

Registration number: 05459713

Tunstall Group Holdings Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 30 September 2019



Tunstall Group Holdings Limited
Consolidated Annual Report and Financial Statements

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Strategic Report for the Year Ended 30 September 2019

The Directors present the Strategic Report of Tunstall Group Holdings Limited (the "Company") for the year ended 30 September 2019.

Principal activity

The Company is a holding Company and the principal activities of its subsidiary undertakings are the provision of data driven, technology-enabled solutions and services to enable their customers to deliver new, more efficient and effective models for health and care management in the community setting, across each of the main Regions which were historically, the UK & Ireland, Nordics, Southern Europe, Central Europe, and Australasia, in addition to corporate activities. Going forwards the reporting regions will change to the UK & Ireland, the Nordics, Spain, France and Benelux, DACHME (Germany, Austria, Switzerland & Middle East) and Australasia.

Review of the business

Financial performance

Revenue as shown in the Group's Consolidated Income Statement for the year amounted to £216,690,000 (2018: £207,868,000) and the Group's operating profit was £19,523,000 (2018: £26,457,000). The Group's operating profit before charging depreciation, amortisation and exceptional items ("Adjusted EBITDA" as reconciled on Page 5) increased to £49,714,000 (2018: £48,193,000). Approximately 68% (2018: 67%) of the Group's revenues from continuing operations are in non-sterling currencies, however the overall impact of foreign exchange movements on the Group's financial performance was less than that seen in previous years. The lower operating profit in comparison to the previous year principally reflects higher exceptional costs which are explained below, along with higher depreciation and amortisation.

The Group disposed of its US operations during the year, which were classified as discontinued operations both in the current and previous year.

The Consolidated Income Statement as set out on page 15 of the financial statements shows a loss from continuing operations for the financial year of £72,102,000 (2018: a loss of £70,892,000). The consolidated loss for the year was £71,076,000 (2018: a loss of £86,312,000).

The following commentary sets out the performance achieved by each of the Group's five remaining main Regions.

UK & Ireland

The core UK business revenue of £68,186,000 grew by 0.8% year on year despite challenging market conditions (2018: £67,661,000).

The UK Connected Care Managed Services market continued to deliver strong growth results, with growth increasing for the third consecutive year (5.0% in 2017, 6.5% in 2018 to 6.7% in 2019). This growth has primarily been driven by growth in existing customer contracts. Pressure on public funding budgets and an ever-increasing demand for care services continues to drive the need for Local Authorities to improve utilisation of their scarce resources and an imperative to realise efficiency driven cost savings. These factors contribute to a strong market demand for outsourced Managed Services solutions and in turn a healthy pipeline for the UK business. Launch of the latest alarm calls handling software (PNC 8.2) has stimulated growth in the market, with IL Software delivering revenues 5.6% ahead of 2018. The Group Living Service sector also performed well, with year on year growth of 5.2%.

UK Group Living Installations saw a decline on 2018 (-£1.6m/-9.7%) as a result of the downturn of the private development sector. The impact of COVID-19 and lockdown restrictions in the UK have further impacted Group Living performance in FY20. This has affected both private development sales and the ability to install systems in the public sector due to restricted access, resulting in a further decline forecast.

Strategic Report for the Year Ended 30 September 2019 (continued)

Review of the business (continued)

Nordics

Revenue in the Nordics grew strongly, with a 7.5% increase. The majority of growth during 2019 arose from the managed service business with improved revenues on the back of increases in both the number of subscribers and average revenue per user. To manage the growth in business, overheads have also increased, but these are more than compensated for by the increase in revenue, resulting in 22.9% of adjusted EBITDA growth.

Southern Europe

8.3% revenue growth and 10.9% adjusted EBITDA growth was achieved in Spain, with healthy user growth across the Spanish Managed Service contracts, along with strong equipment volumes.

8.5% revenue growth and 6.7% adjusted EBITDA growth was achieved in France.

Central Europe

Revenue increased by 2.5% in Central Europe with customer demand in Independent Living being satisfied with analogue products, awaiting the introduction of new digital products. Hospital Care sales grew strongly. However, product mix and increased overheads combined to reduce adjusted EBITDA by 10.2%.

Australasia

Revenue in Australasia decreased by 2.5% with a decrease in adjusted EBITDA of 2.2%, with reduced equipment sales reflecting the delay of certain technology updates being offset to some extent by strong Digital Health sales and improved margins.

Depreciation and amortisation

The Group's depreciation charge in the year increased to £11,485,000 (2018: £10,623,000 excluding discontinued operations) as a result of the continued investment in equipment to support the growth of the Group's Managed Services contracts.

Amortisation of development expenditure increased to £7,810,000 (2018: £6,295,000) as the Group continued to develop its Integrated Health and Care solutions with a particular focus on Internet Protocol machine to machine communications technology which will radically transform the services which the Group is providing to its customers, along with the implementation of a new global ERP system.

Amortisation of customer related and computer software intangible assets amounted to £1,731,000 (2018: £846,000 excluding discontinued operations). This reflects the amortisation of the identifiable intangible assets acquired with business operations in the current and preceding year.

The total amortisation charge increased to £9,541,000 (2018: £7,141,000 excluding discontinued operations).

Exceptional items

The Group presents certain items that are non-recurring and significant in nature as exceptional items. These relate to items which, in the Directors' judgement, need to be disclosed by virtue of their size and incidence in order to obtain a more meaningful understanding of the information contained in the financial statements.

The Group incurred a net exceptional charge on its continuing operations of £9,165,000 in the year ended 30 September 2019 (2018: £3,556,000). The most significant of these being costs associated with the potential sale of the Group, a non-cash charge in relation to the GMP Equalisation of pensions (see note 27), and further costs associated with the Group's initiative to drive significant cost and operational efficiencies to support the implementation of the Group's growth strategy, in addition to other restructuring costs. More details are provided in note 7 of the financial statements.

Strategic Report for the Year Ended 30 September 2019 (continued)

Review of the business (continued)

Goodwill impairment

The Directors have reviewed the carrying value of Goodwill. An impairment charge of £544,000 has been recognised in the year ended 30 September 2019 (2018: £12,671,000). Of this charge £nil (2018: £10,969,000) relates to the discontinued operations.

Net finance costs

Net finance costs for the year decreased to £90,774,000 (2018: £94,146,000). This principally comprises £24,843,000 interest payable on the Group's Senior debt (2018: £24,489,000) and £64,702,000 of interest payable to fellow Group undertakings (2018: £55,850,000). In addition to this, in the current year, there was a foreign exchange gain of £390,000 principally in relation to the Euro denominated Senior Term Loan and intercompany currency loans (2018: foreign exchange loss of £3,945,000).

Taxation

The Group recorded an income tax credit of £308,000 (2018: expense of £938,000). Despite the loss on ordinary activities before tax of £72,410,000 (2018: loss of £69,954,000), the Group incurs a tax expense as a result of taxable profits in overseas jurisdictions and due to the fact that certain interest charges are not deductible in arriving at UK profits or losses chargeable for tax. The Group's tax expense is also affected by brought forward tax losses and timing differences that are recognised as deferred tax.

Acquisitions and disposals

During the year, the Group acquired one subsidiary, La Tourangelle in France for cash consideration of €550,000 and estimated contingent consideration of €280,000. This was subsequently merged into an existing French entity.

The Group made the decision to dispose of its operations in the USA in the previous year and classified the business as discontinued operations in the accounts, with the remaining assets being treated as assets and liabilities held for sale. The business was disposed of on 28 January 2019. Further details are provided in note 33.

Cash flow

Cash generated from operations increased to £42,842,000 compared with £37,780,000 in the previous year. Operating cash flow represented 86.2% of adjusted EBITDA (2018: including discontinued operations - 74.8%) with the increase due to the timing of working capital cash flows, and the absence of the US business in the current year.

Net interest paid almost entirely relates to serving the Group's Senior debt and amounted to £20,639,000 (2018: £19,469,000) with the increase being due to the timing of interest payments. During the year loans were repaid totalling £14,872,000 (2018: £nil). Interest on the unsecured subordinated parent company loan notes is non-cash 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 of £27,983,000 (2018: £26,635,000) is an increase on the previous year as the Group continued to invest in its growth strategy. The main areas of expenditure included development of new products, software and services £11,097,000 (2018: £9,890,000) in addition to investment in equipment installed in service users homes as part of a Managed Service arrangement of £9,748,000 (2018: £10,903,000, including the now disposed of US business).

Strategic Report for the Year Ended 30 September 2019 (continued)

Review of the business (continued)

Funding

The Group has considerable financial resources with a cash balance at 30 September 2019 amounting to £20,191,000 (2018: £22,053,000).

As noted on page 9, on 3 August 2020 the Group completed the refinancing of its debt with its existing lenders, with a portion being converted to a new five year senior term loan designated in Euros (with a repayment date of 3 August 2025), and the balance exchanged for equity in a newly formed ultimate parent company. Following the transaction, the bank debt reduced to €197,676,000 (the equivalent of £180,000,000 at the date of the transaction) compared to £311,726,000 at 30 September 2019. The new loan bears interest at a margin of 5% above EURIBOR (with a zero floor). In addition a further super senior term loan ("SSTL") facility, also provided by the existing lenders, of €20,000,000 is available for drawdown, expiring on 3 August 2023. The Revolving credit facility in place at the year end 2019 was cancelled on completion of the refinancing. The reduction in bank debt results in a significantly lower annual interest charge, a significantly strengthened Group financial structure and Statement of Financial Position, and higher available liquidity.

Following the refinancing the financial covenant consists of a single adjusted EBITDA covenant to be tested quarterly.

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.

The Directors have prepared detailed cash flow forecasts that extend to 30 September 2021. The forecasts consider the Directors' views of current and future economic conditions that are expected to prevail over the period.

The forecasts indicate the Company and Group is able meet its liabilities as they fall due throughout the period to 30 September 2021. The key factors considered in reaching this conclusion are summarised below:

- As at 31 August 2020, the Group's short-term deposits and cash and cash equivalents were £17.4 million.
- Following completion of the refinancing on 3 August 2020 as described in Note 34 the Group has access to banking facilities consisting of a drawn term loan of €197.7 million repayable on 3 August 2025 and an undrawn term loan of €20.0 million repayable on 3 August 2023.
- In the period since the year end the Group has taken various actions to preserve cash and increase liquidity in response to the challenges arising from COVID-19. This has included the utilisation of various COVID-19 government support schemes across the Group's geographies in respect of employee retention and the deferral of tax payments.
- The Directors have considered the position of the individual trading companies in the Group in making this assessment.

The Directors have also considered the impact of COVID-19 in the forecasts and have adjusted assumptions accordingly. In addition, the Directors have considered a severe but plausible downside scenario which assumes a significantly worse impact from COVID-19 continuing throughout FY21. In this scenario the estimated negative COVID-19 impact on EBITDA is adjusted to double that in the base case. These assumptions are more severe than the Group's actual experience during the initial lockdown period. Taking into account these downsides before other mitigating actions available, the Group is still able to operate within its facilities and in compliance with covenants throughout the period to September 2021.

Based on these indications, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Strategic Report for the Year Ended 30 September 2019 (continued)

Key performance indicators

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

	Unit	2019	2018
Revenue	£m	216.70	207.90
Adjusted EBITDA	£m	49.71	48.20
Gross profit margin	%	44.35	43.99
Adjusted EBITDA margin	%	22.94	23.18
Cash generated from operations	£m	42.84	37.78
Cash generated from operations % of Adjusted EBITDA	%	86.18	78.38
Net cash outflow	£m	(1.77)	(12.00)

- Revenue for the year of £216,690,000 (2018: £207,868,000), with growth in Spain, France and the Nordics in particular.
- Adjusted EBITDA of £49,714,000 (2018: £48,193,000) increased as a result of the items highlighted above in the review of the business.
- Adjusted EBITDA margin was 22.94% (2018: 23.18%) is slightly down on the prior year.
- Cash generated from operations as a percentage of adjusted EBITDA increased to 86.18% (2018: 74.81%) due to timing of working capital cash flows, along with the absence of the US business in the current year.
- Net cash outflow amounted to £1,774,000 (2018: an outflow of £12,000,000).

Reconciliation of non-statutory measures

	2019 £ 000	2018 £ 000
Operating profit as reported	19,523	26,457
Depreciation and amortisation	21,026	18,180
Exceptional items	9,165	3,556
Adjusted EBITDA (including discontinued operations)	<u>49,714</u>	<u>48,193</u>

Business strategy

The Group's strategy is to provide data driven, technology-enabled solutions and managed services that help our customers' deliver new models for health and care management in the community setting. The Group delivers these solutions and services across its six key regions which, going forwards, are UK & Ireland, the Nordics, Spain, France and Benelux, DACHME, and Australasia.

The Group specialises in two key sectors, telecare delivery of Social Care & Personal Emergency Alarm services and telehealth delivery of healthcare solutions and services supporting care providers to manage patients with complex long-term conditions. These services and solutions are delivered across both the public and private sector and, due to an aging population with an increasing demand for social care and healthcare, the shortage of healthcare professionals across the world, combined with ever increasing constraints on government finances, the demand for these services and new models of care is growing. Market trends in developed economies are seeing increased joint working and consolidated budgets across social care and healthcare at an operational level, placing Tunstall in an advantageous position to address integrated care and health solutions with its recent announcement regarding Tunstall Cognitive Care.

