Tunstall Group Holdings Limited

Directors' report and consolidated financial statements

Registered number 05459713

For the year ended 30 September 2010

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2010

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

The group has increased its turnover by 4 3% to £147 9m, in a year of difficult market and economic conditions

UK revenues reduced by 7% to £66 7m as a result of delayed spending decisions amongst the customer base following the run up to the General Election, the uncertainty of a Coalition Government and the subsequent Comprehensive Spending Review (CSR) Volume of sales of base units to new users increased by 8% as the market continues to recognize the benefits of telecare, but replacement unit volume reduced by 44% as customers delayed product replacement decisions UK Telehealth revenues have increased by 10%, and included a strategic deployment for care pathway redesign and telehealth implementation The Assisted Living market saw a decline in revenues from £21 0m to £19 0m as customers chose to maintain existing installations in the face of the economic downturn This has consequently had a beneficial impact on our Service revenues, which have increased from £18 3m to £19 5m

In Europe, revenues grew from £64 7m to £74 0m, an increase of 14 3%, with recovery of sales volumes in Spain, and growth in telehealth sales from our Danish subsidiary into US and Germany Domestic German revenues grew by 8%, benefiting from government funding in the hospital sector to stimulate the market

In the rest of the world, revenues grew by 34% to £7 2m, mainly as a result of the acquisition of monitoring connections in Australia at the end of 2009

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 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 though to November 2013, fixing interest rates relating to approximately 89% 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

Directors' report

Future Prospects

As the UK and European markets continue to emerge from the recent recession, their respective governments continue to make cost savings across all aspects of public spending

Tunstall's product range can support these aims through technology efficiencies and we continue to lobby policy makers to promote the benefits of our products and services

Following the UK telehealth pilot in 2009 and the first large scale roll-out of telehealth in 2010, the latter incorporating a redesign of the care pathways, we have identified a number of opportunities with UK local authorities, which should allow for further growth in 2011 In addition, there are a number of similar opportunities internationally

In the telecare market, we have seen further growth in the number of peripheral devices sold and the international markets are demonstrating a greater interest in such sensors

Whilst we have experienced a lengthening of the product replacement cycles in our core telecare and assisted living markets, in the face of political and economic uncertainty, this has brought with it an increase in service revenues as the volume of out-of-warranty products increases The delay in product replacement is not a sustainable position on the part of our customers and consequently we expect to see a recovery in these core markets

Research & Development

During the year, Tunstall invested £3 2m in research and development (before allocation of grants receivable amounting to £0 4m), representing 2 1% of revenues Whilst this represents a reduction year on year of £0 4m, the 2009 expenditure included £1m of capitalized costs in relation to 3rd party development of an IP platform

KPI's

UK order intake increased by 2% over 2009 and year end orders on hand totaled £20 7 million (2009 £20 2 million)

As at September 2010, UK Assisted Living order coverage amounted to 63% of budgeted revenues for the first 6 months of 2010/11, compared with 55% in 2009/10

Overdue debt (accounts receivable balances beyond normal collection terms) amounted to £12 1 million, an increase of £2 5 million on September 2009 Provisions against these balances have reduced by £1 5 million to £1 8 million following the release of a specific provision against a balance which has been collected subsequent to the year end

Operating Cashflow represented 85% of EBITDA (2009 116%)

The Group had access to a Revolving Credit Facility of £10 million which remained undrawn, other than relating to performance bonds as referred to in note 22

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

Results

The results for the year ending 30 September 2010 are set out on page 7 The group recorded a profit before operating exceptionals and amortisation of goodwill of £36 0 million *(2009 £31 3 million)*

Dividends

No interim or final dividend was paid or proposed *(2009 £nil)*

Directors' report

Directors

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

NA Duffy	
J Buckley	(resigned 14 January 2010)
K Dyson	(appointed 12 January 2010)
G Baldwin	(appointed 8 April 2010)

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 42 days purchases (*2009 31 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

Political and charitable contributions

During the year, the group contributed £1,235 (*2009 £1,142*) to charity No political contributions were made (*2009 £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

21 January 2011

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 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 2010 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

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 2010 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

