

**Tunstall Group Holdings Limited**

**Directors' report and consolidated  
financial statements**

**Registered number 05459713**

**Year ended 30 September 2009**

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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2009

### 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

In a year of global recession and financial market turmoil, Tunstall has experienced mixed results, seeing its UK and Australasian businesses grow year on year, but experiencing a decline in European markets. Overall, revenues declined by 4% on last year, falling from £147.2 million to £141.8 million.

Tunstall UK increased its revenues by 2% to £71.7 million. Growth of 14% (£3.5 million) in the home solutions market came through the continued adoption of the benefits of telecare and growth in telehealth. Assisted Living revenues fell by £1.7 million on last year, with continuation in the decline in the private developer markets which began in the second half of last year. UK Service and monitoring revenues increased by 4% to £22.1 million. Export sales to North America fell £0.8 million to £0.2 million, following the loss of our US distributor in 2008.

In Europe, revenues fell by 10% from £72.2 million to £64.7 million. Volumes in Spain reduced by 60% on 2008, reverting back to 2007 levels, resulting in a £6.7 million reduction in revenues. 2008 benefited from a one-off contract with the City of Madrid, but the anticipated increase in volumes elsewhere within Spain, from the further adoption of the Spanish Law of Dependence, did not fully materialise as the country re-prioritised public spending in the face of financial constraints. Danish revenues increased by £0.7 million following the acquisition of RTX Healthcare AS part way through 2008.

The Asia Pacific region market saw revenue growth of 22% from £3.7 million to £4.5 million, mainly within the Australian market, which is showing promising signs of the adoption of multi-sensor telecare solutions and is running a number of pilots for telehealth systems.

### 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 Stibor. As disclosed in note 18, this risk is managed through a number of interest rate hedges, fixing interest rates relating to approximately 73% of the value of the bank borrowings.

#### *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

Although 2009 was a challenging year, Tunstall demonstrated that its UK and Australasian markets are robust, having posted overall revenue growth in a tumultuous economic climate. Tunstall expects to continue to grow these markets, with further increase in telecare package content. Following the success in the telehealth trials in Cornwall, Tunstall is forecasting further pilot schemes to be launched, and mainstreaming of those regions trialing through 2009 into volume deployment. Both the telecare and telehealth solutions support the UK Department of Health's targeted saving through technology efficiencies.

## Directors' report

### Future prospects (*continued*)

Whilst the European markets were more severely impacted by the recession, signs of recovery were evident in the last quarter of 2009 with order intake levels increasing

2010 sees the launch of Tunstall's range of next-generation, digital-ready telecare solutions, designed to give both service users and care providers more choice and flexibility. These latest product releases include the digital-ready PNC6 call monitoring and management system and the IP Connect+, the latest addition to Tunstall's home telecare unit range, which for the first time gives service users the flexibility to communicate with monitoring centres using standard telephone, Internet and also GSM networks, all from a single home unit.

Although the UK telephony network digitalisation programme was suspended during 2009, there is still a need to drive towards digital readiness and Tunstall is working with many of its customers to make the transition and plan for a programmatic approach to the replacement of non digital-ready solutions. There will be renewed focus on the large corporate Private Developer market to ensure we are well placed to support the market recovery and resumption in new build community housing schemes.

### Research & Development

Despite the economic downturn, Tunstall invested £3.7 million in research & development, up 7% year on year, representing 2.6% of revenues (2008: 2.3%). Tunstall has invested in the development of an IP platform to address the changing requirements of its customer base, together with researching the long term requirements in developing its product roadmap. For the first time, certain items of expenditure have met the accounting standards criteria for capitalisation as disclosed in notes 1 and 10.

### KPI's

UK total orders on hand at £20.2 million are down £1 million (5%) on the opening orderbook level.

As at September 2009, UK Assisted Living order coverage amounted to 55% of budgeted revenues for the first 6 months of 2009/10, compared with 57% in 2008/09.

Overdue debt (accounts receivable balances beyond normal collection terms) amounted to £9.6 million, an increase of £0.6 million on September 2008. Provisions against these balances have increased by £0.7 million to £3.3 million.

Operating cash flow represented 116% of EBITDA (2008: 81%).

The group has access to a Revolving Credit Facility of £10 million which remained undrawn throughout the year, other than performance bonds as referred to in note 22.

Since the year end, the group has made a voluntary prepayment of £10 million against senior term loans.

Tunstall has remained compliant with all its financial covenants throughout the year.

### Results

The results for the year ending 30 September 2009 are set out on page 7. The group recorded a profit before operating exceptionals and amortisation of goodwill of £31.3 million (2008: £34.4 million).

### Dividends

No interim or final dividend was paid or proposed (2008: £nil).