Strategic Report for the Year Ended 30 September 2019 (continued)

Business strategy (continued)

The Tunstall Cognitive Care (TCC) programme enables Tunstall to offer a range of solutions and services to address the different needs for social care and healthcare across a target population. It is based on the strong legacy of Tunstall in the Reactive Care segment, today's business model, where the user is active in contacting us and we react, (level 1), to Proactive Care (level 2), where we are engaged to be proactive with an outbound service (e.g. our Spanish Model), to Predictive Care (level 3) where with the use of Machine learning and our systems integration capability, we will be able to predict, thus prevent, an adverse incident. More recently the 4th layer, Tunstall Cognitive Care, where level 3 capability is advanced to a more inclusive layer of data input, for example from activity tracking, nutrition, social inclusion, care plan, health plan, and indeed any data source, will be integrated, which when analysed through unique algorithms, will result in messages to the user or other stakeholders, which we call 'Nudge' care messages, suggesting a change in behaviour or an active engagement by health care professional. This stratified approach optimises the opportunity offered by the integration of social and health care and will yield significant benefits to our system users, simultaneously giving to our large government and private customers savings or cost avoidance measures. It will also be available to our private pay users or our business-2-business- 2-private user partners.

At a top level, this is what we do:

Enabling End Users by facilitating the optimum level of care	Reducing and mitigating adverse events	
The Group enables end users to enjoy their lifestyle, safe in the knowledge that they are being monitored and that in the event of adverse events there will be a rapid response engaging the appropriate services.	The Group enables the most appropriate level of care to be applied in care management and response. For clients and carers this provides reassurance, whilst for providers and commissioners, this is also normally the most cost efficient.	Care providers/commissioners want to avoid adverse events so that they can reduce acute capacity demands and associated costs.
The Group's solutions enable more independent living, with chronic healthcare conditions (and their management) being less constraining on lifestyles	By monitoring clients remotely, the Group can free-up the resources of the payor which would otherwise be required in routine and acute situations.	Using Tunstall alarms (physical, biological and ambient) to identify and qualify risks, informed interventions can be made to accelerate intervention to prevent expensive hospitalisation or simply to avoid unnecessary interventions.
The Group's active monitoring for the 'cared for' and their carers provides reassurance and also helps to resolve the financial challenges faced by care/healthcare providers as the Group delivers a high quality service and allows for higher utilisation of the payors resources.	The benefits are wide spread from avoidance of the need for physical clinic attendance, to avoidance of any emergency service response, avoiding or delaying hospital admittance and faster hospital discharge thus improving resource utilisation and improving the Citizens quality of life.	

Strategic Report for the Year Ended 30 September 2019 (continued)

Business strategy (continued)

The Group's strategy is underpinned by the following three key pillars:

- **Integration of devices and systems for optimal solutions**
 - partnering with customers and leading organisations to integrate, leveraging Evity, eco-systems to further enhance our services and solutions, and the value they provide to customers
- **Facilitation of new data-enabled models of social and health care**
 - Enabling our analytics capabilities so that interventions can be made to both improve immediate quality of life and to avert potentially preventable adverse events
- **Supporting Health and Social Care transformation**
 - Supporting customers drive system efficiencies through the integration of discrete systems and enabling unified intervention management approaches in health and social care

Business environment

The Group's core markets are underpinned by strong demographics with the global population of 65+ expected to grow at three times that of the overall population, a 25% increase in chronic diseases in the 65+ age group from 2015 to 2025, and a 51.2% old age dependency ratio in the EU by 2070.

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

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

The consumerisation of technology enabled care products could present a threat to international standards and compliance with protocols for hardware in the social and healthcare market. However, the market is moving towards a managed service model with service providers taking on core services previously provided by government funded organisations. IP technology and the Internet of Things is expected to help drive efficiency in this transitioning market. Therefore an ability to be technology and device agnostic and interface and manage a diverse network of digital care devices, while aggregating the resultant data created to provide innovative and predictive services will drive the new model of "Cognitive Care" delivery. This combined with the highly regulated critical alarm communication pathways over an end to end digital infrastructure positions the Group favourably to benefit from this market and technology transition.

To address these market trends the Group successfully launched a new IP-enabled Smart Hub carephone for people living in their own home in addition to a new integrated IP monitoring platform (PNC8), enabling end to end IP care services, optimising workflow through the use of better data analytics. The Group is also investing in a global data services platform that will enable the Group to develop responsive products and services utilising multiple data sources and devices at pace. This will give the Group the ability to respond to emerging market requirements more quickly and deliver consolidated value propositions across the Group's software and services portfolio.

Strategic Report for the Year Ended 30 September 2019 (continued)

Business environment (continued)

As highlighted in last year's report the Group launched a programme to drive significant cost and operational efficiencies designed to save costs or improve profit which in turn provides resources to invest in growth.

The Group is therefore well placed to take advantage of the growth opportunities in its core markets by adapting to the changing needs of its customers and the technological landscape, and continuing to deliver health and care services of higher quality with improved outcomes at best value for our customers.

Principal risks and uncertainties

Foreign exchange risk

The Group operates within a number of international territories with approximately 68% of the Group's revenues in non-sterling currencies. The majority of the Group's products are manufactured in the UK, with raw materials predominantly Sterling, Euro and USD denominated. As a result the Group is exposed to foreign exchange risk, principally against the Euro, USD and Swedish Kroner. The Group's strategy is 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 24 at fixed margins above LIBOR and EURIBOR respectively. The risk of interest rate increase has been managed where appropriate through interest rate hedges as described in note 25.

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 Innovation 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. Partnerships and Coalitions with multiple stakeholder and companies with merging technologies are critical and investment in the global data services platform to enable this connectivity in an easy to use manner has been and will continue to be critical to our success.

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.

Brexit

On June 23, 2016, the United Kingdom ("UK") held a referendum in which voters approved for the UK to leave the European Union ("EU") ("Brexit"). The UK officially left the EU on January 31, 2020, entering into a 'transition period' that is set to last until December 31, 2020. At the time of this report, the British government and the EU continue to negotiate the terms of the UK's future relationship with the EU.

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

Strategic Report for the Year Ended 30 September 2019 (continued)

Events after the financial period

COVID-19

In early 2020, an outbreak of the novel strain of coronavirus ("COVID-19") emerged globally. There have been mandates from governments and local authorities worldwide that have resulted in an overall decline in economic activity across the globe. The Group has reacted swiftly to ensure continuation of its critical health and care management services in the community and new propositions are being developed to enable rapid deployments to ensure the Group can contribute to the solution to this global crisis.

There is likely to be an impact on the financial performance of the Group in 2020 - driven largely by a reduction in deployment activity due to a lack of access to end users and community settings during global lockdown. The Group remains in a strong financial position however and well placed to react to future changes in its markets as a result of the crisis.

The Group has concluded that the necessity for large-scale government interventions in response to COVID-19 only became apparent after the Statement of Financial Position date and therefore that the consequences of such interventions represent non-adjusting post balance sheet events.

Refinancing

On 3 August 2020 the Group was purchased by Don Jersey Bidco Limited (subsequently renamed Tunstall Integrated Healthcare Finance Limited), a subsidiary of Don Jersey Topco Limited (subsequently renamed Tunstall Integrated Healthcare Holdings Limited), a new entity set up for the purpose of the transaction. This resulted in a reduction of the existing bank debt to €197,676,000 (the equivalent of £180,000,000 at the date of the transaction), as well as the forgiveness of the balances owed to the former parent entity TGH Acquisitions Limited of £531,000,000. In addition a new bank covenant was set and a new super senior term loan facility of €20,000,000 made available for drawdown. This results in a significantly strengthened Group financial structure and Statement of Financial Position, and higher available liquidity.

Approved by the Board on 15 September 2020 and signed on its behalf by:



Jon Furniss
Company Secretary
Whitley Bridge
Doncaster
DN14 0HR

Directors' Report for the Year Ended 30 September 2019

The Directors presents their Report and the financial statements for the year ended 30 September 2019.

Directors of the Group

The Directors, who served throughout the year and up to the date of signing of the financial statements, unless otherwise stated were as follows:

G Sutherland

L Robinson (appointed 25 January 2019)

C Parsons (resigned 17 June 2019)

Dividends

The Directors do not propose the payment of a dividend (2018: £nil).

Political contributions

The Group made no political donations and did not incur any political expenditure during the year (2018: £nil).

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the 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 involvement

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 Group intranet. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

Disclosure of information to the auditor

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

Other information

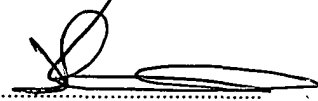
An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Re-appointment of auditor

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

Directors' Report for the Year Ended 30 September 2019 (continued)

Approved by the Board on 15 September 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'Jon Furniss', written over a dotted line.

Jon Furniss
Company Secretary
Whitley Bridge
Doncaster
DN14 0HR

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

The Directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of Tunstall Group Holdings Limited ("the company") for the year ended 30 September 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic Report and Directors' Report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 12, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



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

16 September 2020

Consolidated Income Statement for the Year Ended 30 September 2019

	Note	2019 £ 000	2018 £ 000
Revenue	4, 5	216,690	207,868
Cost of sales		<u>(120,578)</u>	<u>(116,419)</u>
Gross profit		96,112	91,449
Administrative expenses		<u>(76,589)</u>	<u>(64,992)</u>
Operating profit	6	<u>19,523</u>	<u>26,457</u>
Analysed as:			
Operating profit before charging depreciation and amortisation and exceptional items ("Adjusted EBITDA")	5, 6	49,714	48,193
Depreciation and amortisation	6	(21,026)	(18,180)
Exceptional items	7	(9,165)	(3,556)
Impairment of non-current assets	15	(1,159)	(2,265)
Finance income	8	678	106
Finance costs	8	<u>(91,452)</u>	<u>(94,252)</u>
Net finance cost	8	<u>(90,774)</u>	<u>(94,146)</u>
Loss before tax		(72,410)	(69,954)
Income tax credit/(expense)	12	<u>308</u>	<u>(938)</u>
Loss from continuing operations		(72,102)	(70,892)
Discontinued operations			
Profit/(loss) from discontinued operations		<u>1,026</u>	<u>(15,420)</u>
Loss for the year		<u>(71,076)</u>	<u>(86,312)</u>
Loss attributable to:			
Owners of the Company		(71,421)	(86,671)
Non-controlling interests		<u>345</u>	<u>359</u>
		<u>(71,076)</u>	<u>(86,312)</u>

Consolidated Statement of Comprehensive Income for the Year Ended 30 September 2019

	Note	2019 £ 000	2018 £ 000
Loss for the year		<u>(71,076)</u>	<u>(86,312)</u>
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations	27	(4,812)	3,002
Deferred taxation regarding pension scheme deficit	12	<u>775</u>	<u>(470)</u>
		(4,037)	2,532
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation gains		<u>282</u>	<u>1,734</u>
Total comprehensive loss for the year		<u><u>(74,831)</u></u>	<u><u>(82,046)</u></u>
Total comprehensive loss attributable to:			
Owners of the Company		(75,178)	(82,408)
Non-controlling interests		<u>347</u>	<u>362</u>
		<u><u>(74,831)</u></u>	<u><u>(82,046)</u></u>

Consolidated Statement of Financial Position as at 30 September 2019

	Note	2019 £ 000	2018 £ 000
Non-current assets			
Property, plant and equipment	13	30,267	28,333
Intangible assets	15	230,765	226,508
Equity accounted investments	17	6	6
Other non-current financial assets	18	777	974
Deferred tax assets	12	10,763	7,569
		<u>272,578</u>	<u>263,390</u>
Current assets			
Inventories	19	10,638	10,601
Trade and other receivables	20	42,233	39,163
Income tax asset	12	5,212	6,147
Assets held for sale	14	-	25,730
Cash and cash equivalents		20,191	22,053
Other current financial assets	18	-	157
		<u>78,274</u>	<u>103,851</u>
Total assets		<u>350,852</u>	<u>367,241</u>
Current liabilities			
Trade and other payables	21	(41,339)	(36,495)
Loans and borrowings	23	(608)	(4,128)
Income tax liability	12	(5,841)	(6,586)
Deferred income		(8,813)	(8,751)
Provisions	22	(2,357)	(3,322)
Liabilities held for sale	14	-	(2,817)
		<u>(58,958)</u>	<u>(62,099)</u>
Net current assets		<u>19,316</u>	<u>41,752</u>
Total assets less current liabilities		<u>291,894</u>	<u>305,142</u>
Non-current liabilities			
Loans and borrowings	23	(782,165)	(725,105)
Retirement benefit obligations	27	(25,472)	(21,174)
		<u>(807,637)</u>	<u>(746,279)</u>
Total liabilities		<u>(866,595)</u>	<u>(808,378)</u>
Net liabilities		<u>(515,743)</u>	<u>(441,137)</u>

The notes on pages 25 to 84 form an integral part of these financial statements.

