

Registration number: 01332249

Tunstall Healthcare (UK) Limited

Annual Report and Financial Statements

for the Year Ended 30 September 2017



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Strategic Report for the Year Ended 30 September 2017

The Directors present their Strategic Report for the year ended 30 September 2017.

Principal activity

The principal activity of the Company is that it develops, manufactures, markets, installs, monitors and services a range of Connected Care and Connected Health solutions and propositions across the UK. The Company undertakes all the Tunstall Group's (headed by Tunstall Healthcare Group Limited) manufacturing, Innovation and Development and Product Management activities, developing and selling the Group's products and services to all the Group's operations across the Globe.

Review of the business

Financial performance

Revenue for the year at £96,645,000 (2016 - £91,328,000) has increased from the prior year, as a result of increased intercompany export revenues coupled with a decline in the core UK business. Export revenues, wholly relating to trade with other Group companies, increased to £28,909,000 (2016 - £22,933,000). Operating profit for the year amounted to £18,156,000 (2016 - £14,911,000).

The core UK business has experienced challenging trading conditions in the year and revenue of £67,736,000 (2016 - £68,395,000) reflects this.

Growth in the Connected Care Managed Services market has continued (5% year on year), supported by growth in existing contracts. The pipeline for new opportunities remain strong with local authorities developing an increased interest in the partnership approach to secure increased benefits realisation and cost savings. The Birmingham City Council contract has been run down during the year and will be formally terminated in FY18. Existing users have been offered the opportunity to convert to a private pay model, with 2,400 (30%) converting during the year.

The Assisted Living market has seen significant pressure and has contracted in the year (12% reduction year on year), primarily driven by a reduction in private sector build plans. It is expected that the Assisted Living market will recover in 2018, with private sector build plans returning to prior levels supported by our strong order book.

EBITDA for the year was £27,177,000 (2016 - £22,661,000), an increase of 19.9%. The weakening of sterling has positively impacted export revenues and EBITDA margin has improved to 28.1% (2016 - 24.8%) through careful management of costs. Administration costs have increased to £30,571,000 in the year (2016 - £29,529,000).

The Company secures its funding from fellow Group companies. On 17 March 2017 an agreement was reached with the Group's Senior Debt providers, and further amended 12 February 2018, to reset the Group's financial covenants in order to provide additional flexibility to implement the Group's and Company's strategy at pace. The new financial covenants comprise a gross leverage ratio, liquidity and capital expenditure. The gross leverage and liquidity covenants are tested quarterly and monthly respectively and were tested for the first time on 31 March 2017. The capital covenant is an annual test and was tested for the first time on 30 September 2017. The Group complied with these covenants throughout the year.

Depreciation and amortisation

The depreciation charge for the year was £2,110,000 (2016 - £2,387,000). Amortisation of development expenditure and customer software for the year amounted to £5,216,000 (2016 - £4,597,000), as the Group continued to develop its Connected Care and Connected Health solutions with a particular focus on IP technology.

Strategic Report for the Year Ended 30 September 2017 (continued)

Review of the business (continued)

Exceptional items

The Company incurred an exceptional charge of £1,695,000 (2016 - £764,000) in relation to restructuring costs incurred as part of the Company's initiative to drive significant cost and operational efficiencies to support the implementation of the Group's growth strategy.

Profit before taxation

The Company achieved profit before taxation of £27,076,000 (2016 - £25,483,000) as a result of improvement at EBITDA level to £27,177,000 (2016 - £22,660,000), offset by increased amortisation of development expenditure and computer software of £5,216,000 (2016 - £4,597,000), increased exceptional costs of £1,695,000 (2016 - £764,000) and increased net finance income of £11,925,000 (2016 - £11,447,000).

Net finance costs

Finance income in the year was £11,977,000 (2016 - £11,447,000) and was derived from loans to Group companies. Finance costs in the year were £52,000 (2016 - £nil), relating principally to currency loss. An analysis of finance income and finance costs are shown in notes 6 and 7 of the financial statements.

Taxation

The taxation charge for the year was £5,919,000 (2016 - £4,132,000). The rate of taxation for the year was 19.5% (2016 - 20.0%).

Key performance indicators

The Directors have monitored the performance of the Company with particular reference to key performance indicators ("KPI's") which have been chosen by the Directors as those that measure the key elements of the Company's performance towards the achievement of the Company's business strategy. The Company's KPIs are set out below:

	Unit	2017	2016
Revenue	£m	96.65	91.33
EBITDA	£m	27.18	22.66
EBITDA margin	%	28.12	24.81

- Revenue for the year at £96,645,000 (2016 - £91,328,000) has increased from the prior year as a result of increased intercompany export revenues.
- EBITDA for the year was £27,177,000 (2016 - £22,660,000), an increase of 19.9% (2016 - 19.1%) as a result of trading and careful management of costs.
- EBITDA margin of 28.1% (2016 - 24.8%) increased through trading and careful management of costs.

The Directors expect the Company to continue with the same principal activities for the foreseeable future.

Strategic Report for the Year Ended 30 September 2017 (continued)

Going concern

In considering the appropriate basis on which to prepare the financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future.

The Company is part of the Group (headed by Tunstall Healthcare Group Limited). The Group as a whole operates a stable business with a number of customers and suppliers across different geographic regions and has considerable financial resources with a cash balance at 30 September 2017 amounting to £34,072,000 (2016 - £48,742,000).

