

09



mediwatch PLC

Annual Report and Accounts 2009

*Providing solutions for the
new demands of healthcare*

A one stop shop of solutions for the future

Profits up 5%

on the back of continued

Group investment programme

Enquires

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2009 Highlights

			10,389
		9,327	
	5,684		
2,651			
2006	2007	2008	2009

			425
		403	
	-265		
-1,414			
2006	2007	2008	2009

		61	
			59
	40		
20			
2006	2007	2008	2009

808			
	555		
		496	
			663
2006	2007	2008	2009

* Figures illustrated in £,000's

“ Omer Karim, Mediwatch Chairman said:

Our increase in sales and profits over the last 12 months, in the light of the current economic environment is testament to the quality of products and the unique technology we have developed.

With continued strengthening of our distribution channels and the addition of complimentary products and services, we continue to build on our 'one-stop-shop' strategy in the urology diagnostics market.

The Group is well placed for 2010 with range of new products and services to capitalise on the international opportunities and challenges of worldwide reduction in healthcare spending.

Financial highlights

- Record revenues, increasing by 11% to £10.4m (2008: £9.3m)
- Profit from continuing operations for the year, increased by 5% to £425,000 (2008: £403,000)
- Cash flow from operations was £866,000 (2008: £658,000)
- Raised £332,000 in November 2009 to finance four major opportunities

Operational highlights

- Profit achieved on the back of significant investment in the US sales and marketing organisation during the first half year
- Successful launch of the PSAwatch™ system into Asia, Mexico, UK and other European countries
- Increase in sales following successful launch of the Portascan+ bladder scanner system
- Worldwide joint sales and marketing agreement for PSAwatch™ with Inverness Medical Innovations
- Continued investment in strong R&D programme across all product categories

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Chairman's statement

This year saw many exciting achievements for Mediwatch. Most notable is an 11% increase in turnover for the group and a modest 5% increase in profits for the year in a difficult economic environment.

Mediwatch had a successful year, particularly in light of the world economic environment. The Group posted record turnover along with an increase in profits. PSAwatch™ has been launched in several markets and a worldwide joint distribution agreement has been reached with Inverness Medical Innovations. In the US we have invested in the sales and marketing organisation in the first half of the year and the positive results of this investment was realised in the second half of the year.

Looking forward, Mediwatch plans to make investments in the UK based sales and marketing organisation to extend our worldwide reach. Additionally, the Group is looking to develop additional complimentary products enhancing the "one-stop-shop" strategy it brings to the market. The internal R&D team continues to make improvements to the existing lines and bring more outsourced processes in-house.

In November 2009 the group raised £332,000 to fund working capital and feasibility studies for several opportunities presented to the Group. During 2010 these opportunities will be pursued and we will update the market as the opportunities are developed.

Financial

Revenue was in line with expectations and up by 11% at £10.4m (2008: £9.3m). This was mainly attributable to a strong contribution from the US operation and a very good performance from the UK.

The Group reported pre-tax profits of

£425,000 (2008: 408,000) and has accumulated UK tax losses amounting to £3,840,000.

At 31 October 2009, the Group had total net borrowings of £325,000 (2008: £446,000). This is after increasing inventory for new products and to allow for increasing sales.



Key achievements

This year saw many exciting achievements for Mediwatch. Most notable is an 11% increase in turnover for the group and a modest 5% increase in profits for the year in a difficult economic environment. This was largely due to carefully evaluating and re-launching the US sales and marketing strategy. This investment resulted in a significant increase in our sales coverage and corresponding sales.

A five year joint sales and marketing agreement was signed with Inverness Medical Innovations to market the PSAwatch™ system around the world. With their expertise in the point of care market particularly in GP's offices we hope to obtain greater market share during 2010.

We identified significant savings by bringing in-house previously outsourced products. These savings will be realised through 2010.

A successful fundraising exercise was completed post year end to finance four

opportunities for 2010. Proceeds from the placing will be used to fund working capital and to finance feasibility studies for new opportunities which Mediwatch has identified as part of its growth plans.

Personnel

Low staff turnover has been experienced within the Group over the last year. I would like to take this opportunity to thank all employees for their hard work in what has been a challenging but successful year.

Outlook

Mediwatch has had a successful 12 months, increasing sales and profits in the light of an economic downturn, which reinforces the quality of products and the benefits of the technology the Group has developed.

The economic and political climate in the US and the overseas territories will be a challenge for all medical companies as governments seek to reduce healthcare costs. Mediwatch is well placed to capitalise on these challenges by redesigning more efficient technology for its "one-stop-shop"

strategy and by bringing manufacturing processes in-house to reduce costs.

Prostate cancer awareness is now gathering pace internationally with pressure being placed on government bodies to augment national screening programmes. As this happens, Mediwatch is again well placed to take advantage with its diagnostic systems.

During 2010, Mediwatch will be adding complimentary products to its existing range allowing it to leverage its growing sales and marketing channels. The Group is also looking to develop joint ventures and strategic partnerships with market leaders to bring increased value to its customers worldwide.

The board expects that 2010 will be another exciting phase in Mediwatch's growth and success.

Omer M A Karim MS FRCS FRCSUrol
Chairman
1st February 2010



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Chief Executive's Review

In order to increase market share in the largest market in the world, the US market, we have designed a programme to increase our sales and service coverage through a highly skilled sales force.

Group turnover was £10.4m, an increase of 11% over the comparable period last year (2008: £9.3m). This growth was attributable to:

- Increase in size and reach of the US sales organisation.
- Increase in sales from the successful launch of the Portascan+ bladder scanner system.
- Introduction of the Cavaterm product line in the UK market.
- Development of new low cost consumables specifically for the UK and overseas market.
- Successful launch of the PSAwatch™ system into Asia, Mexico, UK and other European countries.

Overview

The Mediwatch "one-stop-shop" strategy is being accepted in the marketplace and is drawing the attention of other larger diagnostic companies with whom the Group has joint venture opportunities. In the coming year the Group will explore these opportunities and create these alliances where they bring greater value to our customers. Specifically, the following opportunities are currently being pursued:

- To work with an international corporation on a joint venture, sharing technology and pursuing a common marketing campaign;

- A project with a different international medical company, assessing the potential of using its technology with Mediwatch's bioassays;
- A marketing opportunity with a biomedical company to promote its point-of-care system alongside the Mediwatch PSA system for assessment of urological problems; and
- Licensing a bladder cancer marker from a different bioscience company and to conduct a research project using that marker with the Mediwatch Bioscan reader system.

Mediwatch continues to expand its interest in the urology diagnostics sector and

is looking to add new products in the urodynamics and biomedical sides. Both of these new product categories should provide positive growth opportunities which should contribute to the second half of 2010.

Mediwatch has reviewed its banking and financing facilities in the UK and US and has decided to separately finance the US through the creation of a separate incorporated entity to that branch's current operations, which will allow for growth in the coming years. To this end we have formed Mediwatch USA, Inc. and obtained separate financing which gave us an additional opportunity to review our UK operation and financing costs.

Sales and Marketing

In order to increase market share in the largest market in the world, the US market, a programme has been implemented to increase the sales and service coverage through a network of highly skilled nurses and through an extended sales force.

This team will continue to be evaluated and extended throughout 2010 so that it is capable of taking on a larger product range which the Group plans to bring to the market during this period. As a result of the success of this programme, the Group is in the process of evaluating its sales and marketing efforts outside the US to become more in line with the US structure.

We have several new marketing opportunities with other large medical corporations which if successful would be a major breakthrough for Mediwatch.

We will be exhibiting at major urological meetings in the US and Europe and around the world through our dealer network as a way of increasing our brand awareness as a "one-stop-shop" for urology diagnostics.

Urodynamics

This year saw a greater penetration of the Group's newly designed and engineered urodynamic systems. This will be followed by the launch of new technology with lower manufacturing costs and simpler application bringing greater value to customers and aiding the Group to obtain a larger share of the market. A new biofeedback device for the urogynaecologist market will also be introduced, which will work in tandem with the new range of ultrasound systems.

We are constantly striving to update our technology to be cost efficient and simplistic in its operation.

Ultrasound

After the successful launch of the two bladder scanner systems, two more are now due for launch. These will be digitally controlled, giving better accuracy and measurements. Mediwatch is also negotiating with a large multinational company to license their technology which

will provide a comprehensive device for carrying out biopsies, also incorporating disposable supplies.

Services

A new mobile diagnostics service will be operated through skilled nurses which will create opportunities to present a cost efficient diagnostic service to physicians, with no major capital outlay. This service will incorporate new diagnostic procedures which should launch in the first half of 2010 and will run in parallel to the change in US government expenditure in regards to reimbursement and presenting a wider medical facility to all individuals. Initial efforts will be concentrated in Florida with the potential to be rolled out to the other 49 states through our nurse network.

Health and Safety

The Group operates formal assessment and reporting systems in respect of its health, safety and environmental performance.

The Board receives regular Health and Safety reports and the effectiveness of the systems and procedures are reviewed regularly.

The Group continues to strive to improve its health and safety processes and is pleased to report that there were no notifiable Health and Safety or environmental impacts or events at any of the Group's operations during the year.



