

# Next Generation Health and Social Care

Tunstall Group Holdings Limited  
Annual Report 2021

Registration number: 05459713



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# Strategic Report

## Our Vision

**A world where people have the freedom to live life to the full in a place of their choice.**

With a team of around 3,000 employees operating in 19 countries across the world, Tunstall has a unique strategic insight into the health & care service delivery networks in these countries.

## Our Mission

**To provide technology-based solutions and services to improve our customers' ability to deliver new, more efficient, and effective models for health & care management in the community setting.**

Through our 16 regional response centres, we work with health professionals and social care providers to provide support to help manage long-term health conditions and provide person-centred care. This extensive insight enables us to develop digital solutions that enhance independent living and improve efficiencies in clinical care.

**Operating in 19 countries**

**Revenue £225.2m  
(10% growth over 2020)**

**Average number  
of employees 3,040**

**16 Tunstall Response  
Centres worldwide**

**5 million connected  
end-users**

## Chairman's Statement

Tunstall Cognitive Care®  
will enable us to realise our  
strategy and deliver  
smart digital solutions.

Peter Nicklin  
Chairman of Tunstall  
Integrated Healthcare Holdings  
Limited

2021 has been a strong year for the Group. Faced with an improving, but still challenging operational environment, our approach has been to focus on expanding our solution portfolio within the regions in which we already operate, whilst improving, where possible, our service levels with existing customers.

To this end, in June 2021 we completed the acquisition of Secuvita - a technology solution provider in The Netherlands. Following the rapid acceleration in the adoption of digital health and remote monitoring systems, worldwide, during the pandemic,

this acquisition is a demonstration of our commitment to our company strategy. We expect this successful acquisition to be the blueprint for other acquisitions during 2022. Technology remains the forefront of our business strategy. Digitisation is the future, and we are ensuring that we lead the way in the services and solutions we offer. As our regional operations focus on transforming their current offering to support digital technologies, the Group has been focused on changing the way we think about health and social care, moving from a reactive and predictive approach

to the Tunstall Cognitive Care® programme which we launched in March 2021 (see page 12 for a detailed explanation of Tunstall Cognitive Care®).

Tunstall Cognitive Care® will enable us to realise our strategy and deliver smart digital solutions to end-users, using multiple sources of data to ensure we tailor the very best solution and service to enable patient-centric care.

## Chairman's Statement (continued)

### Board and Leadership

#### Team changes

In March 2021, I was appointed Chairman of the Board at Tunstall Integrated Healthcare Holdings Limited, the ultimate holding company of the Tunstall Integrated Healthcare Group. Having spent most of my career working in the healthcare sector across multiple geographies, I was delighted to be offered this opportunity to help steer Tunstall to its full future potential, especially following such an unprecedented period in recent years.

In August 2021, we welcomed Gary Steen as Group Chief Technology Officer to lead our innovation and development function. Gary is responsible for all solutions and products from our delivery centres in the UK, Sweden, Spain, and Germany. He forms part of the Group Leadership Team.

### Outlook

In the time I have been at Tunstall, I have come to appreciate the dedication and commitment the team have to our customers and their users, and I am very proud that during the 22 months of the COVID-19 pandemic we have maintained our response centre service levels and supplied product with minimal disruption.

In the coming months, with the worldwide shortage of semiconductors and ongoing disruption from the COVID-19 set to continue for some months, we will continue to monitor supply and work with our partners to ensure we deliver the best services and solutions possible to our customers.

On behalf of the Board, I would like to thank everyone at Tunstall for their dedication and commitment to delivering our strategy and vision. We look forward to the future with confidence.

## Group CEO Review

We continue to grow the business placing our customers, their end-users, and our people at the heart of everything we do.

Gordon Sutherland  
Group Chief Executive Officer

I am delighted to present a strong set of results for the year ended 30 September 2021, a year that has seen our business successfully evolve and adapt to significant environmental and operational changes. Notwithstanding some challenging market conditions, we continue to grow the business placing our customers, their end-users, and our people at the heart of everything we do.

### **Launch of Tunstall Cognitive Care®**

In March 2021, I was delighted to launch the latest step in our strategy – Tunstall Cognitive Care®.

Our business is formed on the ability to deliver technology-

enabled services and solutions to our customers and their end-users. Tunstall Cognitive Care® is the next stage in our development, and something we have been developing for many years.

Tunstall Cognitive Care® builds on our existing support and care model, using multiple sources of data to develop an intuitive and highly personalised care programme that can be used in any environment. Tunstall Cognitive Care® will allow us to anticipate the support that is needed.

### **Review of operations**

It has been a promising year for new business across the Group,

with multiple contracts being awarded in all regions, along with some significant contracts with key partners being renewed. The renewal of our contract with the Barcelona Provincial Council for a further five years (including extensions) plus winning the Madrid Contract (a combined win of £68,000,000) saw us enter the second quarter with a spring in our step. Not only is this our largest contract win to date, reaching over 100,000 end-users, but it has also advanced our Tunstall Cognitive Care® programme, as we work with Barcelona to improve accessibility, and tailor our services to each individual service user on a much larger scale than has ever been possible before.

## Group CEO Review (continued)

Our focus must now turn to transforming our business to become truly digital. As the UK and other countries move to IP-based telephony, we must ensure our solutions can perform in this new world. This requires us to continue our investment in our innovation and development capability to not only adapt our existing solutions, but to develop new, more innovative, digitally enabled, savvy ways of supporting our customers. Our Innovation and Development Team will lead the way, ensuring we have full end-to-end digital capability across all our propositions.

### Growth by acquisition

The successful acquisition, and subsequent integration, of Secuvita in the Netherlands places Tunstall as the second largest monitoring service provider in the country, further strengthening our position across central Europe, and enabling us to deliver on our strategy to grow through acquisition.

Secuvita share our values – a strong collaborative approach to customers, high levels of accountability and a drive for continuous innovation and service. This approach, coupled with the Tunstall Cognitive Care® programme, will offer our customers in The Netherlands an excellent opportunity to explore new ways of delivering enhanced health and social care in a highly efficient manner.

### Leading for the future

At the beginning of the year, our top 100 leaders across the Globe were enrolled into a leadership training programme following the Franklin Covey® methodology. A strong leadership team is crucial to future success and sustainability, and I am keen to see how this programme can transform our leaders.

Leadership was identified in the Employee Engagement Survey as an area we needed to focus on. This leadership programme is just the first step. We will host a leadership conference in 2022 to refine our strategy and goals. This will be the first opportunity for our leaders to meet in person since 2019.

### Overview

Overall, I am delighted with how the year has progressed. We have been thrown some challenges, but we have always found a solution. I truly believe that if we stay true to our values, and keep our vision front of mind, no challenge is too big.

And with that, I would like to take this opportunity to thank everyone at Tunstall for their continued efforts. I look forward to what 2022 will bring.

## Our Story

In business for over 64 years, we pioneer the use of technology to support those requiring care & health intervention to live independently in their chosen home or group setting. The aim is to balance independence with

reassurance and provide tailored support which meets individuals' needs, now and in the future.

Through a series of technological developments, service enhancements and business acquisitions, we now operate in 19 countries

around the world and support more than 5 million connected end-users through our technology and service offerings.

## What We Do

Tunstall is a global, market-leading health and care, technology-enabled service provider. We are committed to delivering a broad range of solutions, designed to help elderly people and those with

long-term needs to live more independently, and with an improved quality of life.

We integrate world-leading technology with high-quality monitoring and support services

to give our end-users a wider choice in their care options, whether they are living with a disability, have a long-term condition, or are in the later stages of life.

## Our Business Model

### Service operations

- 24/7 support for all customers and end-users, enquiries and emergencies
- Install and repair devices in situ

### Manufacturing and Supply Chain Management

- Produce the devices and products that are used by end-users
- Manage supply chain and third party devices to ensure quality

### Innovation

- Improve and develop existing products and solutions
  - Innovate future solutions to achieve our vision

### Business Development

- Identify new business opportunities
- Work with existing and new customers to tailor our solutions to their specific needs

## What We Do (continued)

### Innovation

Innovation and Development provide an integral role in supporting the Tunstall Product and Service value chain, where Tunstall products are designed, developed, delivered, integrated and maintained.

As the rate of technology continues to increase with pace, the transition of underlying capabilities and services evolving combined with the rapid introduction of new capabilities such as IoT (Internet of Things) and Cloud requires a stepped change in our ability to serve an ever-increasing complex ecosystem.

We need to ensure that our products and services evolve to keep track at an increasing pace and adopt the latest tools and ways of working to ensure we remain competitive and relevant.

We need to constantly evolve our ability to create Technology capabilities, transform how we work from a process perspective, and ensure that our Technology Team has the right capabilities, investment, and skills to keep our place in a growing but a competitive marketplace.

### Growth in End-Users and Average Revenue per User ("ARPU")

In most regions we primarily work with local councils/municipalities and health and social care providers to develop services and solutions that are tailored to their customers' - the end-user - needs.

Our business grows both by the winning of new customers and by the increased numbers of end-users referred by our existing customers. The continual increase in services offered to end-users is the third leg of our growth strategy, driving higher revenues for increased services to users' ARPU.

### Manufacturing and Supply Chain Management

Our supply chain strategy ensures we have control over quality and cost effectiveness. We operate a mixed supply chain strategy, with approximately 50% of all our devices manufactured in-house in our production assembly area in the North of England, 20% of our devices outsourced to external manufacturers, and 30% of our devices being supplied by third parties.

Tunstall's Production Facility supports the manufacture of 1.3m+ devices each year.

Manufacturing in-house is more cost effective. It allows us to

operate flexible manufacturing lines, driving efficiencies for high product mix and low-medium volumes. It ensures high and controlled quality of the devices we design in-house and provides a close cooperation between our Technology Team – the people designing the latest products and devices – and our manufacturing function which ensures we design for cost, quality and manufacturability.

### Service operations

With 16 of our own Response Centres globally, we provide dedicated support to both our customers and end-users, ensuring their journey with Tunstall is positive at all stages. All Tunstall Response Centres operate a 24/7, 365 service, with quality controls in place to ensure we offer the very best experience.

Our Field Service Team offer expert installations for all consumers, as well as repair and replace, where necessary, faults and errors.

## Our Solutions

Our solutions are people focused; they are smart; and they are designed with future-proofing in mind.

We are driven by technology that transforms health and care. For us, technology and innovation are the tools to a healthy and more independent life for those who need it most.

Our solutions can be classified into two core areas - Long Term Care and Digital Health - with the Tunstall Cognitive Care® programme delivering our vision to deliver these seamlessly.

### Long Term Care

Throughout each stage of their lives, people's needs change depending on their unique circumstances. Tunstall's Long Term Care solutions operate on one cohesive digital platform, enabling better cross-disciplinary care, enhanced reporting, and preventative healthcare services.

We provide care solutions that support individuals seamlessly throughout the Care Continuum while simultaneously integrating into the wider, interconnected cycles of housing and healthcare.

### Digital Health

As a technology partner, our Professional Services Team support every stage of the healthcare monitoring and measurement process from commissioning to consultation, implementation, installation and beyond.

We understand the importance of combining both clinical and IT perspectives to create a structured approach to delivery that enhances productivity, enables rapid deployment,

### Case Study: Adapting telecare services for people with cognitive impairment and their families.

#### The Challenge

With an estimated 800,000 people with Dementia in Spain, and their carers, the condition affects the lives of millions. We ask how telecare can support the needs of these individuals.

Studies were undertaken by the Basque Public Telecare Service, to explore how its services could be improved to better meet the needs of the people with the condition.

#### The Outcome

Developing the service alongside the Alzheimer's Associations and 17 participating families, service adaptations were made that led to families confirming greater reassurance and participants found the MyAmie trigger to be easy to use. 100% of people responding to the survey would recommend the service to other people in a similar situation.

As a result, it has been proposed that telecare is offered automatically to people living alone with cognitive impairment to provide the additional security to those with the condition and peace of mind for their families and carers.