The Directors have made an assessment and satisfied themselves of the Company's ability to continue as a going concern. The key elements of this assessment were the Company's forecasts and projections, in addition to the resetting of the Group's Senior Debt covenants effective from 17 March 2017, and further amended 12 February 2018, in order to provide additional flexibility to implement the Group's and Company's strategy at pace. These forecasts and projections, taking account of reasonably possible changes in trading performance, show the Company has adequate resources to continue in operational existence for at least twelve months from the date of this report in addition to ensuring continued compliance with the Group's financial covenants for the foreseeable future.

The Directors are of the opinion that the Group and Company have adequate resources to continue in operational existence for at least twelve months from the date of this report. They therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

Business strategy

The Company develops, manufactures, markets, installs, monitors and services a range of Connected Care and Connected Health solutions and propositions across the UK.

The Company's strategy therefore looks to build on these capabilities by investing to grow its revenues over the next 5 years and to maintain its leading position in the Connected Care and Connected Health markets.

This growth will be achieved by focusing on 3 strategic growth priorities:

- Delivering innovative solutions that exploit IP-connected technology
- Growing and enhancing our managed service offering
- Accelerating growth in remote patient monitoring and support

These growth priorities are underpinned by detailed proposition roadmaps, research & development plans and organic growth from the Company's existing contract base.

Business model

The Company works closely with local authorities, health and social care commissioners, housing associations and charities to bring care into the home, monitoring physical vital signs and managing risk.

Our solutions help bridge the gap between health, housing and social care, enabling providers to deliver more efficient, integrated services that offer value for money and a better quality of life for the individual.

We have structured our business functionality around helping customers to deliver a fully integrated approach, effectively embedding Connected Care and Connected Health into the organisation's culture. We work in partnership to redesign service delivery and care pathways in order to achieve broader strategic goals and generate financial efficiencies.

Strategic Report for the Year Ended 30 September 2017 (continued)

The Tunstall Managed Services model has been designed to support integrated health and social care services in delivering a truly holistic model, where the individual is offered support which takes into account all of their health and social care needs within a single pathway. This not only improves the user experience but also rapidly achieves operational efficiencies.

In addition to a comprehensive set of solutions and propositions the Company also has a unique set of capabilities that differentiates it from its competitors as follows:

- Domain knowledge and understanding of our markets with over 50 years of experience delivering health and social care solutions
- Ability to access a global footprint and leadership position in key markets through the Tunstall Group's operations in six Regions, including market leadership positions across Europe
- Embedded relationships across health and social care
- Ability to connect stakeholders in multiple environments with technology enabled solutions integrated into a variety of care and health settings
- Experience in providing high touch, value adding services with solutions adapted to user needs

The Company also performs the Product Marketing, Innovation & Development and Operations functions for the wider Tunstall Group operating as a Shared Service Centre from the Company's Whitley headquarters. Product Marketing work closely alongside the regional sales teams to define product offering in each market. The Group's Innovation & Development function develops new products to support the Product Marketing roadmaps across all business areas. In addition, they also maintain and enhance existing products. The Operations function undertakes the manufacture and assembly of the majority of Tunstall products, supplying units to all the Group's operations around the Globe.

Business environment

The Company's core markets are underpinned by strong demographics with the global population of 65+ expected to grow at 2.9% compound annual growth rate over the period to 2030 and the population of 80+ expected to grow at 3.1% annually over the same period.

Age is also one of the major contributing factors to long term conditions. Increasing numbers of patients with (chronic) long term conditions is a global phenomenon, which is presenting major challenges for all advanced health systems. Patients with long term conditions typically represent 30% of the population but consume 70% of health resources and many patients have multiple chronic conditions (MCC) and in these instances the demand on healthcare increases at a disproportionate rate. The challenges in delivering healthcare for an ageing population present cost, capacity and frequently systems challenges for most countries.

In addition, Health and Social care budgets remain under pressure to deliver the required levels of care when faced with ever increasing demand. Care commissioners and providers continue to face significant pressure to deliver more and better care services, for less. This pressure will inevitably lead them to focus on value for money and the quality of service provision which is where the Company excels.

Finally, the consumerisation of products and services is presenting a threat to International standards and compliance of protocols for hardware. An ability to be technology and device agnostic but still control what connects to what is critical as well as being able to transition to digital communications platforms which enable transition to a SaaS managed service model. Customers want increased mobility, aesthetic and unobtrusive technology. As highlighted in last year's report, the Company launched a programme to drive significant cost and operational efficiencies designed to save costs or improve profit which in turn provides resources to invest in growth.

Strategic Report for the Year Ended 30 September 2017 (continued)

In addition, following success in other Regions, the Company is currently running field trials for a new IP-enabled Smarthub carephone for people living in their own home in addition to a new integrated monitoring platform (PNC8), enabling more efficient workflow management and data analytics.

The Company is therefore well placed to take advantage of the growth opportunities in its core markets by adapting to the changing needs of its customers and the technological landscape and continuing to deliver care services of higher quality and lower cost.

Principal risks and uncertainties

Foreign exchange risk

The Company sells products and services to the Group's operations around the globe, invoicing in local currency. The Company also sources product in a number of currencies. As a result the Company is exposed to foreign exchange risk, principally against the Euro, US dollar and Swedish Kroner. The Company's strategy is to mitigate the transactional risk through natural hedges where possible. In respect of the Euro exposure this is managed through the Euro denomination of one of the parent Company's term loans.

Credit risk

The Company sells to both government and non-government customers and is therefore subject to credit risk. The risk is managed through operating policies relating to credit approvals for non-government customers. The Company has no significant concentration of credit risk, with exposure spread over a large number of customers and has a key focus on debtor collection to minimise bad debt exposure.

