

Tunstall Group Holdings Limited

**Directors' report and consolidated
financial statements**

Registered number 05459713

For the year ended 30 September 2011



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2011

Principal activities

The company is a parent company and the principal activities of its subsidiary undertakings are the development, manufacture, marketing, installation, monitoring and service of telecare, telehealth and hospital systems

Business Review

Despite the Group reporting a 3% decline in revenues, in what was an extremely challenging year in all markets, EBITA was up 4% on the prior year due to efforts taken to reduce unit costs and tight control over the overhead base

During the year, Tunstall's key markets faced unprecedented spending constraints which fundamentally changed the buying patterns of our customers, both domestically and in our export markets. Customer reassessment of how and on what to spend their reduced local authority budgets has led to a delay of at least 6 months in certain spending decisions

Tunstall's growth aspirations within the telehealth market were impacted not just by the unexpected reorganisation of the NHS but also by the delay to the publication of the Whole Systems Demonstrator findings, an independent, large scale pilot which will provide the clinical evidence to support the telehealth offering and support the efficiency savings base case. In addition to the economic turmoil, Tunstall's businesses around the globe also had to contend with a number of natural disasters in their markets during the year

Overall revenues in the UK market declined by £1.9m (2.9%) to £64.5m. Telecare revenues were down marginally, with the impact of a reduction in base units sold offset by an increase in the average peripheral content of a telecare package. Telehealth revenues remained constant but represented a broader customer base, demonstrating that this proposition is becoming more widely accepted. The poor recovery of the housing market has impacted on assisted living revenues as new build projects were delayed and upgrades put on hold and revenues fell by 5%. Service and response revenues were broadly consistent with the prior year levels, following the strategic exit from a small number of poorly performing contracts

In Europe, revenues reduced by 5% to £68.0m with particular impact felt in Spain of the Government healthcare spending cuts. Growth in revenues in the rest of the world were primarily driven by Australia, where results benefitted from the impact of a 10% favourable movement in the Au\$/£ exchange rate

EBITA margin increased to 26.0% from 24.3% in the prior year

Cash generation remained strong with operating cashflow of £38.4m, up 12% on prior year

Summary of risks and uncertainties

Foreign exchange risk

The group operates within a number of international territories, invoicing in local currency, and sources its product in a number of currencies. As such, the company is exposed to foreign exchange risk, principally against the Euro and US dollar. The risk in relation to the Euro is managed through a natural hedge in respect of the denomination of bank borrowings of the parent companies. The US dollar risk is managed through a series of foreign exchange contracts to purchase sufficient quantities of US dollars to meet production requirements

Interest rate risk

The group has a number of bank borrowings, as described in note 18, at fixed margins above LIBOR, Euribor and Subor. This risk is managed through a number of interest rate hedges, as described in note 18. During the year, certain of these hedging instruments expired and we have subsequently entered into a range of interest rate fixes and caps through to November 2013, fixing interest rates relating to approximately 89% of the value of the bank borrowings

Directors' report

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.

Future Prospects & Market Risks

The current year saw some exciting developments in the UK markets. In our telecare market, we secured our first multi-year contract to deliver a managed service proposition with a major city council, supporting over 25,000 people across the city through the delivery of support to the vulnerable and older population. This is a model we are looking to roll out across further councils in the forthcoming year. We believe we can take this model further, working with partners to offer a complete outsourced service to local authorities for a range of social service offerings, enabling significant savings to be made whilst maintaining individuals' independence in their own home.

In the telehealth market, we were awarded a contract to provide remote telemonitoring to up to 20,000 patients across Northern Ireland over a 6 year period. This project will improve health outcomes for patients with long-term conditions through better engagement with clinicians and improved self-management, helping to reduce pressure on front line services by enabling people to be cared for in the community – a key aspect of the Government's ambition for health services in Northern Ireland.

Further multi-year managed service contracts have been secured in England, whereby Tunstall is working with the customer to redesign care pathways enabling reallocation of resource around the health economy to release efficiency savings.

In December 2011 the first results from the Whole System Demonstrator Programme were published, proving definitively the effectiveness of telehealth in improving services and outcomes for patients with long term conditions.

This programme, in which Tunstall's telehealth solutions were used extensively, is the world's largest telecare and telehealth trial, involving over 6,000 patients with relevant social care needs or one of three long term conditions (diabetes, heart failure or COPD). Based on the telehealth results released to date, the trial shows that telehealth can deliver a reduction in mortality rates of 45%, a 20% reduction in emergency hospital admissions, a 15% cut in A&E visits and a 14% reduction in bed days.

In December 2011, the UK Prime Minister, David Cameron, announced the roll-out of advanced telehealth and telecare solutions to the homes of three million people over the next five years with the aim of improving lives and putting the UK at the forefront of global healthcare, saying "Look at our approach to telehealth – getting new technology into patients' homes so they can be monitored remotely. We've trialled it, it's been a huge success and now we're on a drive to roll this out nationwide."

Internationally, we expect to see further growth in the telehealth markets in the US, Australia and Denmark, together with developing new telehealth markets elsewhere. We are seeing evidence of an unfreezing of funding within key markets which together with new propositions and products gives confidence of the prospect of reasonable growth in these markets.

On 22nd December 2011 Tunstall completed the acquisition of American Medical Alert Corp ('AMAC'), a leading provider in the US of remote health monitoring and 24/7 communication services, which enhance care, accelerate response times, improve operational effectiveness and deliver sustainable patient services. The acquisition gives Tunstall a significant presence in the North American market.

The group's funding continues to be appropriately structured. The long term debt of £183.1m and preference shares of £92.1m are due to the parent company and the debt has a maturity date of 2014. These balances are required to be disclosed as debt under UK GAAP.

Of the remaining debt, repayment terms are structured over the period to April 2017, as disclosed in note 18. Payment levels and covenants are all considered reasonable based on projected performance and budgets.