# Our Solutions (continued)

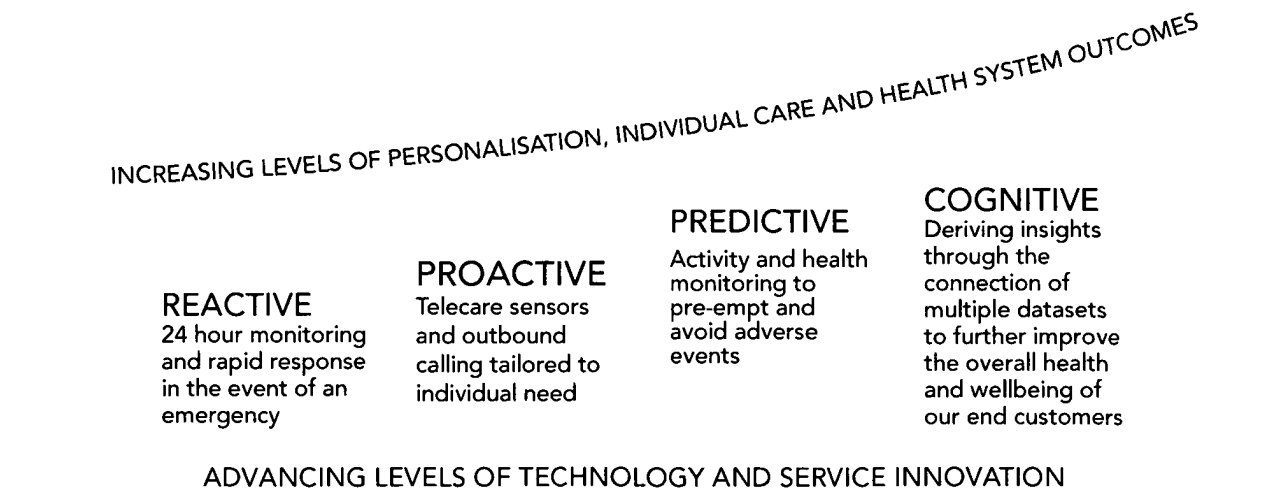
reduces unplanned downtime and helps deliver success. By offering a range of interconnected devices and platforms, we are able to put people at the centre of their care. Our solutions help manage long-term medical conditions like COPD and dementia, while our remote patient monitoring and data capture abilities help to provide efficient, high-quality care, improve outcomes and maximise clinical capacity.

## Introducing Tunstall Cognitive Care®

Tunstall Cognitive Care® is the fourth progressive step in our four pillars of care (see diagram below). Today, telecare and telehealth services use technologies such as movement sensors and wearable devices to let caregivers know when to act in response to unwelcome events experienced

by older people and the chronically ill. This is what we call Reactive Telecare; responding to alarms in a crisis. Proactive services offer the next step, using outbound calling to help family, friends and caregivers monitor situations and mitigate risks. Personalised assessments, along with advanced technology, allow care providers to put the right level of support in place. Support that is based on the individual's circumstances, helping them remain independent and maintain or enhance their wellbeing. The third stage of care is Predictive Care, where we use our existing technology along with Artificial Intelligence to identify changes in behaviour which can be an indication that something is wrong. Each pillar builds on the last, allowing us to get smarter at every stage. Tunstall Cognitive

Care® is simply the next stage. Tunstall Cognitive Care® will enable us to work with health and social care specialists, universities, and a wide range of other experts to analyse and understand vast quantities of data that already exists. We will use the insights we gather to develop an intuitive and highly personalised care model that can be used in any environment. Whether that's an individual's home, a group living environment or on the move. It won't just be about reacting and predicting outcomes for each customer, we will know how to help, and we will be able to tailor our help to every single individual. This tailored approach to our technology will free up precious time for our health and social care workers, allowing them to focus on what they are trained to do – to care for people when technology cannot.



## Where We Operate

With manufacturing facilities in the UK, we deliver our services and solutions across our key regions – UK & Ireland, the Nordics, Spain, France and Benelux, DACHME (Germany, Austria, Switzerland and the Middle East) and Australasia.

### The UK & Ireland

The largest of our operations, we work predominantly with local government bodies and county councils to deliver solutions to their growing elderly populations.

In November 2020, the UK announced the launch of Tunstall Go™ - a device carried by an end-user that tracks the user's location via GPS, enables two-way communication with the monitoring centre and has inbuilt fall detection when worn as a pendant.

In response to the UK

Government's digital strategy, the UK's national telecoms infrastructure providers recently announced a full move from analogue to IP voice telephone services by 2025. This announcement has cemented our desire to offer fully digital solutions to our customers.

In June 2021, we launched a new connected care platform – Tunstall Service Platform (TSP) - that will support vulnerable people. The platform enables reactive and proactive care and supports the entire end-user journey, making it seamless and personalised because of

its unique offerings – PNC (call handling), service manager, field force manager, and proactive services.

### Spain

Our operations in Spain are growing from strength to strength. In the last financial year, the region has secured a number of important contracts, not least winning the Madrid contract and the renewal of a five-year contract with the Barcelona Provincial Council, allowing us to reach over 100,000 end-users. This contract is enabling us to truly realise our Tunstall Cognitive Care® programme, providing access to more data than ever before,

and we are working together to improve the assessment of people with needs and how it is then possible to tailor a solution to each individual's need.

We continue to work with ASSDA (the Social Services and Dependency Agency of the Andalusian Regional Government) which has been a technology client of ours since 2002, with the award of four tendered lots to supply home units, GSM, and security sensors.

## Where We Operate (continued)

### The Nordics

A more digitally switched-on region, the Nordics leads the way in technology at Tunstall.

During the year, the region has expanded its operations in Norway, welcoming a new team structure and landing a series of multi-year contracts with partners and local organisations.

Finland has seen the commencement of monitoring services with the implementation of TSP 1.5, and the first 10,000 monitored end-users.

### France & Benelux

In June 2021, we announced the acquisition of Secuvita, a technology solution provider in the Netherlands. This acquisition demonstrates our commitment to our global strategy, elevating Tunstall to become the second largest service provider in the Netherlands. With over 70,000 combined end-users, we can now combine the existing technology with the Tunstall Cognitive Care® programme, offering customers in the Netherlands an excellent opportunity to explore new ways of delivering enhanced health and social care in a highly efficient manner.

### DACHME

Our business model in the DACHME region is predominantly as a technology and SAAS provider for our existing clients, principally the Red Cross and Malteser, and for Nursecall technology to hospitals including Charité Berlin, Europe's largest hospital.

In January 2021, we commenced trials with a new digital technology – Flamenco IP+ - which allows us to tackle large-scale, complex hospital care requirements. This technology has an advanced infrastructure, brand new hardware, and state-of-the-art UI design, enabling us to meet customer demands while matching market trends and the German standard DIN VDE 0834-1.

### Australasia

The Australian market is driven primarily by public funding through the Commonwealth Home Support Program, Department of Veteran's Affairs ("DVA") Rehabilitation Program; Personal AlertSA ("PASA"); and National Disabilities Insurance Scheme ("NDIS") (c.85% of the Australian market), with Retirement Villages, Property Developers and Private Pay customers making up the balance. The retirement village sector is our fastest growing segment, supported by a number of long-standing client relationships and a steady growth in NDIS.

## Our People - One Tunstall

One Tunstall is our philosophy, and it means supporting a culture where our people work together across our regions to reach common goals. We share and adopt best practice and celebrate success as a global team.

We aspire to have a common vocabulary as we work with unified processes and procedures, and continually search for innovations across our organisation which will benefit the whole company, and our varied customers. We work as a team, in the belief that the knowledge of a team will always outweigh the individual effort.

The COVID-19 pandemic has challenged us, like many other companies. It is our commitment to our values and our promise to customers and end-users that has seen us achieve good results, despite what felt like everything being against us.

For those who were able, home working prevailed, which led to improved communication

channels and creative new ways to collaborate and innovate. Our production facility, response

centres and service teams remained operational and therefore onsite throughout the pandemic. Enhanced social distancing measures were maintained from the previous year, and lessons that we learned from the start of the pandemic initiated to help improve the quality of work environment, and morale for those colleagues on

the front line. Throughout the pandemic our operations, both in our manufacturing facility and

across our response centres, were still able to meet agreed Service Level Agreements and provide vital services to the end-users.

## Key Performance Indicators

The Directors have monitored the performance of the Group with reference to key performance indicators (KPIs), 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 below:

### Revenue

**£225.2m**

(2020: £204.5m)

### Gross Profit Margin

**43.3%**

(2020: 43.8%)

### Operating profit

**£12.9m**

(2020 as restated\*\*: £15.8m)

### Adjusted EBITDA\*

**£49.6m**

(2020: £48.7m)

### Adjusted EBITDA\* Margin

**22.0%**

(2020: 23.8%)

### Cash Generated from Operations

**£37.8m**

(2020 as restated\*\*: £49.8m)

### Average Revenue per End-User (pcm)

**£9.46**

(2020: £9.07)

### Average Number of Employees

**3,040**

(2020: 2,584)

### Number of Managed Services End-Users

**921,000**

(2020: 812,000)

\*In assessing the performance of the business management, look at Adjusted EBITDA as a key measure within the banking facility agreement.

	(As restated**)	
Reconciliation of non-statutory measures	2021	2020
	£ 000	£ 000
Operating profit as reported	12,869	15,791
Depreciation and amortisation	27,882	26,229
Exceptional items	8,865	6,717
Adjusted EBITDA	49,616	48,737

\*\* Certain items have been restated as a result of a prior year adjustment for a change in accounting policies. Further details are provided in Note 34.

## Principal Risks

Risk management is the responsibility of the Board and Group Executive Team for Tunstall Group Holdings Limited. They set the risk appetite and tolerances for the business, assessing the nature and extent of the principle risks the Group is willing to take in achieving its strategic objectives and ensures that risk management and internal controls are embedded in the Group's operations.

### Our approach to risk management

The Risk Committee includes employees from all areas of the business and is jointly chaired by the Director of Quality and the Group Company Secretary. It met five times in the year to review the risk register, identify emerging risks and conduct 'deep dives' into individual risks, to ensure sound assurance is in place. Where necessary, the Risk Committee works with external risk professionals to assess and develop mitigation plans for the business's principle risks.

Principal Risk	Key controls and mitigating factors
<b>Foreign Exchange Risk</b> We operate within a number of international regions with approximately 72% 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 where possible. An element of the USD risk has been managed through the forward purchase of USD.  In respect of the Euro exposure, this is hedged through the Euro denomination of the Group's term loans.
<b>Interest Rate Risk</b> The Group has syndicated loans and credit facilities, including term loans, as described in note 24, at a fixed margin above EURIBOR.	 Management regularly consider the need for interest rate hedging instruments by reference to the term of the Group's borrowings and future interest rate expectations, and where appropriate, interest rate hedge instruments are implemented. Further information can be found in note 25.

## Global Supply Chain

The Group is reliant on certain key supply chain partners for the successful delivery of our services and solutions. The failure of a key supplier, or a breakdown in relationships with a key supplier, could result in short-term delay and disruption to the Group's operations. There is also a risk that credit checks undertaken in the past may no longer be valid.

Disruption in the global capacitors market presents the risk of key component shortages, and our inability to manufacture and supply products to support our services to customers.

We build strong relationships with our suppliers, and work with them continuously to monitor demand, consumption, and lead times. Forecasts are sent to all key suppliers on a weekly basis, offering a 12-month view. Key suppliers work to a Logistics Agreement which requires them to hold, typically, four weeks of buffer stock to accommodate fluctuations in demand. Buffer stock is held at the supplier's cost, with the liability sitting with Tunstall. If buffer stock has not been moved for 6-months, Tunstall are required to purchase it.

Long range forecasting, active supply chain management, sourcing of alternative components and the build-up of buffer stocks seek to minimise supply disruption.

## COVID-19

The continuing prevalence of COVID-19 presents a risk of further exclusion from customer and end-user premises, restricting the flow of new business. The increasing transmission of the virus, particularly the Omicron strain, risks putting pressure on the availability of our staff in all sectors of the business.

We build strong relationships with our customers and work closely with them to ensure we maintain our service levels. The contractual recurring nature of our managed services strategy and strong customer relationships mitigates the risk of interruption to the flow of new business

Continued best practice hygiene and social distancing, together with home working where feasible, seeks to minimise the impact on staffing levels.

## Competition for new entrants

The Group recognises that as its core markets grow, this is likely to attract new entrants to the market.

