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mediwatch Plc

Annual Report and Accounts 2010

Providing solutions for the
new demands of healthcare

A one stop shop of ***solutions for the future***

Omer Karim, Mediwatch Chairman said:

It should be no surprise that 2010 was a challenging year when we experienced increasing pressure on trading margins, particularly in the second half of the year due to the difficult economic climate in the healthcare sector. The much publicised UK and the US government healthcare reforms have significantly reduced reimbursement levels thereby indirectly affecting the margins on capital equipment sales. However, despite these and many other challenges, I am pleased to report that we increased our sales and produced a profit before taxation of £233,000.

As a result of these pressures, the Company re-evaluated its cost base and realigned its operations in an effort to bring profits back up towards more acceptable levels. Our "turnaround" plan has reduced both overhead and fixed manufacturing costs whilst directing the business towards a more service-orientated model in line with our markets.

In order to broaden our product range we have secured agreements for GE Ultrasound, Thought Technology Biofeedback and ACON Urinalysis products. New manufacturing arrangements for the PSAwatch test strips initiated in August are also expected to help to improve sales for this product range in 2011."

Enquires

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Philip Stimpson, Chief Executive

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Ewan Leggat / Laura Littley

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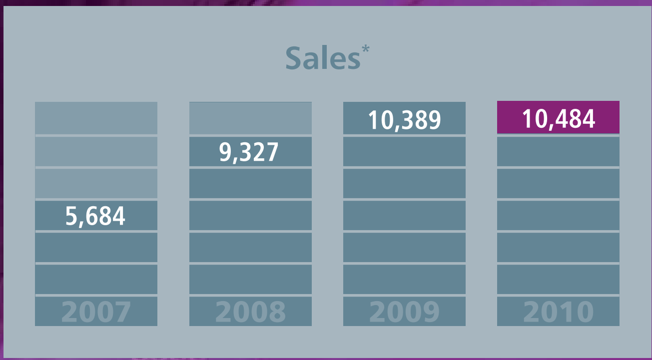
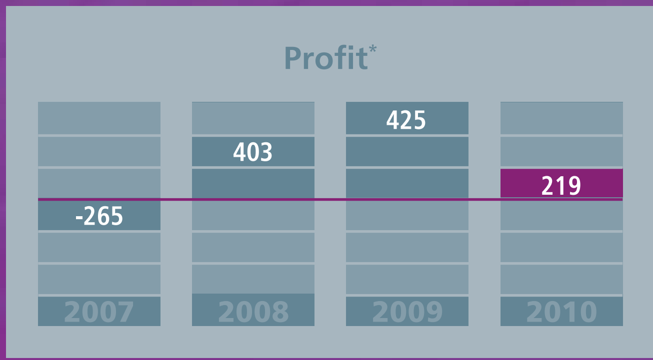
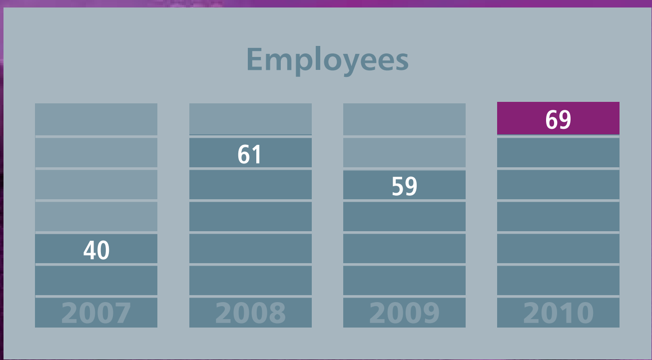
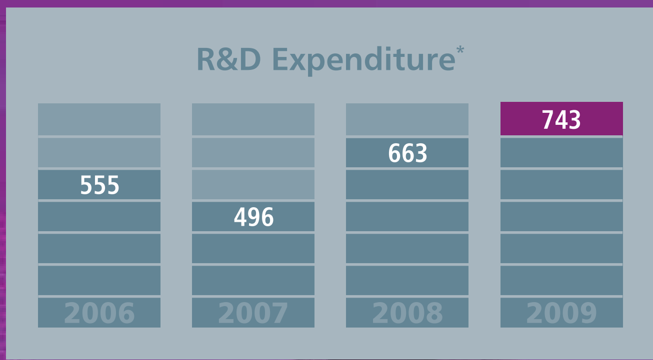
2010 Highlights









* Figures illustrated in £,000's

Financial highlights

- Increased sales revenues at £10.5m (2009: £10.4m)
- EBITDA for the year of £583,000 (2009: £670,000)
- Profit before taxation for the year of £233,000 (2009: £425,000)
- Cash flow from operations was £581,000 (2009: £866,000)

Operational highlights

- Profit achieved despite costly investment in; (i) new products, (ii) launch of mobile clinic service, (iii) completion of the move for PSAwatch strips to a new manufacturing facility, and; (iv) relocation to new premises in the UK
- Agreement signed for the distribution of GE ultrasound scanners in certain territories in the US
- Agreement signed with Thought Technology for the worldwide distribution of a pelvic floor rehabilitation system under the brand Venus
- Agreement signed for the worldwide distribution of the ACON line of urinalysis products under the Mediwatch brand, Urinewatch
- Continued investment in strong R&D programme across all product categories in order to remain ahead of competition

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Chairman's statement

Our "turnaround" plan has reduced both overhead and fixed manufacturing costs whilst directing the business towards a more service-orientated model in line with our markets.

It should be no surprise that 2010 was a challenging year when we experienced increasing pressure on trading margins, particularly in the second half of the year due to the difficult economic climate in the healthcare sector. The much publicised UK and the US government healthcare reforms have significantly reduced reimbursement levels thereby indirectly affecting the margins on capital equipment sales. However, despite these and many other challenges, I am pleased to report that we increased our sales and produced a profit before taxation of £233,000.

As a result of these pressures, the Company re-evaluated its cost base and realigned its operations in an effort to bring profits back up towards more acceptable levels. Our "turnaround" plan has reduced both overhead and fixed manufacturing costs whilst directing the business towards a more service-orientated model in line with our markets.

In order to broaden our product range we have secured agreements for GE Ultrasound, Thought Technology Biofeedback and ACON Urinalysis products. New manufacturing arrangements for the PSAwatch test strips initiated in August are also expected to help to improve sales for this product range in 2011.

A new range of uroflow meters was introduced this year in June under the brand of Urodyn+. Sales of this new product line have commenced strongly and we believe it could become a world leading product in its sector.

Financial

Sales revenue was slightly ahead of the previous year at £10.5m (2009: £10.4m).

The Group reported pre-tax profits of £233,000 (2009: £425,000) which was achieved despite investment in; (i) new products, (ii) the launch of mobile clinic services , (iii) completion of the move for PSAwatch strips to a new manufacturing facility and, (iv) a move to new premises in the UK all of which are expected to provide longer term benefits to the Group in the future. Due to the significant investment in development of our product range in prior years, the Group has accumulated UK tax losses amounting to £3,479,000. This is a key tax cash flow advantage for the business as profit streams improve over the next few years.

At 31 October 2010, the Group had total net borrowings of £592,000 (2009: £325,000).

Key achievements

During the year the management team has focused on increasing the product range by contracting with third parties for both agency and OEM agreements. This strategy was in response to the continuing changes in the economic climate and our need to readjust our business model to fit the healthcare sector needs.