People

The success of the Company is dependent on the efforts, abilities, experience and expertise of its senior management and on recruiting, retaining, motivating and communicating effectively with its employees at all levels of the organisation. Policies and targets are supported by a governance structure including a Remuneration Committee and employees are engaged through staff surveys and regular communications with senior management.

Competition from new entrants

The Company recognises that as its core markets grow this is likely to attract new entrants to the market. To mitigate this risk the Company continues to invest in Research and Development to retain its market share and has implemented a new growth strategy focusing on end-to-end managed services solutions that will extract additional value from its market and also provide greater visibility of earnings through contracted revenues.

Brexit

On June 23, 2016, the United Kingdom ("UK") held a referendum in which voters approved for the UK to leave the European Union ("EU") ("Brexit"). During the financial year, the UK government triggered Article 50 (the process of leaving the EU). At the time of this report, the UK government continues to review and negotiate the terms of the UK's future relationship with the EU.

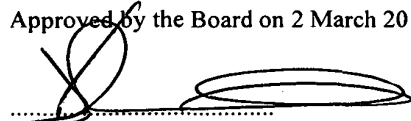
Uncertainty over negotiations could cause volatility in global stock markets and further devaluation of Sterling against the foreign currencies (principally the Euro, US Dollar and Swedish Kroner) in which we conduct business. Furthermore, it is possible that there will be greater restrictions on imports and exports between the UK and EU countries, increased regulatory complexities and impact on the availability of markets and market access rights that could affect the Company. These changes may adversely affect the Company's operations and financial results. The Directors are fully aware of the risks of Brexit and are engaged in planning to deal with those risks as appropriate.

Events after the financial period

On 12 February 2018 the Group reached an agreement with its Senior Debt providers to defer key milestone dates associated with the conditions of the financing arrangement dated 17 March 2017. At the year end there was uncertainty around the Group's ability to meet one of its milestones covenants. This deferral means the covenant now falls at a time when management expect the key milestone to be achievable. This has no impact upon the other financial covenants previously agreed and the fee charged by the lenders in relation to the deferral is not material to the Group.

Strategic Report for the Year Ended 30 September 2017 (continued)

Approved by the Board on 2 March 2018 and signed on its behalf by:

A handwritten signature in black ink, consisting of a stylized 'J' and 'F' followed by a horizontal line.

Jon Furniss
Company Secretary

Whitley Lodge
Whitley Bridge
Doncaster
DN14 0HR

Directors' Report for the Year Ended 30 September 2017

The report and the financial statements for the year ended 30 September 2017.

Directors of the Company

The Directors, who held office during the year and subsequently, were as follows:

Gordon Sutherland

Simon Arnold (resigned 27 January 2017)

David McKinney (appointed 1 February 2017, resigned 23 February 2018)

Shaun Parker (resigned 31 December 2016)

Craig Parsons (appointed 31 August 2017)

Elaine Quinn

Dividend

No dividends have been paid in the year (2016 - £nil). The Directors do not propose the payment of a final dividend (2016 - £nil).

Political contributions

The Company made no political donations and did not incur any political expenditure during the year.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee involvement

The Company places considerable value on the involvement of its employees and has continued its previous practice of ensuring effective two-way communication on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal meetings and the Company intranet. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

Disclosure of information to the auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Other information

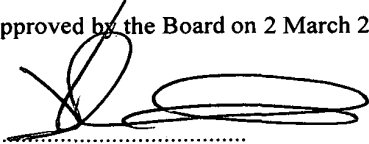
An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Directors' Report for the Year Ended 30 September 2017 (continued)

Reappointment of auditor

In accordance with section 487 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 2 March 2018 and signed on its behalf by:

A handwritten signature in black ink, consisting of a stylized 'J' followed by a series of loops and a horizontal stroke.

.....
Jon Furniss
Company Secretary

Whitley Lodge
Whitley Bridge
Doncaster
DN14 0HR

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.



KPMG LLP

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
United Kingdom

Independent Auditor's Report to the members of Tunstall Healthcare (UK) Limited

Opinion

We have audited the financial statements of Tunstall Healthcare (UK) Limited ("the company") for the year ended 30 September 2017 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the 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 auditor's 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 company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



David Morritt (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

6 March 2018

Income Statement for the Year Ended 30 September 2017

	Note	2017 £ 000	2016 £ 000
Revenue	4	96,645	91,328
Cost of sales		<u>(47,918)</u>	<u>(46,888)</u>
Gross profit		48,727	44,440
Administrative expenses		<u>(30,571)</u>	<u>(29,529)</u>
Operating profit	5	<u>18,156</u>	<u>14,911</u>
Analysed as:			
Operating profit before charging depreciation and amortisation and exceptional items ("EBITDA")	5	27,177	22,660
Depreciation and amortisation	5	(7,326)	(6,985)
Exceptional items	5	(1,695)	(764)
Impairment of non-current assets	13	(3,005)	(875)
Finance income	6	11,977	11,447
Finance costs	7	<u>(52)</u>	<u>-</u>
Net finance income		<u>11,925</u>	<u>11,447</u>
Profit before tax		27,076	25,483
Income tax expense	11	<u>(5,919)</u>	<u>(4,132)</u>
Profit for the year		<u>21,157</u>	<u>21,351</u>

The above results were derived from continuing operations.

