

Tunstall Group Holdings Limited

**Annual report and consolidated financial
statements**

For the year ended 30 September 2015

Registered number 05459713

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Strategic report

The Directors present the Strategic report for the year ended 30 September 2015.

Principal activities

The company is a parent company and the principal activities of its subsidiary undertakings are the provision of Connected Care and Connected Health solutions and propositions across each of its six main Regions which are UK & Ireland, Nordics, Southern Europe, Central Europe, North America and Asia-Pacific.

Business performance

Financial performance

The Group has delivered good financial performance in 2015 with revenue for the year of £212.0m (2014: £215.2m) and EBITDA increasing to £44.4m (2014: £43.3m). With approximately 69% of the Group's revenues in non-sterling currencies the Group was impacted by the strengthening of sterling throughout 2015 by 5.5% against the Euro and 8.4% against the Swedish Kroner. On a constant currency basis the Group's Revenue has increased by 3.5% and EBITDA by 10.3%. EBITDA margin also increased to 20.9% (2014: 20.1%) through careful control of costs and the benefit of economies of scale.

The following commentary sets out the performance achieved by each of the Group's six main regions.

UK & Ireland

Following a successful turnaround the UK delivered 7.3% Revenue and 15.4% EBITDA growth as new product offerings in the Assisted Living market benefitted from a buoyant housebuilding sector as a result of the economic recovery. Increased revenue has also been generated from Independent Living equipment sales as a result of a more focused approach and refreshed higher value and higher margin product offering.

Nordics

Revenue in the Nordics declined by 3.3% on a constant currency basis but this was expected as the market continued to transition from analogue to IP technology delivered through a Managed Service proposition. Customers are moving away from traditional equipment purchase to a monthly subscription based Managed Service proposition which results in the spreading of revenue and EBITDA over a longer period. This trend delivers higher income in the long term, despite a short term dip in revenue.

A significant restructuring programme was completed during the year to ensure the Region is well positioned to take advantage the market transition to digital. This restructuring is expected to underpin Revenue and EBITDA growth in 2016 together with the successful purchase of the assets of Mohinet Lahti Oy, an Independent Living equipment supplier based in Finland, for a consideration of €0.6m on 1st September 2015.

Southern Europe

9.5% Revenue and 18.7% EBITDA constant currency growth was achieved in Southern Europe as a result of strong organic growth generated from the Region's main Connected Care Managed Service contracts in Spain. The Region also benefitted from some key contract wins in France where Tunstall leads the French Connected Care Managed Services market.

Central Europe

Revenue declined by 3.9% in Central Europe on a constant currency basis following an exceptional year of growth in 2014. Despite this EBITDA declined by only 0.3% through careful control of costs.

The Group has renewed its contract with a key customer during 2015 which accounts for 13% of regional revenue and is therefore well positioned to generate growth in 2016.

Strategic report *(continued)*

Business performance *(continued)*

North America

Following the stabilisation of the operational issues associated with the outsourcing of control centre services reported in 2014, 2.5% Revenue and 4.0% EBITDA constant currency growth was achieved in North America. The Region's performance was also underpinned by the purchase of the assets of Mountain Home Medical based in Colorado and also the acquisition of a further two smaller Connected Care providers in Hawaii and New York State.

Asia Pacific

9.6% Revenue and 19.2% EBITDA constant currency growth was achieved in Asia Pacific through continued growth in Independent Living and Remote Patient Monitoring and Support.

Depreciation and amortisation

The Group's depreciation charge in the year decreased marginally to £10.5m (2014: £11.1m.) The Group continued to invest in equipment to support growth of the Group's Managed Services contracts.

Amortisation of development expenditure decreased to £4.9m (2014: £5.0m) as the Group continued to develop its Connected Care and Connected Health solutions with a particular focus on IP technology. Amortisation of goodwill decreased to £14.7m (2014: £17.6m) principally due to the reduced net book value following the impairment charge in 2014.

Exceptional items and goodwill impairment

The Group incurred a net exceptional charge of £2.3m in the year (2014: £6.9m). This principally comprised restructuring costs in the Nordic and Southern Europe Regions to optimise our cost structures and to support the implementation of the Group's new growth strategy.

The Directors have reviewed the carrying value of Goodwill and have determined that no impairment charge (2014: £6.7m) is required in light of the turnaround in performance in 2015.

Loss on ordinary activities before interest and taxation

Despite the continued strengthening of sterling and the exceptional costs incurred as a result of restructuring the Nordic and Southern Europe organisations, the Group achieved a profit on ordinary activities before interest and taxation of £11.9m (2014: loss of £4.0m).

Interest charges

Interest charges increased to £79.5m (2014: £40.9m). This principally comprises £13.6m interest payable on the Group's Senior debt, and £68.9m of interest payable to parent undertakings, offset by exchange gains of £9.9m. The increase in interest charges reflects the £20m of additional shareholder loans secured in September 2014 to support investment in the Group's strategy.

Taxation

The taxation charge for the year was £0.9m (2014: £4.7m credit) and the rate of UK corporation tax was 20.5% (2014: 22%).

Despite the loss on ordinary activities before tax of £34.6m (2014: £44.0m) the Group is tax paying principally as a result of taxable profits in overseas jurisdictions and due to the fact that shareholder loan interest charges are not deductible when calculating UK profits or losses chargeable for tax. This is partially offset by the utilisation of brought forward tax losses and timing differences that are recognised as deferred tax.

Strategic report (*continued*)

Business performance (*continued*)

Cash flow

Net cash inflow from operating activities increased to £46.7m compared with an outflow of £2.8m in the previous year. Operating cash flow represented 105.2% of EBITDA (2014; 86.5%).

Net interest paid almost entirely relates to serving the Group's Senior debt and amounted to £16.0m (2014: £13.0m). Interest on the unsecured subordinated parent company loan notes is compounded annually and will be paid at the earlier of redemption of the notes themselves in 2098, or the event of shareholder divestment of the Group.

Capital expenditure increased by £4.0m to £20.4m (2014; £16.4m) as the Group invested in its growth strategy. The main areas of expenditure included development of new products, software and services of £9.3m (2014; £7.2m) in addition to investment in equipment installed in service users' homes as part of a Managed Service arrangement of £7.8m (2014; £6.4m) and investment in infrastructure of £3.3m (2014; £2.8m).

Funding

The Group has a syndicated Senior debt arrangement in place with £90m and €240m term loans together with a £40m acquisition facility and £20m revolving credit facility ("RCF"). At 30th September 2015 both the acquisition and RCF were undrawn except for £0.5m of the RCF to cover letters of credit issued by the Group in the normal course of business. Further details of loans including repayment terms are provided in note 18.

As part of the financing arrangements, the Group is subject to a standard set of financial covenants which are tested quarterly. The Group complied with these covenants throughout the year.