Directors' report

Research & Development

During the year, Tunstall invested £6m (2010 £3.2m) in research and development (before allocation of grants receivable amounting to £0.3m), representing 4.2% (2010 2.1%) of revenues

KPI's

Overdue debt (accounts receivable balances beyond normal collection terms) reduced by £3.8m to £8.3m at September 2011, and represents 33% (2010 44%) of total Trade Debtor balances

Operating cashflow represented 94% of EBITDA (2010 85%)

The group has access to a Revolving Credit Facility of £10m which remained undrawn, other than that relating to performance bonds as referred to in note 22

The group has remained compliant with all its financial covenants throughout the year

Results

The results for the year ending 30 September 2011 are set out on page 8. The group recorded a profit before operating exceptionals and amortisation of goodwill of £36.9 million (2010 £36.0 million)

Dividends

No interim or final dividend was paid or proposed (2010 £nil) Directors' report

Directors

The directors who held office during the year and subsequently were as follows

NA Duffy (resigned 1 June 2011)

K Dyson

G Baldwin

Payments to suppliers

The company agrees payment terms and conditions with its suppliers according to local laws and generally accepted trading practices within its business and geographical region. It is the company's normal practice to pay suppliers in accordance with these terms provided that the suppliers meet their obligations.

Trade creditors represent 46 days purchases (2010 42 days)

Financial Instruments

The group uses financial instruments including cash, borrowings, forward currency contracts and interest rate swaps, the main purpose of which are to raise finance for the group's activities and to manage currency and interest rate risks. It is the group's policy not to enter into trading of a speculative nature in financial instruments. Further detail is given in note 18 to the financial statements.

Disabled employees

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 group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The group 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 group. 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.

Directors' report

Political and charitable contributions

During the year, the group contributed £1,465 (2010 £1,235) to charity. No political contributions were made (2010 £nil).

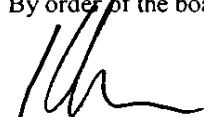
Disclosure of information to auditors

The directors who hold office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the board



K Dyson
Company Secretary

Whitley Lodge
Whitley Bridge
Doncaster
DN14 0HR

27 January 2012

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing 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 group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that 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 group and to prevent and detect fraud and other irregularities.



KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Independent auditor's report to the members of Tunstall Group Holdings Limited

We have audited the financial statements ("the financial statements") of Tunstall Group Holdings Limited for the year ended 30 September 2011 set out on pages 8 to 36. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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, and express an opinion on, 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

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 30 September 2011 and of the group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

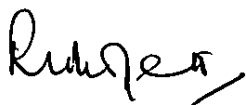
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Tunstall Group Holdings Limited (continued)

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 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



RI Moffatt (Senior Statutory Auditor)

For and on behalf of
KPMG LLP
Statutory Auditor

Chartered Accountants
1 The Embankment
Leeds
West Yorkshire
LS1 4DW

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Consolidated profit and loss account
for the year ended 30 September 2011

	<i>Note</i>	2009 £000	2010 £000
Turnover	2	143,258	147,878
<hr/>			
Operating profit before operating exceptionals and amortisation of goodwill (EBITA)		36,859	35,955
Operating exceptional items	3	(1,653)	(794)
Amortisation of goodwill		(13,220)	(13,220)
<hr/>			
Operating profit	3	21,986	21,941
Share of operating (losses)/profits of associates	12	(68)	91
<hr/>			
Profit on ordinary activities before interest		21,918	22,032
Interest receivable and similar income	7	2,268	1,217
Interest payable and similar charges	8	(41,339)	(33,493)
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Loss on ordinary activities before taxation	4	(17,153)	(10,244)
Tax on loss on ordinary activities	9	(3,721)	(2,492)
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Loss on ordinary activities after taxation	21	(20,874)	(12,736)
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All of the turnover and results for the year are attributable to continuing operations


The notes on pages 16 to 36 form part of these financial statements

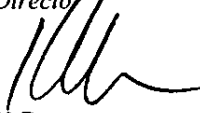
Consolidated balance sheet
at 30 September 2011

	<i>Note</i>	2011 £000	2010 £000
Fixed assets			
Intangible assets	10	189,529	198,378
Tangible assets	11	12,811	11,739
Investment in associates	12	89	157
		202,429	210,274
Current assets			
Stocks	13	14,138	15,057
Debtors	14	60,000	53,004
Cash at bank and in hand		26,218	20,996
		100,356	89,057
Creditors' amounts falling due within one year	15	(41,348)	(41,358)
Net current assets		59,008	47,699
Total assets less current liabilities		261,437	257,973
Creditors' amounts falling due after more than one year	16	(413,523)	(390,785)
Provisions for liabilities and charges	19	(255)	(259)
Net liabilities before net pension liabilities		(152,341)	(133,071)
Net pension liabilities	23	(9,947)	(10,850)
Net liabilities		(162,288)	(143,921)
Capital and reserves			
Called up share capital	20	931	931
Share premium account	21	55	55
Profit and loss account	21	(163,274)	(144,907)
Equity shareholders' deficit		(162,288)	(143,921)

The notes on pages 16 to 36 form part of these financial statements

These financial statements were approved by the board of directors on 27 January 2012 and were signed on its behalf by


G Baldwin
Director


K Dyson
Director

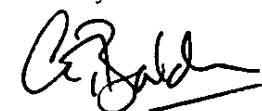
Company registered number 05459713

Company balance sheet
at 30 September 2011

	<i>Note</i>	2011 £000	£000	2010 £000	£000
Fixed assets					
Investments	12		79,299		79,299
Current assets					
Debtors	14	20,179		14,696	
Cash at bank and in hand		37		37	
		20,216		14,733	
Creditors. Amounts falling due within one year	15	(513)		(425)	
Net current assets			19,703		14,308
Total assets less current liabilities			99,002		93,607
Creditors. Amounts falling due after more than one year	16		(92,084)		(86,436)
Net assets			6,918		7,171
Capital and reserves					
Called up share capital	20		931		931
Share premium account	21		55		55
Profit and loss account	21		5,932		6,185
Equity shareholders' funds			6,918		7,171