Mediwatch executed three key agreements during the year adding to the breadth of products it offers to the Urology diagnostic market:

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

During the year Mediwatch launched the Mobilewatch Clinic division. Mobilewatch Clinic has been specifically designed to deliver lower healthcare costs in anticipation of the future implementation of the Affordable Care Act (March 2010) in the US. Mediwatch Mobilewatch Clinic enables us to service medical practitioners, who may lack the volume of cases or the recurring patient business necessary to justify the capital equipment outlay. They can provide our Mediwatch diagnostic tests without the need to purchase equipment. Mobilewatch Clinic offers a new service to Mediwatch's customers and opens up a new market segment to the Company which has not been previously available.

PSAwatch test strips have now been successfully transferred to a new manufacturing facility and product is scheduled to be shipped from the new facility in late January 2011.

Since the year end Mediwatch USA Inc. has been awarded a multi-year Federal Supply Schedule Contract by the US Government's General Services Administration (GSA). The GSA Federal Supply Schedule Contract will provide Mediwatch USA Inc. the opportunity to tender for contracts with the US Government to provide equipment, supplies and services. The Federal annual requirement for pelvic floor products and services is estimated to be approximately $34 million. Under this new contract Mediwatch USA, Inc. will be able to tender for products in the US government sector.

Personnel

In restructuring our business towards the end of the year, we reduced the total number of employees to decrease our overhead and fixed manufacturing costs. This restructuring was undertaken by both the UK and the US operations.

I would like to take this opportunity to thank all employees for their dedication, commitment and hard work in what has been a very challenging but successful year.

Outlook

2011 will continue to be demanding in many ways. However, we believe the cost reduction programmes and the introduction of new products and services will help to achieve the financial goals for the year.

In addition to the numerous changes that have already occurred, we are in negotiations with large buying groups in the US and we have started marketing directly in Canada. We have also identified a leading company in Beijing to act as our sole distributor in China and have started the import licence process, which it is believed will take 12 months to obtain.

The company in Beijing specialises in selling and marketing capital equipment in the urology sector within the largest populated country in the world and is considered an exciting opportunity by the directors.

The sale and marketing of PSAwatch through our five year distribution agreement with Alere (formerly Inverness Medical) is expected to see sales revenues in the first half of 2011. We are also working on other urology markers to work on this technology platform which will extend the use of the Bioscan reader.

In the coming year, products introduced in 2010 (for example GE Ultrasound, Venus and Urodyn+) will see a full fiscal year of sales. The addition of Urinewatch to our biomedical range will also see sales coming through in the first half of 2011.

An extensive sales and marketing programme has been initiated to extend the Mobilewatch Clinic division across the US, in the UK and in Europe.

The GSA contract, which was awarded after the year end, is expected to increase sales of the Company's wide product range throughout 2011 and beyond.

The board feels that the thorough operational review which has been completed and the new direction the Company is now taking will position it to grow in the evolving environments in which it now operates. The Directors believe that the introduction of new products and services whilst reducing fixed overhead costs and focusing on sales and marketing efforts will bring greater value to shareholders. We look forward to implementing this plan and achieving the Company's goals in 2011.

Omer. M. A. Karim MS FRCS FRCSUrol
27th January 2011

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Chief Executive's Review

The Group executed several agreements (GE Healthcare, Thought Technology and ACON Laboratories) and launched the Mobilewatch Clinics division as part of its strategy.

The Company benefitted from a strong first half of the year. However during the second half it experienced a slowdown in its sector as a result of the decline in the global economic environment along with the impact of both UK and US Government healthcare reforms. Despite these very difficult circumstances, the Group returned a profit for the financial year and a small increase in sales over the previous year.

During the second half of the year the Group executed several agreements (GE Healthcare, Thought Technology and ACON Laboratories) and launched the Mobilewatch Clinics division as part of its strategy to broaden its product offering and increase sales volume. Updates on these projects are:

- Eighteen months of negotiations with GE Healthcare culminated with an agreement being signed during the year for the distribution of the GE Ultrasound equipment for the Urology market in areas of the US. Training of the sales team was finalised towards the end of the financial year and the US team is successfully marketing the range and this is expected to continue to increase sales in 2011
- An agreement was reached to use Thought Technology technology in the design of the Venus pelvic floor diagnostic and therapeutic system aimed at the large incontinence market. The product line has been finalised and is prepared for worldwide marketing in 2011.
- Negotiations were completed with ACON Laboratories towards the end of the financial year and an agreement was signed in November 2010 for the OEM of certain urinalysis tests and equipment. The product is expected to be received in the second quarter of 2011 when marketing efforts will begin.
- MobileWatch Clinic division was launched in the US after the development of a proprietary software package developed by Mediwatch to operate the service via an internet application. The programme is currently being marketed in the US with plans to expand into the UK and certain European markets.

The year has been one in which to explore opportunities for future growth and also to re-evaluate the costs of operating the company. Actions taken throughout the year to increase efficiencies and reduce costs include:

- Commenced negotiations to reach an agreement to manufacture certain products in the US through a manufacturing company Florida Microelectronics, Inc. (FME) which specialises in the aerospace, automobile and medical sectors. FME has the expertise, engineering and R&D facilities required to produce the range and to explore cost reductions in the future. Subsequent to the year end, an agreement was reached and manufacturing started in January 2011.
- In the UK a similar negotiation process was started with an existing supplier to manufacture certain products and also explore cost reductions in the range. Subsequent to the year end, an agreement was also reached in the UK and manufacturing has also begun in January 2011.
- Cost savings are expected to come from reduced fixed costs of manufacturing, reduced transportation and import costs along with diversification of currency risk associated with product sourcing.
- These changes are expected to both reduce the level of inventory held and change the characteristic of stock from raw materials to finished goods. This will enable the Company to quickly respond to customers' needs.

Another area of focus is to increase the range of disposable products offered to the market. This will be in the form of:

- procedure packs;
- diagnostic tests; and
- consumable products associated with the home care industry.

Moving forward the Group plans to continue to enhance its product offering via additional joint R&D and OEM programmes with various worldwide companies.

Sales and Marketing

Achievements during the year include:

- Rest of the World sales increased from £1,017,000 in 2009 to £1,274,000 in 2010, a growth of 25%;
- Addition of GE Ultrasound to the product range successfully launched in the US;
- Addition of the Venus biofeedback system to the product offering successfully launched worldwide;
- Secured buying Group contracts in the US including the Federal Supply Schedule Contract by the US Government's General Services Administration (GSA);
- Obtained a contract from Alergan to supply the new Urodyn+ uroflow systems for an international clinical trial;
- Gained a large contract to supply bladder scanners in the Middle East;
- Launched the Mobilewatch service and proprietary software package in the US;
- Commenced a sales and marketing strategy in Canada through a network of independent representatives and West Care Medical

These accomplishments represent the beginning of a new programme of focusing on sales and marketing efforts worldwide. During 2011, additional contracts will be sought to supply equipment via national buying groups. Specifically focused marketing efforts will be launched for the various product lines in their respective market segments. The Company will continue to search for complementary products to add to its existing, comprehensive range, particularly in the incontinence market, which will service the large nursing home and home healthcare market.