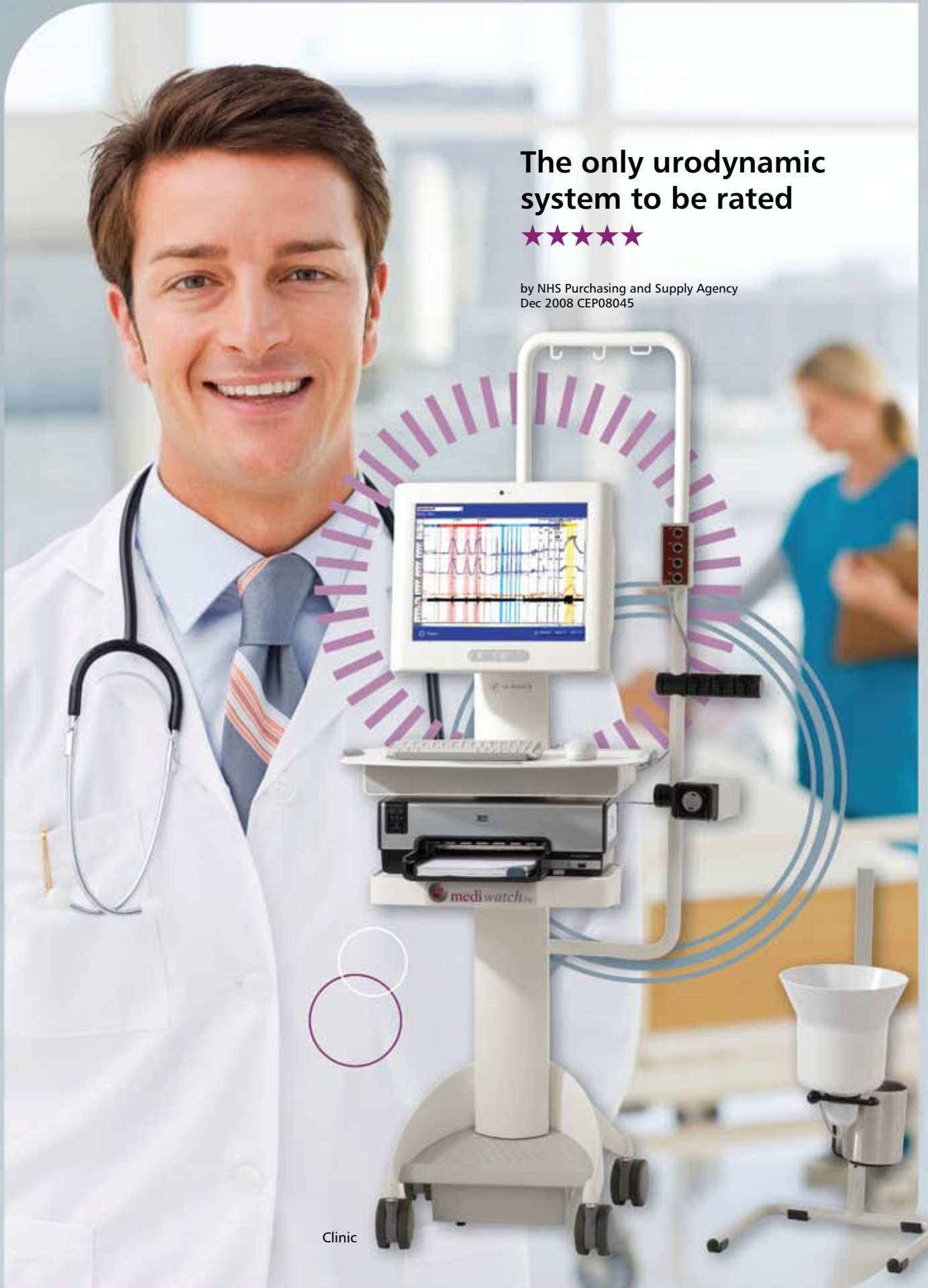
A Rapid Point of Care PSA Test To Accelerate Clinical Decision

PSAwatch™ & Bioscan

The only urodynamic system to be rated



by NHS Purchasing and Supply Agency
Dec 2008 CEP08045



Clinic



Sensic Evolution

Development Review

Research and Development

The Group has maintained its focus on improving its existing portfolio as well as developing new products, with R&D expenditure increasing to £663,000 (2008: £496,000).

The key uroflowmetry range has been reengineered and relaunched to reduce manufacturing costs while modernising and improving the features of the product range. Continued investment in the key software for urodynamics (Sensic) continues to add new features and benefits (wireless communication and video capabilities) to the product offering.

Work has commenced on a project to develop a common platform supporting future urodynamic and ultrasound products with reduced costs and increased capabilities.

A new range of urodynamic disposables have been designed and launched for the specific needs of the UK, Middle East and Australian markets.

Excellent progress is being made on the FDA submission for the PSAwatch™. Mediwatch has engaged the services of a specialist group to expedite this process.

Mediwatch Biomedical

During 2009, one of the Group's lead scientists has been investigating new cancer markers and technology to compliment that which Mediwatch has already developed. In the first half of 2010, the Group plans to start a small trial on a prostate cancer marker which will complement our PSA test. The results of this will be known in the second half of 2010. A new marker for bladder cancer is also being obtained to place on our existing technology base. Work on this begins in the first quarter of 2010.

The Group is also currently developing a new biotech diagnostic technology with a large European company. If successful, a feasibility study will start on some new and existing urology markers. The outcome of this opportunity will be known in the second quarter of 2010.

An Australian professor of oncology, who is an expert in cancer cell development, has been engaged as a consultant to assist in diagnosing unique urology markers. This research will commence in the beginning of 2010.

Philip G Stimpson MIREE
Chief Executive Officer
1st February 2010

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Finance Director's Report

In the second half of the year margins began to improve due to outsourced processes being brought in-house and efficiencies being engineered into the products.

Financial Review

Continuing operations

Revenue was in line with expectations and up by 11% at £10.4m (2008: £9.3m). This was mainly attributable to a strong contribution from the US operation and a very good performance from the UK.

Gross margins were 41% (2008: 44% as restated) mainly due to price pressure at the time of the economic downturn. In the second half of the year margins began to improve due to outsourced processes being brought in-house and efficiencies being engineered into the products.

The Group continued to invest in its sales and marketing infrastructure which saw overheads increase to £3.9m (2008: £3.4m as restated) during the year.

Other operating income of £130,000 (2008: £17,000) was due to a substantial increase in the R&D tax credit to which the Group was eligible for the year. As expected, finance costs were reduced to £46,000 (2008: £138,000).

The Group reported pre-tax profits of £425,000 (2008: 408,000) and has accumulated UK tax losses amounting to £3,840,000.

Basic and diluted earnings per share were 0.3p (2008: 0.3p).

Dividends

The directors are not recommending a final dividend.

Assets, liabilities, capital and reserves

Non current assets increased substantially to £3.6m (2008: £3.4m) as a result of the continued application of IFRS and the capitalisation of development costs of £663,000. Current assets of £3.6m (2008: £3.5m) remained relatively consistent year on year.

Current liabilities of £2.4m (2008: £2.2m) consists of an increase in trade payables along with a decrease in bank borrowings.

Capital and reserves were unchanged except for the profits arising from continuing operations.

Cash flows

Cash flow from operations contributed £866,000 (2008: £658,000). The increase for the current year is mainly attributable to a net reduction in working capital.

Investing activities required £772,000 (2008: £657,000). This increase was due to an increase in capitalised development projects during the year.

Financing activities used £81,000 (2008: contributed £20,000) for the repayment of bank borrowings and finance leases.

Key performance indicators

Key performance indicator	Target	'09	'08
Annualised sales growth ¹	10%	11%	64%
Profit f'm continuing operations ²	300	425	403

Source data is taken from the audited financial statements.

Notes to KPI's

1 Annualised sales growth = the increase in revenue as a percentage of revenue from the prior year. The Group endeavours to increase shareholder value through growth in revenue, linked to profitability (see Operating Profit below). The planned sales growth for the year ended 31 October 2009 was targeted as some 10% of the previous financial years sales of some £9.3m. The Group achieved a slightly better result at 11% and £10.4m.

The Group plans to maintain moderate sales growth within its current product range. Additionally, the Group's research and development team has new products under development which, when introduced to the market, will generate new revenue streams. In addition to these new products, the Group plans to introduce services to the product mix. These new products and services are expected to increase the Group's offerings and further develop the "one-stop-solution" the company offers to its customers.

2 Profit from continuing operations = profit after interest, taxes, depreciation, amortisation and exceptional items. The Group continually seeks to maximise profitability with its design and manufacturing expertise and rigorous management of administration costs. It is gratifying to report that the underlying trading result for the year ended 31 October 2009 of £425,000 is in line with the equivalent figure for the previous financial period (2008: £403,000).

Operating profit was maintained due to bringing in-house certain production processes and leveraging the existing infrastructure to support sales growth. The Group expects to continue this trend, increasing sales with only marginal increases in overhead costs.

Principal risks and uncertainties facing the Company

The current global economic climate could have an effect on future capital orders and in particular in the ability for private customers to receive financing. However our industry is by and large "recession proof." We are turning our attention to the service industry where these effects will have an even lesser impact.

Financial instruments

The group's operations expose it to a variety of financial risks. However, with our new banking facilities we have taken on credit insurance on a large part of our customer base. Other financial risks include the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk. The company's policy is to invoice in sterling only outside the US and in dollars within the US. This minimises our exposure to exchange risk.

The group's principal financial instruments comprise sterling cash and bank deposits, bank loans and overdrafts, other loans and obligations under finance leases together with trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the Company's financial instruments can be analysed as follows:

Price risk

The Company has no significant exposure to securities price risk, as it holds no listed equity investments.

Foreign currency risk

The Company is exposed in its trading operations to the risk of changes in foreign currency exchange rates. European manufacturing is being moved to the UK where possible to minimise the exchange rate differential with the Euro, particularly in light of the recent strengthening of the Euro. With the recent volatility of the dollar the company is closely monitoring the relevant exchange rate to manage the exposure.

Credit risk

The Company's principal financial assets are bank balances, cash, and trade receivables, which represent the Company's maximum exposure to credit risk in relation to financial assets.

The Company's credit risk is primarily attributable to its trade receivables. Credit risk is managed by performing credit check procedures on new and existing customers, the use of credit insurance and by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the third parties involved are banks with high credit ratings assigned by international credit rating agencies. The Company has no significant concentration of credit risk, with exposure spread over a significant number of third parties and customers.

Liquidity risk

The Company's policy has been to ensure continuity of funding through acquiring an element of the Group's fixed assets under finance leases, and arranging funding for operations via medium-term loans and additional revolving credit facilities to aid short term flexibility.

Cash flow interest rate risk

Interest bearing assets comprise cash and bank deposits. The interest rate on the bank overdraft is at market rate and the Group's policy is to keep the overdraft within defined limits such that the risk that could arise from a significant change in interest rates would not have a material impact on cash flows. The Group's policy is to maintain other borrowings at commercial rates to reflect the nature of the borrowing. The directors monitor the overall level of borrowings and interest costs to limit any adverse effects on financial performance of the Group.