### Directors

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

NA Duffy

JP Buckley (resigned 14 January 2010)

K Dyson (appointed 12 January 2010)

## Directors' report

### 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 31 days purchases (2008 52 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 magazine. Employees are consulted monthly on a wide range of matters affecting their current and future interests.

### Political and charitable contributions

During the year, the group contributed £1,142 (2008 £2,268) to charity. No political contributions were made (2008 £nil).

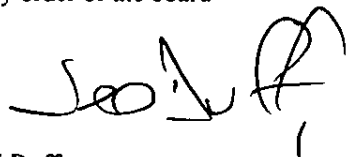
### Disclosure of information to auditors

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



N Duffy  
Company Secretary

Whitley Lodge  
Whitley Bridge  
Doncaster  
DN14 0HR

26 January 2010

## **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  
One Snowhill  
Snow Hill Queensway  
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B4 6GH

## **Independent auditors' 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 2009 set out on pages 7 to 37. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **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 2009 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



**PN Meehan (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*

26 January 2010



**Consolidated profit and loss account**  
*for the year ended 30 September 2009*

	<i>Note</i>	<b>2009</b> <b>£000</b>	<b>2008</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>141,755</b>	147,185
Operating profit before operating exceptionals and amortisation of goodwill ("EBITA")		<b>31,268</b>	34,426
Operating exceptional items	<b>3</b>	<b>(6,255)</b>	(812)
Amortisation of goodwill		<b>(13,220)</b>	(13,220)
<b>Operating profit</b>	<b>3</b>	<b>11,793</b>	20,394
Share of operating profits of associates	<b>12</b>	<b>92</b>	(12)
<b>Profit on ordinary activities before exceptional items and interest</b>		<b>11,885</b>	20,382
Profit on sale of associated undertaking		-	2,756
<b>Profit on ordinary activities before interest</b>		<b>11,885</b>	23,138
Interest receivable and similar income	<b>7</b>	<b>772</b>	2,710
Interest payable and similar charges	<b>8</b>	<b>(50,988)</b>	(49,768)
<b>Loss on ordinary activities before taxation</b>	<b>4</b>	<b>(38,331)</b>	(23,920)
Tax on loss on ordinary activities	<b>9</b>	<b>130</b>	(672)
<b>Loss on ordinary activities after taxation</b>	<b>21</b>	<b>(38,201)</b>	(24,592)

All of the turnover and results for the year are attributable to continuing operations

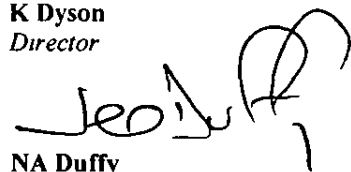
**Consolidated balance sheet**  
*at 30 September 2009*

	<i>Note</i>	<b>2009</b> <b>£000</b>	<b>£000</b>	<b>2008</b> <b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Intangible assets	10		211,683		223,915
Tangible assets	11		12,685		13,240
Investment in associates	12		-		(108)
			<hr/>		<hr/>
			224,368		237,047
<b>Current assets</b>					
Stocks	13	15,173		16,321	
Debtors	14	36,067		109,185	
Cash at bank and in hand		26,868		17,363	
		<hr/>		<hr/>	
			78,108		142,869
<b>Creditors</b> amounts falling due within one year	15	(34,017)		(111,053)	
		<hr/>		<hr/>	
<b>Net current assets</b>			44,091		31,816
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			268,459		268,863
<b>Creditors:</b> amounts falling due after more than one year	16	(384,990)		(346,658)	
<b>Provisions for liabilities and charges</b>	19	(1,377)		(701)	
		<hr/>		<hr/>	
<b>Net liabilities before net pension liabilities</b>			(117,908)		(78,496)
<b>Net pension liabilities</b>	23	(9,023)		(973)	
		<hr/>		<hr/>	
<b>Net liabilities</b>			(126,931)		(79,469)
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	20		931		931
Share premium account	21		55		55
Profit and loss account	21		(127,917)		(80,455)
			<hr/>		<hr/>
<b>Equity shareholders' deficit</b>			(126,931)		(79,469)
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 26 January 2010 and were signed on its behalf by



**K Dyson**  
*Director*



**NA Duffy**  
*Director*

Company registered number 5459713

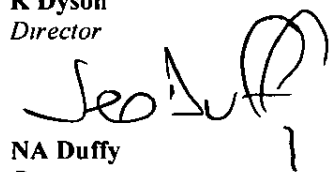
**Company balance sheet**  
*at 30 September 2009*