Consolidated Statement of Financial Position as at 30 September 2019 (continued)

	Note	2019 £ 000	2018 £ 000
Equity			
Share capital	28	1,533	1,533
Share premium		103,628	103,628
Foreign currency translation reserve		13,141	12,806
Accumulated losses		<u>(636,333)</u>	<u>(561,045)</u>
Equity attributable to owners of the Company		<u>(518,031)</u>	<u>(443,078)</u>
Non-controlling interests		<u>2,288</u>	<u>1,941</u>
Total equity		<u>(515,743)</u>	<u>(441,137)</u>

Approved by the Board on ^{15th}..... September 2020 and signed on its behalf by:

.....
L Robinson
Director

(Registration number: 05459713)

Consolidated Statement of Changes in Equity for the Year Ended 30 September 2019

	Share capital £ 000	Share premium £ 000	Foreign currency translation £ 000	Accumulated losses £ 000	Total £ 000	Non- controlling interests £ 000	Total equity £ 000
At 1 October 2017	1,533	103,628	11,075	(476,906)	(360,670)	1,579	(359,091)
(Loss)/profit for the year	-	-	-	(86,671)	(86,671)	359	(86,312)
Foreign currency translation gains/(losses)	-	-	1,731	-	1,731	3	1,734
Remeasurement of post employment benefits	-	-	-	3,002	3,002	-	3,002
Deferred tax regarding pension scheme deficit	-	-	-	(470)	(470)	-	(470)
Total comprehensive income/(loss)	-	-	1,731	(84,139)	(82,408)	362	(82,046)
At 30 September 2018	1,533	103,628	12,806	(561,045)	(443,078)	1,941	(441,137)

The notes on pages 25 to 84 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity for the Year Ended 30 September 2019 (continued)

	Share capital £ 000	Share premium £ 000	Foreign currency translation £ 000	Accumulated losses £ 000	Total £ 000	Non- controlling interests £ 000	Total equity £ 000
At 1 October 2018	1,533	103,628	12,806	(561,045)	(443,078)	1,941	(441,137)
Adjustment on initial application of IFRS 15, net of tax	-	-	-	225	225	-	225
At 1 October 2018 (restated)	1,533	103,628	12,806	(560,820)	(442,853)	1,941	(440,912)
(Loss)/profit for the year	-	-	-	(71,421)	(71,421)	345	(71,076)
Foreign currency translation gains	-	-	280	-	280	2	282
Realisation of translation reserve on disposal of business	-	-	55	(55)	-	-	-
Remeasurement of post employment benefits	-	-	-	(4,812)	(4,812)	-	(4,812)
Deferred tax regarding pension scheme deficit	-	-	-	775	775	-	775
Total comprehensive income/(loss)	-	-	335	(75,513)	(75,178)	347	(74,831)
At 30 September 2019	1,533	103,628	13,141	(636,333)	(518,031)	2,288	(515,743)

Consolidated Statement of Cash Flows for the Year Ended 30 September 2019

	Note	2019 £ 000	2018 £ 000
Cash flows from operating activities			
Loss for the year		(71,076)	(86,312)
Adjustments to cash flows from non-cash items:			
Depreciation and amortisation	13, 15	21,026	22,202
Impairment of non-current assets	15	1,159	13,234
Gain on disposal of assets held for resale		(1,026)	-
Exceptional costs related to pension scheme		1,574	-
Finance income	8, 33	(678)	(115)
Finance costs	8	91,452	94,252
Income tax (credit)/expense	12, 33	(308)	1,059
		42,123	44,320
Working capital adjustments:			
(Increase)/decrease in inventories	19	(37)	1,344
Increase in trade and other receivables	20	(2,998)	(6,635)
Increase/(decrease) in trade and other payables	21	5,943	(2,106)
Decrease in retirement benefit obligation	27	(2,683)	(2,522)
Increase in provisions		432	1,721
Increase in deferred income		62	1,658
Cash generated from operations		42,842	37,780
Income taxes paid	12, 33	(2,175)	(1,987)
Net cash flow from operating activities		40,667	35,793
Cash flows from investing activities			
Acquisition of intangible assets	15	(13,951)	(12,838)
Acquisitions of property plant and equipment		(14,032)	(13,797)
Proceeds from sale of property plant and equipment		290	564
Interest received		35	24
Acquisition of subsidiary net of cash acquired		(906)	(1,706)
Proceeds from disposal of business		22,220	-
Net cash flows from investing activities		(6,344)	(27,753)
Cash flows from financing activities			
Interest paid		(20,639)	(19,469)
Movement in intercompany balances		(592)	523
Repayment of bank borrowing		(14,872)	-
Transaction costs on borrowings		-	(1,066)
Cash received in respect of derivatives		148	-
Payments to finance lease creditors		(142)	(28)
Net cash flows from financing activities		(36,097)	(20,040)

The notes on pages 25 to 84 form an integral part of these financial statements.

Consolidated Statement of Cash Flows for the Year Ended 30 September 2019
(continued)

	Note	2019 £ 000	2018 £ 000
Net decrease in cash and cash equivalents		(1,774)	(12,000)
Cash and cash equivalents at 1 October		22,053	34,050
Effect of exchange rate fluctuations on cash held		<u>(88)</u>	<u>3</u>
Cash and cash equivalents at 30 September		<u><u>20,191</u></u>	<u><u>22,053</u></u>

Company Statement of Financial Position as at 30 September 2019

	Note	2019 £ 000	2018 £ 000
Non-current assets			
Investments	17	-	-
Amounts owed by subsidiary undertakings	20	345,486	322,028
		<u>345,486</u>	<u>322,028</u>
Current assets			
Trade and other receivables	20	1,296	719
Income tax asset	12	549	127
Cash and cash equivalents		24	6
		<u>1,869</u>	<u>852</u>
Total assets		<u>347,355</u>	<u>322,880</u>
Current liabilities			
Trade and other payables	21	(2,633)	-
Loans and borrowings	23	-	(42)
		<u>(2,633)</u>	<u>(42)</u>
Net current (liabilities)/assets		<u>(764)</u>	<u>810</u>
Total assets less current liabilities		<u>344,722</u>	<u>322,838</u>
Non-current liabilities			
Loans and borrowings	23	(494,722)	(423,745)
Total liabilities		<u>(497,355)</u>	<u>(423,787)</u>
Net liabilities		<u>(150,000)</u>	<u>(100,907)</u>
Equity			
Share capital	28	1,533	1,533
Share premium		103,628	103,628
Accumulated losses		<u>(255,161)</u>	<u>(206,068)</u>
Total equity		<u>(150,000)</u>	<u>(100,907)</u>

Approved by the Board on 15th September 2020 and signed on its behalf by:

.....
L Robinson
Director

(Registration number: 05459713)

Company Statement of Changes in Equity for the Year Ended 30 September 2019

	Share capital £ 000	Share premium £ 000	Accumulated losses £ 000	Total £ 000
At 1 October 2017	1,533	103,628	(179,629)	(74,468)
Loss for the year	-	-	(26,439)	(26,439)
Total comprehensive loss	-	-	(26,439)	(26,439)
At 30 September 2018	1,533	103,628	(206,068)	(100,907)
	Share capital £ 000	Share premium £ 000	Accumulated losses £ 000	Total £ 000
At 1 October 2018	1,533	103,628	(206,068)	(100,907)
Loss for the year	-	-	(49,093)	(49,093)
Total comprehensive loss	-	-	(49,093)	(49,093)
At 30 September 2019	1,533	103,628	(255,161)	(150,000)

Notes to the Financial Statements for the Year Ended 30 September 2019

1 General information

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

The address of its registered office is:

Whitley Bridge
Doncaster
DN14 0HR
United Kingdom

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. Amounts have been rounded to the nearest thousand pounds (£000) except when otherwise indicated.

2 Accounting policies

Statement of compliance

The Group financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

Group

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, modified for the revaluation of certain financial assets and liabilities at fair value.

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below in 'Critical accounting estimates and key judgements'.

Standards and interpretations adopted by the Group/Company in the year ended 30 September 2019

- Amendments to IFRS 2 - Classification and Measurement of Share-based payments Transactions (Effective 1 January 2018)
- Annual improvements to IFRS Standards 2014-2016 cycle (Effective 1 January 2018)
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration (Effective 1 January 2018)

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

2 Accounting policies (continued)

Basis of preparation (continued)

Standards and interpretations adopted by the Group/Company in the year ended 30 September 2019 (continued)

IFRS 15 - Revenue from Contracts with Customers

IFRS 15, 'Revenue from contracts with Customers' became effective for all accounting periods commencing on or after 1 January 2018 and was first adopted by the Group on 1 October 2018. IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 18 - Transfer of Assets from Customers.

Following a detailed assessment by the Board, no significant changes have been identified to the timing and/or measurement of revenue across the Group's existing revenue streams.

IFRS 15 requires the Group to recognise incremental cost incurred on obtaining a contract over the recognition period of the revenues for that contract. This led to a change in the accounting treatment in one region. The Group has adopted IFRS 15 using the cumulative effect method with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 October 2018). Accordingly the information presented for 2018 has not been restated - i.e. it is presented as previously reported under IAS 18, IAS 11 and related interpretations.

The impact of the change in treatment of incremental costs is to increase the net assets and reserves brought forward by £225,000.

IFRS 9 - Financial Instruments

IFRS 9, 'Financial Instruments' became effective for all accounting periods commencing on or after 1 January 2019 and was first adopted by the Group on 1 October 2018. Under IFRS 9, financial assets are classified according to the business model for their realisation, as determined by the expected contractual cash flows. This contrasts with the previously applicable standard, IAS 39 'Financial Instruments: Recognition and Measurement' where assets were classified by nature.

IFRS 9 requires the classification to determine the accounting treatment i.e. amortised cost, fair value through other comprehensive income, or fair value through profit or loss. The classification requirements of financial assets and liabilities under IFRS 9 is largely in line with those of IAS 39.

IFRS 8 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised costs. Under IFRS 9 credit losses would be recognised earlier than under IAS 39.

Following a detailed assessment by the Board, it was concluded that the application of IFRS 9 to the Group's/Company's financial statements has had no material impact on financial assets and liabilities previously accounted for under IAS 39.

All the above standards and interpretations have been adopted by the Group on 1 October 2018. Other than the change under IFRS 15 highlighted above none of the new standards and interpretations have had a significant impact on the financial performance and position of the Group. Comparative financial information has therefore not been restated.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

2 Accounting policies (continued)

New standards and interpretations issued but not yet effective and not early adopted

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

IFRS 16 - Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatment for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The Group will adopt IFRS 16 for the year ended 30 September 2020.

The impact of this standard on the Group will be the recognition of right-of-use assets and lease liabilities, predominantly in respect of the Group's leased premises and motor vehicles. Additionally, there will be an increase in depreciation and interest charges which will replace the straight-line operating lease expense recognised under IAS 17.

The Group expects to adopt the standard using a modified retrospective approach where the cumulative effect of IFRS 16 is initially recognised as an adjustment to the opening balance of retained earnings and comparatives are not restated.

As at 30 September 2019, the Group's future minimum lease payments under non-cancellable operating leases amounted to £11,222,000 on an undiscounted basis as disclosed in note 24 of these financial statements. As the liability brought on Statement of Financial Position is a discounted figure, the actual liability will be lower than this. In addition the future minimum lease payments includes approximately £1.6m in relation to leases committed to but not yet commenced at 30 September 2019. Lease payments in 2019 totalled £3,400,000.

Other standards issued but not yet effective and not early adopted

- IFRIC 23 - Uncertainty of Tax Treatments (Effective Date 1 January 2019)
- Amendments to IFRS 9 - Financial Instruments - Prepayment Features with Negative Compensation and modifications of financial liabilities (Effective date 1 January 2019)
- Amendments to IAS 28 - Investments in Associates and Joint Ventures - Amendments to long-term interest in associates and joint-ventures
- Amendments to IAS 19 - Employee Benefits - Amendments to Plan Amendment, Curtailment and Settlements (Effective date 1 January 2019)
- Annual Improvements to IFRS Standards 2015-2017 Cycle (Effective date 1 January 2019)
- Amendments to References to Conceptual Framework in IFRS Standards (Effective date 1 January 2020)
- IFRS 17 - Insurance Contracts (Effective date 1 January 2021)

The Directors anticipate that the adoption of these standards and interpretations (with the exception of IFRS 16) in future periods will have no material impact on the financial statements of the Group.

Other new standards and interpretations in the year have not been included in the list above as they are not considered relevant for the group.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

2 Accounting policies (continued)

Company

The Parent Company financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2016/17 Cycle) issued in July 2017 have been applied. The financial statements have been prepared under the historical cost convention, modified for the revaluation of certain financial assets and liabilities at fair value.

Summary of disclosure exemptions

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

- An Income Statement for the Company;
- A Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of the compensation of Key Management Personnel;
- Certain disclosures required by IFRS 13 - 'Fair Value Measurement' and the disclosures required by IFRS 7 - 'Financial Instrument Disclosures'; and
- Disclosures of transactions with a management entity that provides Key Management Personnel services to the Company.

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.

The Strategic Report on pages 1 to 9 outlines the business activities of the Group alongside the factors which may affect its future development and performance. The Group's financial position is discussed in the Business Review section of the Strategic Report along with details of its cash flow and liquidity. The Strategic Report also sets out the Group's financial risks and the management of those risks.

The Directors have prepared detailed cash flow forecasts that extend to 30 September 2021. The forecasts consider the Directors' views of current and future economic conditions that are expected to prevail over the period.

The forecasts indicate the Company and Group is able meet its liabilities as they fall due throughout the period to 30 September 2021. The key factors considered in reaching this conclusion are summarised below:

- As at 31 August 2020, the Group's short-term deposits and cash and cash equivalents were £17.4 million.
- Following completion of the refinancing on 3 August 2020 as described in Note 34 the Group has access to banking facilities consisting of a drawn term loan of €197.7 million repayable on 3 August 2025 and an undrawn term loan of €20.0 million repayable on 3 August 2023.
- In the period since the year end the Group has taken various actions to preserve cash and increase liquidity in response to the challenges arising from COVID-19. This has included the utilisation of various COVID-19 government support schemes across the Group's geographies in respect of employee retention and the deferral of tax payments.
- The Directors have considered the position of the individual trading companies in the Group in making this assessment.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

2 Accounting policies (continued)

Going concern (continued)

The Directors have also considered the impact of COVID-19 in the forecasts and have adjusted assumptions accordingly. In addition, the Directors have considered a severe but plausible downside scenario which assumes a significantly worse impact from COVID-19 continuing throughout FY21. In this scenario the estimated negative COVID-19 impact on EBITDA is adjusted to double that in the base case. These assumptions are more severe than the Group's actual experience during the initial lockdown period. Taking into account these downsides before other mitigating actions available, the Group is still able to operate within its facilities and in compliance with covenants throughout the period to September 2021.