Christian H Rollins CPA MBA

Group Finance Director

1st February 2010

Directors and Advisers



Mr Philip G Stimpson MIREE
Chief Executive Officer

Philip is a qualified electronic engineer and has been involved in the medical industry for 35 years, having started work in Canada and the USA in sales and marketing. In the UK Philip founded P.G.S. Medical, a sales and distribution company which was successfully sold to Gould Group Inc. in 1977. Philip subsequently founded Medix Limited in 1978, to design, manufacture and distribute drug delivery systems for asthma sufferers. Philip was awarded four SMART awards for research and development in this company. Medix Ltd was sold to Bepak plc in 1993 following which, Philip founded Mediwatch Limited in 1996 where he gained a further two SMART awards and one European award for Research and Development into diagnostic products. Philip is a founding director and shareholder of Mediwatch Plc.



Mr Colm T Croskery FCA B,Comm MBA
Chief Operating Officer

Colm is an experienced business leader with 20 years experience in building businesses within the healthcare sector. Within the last five years, his director positions were Managing Director of White Rose Environmental Ltd. and White Rose Environmental Sharpsmart Ltd. (both subsidiaries of Stericycle Inc.). He was also CEO of Medical Support Systems and held senior positions within Huntleigh Technology plc and Hill-Rom Inc. Colm has had extensive experience in driving rapid growth, through acquisitions and organically, in medical device businesses in fast changing environments. Colm has been with Mediwatch since July 2007, initially joining in a part-time capacity as Operations Manager, becoming a full-time employee in January 2008. Colm joined the Board in May 2008.



Mr Christian Rollins CPA MBA
Group Finance Director & Vice President Operations USA

Christian is a Certified Public Accountant in Florida, USA with a MBA from Florida Atlantic University. His education includes attendance at Wharton business school's executive education. After his time in the Public Accounting industry, Christian held the positions of Assistant Controller at GE Clinical Services, Corporate Controller at Cross Match Technologies and Chief Financial Officer at Innovative Surveillance Technology. While Christian was with Cross Match Technologies it was ranked #5 on INC 500's list of fastest growing privately held companies. Christian brings with him experience in managing finance, operations, engineering, production, customer service and inventory teams through hyper growth periods. Christian has been with Mediwatch USA since its inception in January 2007 and has made a significant contribution to the success of our US operations. Christian joined the Board in May 2008.



Mr Omer M A Karim MB BS MS
FRCS FRCSUrol
Non-Executive Chairman

Omer is a Consultant Urological Surgeon at St Mary’s Hospital, Paddington and Heatherwood and Wexham Park NHS Hospitals Trust. Omer qualified at Charing Cross Hospital Medical School, London in 1982 and has been a consultant since 1995. Omer carried out research for his Mastership of Surgery whilst he was a Fellow at the Brady Urological Institute, The Johns Hopkins Hospital, Baltimore, Maryland, USA. He is also a Director of Oldfield Lodge Medical Practice Limited and Robotic Urological Surgery Limited. He is interested in the diagnosis and treatment of prostate cancer. Omer is a founding director and shareholder of Mediwatch Plc. He became Non-Executive Chairman in April 2007.



Mr Charles E Cattaneo
BCom(Hons) MBA FSI CF FCA
Non-Executive Director

Charles is a fellow of the Institute of Chartered Accountants in England and Wales, a Fellow of the Securities and Investment Institute and has an MBA from Birmingham University where he also read Commerce. He has over 20 years corporate finance experience, in investment banking, industry and the profession. He is a Partner of Cattaneo LLP where he specialises in providing corporate finance advice to a wide range of clients including Listed, AIM and private companies. He was previously at Grant Thornton and at KPMG Corporate Finance where he held the post of Partner with responsibility for providing financial advice to listed public companies and large/ growing private companies. Charles is Chairman of the London Stock Exchange’s Midlands Regional Advisory Group. Charles joined the Board in May 2007. Charles is Chairman of the Audit Committee.



Mr Mark Emberton
MB BS MD FEBU FRCS FRCSUrol
Non-Executive Medical Director

Mark is Reader in Interventional Oncology at University College London, Honorary Consultant Urologist at University College London Hospitals NHS Foundation Trust and is Clinical Director of the Clinical Effectiveness Unit at the Royal College of Surgeons of England. Mark is an active researcher in the area of prostate cancer and benign prostatic hyperplasia. He has published over 100 peer review papers in scientific journals and is a regular invited speaker at international meetings. Mark sits on advisory boards for a number of major pharmaceutical companies. He sits on the Partner’s Council at the National Institute of Clinical Excellence and on the Interventional Procedures Panel of the Health Technology Assessment arm of the Department of Health. Mark is a founding director and shareholder of Mediwatch Plc.

Advisers

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and Broker**
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Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 October 2009.

Principal activities

The Group's principal activities during the period were the development of medical devices used in the diagnosis of urological disorders. The Company's principal activity is that of a holding company.

Business review

The business review and the financial risk management that is required to be disclosed pursuant to the Companies Act 2006 are contained in this report. A review of the Group's trading during the financial period, including research and development activity, is included in the Chief Executive's Review on pages 6 – 9, and should be read in conjunction with this report.

Results and dividends

The consolidated profit for the year after taxation was £425,000, (2008: loss £403,000). This profit was after a taxation charge of £nil (2007: £5,000).

The directors do not propose that a final dividend for the year be paid (2008: £nil).

Post Balance Sheet events

There were no other post balance sheet events to report.

Issue of shares

Details of the shares issued during the year are disclosed in note 25 to the accounts on page 46.

Employee policy

The Group places considerable value on the involvement of the employees and keeps them informed on matters affecting them as employees and on relevant matters affecting the performance of the Group.

The Group's employment policies include a commitment to equal opportunities regardless of sex, age, race, sexual orientation or ethnic origin.

The Group's policy is to give full and fair consideration to applications for employment made by disabled persons, bearing in mind the respective aptitudes of the applicants concerned. In the event of staff becoming disabled every effort would be made to ensure their continued employment with the Group and to provide specialised training where appropriate.

Environment

The Group's policy with regard to the environment is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities. Our operations are conducted such that we comply with all legal requirements relating to the environment in all areas where we carry out our business. During the period covered by this report the Group has not incurred any fines or penalties or been investigated for any breach of environmental regulations.

It is Group policy to continually carry out research and develop new products and processes to minimise the impact of its operations on the environment.

Creditor payment policy

It is the Group's policy for all suppliers to fix terms of payment when agreeing the terms of each business transaction, to ensure that the supplier is aware of those terms, and to abide by the agreed terms of payment. The number of trade creditors' days at 31 October 2009 was 67 (2008: 67 as restated) for the Group.

As the Company is a holding company, it has no trade creditors and accordingly no disclosure can be made of the period end creditor days.

Going concern

The directors have negotiated a funding package with First Bank of the Palm Beaches to fund the newly formed US entity and are renegotiating the package to fund the UK operations. Taking account of this package, together with a review of the Group's budgeted cash flows, and having made appropriate enquiries, the directors have a reasonable expectation that the Company and the Group have adequate funding resources to continue in operation for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Research and development

The Group has continued to undertake the development of primary care urology products.

The research and development expenditure during the year amounted to £663,000 (2008: £496,000), reflecting the continued investment and commitment to developing state of the art diagnostic systems.

Donations

Charitable and political donations made by the Group during the period amounted to £ Nil (2008: £Nil).

Directors

The directors in office at the date of this report are set out on page 12.

The interests of the directors in office during the period in the shares of the Company, were as follows:

	At 31 October 2009		At 1 November 2008	
	Ordinary shares	Share options	Ordinary shares	Share options
C E Cattaneo	720,000	-	670,000	-
Dr G W Chong	13,714	-	13,714	-
C T Croskery	705,282	250,000	705,282	-
M Emberton	2,380,528	-	2,380,528	-
O M A Karim	9,051,214	-	9,051,214	-
C H Rollins	62,591	400,000	62,591	150,000
P G Stimpson	20,675,438	700,000	20,318,546	350,000

Directors' share options in existence at 31 October 2009 are as follows:

	Date of issue	Number	Option Price	Date of expiry
C T Croskery	05.05.09	250,000	7.25p	05.05.19
C H Rollins	01.03.07	150,000	9.88p	01.03.17
	05.05.09	250,000	7.25p	05.05.19
P G Stimpson	23.10.03	350,000	4.13p	22.10.13
	05.05.09	350,000	7.25p	05.05.19

No directors' share options lapsed during the period.

Connected Party Transactions

Details of connected party transactions are contained in note 34 of the Financial Statements.

Directors' Report (continued)

Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS and applicable law).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently except for new accounting policies as included in note 1;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Substantial shareholders

At 11 January 2010 the Company had been notified of the following interest of 3% or more in the Company's ordinary shares:

	No. of ordinary shares	% of voting rights
Mr. Philip Stimpson	20,849,358	14.92%
Brewin Dolphin Limited	14,675,751	10.50%
Williams De Broe	11,802,657	8.45%
Mr. Omer Karim	9,225,134	6.60%
Pershing Keen Nominees Limited	7,515,853	5.38%
Barclay Share Nominees Limited	7,406,511	5.30%
Forward Group PLC	6,666,666	4.77%
Ashcourt Nominees Limited	6,208,333	4.44%
TD Waterhouse Nominees (Europe) Limited	5,749,229	4.12%
LR Nominees Limited	5,033,828	3.60%
HSDL Nominees Limited	4,281,817	3.06%

Share Capital

On 11th January 2010 the Company's issued share capital was 139,713,502 ordinary shares of 1p each, none of which were held in treasury.

An ordinary resolution will be put to the shareholders at the Annual General Meeting (AGM) to renew the director's authority to issue and allot ordinary shares. The nominal value of ordinary shares to which this authority is limited is £69,800 being approximately one third of the current issued ordinary share capital. A special resolution will also be put to shareholders at the AGM which renews the authority of the directors to allot shares without first offering them to existing shareholders in proportion to their existing holdings. This authority is limited to approximately 5% of the issued share capital.

Auditors

The audit business of RSM Bentley Jennison, who had previously been appointed as the company's auditors has merged with that of RSM Tenon Audit Limited who succeeded to the office of auditors of the company. The audit report on the financial statements has therefore been issued by the successor firm, RSM Tenon Audit Limited.

Annual General Meeting

The 2010 Annual General Meeting of the Company will take place at Swift House, Cosford Lane, Swift Valley Industrial Estate, Rugby, CV21 1QN on 23rd April 2010 at 1.00pm. Full details of the resolutions to be put to the meeting are given on the Notice of the AGM to be found on page 54 of this Annual Report.