Key performance indicators

In 2015 the Group used the following financial key performance indicators to measure its performance:

	2015	2014
Revenue	£212.0m	£215.2m
EBITDA	£44.4m	£43.3m
EBITDA margin	20.9%	20.1%
Net cash inflow before financing	£3.4m	(£34.0m)

- Revenue of £212.0m (2014: £215.2m) reduced predominantly as a result of the continued strengthening of sterling throughout 2015. On a constant currency basis Revenue increased by 3.5%, also helped by the successful resolution of operational issues that had impacted 2014 performance and growth particularly in the UK and North American Regions.
- EBITDA of £44.4m (2014: £43.3m) increased as a result of trading but was impacted by the continued strengthening of sterling. On a constant currency basis EBITDA increased by 10.3%.
- EBITDA margin of 20.9% (2014: 20.1%) increased as a result of cost control and economies of scale.

Strategic report (continued)

Business performance (continued)

- Operating cash flow as a percentage of EBITDA increased to 109.5% (2014: 86.4%) due to timing of working capital cash flows.
- Net cash inflow before financing of £3.4m is a significant improvement on the previous year's cash outflow of £34.0m.

Business strategy

The Group offers a range of Connected Care and Connected Health solutions and propositions across each of its main Regions, UK & Ireland, Nordics, Southern Europe, Central Europe, North America and Asia-Pacific.

Connected Care		Connected Health	
Independent Living	Assisted Living	Remote Patient Monitoring and Support	Integrated NurseCall Communications
<i>Solutions to support carers and users, enabling people to live more fulfilling lives at home and on the move</i> <ul style="list-style-type: none"> • Managed service solutions (including both monitoring and proactive services) • Equipment and software sales 	<i>Tailored solutions for housing and residential care providers to enhance community and security for residents</i> <ul style="list-style-type: none"> • Installation and servicing of integrated systems • Managed service solutions, including monitoring 	<i>Solutions to support patients in a community setting, assisting healthcare organisations to manage chronic conditions</i> <ul style="list-style-type: none"> • Remote patient monitoring • Remote patient support 	<i>Communication solutions to enable clinical teams to provide high quality and efficient care in hospitals</i> <ul style="list-style-type: none"> • Integrated clinical communication systems • Nurse location and call escalation • Environment & entertainment control

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

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

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

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

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

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

Strategic report *(continued)*

Business environment

The growth in the Group's core Connected Care markets is underpinned by an ageing population and long-term conditions. This is evidenced by the fact that the global population of 65+ is expected to grow at 2.9% compound annual growth rate over the period 2005-2030 and the population of 80+ expected to grow at 3.1%. This contrasts with the total global population growth rate which is predicted to be 1.0%. In the Connected Health market predictions are for a 54% increase in diabetes, 70% increase in dementia and a 100% increase on obesity conditions over the period 2010 to 2030.

In order to mitigate the growing pressures on health and social care systems around the world that will arise from these trends there is an increasing need to keep people at home rather than in more expensive institutional care environments. In the UK the average cost per day in hospitals amounts to £338 which compares to £35 at home or £71 in Assisted Living accommodation. The difference is more marked in the US where the cost per day in hospitals amounts to \$711, whereas the cost of home care is \$100.

The technological landscape in which the Group operates is changing with digital connectivity transforming the Connected Care market in particular, from responsive to more value added proactive and predictive services both within the home and also with 'on the go' services enabled outside the home. There is also increased demand for IP solutions as a result of the planned shut-down of analogue networks and cessation of support for analogue technology in many of the markets in which the Group operates.

Tunstall is addressing this shift by developing and delivering innovative Connected Care and Connected Health solutions using IP technology. Examples of the Group's IP enabled services include:

- a lifestyle/well being monitoring programme providing friends/family access to the user's specific data via a web portal in addition to alerts for unusual behaviour
- a medical reminder service that enables the user to receive audio and visual reminders

The Group is in an excellent position to take advantage of the growth opportunities in its core markets as it adapts to the changing needs of its customers and technology landscape.

Principal risks and uncertainties

Foreign exchange risk

The Group operates within a number of international territories with approximately 69% of the Group's revenues in non-sterling currencies. As a result the Group is exposed to foreign exchange risk, principally against the Euro, US dollar and Swedish Kroner. The Group's strategy to mitigate the transactional and translation risk through natural hedges. In respect of the Euro exposure this is managed through the Euro denomination of one of the Group's term loans.

Interest rate risk

The Group has syndicated loans and credit facilities, including two term loans as described in note 18 at fixed margins above LIBOR and EURIBOR respectively. The risk of interest rate increase is managed through a number of interest rate hedges as described in note 18 which fix interest rates relating to approximately 75% of the borrowing.

Competition from new entrants

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

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

People

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



J Furniss
Company Secretary

Whitley Lodge
Whitley Bridge
Doncaster
DN14 0HR

25 November 2015

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 30 September 2015.

Dividends

No interim or final dividend was paid or proposed (2014: £nil).

Directors

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

P Stobart
S Parker

Political donations

No political donations were made (2014: nil)

Disclosure of information to Auditor

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 Auditor is 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 Auditor is aware of that information.

Auditor

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

By order of the Board



J Furniss
Company Secretary

Whitley Lodge
Whitley Bridge
Doncaster
DN14 0HR

25 November 2015

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The Directors are responsible for preparing the Strategic and Directors' reports 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 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
United Kingdom

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

We have audited the financial statements of Tunstall Group Holdings Limited for the year ended 30 September 2015 set out on pages 11 to 46. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate

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 2015 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's 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:

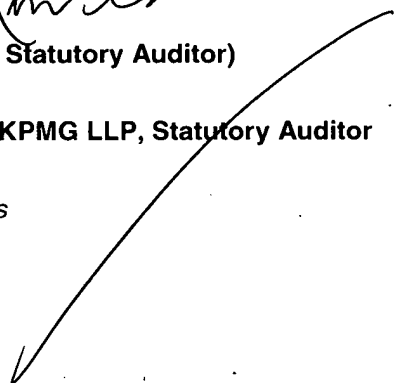
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



David Morritt (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 Sovereign Square
Sovereign Street,
Leeds
West Yorkshire
LS1 4DA



25 November 2015

Consolidated profit and loss account for the year ended 30 September 2015

	Note	2015 £000	2014 £000
Group turnover		211,960	215,241
Operating profit before charging depreciation and amortisation and operating exceptional items ("EBITDA")		44,372	43,316
Depreciation of tangible fixed assets	11	(10,545)	(11,071)
Amortisation of intangible fixed assets	10	(19,566)	(22,625)
Impairment of goodwill	10	-	(6,732)
Operating exceptional items	3	(2,312)	(6,909)
(Loss)/ profit on ordinary activities before interest		11,949	(4,021)
Interest receivable and similar income	7	32,920	950
Interest payable and similar charges	8	(79,497)	(40,914)
Loss on ordinary activities before taxation	4	(34,628)	(43,985)
Taxation on loss on ordinary activities	9	(909)	4,708
Loss on ordinary activities after taxation		(35,537)	(39,277)
Non-controlling interests	22	(242)	(224)
Loss attributable to shareholders for the financial year	21	(35,779)	(39,501)

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

The notes on pages 20 to 46 form part of these financial statements.