21 January 2011

Consolidated profit and loss account
for the year ended 30 September 2010

	Note	**2010 £000**	2009 £000
Turnover	2	**147,878**	141,755
Operating profit before operating exceptionals and amortisation of goodwill ('EBITA')		**35,955**	31,268
Operating exceptional items	3	**(794)**	(6,255)
Amortisation of goodwill		**(13,220)**	(13,220)
Operating profit	3	**21,941**	11,793
Share of operating profits of associates	12	**91**	92
Profit on ordinary activities before interest		**22,032**	11,885
Interest receivable and similar income	7	**1,217**	772
Interest payable and similar charges	8	**(33,493)**	(50,988)
Loss on ordinary activities before taxation	4	**(10,244)**	(38,331)
Tax on loss on ordinary activities	9	**(2,492)**	130
Loss on ordinary activities after taxation	21	**(12,736)**	(38,201)

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

The notes on pages 15 to 37 form part of these financial statements

Consolidated balance sheet
at 30 September 2010

	Note	2010 £000	£000	2009 £000	£000
Fixed assets					
Intangible assets	*10*		198,378		211,683
Tangible assets	*11*		11,739		12,685
Investment in associates	*12*		157		-
			210,274		224,368
Current assets					
Stocks	*13*	15,057		15,173	
Debtors	*14*	53,004		36,067	
Cash at bank and in hand		20,996		26,868	
		89,057		78,108	
Creditors amounts falling due within one year	*15*	(41,358)		(34,017)	
Net current assets			47,699		44,091
Total assets less current liabilities			257,973		268,459
Creditors amounts falling due after more than one year	*16*		(390,785)		(384,990)
Provisions for liabilities and charges	*19*		(259)		(1,377)
Net liabilities before net pension liabilities			(133,071)		(117,908)
Net pension liabilities	*23*		(10,850)		(9,023)
Net liabilities			(143,921)		(126,931)
Capital and reserves					
Called up share capital	*20*		931		931
Share premium account	*21*		55		55
Profit and loss account	*21*		(144,907)		(127,917)
Equity shareholders' deficit			(143,921)		(126,931)

The notes on pages 15 to 37 form part of these financial statements

These financial statements were approved by the board of directors on 21 January 2011 and were signed on its behalf by

G Baldwin
Director

K Dyson
Director

Company registered number 5459713

Company balance sheet
at 30 September 2010

	Note	2010 £000	£000	2009 £000	£000
Fixed assets					
Investments	12		79,299		79,299
Current assets					
Debtors	14	14,696		9,844	
Cash at bank and in hand		37		37	
		14,733		9,881	
Creditors Amounts falling due within one year	15	(425)		(574)	
Net current assets			14,308		9,307
Total assets less current liabilities			93,607		88,606
Creditors Amounts falling due after more than one year	16		(86,436)		(81,014)
Net assets			7,171		7,592
Capital and reserves					
Called up share capital	20		931		931
Share premium account	21		55		55
Profit and loss account	21		6,185		6,606
Equity shareholders' funds			7,171		7,592

The notes on pages 15 to 37 form part of these financial statements

These financial statements were approved by the board of directors on 21 January 2011 and were signed on its behalf by

G Baldwin
Director

K Dyson
Director

Consolidated cash flow statement
for the year ended 30 September 2010

	Note	2010 £000	2009 £000
Net cash inflow from operating activities	*(iii)*	**27,171**	33,366
Returns on investments and servicing of finance	*(iv)*	**(9,619)**	(15,355)
Taxation		**(2,348)**	(3,322)
Capital expenditure	*(v)*	**(3,032)**	(3,868)
Acquisitions and disposals	*(vi)*	**(150)**	16
Net cash inflow before financing		**12,022**	10,837
Financing	*(vii)*	**(18,000)**	(3,682)
Net cash (outflow)/inflow		**(5,978)**	7,155

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 2010

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

	2010 £000	2009 £000
(Decrease)/increase in cash	**(5,978)**	7,155
Cash flow from decrease in debt	**16,460**	6,698
Movement in net debt resulting from cash flows	**10,482**	13,853
Interest added to principal	**(26,694)**	(23,912)
Amortisation of issue costs	**(927)**	(927)
Exchange adjustments	**3,969**	(15,098)
Movement in net debt	**(13,170)**	(26,084)
Opening net debt	**(361,659)**	(335,575)
Closing net debt	**(374,829)**	(361,659)