Continued investment in Innovation and Development to retain market share. Implementation of a new growth strategy, focusing on end-to-end managed services that will extract additional value from our markets and provide greater visibility of earnings through contracted revenues. Partnerships and Coalitions with multiple stakeholders and companies with emerging technologies, are critical and investment in Evity, the global data services platform, to enable connectivity in an easy-to-use manner. This has been and will continue to be critical to our success.

## People

Failure to attract, retain and develop the required capability, and to embed our values in our culture, results in an impact on the delivery of our purpose and business performance.

We constantly review the external markets to ensure we are competitive within the markets in which we operate. We operate within a competitive marketplace and therefore seek to offer benefits which are in line with expectations within our differing markets. Additionally, we offer training and development to maximise the potential of all our colleagues at every level within the Company.

## Group CFO Review

A year of strong revenue growth with an improvement in market conditions.

Lee Robinson  
Group Chief Financial Officer

### Financial Performance

2021 has been a year of strong revenue growth with an improvement in market conditions. Revenue, as shown in the Group's Consolidated Income Statement for the year, amounted to £225,227,000 (2020: £204,459,000).

Approximately 72% (2020: 70%) of the Group's revenues are in non-sterling currencies. The Group's operating profit was £12,869,000 (2020 as restated (see note 34): £15,791,000). The Group's operating profit before charging depreciation, amortisation and exceptional items ("Adjusted EBITDA" as reconciled on page

16) increased to £49,616,000 (2020: £48,737,000). The lower operating profit in comparison to the previous year principally reflects higher exceptional costs arising from the ongoing implementation of a Group-wide ERP system, to drive significant cost and operational efficiencies and support the Group's growth strategy, with Adjusted EBITDA having increased against the prior year.

The Consolidated Income Statement, as set out on page 36 of the financial statements, shows a profit from continuing operations for the financial year of £11,829,000 (2020 as restated (see note 34): £35,626,000), the

decrease being due to the gain made in the previous year on extinguishment of debt as a result of the business refinancing.

### Regional Financial Performance

#### UK & Ireland

The core UK business revenue of £63,211,000 (2020: £60,909,000) is a rise of 3.8% year on year, principally reflecting some improvement in market demand and a lower level of access restrictions after the impact of COVID-19 in the previous year. COVID-19 has continued to have some impact with ongoing delays to a number of projects.

## Group CFO Review (continued)

Adjusted EBITDA stayed broadly flat to the previous year with the increased revenue being offset by proposition mix impact on margins.

### **Nordics**

Revenue in the Nordics grew by 9.5%. The managed services business continues to grow strongly, and there was some improvement to market conditions in the year. Adjusted EBITDA grew by 9.7%, driven by the increased revenue.

### **Spain**

Spain saw very strong revenue growth of 22.2% due to growth in the managed services business, with a significant new contract in Madrid and growth in existing contracts. Independent Living equipment revenue also performed well. Adjusted EBITDA grew by 8.2%, driven by the revenue increase, offset in part by lower margins from changes in proposition mix.

### **France**

France achieved healthy revenue and Adjusted EBITDA growth of 12.2% and 8.9% respectively, with the managed services business continuing to grow and increased Independent Living Equipment sales.

### **Benelux**

Benelux revenue grew by 62.8%, driven by managed services revenue from the acquisition of Secuvita in June 2021 and strong growth in the existing Independent Living Equipment

business. The revenue growth drove an Adjusted EBITDA growth of 47.8%.

### **DACHME**

Revenue increased by 6.9%, with improving customer demand after COVID-19 delayed a number of hospital tenders and projects in the previous year. Adjusted EBITDA increased by 6.9%, reflecting the increased revenue in the year.

### **Australasia**

Revenue in Australasia showed a small decrease of 1.8%, however, strict cost management resulted in an increase in Adjusted EBITDA of 15.5%.

### **Depreciation and Amortisation**

The Group's depreciation charge in the year increased to £16,506,000 (2020: £15,607,000) as a result of continued investment to support the growth of the Group's managed services contracts.

Amortisation of development expenditure increased to £9,968,000 (2020: £8,877,000) as the Group continued to develop its Integrated Health and Care solutions.

Amortisation of customer related, and computer software intangible assets decreased to £1,408,000 (2020: £1,745,000).

The total amortisation charge increased to £11,376,000 (2020: £10,622,000).

### **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 of £8,865,000 in the year ended 30 September 2021 (2020 as restated (see note 34): £6,717,000). The most significant element, amounting to £5,887,000 (2020 as restated (see note 34): £2,038,000), was the cost associated with the Group's ongoing implementation of a Group-wide ERP system to drive significant cost and operational efficiencies, and support the Group's growth strategy, along with incremental costs incurred as a result of COVID-19. Whilst it is not possible to accurately quantify the total impact of COVID-19 on the performance of the Group, incremental costs in relation to additional personnel costs and protective equipment of £2,400,000 were incurred in the year (2020: £2,026,000). More details are provided in note 7 of the financial statements.

## Group CFO Review (continued)

### Goodwill Impairment

The Directors have reviewed the carrying value of Goodwill. No impairment charge has been recognised in the year ended 30 September 2021 (2020: charge of £16,789,000).

### Net Finance Costs

Net finance costs for the year decreased to £2,734,000 (2020: £89,965,000). This principally comprises £9,993,000 of interest payable on the Group's Senior debt (2020: £23,072,000), £nil of interest payable to fellow Group undertakings (2020: £62,319,000) and a foreign exchange gain of £8,370,000, principally in relation to the Euro denominated Senior Term Loan and intercompany currency loans (2020: foreign exchange loss of £3,595,000).

In the previous year, the Group made a gain on the extinguishment of debt of £125,116,000 following the refinancing and debt for equity swap.

### Taxation

The Group recorded an income tax credit of £1,694,000 (2020 as restated (see note 34): credit of £2,289,000). The Group generally 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. The credit principally arises from additional deferred tax assets recognised in respect of losses.

### Acquisitions and disposals

On June 1st, 2021, the Group acquired Secuvita Leasing BV and Secuvita BV, for total consideration of up to €11,000,000. More details are provided in note 17 of the financial statements.

No acquisitions occurred in the previous year.

### Cash flow

Cash generated from operations decreased to £37,833,000 compared with £49,799,000 (as restated (see note 34) in the previous year.

Operating cash flow represented 76.2% of adjusted EBITDA (2020 as restated (see note 34): 102.1%) with the decrease due to the timing of working capital cash flows and increased exceptional costs in the year.

Net interest paid, almost entirely relates to servicing the Group's Senior debt and amounted to £9,879,000 (2020: £5,808,000), with the increase being due to the timing of interest payments. During the year, no loan repayments were made (2020: £nil). New loans in the year amounted to £12,213,000 (2020: £nil), representing drawdowns of the Group's Super Senior Term Loan facility.

No additional costs (2020:

£9,035,000) were paid out in relation to the refinancing in August 2020.

Capital expenditure of £30,763,000 (2020 as restated (see note 34): £28,534,000) is an increase on the previous year as the Group continues to invest in its growth strategy. The main areas of expenditure included, development of new products, software and services £16,149,000 (2020: £12,492,000) in addition to investment in equipment installed in service users' homes of £12,759,000 (2020: £12,076,000) as part of a Managed Service arrangement.

### Funding

The Group has considerable financial resources with a cash balance at 30 September 2021 amounting to £17,223,000 (2020: £18,582,000).

In the previous year, 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).

## Group CFO Review (continued)

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 (of which €13,500,000 had been drawn at 30 September 2021). 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 balance sheet, 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 for a period of 12 months from the date of approval of the financial statements. The forecasts consider the Directors' views of current and future economic conditions that are expected to prevail over the period.

The forecasts indicate that, taking account of severe but plausible downsides and the continued impact of COVID-19 on operations and its financial resources, the Company and Group are able to meet their liabilities as they fall due and comply with covenants throughout the forecast period. The key factors considered in reaching this conclusion are summarised below:

- At the year end, the Group had access to banking facilities consisting of a drawn term loan of €197,676,000 repayable on 3 August 2025 and a partially drawn term loan of €20,000,000 repayable on 3 August 2023. The partially drawn term loan had a balance of €13,500,000 at 30 September 2021. In November 2021 a further €6,500,000 was drawn against this facility. Both term loans are subject to covenants.
- In December 2021 a further incremental facility of €14,880,000 was made available for drawdown. In January 2022 the Group received a further equity injection of £12,500,000 from a share issue. The additional funding has been secured to support the Group's growth strategy.

- In performing their assessment, the directors have considered a severe but plausible downside scenario which models the impact of further lockdowns in 2022/2023, similar to that experienced in 2020. In the model, profits are depressed throughout 2022 and 2023 using actual experience of 2020. In this downside scenario the directors have not assumed any further government support or cost mitigations.

Consequently, the Directors are confident that the Company and Group will have sufficient funds to continue to meet their liabilities as they fall due, for at least 12 months from the date of approval of the financial statements, and therefore have prepared the financial statements on a going concern basis.

### Events after the financial period

In January 2022 the shareholders of the ultimate parent company have demonstrated their support of the Group's growth strategy through a £12,500,000 equity injection. During December 2021 an additional €14,880,000 was made available in the SSTL facility.

## Sustainability - Protecting our future

### **We take our environmental, social and governance (ESG) responsibilities seriously.**

With around 3,000 employees at multiple locations, over 5 million customers across 19 countries worldwide and a supply chain that spans the whole globe, it is vital we monitor our output and continually seek new ways to ensure the least detrimental impact on our people, our community and the environment and world we operate in.

To help us monitor our compliance we review our compliance with our ESG goals, targets, and responsibilities.

Tunstall's strategy is to create a workplace environment which:

- Protects our environment for future generations through efficient manufacturing practices, whilst reducing the environmental impact of our product and service delivery;
- Is an attractive, inspiring, and safe workplace for our colleagues;
- Promotes employee collaboration, high levels of accountability, self-development, and wellbeing; and
- Ensures a high level of governance throughout the organisation and its supply chain, to drive value creation for its stakeholders.

Our ESG strategy and targets are set by the Leadership Team. A series of measurable targets will be set and tracked to monitor performance against the Group's strategy.

## Sustainability - Section 172 statement

### Section 172 statement

In accordance with Section 172 of the Companies Act 2006, the Board takes its responsibility to promote the success of the Company and the Group very seriously. The Board understands that the future of the business depends on its relationships and dealings with its stakeholder groups, and as such, considers the following in all decision making.

- The long-term consequences of any decisions.
- The interests of the Company and Group's employees.
- Building, maintaining, and improving relationships with external investors, shareholders, suppliers, customer and end-users and other stakeholders; environmental impact of the

operations of the Group and the Company; and

- The requirement to treat all stakeholders and members of the Group and company equally.

Where possible, the Directors consider the views and interest of a wider set of stakeholders when making decisions. However, it is not always possible to make decisions to please all the stakeholders, and the Board will balance those different perspectives in the formation of their short-term decisions and longer-term strategies.

Regular Board meetings are held at which a standing agenda of points and papers is presented. In addition, the Board will undertake strategic reviews throughout the

year with presentations from the regional businesses. A thorough annual budget process is undertaken and reviewed by the Board, along with more frequent regular reviews of the progress towards those targets.

Both shareholders and lenders receive monthly financial information from the business as well as presentations from management, on a regular basis.

Environmental matters are considered in conjunction with the Health Safety and Environmental committee. The Group envisages to have regular engagement with both customers and suppliers. Employee engagement is discussed further in the Directors' Report.

## Objectives

Tunstall is committed to protecting and conserving the environment whilst safeguarding Tunstall from causing environmental risks and ensuring sustainable development.

The quality of our services and our products leaves no room for error. Delivering a quality service which is compliant with our processes and auditing bodies is core to ensuring the sustainability of our customer service and therefore our business.

Tunstall's 3,000 colleagues are a critical and valued element of the business. Our goal is to build a high performing organisation which delivers on its promises to customers, stakeholders, end-users and colleagues.

Tunstall is at the heart of the community, providing valuable services to ensure that the elderly and vulnerable citizens have the freedom to live life to the full in a place of their choice.