Based on these indications, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 30 September 2019.

No income statement is presented for the Company as permitted by section 408 of the Companies Act 2006. The company made a loss after tax for the financial year of £49,093,000 (2018 : loss of £26,439,000).

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

2 Accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods or service supplied, stated net of discounts, returns and value added tax. The Group recognises revenue when the performance obligations in the contract have been satisfied. This will be either at point in time, or over the period of the contract depending on the nature of the goods or service provided.

Connected Care - Independent Living

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

Revenue generated from the sale and installation of software and hardware, where the software sale constitutes a right to use the software in its existing state, is recognised in line with the provision of the service, with reference to contract milestones as a proxy for percentage of completion ("POC"). The software and installation are considered one performance obligation and recognised as such. In certain cases rights are granted to the software for use over a fixed period. In such cases the revenues are recognised in a straight line over the period of the contract.

Connected Care - Group Living

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

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

Revenue generated from the provision of equipment repairs and maintenance services is recognised on a straight line basis over the life of the contract in the case of a maintenance agreement, or, where such services are charged for on a time and material basis in accordance with the contract, on provision of the service.

Connected Care - Managed Service Contracts

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

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

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

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

2 Accounting policies (continued)

Revenue recognition (continued)

Connected Health - Remote Patient Monitoring and Support

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

Integrated Nursecall Communications

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, either on delivery of the goods or despatch of goods from the warehouse.

Financial instruments (policy applicable from 1 October 2018)

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value to Profit and Loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value to Other Comprehensive Income ("FVOCI") - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

2 Accounting policies (continued)

Financial instruments (policy applicable from 1 October 2018) (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

(a) Classification (continued)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the Income Statement.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the Income Statement. Any gain or loss on derecognition is recognised in the Income Statement.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the Income Statement. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the Income Statement.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in the Income Statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to the Income Statement.

Financial liabilities and equity

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Group 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 Group; and
- (b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

2 Accounting policies (continued)

Financial instruments (policy applicable from 1 October 2018) (continued)

(ii) Classification and subsequent measurement (continued)

Financial liabilities and equity (continued)

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 Group'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.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the Income Statement. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the Income Statement. Any gain or loss on derecognition is also recognised in the Income Statement.

(iii) Derivative financial instruments and hedging

Derivative financial instruments

The Group uses derivative financial instruments mainly to reduce exposure to interest rate movements. Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Income Statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Income Statement.

When the forecast transaction subsequently results in the recognition of a non-financial item (including a non-financial item that becomes a firm commitment for which fair value hedge accounting is applied - see below), the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

For all other hedged forecast transactions, the associated cumulative gain or loss is removed from equity and recognised in the Income Statement in the same period or periods during which the hedged expected future cash flows affects Income Statement.

When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

2 Accounting policies (continued)

Financial instruments (policy applicable from 1 October 2018) (continued)

(iv) Impairment

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Group measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

2 Accounting policies (continued)

Financial instruments (policy applicable prior to 1 October 2018))

(i) Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Group 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 Group; and
- (b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group's exchanging a fixed amount of cash

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 Group'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.

(ii) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in debt and equity securities

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

(iii) Derivative financial instruments and hedging

Derivative financial instruments

The Group uses derivative financial instruments mainly to reduce exposure to interest rate movements.

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Income Statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

2 Accounting policies (continued)

Financial instruments (policy applicable prior to 1 October 2018) (continued)

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Income Statement.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the profit and loss account. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the profit and loss account (even if those gains would normally be recognised directly in reserves).

(iv) Impairment

A financial asset not carried at fair value through the Income Statement is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Income Statement.

Finance income and costs policy

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

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

Foreign currency transactions and balances

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in British Pound Sterling, the functional and presentation currency of the Group.

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

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

2 Accounting policies (continued)

Foreign currency transactions and balances (continued)

On consolidation, assets and liabilities of foreign undertakings are translated into sterling at year end exchange rates. The results of foreign undertakings are translated into sterling at average rates of exchange for the year. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity, the translation reserve.

Taxation

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

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

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

Deferred tax liabilities are offset against deferred tax assets within the same taxable entity or qualifying local tax group. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilised.

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

Inventories

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

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

Deferred income

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

Provisions

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

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

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

2 Accounting policies (continued)

Leases

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

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

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

Intangible assets

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

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

Development costs

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

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

Software

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

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

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

Other intangible assets

Other intangible assets, including customer relationships and customer lists are measured at cost less accumulated amortisation and any accumulated impairment losses.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

2 Accounting policies (continued)

Intangible assets (continued)

Amortisation

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

<i>Asset class</i>	<i>Amortisation method and rate</i>
Development costs	straight line 4 years
Customer related intangible assets	straight line 3-10 years
Computer software	straight line 4 years

Property, plant and equipment

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

Depreciation

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

<i>Asset class</i>	<i>Depreciation method and rate</i>
Freehold property	straight line 2%
Furniture, fittings and equipment	straight line 10% - 33%

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

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Government grants

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

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

2 Accounting policies (continued)

Impairment of non-financial assets

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

Goodwill and other intangible fixed assets with an indefinite useful life are tested for impairment at least annually. If a cash generating unit is impaired, provision is made to reduce the carrying amount of the related assets to their estimated recoverable amount. Impairment losses are allocated firstly against goodwill, and secondly on a pro rata basis against intangible and other assets.

Where an impairment loss is recognised against an asset it may be reversed in future periods where there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised, except in respect of impairment of goodwill which may not be reversed in any circumstances.

Goodwill is not subject to amortisation but is tested annually for impairment.

Defined benefit pension obligation

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

Retirement benefit scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. Actuarial valuations are obtained every three years and are updated each the Statement of Financial Position date.

For the defined benefit scheme, Management makes annual estimates and assumptions in respect of discount rates, future changes in salaries, employee turnover, inflation rates and life expectancy. In making these estimates and assumptions Management considers the advice provided by external advisors such as actuaries. Where actual experience differs to these estimates, remeasurements are recognised in Other Comprehensive Income in the period in which they arise.

The retirement benefit cost relating to the defined benefit section of this fund is assessed in accordance with the advice independent qualified actuaries using the projected unit credit method. Any past service cost is recognised immediately.

Interest income or expense relating to the pension scheme is included within financing costs or income within the Income Statement.

Defined contribution pension obligation

The Group operates a number of defined contribution pension schemes and the Income Statement is charged with the contributions payable.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

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

Goodwill and Investments

Determining whether goodwill and investments are impaired requires an estimation of the value in use allocated to the cash-generating units. The value in use calculation requires Management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Revenue recognition

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

Retirement benefit obligations

The calculation of retirement benefit obligations is dependent on material key assumptions including discount rates, mortality rates and inflation rates. The Group uses estimates for all these factors in determining the pension costs and liabilities incorporated in the Consolidated financial statements and the assumptions used reflect historical experience and judgement regarding future expectations.

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

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

Provisions

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

Deferred tax

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

Current tax

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

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

4 Revenue

The Group's revenue is generated as follows:

	2019	2018
	£ 000	£ 000
Connected Care - Independent Living	59,785	56,597
Connected Care - Group Living	61,109	62,167
Connected Care - Managed Services Contracts	82,808	78,249
Connected Health - Remote Patient Monitoring and Support	2,791	1,661
Integrated Nursecall Communications	10,197	9,194
	<u>216,690</u>	<u>207,868</u>

5 Segmental analysis

The Group is managed on the basis of six broad geographical Regions and Corporate (Central Group Function), which are its reportable segments. The Group's Chief Executive and the Board of Directors reviews the internal management reports of each Region on a monthly basis, with focus on revenue, profit before interest, tax, depreciation and amortisation and exceptional items ("EBITDA") and net assets.

The Group's reportable segments are its Regions as follows:

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

The Group Regions' principal activities are the provision of data driven, technology enabled solutions and services to enable their customers to deliver more efficient and effective solutions for health and care management in the community setting.

Segment revenues and performance for the year ended 30 September 2019

Analysis by reportable segment:

	Revenue	Adjusted	Net assets/
	£ 000	EBITDA	(liabilities)
	£ 000	£ 000	£ 000
UK & Ireland	86,164	19,580	32,828
Southern Europe	58,972	17,403	21,673
Nordics	51,052	12,848	6,499
North America	581	101	255
Central Europe	27,103	9,344	5,771
Australasia	11,127	1,707	2,164
Corporate	-	(11,269)	(15,251)
Total for reportable segments	<u>234,999</u>	<u>49,714</u>	<u>53,939</u>

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

5 Segmental analysis (continued)

Segment revenues and performance for the year ended 30 September 2018

Analysis by reportable segment:

	Revenue £ 000	Adjusted EBITDA £ 000	Net assets/ (liabilities) £ 000
UK & Ireland	83,513	23,174	26,999
Southern Europe	54,419	15,857	20,452
Nordics	47,476	10,453	5,505
North America	531	115	197
Central Europe	26,452	10,408	4,920
Australasia	11,412	1,745	3,019
Corporate	-	(13,559)	(11,562)
Total for reportable segments	223,803	48,193	49,530

Reconciliations of information on reportable segments to IFRS measures

Reconciliation of Revenue from reportable segments to total Consolidated Revenue

	2019 £ 000	2018 £ 000
Total revenue for reportable segments	234,999	223,803
Elimination of inter-segment revenue	(18,309)	(15,935)
Total Consolidated Revenue	216,690	207,868

Analysis of revenue by country of origin:

	2019 £ 000	2018 £ 000
United Kingdom	68,186	67,661
Spain	44,248	40,843
Sweden	29,640	27,764
Germany	21,390	19,667
North America	581	531
Other European countries	42,427	40,898
Rest of the world	10,218	10,504
	216,690	207,868

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

5 Segmental analysis (continued)

Analysis of revenue by country of destination:

	2019	2018
	£ 000	£ 000
United Kingdom	69,048	67,676
Spain	44,210	40,762
Sweden	27,974	26,684
Germany	20,085	18,258
North America	1,003	531
Other European countries	44,197	42,759
Rest of the world	10,173	11,198
	<u>216,690</u>	<u>207,868</u>

Reconciliation of adjusted EBITDA of reportable segments to total Consolidated loss before tax

	2019	2018
	£ 000	£ 000
Total adjusted EBITDA for reportable segments	49,714	48,193
Impairment of non-current assets	(1,159)	(2,265)
Depreciation and amortisation	(21,026)	(18,180)
Exceptional items (note 7)	(9,165)	(3,556)
Net finance costs	(90,774)	(94,146)
Total consolidated loss before tax	<u>(72,410)</u>	<u>(69,954)</u>

Reconciliation of net assets of reportable segments to Consolidated net liabilities

	2019	2018
	£ 000	£ 000
Total net assets for reportable segments	53,939	49,530
Goodwill and investments	192,891	193,438
Assets and liabilities held for sale (note 14)	-	22,913
Cash and cash equivalents	20,191	22,053
Intercompany receivables	9	5
Loans and borrowings	(782,773)	(729,233)
Derivative financial instruments	-	157
Total consolidated net liabilities	<u>(515,743)</u>	<u>(441,137)</u>

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

6 Operating profit

Arrived at after charging:

	2019	2018
	£ 000	£ 000
Depreciation - owned assets	11,187	10,736
Depreciation - leased assets	298	303
Amortisation expense	9,541	7,141
Research and development cost	3,791	3,556
Operating lease expense - property	1,974	1,925
Operating lease expense - plant and machinery	1,500	1,505
Management fees recharges	(557)	(509)
Exceptional items (note 7)	<u>9,165</u>	<u>3,556</u>

7 Exceptional items

	2019	2018
	£ 000	£ 000
Exceptional items	<u>9,165</u>	<u>3,556</u>

The Group incurred a net exceptional charge of £9,165,000 in the year ended 30 September 2019 (2018: £3,556,000). This principally comprises of costs associated with the Group's initiative to drive significant cost and operational efficiencies to support the implementation of the Group's growth strategy £2,160,000 (2018: £3,029,000), costs associated with the potential sale of the Group £4,826,000 (2018: £nil) and costs related to the GMP Equalisation of pensions of £1,574,000 (2018: £nil).

8 Finance income and costs

	2019	2018
	£ 000	£ 000
Finance income		
Interest income on bank deposits	35	15
Foreign exchange gains on borrowings	390	-
Gain on financial instruments	253	-
Finance income from Group undertakings	<u>-</u>	<u>91</u>
Total finance income	<u>678</u>	<u>106</u>

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

8 Finance income and costs (continued)

	2019 £ 000	2018 £ 000
Finance costs		
Interest on bank overdrafts and borrowings	(26,124)	(25,485)
Foreign exchange losses on borrowings	-	(3,945)
Amortisation of debt issue costs	(7)	(8,206)
Interest payable to Group undertakings	(64,702)	(55,850)
Finance expense in respect of pensions	(595)	(652)
Loss on financial instruments	-	(92)
Interest on obligations under finance leases and hire purchase contracts	(24)	(22)
Total finance costs	<u>(91,452)</u>	<u>(94,252)</u>
Net finance costs	<u>(90,774)</u>	<u>(94,146)</u>

9 Staff costs

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

	2019 £ 000	2018 £ 000
Wages and salaries	63,444	68,980
Social security costs	10,791	11,597
Pension costs	3,333	3,421
	<u>77,568</u>	<u>83,998</u>

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

	2019 No.	2018 No.
Sales, production and administration	2,426	2,990
Research and development	138	91
	<u>2,564</u>	<u>3,081</u>

The reduction in number reflects the disposal of the business in the USA.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

10 Directors' remuneration

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

	2019 £ 000	2018 £ 000
Directors' emoluments	952	614
Pension contributions in relation to money purchase schemes	12	9
	<u>964</u>	<u>623</u>

In respect of the highest paid Director:

	2019 £ 000	2018 £ 000
Emoluments	<u>620</u>	<u>436</u>

No Director (2018: none) accrued benefits under the Group's defined benefit pension scheme in respect of qualifying services during the year. One Director (2018: one) accrued benefits under defined contribution schemes.