(ii) Analysis of changes in net debt

	At 30 September 2009 £000	Cash flow £000	Other non-cash movements £000	Exchange adjustments £000	**At 30 September 2010 £000**
Cash at bank and in hand	26,868	(5,978)	-	106	**20,996**
Debt due within one year	(3,415)	16,336	(17,951)	-	**(5,030)**
Debt due after more than one year	(384,978)	-	(9,670)	3,863	**(390,785)**
Hire purchase contracts					
Due within one year	(124)	124	(10)	-	**(10)**
Due after more than one year	(10)	-	10	-	-
	(388,527)	16,460	(27,621)	3,863	**(395,825)**
Net debt	(361,659)	10,482	(27,621)	3,969	**(374,829)**

The non-cash movement represents amortisation of debt issue costs of £927,000 and increase in accrued interest of £26,692,000

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

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

	2010 £000	2009 £000
Operating profit before exceptional items	**22,735**	18,048
Cash outflow in respect of exceptional items	**(794)**	(2,072)
Loss on disposal of fixed assets	**-**	156
Depreciation charges	**3,957**	4,233
Amortisation of intangible fixed assets	**253**	-
Amortisation of goodwill	**13,220**	13,220
Decrease in stocks	**116**	837
(Increase)/decrease in debtors	**(16,826)**	71,230
Increase/(decrease) in creditors	**4,510**	(72,286)
Net cash inflow from operating activities	**27,171**	33,366

(iv) Returns on investments and servicing of finance

	2010 £000	2009 £000
Interest received	**1,217**	701
Interest paid	**(10,836)**	(16,056)
	(9,619)	(15,355)

(v) Capital expenditure and financial investment

	2010 £000	2009 £000
Purchase of intangible fixed assets	**(8)**	(1,004)
Purchase of tangible assets	**(3,024)**	(2,945)
Sale of tangible assets	**-**	81
	(3,032)	(3,868)

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

(vi) Acquisitions and disposals

	2010 £000	2009 £000
Amounts paid in respect of acquisitions	**(150)**	-
Refund of legal fees overpaid	-	(16)
	(150)	(16)

(vii) Financing

	2010 £000	2009 £000
Repayment of bank borrowings	**(17,876)**	(3,507)
Repayment of hire purchase contracts	**(124)**	(175)
	(18,000)	(3,682)

Consolidated statement of total recognised gains and losses
for the year ended 30 September 2010

	2010 £000	2009 £000
Loss for the financial year	**(12,736)**	(38,201)
Exchange differences on the retranslation of net investments and related borrowings	**(3,048)**	(1,032)
Actuarial loss on pension scheme	**(1,206)**	(8,229)
Total recognised gains and losses relating to the financial year	**(16,990)**	(47,462)

Reconciliation of movements in equity shareholders' funds
for the year ended 30 September 2010

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Loss for the financial year	**(12,736)**	(38,201)	**(421)**	(1,185)
Other recognised gains and losses relating to the year (net)	**(4,254)**	(9,261)	-	-
Net reduction in shareholder's (deficit)/funds	**(16,990)**	(47,462)	**(421)**	(1,185)
Opening equity shareholders' (deficit)/funds	**(126,931)**	(79,469)	**7,592**	8,777
Closing equity shareholders' (deficit)/funds	**(143,921)**	(126,931)	**7,171**	7,592

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 2010 the group had net liabilities of £143,921,000 This was after classifying, in accordance with UK GAAP, preference shares of £86,436,000 and unsecured subordinated shareholder loan notes of £158,498,000 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 2010, 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)	
	2010	2009	**2010**	2009	**2010**	2009
	£000	£000	**£000**	£000	**£000**	£000
Analysis by country of origin						
UK	**66,684**	71,696	**23,600**	23,548	**15,664**	13,841
Germany	**18,975**	17,599	**4,281**	3,103	**15,165**	12,589
Sweden	**16,582**	16,160	**947**	1,207	**(33)**	(238)
Other European countries	**38,445**	30,945	**5,776**	(1,916)	**6,547**	2,282
Rest of the world	**7,192**	5,355	**648**	(837)	**(4,211)**	(4,396)
	147,878	141,755	**35,252**	25,105	**33,132**	24,078
Amortisation of goodwill	**-**	-	**(13,220)**	(13,220)	**-**	-
	147,878	141,755	**22,032**	11,885	**33,132**	24,078
Share of net assets/(liabilities of associated undertaking					**157**	(27)
Goodwill					**197,619**	210,679
Net interest bearing liabilities					**(374,829)**	(361,661)
					(143,921)	(126,931)