## Goals

**Sustainable Operations** – minimising our carbon footprint through the design of durable, recyclable products, energy efficient operations, reducing waste and the use of single use plastics

**Responsible Business Practices** – Tunstall is committed to ensuring high standards are maintained throughout the supply chain and requires all its suppliers to adhere to the Modern Slavery Act.

**Product Safety** – through rigorous testing and adherence to standards across product design, manufacture and in the management of our customers' data, we aim to ensure that the quality of the services provided remain at the highest possible levels. This is supplemented by a thorough and robust complaints procedure to ensure that any issues and concerns that our customers may have, are heard and responded to.

**Innovation** – ensuring that our services and products are not only compliant today but will remain compliant in the face of a changing digital communication environment; evolving our services to optimise advances in technology and the changing needs and demands of our customers.

**Employee Safety & Wellbeing** – we strive to value physical and mental wellbeing above all else and strive to prevent all workplace injuries.

**Equity, Diversity and Inclusion** – addressing representation gaps and strengthening equality, diversity and inclusion so that all team members feel supported and inspired to reach their full potential. Operating a zero tolerance for any form of discrimination at all levels.

**Education and Skill Development** – engender an understanding of how every job fits within the Group's delivery of its strategy, providing regular performance coaching conversations and providing training to enable our colleagues to perform to the best of their abilities.

**Community Engagement** – building better, more equitable communities through corporate investments, employee engagement programs and community partnerships.

# Corporate Governance

## Overview

Good governance is key to promoting the long-term sustainable success of the Group and Company, helping to build and maintain relationships with key stakeholders, and driving value creation.

We are committed to the highest standards of corporate governance, and we view good governance as key to the long-term success of Tunstall. Governance is embedded throughout the business and in the work that we do to generate value for our stakeholders.

### **Company Structure, Board Composition & Appointments**

This annual report is presented for Tunstall Group Holdings Limited, a holding company for Tunstall subsidiary businesses. Tunstall Group Holdings Limited has two formally appointed Directors, namely Gordon Sutherland, Group Chief Executive Officer and Lee Robinson, Group Chief Financial Officer.

The parent company, Tunstall Integrated Healthcare Holdings Limited drives the overall governance of the Group strategic oversight and stakeholder management, including managing the shareholder relationship. Steering the parent company is the Chairman, Peter Nicklin, three Non-Executive Directors and the Group Chief Executive Officer.

For the purposes of this report, we have included our Leadership Team who meet on a weekly basis to discuss the key issues raised at the wider, weekly leadership meetings which include all regional and Group functional Directors.

In August 2021 Gary Steen joined the Leadership Team as Group Chief Technology Officer, enabling Lance Kenworthy, Group Chief Digital Officer, to focus solely on our technology platform.

### **Leadership Team Responsibilities**

The Leadership Team is collectively responsible for the long-term, sustainable success of Tunstall, generating value for its lenders and shareholders, and contributing to a wider society.

## Committees

### Remuneration Committee

The Remuneration Committee is responsible for overseeing all salaries at all levels of the organisation, and directly monitors and makes recommendations to the Group Board on issues concerning remuneration and terms of employment above a certain threshold.

Chaired by Graham Oldroyd, Non-Executive Director, the committee also includes Gerard Loftus and Lars Gatenbeck (both Non-Executive Directors) and is attended by Gordon Sutherland, Group Chief Executive Officer, and the Group HR Director, who also acts as Secretary of the Remuneration Committee.

The Remuneration Committee met 6 times during the year.

### Audit Committee

The Audit Committee is responsible for the financial governance of the Group, including the appointment, reappointment and removal of the external auditor, internal controls and risk management and compliance, whistleblowing, and fraud.

Chaired by Gerard Loftus, Non-Executive Director, the committee also includes Graham Oldroyd, Non-Executive Director, Gordon Sutherland, Group Chief Executive Officer, Lee Robinson Chief Financial Officer, Stephen Jones Group Finance Director and Jon Furniss Secretary of the Audit Committee, are also in attendance as non-members. The Audit Committee met 6 times during the year.

### Quality Committee

Newly formed, the Quality Committee ensures that quality, regulatory affairs and health and safety processes, procedures and controls are reviewed.

The committee is chaired by Peter Nicklin, Chairman and includes Graham Oldroyd, Non-Executive Director. Mike Ford, Group Director of Quality and Regulatory Affairs acts as Secretary for the Committee.

## Our Leadership Team

The Group's Leadership Team, which comprises the Company Directors plus heads of key business functions, meets on a monthly basis. The Leadership Team reports up to the Board of the Company's ultimate parent company, Tunstall Integrated Healthcare Holdings Limited, where the Chairman and Non-Executive Directors provide oversight and governance.

### **Gordon Sutherland** **Group Chief Executive Officer\***

Gordon joined Tunstall as Group Chief Executive Officer in September 2016. With 35 years' experience in the healthcare industry, he held several key executive leadership roles, most recently as Head of the EMEA businesses of Invacare Corporation - a NYSE listed company in the medical equipment industry. Prior to Invacare, Gordon worked at Gambro AB, Baxter Healthcare Corporation, Bristol-Myers Squibb, and Johnson & Johnson. Gordon is a Director of Tunstall Group Holdings Limited.

### **Lee Robinson** **Group Chief Financial Officer\***

Lee joined Tunstall as Group Chief Financial Officer in May 2018, bringing over 35 years' senior finance experience. Lee qualified as a Chartered Accountant with Deloitte and has held CFO roles in a variety of sectors including Financial Services with Merrill Lynch, HBOS and Antin Infrastructure Partners, and the Travel and Leisure sector with First Choice Holidays. Lee has considerable experience as both CFO and CEO of private equity-backed portfolio companies. Lee is a Director of Tunstall Group Holdings Limited.

### **Kristoffer Axelsson** **Group Chief Commercial Officer**

Kristoffer joined Tunstall in February 2012 through the acquisition of STT Condigi, the Nordic market leader in the Connected Care sector. Prior to this, he was Group CEO of STT Condigi for four years and CFO for Siemens for three years. He has also spent time at Saab Kockums and Skansk.

### **Lance Kenworthy** **Group Chief Digital Officer**

Lance was appointed as Group Chief Information Officer in June 2017 and quickly acquired the dual role of Group Chief Technical Officer in July 2017. In August 2021, this dual role was split with Lance taking on the sole role of Chief Digital Officer, responsible for Group IT at Tunstall. Lance joined Tunstall from Invacare in Switzerland, where he was Vice-President of IT.

### **Elaine Quinn** **Group Operations Director**

Appointed as Tunstall's Group Operations Director in July 2007, Elaine previously held roles in Filtronic PLC, including Management Director of FiltronicComtek (UK), Director of Strategic Development

(IP Division) and Engineering Programmes Director.

### **Gary Steen** **Group Chief Technology Officer**

Gary joined Tunstall as Group Chief Technology Officer in August 2021, leading Tunstall's innovation and development function, globally. Prior to joining Tunstall, Gary was Group Management Director for Technology at TalkTalk, and Chief Technology Officer at MDS Global.

### **Mike Ford** **Group Director of Quality and Regulatory Affairs**

Mike joined Tunstall in June 2020 as Group Director of Quality and Regulatory Affairs. Prior to joining Tunstall, Mike served as Head of Quality Assurance and Regulatory Affairs at JRI Orthopaedics Limited.

### **Jon Furniss** **Company Secretary**

Jon joined Tunstall in 2002 and was appointed as Company Secretary in 2014. Jon is a Chartered Accountant. Jon is responsible for the Group's risk, compliance and corporate governance policies.

\*Members of the Tunstall Group Holdings Limited Board of Directors

# Directors' Report

## Financial and Business Reporting

The Directors present their annual report and accounts on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 30 September 2021. The Corporate Governance Statement set out on pages 26 to 28, forms part of this report.

## Principle Activities

The Company is a holding company, and the principal activity of its subsidiary undertakings is 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 its main regions which are; the UK & Ireland, the Nordics, Spain, France, Benelux, DACHME (Germany, Austria, Switzerland & Middle East) and Australasia.

## CFO Review

The Group is required to include a business review in this report. The information that fulfils the requirements of the business review can be found in the CFO Review on pages 19 to 22, which are incorporated in this report by reference.

## Going Concern

The Group's Going Concern statement is on page 22.

## Internal Controls and Risk Management

The Leadership Team accepts and acknowledges that it is both accountable and responsible for ensuring that the Group has in place appropriate and effective risk management and internal control systems, including financial, operational and compliance control systems. The Leadership Team monitors these systems on an ongoing basis and this year's review found them to be operating effectively.

## Dividends

The Directors do not propose the payment of a dividend (2020: £nil).

The distribution to non-controlling interests amounted to £nil (2020: £1,283,000).

## Political contributions

The Group made no political donations and did not incur any political expenditure during the year (2020: £nil).

## Disclosure of Information to the Auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves 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.

## Employees

Employees are encouraged to maximise their individual contribution to the Group. Our remuneration and benefits packages are tailored to each region in which the employee is based and are considered competitive for the level of the role in that region. Selected employees also participate in an annual bonus scheme which links contribution to the goals of the business, both at a Group and Regional level.

Employees are provided regularly with information regarding financial and operational progress across the Group, as well as any matters that should concern them, and two-way communication is actively sought after. This is achieved through formal meetings and using the Group intranet. Tunstall encourages openness and transparency, with employees having opportunities to express their views and opinions. In June 2021, the Group conducted an employee engagement survey which identified four key areas for the business to focus on – leadership communication skills, understanding of strategy, employee development and employee wellbeing.

The Group continued its previous practice of ensuring effective two-way communication on matters affecting them as employees and on the various

## Directors' Report (continued)

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

The Group is committed to the promotion of equal opportunities, supported by its Equal Opportunity and Diversity Policy. The policy reflects both current legislation and best practice. It highlights the Group's obligations to race, gender and disability equality.

### 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 arrangements are made. 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.

### Other information

An indication of likely future developments in the business is included within the Strategic Report on pages 3 to 25, along with particulars of significant events which have occurred since the end of the financial year.

Engagement with suppliers, customers, and others in a business relationship with the company, is discussed as part of the Section 172 statement on page 24.

### SECR reporting

The Group is required to report under the Streamlined Energy and Carbon Reporting (SECR) framework under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. THE SECR reporting year is the same as the Group Financial year, 1 October 2020 to 30 September 2021.

In accordance with the guidance, the Group is required to report the UK energy usage and associated Greenhouse Gas (GHG) emissions that relate to:

- Activities for which Tunstall Group Holdings Limited is responsible, involving the combustion of gas, or consumption of fuel for the purposes of transport; and

- The purchase of electricity by the Group for its own use, including the purpose of transport.

Note that emissions outside the UK are outside the scope of the mandatory requirements and are not included in the information below.

The Group is required to report at least one intensity ratio. For these purposes, the ratio has been considered as total Scope 1 & 2 emissions per £1m of UK sales (including intercompany revenue).

The Group is required to include comparisons against the base year of 2019.

## Directors' Report (continued)

	2021	2020	2019	Variance to base	2021	2020	2019	Variance to base
Energy and Carbon data	kWh	kWh	kWh	%	tCO2e	tCO2e	tCO2e	%
Scope 1 Combustion of fuel and operation of facilities	3,608,896	4,059,554	4,517,855	-20%	884	973	1,100	-20%
Scope 2 Electricity purchased for our own use (location-based method)	1,840,756	1,955,127	2,218,052	-17%	391	456	567	-31%
Total Gross Scope 1 & 2 (LB)	5,449,652	6,014,681	6,735,907	-19%	1,275	1,429	1,667	-24%
Intensity Ratio – Total Gross Scope 1 & 2 (LB) – unit/£1m turnover	58,788	67,963	67,292		13.7	16.1	16.7	


The methodology used is calculated in accordance with the Greenhouse Gas Protocol and Environment Reporting Guidelines: Including streamlined energy and carbon reporting guidance.

The Emission factors applied are based on those provided by DEFRA for 2020/2021.

Energy efficiency action taken within the business year has been the inclusion of PHEV hybrid vehicle options for all vehicle

grades in the vehicle fleet. This has resulted in the number of PHEV's in the fleet increasing by 250% in the year.