11 Auditor's remuneration

	2019 £ 000	2018 £ 000
Audit of Group and subsidiary financial statements	452	558
Non-Audit Services	79	269
	<u>531</u>	<u>827</u>

Auditors remuneration for the Company amounted to £27,000 (2018: 27,000) all of which related to audit services.

Non-audit services relate to tax compliance services of £33,000 (2018: £172,000) and £46,000 (2018: £97,000) in relation to payroll and pension services.

12 Income tax

Tax charged/(credited) in the income statement

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	56	55
UK corporation tax adjustment to prior periods	-	14
	<u>56</u>	<u>69</u>

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

12 Income tax (continued)

	2019	2018
	£ 000	£ 000
Foreign tax	2,296	1,923
Foreign tax adjustment to prior periods	<u>44</u>	<u>4</u>
	<u>2,340</u>	<u>1,927</u>
Total current income tax	<u>2,396</u>	<u>1,996</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(557)	51
Deferred tax adjustment to prior periods	(133)	(621)
Recognition of previously unrecognised tax losses	<u>(2,014)</u>	<u>(488)</u>
Total deferred taxation	<u>(2,704)</u>	<u>(1,058)</u>
Tax (credit)/charge in the income statement	<u>(308)</u>	<u>938</u>

Factors affecting the tax charge for the period

The tax on loss before tax for the year is based on a blended UK statutory rate of corporation tax for the period of 19% (2018: 19%).

The differences are reconciled below:

	2019	2018
	£ 000	£ 000
Loss for the year from continuing operations	(72,102)	(70,892)
Income tax credit	<u>(308)</u>	<u>938</u>
Loss before tax	<u>(72,410)</u>	<u>(69,954)</u>
Corporation tax at standard rate	(13,758)	(13,291)
Corporation tax adjustment to prior periods	44	18
Impairment not deductible for tax purposes	165	359
Other timing differences	(57)	(73)
Expenses not deductible in determining tax loss	307	109
Change in overseas tax losses carried forward	182	(137)
Effect of foreign tax rates	311	332
Change in unrecognised UK tax losses carried forward	(616)	-
Interest not - deductible for tax purposes	14,001	15,357
Deferred tax adjustment to prior periods	(133)	(1,109)
Deferred tax - origination and reversal of timing differences	167	94
Effect of adjustment in research development tax credit	69	96
Tax expense from Patent Box	<u>(990)</u>	<u>(817)</u>
Total tax (credit)/expense	<u>(308)</u>	<u>938</u>

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

12 Income tax (continued)

Factors affecting future tax charges

A further change to the UK corporation tax rate was substantively enacted as part of the Finance Bill 2017 on 6 September 2017. This includes a reduction in the main rate to reduce the rate to 17% from 1 April 2020. This will affect the Group's future tax liability accordingly.

Income tax asset/(liabilities)

Group

	2019 £ 000	2018 £ 000
Current tax assets	5,212	6,147
Current tax liabilities	(5,841)	(6,586)
	<u>(629)</u>	<u>(439)</u>

Company

	2019 £ 000	2018 £ 000
Current tax assets	549	127
Current tax liabilities	-	-
	<u>549</u>	<u>127</u>

Deferred tax

Group

The Group has deferred tax assets and liabilities recognised at 17% (2018: 17%). The Group's net deferred tax asset is summarised as follows:

	2019 £ 000	2018 £ 000
Deferred tax assets	<u>10,763</u>	<u>7,569</u>

Deferred tax movement during the year:

	At 1 October 2018 £ 000	Recognised in Income Statement £ 000	Foreign exchange movements £ 000	Recognised in equity £ 000	Acquired with subsidiaries £ 000	At 30 September 2019 £ 000
Accelerated tax depreciation	4,418	399	(23)	-	-	4,794
Revaluation of intangible assets	(1,094)	435	(3)	-	(254)	(916)
Other items	3,258	(144)	(1)	775	-	3,888
Tax losses carry-forwards	987	2,014	(4)	-	-	2,997
Net tax assets/(liabilities)	<u>7,569</u>	<u>2,704</u>	<u>(31)</u>	<u>775</u>	<u>(254)</u>	<u>10,763</u>

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

12 Income tax (continued)

Deferred tax movement during the prior year:

	At 1 October 2017	Recognised in Income Statement (including discontinued operations)	Foreign exchange movements	Recognised in equity	Acquired with subsidiaries	At 30 September 2018
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Accelerated tax depreciation	3,074	1,367	(23)	-	-	4,418
Revaluation of intangible assets	(732)	513	-	-	(875)	(1,094)
Other items	5,672	(1,794)	(150)	(470)	-	3,258
Tax losses carry-forwards	(91)	972	-	-	106	987
Net tax assets/(liabilities)	<u>7,923</u>	<u>1,058</u>	<u>(173)</u>	<u>(470)</u>	<u>(769)</u>	<u>7,569</u>

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 recoverability of these amounts will occur within the foreseeable future, the deferred tax asset has been recognised.

There are £nil deductible temporary differences (2018: £nil) and £13,135,000 of unused tax losses (2018: £12,226,000) for which no deferred tax asset is recognised in the Statement of Financial Position.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

13 Property, plant and equipment

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
<u>Cost or valuation</u>			
At 1 October 2017	5,650	87,118	92,768
Additions	431	13,366	13,797
Acquired through business combinations	-	27	27
Transfer to assets held for resale	-	(32,114)	(32,114)
Disposals	(79)	(15,824)	(15,903)
Foreign exchange movements	17	467	484
At 30 September 2018	6,019	53,040	59,059
Additions	452	13,580	14,032
Acquired through business combinations	59	12	71
Disposals	-	(1,549)	(1,549)
Foreign exchange movements	(6)	(914)	(920)
At 30 September 2019	6,524	64,169	70,693
<u>Depreciation</u>			
At 1 October 2017	1,843	53,434	55,277
Charge for year	890	12,901	13,791
Eliminated on disposal	(79)	(15,260)	(15,339)
Transfer to assets held for resale	-	(23,389)	(23,389)
Foreign exchange movements	14	372	386
At 30 September 2018	2,668	28,058	30,726
Charge for the year	320	11,165	11,485
Eliminated on disposal	-	(1,259)	(1,259)
Foreign exchange movements	(6)	(520)	(526)
At 30 September 2019	2,982	37,444	40,426
<u>Carrying amount</u>			
At 30 September 2019	3,542	26,725	30,267
At 30 September 2018	3,351	24,982	28,333
At 1 October 2017	3,807	33,684	37,491

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

13 Property, plant and equipment (continued)

Assets held under finance leases and hire purchase contracts

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2019 £ 000	2018 £ 000
Furniture, fittings and equipment	<u>1,186</u>	<u>1,307</u>

14 Disposals group held for resale

Disposals

In September 2018, management committed to a plan to sell its US operation, which the Directors considered to be highly probable at the year end.

Accordingly the business classed as held for sale at 30 September 2018 and therefore treated as a discontinued operation.

Assets and liabilities of disposal group held for sale

At 30 September, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

	2019 £ 000	2018 £ 000
Goodwill	-	2,312
Other intangible assets	-	5,976
Property plant and equipment	-	8,725
Other financial assets	-	632
Inventories	-	402
Trade and other receivables	-	7,611
Tax balances	-	72
Assets held for sale	<u>-</u>	<u>25,730</u>
Trade and other payables	-	(2,817)
Liabilities held for sale	<u>-</u>	<u>(2,817)</u>

The assets were disposed of on 28 January 2019.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

15 Intangible assets

Group

	Goodwill £ 000	Contractual customer relationships £ 000	Computer software £ 000	Research and development £ 000	Total £ 000
Cost or valuation					
At 1 October 2017	213,108	8,060	7,228	55,520	283,916
Additions	-	-	2,948	9,890	12,838
Acquired through business combinations	556	457	2,923	199	4,135
Classified as held for sale or in a disposal group classified as held for sale	(17,908)	(7,318)	(3,544)	-	(28,770)
Foreign exchange movements	-	230	120	(295)	55
At 30 September 2018	195,756	1,429	9,675	65,314	272,174
Additions	-	44	2,810	11,097	13,951
Acquired through business combinations	-	907	3	-	910
Disposals	-	-	(7)	-	(7)
Foreign exchange movements	(3)	24	171	(302)	(110)
At 30 September 2019	195,753	2,404	12,652	76,109	286,918
Amortisation					
At 1 October 2017	5,249	2,174	4,919	32,168	44,510
Amortisation charge	-	1,118	998	6,295	8,411
Impairment	12,671	-	-	563	13,234
Foreign exchange movements	-	107	60	(174)	(7)
Transfer to assets held for resale	(15,596)	(2,691)	(2,195)	-	(20,482)
At 30 September 2018	2,324	708	3,782	38,852	45,666
Amortisation charge	-	546	1,185	7,810	9,541
Impairment	544	341	-	274	1,159
Foreign exchange movements	-	(1)	-	(212)	(213)
At 30 September 2019	2,868	1,594	4,967	46,724	56,153
Carrying amount					
At 30 September 2019	192,885	810	7,685	29,385	230,765
At 30 September 2018	193,432	721	5,893	26,462	226,508
At 1 October 2017	207,859	5,886	2,309	23,352	239,406

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

15 Intangible assets (continued)

Amortisation of intangible assets is recognised in the following line items in the income statement

	2019 £ 000	2018 £ 000
Cost of sales	548	286
Administrative expenses	8,993	6,856
Loss in relation to discontinued operations	-	1,269
	<u>9,541</u>	<u>8,411</u>

Impairment review - Goodwill

The Group reviews Goodwill on an annual basis as required by IAS36 - 'Impairment of assets'. The recoverable amount of each cash generating unit ("CGU") was based on its value in use, with the key assumptions set out below. The values assigned to the key assumptions represent Management's assessment of future trends in the relevant business propositions.

- The value in use calculations were based on financial plans approved by the Board covering a 3 year period to 30 September 2022, with further growth assumption than assumed for a further 2 years.
- The cash flow projections included the specific estimates for 5 years and then a terminal growth rate for each CGU thereafter. The terminal growth rate for each CGU was determined based on Management's estimate of the long-term compound annual growth rate (average of the last 30 years GDP for each Region).
- In the case of the US business, the value was impaired in the previous year to the expected amount recoverable on the sale of the business prior to its transfer to assets held for sale in the previous year.
- The discount rate used was based on an average Group's Weighted Average Cost of Capital ("WACC") and the rate used by listed entities in the same sector of 13.31% (2018: 14.08%).

The terminal growth rate for each Region was as follows:

	2019 %	2018 %
UK & Ireland	2.14%	2.12%
Nordics	1.94%	1.93%
Central Europe	1.90%	1.82%
Spain	2.24%	2.32%
France	1.71%	1.77%
Australasia	3.04%	3.18%
Canada	<u>2.33%</u>	<u>2.33%</u>

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

15 Intangible assets (continued)

As a result of the above, a goodwill impairment of £554,000 was recognised in the Income Statement for the year ended 30 September 2019 (2018: £12,671,000), of which £nil (2018: £10,969,000) related to the operations moved to assets held for resale and discontinued operations.

The change in respect of continuing operations was £554,000 (2018: £1,702,000).

In the case of one CGU the impairment extended into the value of the customer relationship intangible leading to an additional impairment in the carrying value of customer relationships of £341,000 (2018: £nil).

The carrying value of goodwill, and the amount estimated recoverable amount exceeds the carrying value of the CGU are disclosed below:

	2019	2019	2018	2018
	Goodwill carrying value	Excess of recoverable amount of carrying value	Goodwill carrying value	Excess of recoverable amount of carrying value
	£000	£000	£000	£000
UK & Ireland	81,093	74,797	81,093	44,570
Nordics	29,185	12,069	29,732	11,500
Central Europe	32,977	21,362	32,977	26,603
Spain	31,944	9,560	31,944	5,456
France	7,796	1,560	7,796	3,302
Australasia	9,690	938	9,690	653
Canada	200	225	200	-
Total	<u>192,885</u>	<u>120,511</u>	<u>193,432</u>	<u>92,084</u>

Management has identified the following changes to the key assumptions that would cause the carrying amount to exceed the recoverable amount for each of the regions:

	WACC required	Decline in operating cashflow
UK	44.22%	31.6%
Nordics	19.30%	10.7%
Germany	28.72%	24.1%
Spain	16.06%	8.9%
France	14.01%	1.2%
Canada	<u>41.18%</u>	<u>30.5%</u>

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

15 Intangible assets (continued)

Impairment review - Research and Development

The Directors have reviewed the carrying value of Research and Development at the reporting date. The recoverable amount of each project was based on its value in use with the calculations based on the financial plans approved by the Board covering a 3 year period to 2022. The discount rate was the same as that used for the other impairment reviews of 13.31% (2018: 14.08%). The Directors have deemed that for certain projects, future discounted cash flows do not support the carrying value of the asset. As such, an impairment of £274,000 was recognised for the year ended 30 September 2019 (2018: £563,000).