	<i>Note</i>	<b>2009</b> <b>£000</b>	<b>£000</b>	<b>2008</b> <b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Investments	12		79,299		79,299
<b>Current assets</b>					
Debtors	14	9,844		6,985	
Cash at bank and in hand		37		487	
		<u>9,881</u>		<u>7,472</u>	
<b>Creditors: Amounts falling due within one year</b>	15	<u>(574)</u>		<u>(2,476)</u>	
<b>Net current assets</b>			<u>9,307</u>		<u>4,996</u>
<b>Total assets less current liabilities</b>			<u>88,606</u>		<u>84,295</u>
<b>Creditors: Amounts falling due after more than one year</b>	16		<u>(81,014)</u>		<u>(75,518)</u>
<b>Net assets</b>			<u>7,592</u>		<u>8,777</u>
<b>Capital and reserves</b>					
Called up share capital	20		931		931
Share premium account	21		55		55
Profit and loss account	21		6,606		7,791
<b>Equity shareholders' funds</b>			<u>7,592</u>		<u>8,777</u>

These financial statements were approved by the board of directors on 26 January 2010 and were signed on its behalf by



**K Dyson**  
*Director*



**NA Duffy**  
*Director*

**Consolidated cash flow statement**  
*for the year ended 30 September 2009*

	<i>Note</i>	<b>2009</b> <b>£000</b>	2008 £000
<b>Net cash inflow from operating activities</b>	<i>(iii)</i>	<b>33,366</b>	31,028
<b>Returns on investments and servicing of finance</b>	<i>(iv)</i>	<b>(15,355)</b>	(7,035)
<b>Taxation</b>		<b>(3,322)</b>	(1,013)
<b>Capital expenditure</b>	<i>(v)</i>	<b>(3,868)</b>	(3,058)
<b>Acquisitions and disposals</b>	<i>(vi)</i>	<b>16</b>	3,121
<b>Net cash inflow before financing</b>		<b>10,837</b>	23,043
<b>Financing</b>	<i>(vii)</i>	<b>(3,682)</b>	(17,041)
<b>Net cash inflow</b>		<b>7,155</b>	6,002

**Notes to the consolidated cash flow statement**  
*for the year ended 30 September 2009*

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

	2009 £000	2008 £000
<b>Increase in cash</b>	<b>7,155</b>	<b>6,002</b>
Cash flow from decrease in debt	6,698	17,048
<b>Movement in net debt resulting from cash flows</b>	<b>13,853</b>	<b>23,050</b>
Interest added to principal	(23,912)	(26,870)
Amortisation of issue costs	(927)	(6,450)
Exchange adjustments	-	(8,871)
Issue of loan notes	(15,098)	-
<b>Movement in net debt</b>	<b>(26,084)</b>	<b>(19,141)</b>
Opening net debt	(335,575)	(316,434)
<b>Closing net debt</b>	<b>(361,659)</b>	<b>(335,575)</b>

**(ii) Analysis of changes in net debt**

	At 30 September 2008 £000	Cash flow £000	Other non-cash movements £000	Exchange adjustments £000	At 30 September 2009 £000
Cash at bank and in hand	17,363	7,155	-	2,350	26,868
Debt due within one year	(6,112)	6,523	(3,826)	-	(3,415)
Debt due after more than one year	(346,517)	-	(21,013)	(17,448)	(384,978)
Hire purchase contracts					
Due within one year	(168)	175	(131)	-	(124)
Due after more than one year	(141)	-	131	-	(10)
	(352,938)	6,698	(24,839)	(17,448)	(388,527)
<b>Net debt</b>	<b>(335,575)</b>	<b>13,853</b>	<b>(24,839)</b>	<b>(15,098)</b>	<b>(361,659)</b>

The non-cash movement represents amortisation of debt issue costs of £927,000 and increase in accrued interest of £23,912,000

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

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

	2009 £000	2008 £000
Operating profit before exceptional items	18,048	21,206
Cash outflow in respect of exceptional items	(2,072)	(812)
Loss on disposal of fixed assets	156	161
Depreciation charges	4,233	3,646
Amortisation of goodwill	13,220	13,220
Decrease/(increase) in stocks	837	(2,132)
Decrease/(increase) in debtors	71,230	(76,197)
(Decrease)/increase in creditors	(72,286)	71,936
	<hr/>	<hr/>
Net cash inflow from operating activities	33,366	31,028
	<hr/>	<hr/>

### (iv) Returns on investments and servicing of finance

	2009 £000	2008 £000
Interest received	701	2,710
Interest paid	(16,056)	(9,745)
	<hr/>	<hr/>
	(15,355)	(7,035)
	<hr/>	<hr/>

### (v) Capital expenditure and financial investment

	2009 £000	2008 £000
Purchase of intangible fixed assets	(1,004)	-
Purchase of tangible assets	(2,945)	(3,084)
Sale of tangible assets	81	26
	<hr/>	<hr/>
	(3,868)	(3,058)
	<hr/>	<hr/>

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

### (vi) Acquisitions and disposals

	2009 £000	2008 £000
Amounts paid in respect of acquisitions	-	(303)
Proceeds from sale of associated undertaking	-	3,424
Refund of legal fees overpaid	(16)	-
	<u>(16)</u>	<u>3,121</u>