Consolidated balance sheet at 30 September 2015

	Note	2015 £000	2014 £000
Fixed assets			
Intangible assets	10	226,828	233,353
Tangible assets	11	32,163	31,980
Investments	12	176	175
		<u>259,167</u>	<u>265,508</u>
Current assets			
Stocks	13	14,126	15,183
Debtors	14	61,301	60,540
Cash at bank and in hand		42,323	39,699
		<u>117,750</u>	<u>115,422</u>
Creditors: amounts falling due within one year	15	<u>(46,142)</u>	<u>(44,253)</u>
Net current assets/(liabilities)		<u>71,608</u>	<u>71,169</u>
Total assets less current liabilities		<u>330,775</u>	<u>336,677</u>
Creditors: amounts falling due after more than one year	16	<u>(525,398)</u>	<u>(495,807)</u>
Provisions for liabilities and charges	19	<u>(863)</u>	<u>(553)</u>
Net liabilities before net pension liabilities		<u>(195,486)</u>	<u>(159,683)</u>
Net pension liabilities	25	<u>(20,236)</u>	<u>(17,649)</u>
Net liabilities		<u>(215,722)</u>	<u>(177,332)</u>
Capital and reserves			
Called up share capital	20	1,533	1,533
Share premium account	21	103,628	103,628
Profit and loss account	21	(321,675)	(283,068)
Shareholders' deficit		<u>(216,514)</u>	<u>(177,907)</u>
Non-controlling interest	22	<u>792</u>	<u>575</u>
Total capital employed		<u>(215,722)</u>	<u>(177,332)</u>

The notes on pages 20 to 46 form part of the financial statements.

These financial statements were approved by the Board of Directors on 25 November 2015 and were signed on its behalf by:



P Stobart
Director



S Parker
Director

Company registered number: 05459713

Company balance sheet at 30 September 2015

	Note	2015 £000	2014 £000
Fixed assets			
Investments	12	79,299	79,299
Current assets			
Debtors	14	270,115	249,882
Cash at bank and in hand		15,312	19,007
		285,427	268,889
Creditors: amounts falling due within one year	15	(1,722)	(248,884)
Net current assets		283,705	20,005
Total assets less current liabilities		363,004	99,304
Creditors: amounts falling due after more than one year	16	(286,640)	
Net assets		76,364	99,304
Capital and reserves			
Called up share capital	20	1,533	1,533
Share premium account	21	103,628	103,628
Profit and loss account	21	(28,797)	(5,857)
Shareholders' funds		76,364	99,304

The notes on pages 20 to 46 form part of these financial statements.

These financial statements were approved by the Board of Directors on 25 November 2015 and were signed on its behalf by:



S Parker
Director

Company registered number: 05459713

Consolidated statement of total recognised gains and losses
for the year ended 30 September 2015

	2015 £000	2014 £000
Loss for the financial year	(35,779)	(39,501)
Exchange gains on the retranslation of net investments and related borrowings	1,196	6,294
Actuarial loss on pension scheme (note 25)	(4,024)	(8,757)
Total recognised losses relating to the financial year	<u>(38,607)</u>	<u>(41,964)</u>

The notes on pages 20 to 46 form part of these financial statements.

Reconciliation of movements in shareholders' (deficit)/funds
for the year ended 30 September 2015

	Group 2015 £000	Company 2015 £000	Group 2014 £000	Company 2014 £000
Loss for the financial year	(35,779)	(22,940)	(39,501)	(9,210)
Other recognised gains and losses relating to the year (net)	(2,828)	-	(2,463)	-
Re-designation of shares	-	-	104,175	104,175
Net reduction in shareholder's funds/ (deficit)	(38,872)	(22,940)	62,211	94,965
Opening shareholders' (deficit)/funds	(177,907)	99,304	(240,118)	4,339
Closing shareholders' (deficit)/funds	(216,514)	76,364	(177,907)	99,304

Consolidated cash flow statement
for the year ended 30 September 2015

	<i>Note</i>	2015 £000	2014 £000
Net cash inflow/(outflow) from operating activities	<i>(iii)</i>	46,189	(2,826)
Returns on investments and servicing of finance	<i>(iv)</i>	(16,007)	(12,993)
Taxation		(2,183)	(1,644)
Capital expenditure	<i>(v)</i>	(20,449)	(16,397)
Acquisitions and disposals	<i>(vi)</i>	(4,213)	(164)
		<hr/>	<hr/>
Net cash inflow/(outflow) before financing		3,337	(34,024)
Financing	<i>(vii)</i>	(305)	65,229
		<hr/>	<hr/>
Net cash inflow		3,032	31,205
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 17 to 19 form part of this financial statement.

Notes to the consolidated cash flow statement for the year ended 30 September 2015

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

	2015 £000	2014 £000
Increase in cash	3,032	31,205
Cash flow from decrease in debt	305	(65,229)
Movement in net debt resulting from cash flows	3,337	(34,024)
Interest added to principal	(36,332)	(29,389)
Amortisation of debt issue costs	(1,915)	(2,074)
Exchange gains	9,296	11,347
Preference shares converted to ordinary share capital	-	104,175
Movement in net debt	(25,614)	50,035
Opening net debt	(457,115)	(507,150)
Closing net debt	(482,729)	(457,115)

(ii) Analysis of changes in net debt

	At 30 September 2014 £000	Cash flow £000	Other non-cash movements £000	Exchange adjustments £000	At 30 September 2015 £000
Cash at bank and in hand	39,699	3,032	-	(409)	42,322
Debt due within one year	(1,008)	286	164	-	(558)
Debt due after more than one year	(495,806)	19	(38,411)	9,705	(524,493)
	(496,814)	305	(38,247)	9,705	(525,051)
Net debt	(457,115)	3,337	(38,247)	9,296	(482,729)

The non-cash movement represents amortisation of debt issue costs of £1.9m and increase in accrued interest of £36.5m.

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

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

	2015 £000	2014 £000
Operating profit before exceptional items	14,261	2,957
Operating exceptional items	(2,465)	(6,909)
Loss on sale of tangible fixed asset	154	61
Depreciation charges	10,545	11,071
Amortisation of intangible fixed assets	4,896	5,007
Amortisation of goodwill	14,670	17,618
Impairment of goodwill	-	6,732
Decrease in stocks	1,057	1,433
Decrease in debtors	512	51,251
Increase / (decrease) in creditors	2,559	(92,047)
Net cash inflow from operating activities	46,189	(2,826)

(iv) Returns on investments and servicing of finance

	2015 £000	2014 £000
Interest received	26	178
Interest paid	(16,033)	(13,171)
	(16,007)	(12,993)

(v) Capital expenditure and financial investment

	2015 £000	2014 £000
Purchase of intangible fixed assets	(9,322)	(9,192)
Purchase of tangible assets	(11,127)	(7,205)
	(20,449)	(16,397)

(vi) Acquisitions and disposals

	2015 £000	2014 £000
Consideration paid in respect of purchase of subsidiary undertakings	(4,213)	(234)
Cash acquired with subsidiaries	-	70
	(4,213)	(164)

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

(vii) Financing

	2015 £000	2014 £000
New bank borrowings	-	292,796
New borrowings from parent undertakings	-	201,529
New debt issue costs paid	(19)	(13,544)
Repayment of bank borrowings	-	(171,048)
Repayment of borrowings from parent undertaking	-	(244,212)
Repayment of hire purchase contracts	(286)	(292)
	<hr/>	<hr/>
	(305)	65,229
	<hr/>	<hr/>

Notes to 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 Group's financial statements.