16 Acquisitions

La Tourangelle

On 1 October 2018 the Company acquired La Tourangelle in France through its subsidiary Vitaris SAS. For cash consideration of €550,000 (£487,000) and estimated contingent consideration of €280,000 (£259,000). The Company was subsequently merged into Vitaris SAS.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	2019 £ 000
Fair value of assets and liabilities acquired	
Customer relationships	907
Intangible assets - Software	3
Property, plant and equipment	71
Trade and other receivables	19
Deferred tax liability	(254)
Net assets	<u>746</u>
Satisfied by:	
Contingent consideration arrangement	259
Cash	487
Total consideration	<u>746</u>

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

16 Acquisitions (continued)

Kanayo Software Inc

During the previous year the Company acquired the business of Kanayo Software Inc, registered in Canada for cash consideration of CAD2,700,000 (£1,583,000). Further contingent consideration CAD850,000 is also potentially payable based on future performance criteria. At this stage a value of £nil of this is recognised based on management expectations.

The principal activities of Kanayo Software Inc are those of a software developer.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	2018 £ 000
Fair value of assets and liabilities acquired	
Identifiable intangible asset - Computer software	2,922
Property, plant and equipment	11
Cash acquired with subsidiary	275
Trade and other receivables	159
Trade and other payables	(1)
Deferred tax liability	(774)
Loans	(1,009)
Total identifiable assets	<u>1,583</u>
Satisfied by:	
Cash	1,583
Contingent consideration arrangement	<u>-</u>
Total consideration	<u>1,583</u>

EWII Telecare AS

During the previous year the Company acquired the business of Ewii Telecare AS, registered in Denmark for cash consideration of DKK3,334,000. Further consideration of DKK6,666,000 was payable subject to performance criteria. Based on expectations, management have recognised DKK4,444,000 of this, giving a total purchase price of DKK7,778,000 (£929,000). Of this DKK2,222,000 was paid in the year and the fair value of the balance adjusted to £nil.

The principal activities of Ewii Telecare are those of a telecare health provider.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

16 Acquisitions (continued)

	2018 £ 000
Assets and liabilities acquired	
Goodwill	556
Customer relationships	457
Research and Development	199
Property, plant and equipment	16
Trade and other receivables	36
Trade and other payables	(340)
Deferred tax asset	106
Deferred tax liability	(101)
Total identifiable assets	<u>929</u>
Satisfied by:	
Cash	398
Contingent consideration	<u>531</u>
Total consideration	<u>929</u>

The acquired goodwill and customer relationships were subsequently impaired during the current year.

17 Investments

Group Investments

	2019 £ 000	2018 £ 000
At beginning and end of the year	<u>6</u>	<u>6</u>

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

17 Investments (continued)

Summary of the Company investments

Subsidiaries	£ 000
Cost or valuation	
At 1 October 2018	79,299
Additions	308
At 30 September 2019	<u>79,607</u>
Provision	
At 1 October 2018	79,299
Provision	308
At 30 September 2019	<u>79,607</u>
Carrying amount	
At 30 September 2019	<u>-</u>
At 30 September 2018	<u>-</u>

During the year the Company increased its investment in subsidiaries by way of the assignment of intercompany receivable balances from other subsidiary undertakings.

During the year, the Directors have reviewed the carrying value of subsidiary investments. As a result of this review an impairment of £308,000 has been recognised in the current financial year (2018: £nil).

All shares held are Ordinary Shares unless otherwise stated.

Name of subsidiary	Principal activity	Country of Incorporation	% Shareholding
Tunstall Australasia Pty Limited	Sale and monitoring of community alarms and telehealth equipment	Australia	100%
Tunstall SA	Marketing, installation and service of community alarms	Belgium	100%
Tunstall Canada Inc.	Sale and monitoring of community alarms and telehealth equipment	Canada	100%
Tunstall AS	Marketing, installation and service of community alarms	Denmark	100%
Tunstall Health AS	Telecare health provider	Denmark	100%
Tunstall Group Finance Limited*	Intermediate holding company	England	100%
Blythmore Limited	Intermediate holding company	England	100%
Tunstall Electronics Limited	Non-trading entity	England	100%
Tunstall Group Acquisition Limited	Intermediate holding company	England	100%
Tunstall Group Limited	Intermediate holding company	England	100%

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

17 Investments (continued)

Name of subsidiary	Principal activity	Country of Incorporation	% Shareholding
Tunstall Healthcare (UK) Limited	Marketing, installation and service of community alarms	England	100%
Tunstall Holdings Limited	Intermediate holding company	England	100%
Tunstall Monitoring Limited	Non-trading entity	England	100%
Tunstall Response Limited	Non-trading entity	England	100%
Tunstall Trustee Company Limited	Non-trading entity	England	100%
Whitley Securities Limited	Non-trading entity	England	100%
Tunstall OY	Marketing, installation and service of community alarms	Finland	100%
Tunstall France SA	Monitoring of community alarms	France	100%
Vitaris France SAS	Intermediate holding company	France	100%
Vitaris SAS	Monitoring of community alarms	France	100%
Tunstall GmbH	Installation of community alarms and hospital communications systems	Germany	100%
Tunstall Group Holding GmbH	Intermediate holding company	Germany	100%
Emergency Response Limited	Marketing, installation and service of community alarms	Ireland	100%
Tunstall New Zealand Limited	Monitoring of community alarms	New Zealand	100%
Tunstall Norway AS	Dormant company	Norway	100%
Televida Servicios Sociosanitarios SL	Monitoring of community alarms and provider of healthcare response services	Spain	100%
Tunstall Iberica SA	Marketing, installation and service of community alarms	Spain	100%
U.T.E Televida Vodafone Salto	Monitoring of community alarms and provider of healthcare response services	Spain	55%
U.T.E Televida/GSR/IMQ	Monitoring of community alarms and provider of healthcare response services	Spain	80%
U.T.E Televida/GSR/Grupo Igualmequiza	Monitoring of community alarms and provider of health response services	Spain	80%
Vitaris Iberia SL	Non-trading entity	Spain	100%
Tunstall AB	Marketing, installation and service of community alarms	Sweden	100%
Tunstall Group Holding AB	Intermediate holding company	Sweden	100%
Tunstall Management AB	Non-trading entity	Sweden	100%

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

17 Investments (continued)

Name of subsidiary	Principal activity	Country of Incorporation	% Shareholding
Tunstall Nordic AB	Intermediate holding company	Sweden	100%
Tunstall Sweden AB	Marketing, installation and service of community alarms	Sweden	100%
Tunstall AG	Marketing, installation and service of community alarms	Switzerland	100%
Tunstall Taiwan Co Limited	Non-trading entity	Taiwan	100%
Tunstall BV	Marketing, installation and service of community alarms	The Netherlands	100%
Vitaris Response BV	Monitoring of community alarms	The Netherlands	100%
Tunstall Health Inc	Telecare health provider	Canada	100%

*indicates direct investment of the Company rather than via a subsidiary.

Country	Registered office
Australia	Unit 1, 56 Lavarack Ave, Eagle Farm, Queensland 4009, Australia
Belgium	Rusatiralaan 1, 1083 Brussels, Belgium
Canada (Tunstall Canada Inc)	111 Zenway Blvd, Unit 6A, Woodbridge, Ontario, L4H 3H9, Canada
Canada (Tunstall Health Inc)	1672 Barrington Street, Halifax, Nova Scotia, B3J 2A2, Canada
Denmark	Niels Bohrs Vej 42, Stilling, 8660 Skanderborg, Denmark
England	Whitley Lodge, Whitley Bridge, Doncaster, DN14 0HR, United Kingdom
Finland	Äyritie 22, 01510 Vantaa, Finland
France	90A allée Hubert Curien, 71201 Le Creusot, France
Germany	Orkotten 66, 48291 Telgte, Germany
Ireland	Ryland Road, Bunclody, Enniscorthy, Co Wexford, Ireland
New Zealand	306 Cameron Road, Tauranga, New Zealand
Norway	c/o KPMG Law Advokatfirma AS, Sörkedalsveien 6, 0369 Oslo
Spain	Avda. de Castilla, 2 Parque Empresarial San Fernando, Edificio Munich, 2ª Planta, 28830 San Fernando de Henares, Madrid, Spain
Sweden	Agnesfridsvägen 113 A, Box 9028, SE-200 39 Malmö, Sweden
Switzerland	Atte Lyssstrasse 1, 3270 Aarberg, Switzerland
The Netherlands	Oslo 26 – 28, P.O. Box 311, 2990 AH Barendrecht, The Netherlands
Taiwan	4F-1, N0220, Songjiang Rd, Zhongshan District, Taipei City, 104, Taiwan

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

18 Other financial assets

	Group	
	2019	2018
	£ 000	£ 000
Non-current financial assets		
Security deposits	430	946
Restricted cash	347	28
	<u>777</u>	<u>974</u>
	Group	
	2019	2018
	£ 000	£ 000
Current financial assets		
Derivatives not used for hedging	-	157

19 Inventories

	Group	
	2019	2018
	£ 000	£ 000
Raw materials, spare parts and consumables	3,443	3,502
Work in progress	641	459
Contract work in progress	611	1,014
Finished goods and goods for resale	5,943	5,626
	<u>10,638</u>	<u>10,601</u>

The cost of Group inventories recognised as an expense in the year amounted to £30,302,000 (2018: £30,323,000).

The amount of write-down of Group inventories recognised as an expense in the year is £349,000 (2018: £400,000). Both of the above costs are included within cost of sales.

20 Trade and other receivables

Current

	Group	
	2019	2018
	£ 000	£ 000
Trade receivables	34,983	33,855
Amounts owed by parent and ultimate parent undertakings	9	5
Prepayments and other receivables	6,798	5,190
Other current assets	443	113
	<u>42,233</u>	<u>39,163</u>

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

20 Trade and other receivables (continued)

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit loss trade receivables have been grouped based on shared credit risk characteristics and days past due. The expected loss rates are based on historical payment profiles of sales and the corresponding historical credit losses experienced.

The amounts owed by parent and ultimate parent undertakings are repayable on demand and do not bear interest.

Current

	Company	
	2019	2018
	£ 000	£ 000
Amounts owed by subsidiary undertakings	1,296	701
Prepayments and other receivables	-	18
	<u>1,296</u>	<u>719</u>

The amounts owed by subsidiary undertakings are repayable on demand.

Non-current

	Company	
	2019	2018
	£ 000	£ 000
Amounts owed by subsidiary undertakings	345,486	322,028
	<u>345,486</u>	<u>322,028</u>

The fair value of those trade and other receivables classified as financial instrument loans and receivables are disclosed in the financial instruments note 25.

The Group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the financial instruments note 25.

The Company has formal documented intercompany loan agreements. The loans are unsecured and repayable 12 months following written notice from the Company, or change of ownership of the Borrower, whichever is earlier.

Amounts recoverable after more than one year are in the form of loans between Group companies and bear interest at 6%. Amounts owed by subsidiary undertakings are stated net of a provision of £nil (2018: £nil) where the Directors consider repayment of the full loan amount to be doubtful.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

21 Trade and other payables

	Group	
	2019	2018
	£ 000	£ 000
Trade payables	14,052	13,724
Accrued expenses	27,169	22,240
Deferred consideration	118	531
	<u>41,339</u>	<u>36,495</u>

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments note 25.

The Group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial instruments note 25.

	Company	
	2019	2018
	£ 000	£ 000
Accrued expenses	<u>2,633</u>	<u>-</u>

22 Provisions

Group

	Warranties	Legal	Restructuring	Total
	£ 000	proceedings	& other	£ 000
	£ 000	£ 000	£ 000	£ 000
At 1 October 2018	(791)	(1,973)	(558)	(3,322)
Charged in the year	(517)	(959)	(291)	(1,767)
Provisions used	667	349	254	1,270
Provisions released	5	31	-	36
Movements related to disposal group	-	1,397	-	1,397
Foreign exchange differences	6	-	23	29
At 30 September 2019	<u>(630)</u>	<u>(1,155)</u>	<u>(572)</u>	<u>(2,357)</u>

Warranties

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

Legal proceedings

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

The restructuring and legal provisions are expected to be utilised in the next 12 months.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

22 Provisions (continued)

Restructuring & other

During the previous years, the Group committed to an initiative to deliver significant cost and operational efficiencies to support the implementation of the Group's growth strategy. As a result, the Group recognised additional provisions of £291,000 (2018: £743,000) during the year. The restructuring is expected to be completed in the year ended 30 September 2020. Amounts used or utilised during the year amounted to £254,000 (2018: £632,000).

23 Loans and borrowings

	Group	
	2019	2018
	£ 000	£ 000
Current loans and borrowings		
Bank borrowings	-	3,895
Finance lease liabilities	608	233
	<u>608</u>	<u>4,128</u>

Bank borrowings are stated, net of debt issue costs of £nil (2018: £nil).