Statement of Comprehensive Income for the Year Ended 30 September 2017

	2017	2016
	£ 000	£ 000
Profit for the year	<u>21,157</u>	<u>21,351</u>
Total comprehensive income for the year	<u><u>21,157</u></u>	<u><u>21,351</u></u>

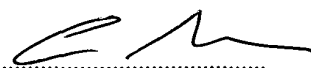
Statement of Financial Position as at 30 September 2017

	Note	2017 £ 000	2016 £ 000
Non-current assets			
Property, plant and equipment	12	7,640	7,793
Intangible assets	13	21,245	22,543
Investments	14	-	-
Deferred tax assets	11	2,756	3,966
Amounts owed by Group undertakings	16	218,299	187,218
		<u>249,940</u>	<u>221,520</u>
Current assets			
Inventories	15	4,277	5,115
Trade and other receivables	16	20,381	23,187
Income tax asset		211	-
Cash and cash equivalents		5,757	13,677
		<u>30,626</u>	<u>41,979</u>
Total assets		<u>280,566</u>	<u>263,499</u>
Current liabilities			
Trade and other payables	17	(18,200)	(20,220)
Loans and borrowings	18	(1,346)	(3,290)
Income tax liability		(5,052)	(4,997)
Deferred income		(4,205)	(4,081)
Provisions	19	(355)	(660)
		<u>(29,158)</u>	<u>(33,248)</u>
Net current assets		<u>1,468</u>	<u>8,731</u>
Total assets less current liabilities		<u>251,408</u>	<u>230,251</u>
Non-current liabilities			
Loans and borrowings	18	(668)	(668)
Total liabilities		<u>(29,826)</u>	<u>(33,916)</u>
Net assets		<u>250,740</u>	<u>229,583</u>
Equity			
Share capital	21	150	150
Share premium		3	3
Retained earnings		250,587	229,430
Equity attributable to owners of the Company		<u>250,740</u>	<u>229,583</u>

The notes on pages 17 to 36 form an integral part of these financial statements.

Statement of Financial Position as at 30 September 2017 (continued)

Approved by the Board on 2 March 2018 and signed on its behalf by: and signed on its behalf by:



Craig Parsons

Director

Registration number: 01332249

Statement of Changes in Equity for the Year Ended 30 September 2017

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 October 2015	150	3	208,079	208,232
Profit for the year	-	-	21,351	21,351
Total comprehensive income	-	-	21,351	21,351
At 30 September 2016	150	3	229,430	229,583
	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 October 2016	150	3	229,430	229,583
Profit for the year	-	-	21,157	21,157
Total comprehensive income	-	-	21,157	21,157
At 30 September 2017	150	3	250,587	250,740

Notes to the Financial Statements for the Year Ended 30 September 2017

1 General information

The Company is a private company limited by share capital incorporated in England and Wales and domiciled in the United Kingdom.

The address of its registered office is:

Whitley Lodge
Whitley Bridge
Doncaster
DN14 0HR
United Kingdom

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements for the year ended 30 September 2017 have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/2015 Cycle) issued in July 2015 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the European Union ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Judgements made by the Directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

The financial statements are prepared on the historical cost basis.

Summary of disclosure exemptions

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a Management entity that provides Key Management Personnel services to the Company.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions (continued)

As the consolidated financial statements of the ultimate parent company, Tunstall Healthcare Group Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 - 'Impairment of assets' in respect of the impairment of goodwill and indefinite life intangible assets; and
- Certain disclosures required by IFRS 13 - 'Fair Value Measurement' and the disclosures required by IFRS 7 - 'Financial Instrument Disclosures'.

Application of new and revised International Financial Reporting Standards

The following Adopted IFRSs have been issued but have not been applied by the Company in these financial statements.

- IFRS 9 Financial Instruments (effective date 1 January 2018);
- IFRS 15 Revenue from Contract with Customers (effective date 1 January 2018);
- IFRS 16 Leases (effective date 1 January 2019);
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective date 1 January 2017); and
- Amendments to IAS 7: Disclosure Initiative (effective date 1 January 2017 to be confirmed).

These standards will be adopted by the Company in future accounting periods. The Directors have not yet fully assessed the impact of these standards on the financial statements.

Exemption from preparing Group financial statements

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is a wholly-owned subsidiary of Tunstall Healthcare Group Limited which prepares consolidated financial statements in accordance with International Financial Reporting Standards that are publicly available and may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ. These financial statements present information about the Company as an individual undertaking and not about its Group.

Going concern

In considering the appropriate basis on which to prepare the financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future.

The Company is part of the Group (headed by Tunstall Healthcare Group Limited). The Group as a whole operates a stable business with a number of customers and suppliers across different geographic regions and has considerable financial resources with a cash balance at 30 September 2017 amounting to £34,072,000 (2016 - £48,742,000).

The Directors have made an assessment and satisfied themselves of the Company's ability to continue as a going concern. The key elements of this assessment were the Company's forecasts and projections, in addition to the resetting of the Group's Senior Debt covenants effective from 17 March 2017, and further amended 12 February 2018, in order to provide additional flexibility to implement the Group's and Company's strategy at pace. These forecasts and projections, taking account of reasonably possible changes in trading performance, show the Company has adequate resources to continue in operational existence for at least twelve months from the date of this report in addition to ensuring continued compliance with the Group's financial covenants for the foreseeable future.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

2 Accounting policies (continued)

Going concern (continued)

The Directors are of the opinion that the Group and Company have adequate resources to continue in operational existence for at least twelve months from the date of this report. They therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

Revenue recognition

Revenue from the sale of the Company's Connected Care and Connected Health equipment and services is stated net of value added tax, trade discounts and returns and is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated costs incurred, or to be incurred, can be reliably measured.

Connected Care - Independent Living

Revenue generated from equipment sales of Base Units and peripherals such as sensors and triggers is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, typically on delivery of the goods to the customer or despatch of goods from the warehouse.