Basis of preparation

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

Going concern

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

In order to satisfy themselves that adequate resources are available for the future the Directors have reviewed the Group's financial forecasts which cover a period of more than twelve months after the date of approval of the financial statements. In assessing the forecasts the Directors have considered:

Trading risks presented by the current economic conditions in the markets the Group operates in

The status of the Group's financial arrangements and associated covenant requirements

Progress made in developing and implementing the Group's new growth strategy

Mitigating actions available should business activities fall behind current expectations

The Directors are of the opinion that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, together with planned mitigating actions and the proceeds from the additional equity investment in September 2014, show the Group has adequate financial resources to continue to operate for a period of more than 12 months from the date of this report and ensure continued compliance with its financial covenants for the foreseeable future. For this reason, the going concern basis is considered appropriate for the preparation of the financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 September 2015, 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 effective date of acquisition or up to the date of disposal.

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.

Non-controlling interests represent the proportion of the profit and loss and net assets in subsidiaries that are not held by the Group and is presented within equity in the consolidated balance sheet, separate from equity of shareholders of Tunstall Group Holdings Ltd.

Related party transactions

The company has taken advantage of the exemption within FRS 8 not to disclose transactions with other members of the Group.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of the acquisition. Goodwill is amortised to nil by equal annual instalments over its estimated useful life, deemed to be 20 years. Goodwill is stated at cost, less amortisation, less any provision for impairment in value.

On acquisition, any goodwill acquired is allocated to cash generating units ("CGU") for the purposes of impairment testing. Goodwill is reviewed for impairment where there are indicators that an impairment may have occurred. If the recoverable amount of the CGU is less than the carrying value of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis.

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.

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.

The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

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 period 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.

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.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, 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.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

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.

Borrowings

Borrowings are initially stated at the fair value of the amount 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

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

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Turnover

Turnover comprises the value of sales of the Group's Connected Care and Connected Health solutions, either from product sales or services provided and is stated net of value added tax, trade discounts and returns.

Turnover from product sales includes the value of sales generated from the sale of original equipment, spares and equipment purchased from original equipment manufacturers. Product sales also include the sale and licensing of software.

Turnover from the sales of products are either recognised on delivery or where products are sold as part of an Assisted Living or Nursecall installation contract, turnover is recognised using a percentage-of-completion basis over the period from signing of the contract to customer acceptance. Percentage-of-completion is measured using records of actual time and cost incurred compared with the estimated time and cost required, however where appropriate contract milestones are also used as a proxy for percentage-of-completion.

Turnover from the sale of services includes equipment servicing and maintenance, software support and maintenance, monitoring and call centre services. Turnover is recognised as services are performed.

Where the sale of products and services are combined under one Managed Services contractual arrangement these activities are treated separately where appropriate with the relevant accounting policy for the recognition of turnover, as detailed above, being applied to each individual component.

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.

Pension costs

Certain companies within the Group participate 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 closed to future accrual. 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.

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.

Actuarial gains and losses are a result of the changes in assumptions and are recorded in the statement of total recognised gains and losses. They include the difference between actual and expected investment return on scheme assets and experience variances resulting from the difference between assumed and actual membership movement.

In addition, a stakeholder pension 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 period.

Notes to the financial statements *(continued)*

Research and development expenditure

Research expenditure is written off as incurred. 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, future earnings are expected to exceed aggregate costs, and adequate resources exist to enable the project to be completed.

Capitalised development expenditure is amortised over a four year period on a straight line basis.

Taxation

The charge for taxation is based on the profit 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

Provisions for liabilities

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions relating to warranties are charges against profits when products are invoiced.

Notes to the financial statements *(continued)*

2 Segmental information

The Group is managed on the basis of six broad geographical regions:

- UK & Ireland
- Nordics (Sweden, Finland and Denmark)
- Central Europe (Germany, Belgium, Holland and Switzerland)
- Southern Europe (Spain and France)
- Australasia (Australia and New Zealand)
- North America (USA and Canada)

Segment revenues and performance have been as follows:

	Turnover	2015 Profit before interest and tax	Net assets/ (liabilities)	Turnover	2014 Profit before interest and tax	Net assets/ (liabilities)
	£000	£000	£000	£000	£000	£000
<i>Analysis by geographical region:</i>						
Continuing operations:						
UK & Ireland	93,477	13,202	29,304	84,842	12,974	175,674
Southern Europe	41,135	5,001	11,591	41,372	2,175	14,261
Nordics	40,485	5,068	10,644	47,316	7,186	31,170
North America	31,381	2,234	18,064	28,569	1,217	(19,522)
Central Europe	23,022	1,335	1,174	26,389	1,462	46,223
Australasia	7,904	1,044	744	7,933	560	(2,121)
Corporate	17	(1,265)	(10,135)	104	(5,245)	(181,814)
	237,421	26,619	61,386	236,525	20,329	63,871
Less:						
IntraGroup sales	(25,461)	-	-	(21,284)	-	-
Impairment of goodwill	-	-	-	-	(6,732)	-
Amortisation of goodwill	-	(14,670)	-	-	(17,618)	-
	211,960	11,949	61,386	215,241	(4,021)	63,871
Goodwill			203,611			214,103
Net interest bearing liabilities			(480,719)			(455,306)
			(215,722)			(177,332)

Notes to the financial statements *(continued)*

2 Segmental information *(continued)*

	2015 £000	2014 £000
<i>Analysis of turnover by country of origin:</i>		
United Kingdom	65,969	61,422
Spain	33,121	34,025
North America	31,381	28,568
Other European countries	30,167	32,352
Sweden	25,857	30,593
Germany	17,561	20,348
Rest of the world	7,904	7,933
	<u>211,960</u>	<u>215,241</u>
	2015 £000	2014 £000
<i>Analysis of turnover by country of destination:</i>		
United Kingdom	65,983	61,444
Spain	32,285	33,832
Other European countries	32,135	34,683
North America	31,382	28,568
Sweden	24,477	28,995
Germany	16,265	18,554
Rest of the world	9,433	9,165
	<u>211,960</u>	<u>215,241</u>

3 Costs and overheads

	2015 £000	2014 £000
Continuing operations:		
Movement in stocks	1,057	1,542
Raw materials and consumables	49,487	43,075
Other external charges	35,085	43,235
Staff costs	84,271	90,982
Depreciation, amortisation and impairment	30,111	40,428
	<u>200,011</u>	<u>219,262</u>

Included within costs and overheads in 2015 are operating exceptional items of £2.3m comprising of £0.8m restructuring costs, £0.1m impairment costs, and £1.4m consultancy, legal and other costs of a non-recurring nature.