	2010	2009
	£000	£000
Analysis of turnover by country of destination		
United Kingdom	**66,504**	71,038
Germany	**18,105**	15,917
Sweden	**16,043**	15,920
Other European countries	**37,130**	32,042
Rest of the world	**10,096**	6,838
	147,878	141,755

The directors consider there is only one class of business

Notes *(continued)*

3 Costs and overheads

	2010 £000	2009 £000
Movement in stocks	**116**	1,148
Raw materials and consumables	**46,114**	44,659
Other external charges	**21,499**	26,431
Staff costs	**40,778**	40,271
Depreciation and amortisation	**17,430**	17,453
	125,937	129,962

Included within other external charges 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

Included within other external charges in 2009 were operating exceptional items of £6,255,000 including £2,267,000 provision against asset values of the French subsidiary, Biotel SA, £1,464,000 redundancy and restructuring costs, £2,060,000 specific bad debt provision, £289,000 legal costs and £175,000 field replacement programme

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging	2010 £000	2009 £000
Loss on disposal of fixed assets	**-**	156
Auditors' remuneration		
Audit of these financial statements	**3**	3
Audit of financial statements of subsidiaries pursuant to legislation	**324**	287
Taxation services	**58**	84
Remuneration of other subsidiary auditors	**17**	29
Research and development costs	**2,826**	2,664
Operating lease rentals		
Land and buildings	**780**	1,087
Motor vehicles	**2,254**	2,502

Remuneration of £15,000 was paid to the group's auditors in respect of other services in 2010 *(2009 £144,000)*

Notes *(continued)*

5 Remuneration of directors

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

	2010 £000	2009 £000
Directors' emoluments	**523**	504
Pension contributions in relation to money purchase schemes	**-**	-
	523	504
Highest paid director		
Emoluments	**204**	292
Accrued defined benefit pension entitlement	**30**	25

Two directors *(2009 two)* accrued benefits under the group's defined benefit pension scheme in respect of qualifying services during the year No directors *(2009 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 2010	2009
Production and distribution	**412**	438
Sales and administration	**577**	640
Research and development	**61**	57
	1,050	1,135

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	**33,780**	33,676
Social security costs	**4,437**	4,677
Other pension costs	**2,561**	1,918
	40,778	40,271

Notes *(continued)*

7 Interest receivable and similar income

	2010 £000	2009 £000
Bank interest	47	119
Financial income in respect of pensions	-	71
Interest receivable from parent and ultimate parent undertakings	1,170	582
	1,217	772

8 Interest payable and similar charges

	2010 £000	2009 £000
On hire purchase contracts	14	24
On bank loans and overdrafts	12,232	12,735
On all other loans	-	-
Retranslation of foreign currency denominated borrowings	(3,863)	17,244
All other exchange (gains)/losses	(3,142)	(4,135)
Preference share dividend	4,656	4,656
Amortisation of debt issue costs	927	927
Interest payable to parent and ultimate parent undertakings	22,166	19,537
Financial expense in respect of pensions	503	-
	33,493	50,988

9 Taxation

Analysis of charge/(credit) in year

	2010 £000	2009 £000
Current tax		
Current tax on income for the year	2,288	598
Adjustments in respect of prior years	407	(6)
Current tax charge	2,695	592
Share of current taxation of overseas associated undertakings	-	-
Total current tax charge	2,695	592
Deferred tax (note 19)		
Origination and reversal of timing differences	(368)	(310)
Adjustments in respect of prior years	65	(412)
Impact of deferred tax rate change	100	-
Tax charge/(credit) on profit on ordinary activities	2,492	(130)

Notes *(continued)*

9 Taxation *(continued)*

Factors affecting the tax charge for the year

The current tax charge for the year is higher *(2009 higher)* than the standard rate of corporation tax in the UK of 28% *(2009 28%)* The differences are explained below