Revenue generated from the sale and installation of software and hardware is recognised with reference to contract milestones as a proxy for percentage of completion ("POC"). Once the initial licence term expires and the licence is prolonged, revenue is recognised over the period of the licence.

Connected Care - Assisted Living

Revenue generated from the installation of equipment is recognised using the POC basis over the period from signing of the contract to customer acceptance. POC is measured using records of actual time and cost incurred compared with the estimated time and cost required, or with reference to contract milestones.

Amounts recoverable on contracts are included in trade receivables and represent revenue recognised in excess of payments on account. Payments received on account in excess of work done and work in progress are included within trade payables.

Revenue generated from the provision of equipment repairs and maintenance services is recognised on a straight line basis over the life of the contract or as services are provided.

Connected Care - Managed Service Contracts

The sale of products and services can be combined under one contractual arrangement. These arrangements are either capital contracts, where the equipment is sold to the customer, or revenue contracts where the customer can avoid up-front capital payments for the units by effectively renting the equipment.

Under capital contracts the risks and rewards of the equipment are transferred when the equipment is sold to the customer and the revenue is recognised at this point. Revenue for services provided is recognised as the services are being performed throughout the contract period.

Under revenue contracts actual revenue achieved is contingent on a range of factors outside of the control of both the customer and the Company including churn and growth of the user base. As a result it is not possible to measure the amount of revenue for each element reliably and instead the contract is considered as a whole with revenue recognised on a straight line basis as the services are delivered to the users.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

2 Accounting policies (continued)

Revenue recognition (continued)

Connected Health - Remote Patient Monitoring

Remote Patient Monitoring ("RPM") comprises revenue generated from the sale of equipment and is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer, typically on delivery of the goods to the customer or despatch of goods from the warehouse. Revenue also includes that generated from the sale of products and services continued under one contractual arrangement or Managed Services Contract.

Taxation

Current and deferred tax are recognised in the Income Statement as income tax expense or credit, except when the tax relates to items expensed or credited directly in equity, in which case the tax is also recognised in equity.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The current income tax expense is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the United Kingdom.

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amount of the Company's assets and liabilities and their tax base.

Deferred tax is determined using tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Finance income and costs policy

Finance costs and income arising on interest-bearing financial instruments carried at amortised cost are recognised in the Income Statement using the effective interest rate method. Finance costs include the amortisation of fees that are an integral part of the effective finance cost of a financial instrument, including issue costs, and the amortisation of any other differences between the amount initially recognised and the redemption price.

Finance costs and income also include foreign currency gains or losses on foreign currency financial assets and liabilities.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement in the line which most appropriately reflects the nature of the item or transaction.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

2 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Property, plant and equipment

Property, plant and equipment is stated at cost net of accumulated depreciation and impairment. Such cost includes expenditure directly attributable to the acquisition and installation of the items.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, with the exception of freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

<i>Asset class</i>	<i>Depreciation method and rate</i>
Freehold property	2% straight line
Plant, fixtures and vehicles	10% - 33% straight line

No depreciation is provided on freehold land.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets

Intangible assets acquired separately are capitalised at cost and those acquired as part of a business combination are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. The costs related to internally generated intangible assets, principally development costs, are capitalised as an intangible asset only when the future economic benefits expected to arise are deemed probable and the costs can be reliably measured. Other expenditure is charged against profit in the year in which the expenditure is incurred.

A summary of the policies applied to the Company's intangible assets is as follows:

Development costs

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible, the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development.

Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the Income Statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

2 Accounting policies (continued)

Intangible assets (continued)

Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over their estimated useful lives.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets for internally developed software. Direct costs include specific employee costs for software development.

Computer software development costs recognised as assets are amortised over their estimated useful lives.

Amortisation

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

<i>Asset class</i>	<i>Amortisation method and rate</i>
Development costs	4 years straight line
Computer software	4 years straight line

Impairment of non-financial assets

Intangible assets with finite useful lives and property, plant and equipment are tested for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. When an impairment test is conducted, the recoverable amount is assessed by reference to the higher of the net present value of expected future cash flows (value in use) of the relevant cash generating unit and the fair value less cost to sell.

Trade and other receivables

Trade and other receivables are amounts due from customers for equipment sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Estimated future cash flows are not discounted due to the relatively short period of time between recognition of trade receivables and receipt of cash.

Inventories

Inventory mainly comprises items of equipment, held for sale or rental, and consumable items.

Equipment held and consumable items are stated at the lower of cost and estimated net realisable value, after provisions for obsolescence. Cost comprises direct material and, where applicable, direct labour costs and those overheads that have been incurred in bringing inventories to their present location and condition on a first in first out basis.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

2 Accounting policies (continued)

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

The value of trade payables is the value that would be payable to settle the liability at the reporting date.

Deferred income

Where payments are received up front this is recognised as deferred income until the point the goods or services have been provided.

Financial instruments

Financial instruments include interest bearing loans and other borrowings which are initially recognised at the fair value of the consideration received net of issues costs associated with the borrowing. After initial recognition, interest bearing loans are subsequently measured at amortised cost using the effective interest method.

Government grants

Capital based government grants are included within accruals and deferred income in the Statement of Financial Position and credited to the Income Statement over the estimated useful economic lives of the assets to which they relate. Where a grant is awarded as a contribution towards costs expensed, the grant receivable in the period is matched against costs incurred and credited to the Income Statement in the period.

Leases

Leases of property, plant and equipment where the Company holds substantially all the risks and rewards of ownership are classified as finance leases.

Finance lease assets are capitalised at the commencement of the lease at the lower of the present value of the minimum lease payments or the fair value of the leased asset. The obligations relating to finance leases, net of finance charges in respect of future periods, are recognised as liabilities. Leases are subsequently measured at amortised cost using the effective interest method.