The notes on pages 16 to 36 form part of these financial statements

These financial statements were approved by the board of directors on 27 January 2012 and were signed on its behalf by



G Baldwin
Director



K Dyson
Director

Company registered number 05459713

Consolidated cash flow statement
for the year ended 30 September 2011

	<i>Note</i>	2011 £000	2010 £000
Net cash inflow from operating activities	<i>(iii)</i>	30,682	27,171
Returns on investments and servicing of finance	<i>(iv)</i>	(11,966)	(9,619)
Taxation		(3,331)	(2,348)
Capital expenditure	<i>(v)</i>	(9,476)	(3,032)
Acquisitions and disposals	<i>(vi)</i>	-	(150)
Net cash inflow before financing		5,909	12,022
Financing	<i>(vii)</i>	(4,654)	(18,000)
Net cash inflow/(outflow)		1,255	(5,978)

The notes on pages 11 to 13 form part of this financial statement

Notes to the consolidated cash flow statement
for the year ended 30 September 2011

(i) Reconciliation of net cash flow to movement in net debt

	2011 £000	2010 £000
Increase/(decrease) in cash	1,255	(5,978)
Cash flow from decrease in debt	4,713	16,460
Movement in net debt resulting from cash flows	5,968	10,482
Interest added to principal	(30,215)	(26,694)
Amortisation of issue costs	(927)	(927)
Exchange adjustments	5,481	3,969
Movement in net debt	(19,693)	(13,170)
Opening net debt	(374,829)	(361,659)
Closing net debt	(394,522)	(374,829)

(ii) Analysis of changes in net debt

	At 30 September 2010 £000	Cash flow £000	Other non-cash movements £000	Exchange adjustments £000	At 30 September 2011 £000
Cash at bank and in hand	20,996	1,255	-	3,967	26,218
Debt due within one year	(5,030)	4,703	(6,890)	-	(7,217)
Debt due after more than one year	(390,785)	-	(24,252)	1,514	(413,523)
Hire purchase contracts Due within one year	(10)	10	-	-	-
	(395,825)	4,713	(31,142)	1,514	(420,740)
Net debt	(374,829)	5,968	(31,142)	5,481	(394,522)

The non-cash movement represents amortisation of debt issue costs of £927,000 and increase in accrued interest of £30,215,000

Notes to the consolidated cash flow statement *(continued)*

(iii) Reconciliation of operating profit to net cash inflow from operating activities

	2011 £000	2010 £000
Operating profit before exceptional items	23,639	22,735
Cash outflow in respect of exceptional items	(1,519)	(794)
Loss on disposal of fixed assets	-	-
Depreciation charges	3,468	3,957
Amortisation of intangible fixed assets	253	253
Amortisation of goodwill	13,220	13,220
Decrease in stocks	919	116
(Increase) in debtors	(7,092)	(16,826)
(Decrease)/increase in creditors	(2,206)	4,510
	<hr/>	<hr/>
Net cash inflow from operating activities	30,682	27,171
	<hr/>	<hr/>

(iv) Returns on investments and servicing of finance

	2011 £000	2010 £000
Interest received	2,268	1,217
Interest paid	(14,234)	(10,836)
	<hr/>	<hr/>
	(11,966)	(9,619)
	<hr/>	<hr/>

(v) Capital expenditure and financial investment

	2011 £000	2010 £000
Purchase of intangible fixed assets	(4,624)	(8)
Purchase of tangible assets	(4,852)	(3,024)
	<hr/>	<hr/>
	(9,476)	(3,032)
	<hr/>	<hr/>

Notes to the consolidated cash flow statement *(continued)*

(vi) Acquisitions and disposals

	2011	2010
	£000	£000
Amounts paid in respect of acquisitions	-	(150)
	<u>-</u>	<u>(150)</u>
	<u>-</u>	<u>(150)</u>

(vii) Financing

	2011	2010
	£000	£000
Repayment of bank borrowings	(4,644)	(17,876)
Repayment of hire purchase contracts	(10)	(124)
	<u>(4,654)</u>	<u>(18,000)</u>
	<u>(4,654)</u>	<u>(18,000)</u>

Consolidated statement of total recognised gains and losses
for the year ended 30 September 2011

	2011 £000	2010 £000
Loss for the financial year	(20,874)	(12,736)
Exchange differences on the retranslation of net investments and related borrowings	761	(3,048)
Actuarial gain/(loss) on pension scheme	1,746	(1,206)
	<u> </u>	<u> </u>
Total recognised gains and losses relating to the financial year	<u>(18,367)</u>	<u>(16,990)</u>

Reconciliation of movements in equity shareholders' (deficit)/funds
for the year ended 30 September 2011

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Loss for the financial year	(20,874)	(12,736)	(253)	(421)
Other recognised gains and losses relating to the year (net)	2,507	(4,254)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net reduction in shareholder's (deficit)/funds	(18,367)	(16,990)	(253)	(421)
Opening equity shareholders' (deficit)/funds	(143,921)	(126,931)	7,171	7,592
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Closing equity shareholders' (deficit)/funds	<u>(162,288)</u>	<u>(143,921)</u>	<u>6,918</u>	<u>7,171</u>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Going concern

The directors acknowledge that at 30 September 2011 the group had net liabilities of £162,288,000. This was after classifying, in accordance with UK GAAP, preference shares of £92,084,000 and unsecured subordinated shareholder loan notes of £183,065,000 as borrowings. Both the preference shares and loan notes are intra-group liabilities.