Included within costs and overheads in 2014 are operating exceptional items of £6.9m comprising of £3.6m restructuring costs, £1.8m product redesign costs, £0.8m impairment costs, and £0.8m consultancy, legal and other costs of a non-recurring nature.

Notes to the financial statements *(continued)*

4 Loss on ordinary activities before taxation

	2015 £000	2014 £000
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Loss on disposal of fixed assets	153	61
Auditor's remuneration:		
Audit of these financial statements	10	10
Audit of financial statements of subsidiaries pursuant to legislation	469	521
Taxation services	147	110
Other services	125	646
Remuneration of other subsidiary Auditors	36	9
Research and development costs	2,695	3,225
Operating lease rentals:		
Land and buildings	2,776	3,293
Motor vehicles	2,149	2,448
	<hr/>	<hr/>

5 Remuneration of Directors

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

	2015 £000	2014 £000
Directors' emoluments	747	602
Pension contributions in relation to money purchase schemes	-	11
Compensation for loss of office	-	325
	<hr/>	<hr/>
	747	938
	<hr/>	<hr/>
Highest paid Director		
Emoluments	445	327
Pension contributions in relation to money purchase schemes	-	5
	<hr/>	<hr/>

No Director (2014: none) accrued benefits under the Group's defined benefit pension scheme in respect of qualifying services during the year. No Director (2014: three) 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 2015	2014
Production and distribution	500	484
Sales and administration	2,367	2,374
Research and development	101	92
	<hr/>	<hr/>
	2,968	2,950
	<hr/>	<hr/>

Notes to the financial statements *(continued)*

6 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2015 £000	2014 £000
Wages and salaries	69,480	75,151
Social security costs	10,925	11,985
Other pension costs	3,866	3,846
	<hr/> 84,271	<hr/> 90,982
	<hr/> <hr/>	<hr/> <hr/>

7 Interest receivable and similar income

	2015 £000	2014 £000
Bank interest	26	178
Interest receivable from parent and ultimate parent undertakings	32,452	236
Finance income in respect of pensions (note 25)	442	536
	<hr/> 32,920	<hr/> 950
	<hr/> <hr/>	<hr/> <hr/>

8 Interest payable and similar charges

	2015 £000	2014 £000
On bank loans and overdrafts	15,819	15,581
On all other loans	145	211
Retranslation of foreign currency denominated borrowings	(9,936)	(15,551)
All other exchange losses	2,702	11,831
Amortisation of debt issue costs	1,915	2,074
Interest payable to parent and ultimate parent undertakings	68,852	26,768
	<hr/> 79,497	<hr/> 40,914
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)

9 Taxation

Analysis of charge/(credit) in period

	2015 £000	2014 £000
<i>UK corporation tax</i>		
Current tax	(6,149)	(5,514)
Adjustment in respect of prior periods	4,630	525
	<hr/>	<hr/>
	(1,519)	(4,989)
<i>Overseas tax</i>		
Current tax	2,125	1,563
Adjustments in respect of prior periods	(155)	932
	<hr/>	<hr/>
Total current tax charge /(credit)	451	(2,494)
<i>Deferred tax (note 19)</i>		
Origination and reversal of timing differences	(103)	(1,629)
Adjustments in respect of prior periods	464	(857)
Impact of deferred tax rate change	97	272
	<hr/>	<hr/>
Tax charge /(credit) on profit on ordinary activities	909	(4,708)
	<hr/>	<hr/>

Factors affecting the tax charge for the period

The current tax charge for the year is higher (2014: higher) than the standard rate of corporation tax in the UK of 20.5% (2014: 22%). The differences are explained below.

	2015 £000	2014 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(34,628)	(43,985)
	<hr/>	<hr/>
Current tax at 20.5% (2014: 22%)	(7,099)	(9,677)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	138	1,132
(Utilisation of)/Increase in UK tax losses carried forward	-	(689)
Decrease in overseas tax losses carried forward	(209)	(217)
Capital allowances less than depreciation	222	633
Overseas tax – rate differences	(239)	329
Goodwill amortisation not deductible for tax purposes	3,241	5,204
Losses surrendered at nominal value	4,475	1,457
Other timing differences	(78)	(666)
	<hr/>	<hr/>
Total current tax charge /(credit) (see above)	451	(2,494)
	<hr/>	<hr/>

Factors affecting future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly.

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

Notes to the financial statements *(continued)*

10 Intangible fixed assets

	Development expenditure £000	Goodwill £000	Total £000
Cost			
At beginning of year	29,054	352,571	381,625
Additions	9,322	3,873	13,195
Currency movements	(439)	360	(79)
	<hr/>	<hr/>	<hr/>
At end of year	37,937	356,804	394,741
	<hr/>	<hr/>	<hr/>
Amortisation			
At beginning of year	9,804	138,468	148,272
Charged in year	4,896	14,670	19,566
Currency movements	(155)	230	75
	<hr/>	<hr/>	<hr/>
At end of year	14,545	153,368	167,913
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 September 2015	23,392	203,436	226,828
	<hr/>	<hr/>	<hr/>
At 30 September 2014	19,250	214,103	233,353
	<hr/>	<hr/>	<hr/>

At 30 September 2015, the Group reviewed goodwill for impairment. The impairment test was performed at the balance sheet date and was based on financial plans approved by the Board covering a five year period. The recoverable amount is based on value in use calculations derived from these plans which also include a terminal value based on projections for the final year with a growth rate assumption applied to the subsequent periods. As a result of this test it was deemed that no impairment was required (2014; £6.7m impairment charge).

Notes to the financial statements *(continued)*

10 Intangible fixed assets *(continued)*

Acquisitions

On 31 October 2014 the Group acquired the assets of Mountain Home Medical, a connected care product and service provider based in Colorado, US, for a cash consideration of \$5.25m.

	Book value	Revaluation adjustment	Fair value to Group
	£000	£000	£000
Tangible assets	45	500 (a)	545
Debtors	134	(63) (b)	71
Creditors due within one year	(54)	-	(54)
	<hr/>	<hr/>	<hr/>
Net assets	125	437	562
	<hr/>	<hr/>	<hr/>
Goodwill on acquisition			2,416
			<hr/>
			2,978
			<hr/>
Discharged by			
Cash			2,915
Costs associated with the acquisition			63
			<hr/>
At 30 September 2015			2,978
			<hr/>

Adjustments:

- (a) increase in value of rental units after re-assessment of remaining useful economic life
- (b) write down of debtors after re-assessment of specific bad debts provision

Notes to the financial statements *(continued)*

10 Intangible fixed assets *(continued)*

On 1 September 2015 the Group acquired Mohinet Lahti Oy (a connected care product and service provider based in Finland) for a cash consideration of €0.6m, of which €0.2m is deferred for 12 months and subject to performance conditions.