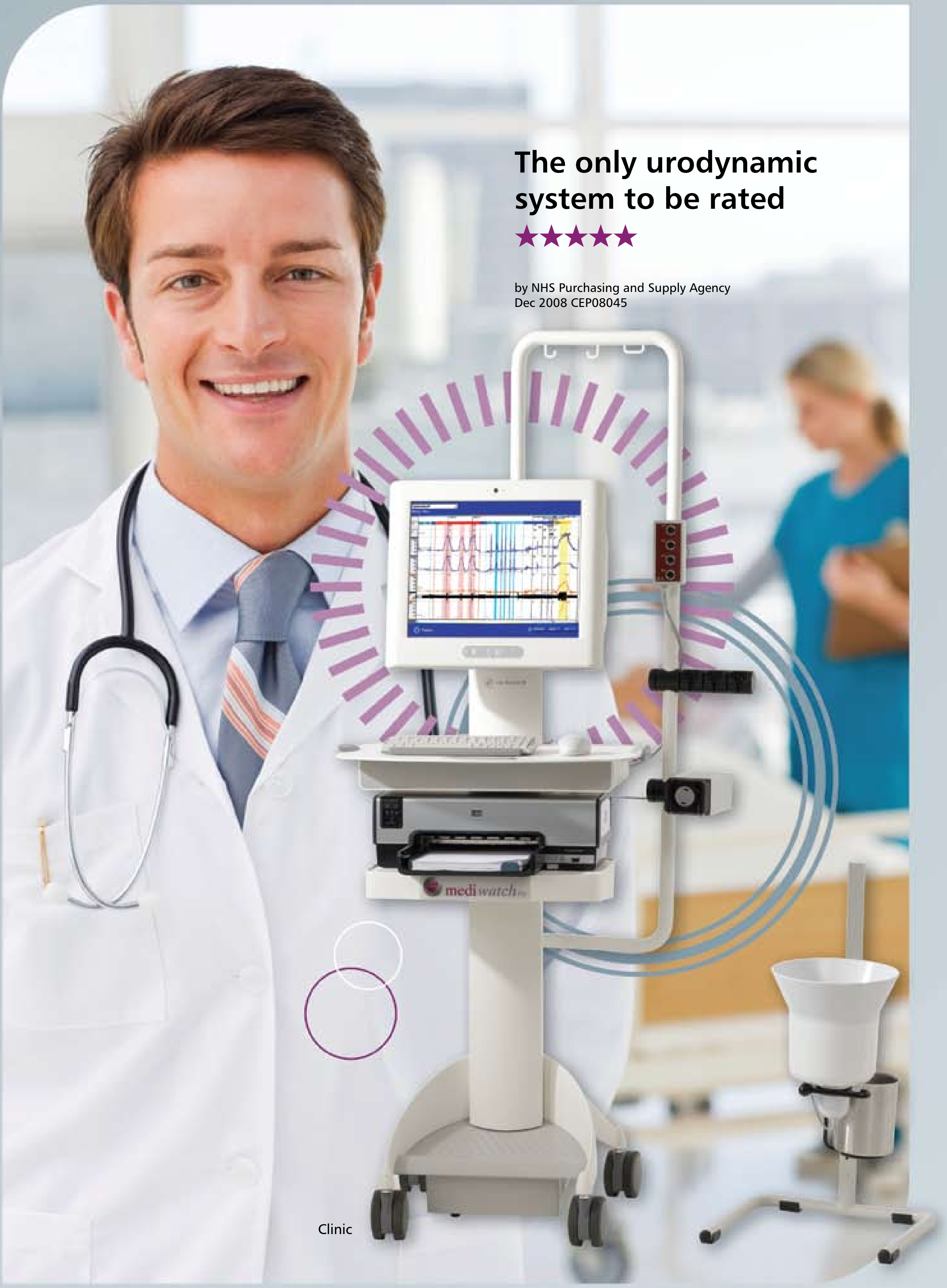
Health and Safety

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 only urodynamic system to be rated ★★★★★

by NHS Purchasing and Supply Agency
Dec 2008 CEP08045



Clinic

Sensic Evolution

Development Review

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.

Research and Development

The Group has maintained its focus on improving its existing product and software portfolio as well as developing new products, with R&D expenditure increasing by some 12% to £742,000 in the year ended October 2010 (2009: £663,000).

Mediwatch Biomedical

During the year it was decided to move manufacturing of PSAwatch test strips to a new manufacturer which was able to provide the quality of service essential to produce a robust test. This was successfully carried out during the second half of the financial year and has put the Company in the position to go forward in 2011 to be able to aggressively market this product internationally and to finalise the US Food and Drug Administration approval process.

Philip G. Stimpson MIREE
Chief Executive Officer
27th January 2011

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Finance Director's Report

Sales revenue showed a small increase over the previous year at £10.5m.

Financial Review

Continuing operations
Sales revenue showed a small increase over the previous year at £10.5m (2009: £10.4m).

Gross margins were 40% (2009: 41%) slightly down from the previous year. Margins eroded slightly in the second half of the year due to an increase in costs from some suppliers which were not able to be passed on to customers. The difficult economic climate in the healthcare sector along with the much publicised UK and the US government healthcare reforms, which have significantly reduced reimbursement levels, have affected the margins on capital equipment sales. Despite these challenges the overall reduction in margins for the year was only 1%.

The Group continued to invest in its sales and marketing infrastructure which resulted in overheads increasing to £4.1m (2009: £3.9m) during the year. The increased spending was focused on the GE Ultrasound and Mobilewatch projects along with investment in the sales teams in general. Other operating income of £146,000 (2009: £130,000) was related to the research & development tax credit to which the Group was entitled to for the year. Finance costs were reduced to £36,000 (2009:£46,000).

The Group had EBITDA of £583,000 (2009: £670,000), reported pre-tax profits of £233,000 (2009: £425,000) and has accumulated UK tax losses available for offset against future profits amounting to £3,479,000.

Basic and diluted earnings per share was 0.14p (2009: 0.3p),

Dividends

The directors are not recommending a final dividend.

Assets, liabilities, capital and reserves

Non current intangible assets increased to £4.7m (2009: £4.0m) as a result of the capitalisation of development costs of £742,000. Current assets of £3.7m (2009: £3.6m) remained relatively consistent year on year.

Current liabilities of £2.7m (2009: £2.4m) includes an increase in trade creditors. Capital and reserves were unchanged except for the profits arising from continuing operations and the share placing in November 2009.

Cash flows

Cash flow from operations contributed £504,000 (2009: £866,000). The decrease for the current year is mainly attributable to the reduced profits and a net increase in working capital.

Investing activities required £1,151,000 (2009: £772,000). This increase was due to an increase in capitalised development projects during the year along with investment in the new UK premises and demonstration equipment for the enlarged sales team.

Financing activities contributed £337,000 (2008: utilised £81,000) from the fundraising at the beginning of the financial year for development and new product projects undertaken throughout the year.

Key performance indicators

Key performance indicator	Target	'10	'09
Annualised sales growth [1]	6%	1%	11%
Profit f'm continuing operations [2]	650	219	425

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 2010 was targeted as some 6% of the previous financial years' sales of some £10.4m. The Group achieved a small increase in sales revenue over the previous year at £10.5m. Economic conditions in the market hampered the Groups ability to further increase turnover based on the previous year. The Group plans to maintain moderate sales growth within its current product range whilst focusing on establishing partnerships to bring greater value to its customers. This increased product offering will generate new revenue streams leveraging the existing overhead to increase the retained profits. In addition to new products, the Group plans to increase the services business established during the year. These new products and services are expected to increase the Group's offerings and further develop the "one-stop–solution" it 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.

The underlying trading profit for the year ended 31 October 2010 was £219,000 (2009: £425,000) which was below prior estimates. This was due to a decrease in demand during the fourth financial quarter (which is typically the strongest) along with increased investment during the year in new product and services introductions.

Principal risks and uncertainties facing the Company.