By order of the board

Phillip Harrison
Company Secretary
1st February 2010

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Corporate Governance

The Company is listed on AIM. Although the AIM Rules for Companies do not require compliance with the Financial Reporting Council's Combined Code on Corporate Governance (the Code), the Board fully supports and has applied the principles recommended by the 2006 version of the Code and is committed to ensuring that high standards of corporate governance are maintained by the Group.

The Board considers that during the financial year it has made progress in establishing good corporate governance practice principles.

The Company is not fully compliant with provisions of Section 1 of the Code but continues to seek compliance wherever practical, given both the size of the Company and the resources available.

Board Structure

The board now consists of three non executive directors and three executive directors as follows:

- Omar Karim is the Chairman of the Board.
- Charles Cattaneo is the non-executive director responsible for city matters and Chairman of the Audit Committee.
- Mark Emberton is the Medical Director who is chairman of the research panel and is chairman of the remuneration committee.
- Philip Stimpson is the chief Executive Officer
- Christian Rollins is the Group Finance Director.
- Colm Croskery is the Chief Operating Officer.

In accordance with the Code, the roles of the Chairman, Omar Karim, and the Chief Executive Officer, Philip Stimpson, are separate and clearly defined and have been approved by the Board. In addition to chairing the Board, the Chairman is part of the Audit Committee and the Salaries and Remuneration Committee which considers matters including succession planning, the process of Board appointments and evaluating the individual performance of each director. The Chairman is also responsible for ensuring that the members of the Board receive accurate, timely and clear information to enable the directors to make sound decisions and fulfil their statutory and fiduciary duties. The Chief Executive Officer is responsible for the overall management of the Group's business, the development of the Group's strategic direction, implementation and delivery of the annual business plan and the effective leadership, coordination and performance of the executive team. The Chief Executive Officer also ensures that the Group's strategies, plans and major developments are effectively communicated to shareholders and he maintains strong relationships with key external stakeholders in order to understand any concerns they may have regarding the Company and communicates these back to the Board.

The non-executive directors possess a wide range of skills and experience and the Board considers that each of the non-executive directors who served throughout the financial year was independent within the meaning of the Code. All directors have access to the advice and services of the Company Secretary and also to independent professional advice where required.

During the financial year the Chairman, Omer Karim, continued his roles as a consultant urological surgeon in the NHS and private sector. His commitments to these roles are not considered to be such that he is not able to devote sufficient time to his Chairmanship of the Company.

The Board has established a formal policy of delegated authorities setting out matters which require its express approval and the authorities delegated to the executive directors. The Board receives an information pack in advance of each meeting containing thorough reports from the executive directors, management accounts and any other material deemed necessary for the Board to discharge its duties. The Board has responsibility for formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure, corporate transactions, risk management policies, treasury policies, succession planning, appointments to the Board and material investments and disposals.

The Board recognises that an essential part of its responsibilities is the effective safeguarding of assets, the proper recognition of liabilities and the accurate reporting of results. The Group has a comprehensive system for regular reporting to the Board including an annual budgeting system with budgets approved by the Board. The financial reporting system compares actual results against budget and prior year and reconsiders its financial forecasts for the balance of the prevailing year on a regular basis.

The Company maintains adequate insurance cover in respect of possible legal actions against directors and officers as well as material loss or claims against the Group.

Under the Code and the Company's Articles of Association, all directors are subject to election by shareholders at the first AGM following appointment and thereafter to re-election at least every three years. Charles Cattaneo offers himself for re-election at the forthcoming AGM.

Corporate Governance (continued)

Board and Committee Attendance

The Board met twelve times during the year; the attendance of the directors at Board and committee meetings is provided below:

	Eligible to attend	Attended
C E Cattaneo	12	12
G W Chong	4	4
C T Croskery	12	12
M Emberton	12	6
O M A Karim	12	11
C H Rollins	12	12
P G Stimpson	12	12

On the occasions when a director was unable to attend a meeting, any comments he had arising out of the relevant information pack received in advance of the meeting were provided to the Chairman.

Board Committees

The Board has two committees, Audit and Salaries & Remuneration, each having written terms of delegated responsibilities.

Audit Committee

The Audit Committee comprises Charles Cattaneo (Chairman), Omer Karim and Mark Emberton. The Board considers that Charles Cattaneo has recent and relevant experience in accordance with the requirements of the Code. The committee is responsible for ensuring that the appropriate financial procedures and controls are properly maintained and reported on and for monitoring the external auditors and reviewing their reports relating to the Group's accounts and internal control systems. It also assesses the cost effectiveness, objectivity and independence of the external auditors. It is the practice of the committee to include the executive directors.

Relationships with RSM Tenon the Company's external auditors, are dealt with largely through the Group Finance Director. In addition, RSM Tenon meets with the Audit Committee at least annually without the presence of the executive management. They also have direct access to the Audit Committee and to senior employees.

The Group uses the external auditors for non audit services such as taxation advice. When appointing advisors for non audit work, the Group considers the experience and objectivity required. The committee is satisfied that the external auditors carefully consider each piece of non audit work offered, in order to ensure that acceptance would not impair independence. The report for the year under review, which was accepted by the committee, concluded that the external auditors were independent and that their objectivity was not impaired.

The committee met two times in order to review the results of the full audit, to approve the interim results and to review the performance of the external auditors. Executive board members were invited to and attended both meetings.

Salaries and Remuneration Committee

The Remuneration Committee comprises Mark Emberton (Chairman) and Omer Karim. The committee is responsible for reviewing the performance of the executive directors and other senior executives and for determining appropriate levels of remuneration and benefits, including bonuses. The Board is responsible for setting the remuneration of the non executive directors. The committee met once during the financial year to review the pay and performance of directors and senior management in relation to bonuses and to consider the granting of share based incentives. All committee members attended the meeting.

Shareholder Relations

The Company recognises the importance of maintaining strong relationships with its shareholders and the Chief Executive Officer and Group Finance Director make presentations to, and meet regularly with, major shareholders as appropriate. The Company uses its website to encourage communication with private, existing and prospective shareholders, and welcomes feedback from investors on its published reports and website.

In compliance with AIM rules, the Company has established a policy and share dealing code related to dealing in the Company's shares by directors, employees and connected persons.

The Company also recognises that the AGM provides an important forum for communicating with investors and provides an opportunity for all shareholders to meet the Board. The Company's next AGM will take place on 23rd April 2010 at 1:00 PM.

Internal Control and Risk Management

The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives. The Board is responsible for the Company's system of internal controls and for reviewing the effectiveness of such systems. It can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board, via the Audit Committee, conducts a review at least annually of the Group's system of internal controls. Such a review examines material controls, including financial, operational and compliance controls and risk management systems.

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Directors' Remuneration

The Directors provide the following information to enable shareholders to understand the Company's contractual arrangements with directors, the level of directors' emoluments, bonuses, benefits in kind and incentives, and how these are determined.

The remuneration of the Company Chairman, and of the executive directors, is determined by the Remuneration Committee. The remuneration of the non executive directors is considered by the Board.

The Salaries & Remuneration Committee, which meets at least once a year, comprises the three non executive directors and is chaired by Mark Emberton.

The terms of reference of the Salaries & Remuneration Committee are available at the Company's registered office.

The Salaries and Remuneration Committee has adopted a remuneration policy with the following objectives:

Executive Directors should receive a fair level of remuneration that will attract, motivate and retain individual managers of the appropriate quality and calibre.

Details of the directors' emoluments are set out below. In the case of directors retiring, resigning or being appointed during the year, the amounts are disclosed only in respect of their period of service as a director.

A significant proportion of executive directors' remuneration should be variable and based on financial performance in both the short and longer terms.

Such performance related remuneration should attempt to align the interests of the executive directors with those of the shareholders.

A factor in the determination of total executive remuneration should be externally conducted comparisons with remuneration in similar sized companies in similar industry sectors.

Philip Stimpson is employed under a service contract, which is terminable by the Company giving 12 months notice, or by Mr. Stimpson giving 12 months notice.

Christian Rollins is employed at will, which is terminable by the Company or by Mr. Rollins without notice.

Colm Croskery is employed under a service contract, which is terminable by the Company or Mr Croskery by giving one months notice.

Executive directors have a fixed base salary and a car allowance, and participate in discretionary bonus arrangements, according to their performance, as determined by the Salaries & Remuneration Committee.

£'000	Basic Pay	Benefits (inc Pension)	Total 2008-9	Total 2007-8
Executive				
C T Croskery	77.8	3.6	81.4	37.3
C J Kunz	-	-	-	52.5
C H Rollins	137.6	9.0	146.6	47.9
P G Stimpson	157.8	8.2	166.0	165.0
Non-Executive				
C E Cattaneo	20.0	-	20.0	18.0
G W Chong (Resigned in March 2009)	5.0	-	5.0	12.0
M Emberton	12.0	-	12.0	12.0
O M A Karim	24.0	-	24.0	24.0
Total	434.2	20.8	455.0	368.7

Independent Auditors' Report

We have audited the financial statements of Mediwatch plc for the year ended 31 October 2009 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements as set out on pages 51-53 is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Group and Company's members, as a body, in accordance with section 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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 Group and the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 3 to the group financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Chairman's Statement, Chief Executive's Review, Finance Director's Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements. Our responsibilities do not extend to any other information.

