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Mediwatch Plc

Interim Results for the six month period ended 30 April 2008

Highlights

- Record revenues reported for period
- Profitable for first six months of the year in line with expectations
- Trading from US sales and marketing office, now matched by strong sales from UK office
- New banking facility from Barclays Commercial Bank Plc
- New distribution agreement for ground-breaking molecular test
- Strengthening of the Board with the appointment of new Group Finance Director and Chief Operating Officer

"Mediwatch has diligently put in place some excellent building blocks for growth and we are pleased to report our second, successive half-year period of profitable trading.

"Market conditions are restricting our growth opportunities and the expected growth in the second half of the year. We are, however, fortunate that Mediwatch's products offer increased efficiency and cost savings in a financially challenged health sector."

Omer. M. A. Karim MS FRCS FRCSUrol, Chairman

FULL PRESS RELEASE ATTACHED

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Ticker: AIM : MDW

Editors Note:

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.

Mediwatch Plc

Trading and Financial Overview

In the six month period to 30 April 2008, Group turnover was £4,371,000, an increase of 139% on the comparable period last year (2007: £1,829,000). This growth was attributable to:

Addition of the Medtronic product line for the first four months of fiscal year 2008 over the same period in fiscal year 2007;

Transfer of manufacturing capacity to an in-house process, enabling the Group to respond to customer orders and requests more rapidly;

Increased global revenues as a result of improved sales and marketing from the UK team, with continued sales from the US office;

The successful marketing of the consumable product lines, which includes catheters and electrodes;

The new Portascan + and Bardscan II are being well received by the marketplace which has been reflected by encouraging sales in the period;

During the period under review, the Group produced an operating profit from ordinary activities, after adjusting for the effect of International Financial Reporting Standards "IFRS" and before one-off costs. A profit of £293,000 (2007: loss £266,000) was achieved.

The one-off costs during this period amounted to £112,000 and represent professional fees associated with the takeover approach received by the company which was announced on 18 January 2008. This approach did not result in an offer being made due to unforeseen problems experienced by the acquiring company.

At 30 April 2008, the Group had total net borrowings of £466,000 (2007: £367,000) including a medium term loan of £115,000 (2006: £177,000). After the period end the Group has transferred its core banking services to Barclays Commercial Bank Plc following the establishment of a more flexible overdraft facility. This improved facility has been structured in a way that will enable the Group to meet both immediate and future working capital needs through the forthcoming periods of continued growth.

Research and Development

The Group has focused recent activities on improvements to existing products as well as developing new projects. As a result expenditure in this area after adjusting for the impact of IFRS was £120,000 (2007: £149,000).

Progress continues with the PSAwatch™ quantitative point-of-care diagnostic test, which is now at a production stage. FDA approval is on-going and having obtained Investigator Review Board (IRB) approval, the Group has started clinical trials. While regulatory delays have postponed the introduction of the PSAwatch™ into several markets, the Company continues to move forward with this product.

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US Office

The Company has made some operational improvements in the US division. A clinical group has been established including a VP of Clinical Services along with a Clinical Services Manager. This team will bring a high level of expertise and many years of experience in Urodynamics to the Group and will begin offering Urodynamic clinics to customers, provide clinical assistance to customers and upgrade the delivery service of capital equipment.

The US Division is in the process of reorganising the sales team. This change was brought on by the retirement of the existing VP of Sales Dan Parker. The company would like to thank Mr. Parker for his contributions to the business. The new VP of Sales and Marketing for the US division is Mr. Rick Hogan. Rick is a graduate of St. Joseph's University and attended graduate courses at Villanova University. He is a proven leader with 20 years domestic and international experience building businesses in the life science and medical device industries. Rick has marketed medical technology throughout the entire continuum of care. Recent leadership assignments include: Vice President Sales and Marketing & Acting CEO, Diagnostic Test Group; General Manager, Orex Imaging; General Manager, Kinetic Concepts and Eastern Zone Manager, Becton Dickinson (BD), Point of Care Division.

The appointment of Rick Hogan will be of great benefit to the company in growing the business in the biomedical diagnostics area of products where the company sees a great opportunity for expansion.

The new Portable Urodynamic equipment has been distributed to the sales team for demonstration and sales purposes. This equipment will allow the team to carry their demonstration equipment rather than shipping the larger units. This will significantly increase the number of demonstrations the team will be able to perform and significantly reduce the cost of conducting demonstrations. The company feels that there is significant demand for a smaller portable unit and this product will fill this gap in our product lines.