### (vii) Financing

	2009 £000	2008 £000
Issue of ordinary share capital	-	7
New bank borrowings	-	156,500
Repayment of bank borrowings	(3,507)	(168,640)
New debt issue costs	-	(4,638)
Repayment of hire purchase contracts	(175)	(270)
	<u>(3,682)</u>	<u>(17,041)</u>

**Consolidated statement of total recognised gains and losses**  
*for the year ended 30 September 2009*

	2009 £000	2008 £000
<b>Loss for the financial year</b>	<b>(38,201)</b>	<b>(24,592)</b>
<b>Exchange differences on the retranslation of net investments and related borrowings</b>	<b>(1,032)</b>	<b>(1,529)</b>
<b>Actuarial loss on pension scheme</b>	<b>(8,229)</b>	<b>(41)</b>
	<hr/>	<hr/>
<b>Total recognised gains and losses relating to the financial year</b>	<b>(47,462)</b>	<b>(26,162)</b>
	<hr/> <hr/>	<hr/> <hr/>

**Reconciliation of movements in equity shareholders' funds**  
*for the year ended 30 September 2009*

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
<b>(Loss)/profit for the financial year</b>	<b>(38,201)</b>	<b>(24,592)</b>	<b>(1,185)</b>	<b>155</b>
Other recognised gains and losses relating to the year (net)	(9,261)	(1,570)	-	-
New share capital subscribed	-	7	-	7
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net (reduction in)/addition to shareholder's (deficit)/funds</b>	<b>(47,462)</b>	<b>(26,155)</b>	<b>(1,185)</b>	<b>162</b>
Opening equity shareholders' (deficit)/funds	(79,469)	(53,314)	8,777	8,615
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Closing equity shareholders' (deficit)/funds</b>	<b>(126,931)</b>	<b>(79,469)</b>	<b>7,592</b>	<b>8,777</b>
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## 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 2009 the group had net liabilities of £126,931,000. This was after classifying, in accordance with UK GAAP, preference shares of £81,014,000 and unsecured subordinated shareholder loan notes of £137,228,000 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 these financial statements. Accordingly, the directors have prepared these financial statements on a going concern basis.

#### ***Basis of consolidation***

The consolidated financial statements include the results of the company and its subsidiary undertakings up to 30 September 2009, 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.

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)	
	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000
<i>Analysis by country of origin</i>						
UK	71,696	70,469	23,548	24,409	13,841	91,126
Germany	17,599	16,560	3,103	3,211	12,589	12,856
Sweden	16,160	18,275	1,207	2,643	(238)	341
Other European countries	30,945	37,348	(1,916)	4,366	2,282	3,946
Rest of the world	5,355	4,533	(837)	(1,027)	(4,396)	(1,292)
	<u>141,755</u>	<u>147,185</u>	<u>25,105</u>	<u>33,602</u>	<u>24,078</u>	<u>106,977</u>
Amortisation of goodwill	-	-	(13,220)	(13,220)	-	-
	<u>141,755</u>	<u>147,185</u>	<u>11,885</u>	<u>20,382</u>	<u>24,078</u>	<u>106,977</u>
Share of net assets of associated undertaking					(27)	(108)
Goodwill					210,679	223,915
Net interest bearing liabilities					(361,661)	(410,253)
					<u>(126,931)</u>	<u>(79,469)</u>
					2009 £000	2008 £000
<i>Analysis of turnover by country of destination</i>						
United Kingdom					71,038	68,131
Germany					15,917	14,826
Sweden					15,920	17,930
Other European countries					32,042	39,362
Rest of the world					6,838	6,936
					<u>141,755</u>	<u>147,185</u>

The directors consider there is only one class of business

## Notes (continued)

### 3 Costs and overheads

	2009 £000	2008 £000
Movement in stocks	1,148	(2,132)
Raw materials and consumables	44,659	50,966
Other external charges	26,431	22,775
Staff costs	40,271	38,316
Depreciation and amortisation	17,453	16,866
	<u>129,962</u>	<u>126,791</u>

Included in other external charges are operating exceptional items of £6,255,000, including £2,267,000 relating to provision against asset values of the French subsidiary, Biotel SA, provision against restructure of Asia Pacific businesses (£440,000) and redundancy and restructuring costs elsewhere in the businesses (£1,024,000), specific bad debt provision of £2,060,000, legal costs of £289,000 relating to costs of a supplier arbitration case and £175,000 in relation to an ongoing field replacement programme to remove certain items within the Attendo product range where a potential warranty issue exists

During the year, management identified issues on the recoverability of trading balances in the Biotel SA subsidiary, which led to a thorough re-appraisal of activities in the French market, including impairment of trading assets and restructuring of operations. This resulted in the £2,267,000 exceptional charge referred to above