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Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Group and Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Peter Whitehead BA FCA

Senior Statutory Auditor

for and on behalf of:

RSM Tenon Audit Limited,

Statutory Auditor

Charterhouse

Legge Street

Birmingham

B4 7EU

1st February 2010

Consolidated Income Statement

for the year ended 31 October 2009

	Note	31 October 2009 £'000	31 October 2008 (as restated) £'000
Continuing operations Revenue	3,5	10,389	9,327
Cost of sales		(6,134)	(5,269)
Gross profit		4,255	4,058
Other administrative expenses		(3,914)	(3,418)
Other operating income	7	130	17
Exceptional Items	6	-	(111)
Profit/(Loss) from operating activities	5, 6	471	546
Net finance expense	9	(46)	(138)
Profit/(Loss) before taxation		425	408
Tax	10	-	(5)
Profit/(loss) from continuing operations		425	403
Basic and diluted profit/(loss) per ordinary share	11	0.3p	0.3p
EBITDA (before exceptional items)		670	795

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Consolidated Balance Sheet

at 31 October 2009

	Note	31 October 2009 £'000	31 October 2008 £'000
Non current assets			
Property, Plant and Equipment	13	527	563
Goodwill	14	2,256	2,256
Intangible assets	15	1,223	622
Total Non Current assets		4,006	3,441
Current assets			
Inventories	17	1,643	1,595
Trade and other receivables	18	1,615	1,641
Cash and cash equivalents	18	345	296
Total current assets		3,603	3,532
Total assets		7,609	6,973
Current liabilities			
Trade and other payables	21	(1,725)	(1,466)
Finance leases	19	-	(14)
Bank borrowings	19	(670)	(703)
Total current liabilities		(2,395)	(2,183)
Non current liabilities			
Bank borrowings	19	-	(23)
Finance leases	19	-	(2)
Total non current liabilities		-	(25)
Total liabilities		(2,395)	(2,208)
Net assets		5,214	4,765
Capital and reserves			
Called up share capital	25	3,770	3,770
Share premium account	26	5,813	5,813
Other reserves	27	7,000	7,000
Share based payment reserve	28	6	1
Profit and loss account	29	(11,375)	(11,819)
Equity attributable to Equity Holders of the Parent		5,214	4,765

The financial statements were approved by the Board and authorised for issue on 25th January 2010.

They were signed on its behalf by:

P G Stimpson
Director

Consolidated Statement of Changes in Equity

for the year ended 31 October 2009

	Called up share capital £'000	Share premium account £'000	Other Reserves and share based payment reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance 1 November 2007	3,735	5,629	7,027	(12,364)	4,027
Issue of shares (net of issue costs)	35	184	-	-	219
Profit for the year	-	-	-	403	403
Foreign currency translation difference	-	-	-	142	142
Share based payments; services provided	-	-	(26)	-	(26)
Total recognised income and expense for 2008	-	-	(26)	545	519
Balance 31 October 2008	3,770	5,813	7,001	(11,819)	4,765
Issue of shares (net of issue costs)	-	-	-	-	-
Profit for the year	-	-	-	425	425
Foreign currency translation difference	-	-	-	19	19
Share based payments; services provided	-	-	5	-	5
Total recognised income and expense for 2009	-	-	5	444	449
Balance 31 October 2009	3,770	5,813	7,006	(11,375)	5,214

Consolidated Cash Flow Statement 25

for the period ended 31 October 2009

	Note	31 October 2009 £'000	31 October 2008 £'000
Cashflow from operating activities	30	912	802
Interest paid	9	(46)	(144)
Net cash from operating activities		866	658
Cashflow from investing activities			
Purchases of property, plant and equipment		(139)	(212)
Proceeds from disposal of property, plant and equipment		30	-
Purchase of intangible fixed assets		(663)	(451)
Interest received	9	-	6
Net cash (outflow) from investing activities		(772)	(657)
Financing			
Proceeds from issue of shares		-	98
Costs of share issue		-	(2)
Repayment of bank loans		(65)	(60)
Finance lease repayments		(16)	(16)
Net cash from financing activities		(81)	20
Net increase in cash and cash equivalents		13	21
Cash and cash equivalents at 1 November		(345)	(335)
Effects of foreign exchange rate changes		28	(31)
Cash and cash equivalents at 31 October		(304)	(345)
Comprising of:			
Cash and cash equivalents per the balance sheet		345	296
Less:			
Bank overdraft		(649)	(641)
Cash and cash equivalents for cash flow statement purposes	18	(304)	(345)

As described in the accounting policies, bank overdrafts repayable on demand fluctuate from being positive to overdrawn and are considered an integral part of the Group's cash management for cash flow statement purposes.

There is no material difference between the fair value and the book value of cash and equivalents.

Notes to Financial Statements

1. General Information

Mediwatch plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Swift House, Cosford Lane, Swift Valley Industrial Estate, Rugby, Warwickshire, CV21 1QN. The nature of the Group's operations and its principal activities during the period were the development of primary care products used in the diagnosis of urological disorders and early prostate cancer detection. These Financial Statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Group operates.

2. Adoption of new and revised International Financial Reporting Standards ("IFRS")

In the current year, the Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 November 2007. The adoption of the following IFRSs has not impacted the audited financial statements:

IFRIC 10 – Interim Financial Reporting and Impairment

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 7 – Classifying of Assets and Liabilities

IFRS 8 – Operating Segments

IAS 1 – Presentation of Financial Statements

IAS 23 – Borrowing Costs

IAS 27 – Consolidated and Separate Financial Statements

IFRIC 11- Group and Treasury Share Transactions

IFRIC 12 – Service Concession Arrangements

These standards and interpretations are not expected to have any significant impact on the Group's Financial Statements, in their periods of initial application, except for the additional disclosures on operating segments when the relevant standard comes into effect for periods commencing on or after 1 January 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Financial Statements, upon which this financial information is based, have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS).

The financial information has been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") at 31 October 2009 as well as all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") at 31 October 2009. The Group has not availed itself of early adoption options in such standards and interpretations.

The Financial Statements have been prepared under the historical cost basis. The principal accounting policies adopted are set out below:

Restatement of comparative figures

During the year, the directors have reassessed the services and activities provided across the Group. As a result, £213,000 of costs directly attributable to revenue have been reclassified as cost of sales rather than administrative expenses which more accurately reflects the functionality of the business activities concerned. There is no effect on profit or net assets.

Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The purchase method of accounting is used for all acquired businesses as defined by IFRS 3 – Business Combinations.

As a result of the application of the purchase method of accounting, goodwill is initially recognised as an asset being the excess at the date of acquisition of the fair value of the purchase consideration plus directly attributable costs of acquisition over the net fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries acquired.

Where fair values are estimated on a provisional basis they are finalised within 12 months of acquisition with consequent changes to the amount of goodwill.

Intangible assets acquired as part of a business combination

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

For intangible assets with finite useful lives, amortisation is calculated so as to write off the cost of an asset less its estimated residual value over its useful economic life as follows:

Development costs - straight line over 4 years (see note 15).

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 initially 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.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication of impairment. The amount of the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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.

Notes to Financial Statements (continued)

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.

Sales of goods are recognised when goods are delivered and title has passed.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided evenly on the cost of property, plant and equipment 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.

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.

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 Changes in Equity. All other exchange differences are included in the income statement.

Current and deferred 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.

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. The intrinsic 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.

Notes to Financial Statements (continued)

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.

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.

4. Critical accounting judgements and key sources of estimation uncertainty

In application of the Group's accounting policies above, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities. These estimates and assumptions are based on historical experience and other factors considered relevant. Actual results may differ from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period or in the period of the revision and future payments if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. There was no impairment of goodwill during the year.

Valuation of intangibles

Intangibles are initially valued at their cost and then evaluated periodically for impairment. For purposes of valuation an intangible assets is considered impaired if its carrying value is less than the expected net cash flow from the asset.

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Share-based payments

Share options are valued by management utilising the intrinsic method of valuation.

5. Segment analysis

The primary reporting format is by business segment and the second reporting format is by geographical area.

Primary analysis by business segment

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.

Secondary analysis by geographical area

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

	Year ended 31 October 2009 £000s	Year ended 31 October 2008 £000s
United Kingdom	1,371	1,867
United States of America	5,734	3,911
Europe	2,267	2,203
Rest of the world	1,017	1,346
Total	10,389	9,327

A geographical analysis of the group's revenue by origin is as follows:

31 October 2009

	UK Operations £'000	US Operations £'000	Un-allocated £'000	Total for Group £'000
Continuing operations				
Revenue from sales				
Revenue by segment:				
Sale of goods and services	5,796	5,734	-	11,530
Total sales by segment	5,796	5,734	-	11,530
Inter-segment sale	(1,141)	-	-	(1,141)
Total external sales	4,655	5,734	-	10,389
Other operating income				
Research and development tax credit	130	-	-	130
Segment result – operating profit/(loss)	445	318	(292)	471
Interest expense	(43)	-	(3)	(46)
Profit before tax	402	318	(295)	425
Tax charge	-	-	-	-
Profit/(loss) for the year	402	318	(295)	425
Other information				
Capital additions	117	22	-	139
Depreciation	117	17	3	137
Balance sheet				
Total assets	6,187	1,422	-	7,609
Total liabilities	2,029	366	-	2,395

7. Other Operating Income

	Year ended 31 October 2009	Year ended 31 October 2008
	£'000	£'000
Research and development tax credit	130	17

8. Personnel costs

	Year ended 31 October 2009	Year ended 31 October 2008
	No.	No.
The average monthly number of employees (including executive Directors) was	59	61
The split of employees by function within the Group is as follows:		
Sales	18	18
Production, research and development	29	28
Administration	12	15
Total	59	61

	Year ended 31 October 2009	Year ended 31 October 2008
	£'000	£'000
Their aggregate remuneration comprised		
Wages and salaries	2,325	1,957
Social security costs	227	159
Pension costs	102	42
Share based payments	5	(26)
	2,659	2,132

	Year ended 31 October 2009	Year ended 31 October 2008
	£'000	£'000
Directors' emoluments		
Emoluments	455	370

The emoluments of the chairman were £24,000 (2008: £24,000). The emoluments of the highest paid director were £166,000 (2008: £165,000).

No director (2008: Nil) participated in a money purchase pension scheme.

During the year no directors exercised any share options during the period (2008: O M A Karim exercised 250,000 share options at 4.13p on 24 October 2008 and M Emberton exercised 250,000 share options at 4.13p on 24 October 2008.)

Additionally, fees were also paid to two (2008: two) non-executive directors under consultancy arrangements totalling £17,000 (2008: £29,500).

Notes to Financial Statements (continued)

9. Net finance expenses

	Year ended 31 October 2009 £'000	Year ended 31 October 2008 £'000
Finance income	-	6
Finance expenses:		
Interest on bank overdraft and loans	(46)	(144)
Net finance expense	(46)	(138)

10. Income taxes

	Year ended 31 October 2009 £'000	Year ended 31 October 2008 £'000
Current taxes	-	5
Total income taxes	-	5
Tax charge on continuing operations	-	5
Current:		
Current tax for the year	-	5
Total current tax charge	-	5
Deferred tax charge	-	-
Total income taxes on continuing operations	-	5

There were no discontinued operations during the year ended 31 October 2009 (2008: none). The Group has losses to carry forward against future taxable profits amounting to approximately £3,840,000 (2008: £ 3,960,000).