Leases where a significant portion of the risks and rewards are held by the lessor are classified as operating leases. Rentals are charged to the Income Statement on a straight line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

The Company operates a defined contribution scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the Income Statement represents the contributions payable to the scheme in respect of the accounting period.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

2 Accounting policies (continued)

Defined benefit pension obligation

The Company participates in the Tunstall Group Limited Pension Scheme, which is a funded pension scheme for UK employees providing benefits based on final pensionable pay. The Scheme is closed to future accrual. The assets of the scheme are held separately from those of the Company.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and the exercise of judgement in applying accounting policies. Management continually evaluate estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity are described below.

Revenue recognition

The measurement of revenue for software and equipment sold by the Company is based on the percentage of completion method ("POC"). The POC method requires the exercise of judgement estimating the time and cost required to achieve customer acceptance.

Provisions

The Company has recognised provisions for the impairment of inventories and trade receivables which require Management to make judgements. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors.

Estimate of useful economic lives of Property, Plant and Equipment and Intangible assets

The charge in respect of amortisation and depreciation is derived after determining an estimate of an asset's useful economic life and is determined by Management at the time the asset is acquired and reviewed annually for reasonableness. The lives are based on historical experience as well as anticipated future events which may impact their life such as changes in technology.

Deferred tax

Deferred tax assets and liabilities require judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income.

Current tax

The actual tax paid is determined according to complex tax laws and regulations. Where the effect of these laws and regulations is unclear estimates are used to determine the liability for the tax to be paid on past profits recognised in the financial statements. The final determination of prior year tax liabilities could be different from the estimates reflected in the financial statements.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

4 Segmental analysis

The Company is managed on the basis of one reportable segment with the Board of Directors reviewing internal management reports on a monthly basis with the focus on revenue, and profit before interest, tax, depreciation and amortisation and exceptional items ("EBITDA").

Since the Company has only one principal business, no segmental information is presented by class of business. All turnover originates in the United Kingdom.

	2017 £ 000	2016 £ 000
<i>Analysis of revenue by destination:</i>		
United Kingdom	67,736	68,395
Other European Countries	25,953	20,654
Rest of the world	2,956	2,279
	<u>96,645</u>	<u>91,328</u>

5 Operating profit

Arrived at after charging

	2017 £ 000	2016 £ 000
Depreciation expense	2,110	2,388
Amortisation expense	5,216	4,597
Research and development cost	3,788	3,088
Operating lease expense - property	621	1,003
Operating lease expense - plant and machinery	660	727
Exceptional items	<u>1,695</u>	<u>764</u>

Included within costs and overheads are operating exceptional items of £1,695,000 (2016 - £764,000) in relation to restructuring costs incurred as part of the Company's initiative to deliver significant cost and operational efficiencies to support the implementation of the Group's growth strategy.

6 Finance income

	2017 £ 000	2016 £ 000
Finance income from Group undertakings	<u>11,977</u>	<u>11,447</u>

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

7 Finance costs

	2017 £ 000	2016 £ 000
Foreign exchange losses	52	-

8 Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2017 £ 000	2016 £ 000
Wages and salaries	20,149	19,714
Social security costs	2,056	2,130
Pension costs	910	1,670
	<u>23,115</u>	<u>23,514</u>

The average number of persons employed by the Company (including the Directors) during the year, analysed by category was as follows:

	2017 No.	2016 No.
Production	314	334
Sales and administration	323	334
Research and development	35	45
	<u>672</u>	<u>713</u>

9 Directors' remuneration

Two Directors received the following emoluments for their services to the Company and its subsidiaries (2016: one):

	2017 £ 000	2016 £ 000
Remuneration	321	164
Pension contributions in respect of money purchase schemes	10	10
	<u>331</u>	<u>174</u>

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

9 Directors' remuneration (continued)

In respect of the highest paid Director:

	2017 £ 000	2016 £ 000
Remuneration	167	164
Pension contributions in respect of money purchase schemes	-	10
	<u>167</u>	<u>174</u>

The remaining Directors were paid through the ultimate parent company and none of their remuneration has been allocated to this Company due to immateriality.

No Directors (2016 - none) accrued benefits under the defined benefit pension scheme in respect of qualifying services during the year. One Director (2016 - one) accrued benefits under defined contribution schemes.

10 Auditor's remuneration

	2017 £ 000	2016 £ 000
Audit of these financial statements	85	144
Taxation services	33	73
	<u>118</u>	<u>217</u>

11 Income tax

Tax expensed in the income statement

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax	5,051	5,137
UK corporation tax adjustment to prior periods	(343)	17
	<u>4,708</u>	<u>5,154</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(357)	(387)
Arising from changes in tax rates and laws	273	206
UK deferred tax adjustment to prior periods	1,295	(841)
	<u>1,211</u>	<u>(1,022)</u>
Total deferred taxation	<u>1,211</u>	<u>(1,022)</u>
Tax expense in the income statement	<u>5,919</u>	<u>4,132</u>

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

11 Income tax (continued)

The tax on profit before tax for the year is based on a blended UK statutory rate of corporation tax for the period of 19.5% (2016 - 20%).