Board Changes

On 14 May 2008, Christian Rollins joined the Board as full time Finance Director having been the VP of Finance and Operations of Mediwatch USA for the last 17 months. Colm Croskery also became a Board member in the role of Chief Operating Officer. Colm originally joined the Group in July 2007 as Sales and Marketing Manager (Rest of World). The Board now has a good balance of Medical, Financial and Commercial skills to guide the business forward in both the home and international marketplace.

Personnel and Recruitment

The Group continues to grow rapidly and staff levels have increased steadily from 47 at 30 April 2007 to 56 at 30 April 2008. The Board would like to thank all of the employees for their work in achieving these outstanding results in difficult conditions as the business continues to grow.

Summary

Mediwatch has diligently put in place some excellent building blocks for growth and we are pleased to report our second, successive half-year period of profitable trading. In the six months to April 2008, Mediwatch has built on the integration of the Medtronic acquisition and the research and development programme to generate profits and improved cash flows. This gives the business an excellent platform for further product extensions, both through internal product development and from external sources so that the business can further exploit its route to market.

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Although ill health is, to some extent, resistant to changes in the economic climate, we are wary of the sudden deterioration in economic conditions and sentiment that has effected markets in the US and Europe in particular. This is a significant change from the conditions upon which our original plans were based. We are tackling these market conditions through tight cost control, including supplier re-negotiations, product re-packaging, a reinforced sales team and a focused marketing programme.

We have also experienced delays in commercialising the PSAwatch, due to delays in regulatory approvals within and outside the US and third party manufacturing problems in manufacturing the strips in volume, all effectively outside our control.

These market conditions are restricting our growth opportunities and the expected growth in the second half of the year. We are, however, fortunate that Mediwatch's products offer increased efficiency and cost savings in a financially challenged health sector. We anticipate that the results for the second half of the year will show only marginal growth over the first half results with some easing of margins due to price pressure from competitors.

Omer. M. A. Karim MS FRCS FRCSUrol
29 July 2008

Mediwatch Plc

Consolidated Income Statement
for the six months ended 30 April 2008

	Unaudited 30 April 2008 £000s	Unaudited 30 April 2007 £000s	Audited 31 October 2007 £000s
Revenue	4,371	1,829	5,684
Cost of sales	(2,314)	(1,184)	(3,157)
Gross profit	2,057	645	2,527
Other income	17	146	191
Net income from operations	2,074	791	2,718
General administrative expenses	(1,661)	(908)	(2,263)
Research and development	(120)	(149)	(347)
Operating profit / (loss) before exceptional items	293	(266)	108
Exceptional items	(112)	(347)	(347)
Operating profit / (loss) after exceptional items	181	(613)	(239)
Finance income	5	12	13
Finance expenses	(28)	(17)	(39)
Profit / (loss) before income tax	158	(618)	(265)
Income tax	(13)	0	0
Profit / (loss) for the period attributable to the equity shareholders	145	(618)	(265)
Earnings per share - basic and diluted	0.1	(0.5)	(0.2)

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

Mediwatch Plc

Consolidated Balance Sheet **at 30 April 2008**

	Unaudited 30 April 2008	Unaudited 30 April 2007	Audited 31 October 2007
	£000s	£000s	£000s
Assets			
Property, plant and equipment	443	358	434
Intangible assets	381	212	208
Goodwill	2,256	2,256	2,256
Total non current assets	3,080	2,826	2,898
Current assets			
Inventories	1,834	747	1,533
Trade and other receivables	1,548	1,548	1,568
Cash and cash equivalents	145	75	168
Total current assets	3,527	2,370	3,269
Total assets	6,607	5,196	6,167
Current liabilities			
Borrowings	555	240	565
Finance leases	4	17	17
Trade and other payables	1,803	1,373	1,460
Total current liabilities	2,362	1,630	2,042
Non current liabilities			
Borrowings	52	185	98
Total non current liabilities	52	185	98
Total liabilities	2,414	1,815	2,140
Net assets	4,193	3,381	4,027
 Capital and reserves			
Share capital	3,737	3,703	3,735
Share premium	5,648	5,370	5,629
Other reserves	7,027	7,008	7,027
Retained earnings	(12,219)	(12,700)	(12,364)
Shareholders funds	4,193	3,381	4,027

Mediwatch Plc

Consolidated statement of changes in equity

as at 30 April 2008

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
Loss 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 six months ended 30 April 2007