Tax rate reconciliation

	Year ended 31 October 2009 £'000	%	Year ended 31 October 2008 £'000	%
Profit/(loss) for the year before taxation	425		408	
Corporation tax charge thereon at 28% (2008: 28%)	119	28%	115	28%
Adjusted for the effects of:				
- Impairment of intangibles	-	-	6	1%
- Amortisation of intangibles	17	4%	4	1%
- Other expenditure that is not tax deductible	6	1%	37	9%
- Movement in Accelerated Capital Allowances	5	1%	(6)	(1)%
- Research and development tax claim	(135)	(32)%	(137)	(34)%
- Movement in disallowable provisions	14	3%	(23)	(6)%
- Utilisation of losses	(191)	(45)%		
- Net losses claimed forward	165	40%	4	1%
- Under provision in prior year	-	-	5	1%
Tax expense and effective tax rate for the year	-	0%	5	1%

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11. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings/(loss)	Year ended 31 October 2009 £'000	Year ended 31 October 2008 £'000
Earnings/(loss) for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	425	403
Effect of dilutive potential ordinary shares	-	-
Earnings/(loss) for the purposes of diluted earnings per share	425	403
Number of shares	Year ended 31 October 2009 No.'000	Year ended 31 October 2008 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	133,671	130,805
Effect of dilutive potential ordinary shares:		
Share options	1,195	1,220
Weighted average number of ordinary shares for the purposes of diluted earnings per share	134,866	132,025

12. Dividend

The Directors do not recommend the payment of a dividend (2008: £nil).

Notes to Financial Statements (continued)

13. Property, plant and equipment

	Land and Buildings	Plant and machinery	Total
Cost	£'000	£'000	£'000
At 31 October 2006	32	430	462
Additions	12	262	274
Disposals	-	(4)	(4)
At 31 October 2007	44	688	732
Additions	-	212	212
Exchange differences	3	15	18
At 31 October 2008	47	915	962
Additions	-	139	139
Disposals	-	(30)	(30)
Exchange differences	-	(26)	(26)
At 31 October 2009	47	998	1045
Depreciation			
At 31 October 2006	18	216	234
Charge for the year	3	62	65
Eliminated on disposal	-	(1)	(1)
At 31 October 2007	21	277	298
Charge for the year	4	97	101
At 31 October 2008	25	374	399
Charge for the year	4	133	137
Exchange differences	-	(18)	(18)
At 31 October 2009	29	489	518
Net Book Value			
At 31 October 2009	18	509	527
At 31 October 2008	22	541	563
At 31 October 2007	23	411	434

The land and buildings carrying value relates to a short leasehold property.

The net book value of tangible fixed assets includes £14,000 (2008: £29,000) in respect of assets held under hire purchase contracts.

Depreciation charged in the period on those assets amounted to £6,000 (2008: £8,000).

14. Goodwill

Cost	Goodwill £'000
At 1 November 2008 and 31 October 2009	9,453
Accumulated Impairment	£'000
At 1 November 2008 and 31 October 2009	7,197
Net book value	£'000
At 1 November 2008 and 31 October 2009	2,256

The Group carried out an impairment test of goodwill for the period that ended on 31 October 2009 as required by IFRS. The impairment test did not result in the recognition of any loss and the carrying amount of all cash-generating units was considered lower than their recoverable amount.

For the purpose of impairment testing, the carrying amount of goodwill and other assets has been allocated to cash generating units as follows:

	31 October 2009		31 October 2008	
	£'000 UK Operations	£'000 US Operations	£'000 UK Operations	£'000 US Operations
Assets allocations				
Goodwill	2,256	-	2,256	-
Other intangible assets	1,223	-	622	-
Property, plant and equipment	446	81	477	86
	3,925	81	3,355	86

The principal assumptions made in determining the value in use of each cash-generating unit throughout the Group were as follows:

- 1) The impairment test has been carried out using cash flow and profit projections covering a 3 year period. Projections are based on the next 3 years' budgets and plans approved by the management; cash flows projections beyond that 3 year period have been extrapolated on the basis of a 10% growth and 6% discount rates.
- 2) Management believes that any reasonable change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

Notes to Financial Statements (continued)

15. Other intangible assets

	Development Costs £'000
Cost	
At 31 October 2007	-
Capitalised under IFRS	277
Restated at 31 October 2007	277
Additions	451
At 31 October 2008	728
Additions	663
At 31 October 2009	1,391
Amortisation	
At 31 October 2006	-
Charge under IFRS	69
Restated at 31 October 2007	69
Impairment charge for the year	21
Charge for the year	16
At 31 October 2008	106
Charge for the year	62
At 31 October 2009	168
Net Book Value	
At 31 October 2009	1,223
At 31 October 2008	622
At 31 October 2007	208

Internally generated intangible assets are capitalised as incurred and placed in service once the project is substantially completed. Once completed subsequent costs related to those projects are capitalised until a significant milestone is achieved and the accumulated costs are then placed in service. Development costs for products brought into service during the period are amortised on a straight line basis over a period of 4 years and are reviewed annually for impairment as described in note 3.

16. Subsidiaries

Company	Shares in subsidiary	Other investment	Total
	undertakings	in subsidiary	
	£'000	undertakings	£'000
Cost			
At 1 November 2008	1,921	1	1,922
Movement in the year	-	(1)	(1)
At 31 October 2009	1,921	-	1,921
Provision for impairment			
At 1 November 2008 and 31 October 2009	720	-	720
Net book value			
At 31 October 2009	1,201	-	1,201
At 31 October 2008	1,201	1	1,202

At 31 October 2009 the Company held directly the whole of the allotted share capital of the following subsidiary undertakings, all incorporated in England and Wales:

Medi-Watch UK Limited	– engaged in the development of primary care urology products and services.
Mediwatch Biomedical Limited	– engaged in the development of medical equipment.
Mediwatch Diagnostic Clinics Limited	– dormant.
Mediwatch Pathology Limited	– engaged in the sale of pathology tests.

17. Inventories

	2009	2008
	£'000	£'000
Raw materials	1,099	921
Finished goods	544	674
	1,643	1,595

18. Other financial assets

Trade and other receivables

	2009	2008
	£'000	£'000
Amounts receivable for sale of goods	1,391	1,425
Allowance for doubtful debts	(5)	(10)
Trade receivables	1,386	1,415
Other receivables	-	35
Prepayments and accrued income	229	191
	1,615	1,641

The average credit period taken on sales is 47 days (2008: 47 days). No interest is charged on overdue receivables. There is no material difference between the fair value of receivables and their book value.

The Group has provided fully for all receivables which are not considered recoverable. Trade receivables over 90 days due are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Included in the Group's trade receivable balance are debtors with a carrying amount of £335,000 (2008: £591,000), as detailed below, which are past due at the reporting date for which the Group has not made any provision as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of past due but not impaired receivables:

	2009	2008
	£'000	£'000
0 – 30 days	302	447
31 – 60 days	25	96
61 – 90 days	5	14
91+ days	3	34
	335	591

Notes to Financial Statements (continued)

Movement in the allowance for doubtful debts:

	2009 £'000	2008 £'000
Balance as at 1 November	10	16
Increase/(Decrease) in accrual	(5)	(6)
Balance at 31 October	5	10

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Group's five largest customers account for a significant percentage of the Group's trade receivables. These customers are "Blue Chip" organisations. The Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of £nil (2008: £nil) which have been placed in liquidation.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Cash and cash equivalents

	2009 £'000	2008 £'000
Cash in hand	-	1
Bank balances	345	295
Balance as stated in the Balance Sheet at 31 October	345	296
Less bank overdrafts shown as liabilities in the Balance Sheet	(649)	(641)
Balance for Cashflow Statement purposes at 31 October	(304)	(345)

Cash and cash equivalents comprises cash held by the Group and short-term bank deposits with and original maturity of 6 months or less. The carrying amount of these assets approximates their fair value.

19. Borrowings

Borrowings comprise bank overdrafts and loans and finance lease arrangements.

Unsecured borrowing at amortised cost

	2009 £'000	2008 £'000
Bank overdrafts	649	641

The bank overdrafts are unsecured and repayable on demand.

Secured borrowing at amortised cost

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	2009	2008
	£'000	£'000
Bank loans	21	85
Finance lease arrangements	-	16
	21	101
Total borrowings		
	2009	2008
	£'000	£'000
Amount due for settlement within 12 months	670	717
Amount due for settlement after 12 months	-	25

All borrowings are in Pounds Sterling.

Bank borrowings

The bank loan is secured by a fixed and floating charge over the Group's assets. The bank loan is repayable in monthly installments commencing in February 2006 until January 2010. Interest is charged at a floating rate of 1.9% above the prevailing Bank of England base rate.

Obligations under finance leases:

Minimum lease payments

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Within one year	-	14	-	13
Over one year but within five years	-	2	-	2
Total payable	-	16	-	15
Future finance charges	-	-	-	1
Present value of lease obligations	-	16	-	16
Presented as current borrowings	-	14	-	14
Presented as non-current borrowings:				
- due later than one year and not later than five years	-	2	-	2

The fair value of Group's lease obligations approximates to their carrying amount.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

The final payments for the Group's lease obligations were due in the three month period ending 31 December 2009 and paid by 31 October 2009. Therefore no lease obligations remained as of the date of these financial statements.

Notes to Financial Statements (continued)

20. Derivatives financial instruments and hedge accounting

At 31 October 2009 and 2008 the Group had no derivatives in place for cash flow hedging purposes.

21. Other financial liabilities

Trade and other payables

	2009	2008
	£'000	£'000
Trade payables	1,141	963
Social security and other taxes	197	93
Accrued liabilities and deferred income	387	410
	1,725	1,466
Presented as:		
- Current	1,725	1,466

Accrued liabilities and deferred income represent miscellaneous contractual liabilities that relate to expenses that were incurred, but not paid for at the year-end and income received during the period, for which the Group had not supplied the goods or services at the end of the year.