	Book value	Revaluation adjustment	Fair value to group
	£000	£000	£000
Tangible assets	452	(376) (a)	76
Inventory	52	-	52
Debtors	63	-	63
Creditors due within one year	(522)	(77) (b)	(599)
Cash	18	-	18
	<hr/>	<hr/>	<hr/>
Net assets	63	(453)	(390)
	<hr/>	<hr/>	<hr/>
Goodwill on acquisition			829
			<hr/>
			439
			<hr/>
Discharged by			
Cash			265
Deferred consideration			146
Costs associated with the acquisition			28
			<hr/>
At 30 September 2015			439
			<hr/>

Adjustments:

- (a) write off of capitalised development costs and intellectual property
- (b) increase in provisions

On 15 May 2015 the Group acquired the assets of Kupuna Monitoring Systems Inc, a connected care product and service provider based in Hawaii, USA, for a cash consideration of \$513k, of which \$53k is deferred and subject to performance conditions. Net assets acquired totalled \$34k and the purchase gave rise to goodwill of \$479k.

On 9 July 2015 the Group acquired the assets of Healthcare Monitoring Systems Inc, a connected care product and service provider based in New York, USA, for a cash consideration of \$0.45m. Net liabilities acquired totalled \$50k and the purchase gave rise to goodwill of \$500k.

Notes to the financial statements *(continued)*

11 Tangible fixed assets

	Freehold property £000	Plant, fixtures and vehicles £000	Total £000
Cost			
At beginning of year	5,203	50,498	55,701
Additions	408	10,336	10,744
Acquisitions	-	622	622
Disposals	(71)	(3,154)	(3,225)
Currency movements	(81)	(1,142)	(1,223)
At end of year	5,459	57,160	62,619
Depreciation			
At beginning of year	1,075	22,646	23,721
Charge for year	159	10,386	10,545
Disposals	(62)	(2,925)	(2,987)
Currency movement	(63)	(760)	(823)
At end of year	1,109	29,347	30,456
Net book value			
At 30 September 2015	4,350	27,813	32,163
At 30 September 2014	4,128	27,852	31,980

Included within plant, fixtures and vehicles are assets held under finance leases with a net book value of £21,897 (2014: £314,000). The depreciation charge for the year on these assets was £14,598 (2014: £283,000).

Notes to the financial statements *(continued)*

12 Investments

Group

Investments £000

At beginning of year	175
Additions	16
Disposals	(11)
Currency movement	(4)
	<hr/>
At end of year	176
	<hr/> <hr/>

Details of the investments in subsidiary undertakings are shown in note 28.

Company

£000

<i>Subsidiary undertakings</i>	
Cost at the beginning and end of year	79,299
	<hr/> <hr/>

13 Stocks

	2015 £000	2014 £000
Raw materials	2,535	1,831
Work in progress	181	1,427
Contract work in progress	1,269	1,191
Finished goods	10,141	10,734
	<hr/>	<hr/>
	14,126	15,183
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)

14 Debtors

	2015 Group £000	2015 Company £000	2014 Group £000	2014 Company £000
Trade debtors	35,864	-	36,200	-
Amounts owed by parent and ultimate parent undertakings	-	-	1,717	91
Amounts owed by subsidiary undertakings	2,014	269,846	-	247,626
Other debtors	10,578	187	4,989	-
Prepayments	2,947	82	9,005	-
Corporation tax recoverable	5,842	-	4,165	2,165
Deferred tax (note 19)	4,059	-	4,464	-
	<u>61,301</u>	<u>270,115</u>	<u>60,540</u>	<u>249,882</u>

During the year the Company formalised its intercompany loan arrangements by putting in place documented intercompany loan agreements. Under the terms of these agreements interest is charged at 6% which reflects the cost of borrowing of Group. The loans are unsecured and repayable 12 months following written notice from the Company, or change of ownership of the Borrower, whichever is earlier.

Of the deferred tax asset of £4,059,000 (2014: £4,464,000), an amount of £nil (2014: £nil) is recoverable within one year. The amounts owed by subsidiary undertakings are repayable on demand and bear interest at a rate which reflects the cost of borrowings to the Group.

15 Creditors: amounts falling due within one year

	2015 Group £000	2015 Company £000	2014 Group £000	2014 Company £000
Obligations under finance lease (note 17)	19	-	300	-
Bank loans (note 18)	539	-	708	-
Trade creditors	16,242	-	14,942	-
Other taxes and social security	4,562	-	4,232	-
Accruals and deferred income	24,780	1,656	24,071	-
Amounts owed to subsidiary undertakings	-	-	-	20,612
Amounts owed to parent and ultimate parent undertaking	-	66	-	228,272
	<u>46,142</u>	<u>1,722</u>	<u>44,253</u>	<u>248,884</u>

During the year the Company formalised its intercompany loan arrangements by putting in place documented intercompany loan agreements. Under the terms of these agreements interest is charged at 6% which reflects the cost of borrowing of Group. The loans are unsecured and repayable 12 months following written notice from the Company, or change of ownership of the Borrower, whichever is earlier.

Notes to the financial statements *(continued)*

16 Creditors: amounts falling due after more than one year

	2015 Group £000	2015 Company £000	2014 Group £000	2014 Company £000
Obligations under finance lease (note 17)	-	-	5	-
Other borrowings (note 18)				
Bank loans	259,697	-	267,504	-
Parent company loan notes	264,796	-	228,298	-
Amounts owed to group undertakings	-	286,640	-	-
Accruals and deferred income	905	-	-	-
	<u>525,398</u>	<u>286,640</u>	<u>495,807</u>	<u>-</u>

17 Obligations under finance leases and hire purchase agreements

	2015 £000	2014 £000
Amount payable within one year	19	300
Amounts payable within two to five years	-	5
	<u>19</u>	<u>305</u>

18 Other borrowings

	2015 Bank loans £000	2015 Parent company loan notes £000	Total £000	2014 Bank loans £000	2014 Parent company loan notes £000	Total £000
<i>Repayment terms</i>						
Not wholly within five years:						
- by instalments	-	264,796	264,796	-	228,298	228,298
- not by instalments	267,357	-	267,357	277,062	-	277,062
Unamortised issue costs	(9,575)	-	(9,575)	(11,469)	-	(11,469)
Accrued interest	2,454	-	2,454	2,620	-	2,620
	<u>260,236</u>	<u>264,796</u>	<u>525,032</u>	<u>268,213</u>	<u>228,298</u>	<u>496,511</u>
<i>Maturity</i>						
On demand or within one year	2,454	-	2,454	2,620	-	2,620
Issue cost amortisation within one year	(1,915)	-	(1,915)	(1,912)	-	(1,912)
	<u>539</u>	<u>-</u>	<u>539</u>	<u>708</u>	<u>-</u>	<u>708</u>
Due within one year	267,357	264,796	532,153	277,062	228,298	505,360
After five years						
Issue cost amortisation after more than one year	(7,660)	-	(7,660)	(9,557)	-	(9,557)
	<u>260,236</u>	<u>264,796</u>	<u>525,032</u>	<u>268,213</u>	<u>228,298</u>	<u>496,511</u>

Notes to the financial statements *(continued)*

18 Other borrowings *(continued)*

The parent company loan notes of £264,796,000 are held by the parent undertaking, TGH Acquisitions Limited.