The Strategic Report on pages 3 to 25 and this Directors' Report on pages 29 to 31 have been approved and authorised for issue by the Board on 26 January 2022. They were signed on its behalf by:



L Robinson  
Director  
(Registration number: 05459713)

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

The Directors are responsible for preparing the Annual 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 accounting standards in conformity with the requirements of the Companies Act 2006 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 Group's 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, relevant, reliable and prudent;
- For the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK, governing the preparation and dissemination of financial statements, may differ from legislation in other jurisdictions.

# 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 2021 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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Group or the Company will continue in operation.

## Fraud and breaches of laws and regulations – ability to detect

*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit Committee and Remuneration Committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to significant component audit teams of relevant fraud risks identified at the Group level and request to significant component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group and component management may be in a position to make inappropriate accounting entries; and
- the risk that revenues are overstated through recording revenues in the wrong period.

# Independent Auditor's Report to the members of Tunstall Group Holdings Limited (continued)

We also identified a fraud risk related to inappropriate capitalisation of internal development costs in response to possible pressures to meet profit targets.

We performed procedures including:

- Identifying journal entries and other adjustments to test for all significant components based on risk criteria and comparing the identified entries to supporting documentation. These included revenue and treasury impacting journal entries posted to unusual accounts.
- For a sample of revenue transactions around the year end for all significant components, vouching to supporting documentation to corroborate whether sample items were recorded in the correct accounting period.
- For a sample of internal development projects, evaluation of the criteria applied for capitalising costs.
- Recalculation of capitalised internal development costs based on hours charged by relevant individuals at cost rates vouched to supporting documentation.

## *Identifying and responding to risks of material misstatement related to compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to significant component

audit teams of relevant laws and regulations identified at the Group level, and a request for significant component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law and certain aspects of company legislation, recognising the nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

## *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and

performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## **Other information**

The directors are responsible for the other information, which comprises the Strategic Report, the Directors' Report and the Corporate Governance report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information;
- in our opinion the information given in the Strategic Report and the Directors' Report 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**

# Independent Auditor's Report to the members of Tunstall Group Holdings Limited (continued)

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 32, 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](http://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  
Sovereign Street  
Leeds  
LS1 4DA

Date: 28 January 2022

# Consolidated Income Statement for the Year Ended 30 September 2021

		<b>(As restated)<sup>1</sup></b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>
		<b>£ 000</b>	<b>£ 000</b>
Revenue	4, 5	225,227	204,459
Cost of sales		(127,594)	(114,836)
Gross profit		97,633	89,623
Administrative expenses		(84,764)	(73,832)
<b>Operating profit</b>	<b>6</b>	<b>12,869</b>	<b>15,791</b>
<b>Analysed as:</b>			
Operating profit before charging depreciation and amortisation and exceptional items ("Adjusted EBITDA")	5, 6	49,616	48,737
Depreciation and amortisation	6	(27,882)	(26,229)
Exceptional items	7	(8,865)	(6,717)
Impairment of non-current assets	16	-	(17,605)
Gain on extinguishment of debt	8	-	125,116
Finance income	9	8,375	6
Finance costs	9	(11,109)	(89,971)
Net finance cost	9	(2,734)	(89,965)
<b>Profit before tax</b>		<b>10,135</b>	<b>33,337</b>
Income tax credit	13	1,694	2,289
<b>Profit from continuing operations</b>		<b>11,829</b>	<b>35,626</b>
<b>Profit for the year</b>		<b>11,829</b>	<b>35,626</b>
<b>Profit attributable to:</b>			
Owners of the Company		11,568	35,347
Non-controlling interests		261	279
		<b>11,829</b>	<b>35,626</b>

<sup>1</sup> See Note 34 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.

The notes on pages 46 to 104 form an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income for the Year Ended 30 September 2021

		(As restated) <sup>1</sup>	
	Note	2021	2020
		£ 000	£ 000
Profit for the year		11,829	35,626
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurements of post employment benefit obligations	27	5,938	(5,700)
Deferred taxation regarding pension scheme (surplus)/deficit	13	(238)	1,545
		5,700	(4,155)
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation losses		(529)	(1,440)
<b>Total comprehensive profit for the year</b>		<b>17,000</b>	<b>30,031</b>
<b>Total comprehensive profit attributable to:</b>			
Owners of the Company		16,810	29,755
Non-controlling interests		190	276
		<b>17,000</b>	<b>30,031</b>

<sup>1</sup> See Note 34 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.

The notes on pages 46 to 104 form an integral part of these financial statements.

# Consolidated Statement of Financial Position as at 30 September 2021

			(As restated) <sup>1</sup>	(As restated) <sup>1</sup>
	Note	2021	2020	2019
		£ 000	£ 000	£ 000
<b>Non-current assets</b>				
Property, plant and equipment	14	43,065	43,837	30,267
Intangible assets	16	226,874	214,290	229,083
Equity accounted investments	18	6	6	6
Other non-current financial assets	19	679	1,047	777
Deferred tax assets	13	21,586	17,691	11,083
		<u>292,210</u>	<u>276,871</u>	<u>271,216</u>
<b>Current assets</b>				
Inventories	20	13,885	11,226	10,638
Trade and other receivables	21	38,768	36,295	42,233
Income tax asset	13	1,359	5,389	5,212
Cash and cash equivalents		17,223	18,582	20,191
		<u>71,235</u>	<u>71,492</u>	<u>78,274</u>
<b>Total assets</b>		<u>363,445</u>	<u>348,363</u>	<u>349,490</u>
<b>Current liabilities</b>				
Trade and other payables	22	(57,518)	(45,887)	(41,339)
Loans and borrowings	24	(5,139)	(5,508)	(608)
Income tax liability	13	(2,094)	(5,319)	(5,841)
Deferred income		(8,510)	(9,429)	(8,813)
Provisions	23	(1,698)	(2,618)	(2,357)
		<u>(74,959)</u>	<u>(68,761)</u>	<u>(58,958)</u>
<b>Net current (liabilities)/assets</b>		<u>(3,724)</u>	<u>2,731</u>	<u>19,316</u>
<b>Total assets less current liabilities</b>		<u>288,486</u>	<u>279,602</u>	<u>290,532</u>
<b>Non-current liabilities</b>				
Loans and borrowings	24	(187,490)	(187,763)	(782,165)
Derivative financial instruments	26	(90)	(287)	-
Retirement benefit obligations	27	(20,128)	(28,787)	(25,472)
Deferred tax liabilities	13	(1,991)	(1,255)	-
		<u>(209,699)</u>	<u>(218,092)</u>	<u>(807,637)</u>
<b>Total liabilities</b>		<u>(284,658)</u>	<u>(286,853)</u>	<u>(866,595)</u>
<b>Net assets</b>		<u>78,787</u>	<u>61,510</u>	<u>(517,105)</u>


<sup>1</sup> See Note 34 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.

The notes on pages 46 to 104 form an integral part of these financial statements.

# Consolidated Statement of Financial Position as at 30 September 2021 (continued)

		(As restated) <sup>1</sup>	(As restated) <sup>1</sup>	
	Note	2021	2020	2019
		£ 000	£ 000	£ 000
<b>Equity</b>				
Share capital	28	1,533	1,533	1,533
Share premium		122,628	122,628	103,628
Foreign currency translation reserve		11,246	11,704	13,141
Accumulated losses		(58,091)	(75,636)	(637,695)
Equity attributable to owners of the Company		77,316	60,229	(519,393)
Non-controlling interests		1,471	1,281	2,288
<b>Total equity</b>		78,787	61,510	(517,105)

Approved by the Board on 26 January 2022 and signed on its behalf by:



L Robinson  
Director  
(Registration number: 05459713)

<sup>1</sup> See Note 34 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.

The notes on pages 46 to 104 form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity for the Year Ended 30 September 2021

	Share capital	Share premium	Foreign currency translation	Accumulated losses	Total	Non-controlling interests	Total equity
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
At 1 October 2019 (As reported)	1,533	103,628	13,141	(636,333)	(518,031)	2,288	(515,743)
Prior period adjustment	-	-	-	(1,362)	(1,362)	-	(1,362)
At 1 October 2019 (As restated <sup>1</sup> )	1,533	103,628	13,141	(637,695)	(519,393)	2,288	(517,105)
Profit for the year (As restated <sup>1</sup> )	-	-	-	35,347	35,347	279	35,626
Foreign currency translation gains	-	-	(1,437)	-	(1,437)	(3)	(1,440)
Remeasurement of post employment benefits	-	-	-	(5,700)	(5,700)	-	(5,700)
Deferred tax regarding pension scheme deficit	-	-	-	1,545	1,545	-	1,545
Total comprehensive (loss)/income (As restated <sup>1</sup> )	-	-	(1,437)	31,192	29,755	276	30,031
Issued during the year	-	19,000	-	-	19,000	-	19,000
Distribution to non-controlling interest	-	-	-	-	-	(1,283)	(1,283)
Forgiveness of intercompany debt	-	-	-	530,763	530,763	-	530,763
Share based payments	-	-	-	104	104	-	104
<b>At 30 September 2020 (As restated<sup>1</sup>)</b>	<b>1,533</b>	<b>122,628</b>	<b>11,704</b>	<b>(75,636)</b>	<b>60,229</b>	<b>1,281</b>	<b>61,510</b>

During the previous year the previous parent company forgave debts owed of £530,763,000. These were treated as a capital contribution and taken straight to equity.

<sup>1</sup> See Note 34 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.  
The notes on pages 46 to 104 form an integral part of these financial statements.

## Consolidated Statement of Changes in Equity for the Year Ended 30 September 2021 (continued)

	Share capital	Share premium	Foreign currency translation	Accumulated losses	Total	Non-controlling interests	Total equity
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
At 1 October 2020 (As reported)	1,533	122,628	11,704	(72,623)	63,242	1,281	64,523
Prior period adjustment	-	-	-	(3,013)	(3,013)	-	(3,013)
At 1 October 2020 (As restated <sup>1</sup> )	1,533	122,628	11,704	(75,636)	60,229	1,281	61,510
Profit for the year	-	-	-	11,568	11,568	261	11,829
Foreign currency translation losses	-	-	(458)	-	(458)	(71)	(529)
Remeasurement of post employment benefits	-	-	-	5,938	5,938	-	5,938
Deferred tax regarding pension scheme deficit	-	-	-	(238)	(238)	-	(238)
Total comprehensive (loss)/income	-	-	(458)	17,268	16,810	190	17,000
Share based payments	-	-	-	277	277	-	277
<b>At 30 September 2021</b>	<b>1,533</b>	<b>122,628</b>	<b>11,246</b>	<b>(58,091)</b>	<b>77,316</b>	<b>1,471</b>	<b>78,787</b>

<sup>1</sup> See Note 34 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.

The notes on pages 46 to 104 form an integral part of these financial statements.

# Consolidated Statement of Cash Flows for the Year Ended 30 September 2021

		(As restated) <sup>1</sup>	
	Note	2021	2020
		£ 000	£ 000
<b>Cash flows from operating activities</b>			
Profit for the year		11,829	35,626
Adjustments to cash flows from non-cash items:			
Depreciation and amortisation	14, 16	27,882	26,229
Impairment of non-current assets	16	-	17,605
Gain on extinguishment of debt		-	(125,116)
Finance income	9	(8,375)	(6)
Finance costs	9	11,109	89,971
Add back of share based payment costs	30	277	104
Income tax credit	13	(1,694)	(2,289)
		41,028	42,124
<b>Working capital adjustments:</b>			
Increase in inventories	20	(2,414)	(588)
(Increase)/decrease in trade and other receivables	21	(1,268)	5,659
Increase in trade and other payables	22	5,504	4,548
Decrease in retirement benefit obligation	27	(3,178)	(2,821)
(Decrease)/increase in provisions	23	(920)	261
(Decrease)/increase in deferred income		(919)	616
<b>Cash generated from operations</b>		37,833	49,799
Income taxes paid	13	(2,175)	(2,218)
<b>Net cash flow from operating activities</b>		35,658	47,581
<b>Cash flows from investing activities</b>			
Acquisition of intangible assets	16	(16,523)	(13,346)
Acquisitions of property plant and equipment	14	(14,240)	(15,188)
Proceeds from sale of property plant and equipment		652	362
Interest received		5	6
Acquisition of subsidiary net of cash acquired		(2,420)	(71)
Distribution to non-controlling interests		-	(1,283)
<b>Net cash flows from investing activities</b>		(32,526)	(29,520)
<b>Cash flows from financing activities</b>			
Interest paid		(9,879)	(5,808)
Movement in intercompany balances		-	(256)
New loans in the year		12,213	-
Loan arrangement fees		(479)	-
Costs paid relating to extinguishment of debt		-	(9,035)
Payments to finance lease creditors		(5,048)	(4,960)
<b>Net cash flows from financing activities</b>		(3,193)	(20,059)

<sup>1</sup> See Note 34 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.

