Medical Systems for the distribution of its range of ultrasound equipment in certain markets in the US is expected to have a positive impact on revenues in the fourth quarter of the financial year.

During the fourth quarter of the year the Mediwatch Venus pelvic floor rehabilitation and diagnostic system (including the integrated Thought Technology) together with the new Mobilewatch Clinics are expected to be rolled out in the US then extended overseas. These new products and services provide an additional revenue stream upon which future growth of the business will be developed.

Work continues with Inverness Medical Innovations (new name Alere Inc.) on the distribution of the PSAwatch worldwide. Both groups are working to secure regulatory

approvals in various markets including China, Spain, Germany and Russia. Progress continues to be made on the FDA submission for the PSAwatch. Mediwatch continues to engage the services of a specialist group to expedite this process.

The Board is excited at the opportunities that have been developed over the last six months and it looks forward to their contributions in the future.

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Consolidated Income Statement for the six months ended 30 April 2010

	Unaudited 30 April 2010	Unaudited 30 April 2009	Audited 31 October 2009
	£000s	£000s	£000s
Revenue	4,959	4,950	10,389
Cost of sales	(2,937)	(2,985)	(6,134)
Gross profit	2,022	1,965	4,255
Other administrative expenses	(1,940)	(1,925)	(3,914)
Other income	65	30	130
Exceptional items	-	-	-
Profit / (loss) from operating activities	147	70	471
Net finance expenses	(17)	(33)	(46)
Profit / (loss) before taxation	130	37	425
Tax	-	-	-
Profit / (loss) for the period attributable to the equity shareholders	130	37	425
Earnings per share (p) - basic and diluted	0.09p	0.03p	0.3p

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

Consolidated Statement of Comprehensive Income for the six months ended 30 April 2010

	Unaudited 30 April 2010	Unaudited 30 April 2009	Audited 31 October 2009
	£000s	£000s	£000s
Profit for the year	130	37	425
Other comprehensive income			
Exchange differences on translating foreign operations	9	1	19
Total comprehensive income for the period	139	38	444

Mediwatch Plc

Consolidated Balance Sheet
at 30 April 2010

	Unaudited 30 April 2010 £000s	Unaudited 30 April 2009 £000s	Audited 31 October 2009 £000s
Non current assets			
Property, plant and equipment	506	576	527
Intangible assets	1,508	947	1,223
Goodwill	2,256	2,256	2,256
Total non current assets	4,270	3,779	4,006
Current assets			
Inventories	1,925	1,779	1,643
Trade and other receivables	1,337	1,339	1,615
Cash and cash equivalents	320	221	345
Total current assets	3,582	3,339	3,603
Total assets	7,852	7,118	7,609
Current liabilities			
Borrowings	587	722	670
Trade and other payables	1,585	1,584	1,725
Total current liabilities	2,172	2,306	2,395
Non current liabilities			
Borrowings	-	-	-
Total non current liabilities	-	-	-
Total liabilities	2,172	2,306	2,395
Net assets	5,680	4,812	5,214
Capital and reserves			
Share capital	3,830	3,770	3,770
Share premium	6,077	5,813	5,813
Other reserves	7,000	7,000	7,000
Share based payment reserve	9	10	6
Retained earnings	(11,236)	(11,781)	(11,375)
Shareholders funds	5,680	4,812	5,214

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Consolidated statement of changes in equity
as at 30 April 2010

For the six months ended 30 April 2010

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	£000s	£000s	£000s	£000s	£000s
At start of period	3,770	5,813	7,006	(11,375)	5,214
Profit for the period	-	-	-	130	130
Shares issued in the period	60	264	-	-	324
Share based payment reserve	-	-	3	-	3
Other comprehensive income for the period	-	-	-	9	9
At end of period	3,830	6,077	7,009	(11,236)	5,680

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
Other comprehensive income for the period	-	-	-	1	1
At end of period	3,770	5,813	7,010	(11,781)	4,812

For the twelve months ended 31 October 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	-	-	-	425	425
Shares issued in the period	-	-	-	-	-
Share based payment reserve	-	-	5	-	5
Other comprehensive income for the period	-	-	-	19	19
At end of period	3,770	5,813	7,006	(11,375)	5,214

Mediwatch Plc

Consolidated Statement of cash flows
for the six months ended 30 April 2010

	Unaudited 6 Months 30 April 2010	Unaudited 6 Months 30 April 2009	Audited 12 Months 31 October 2009
	£000s	£000s	£000s
Cashflow from operating activities			
Profit / (loss) for the period	147	70	471
Adjustments for:			
Depreciation	78	70	137
Amortisation of intangible assets	65	20	62
Impairment of intangible assets	-	-	-
Equity settled share based expense	3	-	5
Interest expense	(17)	(33)	(46)
Other non cash adjustments	-	7	-
	<u>276</u>	<u>134</u>	<u>629</u>
Changes in inventories	(282)	(115)	(48)
Changes in trade and other receivables	278	328	26
Changes in trade and other payables	(142)	(71)	259
	<u>(146)</u>	<u>142</u>	<u>237</u>
Net cash movement from operating activities	130	276	866
Cash flow from investing activities			
Proceeds from sales of property, plant and equipment	-	-	30
Purchase of property, plant & equipment	(57)	(40)	(139)
Purchase of intangible fixed assets	(350)	(345)	(663)
Net cash movement used in investing activities	(407)	(385)	(772)
Cash flow from financing activities			
Interest income	-	-	-
Proceeds from issue of equity (net of expenses)	324	-	-
Finance lease repayments	-	-	(16)
Repayment of borrowings	-	(31)	(65)
Proceeds from borrowings	330	-	-
Net cash from financing activities	654	(31)	(81)
Increase / (decrease) in cash and cash equivalents in the period	377	(140)	13
Opening cash and cash equivalents	(304)	(345)	(345)
Currency exchange difference	(10)	42	28
Closing cash and cash equivalents	63	(443)	(304)
Analysed as follows:			
cash and cash equivalents per balance sheet	320	221	345
less: bank overdraft	(257)	(664)	(649)
	<u>63</u>	<u>(443)</u>	<u>(304)</u>

Mediwatch Plc

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 2010.

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 2009.

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

The statutory accounts of Mediwatch plc for the year ended 31 October 2009 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 to by way of emphasis without qualifying their report and did not contain statements under Section 498(2) or 498(3) of the Companies Act 2006.

2. SEGMENTAL ANALYSIS

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

	Six months ended 30 April 2010	Six months ended 30 April 2009	Twelve months ended 31 October 2009
	£000s	£000s	£000s
United Kingdom	635	690	1,371
United States of America	2,570	2,556	5,734
Europe	1,096	1,157	2,267
Rest of the world	658	547	1,017
Total	4,959	4,950	10,389

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. EARNINGS PER SHARE

The calculation of earnings per share for the six months ended 30 April 2010 is based on the profit attributable to equity shareholders of £130,000 (for the six months ended 30 April 2009: £37,000) divided by the weighted average number of shares in issue during the period which was 139,713,502 (2009: 133,671,072)

Mediwatch Plc

4. PRESS RELEASE

Copies of this report will not be mailed out to shareholders but will be available for download from www.mediwatch.com. If you would like to receive a hard copy of the interim report please contact the Mediwatch offices on +44 (0)1788 547 888 to request a copy.