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	£000s	£000s	£000s	£000s	£000s
At start of period	3,703	5,370	7,008	(12,082)	3,999
Loss for the period				(618)	(618)
At end of period	3,703	5,370	7,008	(12,700)	3,381

For the twelve months ended 31 October 2007

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	£000s	£000s	£000s	£000s	£000s
At start of period	3,703	5,370	7,008	(12,082)	3,999
Loss for the period				(265)	(265)
Shares issued in the period	32	259			291
Share based payment reserve			19	0	19
Foreign currency translation difference				(17)	(17)
At end of period	3,735	5,629	7,027	(12,364)	4,027

Mediwatch Plc

Consolidated Statement of cash flows
for the six months ended 30 April 2008

	Unaudited 30 April 6 Months 2008 £000s	Unaudited 30 April 6 Months 2007 £000s	Audited 31 October 12 Months 2007 £000s
Cashflow from operating activities			
Profit / (loss) for the period	181	(613)	(239)
Adjustments for:			
Depreciation	41	37	65
Amortisation of intangible assets	61	18	69
Loss on disposal of fixed assets	0	0	2
Equity settled share based expense	0	0	19
Interest income	5	12	13
Interest expense	(28)	(17)	(39)
Other non cash adjustments	(34)	0	(8)
	227	(562)	(117)
Changes in inventories	(301)	(504)	(1,274)
Changes in trade and other receivables	20	(697)	(898)
Changes in trade and other payables	345	771	1,025
	65	(430)	(1,147)
Net cash movement from operating activities	292	(992)	(1,264)
Cashflow from investing activities			
Proceeds from sales of property, plant and equipment	0	0	1
Purchase of property, plant & equipment	(50)	(167)	(244)
Purchase of intangible fixed assets	(173)	(231)	(278)
Net cash movement used in investing activities	(223)	(398)	(521)
Cashflow from financing activities			
Proceeds from issue of equity	0	0	269
Repayment of borrowings	(82)	(30)	(74)
Net cash from financing activities	(82)	(30)	195
Increase / (decrease) in cash and cash equivalents in the period	(13)	(1,420)	(1,590)
Opening cash and cash equivalents	(335)	1,255	1,255
Closing cash and cash equivalents	(348)	(165)	(335)
Analysed as follows:			
cash and cash equivalents per balance sheet	145	75	168
less: bank overdraft	(492)	(240)	(503)
	(348)	(165)	(335)

Mediwatch Plc

1. **BASIS OF PREPARATION OF INTERIM REPORT**

The unaudited interim results for the half year ended 30th April 2008 have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial information contained herein does not constitute statutory accounts within the meaning of section 240(5) of the Companies Act 1985.

The statutory accounts for the year ended 31 October 2007, which have been delivered to the registrar of companies, carry an unqualified Auditors' Report.

Information for the comparative periods, having previously been published using UK Generally Accepted Accounting Principles (UK GAAP), is now reported in accordance with IFRS. Reconciliations of profit and equity between these two bases are shown in note 5.

2. **ACCOUNTING POLICIES**

Basis of accounting

The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), which assumes that the Group will continue in operational existence for the foreseeable future.

The principal accounting policies of the Group are set below.

Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 30 April and 31 October each year. Control is achieved where the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Goodwill

Goodwill arising on consolidation represents the excess cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Goodwill arising on acquisition before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Property, plant and equipment

Depreciation is provided evenly on the cost of property, plant and equipment (excluding freehold land), to write them down to their estimated residual values over their expected useful lives. The principal annual rates used for assets are:

Short leasehold property	Over the period of the lease
Plant and fixtures	15% reducing balance
Motor vehicles	20% straight line

Where there is evidence of impairment, fixed assets are written down to recoverable amount.

Warranties

Provision is made for the estimated liability on all products still under warranty, including claims already received. The provision is based on past experience of claims arising in the warranty periods.

Government grants

Grants in respect of fixed assets are credited to the income statement in annual instalments over the useful lives of the assets concerned.

Other grants are credited to the income statement in the same period as the expenditure to which they contribute.

Inventories

Inventories are valued at the lower of cost and estimated net realisable value. Cost is determined on a first-in first-out basis. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Leased assets

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Assets and liabilities deriving from finance lease contracts are initially recognised in the balance sheet at the lower of their fair value and the present value of the minimum future lease rentals.