The notes on pages 46 to 104 form an integral part of these financial statements.

# Consolidated Statement of Cash Flows for the Year Ended 30 September 2021 (continued)

	Note	2021 £ 000	2020 £ 000
<b>Net decrease in cash and cash equivalents</b>		(61)	(1,998)
Cash and cash equivalents at 1 October		18,582	20,191
Effect of exchange rate fluctuations on cash held		(1,298)	389
<b>Cash and cash equivalents at 30 September</b>		<u>17,223</u>	<u>18,582</u>

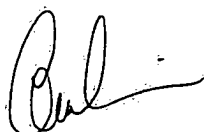
The notes on pages 46 to 104 form an integral part of these financial statements.

# Company Statement of Financial Position as at 30 September 2021

	Note	2021 £ 000	2020 £ 000
<b>Non-current assets</b>			
Investments	18	67,566	63,002
Amounts owed by subsidiary undertakings	21	91,491	82,190
		<u>159,057</u>	<u>145,192</u>
<b>Current assets</b>			
Trade and other receivables	21	37	572
Income tax asset	13	600	284
Cash and cash equivalents		11	15
		<u>648</u>	<u>871</u>
<b>Total assets</b>		<u>159,705</u>	<u>146,063</u>
<b>Current liabilities</b>			
Trade and other payables	22	(2,144)	(100)
<b>Net current (liabilities)/assets</b>		<u>(1,496)</u>	<u>771</u>
<b>Total assets less current liabilities</b>		<u>157,561</u>	<u>145,963</u>
<b>Non-current liabilities</b>			
Loans and borrowings	24	(37,457)	(33,485)
<b>Total liabilities</b>		<u>(39,601)</u>	<u>(33,585)</u>
<b>Net assets</b>		<u>120,104</u>	<u>112,478</u>
<b>Equity</b>			
Share capital	28	1,533	1,533
Share premium		122,628	122,628
Accumulated losses		(4,057)	(11,683)
<b>Total equity</b>		<u>120,104</u>	<u>112,478</u>

No Income Statement is presented for the Company as permitted by section 408 of the Companies Act 2006. The Company made a profit after tax for the financial year of £7,349,000 (2020: loss of £287,389,000).

Approved by the Board on 26 January 2022 and signed on its behalf by:



L Robinson  
Director  
(Registration number: 05459713)

The notes on pages 46 to 104 form an integral part of these financial statements.

## Company Statement of Changes in Equity for the Year Ended 30 September 2021

	Share capital	Share premium	Accumulated losses	Total
	£ 000	£ 000	£ 000	£ 000
At 1 October 2019	1,533	103,628	(255,161)	(150,000)
Issued during the year	-	19,000	-	19,000
Loss for the year	-	-	(287,389)	(287,389)
Total comprehensive loss	-	-	(287,389)	(287,389)
Forgiveness of intercompany debt	-	-	530,763	530,763
Share based payments	-	-	104	104
<b>At 30 September 2020</b>	<b>1,533</b>	<b>122,628</b>	<b>(11,683)</b>	<b>112,478</b>

	Share capital	Share premium	Accumulated losses	Total
	£ 000	£ 000	£ 000	£ 000
At 1 October 2020	1,533	122,628	(11,683)	112,478
Profit for the year	-	-	7,349	7,349
Total comprehensive income	-	-	7,349	7,349
Share based payments	-	-	277	277
<b>At 30 September 2021</b>	<b>1,533</b>	<b>122,628</b>	<b>(4,057)</b>	<b>120,104</b>

The notes on pages 46 to 104 form an integral part of these financial statements.

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 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 Lodge  
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 accounting standards in conformity with the requirements of the Companies Act 2006.

### 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 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 2021

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform has been adopted from 1 October 2020.
- Amendments to IFRS 3: Definition of a Business has been adopted from 1 October 2020.
- Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendments to IAS 1 and IAS 8: Definition of Material.
- COVID-19 Related Rent Concessions (Amendment to IFRS 16) which was effective for years beginning on or after 1 June 2020
- Adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 2. Accounting policies (continued)

### Basis of preparation (continued)

#### Standards and interpretations adopted by the Group/Company in the year ended 30 September 2021 (continued)

All the above standards and interpretations have been adopted by the group on 1 October 2020. 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.

#### 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 in these financial statements. Their adoption is not expected to have a material effect on the financial statements:

- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), (effective for period beginning on or after 1 January 2021)

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.

#### Company

The Parent Company financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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.

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 2. Accounting policies (continued)

### 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 3 to 25 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 Group CFO 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.

These financial statements have been prepared on a going concern basis. The directors consider this to be appropriate for the following reasons.

The directors have prepared detailed cash flow forecasts for a period of 12 months from the date of approval of the financial statements. The forecasts consider the directors' views of current and future economic conditions that are expected to prevail over the period.

The forecasts indicate that, taking account of severe but plausible downsides and the continued impact of COVID-19 on operations and its financial resources, the Company and Group are able to meet their liabilities as they fall due and comply with covenants throughout the forecast period. The key factors considered in reaching this conclusion are summarised below:

- At the year end, the Group had access to banking facilities consisting of a drawn term loan of €197,676,000 repayable on 3 August 2025, and a partially drawn term loan of €20,000,000 repayable on 3 August 2023. The partially drawn term loan had a balance of €13,500,000 at 30 September 2021. In November 2021 a further €6,500,000 was drawn against this facility. Both term loans are subject to covenants.
- In December 2021, a further incremental facility of €14,880,000 was made available for drawdown. In January 2022 the Group received a further cash injection of £12,500,000 from a share issue. The additional funding has been secured to support the Group's growth strategy.
- In performing their assessment, the directors have considered a severe but plausible downside scenario which models the impact of further lockdowns in 2022/2023, similar to that experienced in 2020. In the model, profits are depressed throughout 2022 and 2023 using actual experience of 2020. In this downside scenario the directors have not assumed any further government support or cost mitigations.

Consequently, the directors are confident that the Company and Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and therefore have prepared 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 2021.

No income statement is presented for the company as permitted by section 408 of the Companies Act 2006. The company made a profit after tax for the financial year of £7,349,000 (2020 - loss of £287,389,000).

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.

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 2. Accounting policies (continued)

#### Basis of consolidation (continued)

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.

#### 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 where 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.

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 2. Accounting policies (continued)

#### Revenue recognition (continued)

##### *Connected Care - Managed Services 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.

##### *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

##### 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.

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 2. Accounting policies (continued)

#### Financial instruments (continued)

##### ii. Classification and subsequent measurement (continued)

###### *Financial assets (continued)*

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.

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.

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 2. Accounting policies (continued)

### Financial instruments (continued)

#### ii. Classification and subsequent measurement (continued)

##### *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.

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 profit or loss. 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 profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### iii. Derivative financial instruments and hedging

##### *Derivative financial instruments*

The Group uses derivative financial instruments mainly to reduce exposure to interest rate movements and exchange rates. Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. 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). In the current year, no items qualified for hedge accounting.

##### *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 the Income Statement.

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 2. Accounting policies (continued)

#### Financial instruments (continued)

#### iii. Derivative financial instruments and hedging (continued)

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).

#### 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.

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 2. Accounting policies (continued)

### Financial instruments (continued)

#### iv. Impairment (continued)

##### *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.

### 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.

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.

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 2. Accounting policies (continued)

### Taxation (continued)

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 balance sheet 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.

### Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset, or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term, or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 2. Accounting policies (continued)

#### Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- › fixed payments, including in-substance fixed payments;
- › variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- › amounts expected to be payable under a residual value guarantee; and
- › the exercise price under a purchase option that the Group is reasonably certain to exercise;
- › lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- › penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Group presents right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' and lease liabilities in 'Loans and borrowings' in the statement of financial position.

#### 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.

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 2. Accounting policies (continued)

#### Intangible assets (continued)

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.

In respect of Software-as-a-Service (SaaS) arrangements, amounts paid to the cloud vendor for configuration and customisation that are not distinct from access to the cloud software are expensed over the SaaS contract term. In limited circumstances, other configuration and customisation costs incurred in implementing SaaS arrangements may give rise to an identifiable intangible asset, for example, where code is created that is controlled by the entity. In all other instances, configuration and customisation costs are expensed as the customisation and configuration services are received. Licensing costs in relation to cloud computing are expensed over the period the license relates to.

##### Other intangible assets

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

##### 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:

<b>Asset class</b>	<b>Amortisation method and rate</b>
Development costs	4 years straight-line
Customer related intangible assets	3-12 years straight-line
Computer software	4 - 7 years straight-line

#### 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:

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

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

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 2. Accounting policies (continued)

### 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.

### 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 balance sheet 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 2021 (continued)

## 2. Accounting policies (continued)

### Share-Based Payment Arrangements

The Group issues equity-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of grant based on the Group's estimate of the number of shares expected to vest. Fair value is determined using the Monte Carlo option pricing model.

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is expensed on a straight-line basis in the Income Statement, with the corresponding increase in equity, over the vesting period of the awards. At the end of each reporting period, the amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met. The impact of the revision of the original estimates, if any, is recognised in the Income Statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

## 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 asset's 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.

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 3. Critical accounting judgements and key sources of estimation uncertainty (continued)

#### 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.

### 4. Revenue

The Group's revenue is generated as follows:

	2021	2020
	£ 000	£ 000
Connected Care - Independent Living	58,559	54,677
Connected Care - Group Living	57,322	53,112
Connected Care - Managed Services Contracts	96,705	85,715
Connected Health - Remote Patient Monitoring and Support	1,642	1,648
Integrated Nursecall Communications	10,999	9,307
	<u>225,227</u>	<u>204,459</u>

### 5. Segmental analysis

The Group is managed on the basis of eight broad geographical Regions and Corporate (Central Group Function), which are its reportable segments. The Group's Chief Executive and the Board of Directors review 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
- Spain
- France
- Nordics (Sweden, Finland, Denmark and Norway)
- DACHME (Germany, Austria, Switzerland and Middle East)
- Benelux (Belgium and Netherlands)
- Australasia (Australia and New Zealand)
- North America (Canada); 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.