The Directors consider that the book value of trade payables, accrued liabilities and deferred income approximates to their fair value at the balance sheet date.

The average credit period taken for trade purchases is 67 days (2008: 67 days as restated).

22. Financial instruments: information on financial risk

Financial risks are discussed in the Directors' Report.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 17 and 24 to 27.

Gearing ratio

The gearing ratio at the year end is as follows:

	2009	2008
	£'000	£'000
Debt	(670)	(742)
Cash and cash equivalents	345	296
Net Debt	(325)	(446)
Equity	5,214	4,765
Net debt to equity ratio	(6%)	(9%)

Debt is defined as long and short – term borrowings, as detailed in note 18.

Equity includes all capital and reserves of the Group attributable to equity holders of the parent.

Externally imposed capital requirement:

Whilst the bank loan is outstanding, the Group is limited whereby research and development costs are not to exceed 10% of the Company's turnover in a given calendar year. The Group expects to operate within this requirement.

Categories of financial instruments

	2009 £'000	2008 £'000
Financial assets		
Loans and Receivables: Trade and other receivables	1,615	1,641
Cash and cash equivalents	345	296
	1,960	1,937
Financial liabilities		
Measured at amortised costs:		
- Borrowings	670	742
- Trade and other payables	1,725	1,466
	2,395	2,208

Financial risk management objectives

The main market risks to which the Group is exposed are interest rates. There is also exposure to credit risk and liquidity risk. The Group monitors these risks and will take appropriate action to minimise any exposure.

Credit risk

The Group controls its exposure to credit risk by setting limits on its exposure to individual customers. As part of the process of setting customer credit limits, different external credit reference agencies are used, according to the country of the customer.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financial liabilities maturity analysis

The following table analyses financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

	Borrowings £'000	Trade and other payables £'000
Less than 1 year	670	719
1 – 2 years	-	23
	670	742

At present the Group does expect to pay all liabilities at their contractual maturity. In order to meet such cash commitments the Group expects the operating activity to generate sufficient cash inflows. In addition, the Group holds financial assets for which there is a liquid market and that are readily available to meet liquidity needs.

Notes to Financial Statements (continued)

The Group maintains substantial borrowing facilities to ensure that it can manage to fund its budgeted operations and take advantage of expansion opportunities as they arise. At 31 October 2009, the Group had undrawn borrowing facilities available of £165,000 (2008: £359,000).

Market risks

Interest rate risk

The Group's exposure to interest rate risk mainly concerns financial liabilities. Liabilities are both fixed rate and floating rate. At presents the Group does not hold loans and receivables that are short-term in nature. The following table analyses the breakdown of liabilities (excluding derivatives) by type of interest rate:

	2009 £'000	2008 £'000
Financial liabilities		
Fixed rate	21	101
Floating rate	649	641
Non-interest bearing	1,725	1,466
	2,395	2,208

The floating rate liabilities have an interest rate of 3.5% (2008: 3%) above the prevailing Bank of England Base Rate and have a term of 12 months, renewing in May of each year (2008: 12 months).

Fixed rate financial liabilities bear interest at an average rate of 6%. The weighted average period until maturity for fixed rate financial liabilities is 4 months (2008: 12 months).

Sensitivity analysis

A hypothetical increase in interest rates by 50 basis points on a parallel yield curve would cut profits after tax by £2,600 (2008: £3,200).

A hypothetical increase in interest rates by 100 basis points on a parallel yield curve would cut profit after tax by £5,300 (2008: £6,500).

A hypothetical increase in interest rates by 150 basis points on a parallel yield curve would cut profits after tax by £8,000 (2008: £9,700).

A hypothetical increase in interest rates by 200 basis points on a parallel yield curve would cut profits after tax by £10,600 (2008: £13,000).

23. Share based payment

Equity-settled share option scheme

The company has a share option scheme for certain employees of the Group. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is three years. If the option remains unexercised after a period of five or seven years (whichever is appropriate) from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest.

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The Company has granted share options in existence at the balance sheet date as follows:

Number	Exercise price	Dates exercisable
350,000	4.13p	23 October 2006 to 22 October 2013
485,000	8.75p	29 January 2008 to 28 January 2014
360,000	8.87p	21 January 2009 to 20 January 2015
390,000	9.88p	01 March 2010 to 28 February 2017
755,000	8.50p	01 February 2012 to 31 January 2019
850,000	7.25p	06 May 2012 to 05 May 2019

Details of the share options outstanding during the year are as follows:

	2009	2008
	Number of share options	Weighted average exercise price (in pence)
Outstanding at beginning of period	1,655,000	8.08p
Granted during the period	1,640,000	7.85p
Forfeited during the period	105,000	9.18p
Exercised during the period	-	-
Expired during the period	-	-
Outstanding at the end of the period	3,190,000	7.94p
Exercisable at the end of the period	1,195,000	7.43p

The weighted average share price at the date of exercise for share options exercised during the period was N/A (2008: 4.13p). The options outstanding at 31 October 2009 had a weighted average exercise price of 7.94p (2008: 8.08p) and a weighted average remaining contractual life of 7.5 years (2008: 7 years). Options granted during the year had a weighted average exercise price of 7.85p (2008: N/A). No options were exercised during the year (2008: 500,000 options were exercised on 23 October 2008 at an exercise price of £20,650 in total).

The group settled total charges of (£5,000) (2008: credit of £26,000) relating to equity-settled share-based payment transactions in the year ended 31 October 2009.

Notes to Financial Statements (continued)

24. Provision for liabilities and charges

Deferred taxation

Deferred taxation provided for and not provided for is set out below. The unprovided amount represents a contingent asset at the balance sheet date at a rate of 28% (2008: 28%).

	31 October	Amount provided	31 October	Amount unprovided
	2009	31 October	2009	31 October
Group	£'000	2008	£'000	2008
Accelerated capital allowances	-	-	(36)	(54)
Short term timing differences	-	-	77	70
Unutilised losses	-	-	1,075	1,092
Intangible assets	-	-	(343)	(179)
	-	-	773	929

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for reporting purposes:

	31 October	31 October
	2009	2008
	£'000	£'000
Deferred tax liabilities	(379)	(233)
Deferred tax assets	1,152	1,162
	773	929

At the balance sheet date, the Group has unused tax losses of £1,075,000 (2008: £1,092,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these amounts due to the unpredictability of future profit streams.

25. Equity share capital

	Ordinary Shares 1 p No. '000	Deferred Shares 9 p No. '000	Share capital £'000	Share Premium £'000	Total £'000
At 1 November 2008 and 31 October 2009	133,671	27,035	3,770	5,813	9,583

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	Year ended 31 October 2009 £'000	Year ended 31 October 2008 £'000
Authorised		
2009 and 2008: 1,756,682,336 Ordinary shares of 1p each	17,566	17,566
2009 and 2008: 27,035,296 Deferred shares of 9p each	2,434	2,434
	20,000	20,000
Allotted and fully paid		
133,671,072 (2008: 133,671,072) Ordinary shares of 1p each	1,336	1,336
27,035,296 (2008: 27,035,296) Deferred shares of 9p each	2,434	2,434
	3,770	3,770

The Company allotted 6,042,430 new ordinary shares on 9 October 2009 which were issued to the market on 9 November 2009. The consideration in respect of these shares amounted to £332,000 (net of expenses) and was also received on 9 November 2009 therefore meaning that the share capital position of the Company remained unchanged at the year end.

26. Share premium account

	£'000
At 1 November 2008	5,813
On shares issued in the period	-
Expenses of share issues	-
At 31 October 2009	5,813

27. Merger relief reserve

	£'000
Arising in the year ended 30 April 2001:	
Fair value of shares issued as consideration for the acquisition of Mediwatch UK Limited	8,000
Less nominal value of shares issued as consideration for the acquisition of Mediwatch UK Limited	(1,000)
At 31 October 2008 and 31 October 2009	7,000

28. Share-based payment reserve

	£'000
At 1 November 2008	1
Charge for the year	5
At 31 October 2009	6

Notes to Financial Statements (continued)

29. Profit and loss account

All reserves classified on the face of the balance sheet as profit and loss account represent past accumulated earnings and are distributable.

30. Cashflow from operations

	Year ended 31 October 2009	Year ended 31 October 2008
	£'000	£'000
Results from operating activities	471	546
Depreciation of property, plant and equipment	137	101
Amortisation of intangible assets	62	16
Impairment of intangible assets	-	21
Share based payments	5	(26)
Income tax expense	-	(5)
Decrease/(increase) in inventories	(48)	(13)
Decrease/(increase) in receivables	26	1
Increase/(decrease) in payables	259	161
Cashflow from operations	912	802

31. Analysis of net debt

	Year ended 31 October 2009	Year ended 31 October 2008
	£'000	£'000
Cash and cash equivalent per balance sheet	345	296
Bank overdraft	(649)	(641)
Cash and cash equivalent per cash flow statement	(304)	(345)
Bank loan due within one year	(21)	(62)
Bank loan due after one year	-	(23)
Finance lease obligations within one year	-	(14)
Finance lease obligations over one year	-	(2)
Net debt	(325)	(446)

32. Operating lease commitments

	2009	2008
	£'000	£'000
Recognised as an expense in the year	212	183

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Operating lease payments amounting to £94,000 (2008: £30,000) are due within one year. The leases to which these amounts relate expire as follows:

	31 October 2009		31 October 2008	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
In one year or less	94	-	27	3
Between one and five years	103	-	145	3
	197	-	172	6

Operating lease payments represent rentals payable by the Group for certain of its office properties and equipment. Leases are negotiated over the term considered most relevant to the individual subsidiary and rentals are fixed where possible for that term.

33. Contingent liabilities

The Group had no contingent liabilities at 31 October 2009.

For disclosures of contingent liabilities relating to the parent company see note IX.

34. Transactions with related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There were no other transactions between the Group and related parties who are not members of the group.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosure.

	2009 £'000	2008 £'000
Salary Sacrifice	-	23
Wages, salaries and short-term employee benefits	455	347
	455	370

Payment of consulting fees to Grant Thornton UK LLP

During the year fees in the amount of £Nil (2008: £46,000) were paid to Grant Thornton UK LLP for consulting services. Charles Cattaneo, a director of Mediwatch PLC, was a partner in Grant Thornton UK LLP in 2008.