£19,000,000 of the loan notes have a maturity of 1 July 2018 and £245,796,000 have a maturity of 18 October 2021. The loans and bear interest at 16% per annum. Accrued interest will itself bear an interest charge of 16%, capitalising annually on 30 September.

The terms of the bank loans are as follows:

Term loan B1

£90 million

Repayable in full on 18 October 2020

Bears interest at 5.0% per annum above LIBOR

Senior term loan B2

€240 million

Repayable in full on 18 October 2020

Bears interest at 4.5% per annum above EURIBOR

Acquisition facility

Available facility £40 million

Drawn facility £nil

Facility expires on 18 October 2019

Bears interest at 4.5% per annum above LIBOR

Revolving credit facility

Available facility £20 million

Drawn facility £0.5m

Repayable in full on 18 October 2019

Bears interest at 4.5% per annum above LIBOR

Hedging

The Group have interest rate hedges in place for £67.5m and €180m which expire on 30 November 2016. The fair value of these instruments as at 30 September 2015 is a liability of £1.2m (2014: £1.0m)

Notes to the financial statements (continued)

19 Provisions for liabilities and charges

<i>Warranty provision</i>	£000
At beginning of year	553
Charge to the profit and loss account in the year	978
Utilised in the year	(668)
	<hr/>
At end of year	863
	<hr/> <hr/>

Deferred tax

The Group has the following recognised and unrecognised deferred tax assets at 20% (2014: 20%):

	£000
At beginning of year	4,464
Credit to the profit and loss account in the year	(458)
Foreign exchange movement	53
	<hr/>
At end of year	4,059
	<hr/> <hr/>

	2015 Recognised £000	2015 Unrecognised £000	2014 Recognised £000	2014 Unrecognised £000
Excess book depreciation over tax allowances on fixed assets	2,484	-	2,852	-
UK losses	-	11,675	-	12,657
Other timing differences	756	3,642	937	3,530
Overseas losses	819	1,137	675	-
	<hr/>	<hr/>	<hr/>	<hr/>
	4,059	16,454	4,464	16,187
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 September 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Notes to the financial statements *(continued)*

20 Called up share capital

	2015 £000	2014 £000
<i>Allotted, called up and fully paid:</i>		
153,321,619 ordinary shares of £0.01 each	1,533	1,533
	<u>1,533</u>	<u>1,533</u>

21 Reserves

Group

	Share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At beginning of year	1,533	103,628	(283,068)	(177,907)
Loss for the year	-	-	(35,779)	(35,779)
Currency movement	-	-	1,196	1,196
Actuarial loss on pension scheme	-	-	(4,024)	(4,024)
	<u>1,533</u>	<u>103,628</u>	<u>(321,675)</u>	<u>(216,514)</u>
At end of year	<u>1,533</u>	<u>103,628</u>	<u>(321,675)</u>	<u>(216,514)</u>

Company

	Share capital £000	Share premium account £000	Profit and loss account £000	Total £000
At beginning of year	1,533	103,628	(5,857)	99,304
Loss for the year	-	-	(22,940)	(22,940)
	<u>1,533</u>	<u>103,628</u>	<u>(28,797)</u>	<u>76,364</u>
At end of year	<u>1,533</u>	<u>103,628</u>	<u>(28,797)</u>	<u>76,364</u>

Notes to the financial statements *(continued)*

22 Non-controlling interest

	2015 £000	2014 £000
At the beginning of the year	575	-
Additions	-	799
Share of profit/(loss) for the year	242	(224)
Currency movement	(25)	-
	<u>792</u>	<u>575</u>
At the end of the year	<u>792</u>	<u>575</u>

23 Guarantees and other financial commitments

At 30 September 2015, the Group had the following operating lease commitments:

	Land and buildings		Plant, machinery and vehicles	
	2015 £000	2014 £000	2015 £000	2014 £000
Minimum annual lease rentals under operating leases which expire:				
Within one year	544	229	483	152
Within two to five years	2,599	3,694	1,433	1,400
After five years	41	68	-	-
	<u>3,184</u>	<u>3,991</u>	<u>1,916</u>	<u>1,552</u>

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

Notes to the financial statements *(continued)*

24 Contingent liabilities

At 30 September 2015, the company had contingent liabilities in respect of performance bonds and other letters of credit entered into on behalf of its subsidiary undertakings totalling £445,000 (2014: £455,000).

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

The shares and assets of certain Group companies are pledged by Tunstall Group Holdings Limited to their lenders as security against loans provided.

25 Pension scheme

The Group contributes to a number of pension schemes for its employees. The Group has one defined benefit pension scheme which is in the UK.

The Group's defined benefit pension scheme for UK employees only (Tunstall Group Limited Pension Fund ('TGLPF')) was closed to future accrual in 2013. A full actuarial valuation of the scheme was carried out at 5 April 2013 and updated for FRS 17 purposes to 30 September 2015 by a qualified independent actuary.

During the year ended 30 September 2015, the Group paid regular contributions to the pension scheme of £nil (2014: £nil) in respect of the defined benefits arrangements. Additional contributions of £995,000 (2014: £937,000) have been paid in the period to reduce the pension deficit. Contributions for the year ended 30 September 2016 are expected to be £1,100,000.

The accrued contributions at the end of the financial year were £83,000, (2014: £28,000).

FRS 17 valuation of the TGLPF scheme

Scheme assets are stated at fair value at 30 September 2015 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:

	2015	2014
Rate of increase in salaries	n/a	n/a
Rate of increase in pensions in payment and deferred pensions	3.35%	3.45%
Discount rate applied to scheme liabilities	3.80%	3.95%
Inflation assumption	3.35%	3.45%

The mortality table used was 110% of SAPS Year of Birth Long CMI 2014 projections (2014: SAPS Year of Birth Long CMI 2009 projections).

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

Notes to the financial statements *(continued)*

25 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 2015 %	Value at 30 September 2015 £000	Long term rate of return 2014 %	Value at 30 September 2014 £000
Equities	6.5%	34,840	7.1%	35,730
Bonds	3.8%	12,261	3.95%	11,981
Other	0.5%	29	0.5%	9
		<hr/>		<hr/>
		47,130		47,720
Present value of scheme liabilities		(67,366)		(65,369)
		<hr/>		<hr/>
Deficit in the scheme		(20,236)		(17,649)
Related deferred tax asset (unrecognised) at 20% (2014: 20%)		4,047		3,530
		<hr/>		<hr/>
Net deficit		(16,189)		(14,119)
		<hr/>		<hr/>

Movements in fair value of plan assets

	2015 £000	2014 £000
At beginning of year	47,720	44,353
Expected return on plan assets	2,997	2,978
Actuarial (losses)/gains	(3,179)	415
Contributions:		
By employer	995	970
Benefits paid	(1,403)	(996)
	<hr/>	<hr/>
At end of year	47,130	47,720
	<hr/>	<hr/>