The currently uncertain global economic climate could have an effect on future capital orders and, in particular, in the ability for private customers to obtain adequate financing. However our industry is by and large "recession resistant." 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 Group'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 both sterling and dollar cash and bank deposits, bank loans and overdrafts, other loans and obligations together with trade debtors and trade creditors that arise directly from its operations. The main risks arising from the Group'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 Group is exposed in its trading operations to the risk of changes in foreign currency exchange rates. European manufacturing is being moved to the UK and the US where possible to minimise the exchange rate differential with the Euro, particularly in light of the recent strengthening of the Euro. The company is closely monitoring the relevant exchange rate with the dollar to manage the exposure.

Credit risk

The Group'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 Group'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 trade receivable 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 Group'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 Group 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
27th January 2011

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 Bespak 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 Instiitute 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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Colm Croskery

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Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 October 2010.

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.

The directors are satisfied as to the financial position of the company at the year end.

Results and dividends

The consolidated profit for the year after taxation was £219,000, (2009: £425,000). This profit was after a taxation charge of £14,000 (2009: £nil).

The directors do not propose that a final dividend for the year be paid (2009: £nil).

Post balance sheet events

There were no material 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 2010 was 62 (2009: 67) 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 Santander Corporate Banking to fund the UK operations and with First Bank of the Palm Beaches to fund the US entity. 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 £742,000 (2009: £663,000), 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 (2009: £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 2010		At 1 November 2009	
	Ordinary shares	Share options	Ordinary shares	Share options
C E Cattaneo	840,000	-	720,000	-
C T Croskery	906,011	1,050,000	705,282	250,000
M Emberton	2,415,308	-	2,380,528	-
O M A Karim	9,225,134	-	9,051,214	-
C H Rollins	118,361	1,200,000	62,591	400,000
P G Stimpson	21,149,358	1,900,000	20,675,438	700,000

Directors' share options in existence at 31 October 2010 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
	20.08.10	800,000	5.25p	20.08.20
C H Rollins	01.03.07	150,000	9.88p	01.03.17
	05.05.09	250,000	7.25p	05.05.19
	20.08.10	800,000	5.25p	20.08.20
P G Stimpson	23.10.03	350,000	4.13p	22.10.13
	05.05.09	350,000	7.25p	05.05.19
	20.08.10	1,200,000	5.25p	20.08.20

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' 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 2;
- 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 adequate 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.

Disclosure of information to auditors

Each director who held office at the date of approval of this Directors' Report confirms that, so far as each is aware, there is no relevant audit information of which the Group auditors are unaware and that each director has taken all the steps that each ought to have taken as a director in order to make them aware of any relevant audit information and to establish that the Group auditors are aware of that information.

Directors' Report (continued)

Substantial shareholders

At 26 January 2011 the Company had been notified by Share Registrars or directly of the following interest of 3% or more in the Company's ordinary shares:

	No. of ordinary shares	% of voting rights
HSBC Global Custody Nominee (UK) Limited	18,864,895	13.50%
Rock (Nominees) Limited	13,233,109	9.47%
Giltspur Nominees Limited	10,448,354	7.48%
Barclay Share Nominees Limited	10,450,511	7.48%
BNY (OCS) Nominees Limited	9,523,833	6.82%
Pershing Nominees Limited	9,477,006	6.78%
LR Nominees Limited	6,399,038	4.58%
Ashcourt Nominees Limited	6,208,333	4.44%
David Michael Owen	6,000,000	4.29%
TD Waterhouse Nominees (Europe) Limited	5,823,556	4.17%
Harbour Limited	5,224,831	3.74%
HSDL Nominees Limited	4,276,976	3.06%

The company was also separately notified directly of the following interest in the Company's ordinary shares:

	No. of ordinary shares	% of voting rights
Mr. Philip Stimpson	21,249,358	15.21%
Brewin Dolphin Limited	14,675,751	10.50%
Giltspur Nominees Limited	11,089,154	7.94%
Amati Global Investors	10,693,833	7.65%
Mr. Omer Karim	9,225,134	6.60%
Forward Group PLC	6,666,666	4.77%

Share Capital

On 11 January 2011 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 directors' 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 report on the financial statements has been issued by RSM Tenon Audit Limited.

Annual General Meeting

The 2011 Annual General Meeting of the Company will take place at Lumonics House, Valley Drive, Rugby, CV21 1TQ, U.K. on 19th April 2011 at 11.00am. Full details of the resolutions to be put to the meeting are given on the Notice of the AGM to be found on page 57 of this Annual Report.

By order of the board

Colm Croskery
Company Secretary
27th January 2011

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

During the financial year, the Board comprised three non-executive directors, one of which was the Chairman, and three executive directors. Biographies of members of the Board are provided on page 12.

In accordance with the Code, the roles of the Chairman, Omer Karim, and the Chief Executive Officer, Philip Stimpson, are separated 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.

Corporate Governance (continued)

Board and Committee Attendance

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

	Eligible to attend	Attended
C E Cattaneo	14	14
C T Croskery	14	14
M Emberton	14	4
O M A Karim	14	13
C H Rollins	14	14
P G Stimpson	14	14

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. 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 was re-elected in 2009 and Philip Stimpson, Omer Karim, Mark Emberton, Colm Croskery and Christian Rollins were re-elected in 2008, therefore all directors' elections are current.

Board Committees

The Board has two committees, an Audit Committee and a Salaries and Remuneration Committee, 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 Audit Limited the Company's external auditors, are dealt with largely through the Group Finance Director. In addition, RSM Tenon Audit Limited 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 Salaries and 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 19th April 2011 at 11:00 am and all of the Company's current Board of directors will be in attendance.

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.

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 Salaries and Remuneration Committee. The remuneration of the non-executive directors is considered by the Board.

The Remuneration Committee, which meets at least once a year, comprises the two non-executive directors and is chaired by Mark Emberton. The terms of reference of the Salaries and 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.
- 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 engaged 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 Remuneration Committee

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.

£'000	Basic Pay	Benefits (inc Pension)	Total 2009-10	**Total 2008-9**
Executive				
C T Croskery	77.8	3.6	81.4	81.4
C H Rollins	129.5	8.9	138.4	146.6
P G Stimpson	157.8	9.0	166.8	166.0
Non-Executive				
C E Cattaneo	20.0	-	20.0	20.0G
W Chong (Resigned in March 2009)	-	-	-	5.0
M Emberton	12.0	-	12.0	12.0
O M A Karim	24.0	-	24.0	24.0
Total	421.1	21.5	442.6	455.0

Independent Auditors' Report

We have audited the financial statements of Mediwatch plc for the year ended 31 October 2010 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 and parent company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Group and Company's members, as a body, in accordance with Chapter 3 of Part 16 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 15, 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 2010 and of the group's profit for the year then ended;
- the group and parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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.