Having considered the cash flow forecasts of the group of which the company and group are members, the directors are of the opinion that the group will have sufficient funds to meet its liabilities as they fall due for payment for at least 12 months from the date of approval of these financial statements. Accordingly, the directors have prepared these financial statements on a going concern basis.

The directors' report sets out the structure of the group's funding arrangements.

Basis of consolidation

The consolidated financial statements include the results of the company and its subsidiary undertakings up to 30 September 2011, under the acquisition method of accounting. Under this method, the results of the subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. The group's share of the profits less losses of associates is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet.

The company is exempt under s408 of the Companies Act 2006 from the requirement to present its individual profit and loss account. The company's result for the year is shown in the notes to the financial statements.

Related party transactions

The company is a wholly owned subsidiary of Tunstall Healthcare Group Limited and has taken advantage of the exemption within FRS8 not to disclose transactions with entities that are part of that group, as the financial statements of that company are publicly available.

Goodwill

Purchased goodwill arising on business combinations in respect of acquisitions since 1 October 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life, deemed to be 20 years.

Investments in subsidiary and associate undertakings

Investments in subsidiary and associated undertakings are stated at cost in the company balance sheet. Investments in associated undertakings are stated at the group's share of the net assets of each associate in the consolidated balance sheet.

Notes (continued)

1 Accounting policies (continued)

Other intangible assets

Other intangible assets comprising purchased intellectual property rights are capitalised and amortised in line with expected revenue from the sale of the products to which the rights relate. Provision is made for any impairment.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold property	-	2% straight line
Plant, fixtures and vehicles	-	10% - 33% straight line

No depreciation is provided on freehold land.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the year of the lease.

Stocks

Stocks are stated at the lower of cost and net realisable value on a first in, first out basis. Work in progress and finished goods include an appropriate proportion of attributable labour and overheads.

Installation contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Payments received on account in excess of work done and work in progress are included within creditors.

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise of term deposits of less than one year.

Foreign currencies

Trading results of overseas subsidiaries and associated undertakings are translated using average exchange rates ruling during the financial year. The balance sheets of overseas undertakings are translated using the rate of exchange ruling at the balance sheet date. Exchange differences arising from these translations are taken to reserves, net of exchange differences on related foreign currency borrowings.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

Borrowings

Borrowings are initially stated at the fair value of the consideration received after deduction of issue costs. Issue costs, together with finance costs, are charged to the profit and loss account over the expected term of the borrowings.

Classification of financial instruments issued by the Group

Following the adoption of FRS 25, financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group), and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

Where the grant is awarded as a contribution towards costs expensed, the grant receivable in the period is matched against costs incurred and credited to the profit and loss account in the period.

Turnover

Turnover is stated net of value added tax, trade discounts and returns. Installation income represents the value of work done on contracts within the year. Maintenance and monitoring income is recognised on a straight line basis over the contract life. Rental income is recognised on a straight line basis over the year of the lease. All other sales are recognised on despatch or on the transfer of legal title.

Notes (continued)

1 Accounting policies (continued)

Pension costs

The company participates in the Tunstall Group Ltd Pension Scheme which is a funded pension scheme for UK employees providing benefits based on final pensionable pay. The Scheme is now closed to new entrants. The assets of the scheme are held separately from those of the group.

Regular valuations are prepared by independent professionally qualified actuaries. These determine the level of contributions required to fund the benefits set out in the rules of the scheme and allow for the periodic increase on pensions in payment.

Following the full adoption of FRS 17 the regular service cost of providing retirement benefits to employees during the year, together with the cost of benefits relating to past service is charged to operating profit in the year.

A credit representing the expected return on the assets of the scheme and a charge representing the increase in the liabilities of the scheme during the year give the net return on the pension scheme and is included as a finance charge or credit within interest.

Differences between actual and expected return on assets during the year are reflected in the statement of total recognised gains and losses in the year together with differences arising from changes in assumptions.

In addition, a stakeholder scheme is in operation in the UK and various defined contribution schemes are in operation in other countries.

The assets of these schemes are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year.

Research and development expenditure

Development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are not expected to exceed related future sales and adequate resources exist to enable the project to be completed. Capitalised research and development expenditure is written off over a four year period.

All other expenditure not meeting these criteria is written off to the profit and loss account as it is incurred.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences, except as otherwise required by FRS 19.

Notes (continued)

2 Segmental information

	Turnover		Profit before interest and tax		Net assets/(liabilities)	
	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000
<i>Analysis by country of origin</i>						
UK	64,521	66,684	30,322	23,600	(6,995)	15,664
Germany	19,130	18,975	2,902	4,281	20,174	15,165
Sweden	17,288	16,582	(2,535)	947	(3,689)	(33)
Other European countries	34,380	38,445	3,582	5,776	11,441	6,547
Rest of the world	7,939	7,192	867	648	(3,399)	(4,211)
	<u>143,258</u>	<u>147,878</u>	<u>35,138</u>	<u>35,252</u>	<u>17,532</u>	<u>33,132</u>
Amortisation of goodwill	-	-	(13,220)	(13,220)	-	-
	<u>143,258</u>	<u>147,878</u>	<u>21,918</u>	<u>22,032</u>	<u>17,532</u>	<u>33,132</u>
Share of net assets/(liabilities) of associated undertaking					89	157
Goodwill					184,399	197,619
Net interest bearing liabilities					(364,308)	(374,829)
					<u>(162,288)</u>	<u>(143,921)</u>
<i>Analysis of turnover by country of destination</i>					2011 £000	2010 £000
United Kingdom					64,539	66,504
Germany					18,073	18,105
Sweden					17,118	16,043
Other European countries					33,182	37,130
Rest of the world					10,346	10,096
					<u>143,258</u>	<u>147,878</u>

The directors consider there is only one class of business

Notes (continued)

3 Costs and overheads

	2011 £000	2010 £000
Movement in stocks	919	116
Raw materials and consumables	32,031	46,114
Other external charges	28,394	21,499
Staff costs	42,987	40,778
Depreciation and amortisation	16,941	17,430
	<u>121,272</u>	<u>125,937</u>