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 5. Segmental analysis (continued)

### Segment revenues and performance for the year ended 30 September 2021

Analysis by reportable segment:

	Revenue	Adjusted EBITDA	Net assets/ (liabilities)
	£ 000	£ 000	£ 000
UK & Ireland	82,068	18,533	47,279
Spain	50,560	13,374	18,826
France	18,063	5,966	7,690
Nordics	54,672	15,071	2,547
DACHME	21,614	7,064	3,449
Benelux	7,696	2,623	5,745
North America	365	169	1,324
Australasia	11,163	1,914	1,759
Corporate	-	(15,098)	(13,373)
<b>Total for reportable segments</b>	<b>246,201</b>	<b>49,616</b>	<b>75,246</b>

### Segment revenues and performance for the year ended 30 September 2020

Analysis by reportable segment:

	Revenue	Adjusted EBITDA	(As restated) <sup>1</sup> Net assets/ (liabilities)
	£ 000	£ 000	£ 000
UK & Ireland	76,457	18,505	37,093
Spain	41,386	12,364	18,273
France	16,100	5,479	8,208
Nordics	49,932	13,740	4,250
DACHME	20,212	6,605	4,404
Benelux	4,727	1,775	762
North America	476	40	561
Australasia	11,367	1,657	2,629
Corporate	-	(11,428)	(15,796)
<b>Total for reportable segments</b>	<b>220,657</b>	<b>48,737</b>	<b>60,384</b>

<sup>1</sup> See Note 34 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 5. Segmental analysis (continued)

### Reconciliations of information on reportable segments to IFRS measures

#### Reconciliation of Revenue from reportable segments to total Consolidated Revenue

	2021	2020
	£ 000	£ 000
Total revenue for reportable segments	246,201	220,657
Elimination of inter-segment revenue	(20,974)	(16,198)
<b>Total Consolidated Revenue</b>	<b>225,227</b>	<b>204,459</b>

#### Analysis of revenue by country of origin:

	2021	2020
	£ 000	£ 000
United Kingdom	63,211	60,909
Spain	50,281	41,386
Sweden	28,582	27,536
Germany	21,035	19,490
North America	365	476
Other European countries	51,234	43,655
Rest of the world	10,519	11,007
	<b>225,227</b>	<b>204,459</b>

#### Analysis of revenue by country of destination:

	2021	2020
	£ 000	£ 000
United Kingdom	63,493	60,845
Spain	50,210	41,083
Sweden	28,549	26,809
Germany	20,377	18,909
North America	365	542
Other European countries	51,590	44,951
Rest of the world	10,643	11,320
	<b>225,227</b>	<b>204,459</b>

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 5. Segmental analysis (continued)

Reconciliation of adjusted EBITDA of reportable segments to total consolidated profit before tax

	(As restated) <sup>1</sup>	
	2021	2020
	£ 000	£ 000
Total adjusted EBITDA for reportable segments	49,616	48,737
Impairment of non-current assets	-	(17,605)
Depreciation and amortisation	(27,882)	(26,229)
Exceptional items (note 7)	(8,865)	(6,717)
Net finance costs	(2,734)	(89,965)
Gain on cancellation of debt	-	125,116
<b>Total consolidated profit before tax</b>	<b>10,135</b>	<b>33,337</b>

Reconciliation of net assets of reportable segments to consolidated net assets

	(As restated) <sup>1</sup>	
	2021	2020
	£ 000	£ 000
Total net assets for reportable segments excluding net borrowings	75,246	60,384
Goodwill and investments	179,037	176,102
Cash and cash equivalents	17,223	18,582
Loans and borrowings	(192,629)	(193,271)
Derivative financial instruments	(90)	(287)
<b>Total consolidated net assets</b>	<b>78,787</b>	<b>61,510</b>

## 6. Operating profit

Arrived at after charging/(crediting):

	(As restated) <sup>1</sup>	
	2021	2020
	£ 000	£ 000
Depreciation - owned assets	12,367	11,346
Depreciation - leased assets	4,139	4,261
Amortisation expense	11,376	10,622
Research and development cost	4,563	3,770
Management fees recharged	-	(321)
Government grants	(235)	(661)
Exceptional items (note 7)	8,865	6,717

<sup>1</sup> See Note 34 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 7. Exceptional items

	(As restated) <sup>1</sup>	
	2021	2020
	£ 000	£ 000
Exceptional items	8,865	6,717

The Group incurred a net exceptional charge of £8,865,000 in the year ended 30 September 2021 (2020 as restated: £6,717,000).

Whilst it is not possible to accurately quantify the total impact of COVID-19 on the performance of the group, incremental costs in relation to additional personnel costs and protective equipment of £2,400,000 (2020: £2,026,000) were incurred in the year. Management consider these to be exceptional in nature and have therefore presented them as such in the financial statements. For future years, any such costs incurred are expected to be considered ongoing costs of the business. Other exceptional costs are associated with the Group's initiative to drive significant cost and operational efficiencies to support the implementation of the Group's growth strategy of £578,000 (2020: £2,653,000). In addition, the implementation costs in relation to the new cloud based ERP system are also considered exceptional, with a cost of £5,887,000 (2020 as restated: £2,038,000).

### 8. Gain on extinguishment of debt

During the previous year, on 3 August 2020, the Group was involved in a debt for equity swap. As a result of this transaction, the existing term loans and related outstanding interest were exchanged for new debt of €196,676,000 and equity.

Management considered this to be a significant modification and, as such, the gain on modification of this debt of £125,116,000 was recognised in the Income Statement. This figure was net of the costs incurred in the modification of this debt of £9,035,000, which were also expensed, and represented the difference between the value of debt settled and the fair value of remaining debt and new equity issued.

### 9. Finance income and costs

	2021	2020
	£ 000	£ 000
<b>Finance income</b>		
Interest income on bank deposits	5	6
Foreign exchange gains on borrowings	8,370	-
Total finance income	8,375	6

<sup>1</sup> See Note 34 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 9. Finance income and costs (continued)

	2021	2020
	£ 000	£ 000
<b>Finance costs</b>		
Interest on bank overdrafts and borrowings	(9,993)	(23,072)
Foreign exchange losses on borrowings	-	(3,595)
Amortisation of debt issue costs	(69)	-
Interest payable to Group undertakings	-	(62,319)
Other interest	(17)	-
Finance expense in respect of pensions	(457)	(436)
Loss on financial instruments	(158)	(70)
Interest on obligations under finance leases and hire purchase contracts	(415)	(479)
Total finance costs	(11,109)	(89,971)
Net finance costs	(2,734)	(89,965)

## 10. Staff costs

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

	2021	2020
	£ 000	£ 000
Wages and salaries	72,862	61,465
Social security costs	13,100	10,922
Pension costs	3,287	3,304
	89,249	75,691

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

	2021	2020
	No.	No.
Sales, production and administration	2,875	2,474
Research and development	165	110
	3,040	2,584

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 11. Directors' remuneration

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

	2021	2020
	£ 000	£ 000
Directors' emoluments	1,589	1,040
Pension contributions in relation to money purchase schemes	16	18
	<u>1,605</u>	<u>1,058</u>

In respect of the highest paid Director:

	2021	2020
	£ 000	£ 000
Directors emoluments	<u>1,084</u>	<u>694</u>

No Director (2020: none) accrued benefits under the Group's defined benefit pension scheme in respect of qualifying services during the year. One Director (2020: one) accrued benefits under defined contribution schemes.

### 12. Auditor's remuneration

	2021	2020
	£ 000	£ 000
Audit of Group and subsidiary financial statements	630	557
Non-audit services	55	133
	<u>685</u>	<u>690</u>

Auditor's remuneration for the Company amounted to £35,000 (2020: £35,000) all of which related to audit services.

Non-audit services relate to tax compliance services of £33,000 (2020: £68,000) and £22,000 in relation to payroll and other services (2020: £65,000).

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 13. Income tax

Tax credited in the Income Statement

	(As restated) <sup>1</sup>	
	2021	2020
	£ 000	£ 000
<b>Current taxation</b>		
UK corporation tax adjustment to prior periods	27	(55)
	27	(55)
Foreign tax	2,778	1,808
Foreign tax adjustment to prior periods	59	(281)
	2,837	1,527
Total current income tax	2,864	1,472
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	1,490	(1,557)
Arising from changes in tax rates and laws	(3,391)	(847)
Deferred tax adjustment to prior periods	(684)	(69)
Recognition of previously unrecognised tax losses	(1,973)	(1,288)
Total deferred taxation	(4,558)	(3,761)
Tax credit in the Income Statement	(1,694)	(2,289)

### Factors affecting the tax charge for the period

The tax on profit before tax for the year is based on a UK statutory rate of corporation tax for the period of 19% (2020: 19%).

<sup>1</sup> See Note 34 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 13. Income tax (continued)

The differences are reconciled below:

	<b>(As restated)<sup>1</sup></b>	
	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Profit for the year from continuing operations	11,829	35,626
Income tax credit	(1,694)	(2,289)
Profit before tax	10,135	33,337
Corporation tax at standard rate	1,926	6,334
Corporation tax adjustment to prior periods	86	(336)
Impairment not deductible for tax purposes	136	3,220
Other timing differences	32	(59)
Expenses not deductible in determining tax loss	397	530
Impact of deferred tax rate change	(3,391)	(847)
Change in overseas tax losses carried forward	(1,851)	(460)
Effect of foreign tax rates	269	129
Change in unrecognised UK tax losses carried forward	-	(706)
Interest not deductible for tax purposes	2,055	14,507
Deferred tax adjustment to prior periods	(684)	(69)
Deferred tax - origination and reversal of timing differences	(81)	(10)
Gain on substantial modification and extinguishment of debt		(23,778)
Effect of adjustment in research development tax credit	41	65
Tax expense from Patent Box	(629)	(809)
Total tax credit	(1,694)	(2,289)

#### Factors affecting future tax charges

An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was announced on 11 March 2021. This was substantively enacted on 24 May 2021 and, as such, the UK deferred tax liability at the balance sheet date was measured at the rate of 25% where expected, to reverse after 1 April 2023: (2020: 19%).

<sup>1</sup> See Note 34 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 13. Income tax (continued)

### Income tax asset/(liabilities)

#### Group

	2021	2020
	£ 000	£ 000
Current tax assets	1,359	5,389
Current tax liabilities	(2,094)	(5,319)
	<u>(735)</u>	<u>70</u>

#### Company

	2021	2020
	£ 000	£ 000
Current tax assets	600	284
Current tax liabilities	-	-
	<u>600</u>	<u>284</u>

### Deferred tax

#### Group

The Group has deferred tax assets and liabilities recognised at 19% and 25% (2020: 19%). The Group's net deferred tax asset is summarised as follows:

	(As restated) <sup>1</sup>	
	2021	2020
	£ 000	£ 000
Deferred tax assets	21,586	17,691
Deferred tax liabilities	(1,991)	(1,255)
	<u>19,595</u>	<u>16,436</u>

<sup>1</sup> See Note 34 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 13. Income tax (continued)

Deferred tax movement during the year:

	At 1 October 2020 (As restated) <sup>1</sup>	Recognised in Income Statement	Foreign exchange movements	Recognised in equity	Acquired with subsidiaries	At 30 September 2021
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Accelerated tax depreciation	5,405	1,805	(7)	-	-	7,203
Revaluation of intangible assets	(479)	189	3	-	(1,133)	(1,420)
Other items	6,443	(1,290)	11	(238)	-	4,926
Tax losses carry-forwards	5,067	3,854	(35)	-	-	8,886
Net tax assets	16,436	4,558	(28)	(238)	(1,133)	19,595

Deferred tax movement during the prior year:

	At 1 October 2019 (As restated) <sup>1</sup>	Recognised in Income Statement (As restated) <sup>1</sup>	Foreign exchange movements	Recognised in equity	Acquired with subsidiaries	At 30 September 2020
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Accelerated tax depreciation	4,794	592	19	-	-	5,405
Revaluation of intangible assets	(916)	435	2	-	-	(479)
Other items	4,208	676	14	1,545	-	6,443
Tax losses carry-forwards	2,997	2,058	12	-	-	5,067
Net tax assets	11,083	3,761	47	1,545	-	16,436

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 of deductible temporary differences (2020: £nil) and £12,517,000 of unused tax losses (2020: £12,100,000), for which no deferred tax asset is recognised in the Statement of Financial Position.

<sup>1</sup> See Note 34 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 14. Property, plant and equipment

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
<b>Cost or valuation</b>			
<b>At 1 October 2019</b>	6,524	64,169	70,693
Recognition of right-of-use assets on initial application of IFRS 16	6,035	3,218	9,253
Additions	1,996	17,569	19,565
Disposals	(230)	(3,333)	(3,563)
Reclassification to intangible assets	-	(242)	(242)
Foreign exchange movements	277	2,666	2,943
<b>At 30 September 2020</b>	14,602	84,047	98,649
Additions	480	16,170	16,650
Acquired through business combinations	139	1,281	1,420
Disposals	(664)	(8,539)	(9,203)
Foreign exchange movements	(439)	(4,454)	(4,893)
<b>At 30 September 2021</b>	14,118	88,505	102,623
<b>Depreciation</b>			
<b>At 1 October 2019</b>	2,982	37,444	40,426
Charge for year	2,391	13,216	15,607
Eliminated on disposal	(230)	(3,004)	(3,234)
Foreign exchange movements	106	1,907	2,013
<b>At 30 September 2020</b>	5,249	49,563	54,812
Charge for the year	2,386	14,120	16,506
Disposals	(605)	(7,979)	(8,584)
Foreign exchange movements	(184)	(2,992)	(3,176)
<b>At 30 September 2021</b>	6,846	52,712	59,558
<b>Carrying amount</b>			
<b>At 30 September 2021</b>	7,272	35,793	43,065
<b>At 30 September 2020</b>	9,353	34,484	43,837
<b>At 1 October 2019</b>	3,542	26,725	30,267

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 14. Property, plant and equipment (continued)

At 30 September 2021, property, plant and equipment includes right-of-use assets as follows:

	Land and buildings £ 000	Furniture, fittings, plant and equipment £ 000	Total £ 000
<b>Right-of-use asset</b>			
At 30 September 2021	4,242	3,721	7,963
At 30 September 2020	6,062	4,404	10,466

## 15. Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment properties are presented as property, plant and equipment (see note 14).