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

27 January 2011

Consolidated Income Statement

for the year ended 31 October 2010

	Note	31 October 2010 £'000	31 October 2009 (as restated) £'000
Continuing operations Revenue	3,5	10,484	10,389
Cost of sales		(6,254)	(6,134)
Gross profit		**4,230**	**4,255**
Other administrative expenses		(4,107)	(3,914)
Other operating income	7	146	130
Profit from operating activities	**5, 6**	**269**	**471**
Net finance expense	9	(36)	(46)
Profit before taxation		233	425
Tax	10	(14)	-
Profit from continuing operations		**219**	**425**
Basic and diluted profit per ordinary share	**11**	**0.16p**	**0.30p**
EBITDA		**583**	**670**

Consolidated Statement of Comprehensive Income	31 October 2010 £'000	31 October 2009 **£'000**
Profit from continuing operations	**219**	**425**
Exchange differences on translating foreign operations	**(21)**	**19**
Total comprehensive income for the year	**198**	**444**

Consolidated Balance Sheet

at 31 October 2010

	Note	31 October 2010 £'000	31 October 2009 £'000
Non current assets			
Property. plant and equipment	13	647	527
Goodwill	14	2,256	2,256
Intangible assets	15	1,835	1,223
Total non-current assets		**4,738**	**4,006**
Current assets			
Inventories	17	1,735	1,643
Trade and other receivables	18	1,896	1,615
Cash and cash equivalents	18	91	345
Total current assets		**3,722**	**3,603**
Total assets		**8,460**	**7,609**
Current liabilities			
Trade and other payables	21	(2,045)	(1,725)
Bank borrowings	19	(683)	(670)
Total current liabilities		**(2,728)**	**(2,395)**
Total non-current liabilities		-	-
Total liabilities		**(2,728)**	**(2,395)**
Net assets		**5,732**	**5,214**
Capital and reserves			
Called up share capital	25	3,830	3,770
Share premium account	26	6,077	5,813
Other reserves	27	7,000	7,000
Share based payment reserve	28	2	6
Profit and loss account	29	(11,177)	(11,375)
Equity attributable to equity holders of the parent		**5,732**	**5,214**

The financial statements were approved by the Board and authorised for issue on 27 January 2011.

They were signed on its behalf by:

P G Stimpson
Director

Consolidated Statement of Changes in Equity

for the year ended 31 October 2010

	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 2008	**3,770**	**5,813**	**7,001**	**(11,819)**	**4,765**
Issue of shares (net of issue costs)	-	-	-	-	-
Profit for the year	-	-	-	425	425
Share based payments; services provided (Note 28)	-	-	5	-	5
Other comprehensive income for the year	-	-	-	19	19
Total recognised income and expense for 2009	**-**	**-**	**5**	**444**	**449**
Balance 31 October 2009	**3,770**	**5,813**	**7,006**	**(11,375)**	**5,214**
Issue of shares (net of issue costs)	60	264	-	-	324
Profit for the year	-	-	-	219	219
Share based payments; services provided (Note 28)	-	-	(4)	-	(4)
Other comprehensive income for the year	-	-	-	(21)	(21)
Total recognised income and expense for 2010	**60**	**264**	**(4)**	**197**	**518**
Balance 31 October 2010	**3,830**	**6,077**	**7,002**	**(11,177)**	**5,732**

Consolidated Cash Flow Statement

for the period ended 31 October 2010

	Note	31 October 2010 £'000	31 October 2009 £'000
Cashflow from operating activities	**30**	**617**	**912**
Interest paid	9	(36)	(46)
Net cash from operating activities		**581**	**866**
Cashflow from investing activities			
Purchases of property, plant and equipment		(409)	(139)
Proceeds from disposal of property, plant and equipment		-	30
Purchase of intangible fixed assets		(742)	(663)
Interest received	9	-	-
Net cash (outflow) from investing activities		**(1,151)**	**(772)**
Financing			
Proceeds from issue of shares		347	-
Costs of share issue		(23)	-
Repayment of bank loans		(21)	(65)
Finance lease repayments		-	(16)
Net cash from financing activities		**303**	**(81)**
Net increase in cash and cash equivalents		**(267)**	**13**
Cash and cash equivalents at 1 November		(304)	(345)
Effects of foreign exchange rate changes		(21)	28
Cash and cash equivalents at 31 October		(592)	(304)
Comprising of:			
Cash and cash equivalents per the balance sheet		91	345
Less:			
Bank overdraft		(683)	(649)
Cash and cash equivalents for cash flow statement purposes	18	(592)	(304)

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. The address of the registered office is Lumonics House, Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ. 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 2009. 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:

IFRS9 – Financial Instruments

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.

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 2010 as well as all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") at 31 October 2010. 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 and, where appropriate, fair values. The principal accounting policies adopted are set out below:

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 (revised).
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 – 8 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.

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.

Notes to Financial Statements (continued)

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, fixtures and motor vehicles	4 – 8 years 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 Comprehensive Income. 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.

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.

Notes to Financial Statements (continued)

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 asset is considered impaired if its carrying value is less than the expected net cash flow from the asset.

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

Secondary analysis by geographical area

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

	Year ended 31 October 2010 £000s	Year ended 31 October 2009 £000s
United Kingdom	1,344	1,371
United States of America	5,583	5,734
Europe	2,283	2,267
Rest of the world	1,274	1,017
Total	**10,484**	**10,389**

31 October 2010

Continuing operations	UK Operations £'000	US Operations £'000	Un-allocated £'000	Total for Group £'000
Revenue from sales				
Revenue by segment:				
Sale of goods and services	5,733	5,601	-	11,334
Total sales by segment	5,733	5,601	-	11,334
Inter-segment sale	(850)	-	-	(850)
Total external sales	**4,883**	**5,601**	**-**	**10,484**
Other operating income				
Research and development tax credit	146	-	-	146
Segment result – operating profit	353	192	(276)	269
Interest expense	(20)	(16)	-	(36)
Profit before tax	**333**	**176**	**(276)**	**233**
Tax charge	-	(14)	-	(14)
Profit for the year	**333**	**162**	**(276)**	**219**
Other information				
Capital additions	297	103	9	409
Depreciation and amortisation	76	100	8	184
Balance sheet				
Total assets	2,584	1,536	4,340	8,460
Total liabilities	1,862	829	37	2,728

Notes to Financial Statements (continued)

31 October 2010

Continuing operations	UK Operations £'000	US Operations £'000	Un-allocated £'000	Total for Group £'000
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	445	318	(292)	471
Interest expense	(43)	-	(3)	(46)
Profit before tax	402	318	(295)	425
Tax charge	-	-	-	-
Profit 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

6. Operating Profit

Operating profit has been stated after charging the following:

	Year ended 31 October 2010 £'000	Year ended 31 October 2009 £'000
Research and development	14	113
Depreciation of property, plant and equipment	184	137
Loss on disposal of property, plant and equipment	105	-
Amortisation of intangible assets	130	62
Impairment of intangible assets	-	-
Equity settled share base expense	(4)	5
Operating lease rental – land and buildings	248	212
Auditors' remuneration		
Auditors' remuneration – Audit services to the parent company	9	8
Auditors' remuneration – Audit services to the Group	21	21
Total audit fees	30	29
Auditors' remuneration – Taxation services	5	4
Auditors' remuneration – Other services	7	7

7. Other Operating Income

	Year ended 31 October 2010 £'000	Year ended 31 October 2009 £'000
Research and development tax credit	146	130

8. Personnel costs

	Year ended 31 October 2010 No.	Year ended 31 October 2009 No.
The average monthly number of employees (including executive Directors) was	69	59
The split of employees by function within the Group is as follows:		
Sales	20	18
Production, research and development	25	29
Administration	24	12
Total	69	59

Their aggregate remuneration comprised	Year ended 31 October 2010 £'000	Year ended 31 October 2009 £'000
Wages and salaries	2,725	2,325
Social security costs	236	227
Pension costs	71	102
Share based payments	(4)	5
	3,028	2,659

Directors' emoluments	Year ended 31 October 2010 £'000	Year ended 31 October 2009 £'000
Emoluments	442	455

The emoluments of the chairman were £20,000 (2009: £24,000). The emoluments of the highest paid director were £166,800 (2009: £166,000).