Included within other external charges in 2011 are operating exceptional items of £1,653,000, including £1,047,000 charge for redundancy and restructuring costs across the group, £535,000 charge for stock write off, and £71,000 bad debt write off

Included within other external charges in 2010 are operating exceptional items of £794,000, including £1,479,000 credit in respect of write back of a bad debt provision net of additional provisions taken up, £1,942,000 charge for redundancy and restructuring costs across the group, £173,000 relating to ongoing field replacement programme to remove certain products, and £158,000 in relation to a consultancy exercise on the UK business operations

4 Loss on ordinary activities before taxation

	2011 £000	2010 £000
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit of these financial statements	3	3
Audit of financial statements of subsidiaries pursuant to legislation	341	324
Taxation services	70	58
Remuneration of other subsidiary auditors	43	17
Research and development costs	1,375	2,826
Operating lease rentals		
Land and buildings	810	780
Motor vehicles	2,399	2,254

Notes (continued)

5 Remuneration of directors

The directors received the following emoluments for their services to the company and its subsidiaries

	2011 £000	2010 £000
Directors' emoluments	636	523
Pension contributions in relation to money purchase schemes	39	-
	<u>675</u>	<u>523</u>
Highest paid director		
Emoluments	280	204
Accrued defined benefit pension entitlement	-	30
	<u>-</u>	<u>30</u>

One director (2010: two) accrued benefits under the group's defined benefit pension scheme in respect of qualifying services during the year. One director (2010: nil) accrued benefits under defined contribution schemes.

6 Staff numbers and costs

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

	Number of employees 2011	2010
Production and distribution	433	412
Sales and administration	588	577
Research and development	77	61
	<u>1,108</u>	<u>1,050</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	35,175	33,780
Social security costs	4,939	4,437
Other pension costs	2,873	2,561
	<u>42,987</u>	<u>40,778</u>

Notes (continued)

7 Interest receivable and similar income

	2011 £000	2010 £000
Bank interest	358	47
Interest receivable from parent and ultimate parent undertakings	1,910	1,170
	<u>2,268</u>	<u>1,217</u>

8 Interest payable and similar charges

	2011 £000	2010 £000
On hire purchase contracts	-	14
On bank loans and overdrafts	9,686	12,232
On all other loans	170	-
Retranslation of foreign currency denominated borrowings	(1,547)	(3,863)
All other exchange (gains)/losses	(2,985)	(3,142)
Preference share dividend	4,656	4,656
Amortisation of debt issue costs	927	927
Interest payable to parent and ultimate parent undertakings	29,878	22,166
Financial expense in respect of pensions	554	503
	<u>41,339</u>	<u>33,493</u>

9 Taxation

Analysis of charge/(credit) in year

	2011 £000	2010 £000
<i>Current tax</i>		
Current tax on income for the year	2,013	2,288
Adjustments in respect of prior years	1,612	407
	<u>3,625</u>	<u>2,695</u>
Current tax charge	3,625	2,695
Share of current taxation of overseas associated undertakings	-	-
	<u>3,625</u>	<u>2,695</u>
<i>Deferred tax (note 19)</i>		
Origination and reversal of timing differences	(226)	(368)
Adjustments in respect of prior years	134	65
Impact of deferred tax rate change	188	100
	<u>3,721</u>	<u>2,492</u>
Tax charge/(credit) on profit on ordinary activities	3,721	2,492

Notes (continued)

9 Taxation (continued)

Factors affecting the tax charge for the year

The current tax charge for the year is higher (2010 higher) than the standard rate of corporation tax in the UK of 27% (2010 28%). The differences are explained below

	2011 £000	2010 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(17,153)	(10,244)
Current tax at 27% (2010 28%)	(4,631)	(2,868)
<i>Effects of</i>		
Expenses not deductible for tax purposes	1,731	1,706
Increase in UK tax losses carried forward	258	-
Decrease in overseas tax losses carried forward	554	(758)
Capital allowances less than depreciation	551	360
Overseas tax – rate differences	5	162
Goodwill amortisation not deductible for tax purposes	3,569	3,680
Adjustments in respect of prior years	1,612	407
Other timing differences	(24)	6
Total current tax charge (see above)	3,625	2,695

Factors affecting future tax charges

The tax charge in future years will be affected by the group's ability to utilise its deferred tax asset as set out in note 19

10 Intangible fixed assets

Group	Research and development expenditure £000	Goodwill £000	Total £000
<i>Cost</i>			
At beginning of year	1,012	264,228	265,240
additions	4,624	-	4,624
At end of year	5,636	264,228	269,864
<i>Amortisation</i>			
At beginning of year	253	66,609	66,862
Charged in year	253	13,220	13,473
At end of year	506	79,829	80,335
<i>Net book value</i>			
At 30 September 2011	5,130	184,399	189,529
At 30 September 2010	759	197,619	198,378

Notes (continued)

10 Intangible fixed assets (continued)

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. The goodwill is being amortised over a period of twenty years, being the directors' best estimate of its useful economic life.

11 Tangible fixed assets

Group

	Freehold property	Plant, fixtures and vehicles	Total
	£000	£000	£000
Cost			
At beginning of year	5,372	25,266	30,638
Additions	-	4,852	4,852
Disposals	-	(2,928)	(2,928)
Currency movements	(19)	(101)	(120)
At end of year	5,353	27,089	32,442
Depreciation			
At beginning of year	850	18,049	18,899
Charge for year	157	3,311	3,468
Disposals	-	(2,651)	(2,651)
Currency movement	(14)	(71)	(85)
At end of year	993	18,638	19,631
Net book value			
At 30 September 2011	4,360	8,451	12,811
At 30 September 2010	4,522	7,217	11,739

Included within plant, fixtures and vehicles are assets held under finance leases with a net book value of £nil (2010 £66,000). The depreciation charge for the year on these assets was £nil (2010 £56,000).