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After initial recognition the depreciation policy applied is consistent with that for depreciable assets that are owned. As a result the depreciation recognised is calculated in accordance the useful life stated for property, plant and equipment (the company does not hold leased intangible assets). In cases where there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

The interest element of rental obligations is charged to the income statement over the period of the lease at a constant rate on the balance of finance lease obligations outstanding.

Rentals payable under non-onerous operating leases are expensed in the income statement on a straight-line basis over the lease term.

Incentives to take out operating leases are credited to the income statement on a straight-line basis over the lease term.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate ruling at the date that the transaction occurred. Monetary assets and liabilities denominated in foreign currency are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are taken into the income statement.

The results of overseas operations are translated at the average rate of exchange during the period and their balance sheets at the rates of exchange ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are reported in the statement of total recognised gains and losses. All other exchange differences are included in the income statement.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profits for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all, or part, of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Pensions

The Company operates a defined contribution pension scheme for senior management. The assets of the scheme are invested and managed independently of the finances of the Company. The pension cost charge represents contributions payable in the period.

Share based payments

Other than for business combinations, the only share based payments of the Group are equity settled share options. An option pricing model is used to estimate the fair value of each option at grant date. That fair value is charged on a straight line basis as an expense in the income statement over the period that the employee becomes unconditionally entitled to the options (vesting period), with a corresponding increase in equity.

The number of such options is increased annually to reflect best estimates of those expecting to vest (ignoring purely market based conditions) with consequent changes to the expense. Equity is also increased by the proceeds receivable as and when employees choose to exercise their options.

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If the Group modifies the terms and conditions on which the equity instruments were granted, as a minimum, the services received measured at the grant date fair value of the equity instruments granted (unless those equity instruments do not vest because of a failure to satisfy a vesting condition other than a market condition) are charged to the income statement.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liability and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual agreements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognised at the amount of proceeds received net of costs directly attributable to the transaction. To the extent that those proceeds exceed the par value of the shares issued they are credited to a share premium account.

Trade payables

Trade payables are not interest-bearing and are stated at their nominal value.

3. SEGMENTAL ANALYSIS

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

	Six months ended 30 April 2008	Six months ended 30 April 2007	Twelve months ended 31 October 2007
	£000s	£000s	£000s
United Kingdom	841	397	777
United States of America	1,777	1,090	3,162
Europe	1,262	161	1,092
Rest of the world	491	181	653
Total	4,371	1,829	2,651

The turnover, loss 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.

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4. PROFIT PER SHARE

The calculation of profit per share is based on the profit attributable to ordinary shareholders of £145,000 (2007: loss £618,000) divided by the weighted average number of shares in issue during the period which was 130,198,302 (2007: 126,915,298)

5. EXPLANATION OF TRANSITION TO IFRS

The Group has applied IFRS 1 "First Time Adoption of International Financial Reporting Standards" as a starting point for reporting under IFRS. The Group's date of transition is 1 November 2006 and comparative information has been restated to reflect the Groups adoption of IFRS except where otherwise required or permitted under IFRS 1.

The reconciliation of equity at 1 November 2006 and at 31 October 2007 (date of last UK GAAP financial statements) and the reconciliation of profit for the 2006 and 2007, as required by IFRS 1, are set out below.

Reconciliation of profits attributable to equity holders of the parent

	Six months ended 30 April 2007 Unaudited £000s	Twelve months ended 31 October 2007 Audited £000s
Loss previous reported using UK GAAP	(913)	(820)
Reclassification of R&D as intangibles	140	278
Amortisation of intangibles	(19)	(70)
Amortisation of goodwill	174	347
Other adjustments	-	-
Profit / (loss) reported using IFRS	(618)	(265)

Reconciliation of shareholders' equity

	30 April 2007 Unaudited £000s	31 October 2007 Audited £000s
Equity previously reported using UK GAAP	3,086	3,472
Reclassification of R&D as intangibles	140	278
Amortisation of intangibles	(19)	(70)
Write back of amortisation	174	347
Other adjustments	-	-
Equity reported using IFRS	3,381	4,027

Goodwill

International Financial Reporting Standards require goodwill to be frozen as at the date of transition to IFRS 1 and be subject to review for impairment rather than regular amortisation. The directors have reviewed the value of goodwill and have determined the value as at the transition date to be £2,256,000. Previously amortised amounts in the UK GAAP accounts for the period ended 30 April 2007 and 31 October 2007 of £173,000 and £347,000 have been reversed in the IFRS statement. The effect of the transition on the balance sheet is shown above.