Included within other external charges in 2008 were operating exceptional items of £812,000 relating to restructuring of non-core businesses (£381,000), costs associated with the sale of the business (£100,000) and field replacement warranty costs (£331,000)

### 4 Loss on ordinary activities before taxation

	2009 £000	2008 £000
<i>Loss on ordinary activities before taxation is stated after charging/(crediting)</i>		
Loss on disposal of fixed assets	156	161
Auditors' remuneration		
Audit of these financial statements	3	10
Audit of financial statements of subsidiaries pursuant to legislation	287	299
Taxation services	84	63
Remuneration of other subsidiary auditors	29	19
Research and development costs	2,664	3,425
Operating lease rentals		
Land and buildings	1,087	875
Motor vehicles	2,502	2,280

Remuneration of £144,000 was paid to the group's auditors in respect of other services in 2009

## Notes (continued)

### 5 Remuneration of directors

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

	2009 £000	2008 £000
Directors' emoluments	504	590
Pension contributions in relation to money purchase schemes	-	40
	<u>504</u>	<u>630</u>
Highest paid director		
Emoluments	292	245
Accrued defined benefit pension entitlement	25	21
	<u>25</u>	<u>21</u>

Two directors (2008 two) accrued benefits under the group's defined benefit pension scheme in respect of qualifying services during the year. No directors (2008 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 2009	2008
Production and distribution	438	464
Sales and administration	640	657
Research and development	57	54
	<u>1,135</u>	<u>1,175</u>

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	33,676	30,989
Social security costs	4,677	4,616
Other pension costs	1,918	2,711
	<u>40,271</u>	<u>38,316</u>

## Notes (continued)

### 7 Interest receivable and similar income

	2009 £000	2008 £000
Bank interest	119	197
Financial income in respect of pensions	71	-
Interest receivable from parent and ultimate parent undertakings	582	2,513
	<u>772</u>	<u>2,710</u>

### 8 Interest payable and similar charges

	2009 £000	2008 £000
On hire purchase contracts	24	33
On bank loans and overdrafts	12,735	11,864
On all other loans	-	16,550
Retranslation of foreign currency denominated borrowings	17,244	3,502
All other exchange (gains)/losses	(4,135)	3,197
Preference share dividend	4,656	5,463
Amortisation of debt issue costs	927	6,450
Interest payable to parent and ultimate parent undertakings	19,537	2,705
Financial expense in respect of pensions	-	4
	<u>50,988</u>	<u>49,768</u>

### 9 Taxation

#### Analysis of (credit)/charge in year

	2009 £000	2008 £000
<i>Current tax</i>		
Current tax on income for the year	598	972
Adjustments in respect of prior years	(6)	97
	<u>592</u>	<u>1,069</u>
Current tax charge		
Share of current taxation of overseas associated undertakings	-	-
	<u>592</u>	<u>1,069</u>
<i>Deferred tax (note 19)</i>		
Origination and reversal of timing differences	(310)	(321)
Adjustments in respect of prior years	(412)	(76)
	<u>(130)</u>	<u>672</u>
Tax (credit)/charge on profit on ordinary activities		
	<u>(130)</u>	<u>672</u>



## Notes (continued)

### 9 Taxation (continued)

#### Factors affecting the tax charge for the year

The current tax charge for the year is higher (2008 higher) than the standard rate of corporation tax in the UK of 28% (2008 29%). The differences are explained below

	2009 £000	2008 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(38,331)	(23,920)
	<hr/>	<hr/>
Current tax at 28% (2008 29%)	(10,733)	(6,937)
<i>Effects of</i>		
Expenses not deductible for tax purposes	2,113	2,836
Increase in UK tax losses carried forward	4,878	288
Decrease in overseas tax losses carried forward	143	(341)
Capital allowances less than/(in excess of) depreciation	242	357
Overseas tax – rate differences	174	604
Goodwill amortisation not deductible for tax purposes	3,678	3,834
Adjustments in respect of prior years	(6)	97
Other timing differences	103	331
	<hr/>	<hr/>
Total current tax charge (see above)	592	1,069
	<hr/>	<hr/>

#### 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	-	264,084	264,084
additions	1,004	-	1,004
Adjustments to carrying value of goodwill	-	(16)	(16)
	<hr/>	<hr/>	<hr/>
At end of year	1,004	264,068	265,072
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At beginning of year	-	40,169	40,169
Charged in year	-	13,220	13,220
	<hr/>	<hr/>	<hr/>
At end of year	-	53,389	53,389
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 30 September 2009	1,004	210,679	211,683
	<hr/>	<hr/>	<hr/>
At 30 September 2008	-	223,915	223,915
	<hr/>	<hr/>	<hr/>

## 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.

In accordance with FRS 10 "Goodwill and Intangible assets", the directors have completed a review of fair value adjustments made on the acquisition of RTX Healthcare Limited on 30 June 2008. The adjustment reflects a refund of legal fees in relation to the acquisition.