12 Investments

Company

	Investment in subsidiary undertakings £000
Beginning and end of year	79,299

Notes (continued)

12 Investments (continued)

Group

	Share of net assets £000
<i>Associated undertakings</i>	
At beginning of year	157
Transferred from provisions for liabilities and charges (note 19)	-
Share of profits of associate	(68)
Currency	-
Additions	-
	<hr/>
At end of year	89
	<hr/>

Details of the investments in subsidiary and associated undertakings are shown on page 36

13 Stocks

Group

	2011 £000	2010 £000
Raw materials	1,063	1,730
Work in progress	710	1,021
Contract work in progress	620	965
Finished goods	11,745	11,341
	<hr/>	<hr/>
	14,138	15,057
	<hr/>	<hr/>

14 Debtors

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Trade debtors	24,906	27,871	-	-
Amounts owed by parent and ultimate parent undertakings	26,149	17,844	20,179	14,696
Other debtors	2,544	1,582	-	-
Prepayments	3,589	2,799	-	-
Deferred tax (note 19)	2,812	2,908	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	60,000	53,004	20,179	14,696
	<hr/>	<hr/>	<hr/>	<hr/>

Of the deferred tax asset of £2,812,000 (2010 £2,908,000) an amount of £nil (2010 £nil) is recoverable within one year

The amounts owed by subsidiary undertakings are repayable on demand and bear interest at a rate which reflects the cost of borrowings to the group

Notes (continued)

15 Creditors: amounts falling due within one year

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Obligations under finance leases and hire purchase contracts (note 17)	-	10	-	-
Other borrowings (note 18)				
Bank loans	7,217	5,030	-	-
Trade creditors	10,208	10,260	-	-
Corporation tax	641	347	83	22
Other taxes and social security	3,888	3,215	-	-
Accruals and deferred income	17,070	19,837	-	-
Other creditors	528	1,096	202	202
Amounts owed to subsidiary undertakings	-	-	228	201
Amounts owed to parent and ultimate parent undertaking	1,796	1,563	-	-
	<u>41,348</u>	<u>41,358</u>	<u>513</u>	<u>425</u>

16 Creditors: amounts falling due after more than one year

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Obligations under finance leases and hire purchase contracts (note 17)	-	-	-	-
Other borrowings (note 18)				
Bank loans	138,374	145,851	-	-
Shareholders' loan notes	183,065	158,498	-	-
Preference shares	92,084	86,436	92,084	86,436
	<u>413,523</u>	<u>390,785</u>	<u>92,084</u>	<u>86,436</u>

17 Obligations under hire purchase agreements

Group	2011 £000	2010 £000
Amounts payable within one year	-	10
Amounts payable within two to five years	-	-
	<u>-</u>	<u>10</u>

These borrowings are secured on the assets to which they relate

Notes (continued)

18 Other borrowings

	2011				2010			
	Bank loans	Share- holders' loan notes	Preference shares	Total	Bank loans	Share- holders' loan notes	Preference shares	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Repayment terms								
Wholly within five years – by instalments	88,065	-	-	88,065	31,928	-	-	31,928
Not wholly within five years – by instalments	-	183,065	-	183,065	-	158,498	-	158,498
Not wholly within five years not by instalments	56,287	-	92,084	148,371	118,581	-	86,436	205,017
Unamortised issue costs	(1,390)	-	-	(1,390)	(2,317)	-	-	(2,317)
Accrued interest	2,629	-	-	2,629	2,689	-	-	2,689
	<u>145,591</u>	<u>183,065</u>	<u>92,084</u>	<u>420,740</u>	<u>150,881</u>	<u>158,498</u>	<u>86,436</u>	<u>395,815</u>
Maturity								
On demand or within one year	7,217	-	-	7,217	5,030	-	-	5,030
Between one and two years	7,570	-	-	7,570	4,718	-	-	4,718
Between two and five years	74,517	183,065	-	257,582	22,551	158,498	-	181,049
After five years	56,287	-	92,084	148,371	118,582	-	86,436	205,018
	<u>145,591</u>	<u>183,065</u>	<u>92,084</u>	<u>420,740</u>	<u>150,881</u>	<u>158,498</u>	<u>86,436</u>	<u>395,815</u>

The shareholders' loan notes of £183,065,000 and preference shares of £92,084,000 are held by the parent undertaking, TGH Acquisitions Limited

The loan notes have a maturity of 30 September 2014 and bear interest at 15.5% per annum. Accrued interest will itself bear an interest charge of 15.5%, capitalising annually on 3 April.

The preference shares carry a coupon of 7.74% per annum. To the extent that preference share dividend remains unpaid, the accrued amount bears interest at a rate of 3% above LIBOR, capitalising annually on 30 September.

Included with the preference shares above is an amount of £31,921,000 (2010: £26,273,000) relating to accrued dividends and the related interest charge.

Notes (continued)

18 Other borrowings (continued)

The terms of the bank loans are as follows

Senior term loan A

(i) (£5.1 million)	Repayable in defined instalments up to 4 April 2015 Bears interest at 2.75% per annum above LIBOR
(ii) (SEK 94 million)	Repayable in defined instalments up to 4 April 2015 Bears interest at 2.75% per annum above STIBOR
(iii) (€20.7 million)	Repayable in defined instalments up to 4 April 2015 Bears interest at 2.75% per annum above EURIBOR

Senior term loan B

(i) (£3.5 million)	Repayable in full on 4 April 2016 Bears interest at 3.625% per annum above LIBOR
(ii) (SEK 177 million)	Repayable in full on 4 April 2016 Bears interest at 3.625% per annum above STIBOR
(iii) (€47.2 million)	Repayable in full on 4 April 2016 Bears interest at 3.625% per annum above EURIBOR