No director (2009: Nil) participated in a money purchase pension scheme.

During the year no directors exercised any share options during the period (2009: Nil)

Additionally, fees were also paid to one (2009: two) non-executive director(s) under consultancy arrangements totalling £24,000 (2009: £17,000).

Notes to Financial Statements (continued)

9. Net finance expenses

	Year ended 31 October 2010 £'000	Year ended 31 October 2009 £'000
Finance income	-	-
Finance expenses:		
Interest on bank overdraft and loans	(36)	(46)
Net finance expense	**(36)**	**(46)**

10. Income taxes

	Year ended 31 October 2010 £'000	Year ended 31 October 2009 £'000
Current taxes	14	-
Total income taxes	14	-
Tax charge on continuing operations	14	-
Current:		
Current tax for the year	14	-
Total current tax charge	14	-
Deferred tax charge	-	-
Total income taxes on continuing operations	14	-

There were no discontinued operations during the year ended 31 October 2010 (2009: none). The Group has losses to carry forward against future taxable profits amounting to approximately £3,780,000 (2009: £3,790,000).

Tax rate reconciliation

	Year ended 31 October 2010 £'000	%	Year ended 31 October 2009 £'000	%
Profit/(loss) for the year before taxation	233		425	
Corporation tax charge thereon at 28% (2009: 27%)	**65**	**28%**	**115**	**27%**
Adjusted for the effects of:				
- Amortisation of intangibles	36	15%	17	4%
- Other expenditure that is not tax deductible	1	-	6	1%
- Movement in Accelerated Capital Allowances	15	6%	5	1%
- Research and development tax claim	(146)	(63)%	(135)	(32)%
- Movement in disallowable provisions	3	1%	14	3%
- Utilisation of losses	(138)	(59)%	(191)	(45)%
- Net losses carried forward	178	76%	161	40%
Tax expense and effective tax rate for the year	**14**	**6%**	**-**	**0%**

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 2010 £'000	Year ended 31 October 2009 £'000
Earnings/(loss) for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	219	425
Effect of dilutive potential ordinary shares	-	-
Earnings/(loss) for the purposes of diluted earnings per share	**219**	**425**

Number of shares

	Year ended 31 October 2010 No.'000	Year ended 31 October 2009 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	139,713	133,671
Effect of dilutive potential ordinary shares:		
Share options	1,525	1,195
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**141,238**	**134,866**

12. Dividend

The Directors do not recommend the payment of a dividend (2009: £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 2008	**47**	**915**	**962**
Additions	-	139	139
Disposals	-	(30)	(30)
Exchange differences	-	(26)	(26)
At 31 October 2009	**47**	**998**	**1,045**
Additions	81	328	409
Disposals	-	(117)	(117)
At 31 October 2010	**128**	**1209**	**1337**
Depreciation			
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**
Charge for the year	4	180	184
Eliminated on disposal	-	(12)	(12)
At 31 October 2010	**33**	**657**	**690**
Net Book Value			
At 31 October 2010	**95**	**552**	**647**
At 31 October 2009	18	509	527
At 31 October 2008	22	541	563

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

The directors have revised the useful economic lives of assets during the period and amended them to more accurately reflect their remaining value. The resulting effect is immaterial in both the current and future periods.

The net book value of tangible fixed assets includes £nil (2009: £14,000) in respect of assets held under hire purchase contracts.

Depreciation charged in the period on those assets amounted to £14,000 (2009: £6,000).

14. Goodwill

Cost	Goodwill £'000
At 1 November 2009 and 31 October 2010	9,453
Accumulated Impairment	**£'000**
At 1 November 2009 and 31 October 2010	**7,197**
Net book value	**£'000**
At 1 November 2009 and 31 October 2010	**2,256**

The Group carried out an impairment test of goodwill for the period that ended on 31 October 2010 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 2010		31 October 2009	
	£'000	£'000	£'000	£'000
Assets allocations	**UK Operations**	**US Operations**	**UK Operations**	**US Operations**
Goodwill	2,256	-	2,256	-
Other intangible assets	1,835	-	1,223	-
Property, plant and equipment	515	132	446	81
	4,606	**132**	**3,925**	**81**

The principal assumptions made in determining the value in use of each cash-generating unit through-out 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

Cost	Development Costs £'000
At 31 October 2008	**728**
Additions	663
At 31 October 2009	**1,391**
Additions	742
At 31 October 2010	**2,133**
Amortisation	
At 31 October 2008	**106**
Charge for the year	62
At 31 October 2009	**168**
Charge for the year	130
At 31 October 2010	**298**
Net Book Value	
At 31 October 2010	**1,835**
At 31 October 2009	1,223
At 31 October 2008	622

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 4-8 years and are reviewed annually for impairment as described in note 3.

16. Subsidiaries

Company	Shares in subsidiary undertakings	Other investment in subsidiary undertakings	Total
	£'000	£'000	£'000
Cost			
At 1 November 2009	1,921	1	1,922
At 31 October 2010	1,921	-	1,921
Provision for impairment			
At 1 November 2009 and 31 October 2010	720	-	720
Net book value			
At 31 October 2010	1,298	-	1,298
At 31 October 2009	1,201	-	1,201

At 31 October 2010 the Company held directly the whole of the allotted share capital of the following subsidiary undertakings, incorporated in England and Wales and in United States:

Medi-Watch UK Limited	– engaged in the development of primary care urology products and services.
MediWatch USA, Inc.	– engaged in the sales and marketing 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	– dormant.

During the year the Group formed Mediwatch USA, Inc. a Florida corporation to carry on the US operations. 100 shares of no par stock were issued on 1 November 2009 to Mediwatch PLC the sole shareholder.

17. Inventories

	2010 £'000	2009 £'000
Raw materials	1,108	1,099
Finished goods	627	544
	1,735	1,643

During the year, the Group consumed £6,279,000 (2009: £6,156,000) of inventories and recognised a decrease in write-downs of £18,000 (2009: increase of £62,000).

18. Other financial assets

Trade and other receivables

	2010 £'000	2009 £'000
Amounts receivable for sale of goods	1,662	1,391
Allowance for doubtful debts	(18)	(5)
Trade receivables	1,644	1,386
Prepayments and accrued income	252	229
	1,896	1,615

The average credit period taken on sales is 50 days (2009: 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 £631,000 (2009: £335,000), 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:

	2010 £'000	2009 £'000
0 – 30 days	332	302
31 – 60 days	118	25
61 – 90 days	45	5
91+ days	136	3
	631	335

Notes to Financial Statements (continued)

Movement in the allowance for doubtful debts:

	2010 £'000	2009 £'000
Balance as at 1 November	5	10
Increase/(Decrease) in accrual	13	(5)
Balance at 31 October	18	5

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.

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

Cash and cash equivalents

	2010 £'000	2009 £'000
Cash in hand	-	-
Bank balances	91	345
Balance as stated in the Balance Sheet at 31 October	91	345
Less bank overdrafts shown as liabilities in the Balance Sheet	(683)	(649)
Balance for Cashflow Statement purposes at 31 October	(592)	(304)

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

	2010 £'000	2009 £'000
Bank overdrafts	683	649

The bank overdrafts are unsecured and repayable on demand.

Secured borrowing at amortised cost

	2010 £'000	2009 £'000
Bank loans	-	21
	-	21

Total borrowings

	2010 £'000	2009 £'000
Amount due for settlement within 12 months	683	670
Amount due for settlement after 12 months	-	-

The Group has borrowings in Pounds Sterling and US Dollars.