The capitalised research and development expenditure of £1,004,000 relates to development of a technical and architectural framework which will allow the business to develop the next generation of platforms capable of both meeting and setting the standards within the health and social care environment across the world. The project is ongoing and is expected to be completed in early 2010 and, as such, no amortisation has been charged in the year. Once completed, the project costs will be amortised over four years, being the expected useful life of the first generation of products to which they relate.

On 7 September 2009, Tunstall Australasia Pty Limited entered into an agreement with Care Services Inc, for the phased transfer of the latter's monitoring clients to Tunstall. Under the terms of the agreement, a payment of AU\$180 is payable for each former private client of Care Services who remains a client of Tunstall as at 28 February 2010, or corporate client who remains a customer at 31 March 2010. Tunstall made an initial deposit of AU\$50,000 to acquire the private client list and rental alarms of Care Services Inc. This payment has been included within fixed assets.

During the year ended 30 September 2009, 500 private clients were transferred. On 1 October 2009, the corporate client list was acquired and a further 1,200 corporate clients transferred. The maximum additional amount payable under the terms of the agreement would be AU\$256,000. However, due to the uncertainty as to the extent of the likely payment given the recent acquisition, management have not made provision for contingent consideration in these financial statements.

## Notes (continued)

### 11 Tangible fixed assets

#### Group

	Freehold property	Plant, fixtures and vehicles	Total
	£000	£000	£000
<b>Cost</b>			
At beginning of year	5,372	18,357	23,729
Additions	-	2,945	2,945
Disposals	-	(1,166)	(1,166)
Currency movements	-	2,766	2,766
At end of year	5,372	22,902	28,274
<b>Depreciation</b>			
At beginning of year	527	9,962	10,489
Charge for year	162	4,071	4,233
Disposals	-	(929)	(929)
Currency movement	-	1,796	1,796
At end of year	689	14,900	15,589
<b>Net book value</b>			
At 30 September 2009	4,683	8,002	12,685
At 30 September 2008	4,845	8,395	13,240

Included within plant, fixtures and vehicles are assets held under finance leases with a net book value of £122,000 (2008 £302,000). The depreciation charge for the year on these assets was £180,000 (2008 £270,000). During the year, ownership of certain assets previously held under finance leases transferred to the group.

### 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	(108)
Share of profits of associate	92
Currency	(11)
Transferred to provisions for liabilities and charges (note 19)	27
	<hr/>
<b>At end of year</b>	<b>-</b>
	<hr/> <hr/>

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

### 13 Stocks

#### Group

	2009 £000	2008 £000
Raw materials	1,259	1,280
Work in progress	1,655	2,443
Contract work in progress	1,289	2,583
Finished goods	10,970	10,015
	<hr/>	<hr/>
	<b>15,173</b>	<b>16,321</b>
	<hr/> <hr/>	<hr/> <hr/>

### 14 Debtors

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Trade debtors	20,442	29,716	-	-
Amounts recoverable on contracts	-	2,687	-	-
Amounts owed by subsidiary undertakings	-	-	9,844	6,985
Amounts owed by parent and ultimate parent undertakings	9,063	71,712	-	-
Other debtors	2,259	1,086	-	-
Prepayments	1,598	2,027	-	-
Deferred tax (note 19)	2,705	1,957	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>36,067</b>	<b>109,185</b>	<b>9,844</b>	<b>6,985</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Of the deferred tax asset of £2,705,000 (2008 £1,957,000), an amount of £96,000 (2008 £144,000) 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 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Obligations under finance leases and hire purchase contracts (note 17)	124	168	-	-
Other borrowings (note 18)				
Bank loans	3,415	6,112	-	-
Trade creditors	6,772	9,086	-	-
Corporation tax	-	2,704	-	227
Other taxes and social security	2,733	3,198	-	-
Accruals and deferred income	18,156	16,793	-	-
Other creditors	1,311	1,088	202	202
Amounts owed to subsidiary undertakings	-	-	372	2,047
Amounts owed to parent and ultimate parent undertaking	1,506	71,904	-	-
	<u>34,017</u>	<u>111,053</u>	<u>574</u>	<u>2,476</u>

### 16 Creditors: amounts falling due after more than one year

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Obligations under finance leases and hire purchase contracts (note 17)	10	141	-	-
Other borrowings (note 18)				
Bank loans	166,738	152,187	-	-
Shareholders' loan notes	137,228	118,812	-	-
Preference shares	81,014	75,518	81,014	75,518
	<u>384,990</u>	<u>346,658</u>	<u>81,014</u>	<u>75,518</u>

### 17 Obligations under hire purchase agreements

Group	2009 £000	2008 £000
Amount payable within one year	124	168
Amounts payable within two to five years	10	141
	<u>134</u>	<u>309</u>