Senior term loan C

C(i) (£17.9 million)	Repayable in full on 4 April 2017 Bears interest at 3.875% per annum above LIBOR
C(ii) (€45.5 million)	Repayable in full on 4 April 2017 Bears interest at 3.875% per annum above EURIBOR

Interest rate hedges have been entered into by the group, summarised as follows

£11.4m at a fixed rate of 2.30% until 25 November 2013
£11.4m at a cap rate of 2.30% until 25 November 2013
€49.0m at a fixed rate of 2.32% until 25 November 2013
€49.0m at a cap rate of 2.32% until 25 November 2013
SEK115m at a fixed rate of 3.20% until 25 November 2013
SEK115m at a cap rate of 3.20% until 25 November 2013

The fair value of these instruments at 30 September 2011 is a liability of £1.4m (2010: £4.1m)

The group has access to a revolving credit facility of £10 million which, other than ancillary amounts in the form of performance bonds referred to in note 22, has remained undrawn throughout the year. Cash drawings bear interest at 2.75% per annum above LIBOR.

Notes (continued)

19 Provisions for liabilities and charges

Group

	Warranty provision £000
At beginning of year	(259)
Charge to the profit and loss account in the year	(255)
Utilised	259
	<hr/>
At end of year	(255)
	<hr/>

Deferred tax

The group has the following recognised and unrecognised deferred tax assets at 25% (2010 27%)

	£000
At beginning of year	2,908
Credit to the profit and loss account in the year	(96)
	<hr/>
At end of year	2,812
	<hr/>

	Recognised 2011 £000	Recognised 2010 £000	Unrecognised 2011 £000	Unrecognised 2010 £000
Excess book depreciation over tax allowances on fixed assets	1,758	1,730	2	2
UK trading losses	-	-	6,046	4,776
Other timing differences	727	1,006	2,513	2,956
Overseas losses	327	172	6	6
	<hr/>	<hr/>	<hr/>	<hr/>
	2,812	2,908	8,567	7,740
	<hr/>	<hr/>	<hr/>	<hr/>

The utilisation of deferred tax assets relies on a number of factors including the future profitability of the UK and overseas companies. Where the recoverability of these amounts within the foreseeable future is uncertain the deferred tax asset shown above has not been recognised in these financial statements. Where current forecasts indicate that these amounts will be recoverable within the foreseeable future, a deferred tax asset has been recognised as disclosed in note 14.

Notes (continued)

20 Called up share capital

	2011 £000	2010 £000
<i>Authorised.</i>		
800 000 A ordinary shares of £1 each	800	800
141 177 B ordinary shares of £1 each	141	141
	<hr/>	<hr/>
	941	941
60,226,053 preference shares of £0.01 each	60	60
	<hr/>	<hr/>
<i>Allotted, called up and fully paid.</i>		
800 000 A ordinary shares of £1 each	800	800
131,591 B ordinary shares of £1 each	131	131
	<hr/>	<hr/>
	931	931
60,162,519 preference shares of £0.01 each	60	60
	<hr/>	<hr/>

Rights of shares

The preference shares have a coupon rate of 7.74% of the issue price, being the aggregate amount of the nominal value and share premium of the shares. The dividends are payable annually subject to there being sufficient distributable reserves. Where the dividends are not capable of being paid, the unpaid dividends bear interest at 3% above LIBOR.

The preference shares were issued at £1 each. The share capital and share premium are classified within creditors amounts falling due after more than one year and disclosed within other borrowings (note 19).

On return of capital, the surplus assets after payment of all liabilities is applied in the following order:

- (a) preference shares equal to 100% of the issue price plus any unpaid dividend,
- (b) "A" ordinary shares equal to 100% of the issue price,
- (c) "B" ordinary shares equal to 100% of the issue price,
- (d) the balance is distributed amongst holders of "A" and "B" ordinary shares pari passu.

Each "A" ordinary share and each "B" ordinary share entitles the holder to one vote. Preference shares do not carry any voting rights.

Notes (continued)

21 Share capital and reserves

Group

	2011			
	Share capital	Share premium account	Profit and loss account	Total
	£000	£000	£000	£000
At beginning of year	931	55	(144,907)	(143,921)
Loss for the year	-	-	(20,874)	(20,874)
Currency movement	-	-	761	761
Actuarial gain on pension scheme	-	-	1,746	1,746
At end of year	931	55	(163,274)	(162,288)

Company

	2011			
	Share capital	Share premium account	Profit and loss account	Total
	£000	£000	£000	£000
At beginning of year	931	55	6,185	7,171
Loss for the year	-	-	(253)	(253)
At end of year	931	55	5,932	6,918

22 Guarantees and other financial commitments

At 30 September 2011, the group had the following commitments outstanding

(a) Operating lease commitments

	Land and buildings		Plant, machinery and vehicles	
	2011	2010	2011	2010
	£000	£000	£000	£000
Minimum annual lease rentals under operating leases which expire				
Within one year	101	175	829	763
Within two to five years	308	776	1,476	1,553
After five years	254	151	-	-
	663	1,102	2,305	2,316

The leases of land and buildings are subject to rent reviews at various intervals specified in the leases

Notes (continued)

22 Guarantees and other financial commitments (continued)

(b) Contingencies

At 30 September 2011, the group had contingent liabilities in respect of performance bonds totalling £838,000 (2010 £902,000) given by the group's bankers

(c) Security

The assets of the group are pledged by TGH Finance Limited to its bankers as security against loans

23 Pension scheme

The group contributes to a number of pension schemes for its employees. Details of the significant schemes are as follows

The group operates a funded pension scheme (Tunstall Group Limited Pension Fund ('TGLPF')) providing retirement and death benefits for UK employees of the group based on final pensionable pay and the assets of the scheme are held in self-administered trust funds separate from the group assets. The scheme was closed to new entrants from 1 January 2002, with new employees offered defined contribution arrangements under the company stakeholder scheme. A full actuarial valuation of the scheme was carried out at 5 April 2010 and updated for FRS 17 purposes to 30 September 2011 by a qualified independent actuary.