Movements in present value of defined benefit obligation

	2015 £000	2014 £000
At beginning of year	(65,369)	(54,751)
Current service cost	-	-
Interest cost	(2,555)	(2,442)
Actuarial losses	(845)	(9,172)
Benefits paid	1,403	996
	<hr/>	<hr/>
At end of year	(67,366)	(65,369)
	<hr/>	<hr/>

Notes to the financial statements *(continued)*

25 Pension scheme *(continued)*

Statement of total recognised gains and losses

	2015 £000	2014 £000
Actual return less expected return on assets	(3,179)	415
Changes in assumptions underlying the present value of the scheme liabilities	(845)	(9,172)
	<hr/>	<hr/>
Actuarial loss recognised	(4,024)	(8,757)
	<hr/>	<hr/>

Analysis of amounts included in other finance costs

	2015 £000	2014 £000
Expected return on pension scheme assets	2,997	2,978
Interest on pension scheme liabilities	(2,555)	(2,442)
	<hr/>	<hr/>
	442	536
	<hr/>	<hr/>

History of plans

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

Balance sheet

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Present value of scheme liabilities	(67,366)	(65,369)	(54,751)	(51,159)	(46,716)
Fair value of scheme assets	47,130	47,720	44,353	42,222	36,769
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Deficit	(20,236)	(17,649)	(10,398)	(8,937)	(9,947)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Experience adjustments

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Experience adjustments on scheme assets	(3,179)	415	(671)	2,522	(1,363)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Experience adjustments on scheme liabilities	-	(3,804)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the financial statements *(continued)*

26 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.

27 Subsidiary undertakings and associates

Subsidiary	Principal activity	Country of incorporation	% Shareholding
Direct			
Tunstall Group Finance Limited	Intermediate holding company	England	100%
Via Subsidiary			
Tunstall Group Acquisitions Limited	Intermediate holding company	England	100%
Tunstall Holdings Limited	Intermediate holding company	England	100%
Tunstall Monitoring Limited	Non-trading entity	England	100%
Blythmore 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 Trustee Company Limited	Non-trading entity	England	100%
Emergency Response Limited	Marketing, installation and service of community alarms	Ireland	100%
Tunstall Group Holding GmbH	Intermediate holding company	Germany	100%
Tunstall GmbH	Installation of community alarms and hospital communications systems	Germany	100%
Tunstall AG	Marketing, installation and service of community alarms	Switzerland	100%
Vitaris Response BV	Monitoring of community alarms	Holland	100%
Tunstall BV	Marketing, installation and service of community alarms	Holland	100%
Tunstall SA	Marketing, installation and service of community alarms	Belgium	100%
Tunstall Group Holding AB	Intermediate holding company	Sweden	100%
Vitaris Iberia SL	Non-trading entity	Spain	100%
Tunstall Management AB	Non-trading entity	Sweden	100%
Tunstall Nordic AB	Intermediate holding company	Sweden	100%
Tunstall AB	Marketing, installation and service of community alarms	Sweden	100%
Tunstall Sweden AB	Marketing, installation and service of community alarms	Sweden	100%
Tunstall AS	Marketing, installation and service of community alarms	Denmark	100%
Tunstall OY	Marketing, installation and service of community alarms	Finland	100%
Mohinet Lahti OY	Marketing, installation and service of community alarms	Finland	100%

Notes to the financial statements *(continued)*

28 Subsidiary undertakings and associates *(continued)*

Subsidiary	Principal activity	Country of incorporation	% Shareholding
Tunstall Iberica SA	Marketing, installation and service of community alarms	Spain	100%
Televida Servicios Sociosanitarios SL	Monitoring of community alarms and provider of healthcare response services	Spain	100%
Vitaris France SAS	Intermediate holding company	France	100%
Tunstall Technologies	Marketing, installation and service of community alarms	France	100%
Vitaris SAS	Monitoring of community alarms	France	100%
Autonomie Et Assistance A Domicile Cannoises SARL	Monitoring of community alarms	France	100%
Tunstall Australasia Pty Limited	Sale and monitoring of community alarms and telehealth equipment	Australia	100%
Tunstall New Zealand Limited	Monitoring of community alarms	New Zealand	100%
Tunstall Healthcare NZ Limited	Non-trading entity	New Zealand	100%
Tunstall New Zealand Trust	Non-trading entity	New Zealand	100%
Tunstall Taiwan Co Ltd	Non-trading entity	Taiwan	100%
Tunstall Asia PTE Ltd	Non-trading entity	Singapore	100%
Monitor AMA Holdco Corp.	Intermediate holding company	US	100%
American Medical Alert Corp.	Monitoring of community alarms and medical call centre activities	US	100%
Alpha Message Centre Acquisition Corp.	Monitoring of community alarms and medical call centre activities	US	100%
American Mediconnect Acquisition Corp.	Monitoring of community alarms and medical call centre activities	US	100%
Answer Connecticut Acquisition Corp.	Monitoring of community alarms and medical call centre activities	US	100%
HCI Acquisition Corp.	Monitoring of community alarms and medical call centre activities	US	100%
Live Message America Acquisition Corp.	Monitoring of community alarms and medical call centre activities	US	100%
MD On Call Acquisition Corp.	Monitoring of community alarms and medical call centre activities	US	100%
NM Call Centre Inc	Monitoring of community alarms and medical call centre activities	US	100%
North Shore Answering Service Inc.	Monitoring of community alarms and medical call centre activities	US	100%
Safe Com Inc.	Monitoring of community alarms and medical call centre activities	US	100%
Tunstall Canada Inc	Sale and monitoring of community alarms and telehealth equipment	Canada	100%
Saludnova Solutions S.L.	Telehealth	Spain	51%
La Saleta S.L.	Monitoring of community alarms and provider of healthcare response services	Spain	75%
UTE Pais vasco Televida/GSR	Monitoring of community alarms and provider of healthcare response services	Spain	85%
UTE Pais vasco GSR/Televida	Monitoring of community alarms and provider of healthcare response services	Spain	85%
UTE Barcelona/Ayto.	Monitoring of community alarms and provider of healthcare response services	Spain	100%
Fundación Televida	Social Foundation	Spain	100%

Notes to the financial statements *(continued)*

28 Subsidiary undertakings and associates *(continued)*

Subsidiary	Principal activity	Country of incorporation	% Shareholding
Telealarm Care Holdings (UK) Limited	In liquidation	England	100%
Cass Care Limited	In liquidation	England	100%
Tunstall BMS Limited	In liquidation	England	100%
Tunstall Vitalcall Limited	In liquidation	England	100%
Technology in Healthcare Limited	In liquidation	England	100%
Tunstall Health Communications Limited	In liquidation	England	100%
Whitley Marketing Services Limited	In liquidation	England	100%
Whitley Securities Limited	Non-trading entity	England	100%
Tunstall Electronics Limited	Non-trading entity	England	100%
Tunstall Response Limited	Non-trading entity	England	100%
Tunstall Central Services Limited	In liquidation	England	100%