These borrowings are secured on the assets to which they relate

## Notes (continued)

### 18 Other borrowings

	2009				2008			
	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
<b>Repayment terms</b>								
Wholly within five years – not by instalments	1,148	-	-	1,148	4,161	-	-	4,161
Not wholly within five years – by instalments	172,251	137,228	-	309,479	158,311	-	-	158,311
Not wholly within five years not by instalments	-	-	81,014	81,014	-	118,812	75,518	194,330
Unamortised issue costs	(3,246)	-	-	(3,246)	(4,173)	-	-	(4,173)
	<u>170,153</u>	<u>137,228</u>	<u>81,014</u>	<u>388,395</u>	<u>158,299</u>	<u>118,812</u>	<u>75,518</u>	<u>352,629</u>
<b>Maturity</b>								
On demand or within one year	3,415	-	-	3,415	6,112	-	-	6,112
Between one and two years	2,666	-	-	2,666	1,951	-	-	1,951
Between two and five years	21,764	137,228	-	158,992	15,174	-	-	15,174
After five years	142,308	-	81,014	223,322	135,062	118,812	75,518	329,392
	<u>170,153</u>	<u>137,228</u>	<u>81,014</u>	<u>388,395</u>	<u>158,299</u>	<u>118,812</u>	<u>75,518</u>	<u>352,629</u>

The shareholders' loan notes of £137,228,000 and preference shares of £81,014,000 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 £20,851,000 (2008 £15,356,000) 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) (£5.7 million)	Repayable in defined instalments up to 4 April 2015 Bears interest at 2.75% per annum above LIBOR
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(ii) (SEK 106 million)	Repayable in defined instalments up to 4 April 2015 Bears interest at 2.75% per annum above STIBOR
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(iii) (€23.4 million)	Repayable in defined instalments up to 4 April 2015 Bears interest at 2.75% per annum above EURIBOR
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*Senior term loan B*

(i) (£4 million)	Repayable in full on 4 April 2016 Bears interest at 3.625% per annum above LIBOR
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(ii) (SEK 197 million)	Repayable in full on 4 April 2016 Bears interest at 3.625% per annum above STIBOR
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(iii) (€52.4 million)	Repayable in full on 4 April 2016 Bears interest at 3.625% per annum above EURIBOR
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*Senior term loan C*

C(i) (£20 million)	Repayable in full on 4 April 2017 Bears interest at 3.875% per annum above LIBOR
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C(ii) (€50.6 million)	Repayable in full on 4 April 2017 Bears interest at 3.875% per annum above EURIBOR
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Interest rate hedges have been entered into by the group, summarised as follows

£52.7 million at a fixed rate cap of 4.98% until 31 May 2011  
£19.7 million at a fixed rate cap of 5.015% until 31 May 2010  
€97.7 million at a fixed rate cap of 4.17% until 31 May 2011  
€36.1 million at a fixed rate cap of 4.20% until 31 May 2010  
SEK 245 million at a fixed rate cap of 4.51% until 31 May 2011

The fair value of these instruments as at 30 September 2009 is a liability of £10,326,500 (2008 asset of £715,000)

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	Provision for investment in associate £000	Warranty provision £000	Total £000
At beginning of year	-	(701)	(701)
Credit to the profit and loss account in the year	-	606	606
Utilised	-	(1,255)	(1,255)
Transferred from investments (note 12)	(27)	-	(27)
<b>At end of year</b>	<b>(27)</b>	<b>(1,350)</b>	<b>(1,377)</b>

#### Deferred tax

The group has the following recognised and unrecognised deferred tax assets (at 28%)

	£000
At beginning of year	1,957
Credit to the profit and loss account in the year	722
Foreign exchange movement	26
<b>At end of year</b>	<b>2,705</b>

	Recognised 2009 £000	Recognised 2008 £000	Unrecognised 2009 £000	Unrecognised 2008 £000
Excess book depreciation over tax allowances on fixed assets	1,503	1,056	7	6
UK trading losses	-	-	5,026	-
Other timing differences	1,004	746	2,551	445
Overseas losses	198	155	27	196
	<b>2,705</b>	<b>1,957</b>	<b>7,611</b>	<b>647</b>

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

	2009 £000	2008 £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 and 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

	Share capital	2009 Share premium account	Profit and loss account	Total
	£000	£000	£000	£000
At beginning of year	931	55	(80,455)	(79,469)
Loss for the year	-	-	(38,201)	(38,201)
Currency movement	-	-	(1,032)	(1,032)
Actuarial gain on pension scheme	-	-	(8,229)	(8,229)
<b>At end of year</b>	<b>931</b>	<b>55</b>	<b>(127,917)</b>	<b>(126,931)</b>

#### Company

	Share capital	2009 Share premium account	Profit and loss account	Total
	£000	£000	£000	£000
At beginning of year	931	55	7,791	8,777
Loss for the year	-	-	(1,185)	(1,185)
<b>At end of year</b>	<b>931</b>	<b>55</b>	<b>6,606</b>	<b>7,592</b>