Notes to Financial Statements (continued)

20. Derivatives financial instruments and hedge accounting

At 31 October 2010 and 2009 the Group had no derivatives in place for cash flow hedging purposes.

21. Other financial liabilities

Trade and other payables

	2010 £'000	2009 £'000
Trade payables	1,565	1,141
Social security and other taxes	50	197
Accrued liabilities and deferred income	430	387
	2,045	1,725
Presented as:		
- Current	2,045	1,725

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 (2009: 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 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 18 and 25 to 27.

Gearing ratio

The gearing ratio at the year end is as follows:

	2010 £'000	2009 £'000
Debt	(683)	(670)
Cash and cash equivalents	91	345
Net Debt	(592)	(325)
Equity	5,732	5,214
Net debt to equity ratio	(10%)	(6%)

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.

Categories of financial instruments

	2010 £'000	2009 £'000
Financial assets		
Loans and Receivables: Trade and other receivables	1,808	1,615
Cash and cash equivalents	91	345
	1,899	1,960

	2010 £'000	2009 £'000
Financial liabilities		
Measured at amortised costs:		
- Borrowings	683	670
- Trade and other payables	2,046	1,725
	2,729	2,395

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 continually 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	683	2,046
	683	2,046

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 2010, the Group had undrawn borrowing facilities available of £190,000 (2009: £165,000).

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:

	2010 £'000	2009 £'000
Financial liabilities		
Fixed rate	-	21
Floating rate	683	649
Non-interest bearing	2,046	1,725
	2,729	2,395

The floating rate liabilities in the UK have an interest rate of 3.5% (2009: 3.5%) above the prevailing Bank of England Base Rate and have a term of 12 months, renewing in May of each year (2009: 12 months). On 11 November 2010 a new bank facility was secured with Santander Corporate Banking under the terms outlined in Note 35.

On 8 December 2009 a $750,000 bank line of credit was agreed with The First Bank of The Palm Beaches in the US to fund the working capital for the US operations. The line bears interest at the US prime rate with a floor of 6% and carries a term of 24 months.

Fixed rate financial liabilities bear interest at an average rate of 6% (2009: 6%). The weighted average period until maturity for fixed rate financial liabilities is Nil (2009: 4 months).

Sensitivity analysis

A hypothetical increase in interest rates by 50 basis points on a parallel yield curve would cut profits after tax by £3,400 (2009: £2,600).

A hypothetical increase in interest rates by 100 basis points on a parallel yield curve would cut profit after tax by £6,800 (2008: £5,300).

A hypothetical increase in interest rates by 150 basis points on a parallel yield curve would cut profits after tax by £10,200 (2008: £8,000).

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

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.

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
330,000	9.88p	01 March 2010 to 28 February 2017
725,000	8.50p	01 February 2012 to 31 January 2019
850,000	7.25p	06 May 2012 to 05 May 2019
812,500	7.125p	02 March 2013 to 01 March 2020
2,800,000	5.25p	21 August 2013 to 20 August 2020

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

	2010 Number of share options	2010 Weighted average exercise price (in pence)	2009 Number of share options	2009 Weighted average exercise price (in pence)
Outstanding at beginning of period	3,190,000	7.94p	1,655,000	8.08p
Granted during the period	3,882,500	5.77p	1,640,000	7.85p
Forfeited during the period	360,000	7.70p	105,000	9.18p
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at the end of the period	6,712,500	6.70p	3,190,000	7.94p
Exercisable at the end of the period	1,525,000	7.96p	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 (2009: N/A). The options outstanding at 31 October 2010 had a weighted average exercise price of 7.96p (2009: 7.94p) and a weighted average remaining contractual life of 7.8 years (2009: 7.5 years). Options granted during the year had a weighted average exercise price of 5.77p (2009: 7.85p). No options were exercised during the year (2009: Nil).

The group settled total credits of £4,000 (2009: charge of £5,000) relating to equity-settled share-based payment transactions in the year ended 31 October 2010.

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 27% (2009: 28%).

		Amount provided		Amount unprovided
	31 October	31 October	31 October	31 October
	2010	2009	2010	2009
Group	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	-	(20)	(36)
Short term timing differences	-	-	72	77
Unutilised losses	-	-	1,021	1,075
Intangible assets	-	-	(495)	(343)
	-	-	578	773

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 2010 £'000	31 October 2009 £'000
Deferred tax liabilities	(515)	(379)
Deferred tax assets	1,093	1,152
	578	773

At the balance sheet date, the Group has unused tax losses of £3,780,000 (2009: £3,790,000) 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 2009	133,671	27,035	3,770	5,813	9,583
Issue of shares (net of issue costs)	6,043	-	60	264	324
At 31 October 2010	**139,714**	**27,035**	**3,830**	**6,077**	**9,907**

	Year ended 31 October 2010 £'000	Year ended 31 October 2009 £'000
Authorised		
2010 and 2009: 1,756,682,336 Ordinary shares of 1p each	17,566	17,566
2010 and 2009: 27,035,296 Deferred shares of 9p each	2,434	2,434
	20,000	**20,000**
Allotted and fully paid		
139,713,502 (2009: 133,671,072) Ordinary shares of 1p each	1,396	1,336
139,713,502 (2009: 133,671,072) Ordinary shares of 1p each	2,434	2,434
	3,830	**3,770**

The Company allotted 6,042,430 new shares on 9 October 2009 which were issued to the market on 9 November 2009. The consideration in respect of these shares amounted to £324,000 (net of expenses).

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
On shares issued in the period	287
Expenses of share issues	(23)
At 31 October 2010	**6,077**

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 and 31 October 2010	**7,000**

28. Share-based payment reserve

	£'000
At 1 November 2008	1
Charge for the year	5
At 31 October 2009	6
Credit for the year	(4)
At 31 October 2010	2

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 2010 £'000	Year ended 31 October 2009 £'000
Results from operating activities	269	471
Depreciation of property, plant and equipment	184	137
Loss on disposal of property, plant and equipment	105	-
Amortisation of intangible assets	130	62
Share based payments	(4)	5
Income tax expense	(14)	-
Increase in inventories	(92)	(48)
(Increase)/decrease in receivables	(281)	26
Increase in payables	320	259
Cashflow from operations	**617**	**912**

31. Analysis of net debt

	Year ended 31 October 2010 £'000	Year ended 31 October 2009 £'000
Cash and cash equivalent per balance sheet	91	345
Bank loans and overdraft	(683)	(649)
Cash and cash equivalent per cash flow statement	(592)	(304)
Bank loan due within one year	-	(21)
Bank loan due after one year	-	-
Net debt	**(592)**	**(325)**

32. Operating lease commitments

	2010 £'000	2009 £'000
Recognised as an expense in the year	**212**	**212**

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 £234,000 (2009: £164,000) are due within one year. The leases to which these amounts relate expire as follows:

	31 October 2010		31 October 2009	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
In one year or less	234	-	164	-
Between one and five years	341	-	222	-
	575	**-**	**386**	**-**

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 2010.

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.

	2010	2009
	£'000	£'000
Wages, salaries and short-term employee benefits	442	455
	442	**455**

Notes to Financial Statements (continued)

35. Events after the balance sheet date

On 11 November 2010 a new loan facility for the UK was agreed with Santander Corporate Banking. The invoice finance facility has a limit of £500,000, bears interest at a rate of 4% above the base rate and is reviewed annually.