	2010	2009
	£000	£000
Current tax reconciliation		
Loss on ordinary activities before tax	**(10,244)**	(38,331)
Current tax at 28% *(2009 28%)*	**(2,868)**	(10,733)
Effects of		
Expenses not deductible for tax purposes	**1,706**	2,113
Increase in UK tax losses carried forward	**-**	4,878
Decrease in overseas tax losses carried forward	**(758)**	143
Capital allowances less than depreciation	**360**	242
Overseas tax – rate differences	**162**	174
Goodwill amortisation not deductible for tax purposes	**3,680**	3,678
Adjustments in respect of prior years	**407**	(6)
Other timing differences	**6**	103
Total current tax charge (see above)	**2,695**	592

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	Goodwill	Total
	£000	£000	£000
Cost			
At beginning of year	1,004	264,068	265,072
additions	8	160	168
At end of year	1,012	264,228	265,240
Amortisation			
At beginning of year	-	53,389	53,389
Charged in year	253	13,220	13,473
At end of year	253	66,609	66,862
Net book value			
At 30 September 2010	**759**	**197,619**	**198,378**
At 30 September 2009	1,004	210,679	211,683

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

On 30 June 2008, the group acquired the entire share capital of RTX Healthcare AS The purchase price was based on a contingent earn out structure dependent on unit sales volumes between 1 October 2008 and 30 September 2010

The final consideration payable amounted to €660,580 against which an initial payment of €650,000 was made at the time of the acquisition Consequently, an additional amount of €10,580 is due for payment

On 7 September 2009, Tunstall Australasia Pty Limited acquired the monitoring connections of Care Services Inc The consideration was dependent on connection retention through to March 2010 An initial deposit of AUS$50,000 was paid on acquisition, with a further AUS$194,000 paid in the year in relation to the contingent consideration

Notes *(continued)*

11 Tangible fixed assets

Group

	Freehold property	Plant, fixtures and vehicles	Total
	£000	£000	£000
Cost			
At beginning of year	5,372	22,902	28,274
Additions	-	3,024	3,024
Disposals	-	(742)	(742)
Currency movements	-	82	82
At end of year	5,372	25,266	30,638
Depreciation			
At beginning of year	689	14,900	15,589
Charge for year	161	3,796	3,957
Disposals	-	(742)	(742)
Currency movement	-	95	95
At end of year	850	18,049	18,899
Net book value			
At 30 September 2010	**4,522**	**7,217**	**11,739**
At 30 September 2009	4,683	8,002	12,685

Included within plant, fixtures and vehicles are assets held under finance leases with a net book value of £66,000 *(2009 £122,000)* The depreciation charge for the year on these assets was £56,000 *(2009 £180,000)*

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
Associated undertakings	
At beginning of year	-
Transferred from provisions for liabilities and charges (note 19)	(27)
Share of profits of associate	91
Currency	1
Additions	92
At end of year	**157**

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

13 Stocks

Group

	2010 £000	2009 £000
Raw materials	**1,730**	1,259
Work in progress	**1,021**	1,655
Contract work in progress	**965**	1,289
Finished goods	**11,341**	10,970
	15,057	15,173

14 Debtors

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Trade debtors	**27,871**	20,442	-	-
Amounts owed by parent and ultimate parent undertakings	**17,844**	9,063	**14,696**	9,844
Other debtors	**1,582**	2,259	-	-
Prepayments	**2,799**	1,598	-	-
Deferred tax (note 19)	**2,908**	2,705	-	-
	53,004	36,067	**14,696**	9,844

Of the deferred tax asset of £2,908,000 *(2009 £2,705,000)*, an amount of £nil *(2009 £96,000)* 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 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Obligations under finance leases and hire purchase contracts (note 17)	10	124	-	-
Other borrowings (note 18)				-
Bank loans	5,030	3,415	-	-
Trade creditors	10,260	6,772	-	-
Corporation tax	347	-	22	-
Other taxes and social security	3,215	2,733	-	-
Accruals and deferred income	19,837	18,156	-	-
Other creditors	1,096	1,311	202	202
Amounts owed to subsidiary undertakings	-	-	201	372
Amounts owed to parent and ultimate parent undertaking	1,563	1,506	-	-
	41,358	34,017	425	574

16 Creditors: amounts falling due after more than one year

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Obligations under finance leases and hire purchase contracts (note 17)	-	10	-	-
Other borrowings (note 18)				
Bank loans	145,851	166,738	-	-
Shareholders' loan notes	158,498	137,228	-	-
Preference shares	86,436	81,014	86,436	81,014
	390,785	384,990	86,436	81,014