### 22 Guarantees and other financial commitments

At 30 September 2009, the group had the following commitments outstanding

#### (a) Operating lease commitments

	Land and buildings		Plant, machinery and vehicles	
	2009 £000	2008 £000	2009 £000	2008 £000
Minimum annual lease rentals under operating leases which expire				
Within one year	155	104	676	619
Within two to five years	735	581	1,457	1,285
After five years	89	105	-	16
	<b>979</b>	<b>790</b>	<b>2,133</b>	<b>1,920</b>

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 2009, the group had contingent liabilities in respect of performance bonds totalling £1,280,000 (2008 £1,233,000) given by the group's bankers

#### (c) Security

The assets of the group are pledged by TGH Finance Limited to their 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 2007 and updated for FRS 17 purposes to 30 September 2009 by a qualified independent actuary.

During the year ended 30 September 2009, the group paid regular contributions to the pension plan of £520,000 (2008 £543,000) in respect of the defined benefits arrangements. Contributions for the year ended 30 September 2010 are expected to be £696,000.

The group also paid £1,506,000 (2008 £1,177,000) in respect of defined contribution arrangements. The accrued contributions at the end of the financial year were £62,000 (2008 £58,000).

#### **FRS 17 valuation of the TGLPF scheme**

Scheme assets are stated at fair value at 30 September 2009 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

	2009	2008
Rate of increase in salaries	3.10%	3.40%
Rate of increase in pensions in payment and deferred pensions	3.10%	3.40%
Discount rate applied to scheme liabilities	5.50%	6.80%
Inflation assumption	3.10%	3.40%

In each year, the mortality table used was PA92 Medium Cohort plus 1 year age adjustment.

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 2009 %	Value at 30 September 2009 £000	Long term rate of return 2008 %	Value at 30 September 2008 £000
Equities	8.00%	-	8.00%	11,264
Bonds	5.50%	32,519	6.80%	19,039
Other	0.50%	88	5.00%	34
		<u>32,607</u>		<u>30,337</u>
Present value of scheme liabilities		(41,630)		(31,310)
Deficit in the scheme		<u>(9,023)</u>		<u>(973)</u>
Related deferred tax asset (unrecognised)		2,526		272
Net deficit		<u>(6,497)</u>		<u>(701)</u>

#### Movements in fair value of plan assets

	2009 £000	2008 £000
At beginning of year	30,337	31,432
Expected return on plan assets	2,202	1,995
Actuarial losses	(99)	(3,827)
Contributions		
By employer	520	1,643
By members	255	319
Benefits paid	(608)	(1,225)
At end of year	<u>32,607</u>	<u>30,337</u>

#### Movements in present value of defined benefit obligation

	2009 £000	2008 £000
At beginning of year	(31,310)	(33,524)
Current service cost	(412)	(479)
Interest cost	(2,131)	(1,999)
Contributions by members	(255)	(319)
Contributions by employer	608	1,225
Actuarial (loss)/gain	(8,130)	3,786
At end of year	<u>(41,630)</u>	<u>(31,310)</u>

## Notes (continued)

### 23 Pension scheme (continued)

#### Statement of total recognised gains and losses

	2009 £000	2008 £000
Actual return less expected return on assets	(99)	(3,827)
Changes in assumptions underlying the present value of the scheme liabilities	(8,130)	3,786
	<u>(8,229)</u>	<u>(41)</u>

#### Analysis of other pension costs charged in arriving at operating profit

	2009 £000	2008 £000
Current service cost	412	479

#### Analysis of amounts included in other finance costs

	2009 £000	2008 £000
Expected return on pension scheme assets	2,202	1,995
Interest on pension scheme liabilities	(2,131)	(1,999)
	<u>71</u>	<u>(4)</u>

#### History of plans

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

##### Balance sheet

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Present value of scheme liabilities	(41,630)	(31,310)	(33,524)	(33,008)	(31,003)
Fair value of scheme assets	32,607	30,337	31,432	30,434	28,870
	<u>(9,023)</u>	<u>(973)</u>	<u>(2,092)</u>	<u>(2,574)</u>	<u>(2,133)</u>

##### Experience adjustments

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Experience adjustments on scheme assets	(99)	(3,827)	(1,244)	(719)	2,961
	<u>-</u>	<u>-</u>	<u>(1,134)</u>	<u>-</u>	<u>399</u>

## **Notes** *(continued)*

### **24 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%
Vitaris GmbH	Marketing, installation and service of community alarms	Germany		100%
Tunstall bv	Marketing, installation and service of community alarms	Holland		100%
Tunstall Taiwan Co Ltd	Marketing, installation service and monitoring of community alarms	Taiwan		100%
<b>Associates</b>				
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