	Group	
	2019	2018
	£ 000	£ 000
Non-current loans and borrowings		
Bank borrowings	311,726	318,303
Other loans	1,054	1,029
Finance lease liabilities	556	1,049
Amounts owed to parent and ultimate parent undertakings	468,829	404,724
	<u>782,165</u>	<u>725,105</u>

Bank borrowings are stated, net of debt issue costs of £nil (2018: £nil). Repayment terms can be found in the financial instrument note 25.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

23 Loans and borrowings (continued)

	Loans and borrowings	Amounts owed to and by parent and ultimate parent	Finance lease liabilities	Derivatives assets/ (liabilities)	Total
Balance at 1 October	323,227	404,724	1,282	(157)	729,076
Changes from financing cash flows					
Repayment of loans	(14,872)	-	-	-	(14,872)
Receipts from derivative assets	-	-	-	148	148
Net payment of finance leases	-	-	(118)	-	(118)
Net payment of intercompany balances	-	(597)	-	-	(597)
Total changes from financing cash flows	(14,872)	(597)	(118)	-	(15,587)
The effect of changes in foreign exchange rates	(1,133)	-	-	-	(1,133)
Changes in fair value	-	-	-	2	2
Other changes					
Unwind of debt issue costs	-	-	-	7	7
Interest rolled into debt	5,558	-	-	-	5,558
Net intercompany interest charge	-	64,702	-	-	64,702
	<u>312,780</u>	<u>468,829</u>	<u>1,164</u>	<u>-</u>	<u>782,773</u>

	Company	
	2019 £ 000	2018 £ 000
Current loans and borrowings		
Amounts owed to subsidiary undertakings	-	42
	<u>-</u>	<u>42</u>

	Company	
	2019 £ 000	2018 £ 000
Non-current loans and borrowings		
Amounts owed to subsidiary undertakings	25,791	19,494
Amounts owed to parent and ultimate parent undertakings	468,931	404,251
	<u>494,722</u>	<u>423,745</u>

The borrowings classified as financial instruments are disclosed in the financial instruments note 25.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

23 Loans and borrowings (continued)

The Group's exposure to market and liquidity risk, including maturity analysis, in respect of loans and borrowings is disclosed in the financial instruments note 25.

24 Obligations under leases and hire purchase contracts

Group

Finance leases

	Minimum lease payments £ 000	Present value £ 000
2019		
Within one year	294	608
Between 1 and 5 years	269	556
	<u>563</u>	<u>1,164</u>
	Minimum lease payments £ 000	Present value £ 000
2018		
Within one year	664	233
Between 1 and 5 years	879	1,049
	<u>1,543</u>	<u>1,282</u>

The present values of future finance lease payments are analysed as follows:

	2019 £ 000	2018 £ 000
Current liabilities	608	233
Non-current liabilities	556	1,049
	<u>1,164</u>	<u>1,282</u>

Operating leases

At 30 September 2019, the Group had the following operating lease commitments:

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

	2019 £ 000	2018 £ 000
Within one year	3,680	3,639
In two to five years	6,248	6,376
In over five years	1,294	1,666
	<u>11,222</u>	<u>11,681</u>

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

24 Obligations under leases and hire purchase contracts (continued)

The amount of non-cancellable operating lease payments recognised as an expense during the year was £3,474,000 (2018: £3,430,000).

25 Financial instruments

Group

Fair value measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. The following tables show the carrying amounts and fair values of the Group's financial assets and liabilities.

Financial assets

Loans and receivables

At 30 September 2019

	Carrying value £ 000	Fair value £ 000
Cash and cash equivalents	20,191	20,191
Trade and other receivables	42,233	42,233
Restricted cash	347	347
Security deposits	430	430
	<u>63,201</u>	<u>63,201</u>

At 30 September 2018

	Carrying value £ 000	Fair value £ 000
Cash and cash equivalents	22,053	22,053
Trade and other receivables	39,163	39,163
Restricted cash	28	28
Security deposits	946	946
	<u>62,190</u>	<u>62,190</u>

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

25 Financial instruments (continued)

Financial liabilities

Financial liabilities at amortised cost

At 30 September 2019

	Carrying value £ 000	Fair value £ 000
Trade and other payables	(41,339)	(41,339)
Loans and borrowings	(782,773)	(782,773)
	<u>(824,112)</u>	<u>(824,112)</u>

At 30 September 2018

	Carrying value £ 000	Fair value £ 000
Trade and other payables	(36,495)	(36,495)
Loans and borrowings	(729,233)	(729,233)
	<u>(765,728)</u>	<u>(765,728)</u>

Hedging instruments

Financial assets measured at fair value

At 30 September 2019

	Carrying value £ 000	Fair value £ 000
Derivative financial instruments	-	-

At 30 September 2018

	Carrying value £ 000	Fair value £ 000
Derivative financial instruments	157	157

Financial Liabilities at fair value to profit and loss (FVTPL)

At 30 September 2019

	Carrying value £ 000	Fair value £ 000
Contingent consideration	(118)	(118)

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

25 Financial instruments (continued)

Financial Liabilities at fair value to profit and loss (FVTPL) (continued)

At 30 September 2018

	Carrying value £ 000	Fair value £ 000
Contingent consideration	<u>(531)</u>	<u>(531)</u>

Borrowings

The Group has the following facilities:

Senior Term Loans (B1 and B2)

B1 Term loan with an original principal amount of £90m, repayable in full on 18 October 2020 and bearing interest at 5.0% per annum above LIBOR, plus a payment in kind ("PIK") margin of 3.0% compounded on maturity of each interest period.

B2 Term loan with an original principal amount of £240m, repayable in full on 18 October 2020 and bearing interest at 4.5% per annum above EURIBOR, plus a payment in kind ("PIK") margin of 3.0% compounded on maturity of each interest period.

The carrying value of term loans at the reporting date is £311,726,000 (2018: £315,892,000). Accrued interest on term loans amounted to £nil (2018: £6,306,000). Net of debt issue costs of £nil (2018: £nil).

The term loans are secured by a mortgage debenture incorporating a fixed and floating charge over the Group and all its present and future subsidiaries together with an unlimited composite cross-guarantee structure.

Other loans of £1,054,000 (2018: £1,029,000) relate to a loan from the Atlantic Innovation Fund in Canada, which was taken on as part of the acquisition of Kanayo Software Inc. The loan attracts no interest and is repayable as a portion of specific profits in the Kanayo business. The total amount repayable is CA\$3,064,000, with the value of CA\$1,714,000 reflecting the current estimated value of the loan using current projected results.

Revolving credit facility

The Group has a revolving credit facility of £10,000,000 reducing to £7,500,000 in February 2020 and expiring on 30 April 2020 and bears interest at 4.5% per annum above LIBOR.

The maximum amount drawn during the year was £554,000 (2018: £556,000). The amount drawn at the reporting date is £489,000 (2018: £554,000).

Following the refinancing highlighted in note 34, the Senior Term Loans (B1 and B2) were reduced to a single €197,676,000 loan repayable on 3 August 2025, with an additional Super Senior Term facility of €20,000,000 available to drawdown if required, expiring on 3 August 2023.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

25 Financial instruments (continued)

Financial risk management and impairment of financial assets

Group

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management. The Board is responsible for developing and monitoring the Group's policies to risk management.

The Board of Directors aims to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls to monitor risks and adherence to limits. The policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit Committee oversees how Management monitors compliance with the Group's risk management policies and procedures.

Credit risk and impairment

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables.

The Group's exposure to credit risk is influenced mainly by individual characteristics of each customer. However, Management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate. Further details of concentration of revenue are included in notes 4 and 5.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, and in some cases bank references. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The carrying amount of financial assets represents the maximum credit exposure.

Loans and receivables credit risk exposure and management

	Maximum amount of exposure £ 000	Provision for doubtful debt £ 000	Carrying value £ 000
2019			
Trade and other receivables	43,039	(806)	42,233
	<u>43,039</u>	<u>(806)</u>	<u>42,233</u>
	Maximum amount of exposure £ 000	Provision for doubtful debt £ 000	Carrying value £ 000
2018			
Trade and other receivables	40,355	(1,192)	39,163
	<u>40,355</u>	<u>(1,192)</u>	<u>39,163</u>

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

25 Financial instruments (continued)

Financial risk management and impairment of financial assets (continued)

Past due and impaired financial assets

The provision for impairment of trade receivables (analysed below) is the difference between the carrying value and the present value of the expected proceeds. Management believes that the unimpaired amounts that are past due but not impaired are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk.

Age of trade receivables that are past due but not impaired

	Group	
	2019	2018
	£ 000	£ 000
Up to 3 months	10,424	9,233
3 months to 1 year	1,864	1,088
Over 1 year	297	384
	<u>12,585</u>	<u>10,705</u>

Age of impaired trade receivables

	Group	
	2019	2018
	£ 000	£ 000
Up to 3 months	135	142
3 months to 1 year	343	386
Over 1 year	363	662
	<u>841</u>	<u>1,190</u>

Movement in provision for doubtful debt

	2019	2018
	£ 000	£ 000
At start of year	(1,192)	(4,189)
Charged to the Income Statement	(119)	(426)
Utilised during the year	584	1,758
Moved to assets held for sale	-	1,289
Other movement	(79)	376
At end of year	<u>(806)</u>	<u>(1,192)</u>

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

25 Financial instruments (continued)

Financial risk management and impairment of financial assets (continued)

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign exchange risk

The Group operates within a number of international territories with approximately 68% 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 is 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.

During the period, the Group has been exposed to additional volatility of currency markets following the United Kingdom's decision to leave the European Union and ongoing instability in the Middle East.

The table below illustrates the hypothetical sensitivity of the Group's reported EBITDA and closing equity to a 10% increase and decrease in the Euro/Sterling exchange rates, US Dollar/Sterling and Swedish Kroner/Sterling exchange rates at the year end date, assuming all other variables remain unchanged. The sensitivity rate of 10% represents the Directors' assessment of a reasonably possible change, based on historic volatility.

At 30 September 2019

	Impact on EBITDA £ 000	Impact on Equity £ 000
EUR (Sterling weakens by 10%)	3,145	6,885
EUR (Sterling strengthens by 10%)	(2,573)	(5,633)
SEK (Sterling weakens by 10%)	920	4,963
SEK (Sterling strengthens by 10%)	<u>(753)</u>	<u>(4,061)</u>

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

25 Financial instruments (continued)

Financial risk management and impairment of financial assets (continued)

Foreign exchange risk (continued)

At 30 September 2018

	Impact on EBITDA £ 000	Impact on Equity £ 000
EUR (Sterling weakens by 10%)	3,050	6,265
EUR (Sterling strengthens by 10%)	(2,495)	(5,126)
SEK (Sterling weakens by 10%)	663	3,054
SEK (Sterling strengthens by 10%)	(557)	(2,499)

Interest rate risk

The Group has syndicated loans and credit facilities, including two term loans at fixed margins above LIBOR and EURIBOR respectively.

The risk of interest rate increases is managed through a number of interest rate hedges as described below which fix interest rates.

Assuming that all other variables (in particular foreign exchange rates) remain constant, an increase in the interest rate of 0.5% per annum would decrease profit and equity by £1,585,000 (2018: £1,480,000).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's short term cash flow forecasts are performed and reviewed on a bi-weekly basis. The Group's working capital is reviewed on a monthly basis. The Group operates within a liquidity covenant ensuring that the operating cashflow of the business after payment of taxes and investments in capital expenditure is sufficient to meet the debt service requirements of the Group.

The Group has a revolving credit facility of £10,000,000 (2018: £20,000,000) and bears interest at 4.5% per annum above LIBOR on drawn balances. The maximum amount drawn during the year was £554,000 (2018: £556,000). The amount drawn at the reporting date is £489,000 (2018: £554,000).

The following table shows the remaining contractual maturities of financial liabilities at the reporting date. The amounts at the reporting date are gross and undiscounted, and included accrued interest.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

25 Financial instruments (continued)

Financial risk management and impairment of financial assets (continued)

Liquidity risk (continued)

Maturity analysis

	Within 1 year £ 000	Between 1 and 5 years £ 000	Total £ 000
2019			
Trade and other payables	(41,339)	-	(41,339)
Deferred income	(8,813)	-	(8,813)
Amounts owed to parent and ultimate parent undertakings	-	(468,829)	(468,829)
Bank borrowings	-	(311,726)	(311,726)
Other loans	-	(1,054)	(1,054)
Finance lease liabilities	(608)	(556)	(1,164)
	<u>(50,760)</u>	<u>(782,165)</u>	<u>(832,925)</u>
	Within 1 year £ 000	Between 1 and 5 years £ 000	Total £ 000
2018			
Trade and other payables	(36,495)	-	(36,495)
Deferred income	(8,751)	-	(8,751)
Amounts owed to parent and ultimate parent undertakings	-	(404,724)	(404,724)
Bank borrowings	(3,895)	(318,303)	(322,198)
Other loans	-	(1,029)	(1,029)
Finance lease liabilities	(233)	(1,049)	(1,282)
	<u>(49,374)</u>	<u>(725,105)</u>	<u>(774,479)</u>

26 Derivative Financial Instruments

Group

Derivative financial instruments - Interest Rate Caps

The Group's policy is to adopt bi-annual (every 6 months) interest periods in respect of both B1 and B2 Term Loans with cash outflows in April and October each year. As the interest on the loans is variable, the cash flows payable on the loan fluctuate as interest rates change, introducing uncertainty and potential volatility into the cash flows of the Group. The Group has hedged this interest rate exposure by entering into the interest rate caps below.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

26 Derivative Financial Instruments (continued)

Derivative financial instruments - Interest Rate Caps (continued)

On 24 April 2017, the Company entered into the following transactions:

- An interest rate cap with a notional amount of €232.0m, which set a cap strike price of 0% for the 6 month EURO Interbank Offered Rate ("EURIBOR") effective from 1 October 2017 until 1 April 2019. The Group paid a premium of €307,000 (£262,207) for the cap.
- An interest rate cap with a notional amount of £87.0m which set a cap strike price of 0.7% for the 6 month London Interbank Offered Rate ("LIBOR") effective from 1 October 2017 until 1 April 2019. The Group paid a premium of £128,000 for the cap.