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

Parent company balance sheet

	Note	31 October 2010 £'000	31 October 2009 £'000	31 October 2008 £'000
Non-current assets				
Financial assets - Investments	V	1,298	1,202	1,202
Receivables – due in more than one year	VI	6,744	6,621	6,789
Total non-current assets		8,042	7,823	7,991
Current assets				
Receivables – due within one year	VI	21	31	40
Cash and cash equivalents	XI	62	-	-
Total current assets		83	31	40
Total assets		8,125	7,854	8,031
Current liabilities				
Trade and other payables	VII	(35)	-	(67)
Bank borrowings		-	(21)	(62)
Total current liabilities		(35)	(21)	(129)
Total non-current liabilities		-	-	(20)
Total liabilities		(35)	(21)	(149)
Net assets		8,090	7,833	7,882
Capital and reserves				
Called up share capital	VIII	3,830	3,770	3,770
Share premium account	VIII	6,077	5,813	5,813
Share based payment reserve		2	6	1
Retained earnings	IX	(1,819)	(1,756)	(1,702)
Equity attributable to equity holders of the parent		8,090	7,833	7,882

The financial statements were approved by the Board on 27 January 2011 and signed on its behalf by:

P G Stimpson
Director

Statement of Changes in Equity (Parent entity)

	Called up share capital £'000	Share premium account £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance 1 November 2008	**3,770**	**5,813**	**1**	**(1,702)**	**7,882**
Issue of shares (net of issue costs)	-	-	-	-	-
Loss for the year	-	-	-	(54)	(54)
Share based payments; services provided **Note- VIII**	-	-	5	-	5
Other comprehensive income for the year	-	-	-	-	-
Balance 31 October 2009	**3,770**	**5,813**	**6**	**(1,756)**	**7,833**
Issue of shares (net of issue costs)	60	264	-	-	324
Loss for the year	-	-	-	(63)	(63)
Share based payments; services provided **Note -VIII**	-	-	(4)	-	(4)
Other comprehensive income for the year	-	-	-	-	-
Balance 31 October 2010	**3,830**	**6,077**	**2**	**(1,819)**	**8,090**

Cash Flow Statement (Parent entity)

	Note	31 October 2010 £'000	31 October 2009 £'000
Cashflow from operating activities	X	(145)	61
Net cash from operating activities		(145)	61
Cashflow from investing activities			
Investments in subsidiary undertakings		(96)	-
Interest received		-	-
Net cash outflow from investing activities		(96)	-
Financing			
Proceeds from issue of shares		347	-
Costs of share issue		(23)	-
Repayment of bank loans		(21)	(61)
Net cash from financing activities		303	(61)
Net increase in cash and cash equivalents		62	-
Cash and cash equivalents at 1 November		-	-
Effects of foreign exchange rate changes		-	-
Cash and cash equivalents at 31 October	XI	62	-
Comprising of:			
Cash and cash equivalents per the balance sheet		62	-
Less: Bank overdraft		-	-
Cash and cash equivalents for cash flow statement purposes		62	-

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 Company'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 the Parent Company's Financial Statements

I. Accounting Policies

The separate Financial Statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") at 31 October 2010 as well as all interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") at 31 October 2010. The Company has not availed itself of early adoption options in such standards and interpretations.

The separate Financial Statements have been prepared under the historical cost basis and where appropriate, fair values.
The principal accounting policies adopted are set out below:

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 2010 was £63,000 (2009: £54,000).
The Company's financial risk management policies are disclosed in the consolidated financial statements.

II. Transition to IFRS

The Company has applied IFRS 1 "First Time Adoption of International Financial Reporting Standards" as a starting point for reporting under IFRS. The Company's date of transition is 1 November 2008 and comparative information has been restated to reflect in the Company's adoption of IFRS except where otherwise required or permitted by IFRS 1.

The adoption of IFRS is not considered to have an effect on the results previously published under UK GAAP as detailed below:

		Income statement		Equity
	UK GAAP £'000	IFRS £'000	UK GAAP £'000	IFRS £'000
Year ended 31 October 2007	(310)	(310)	8,106	8,106
Year ended 31 October 2008	(417)	(417)	7,882	7,882
Year ended 31 October 2009	(54)	(54)	7,833	7,833

III. Segment analysis

Turnover, profit on ordinary activities and net assets of the Company are all attributable to one business segment and therefore o segmental analysis is presented.

IV. 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 8 to the consolidated financial statements.

V. Investments in subsidiary undertakings

Details of the Company's subsidiary undertakings at 31 October 2010 can be found in Note 16 of the attached consolidated Financial Statements.

Net book value of Shares in subsidiary undertakings	2010 £'000	2009 £'000
Cost		
As at 1 November	1,202	1,202
Additions in the year	96	-
At 31 October	1,298	1,202

VI. Receivables

	2010 £'000	2009 £'000
Due within 12 months		
Prepayments and accrued income	21	31
Due in more than 12 months		
Amounts owed by Group undertakings	6,744	6,621
	6,765	**6,652**

VII. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Bank loan and overdraft	-	21
Accruals and deferred income	35	-
	35	21

VIII. Share capital, share premium account and share based payment reserve

The movements on these items are disclosed in notes 25, 26 and 28 to the consolidated financial statements.

IX. Retained earnings

	2010 £'000	2009 £'000
Balance at 1 November	(1,756)	(1,702)
Loss for the year	(63)	(54)
Balance at 31 October	(1,819)	(1,756)

Notes to the Parent Company's Financial Statements (continued)

X. Cashflow from operations

	2010 £'000	2009 £'000
Results from operating activities	(63)	(54)
Share based payments	(4)	5
Income tax expense	-	-
(Increase)/decrease in receivables	(113)	177
Increase in payables	35	(67)
Cashflow from operations	**(145)**	**61**

XI. Cash and cash equivalents

Cash and cash equivalents included in the statement of cashflows comprise the following amounts in the statement of financial position:

	2010 £'000	2009 £'000
Cash on hand and balances with banks	**(62)**	**-**

XII. Controlling party

The Directors consider that there is no ultimate controlling party.

XII. Controlling party

The Company is also party to a group VAT registration. At 31 October 2010, the total VAT receivable of the companies in the group amounted to £4,000 (2009: £10,000).

The Company has guaranteed the bank borrowings of Medi-Watch UK Limited, Mediwatch Biomedical Limited and Mediwatch Diagnostic Clinics Limited which at 31 October 2010 amounted to £683,000 (2009: £649,000).

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Mediwatch Plc (the "Company") will be held at Lumonics House, Valley Drive, Rugby, CV21 1TQ on Tuesday 19th April 2011 at 11.00am to transact the following business:

Ordinary Resolutions

1. That the audited financial statements of the Company for the year ended 31 October 2010, together with the directors' report and the independent auditors' report thereon, be received.
2. That RSM Tenon Audit Limited be re-appointed 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. That the Audit Committee of the Company be authorised to determine the Auditors' remuneration.
4. That Colm Croskery, who retires and seeks re-election in accordance with Article 18.1 of the Company's Articles of Association, be re-elected as a director.
5. That Mark Emberton, who retires and seeks re-election in accordance with Article 18.1 of the Company's Articles of Association, be re-elected as a director.
6. 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 £465,712 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 2012 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.

Special Resolution

7. Subject to the passing of the resolution 6 above, 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 £69,857 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 2012 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.

By order of the Board

Colm Croskery
Company Secretary
27th January 2011

Registered Office:
Lumonics House
Valley Drive
Rugby CV21 1TQ

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. 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.

5. 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 17th April 2011 (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.

6. As at 26th January 2011 (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 26th January 2011 are 139,713,502.

www.mediwatch.com

mediwatch Plc

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