17 Obligations under hire purchase agreements

Group

	2010 £000	2009 £000
Amounts payable within one year	10	124
Amounts payable within two to five years	-	10
	10	134

These borrowings are secured on the assets to which they relate

Notes *(continued)*

18 Other borrowings

	2010				2009 as restated			
	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	**31,928**	**-**	**-**	**31,928**	-	-	-	-
Not wholly within five years – by instalments	**-**	**158,498**	**-**	**158,498**	36,588	137,228	-	173,816
Not wholly within five years not by instalments	**118,581**	**-**	**86,436**	**205,017**	135,663	-	81,014	216,677
Unamortised issue costs	**(2,317)**	**-**	**-**	**(2,317)**	(3,246)	-	-	(3,246)
Accrued interest	**2,689**	**-**	**-**	**2,689**	1,148	-	-	1,148
	150,881	**158,498**	**86,436**	**395,815**	170,153	137,228	81,014	388,395
Maturity								
On demand or within one year	**5,030**	**-**	**-**	**5,030**	3,415	-	-	3,415
Between one and two years	**4,718**	**-**	**-**	**4,718**	2,666	-	-	2,666
Between two and five years	**22,551**	**158,498**	**-**	**181,049**	21,764	137,228	-	158,992
After five years	**118,582**	**-**	**86,436**	**205,018**	142,308	-	81,014	223,322
	150,881	**158,498**	**86,436**	**395,815**	170,153	137,228	81,014	388,395

The shareholders' loan notes of £158,498,000 and preference shares of £86,436,000 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 £26,273,000 *(2009 £20,851,000)* 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

£52 7 million at a fixed rate cap of 4 98% until 31 May 2011
€97 7 million at a fixed rate cap of 4 17% until 31 May 2011
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 2010 is a liability of £4 1 million *(2009 £10 3 million)*

On 30 November 2010 the group entered into the following interest rate hedges, commencing 25 February 2011

£2 4m (rising to £11 4m in May 2011) at a fixed rate of 2 30% until 25 November 2013
£2 4m (rising to £11 4m in May 2011) at a cap rate of 2 30% until 25 November 2013
€14 0m (rising to €49 0m in May 2011) at a fixed rate of 2 32% until 25 November 2013
€14 0m (rising to €49 0m in May 2011) at a cap rate of 2 32% until 25 November 2013
SEK 2m (rising to SEK115m in May 2011) at a fixed rate of 3 20% until 25 November 2013
SEK 2m (rising to SEK115m in May 2011) at a cap rate of 3 20% until 25 November 2013

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	(27)	(1,350)	(1,377)
Charge to the profit and loss account in the year	-	(259)	(259)
Utilised	-	1,350	1,350
Transferred to investments (note 12)	27	-	27
At end of year	-	**(259)**	**(259)**

Deferred tax

The group has the following recognised and unrecognised deferred tax assets at 27% *(2009 28%)*

	£000
At beginning of year	2,705
Credit to the profit and loss account in the year	203
At end of year	**2,908**

	Recognised 2010 £000	Recognised 2009 £000	**Unrecognised 2010 £000**	Unrecognised 2009 £000
Excess book depreciation over tax allowances on fixed assets	**1,730**	1,503	**2**	7
UK trading losses	-	-	**4,776**	5,026
Other timing differences	**1,006**	1,004	**2,956**	2,551
Overseas losses	**172**	198	**6**	27
	2,908	2,705	**7,740**	7,611

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

	2010 £000	2009 £000
Authorised:		
800,000 "A" ordinary shares of £1 each	**800**	800
141,177 "B" ordinary shares of £1 each	**141**	141
	941	941
60,226,053 preference shares of £0 01 each	**60**	60
Allotted, called up and fully paid:		
800,000 "A" ordinary shares of £1 each	**800**	800
131,591 "B" ordinary shares of £1 each	**131**	131
	931	931
60,162,519 preference shares of £0 01 each	**60**	60

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

	2010			
	Share capital	**Share premium account**	**Profit and loss account**	**Total**
	£000	**£000**	**£000**	**£000**
At beginning of year	931	55	(127,917)	(126 931)
Loss for the year	-	-	(12,736)	(12,736)
Currency movement	-	-	(3,048)	(3,048)
Actuarial gain on pension scheme	-	-	(1,206)	(1,206)
At end of year	**931**	**55**	**(144,907)**	**(143,921)**