These interest rate caps ceased on 1 April 2019. As at 30 September 2019 the Company had no interest cap or hedging in place.

The fair value of the caps was estimated using a standard option model. The fair value of the caps at the reporting date amounted to £nil (2018: £150,000 asset). Unamortised issue costs in relation to the interest rate caps at the end of the period amounted to £nil (2018: £7,000). During the year, the Group recognised an interest expense related to the caps of £9,000 (2018: £106,000 expense), being £2,000 (2018: £91,000) in relation to the change in fair value of the interest rate cap and £7,000 (2018: £15,000) in relation to the amortisation of the issue costs.

27 Pension and other schemes

Defined benefit pension schemes

Tunstall Group Limited Pension Scheme

The Group operates a defined benefit scheme in the United Kingdom for UK employees only (The Tunstall Group Limited Pension Scheme). The pension scheme has been closed to future accrual since 2013. The assets of the scheme are held separately from those of the Group.

The scheme's sponsoring employer is Tunstall Group Limited.

During the year ended 30 September 2019, the Group paid regular contributions to the pension scheme of £nil (2018: £nil) in respect of the defined benefits arrangements. Additional contributions of £2,625,000 (2018: £2,500,000) have been paid in the period to reduce the pension deficit.

Contributions payable to the pension scheme at the end of the year are £nil (2018: £nil). The expected contributions to the plan for the next reporting period are £2,756,250.

The scheme was most recently valued on 5 April 2016. A full actuarial valuation of the scheme was carried out at 5 April 2016 and updated for IAS 19 purposes to 30 September 2018 by a qualified actuary, independent of the scheme's sponsoring employer.

The English High Court rulings in the *Lloyds Banking Group Pension Trustees v Lloyds Bank Plc* was published on 26 October 2018 and held that UK pension schemes with Guarantees Minimum Pensions (GMPs) accrued from 17 May 1990 must equalise for the different effect of these GMPs between men and women. The case also gave some guidance on related matters including the methods for equalisations. As a result of this a charge of £1,574,000 was recognised in past service costs in the year and exceptional items.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

27 Pension and other schemes (continued)

Risks

Investment risk

This arises from assets underperforming, resulting in an investment return not being sufficient to meet the funding objective. The Group regularly reviews the investment strategy to ensure it is consistent with its funding objectives.

Inflation risk

The Group is exposed to changes in inflation rates. 36% of the plan assets are invested in LDI funds. In view of the gearing inherent within these LDI holdings they will provide a much higher proportion of protection against the interest rate and inflation rate risks to the liability valuation.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the Statement of Financial Position are as follows:

	2019 £ 000	2018 £ 000
Fair value of scheme assets	64,663	53,950
Present value of scheme liabilities	<u>(90,023)</u>	<u>(74,954)</u>
Defined benefit pension scheme deficit	<u>(25,360)</u>	<u>(21,004)</u>

The present value of plan liabilities is measured by discounting the best estimate of future cash flows to be paid out by the plan using the defined accrued benefits funding method. The value calculated in this way is reflected in the net liability in the Statement of Financial Position as shown above.

All actuarial gains and losses will be recognised in the year in which they occur in Other Comprehensive Income (OCI).

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2019 £ 000	2018 £ 000
Fair value at start of year	53,950	53,062
Interest income	1,529	1,398
Return on plan assets, excluding amounts included in interest income	7,873	88
Employer contributions	2,625	2,500
Benefits paid	<u>(1,314)</u>	<u>(3,098)</u>
Fair value at end of year	<u>64,663</u>	<u>53,950</u>

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

27 Pension and other schemes (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	2019 £ 000	2018 £ 000
Cash and cash equivalents	43	25
Equity instruments	38,561	37,417
Debt instruments	26,059	16,508
	<u>64,663</u>	<u>53,950</u>

Actual return on scheme's assets

	2019 £ 000	2018 £ 000
Actual return on scheme assets	<u>9,402</u>	<u>1,486</u>

The pension scheme has not invested in any of the Group's own financial instruments or in properties or other assets used by the Group.

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2019 £ 000	2018 £ 000
Present value at start of year	74,954	78,916
Interest expense	2,124	2,050
Actuarial gains and losses arising from changes in demographic assumptions	(695)	(1,003)
Actuarial gains and losses arising from changes in financial assumptions	13,380	(2,219)
Actuarial gains and losses arising from experience adjustments	-	308
Benefits paid	(1,314)	(3,098)
Past service costs	1,574	-
Present value at end of year	<u>90,023</u>	<u>74,954</u>

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	2019 %	2018 %
Discount rate	1.82	2.80
Future pension increases	2.25	2.45
Inflation (RPI)	<u>3.25</u>	<u>3.45</u>

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

27 Pension and other schemes (continued)

The mortality table used was 110% of standard tables S2PxA, Year of Birth, no age rating for males and females, projected using CMI_2018 converging to 1.25% p.a. (2018: 110% of standard tables S2PxA, Year of Birth, no age rating for males and females, projected using CMI_2017 converging to 1.25% p.a.).

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.

Post retirement mortality assumptions

	2019 Years	2018 Years
Current UK pensioners at retirement age - male	21.20	21.20
Current UK pensioners at retirement age - female	22.90	23.10
Future UK pensioners at retirement age - male	22.40	22.60
Future UK pensioners at retirement age - female	<u>24.50</u>	<u>24.70</u>

Amounts recognised in the income statement

	2019 £ 000	2018 £ 000
Amounts recognised in operating profit		
Past service costs	(1,574)	-
Amounts recognised in finance income or costs		
Finance cost in respect of pensions	<u>(595)</u>	<u>(652)</u>
Total recognised in the Income Statement	<u>(2,169)</u>	<u>(652)</u>

The past service costs of £1,574,000 were treated as exceptional costs in the year as they relate to a one-off charge in relation to GMP equalisation.

Amounts taken to the Statement of Comprehensive Income

	2019 £ 000	2018 £ 000
Actuarial gains and losses arising from changes in demographic assumptions	695	1,003
Actuarial gains and losses arising from changes in financial assumptions	(13,380)	2,219
Actuarial gains and losses arising from experience adjustments	-	(308)
Return on plan assets, excluding amounts included in interest	<u>7,873</u>	<u>88</u>
Amounts recognised in the Statement of Comprehensive Income	<u>(4,812)</u>	<u>3,002</u>

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

27 Pension and other schemes (continued)

Reconciliation of the impact of the asset ceiling

The Company has reviewed implications of the guidance provided by IFRIC14 and has concluded that it is not necessary to make any adjustments to the IAS19 figures in respect of an asset ceiling or Minimum Funding Requirement as at 30 September 2019.

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

- A decrease in the discount rate of 0.25% per annum would increase the liability by 5.0% (2018: 5.0%).
- An increase in the inflation rate of 0.25% per annum would increase the liability by 3.3% (2018: 3.3%).
- An increase in the life expectancy of 1 year would increase the liability by 2.7% (2018: 2.4%).
- Members commuting an extra 10% of Post A Day pension on retirement would decrease the liability by 0.6%.

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the period ended 30 September 2019 is 20 years (2018: 19 years).

Other retirement benefit obligations

Included within the Retirement Benefit Obligation is £112,000 (2018: £170,000) in relation to employee entitlements on retirement in Southern Europe.

Defined contribution pension scheme

The Group operates a number of defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £3,333,000 (2018: £3,421,000).

28 Share capital

Allotted, called up and fully paid shares - Group and Company

	2019		2018	
	No.	£ 000	No.	£ 000
Ordinary shares of £0.01 each	153,321,619	1,533	153,321,619	1,533

Rights of shares

The ordinary shares rank pari passu in all respects.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

29 Reserves

Group

Nature of reserves

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in the Income Statement as the hedged cash flows or items affect the Income Statement.

The changes to each component of equity resulting from items of other comprehensive income for the current year were as follows:

	Foreign currency translation £ 000	Accumulated losses £ 000	Total £ 000
Gain/(loss) on hedge of investments in foreign operations (net)	55	(55)	-
Foreign currency translation gains	280	-	280
Remeasurements of post employment benefit obligations	-	(4,812)	(4,812)
Deferred taxation regarding pension scheme deficit	-	775	775
	<u>335</u>	<u>(4,092)</u>	<u>(3,757)</u>

The changes to each component of equity resulting from items of other comprehensive income for the prior year were as follows:

	Foreign currency translation £ 000	Accumulated losses £ 000	Total £ 000
Foreign currency translation losses	1,731	-	1,731
Remeasurements of post employment benefit obligations	-	3,002	3,002
Deferred taxation regarding pension scheme deficit	-	(470)	(470)
	<u>1,731</u>	<u>2,532</u>	<u>4,263</u>

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

30 Commitments

Group

Capital commitments

The total amount for Future capital expenditure contracted at the year end was £121,000 (2018: £589,000).

31 Contingent liabilities

At 30 September 2019, the Group had contingent liabilities in respect of performance bonds and other letters of credit entered into on behalf of its subsidiary undertakings totalling £489,000 (2018: £554,000).

32 Related party transactions

Key Management Personnel

Key management personnel is defined as the Board of Directors (Executive and non-Executive Directors) and the Group Executive Team. The number of key management personnel are 10 (2018: 11). Remuneration to key management personnel amounted to £2,114,000 (2018: 1,705,000).

In the opinion of the Directors, there were no other related party transactions during the year.

The ultimate parent company was Tunstall Healthcare Group Limited until the acquisition on 3 August 2020. Following this, the ultimate parent company is now Tunstall Integrated Healthcare Holdings Limited, a company incorporated in Jersey. These consolidated financial statements are the largest and smallest in which the results of the Company are consolidated.

Until the transaction on 3 August 2020 a controlling interest in the Company was held by Charterhouse General Partners (VIII) Limited by virtue of its 60.8% holding in the issued shares of Tunstall Healthcare Group Limited and Charterhouse General Partners (VIII) Limited was the ultimate controlling party of Tunstall Healthcare Group Limited.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

33 Discontinued operations

The Company began the process to dispose of its business in the USA during 2018, with completion being reached on 28 January 2019. The business was classed as held for sale at 30 September 2019 and therefore treated as a discontinued operation in the year ended 30 September 2018 and 30 September 2019.

	2019 £ 000	2018 £ 000
Results of discontinued operations		
Revenue	11,062	31,592
Expenses	<u>(10,554)</u>	<u>(35,931)</u>
Operating profit related to discontinued operations	<u>508</u>	<u>(4,339)</u>
Analysed as:		
Operating profit before charging depreciation and amortisation and exceptional items ("EBITDA")	461	(2,941)
Depreciation and amortisation	-	(4,022)
Exceptional items	<u>(47)</u>	<u>(2,624)</u>
Impairment of non-current assets	-	(10,969)
Profit on disposal of trade and assets	518	-
Other finance income/costs	<u>-</u>	<u>9</u>
Results from operating activities	<u>1,026</u>	<u>(15,299)</u>
Income tax expense	<u>-</u>	<u>(121)</u>
Profit/(loss) from discontinued operations, net of tax	<u>1,026</u>	<u>(15,420)</u>
	2019	2018
	£ 000	£ 000
Cashflows as a result of discontinued operations		
Net cash used in operating activities	-	(150)
Net cash from investing activities	<u>-</u>	<u>(3,216)</u>
Net cash outflow from discontinued operations	<u>-</u>	<u>(3,366)</u>

The assets of the disposal group are shown in note 14.

34 Events after the financial period

COVID-19

In early 2020, an outbreak of the novel strain of coronavirus ("COVID-19") emerged globally. There have been mandates from governments and local authorities worldwide that have resulted in an overall decline in economic activity across the globe. The Group has reacted swiftly to ensure continuation of its critical health and care management services in the community and new propositions are being developed to enable rapid deployments to ensure the Group can contribute to the solution to this global crisis.

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

34 Events after the financial period (continued)

COVID-19 (continued)

There is likely to be an impact on the financial performance of the Group in 2020 - driven largely by a reduction in deployment activity due to a lack of access to end users and community settings during global lockdown. The Group remains in a strong financial position however (with the refinancing transaction described below having considerably strengthened the Group's financial position), and well placed to react to future changes in its markets as a result of the crisis.

The Group has concluded that the necessity for large-scale government interventions in response to COVID-19 only became apparent after the Statement of Financial Position and therefore that the consequences of such interventions represent non-adjusting post balance sheet events.

Refinancing

On 3 August 2020 the Group was purchased by Don Jersey Bidco Limited (subsequently renamed Tunstall Integrated Healthcare Finance Limited), a subsidiary of Don Jersey Topco Limited (subsequently renamed Tunstall Integrated Healthcare Holdings Limited) a new entity set up for the purpose of the transaction. This resulted in a portion of the debt being converted to a new five year senior term loan designated in Euros (with a repayment date of 3 August 2025), and the balance exchanged for equity in the new parent company. Following the transaction, the bank debt reduced to €197,676,000 (the equivalent of £180,000,000 at the date of the transaction) compared to £311,726,000 at 30 September 2019. The new loan bears interest at a margin of 5% above EURIBOR (with a zero floor). In addition a further super senior term loan ("SSTL") facility, also provided by the existing lenders, of €20,000,000 is available for drawdown, expiring on 3 August 2023. The Revolving credit facility in place at the year end 2019 was cancelled on completion of the refinancing. As part of the process the balance owed to the former parent entity TGH Acquisitions of £531,000,000 was forgiven.

The reduction in bank debt results in a significantly lower annual interest charge, a significantly strengthened Group financial structure and Statement of Financial Position, and higher available liquidity.

Following the refinancing the financial covenant consists of a single adjusted EBITDA covenant to be tested quarterly.