Notes to Financial Statements (continued)

35. Events after the balance sheet date

On 9 November 2009 the Company raised £347,440 (approximately £332,000 net of expenses) by way of a cash placing of 6,042,430 new ordinary shares at 5.75 pence per share. Proceeds from the placing will be used to fund working capital and to finance four feasibility studies for new opportunities which the Company has identified to support its international growth plans.

On 24 November 2009 Charles Cattaneo, Non-executive Director of the Company transferred 790,000 Ordinary Shares in the Company from an account in his own name into his personal pension scheme. These shares are still beneficially owned by Charles Cattaneo. The transfer was transacted at a price of 6p per share. Following this transfer, Charles Cattaneo's total beneficial shareholding in the Company remains unchanged at 840,000 Ordinary Shares which represents 0.60 percent of the issued share capital of the Company.

There were no other significant events since the balance sheet date.

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Parent company balance sheet

	Note	31 October 2009 £'000	31 October 2008 £'000
Fixed assets			
Investments	III	1,202	1,202
		1,202	1,202
Current assets			
Debtors	IV	6,652	6,829
		6,652	6,829
Creditors: Amounts falling due within one year	V	(21)	(129)
Net current assets		6,631	6,700
Total assets less current liabilities		7,833	7,902
Creditors: Amounts falling due after more than one year		-	(20)
Net assets		7,833	7,882
Capital and reserves			
Called up share capital	VI	3,770	3,770
Share premium account	VI	5,813	5,813
Share based payment reserve	VI	6	1
Profit and loss account	VII	(1,756)	(1,702)
Shareholders' funds		7,833	7,882

The financial statements were approved by the Board on 25th January 2010 and signed on its behalf by:

P G Stimpson
Director

Notes to the Parent Company's Financial Statements

I. Accounting Policies

The Financial Statements have been prepared on the historical cost basis. The principal accounting policies are noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included an income statement in these financial statements. The loss attributable to members of the parent Company for the period ended 31 October 2009 was £55,000 (2008: £ 417,000).

The separate Financial Statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate Financial Statements have been prepared in accordance with United Kingdom accounting standards.

The Company's financial risk management policies are disclosed in the consolidated financial statements.

II. Operating loss

The auditors' remuneration for audit and other services is disclosed in note 6 of the consolidated financial statements.

The Company has no employees other than the Directors and the related Directors' emolument disclosures can be found in note 7 to the consolidated financial statements.

III. Subsidiaries

Details of the Company's subsidiaries at 31 October 2009 can be found in Note 15 of the attached consolidated Financial Statements.

	2009	2008
	£'000	£'000
Net book value of Shares in subsidiary undertakings		
Cost		
As at 1 November	1,202	1,228
Movement in the Year	-	(26)
At 31 October	1,202	1,202

IV. Debtors

	2009	2008
	£'000	£'000
Amounts owed by Group undertakings	6,621	6,789
Prepayments and accrued income	31	40
	6,652	6,829

V. Creditors: amounts falling due within one year

	2009	2008
	£'000	£'000
Bank loan and overdraft	21	62
Amounts owed to Group undertakings	-	51
Accruals and deferred income	-	16
	21	129

VI. Share capital, share premium account and other reserve

The movements on these items are disclosed in notes 25 through 28 to the consolidated financial statements.

VII. Profit and loss reserves

	2009 £'000	2008 £'000
Balance at 1 November	(1,702)	(1,285)
(Loss) for the year	(54)	(417)
Balance at 31 October	(1,756)	(1,702)

VIII. Controlling party

The Directors consider that there is no ultimate controlling party.

IX. Contingent assets and liabilities

The Company is also party to a group VAT registration. At 31 October 2009, the total VAT receivable of the companies in the group amounted to £10,000 (2008: Liability £6,000).

The Company has guaranteed the bank borrowings of Medi-Watch UK Limited, Mediwatch Biomedical Limited and Mediwatch Diagnostic Clinics Limited which at 31 October 2009 amounted to £649,000 (2008: £641,000).

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Mediwatch Plc (the "Company") will be held at Swift House, Cosford Lane, Swift Valley Industrial Estate, Rugby, CV21 1QN on 23rd April 2010 at 1.00pm to transact the following business:

Ordinary Business

1. To receive the reports of the directors and the auditors and the financial statements for the 12 months ended 31 October 2009
2. To reappoint RSM Tenon Audit Limited as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company
3. To authorise the directors to set the remuneration of the auditors of the Company
4. To re-elect Charles Cattaneo as a director of the Company

Special Business

5. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

THAT the board be and it is hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to allot shares in the company and to grant rights to subscribe for or to convert any security into shares in the company up to an aggregate nominal amount of £461,000 provided that this authority shall expire on the earlier of fifteen months from the date of this Resolution or the conclusion of the annual general meeting of the Company in 2011 save that the company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the board may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

6. Subject to the passing of the previous resolution under Agenda item 5, to consider and, if thought fit, pass the following resolution as a Special Resolution:

THAT the directors be and are hereby authorised pursuant to Section 570 of the Companies Act 2006 to allot equity securities (within the meaning of Section 560 of the CA 2006) for cash of up to an aggregate nominal amount of £69,800 for cash pursuant to the authority conferred by the previous resolution as if Section 561(1) of the CA 2006 did not apply to any such allotment provided that this power shall expire at the conclusion of the annual general meeting of the Company in 2011 save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot Relevant Securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

7. To consider and, if thought fit, pass the following resolution as a Special Resolution:

THAT, with immediate effect:

- (a) the Articles of Association of the Company be amended by deleting clauses 1 to 6 of the Company's Memorandum of Association, which under section 28 of the CA 2006 are treated as provisions of the Company's Articles of Association; and
- (b) the Articles of Association produced to the meeting (and signed by the Chairman for the purposes of identification) be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

By order of the Board

Philip Harrison
Company Secretary

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Explanatory Notes

1. Only Ordinary Shares in the capital of the Company entitle the holders thereof to attend and vote at the Annual General Meeting. If you have sold or transferred all of your shares, you should pass this documentation and the Form of Proxy to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.
2. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. The appointment of a proxy will not preclude a member from attending and voting in person.
3. A proxy may be appointed by completing and returning the enclosed Form of Proxy (and any power of attorney or other authority under which it is executed or a notarially certified copy thereof) and depositing the same with the Company's registrars, Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL not later than 48 hours before the time fixed for the Annual General Meeting. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's registrars.
4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him / her and the shareholder by whom he / she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he / she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
6. There will be available at the Registered Office of the Company during normal business hours on weekdays (excluding Saturdays, Sundays and public holidays) from the date of this Notice until the conclusion of the Annual General Meeting and at the place of the meeting from 10.45 am until the conclusion of the Annual General Meeting, copies of all service contracts of the directors of the Company having an unexpired term of at least 12 months and a copy of the proposed new Articles of Association of the Company, together with a copy of the existing Articles of Association of the Company marked to show the changes being proposed.
7. In accordance with Regulation 41(1) of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders who are registered in the Company's register of members at 6.00pm on 21st April 2010 (or, in the case of an adjournment, 48 hours before the time of the adjourned meeting) will be entitled to attend or vote at the Annual General Meeting and that the number of votes which any such shareholder may cast, upon a poll, will be determined by reference to the number of shares registered in such shareholder's name at that time.
8. As at 29th January 2010 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 139,713,502 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 29th January 2010 are 139,713,502.

Appendix

Explanatory notes on the principal changes to the company's articles of association

The notes on the following pages give an explanation of the proposed resolution to adopt new articles of association. It is proposed in resolution 11 to adopt new articles of association (the "New Articles") in order to update the Company's current articles of association (the "Current Articles") primarily to take account of changes in English company law brought about by the Companies Act 2006 ("CA 2006").

The CA 2006 was implemented in phases, with the final phase having come into force on 1 October 2009. The Current Articles were adopted at the 2009 Annual General Meeting ("AGM") and incorporated changes to reflect those stages of the CA 2006 that had come into force prior to the 2009 AGM.

The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the CA 2006 have not been noted. The New Articles showing all the changes to the Current Articles are available for inspection at the Registered Office of the Company during normal business hours on weekdays (excluding Saturdays, Sundays and public holidays) from the date of this Notice until the conclusion of the AGM and at the place of the AGM for at least 15 minutes prior to the AGM and during the AGM.

1. Memorandum

Under the CA 2006, the memorandum of association of companies incorporated after 1 October 2009 will be a purely historical document recording the initial subscribers for shares. Additional matters contained in the memorandum of an existing company, such as the company's name, objects, authorised share capital and the statement that the liability of the members is limited, are deemed to be provisions of the articles of association.

There is no longer any requirement for companies to have an authorised share capital, and any authorised share capital in the memorandum or articles of existing companies will continue to have effect as a limit on the amount of shares that may be allotted. A company's objects will now be unrestricted unless its articles include any restriction. The New Articles remove any limitation on the Company's objects and on the number of shares that the Company may allot. A statement that the liability of members is limited is still required and has been included as a new Article 2 in the New Articles.

2. Authorities

Under the CA 2006, a company no longer needs authority in its articles in order to reduce, sub-divide or consolidate its share capital or purchase its own shares, although the articles may restrict such activities. Some small amendments have been made to the New Articles to clarify that where reference is made to the Company's ability to carry out such activities, no limitation on its powers under the CA 2006 is intended.

3. Redeemable Shares

Under the CA 2006, the directors may determine the terms, conditions and manner of redemption of shares if they are authorised to do so by the articles of association. The New Articles have been amended to authorise the directors to carry out such determination.

4. Notice of General Meetings

Under the CA 2006, where special notice is required to be given of a general meeting, the period of notice required is twenty-eight clear days'. This is the same notice period that was required under the Companies Act 1985. Under the Current Articles, the twenty-one day notice period prescribed for resolutions requiring special notice is inconsistent with the requirements of the CA 2006. The New Articles have been amended to reflect the requirements of the CA 2006.

Special notice is only required of resolutions to remove a director before the expiration of his period of office or appoint somebody instead of a director so removed, to remove an auditor from office or (in certain circumstances) to appoint an auditor in place of an auditor whose office has ended or is to end at the end of the next accounts meeting.

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5. Electronic Meetings

A new Article 15.5 has been included to reflect the clarification in the CA 2006 that general meetings can be held by electronic means.

Notes

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