Company

	2010			
	Share capital	**Share premium account**	**Profit and loss account**	**Total**
	£000	**£000**	**£000**	**£000**
At beginning of year	931	55	6,606	7,592
Loss for the year	-	-	(421)	(421)
At end of year	**931**	**55**	**6,185**	**7,171**

22 Guarantees and other financial commitments

At 30 September 2010, the group had the following commitments outstanding

(a) Operating lease commitments

	Land and buildings		**Plant, machinery and vehicles**	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Minimum annual lease rentals under operating leases which expire				
Within one year	**175**	155	**763**	676
Within two to five years	**776**	735	**1,553**	1,457
After five years	**151**	89	**-**	-
	1,102	979	**2,316**	2,133

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 2010, the group had contingent liabilities in respect of performance bonds totalling £902,000 *(2009 £1,280,000)* 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 2010 by a qualified independent actuary

During the year ended 30 September 2010, the group paid regular contributions to the pension plan of £696,000 *(2009 £520,000)* in respect of the defined benefits arrangements Contributions for the year ended 30 September 2011 are expected to be £718,000

The group also paid £1,747,000 *(2009 £1,506,000)* in respect of defined contribution arrangements The accrued contributions at the end of the financial year were £94,000 *(2009 £62,000)*

FRS 17 valuation of the TGLPF scheme

Scheme assets are stated at fair value at 30 September 2010 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

	2010	2009
Rate of increase in salaries	**3.20%**	3 10%
Rate of increase in pensions in payment and deferred pensions	**3.20%**	3 10%
Discount rate applied to scheme liabilities	**5 00%**	5 50%
Inflation assumption	**3.20%**	3 10%

The mortality table used was 110% of SAPS Year of Birth long CMI 2009 projections (2009 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 2010 %	Value at 30 September 2010 £000	Long term rate of return 2009 %	Value at 30 September 2009 £000
Equities	7.80%	-	8 00%	-
Bonds	5 00%	36,315	5 50%	32,519
Other	0 50%	92	0 50%	88
		36,407		32,607
Present value of scheme liabilities		(47,257)		(41,630)
Deficit in the scheme		(10,850)		(9,023)
Related deferred tax asset (unrecognised) at 27% *(2009 28%)*		2,930		2,526
Net deficit		(7,920)		(6,497)

Movements in fair value of plan assets

	2010 £000	2009 £000
At beginning of year	32,607	30,337
Expected return on plan assets	1,783	2,202
Actuarial losses	2,274	(99)
Contributions		
By employer	696	520
By members	60	255
Benefits paid	(1,013)	(608)
At end of year	36,407	32,607

Movements in present value of defined benefit obligation

	2010 £000	2009 £000
At beginning of year	(41,630)	(31,310)
Current service cost	(814)	(412)
Interest cost	(2,286)	(2,131)
Contributions by members	(60)	(255)
Contributions by employer	1,013	608
Actuarial loss	(3,480)	(8,130)
At end of year	(47,257)	(41,630)

Notes *(continued)*

23 Pension scheme *(continued)*

Statement of total recognised gains and losses

	2010 £000	2009 £000
Actual return less expected return on assets	**2,274**	(99)
Changes in assumptions underlying the present value of the scheme liabilities	**(3,480)**	(8,130)
Actuarial loss recognised	**(1,206)**	(8,229)

Analysis of other pension costs charged in arriving at operating profit

	2010 £000	2009 £000
Current service cost	**814**	412

Analysis of amounts included in other finance costs

	2010 £000	2009 £000
Expected return on pension scheme assets	**1,783**	2,202
Interest on pension scheme liabilities	**(2,286)**	(2,131)
	(503)	71

History of plans

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

Balance sheet

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Present value of scheme liabilities	**(47,257)**	(41,630)	(31,310)	(33,524)	(33,008)
Fair value of scheme assets	**36,407**	32,607	30,337	31,432	30,434
Deficit/surplus	**(10,850)**	(9,023)	(973)	(2,092)	(2,574)

Experience adjustments

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Experience adjustments on scheme assets	**2,274**	(99)	(3,827)	(1,244)	(719)
Experience adjustments on scheme liabilities	**1,532**	-	-	(1,134)	-

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	% shareholding 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%
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