Factors affecting the tax charge for the current period

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit for the year	21,157	21,351
Income tax expense	5,919	4,132
Profit before tax	27,076	25,483
Corporation tax at standard rate	5,280	5,097
UK corporation tax adjustment to prior periods	(343)	16
Expenses not deductible in determining taxable profit	(209)	63
Deferred tax - origination and reversal of timing differences	53	-
UK Deferred tax adjustment to prior periods	1,295	(841)
Deferred tax expense relating to changes in tax rates	273	206
Effect of adjustment in research development tax credit	75	16
Tax credit in relation to Patent Box	(505)	(425)
Total tax expense	5,919	4,132

Factors affecting future tax charges

Changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2015 on 26 October 2015. These include reductions to the main rate to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020. A further change to the UK corporation tax rate was substantively enacted as part of the Finance Bill 2016 on 6 September 2016. This includes a reduction in the main rate to reduce the rate to 17% from 1 April 2020.

Deferred taxes at the reporting date have been measured using the enacted tax rates and reflected in these financial statements.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

11 Income tax (continued)

Deferred tax

The Company has deferred tax assets recognised at 17% (2016 - 20%).

Deferred tax movement during the year:

	At 1 October 2016 £ 000	Recognised in income £ 000	At 30 September 2017 £ 000
Accelerated tax depreciation	4,656	(1,272)	3,384
Revaluation of intangible assets	(799)	68	(731)
Other items	109	(6)	103
Net tax assets/(liabilities)	<u>3,966</u>	<u>(1,210)</u>	<u>2,756</u>

Deferred tax movement during the prior year:

	At 1 October 2015 £ 000	Recognised in income £ 000	At 30 September 2016 £ 000
Accelerated tax depreciation	2,690	1,966	4,656
Revaluation of intangible assets	-	(799)	(799)
Other items	255	(146)	109
Net tax assets/(liabilities)	<u>2,945</u>	<u>1,021</u>	<u>3,966</u>

There are no unrecognised deferred tax assets (2016 - nil).

The utilisation of deferred tax assets relies on a number of factors including the future profitability of the UK and overseas companies. Current forecasts indicate that recoverability of these amounts will occur within the foreseeable future and, therefore, the deferred tax asset has been recognised in the Statement of Financial Position.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

12 Property, plant and equipment

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation			
At 1 October 2015	5,284	23,101	28,385
Additions	278	1,479	1,757
At 30 September 2016	5,562	24,580	30,142
At 1 October 2016	5,562	24,580	30,142
Additions	206	1,751	1,957
At 30 September 2017	5,768	26,331	32,099
Depreciation			
At 1 October 2015	1,757	18,205	19,962
Charge for year	219	2,168	2,387
At 30 September 2016	1,976	20,373	22,349
At 1 October 2016	1,976	20,373	22,349
Charge for the year	242	1,868	2,110
At 30 September 2017	2,218	22,241	24,459
Carrying amount			
At 30 September 2017	3,550	4,090	7,640
At 30 September 2016	3,586	4,207	7,793
At 30 September 2015	3,527	4,896	8,423

Land and buildings

Included within the net book value of land and buildings above is £3,550,000 (2016 - £3,586,000) in respect of freehold land and buildings.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

13 Intangible assets

	Internally generated software development costs £ 000	Research and development £ 000	Total £ 000
Cost or valuation			
At 1 October 2015	1,285	33,179	34,464
Additions	-	8,307	8,307
At 30 September 2016	1,285	41,486	42,771
At 1 October 2016	1,285	41,486	42,771
Additions	323	6,600	6,923
At 30 September 2017	1,608	48,086	49,694
Amortisation			
At 1 October 2015	940	13,816	14,756
Amortisation charge	230	4,367	4,597
Impairment	-	875	875
At 30 September 2016	1,170	19,058	20,228
At 1 October 2016	1,170	19,058	20,228
Amortisation charge	119	5,097	5,216
Impairment	-	3,005	3,005
At 30 September 2017	1,289	27,160	28,449
Carrying amount			
At 30 September 2017	319	20,926	21,245
At 30 September 2016	115	22,428	22,543
At 30 September 2015	345	19,363	19,708

Impairment review - Research and Development

The Directors have reviewed the carrying value of Research and Development at the reporting date. The recoverable amount of each project was based on its value in use with the calculations based on the financial plans approved by the Board covering a 3 year period to 2020. The discount rate was the Group's Weighted Average Cost of Capital ("WACC") of 14.07% (2016 - 12.47%). The Directors have deemed that for certain projects, future discounted cash flows do not support the carrying value of the asset. As such, an impairment of £3,005,000 was recognised for the year ended 30 September 2017 (2016 - £875,000).

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

14 Investments

Subsidiaries	£ 000
Cost or valuation	
At 1 October 2015	600
Disposals	<u>(600)</u>
At 30 September 2016 and 30 September 2017	<u>-</u>
Carrying amount	
At 30 September 2016 and 30 September 2017	<u><u>-</u></u>

During the prior year, the Company disposed of the entire issued share capital of Tunstall Monitoring Limited to Tunstall Group Limited.

At 30 September 2017, the Company's investments are as follows (* indicates direct investment of the Company rather than via a subsidiary):

All shares held are Ordinary Shares unless otherwise stated.

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	% Shareholding
Tunstall Electronics Limited*	Non-trading entity	England	100%
Tunstall Response Limited*	Non-trading entity	England	100%

The registered office for entities in the respective country of incorporation is as follows:

Country	Registered office
England	Whitley Lodge, Whitley Bridge, Doncaster, DN14 0HR, United Kingdom

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

15 Inventories

	2017	2016
	£ 000	£ 000
Raw materials, spare parts and consumables	1,823	1,553
Work in progress	154	163
Finished goods and goods for resale	1,386	2,221
Contract work in progress	914	1,178
	<u>4,277</u>	<u>5,115</u>

The cost of inventories recognised as an expense in the year amounted to £31,859,000 (2016 - £37,399,000).