During the year ended 30 September 2011, the group paid regular contributions to the pension plan of £680,000 (2010 £696,000) in respect of the defined benefits arrangements. Contributions for the year ended 30 September 2012 are expected to be £1,700,000.

The accrued contributions at the end of the financial year were £71,000 (2010 £94,000).

FRS 17 valuation of the TGLPF scheme

Scheme assets are stated at fair value at 30 September 2011 and the liabilities of the scheme have been assessed as at the same date.

The major assumptions used to calculate the scheme liabilities under FRS 17 are

	2011	2010
Rate of increase in salaries	3.20%	3.20%
Rate of increase in pensions in payment and deferred pensions	3.20%	3.20%
Discount rate applied to scheme liabilities	5.20%	5.00%
Inflation assumption	3.20%	3.20%

The mortality table used was 110% of SAPS Year of Birth long CMI 2009 projections (2010 SAPS Year of Birth long CMI 2009 projections).

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Notes (continued)

23 Pension scheme (continued)

The fair value of the assets in the scheme which are not intended to be realised in the short term and may be subject to significant change before they are realised and the present value of the scheme's liabilities which are derived from cash flow projections over long periods and thus inherently uncertain, were

	Long term rate of return 2011 %	Value at 30 September 2011 £000	Long term rate of return 2010 %	Value at 30 September 2010 £000
Equities	7.30%	14,666	7.80%	-
Bonds	5.20%	22,073	5.00%	36,315
Other	0.50%	30	0.50%	92
		<hr/>		<hr/>
Present value of scheme liabilities		36,769 (46,716)		36,407 (47,257)
		<hr/>		<hr/>
Deficit in the scheme		(9,947)		(10,850)
Related deferred tax asset (unrecognised) at 25% (2010: 27%)		2,487		2,930
		<hr/>		<hr/>
Net deficit		(7,460)		(7,920)
		<hr/>		<hr/>

Movements in fair value of plan assets

	2011 £000	2010 £000
At beginning of year	36,407	32,607
Expected return on plan assets	1,814	1,783
Actuarial losses	(1,363)	2,274
Contributions		
By employer	680	696
By members	53	60
Benefits paid	(822)	(1,013)
	<hr/>	<hr/>
At end of year	36,769	36,407
	<hr/>	<hr/>

Movements in present value of defined benefit obligation

	2011 £000	2010 £000
At beginning of year	(47,257)	(41,630)
Current service cost	(969)	(814)
Interest cost	(2,368)	(2,286)
Contributions by members	(53)	(60)
Contributions by employer	822	1,013
Actuarial gain/(loss)	3,109	(3,480)
	<hr/>	<hr/>
At end of year	(46,716)	(47,257)
	<hr/>	<hr/>

Notes (continued)

23 Pension scheme (continued)

Statement of total recognised gains and losses

	2011 £000	2010 £000
Actual return less expected return on assets	(1,363)	2,274
Changes in assumptions underlying the present value of the scheme liabilities	3,109	(3,480)
	<u>1,746</u>	<u>(1,206)</u>

Analysis of other pension costs charged in arriving at operating profit

	2011 £000	2010 £000
Current service cost	969	814

Analysis of amounts included in other finance costs

	2011 £000	2010 £000
Expected return on pension scheme assets	1,814	1,783
Interest on pension scheme liabilities	(2,368)	(2,286)
	<u>(554)</u>	<u>(503)</u>

History of plans

The history of the plans for the current and prior periods is as follows

Balance sheet

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Present value of scheme liabilities	(46,716)	(47,257)	(41,630)	(31,310)	(33,524)
Fair value of scheme assets	36,769	36,407	32,607	30,337	31,432
	<u>(9,947)</u>	<u>(10,850)</u>	<u>(9,023)</u>	<u>(973)</u>	<u>(2,092)</u>

Experience adjustments

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Experience adjustments on scheme assets	(1,363)	2,274	(99)	(3,827)	(1,244)
Experience adjustments on scheme liabilities	-	1,532	-	-	(1,134)

Notes *(continued)*

24 Post balance sheet event

On 22 December 2011, the Group completed the acquisition of American Medical Alert Corp (AMAC), a US provider of social alarms monitoring and healthcare response services. The Group's offer of \$8.55 per share valued AMAC's outstanding common stock at \$82.3m.

25 Ultimate parent company

The ultimate parent company is Tunstall Healthcare Group Limited.

The results of the group are consolidated into the financial statements of Tunstall Healthcare Group Limited. The consolidated financial statements of that group may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ.

Principal subsidiary undertakings and associates

Subsidiary	Principal activity	Country of incorporation	% shareholding	
			Direct	Via subsidiary
Tunstall Group Finance Limited	Intermediate holding company	England	100%	
Tunstall Group Acquisition Limited	Intermediate holding company	England		100%
Tunstall Holdings Limited	Intermediate holding company	England		100%
Tunstall Group Limited	Intermediate holding company	England		100%
Tunstall Healthcare (UK) Limited	Marketing, installation and service of community alarms	England		100%
Tunstall Iberica SA	Marketing, installation and service of community alarms	Spain		100%
Biotel SA	Marketing, installation and service of community alarms	France		100%
Tunstall AB	Marketing, installation and service of community alarms	Sweden		100%
Vitaris Response SAS	Monitoring of community alarms	France		100%
Tunstall GmbH	Installation of community alarms and hospital emergency communications systems	Germany		100%
Tunstall bv	Marketing, installation and service of community alarms	Holland		100%
Associates				
Tunstall-Proazimut AIE	Installation of community alarms in Spain	Spain		51%

All holdings of equity shares are of a single ordinary class

Tunstall-Proazimut AIE has a year end of 31 December