The amount of write-down of inventories recognised as an expense in the year is £403,000 (2016 - £414,000).

Both of these costs are included within cost of sales.

16 Trade and other receivables

Current

	2017	2016
	£ 000	£ 000
Trade receivables	11,121	9,704
Amounts owed by Group undertakings	7,661	12,524
Prepayments and other receivables	1,599	959
Total current trade and other receivables	<u>20,381</u>	<u>23,187</u>

Non-current

	2017	2016
	£ 000	£ 000
Amounts owed by Group undertakings	<u>218,299</u>	<u>187,218</u>
Total non-current trade and other receivables	<u>218,299</u>	<u>187,218</u>

The Company has formal documented intercompany loan agreements. Under the terms of the agreements, interest is charged at a rate of 6% (2016 - 6%) which reflects the cost of borrowing to the Group. The loans are unsecured and are repayable 12 months from the Company giving written notice or, a change of ownership of the borrower, whichever is earlier.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

17 Trade and other payables

	2017 £ 000	2016 £ 000
Trade payables	10,027	9,324
Accrued expenses	8,173	10,896
	<u>18,200</u>	<u>20,220</u>

18 Loans and borrowings

	2017 £ 000	2016 £ 000
Non-current loans and borrowings		
Amounts owed to Group undertakings	<u>668</u>	<u>668</u>

	2017 £ 000	2016 £ 000
Current loans and borrowings		
Amounts owed to Group undertakings	<u>1,346</u>	<u>3,290</u>

The Company has formal documented intercompany loan agreements. Under the terms of the agreements, interest is charged at a rate of 6% (2016 - 6%) which reflects the cost of borrowing to the Group. The loans are unsecured and are repayable 12 months from the Company giving written notice or, a change of ownership of the borrower, whichever is earlier.

19 Provisions

	Warranties £ 000	Legal proceedings £ 000	Restructuring & other £ 000	Total £ 000
At 1 October 2016	301	-	359	660
Expensed in the year	515	50	10	575
Utilised in the year	(521)	-	(304)	(825)
Released during the year	-	-	(55)	(55)
At 30 September 2017	<u>295</u>	<u>50</u>	<u>10</u>	<u>355</u>
Current liabilities	<u>295</u>	<u>50</u>	<u>10</u>	<u>355</u>

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

19 Provisions (continued)

Warranties

Warranty provisions relate to warranties provided as part of product sales in respect of which liabilities exist for the warranty period of the product.

Restructuring & other

During the current and prior year, the Company committed to an initiative to deliver significant cost and operational efficiencies to support the implementation of the Group's growth strategy. As a result, the Group recognised a provision of £10,000 for the year (2016 - £360,000). Amounts released or utilised during the year amounted to £359,000.

Legal Proceedings

The Company is aware of certain claims or potential claims which involve or may involve legal proceedings against the Company. The Directors have made a provision with regard to legal advice received and the Company's insurance arrangements.

20 Obligations under leases and hire purchase contracts

Operating leases

At 30 September 2017, the Company had the following commitments outstanding:

The total future value of minimum lease payments is as follows:

	2017 £ 000	2016 £ 000
Within one year	830	1,126
In two to five years	719	1,283
	<u>1,549</u>	<u>2,409</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,282,000 (2016 - £1,308,000).

21 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	£ 000	No.	£ 000
150,000 ordinary shares of £1 each	<u>150,000</u>	<u>150</u>	<u>150,000</u>	<u>150</u>

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

22 Pension and other schemes

The Company participated in the Tunstall Group Limited Pension Fund, a defined benefit scheme, which was closed to future accrual in 2013. A full actuarial valuation of the scheme was carried out at 5 April 2016 and updated for IAS 19 purposes to 30 September 2017 by a qualified actuary, independent of the scheme's sponsoring employer.

As at 30 September 2017, the scheme had net liabilities of £25,854,000 (2016 - £36,401,000). This liability is recognised in the Statement of Financial Position of the Company's immediate parent undertaking, Tunstall Group Limited.

Additional contributions of £1,210,000 (2016 - £1,100,000) were paid in the period to reduce the pension deficit. The expected contributions to the plan for the next reporting period are £2,500,000.

The Company also paid £910,000 (2016 - £945,000) in respect of defined contribution arrangements. The accrued contributions at the end of the financial year were £93,000 (2016 - £93,000).

23 Contingent liabilities

At 30 September 2017, the Company had contingent liabilities in respect of performance bonds and other letters of credit entered into on behalf of its subsidiary undertakings totalling £457,000 (2016 - £459,000).

The Company is aware of certain claims or potential claims which involve or may involve legal proceedings against the Company. The Directors are of the opinion, having regard to legal advice received and the Company's insurance arrangements that it is unlikely these matters will, in aggregate, have a material effect on the Company's financial position.

24 Parent and ultimate parent undertaking

The Company's immediate parent is Tunstall Group Limited.

The ultimate parent is Tunstall Healthcare Group Limited.

The most senior parent entity producing publicly available financial statements is Tunstall Healthcare Group Limited. The smallest and largest group in which the results of the Company are consolidated are Tunstall Group Limited and Tunstall Healthcare Group Limited. These financial statements are available upon request from the Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ.

25 Events after the financial period

On 12 February 2018 the Group reached an agreement with its Senior Debt providers to defer key milestone dates associated with the conditions of the financing arrangement dated 17 March 2017. At the year end there was uncertainty around the Group's ability to meet one of its milestones covenants. This deferral means the covenant now falls at a time when management expect the key milestone to be achievable. This has no impact upon the other financial covenants previously agreed and the fee charged by the lenders in relation to the deferral is not material to the Group.