### Group

	Land and buildings £ 000	Furniture, fittings, plant and equipment £ 000	Total £ 000
<b>Cost</b>			
At 1 October 2020	7,970	6,671	14,641
Additions	425	1,985	2,410
Acquisitions	139	-	139
Disposals	(596)	(1,112)	(1,708)
Foreign exchange movements	(352)	(220)	(572)
<b>At 30 September 2021</b>	<b>7,586</b>	<b>7,324</b>	<b>14,910</b>
<b>Depreciation</b>			
At 1 October 2020	1,908	2,267	4,175
Charge for year	2,080	2,059	4,139
Disposals	(537)	(641)	(1,178)
Exchange movements	(107)	(82)	(189)
<b>At 30 September 2021</b>	<b>3,344</b>	<b>3,603</b>	<b>6,947</b>
<b>Carrying amount</b>			
<b>At 30 September 2021</b>	<b>4,242</b>	<b>3,721</b>	<b>7,963</b>

The following amounts have been recognised in the profit or loss for which the company is a lessee.

Leases liabilities

	2021 £ 000	2020 £ 000
Interest expense on lease liabilities	415	479

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 16. Intangible assets

### Group

	Goodwill £ 000	Contractual customer relationships £ 000	Computer software £ 000	Research and development £ 000	Total £ 000
<b>Cost or valuation</b>					
<b>At 1 October 2019 (As reported)</b>	195,753	2,404	12,652	76,109	286,918
Prior year adjustment	-	-	(1,682)	-	(1,682)
<b>At 1 October 2019 (As restated)</b>	195,753	2,404	10,970	76,109	285,236
Additions (As restated <sup>1</sup> )	-	-	854	12,492	13,346
Transfer from tangible assets	-	-	-	242	242
Disposals	-	(171)	(153)	(185)	(509)
Foreign exchange movements	-	26	(92)	401	335
<b>At 30 September 2020 (As restated<sup>1</sup>)</b>	195,753	2,259	11,579	89,059	298,650
Additions	-	-	374	16,149	16,523
Disposals	-	-	(1,331)	-	(1,331)
Acquired through business combinations	2,929	4,532	-	-	7,461
Foreign exchange movements	6	(45)	(237)	(262)	(538)
<b>At 30 September 2021</b>	198,688	6,746	10,385	104,946	320,765
<b>Amortisation</b>					
At 1 October 2019	2,868	1,594	4,967	46,724	56,153
Amortisation charge	-	390	1,355	8,877	10,622
Amortisation eliminated on disposals	-	(171)	(153)	(152)	(476)
Impairment	16,789	-	-	816	17,605
Foreign exchange movements	-	9	33	414	456
<b>At 30 September 2020</b>	19,657	1,822	6,202	56,679	84,360
Amortisation charge	-	357	1,051	9,968	11,376
Disposals	-	-	(1,298)	-	(1,298)
Foreign exchange movements	-	(29)	(176)	(342)	(547)
<b>At 30 September 2021</b>	19,657	2,150	5,779	66,305	93,891

<sup>1</sup> See Note 34 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 16. Intangible assets (continued)

	Goodwill £ 000	Contractual customer relationships £ 000	Computer software £ 000	Research and development £ 000	Total £ 000
<b>Carrying amount</b>					
<b>At 30 September 2021</b>	179,031	4,596	4,606	38,641	226,874
<b>At 30 September 2020 (As restated<sup>1</sup>)</b>	176,096	437	5,377	32,380	214,290
<b>At 1 October 2019 (As restated<sup>1</sup>)</b>	192,885	810	6,003	29,385	229,083

Amortisation of intangible assets is recognised in the following line items in the Income Statement

	2021 £000	2020 £000
Cost of sales	432	520
Administrative expenses	10,944	10,102
	11,376	10,622

### 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 2024.
- The cash flow projections included the specific estimates for 3 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).
- The discount rates used, based on the regional cost of capital were as follows:

	2021	2020
UK & Ireland	13.67%	12.53%
Nordics	10.57%	12.53%
DACHME	12.08%	12.53%
Spain	11.92%	12.53%
France	11.42%	12.53%
Benelux	12.74%	12.53%
Australasia	13.06%	12.53%

<sup>1</sup> See Note 34 for an explanation of the prior year restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 16. Intangible assets (continued)

The terminal growth rate for each Region was as follows:

	2021	2020
	%	%
UK & Ireland	2.49%	1.97%
Nordics	1.85%	1.97%
DACHME	1.29%	1.64%
Spain	1.63%	2.12%
France	1.25%	1.62%
Benelux	1.82%	2.03%
Australasia	2.91%	3.03%

As a result of the above, no goodwill impairment was recognised in the Income Statement for the year ended 30 September 2021 (2020: £16,789,000).

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

	2021	2021	2020	2020
	Goodwill carrying value	Excess of recoverable amount over carrying value	Goodwill carrying value	Excess of recoverable amount over carrying value
	£000	£000	£000	£000
UK & Ireland	81,093	10,284	81,093	29,073
Nordics	29,185	18,078	29,185	5,932
DACHME	24,605	6,529	24,605	2,760
Benelux	10,391	971	7,456	N/A
Spain	23,112	6,259	23,112	N/A
France	3,801	1,960	3,801	N/A
Australasia	6,844	581	6,844	N/A
Total	179,031	44,662	176,096	37,765

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 16. Intangible assets (continued)

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:

	Discount rate required	Decline in EBITDA %
UK & Ireland	14.94%	6.72%
Nordics	13.34%	10.53%
DACHME	14.07%	10.65%
Benelux	13.35%	3.57%
Spain	13.43%	5.20%
France	12.91%	3.37%
Australasia	13.65%	2.56%

A change in the discount rate would have the following impact on the reported headroom and impairment.

	Increase of 1%		Decrease of 1%	
	Revised excess of recoverable amount of carrying value	Increase/ (decrease) in impairment reported	Revised excess of recoverable amount of carrying value	Increase/ (decrease) in impairment reported
	£ 000	£ 000	£ 000	£ 000
UK & Ireland	2,018	N/A	20,159	N/A
Nordics	10,321	N/A	27,894	N/A
DACHME	2,965	N/A	10,842	N/A
Benelux	N/A	1,476	2,838	N/A
Spain	1,928	N/A	11,540	N/A
France	586	N/A	3,642	N/A
Australasia	N/A	819	1,736	N/A
Total	17,818	2,295	78,651	-

### 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 2024. The discount rate used was a blended group rate of 12.37% (2020: 12.53%). No impairments have been identified in the current year (2020: £816,000).

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 17. Acquisitions

#### Secuvita

On 2 June 2021, the Group acquired Secuvita Leasing BV and its subsidiary Secuvita BV in the Netherlands, for cash consideration of £3,431,000 (£4,000,000) and estimated contingent consideration with a fair value of £5,602,000 (£6,531,000). This represents the fair value of the £7,000,000 contingent consideration payable, €4,000,000 in June 2022 and €3,000,000 in June 2023. The contingent consideration is based on the retention of certain contracts and the achievement of an agreed level of turnover across these contracts. These give rise to a maximum reduction of 45% of the contingent consideration. An additional £241,000 also became payable as an adjustment to the purchase price on finalisation of completion accounts. This is also presented as contingent consideration at the year end.

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

	2021 £ 000	2021 £ 000	2021 £ 000
	Book value	Fair value adjustments	At fair value
<b>Assets acquired</b>			
Goodwill	-	2,929	2,929
Customer relationships	-	4,532	4,532
Assets held under finance lease	-	139	139
Property plant and equipment	1,281	-	1,281
Cash	1,011	-	1,011
Inventory	245	-	245
Trade and other receivables	837	-	837
Trade and other payables	(318)	-	(318)
Tax payable	(144)	-	(144)
Liabilities related to assets held under finance lease	-	(139)	(139)
Deferred tax liabilities	-	(1,133)	(1,133)
<b>Net assets</b>	<u>2,912</u>	<u>6,328</u>	<u>9,240</u>
Satisfied by:			
Contingent consideration			5,809
Cash			<u>3,431</u>
<b>Total consideration</b>			<u>9,240</u>

The business is a leading provider of technological care solutions in The Netherlands providing innovative and intelligent solutions in the fields of personal alarms, home access, remote care, mobile alarms and customer service. The acquisition strengthens the Group's position in the Netherlands, accelerates its transition to a service provider, combines its knowledge, and offers the possibility to provide Secuvita's 60,000 end users with Connected Care and Connected Health solutions.

Unidentified goodwill consists of employee skills as well as future business growth and expansion of Tunstall into the Netherlands. Acquisition costs of £147,000 are recognised in the income statement.

For the period between the acquisition date (2 June 2021) and year end (30 September 2021) the acquired business achieved turnover of £4,370,000 and an operating profit of £1,251,000. Since the acquisition by the Group on 3 June 2021, the acquired business achieved turnover of £1,308,000 and an operating profit of £300,000.

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 18. Investments

### Group investments

	2021 £ 000	2020 £ 000
At beginning and end of the year	6	6
<b>Summary of the Company investments</b>		
<b>Subsidiaries</b>		£ 000
<b>Cost or valuation</b>		
At 1 October 2020		98,607
At 30 September 2021		98,607
<b>Provision</b>		
At 1 October 2020		35,605
Reversal of impairment		(4,564)
At 30 September 2021		31,041
<b>Carrying amount</b>		
At 30 September 2021		67,566
At 30 September 2020		63,002

During the year, the Directors have reviewed the carrying value of subsidiary investments against the estimated recoverable amount. As a result of this review, a reversal of impairment of £4,564,000 (2020 reversal of impairment of £44,002,000) has been made.

All shares held are ordinary shares unless otherwise stated.

Name of subsidiary	Principal activity	Country of Incorporation	% Shareholding
Tunstall Group Finance Limited*	Intermediate holding company	England	100%
Tunstall Integrated Health & Care Limited (formerly Tunstall Group Acquisition Limited)	Intermediate holding company and shared services provider	England	100%
Tunstall Group Holding AB	Intermediate holding company	Sweden	100%
Tunstall Nordic AB	Intermediate holding company	Sweden	100%
Tunstall AB	Marketing, installation and service of community alarms	Sweden	100%
Tunstall AS	Marketing, installation and service of community alarms	Denmark	100%

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 18. Investments (continued)

<b>Name of subsidiary</b>	<b>Principal activity</b>	<b>Country of Incorporation</b>	<b>% Shareholding</b>
Tunstall OY	Marketing, installation, monitoring and service of community alarms	Finland	100%
Tunstall Health AS	Telecare health provider	Denmark	100%
Tunstall Norge AS	Marketing, installation and service of community alarms	Norway	100%
Tunstall Healthcare Norge AS	Marketing, installation and service of community alarms	Norway	100%
Tunstall Sweden AB	Marketing, installation and service of community alarms	Sweden	100%
Tunstall Management AB	Non-trading entity	Sweden	100%
Tunstall Response BV	Monitoring of community alarms	The Netherlands	100%
Tunstall AG	Marketing, installation and service of community alarms	Switzerland	100%
Tunstall Group Holding GmbH	Intermediate holding company	Germany	100%
Tunstall GmbH	Installation of community alarms and hospital communications systems	Germany	100%
Tunstall Middle East FZE	Installation of hospital communication systems	UAE	100%
Tunstall BV	Marketing, installation and service of community alarms	The Netherlands	100%
Tunstall SA	Marketing, installation and service of community alarms	Belgium	100%
Vitaris France SAS	Intermediate holding company	France	100%
Tunstall France SAS	Monitoring of community alarms	France	100%
Vitaris SAS	Monitoring of community alarms	France	100%
Tunstall Health Inc	Telecare health provider	Canada	100%
Tunstall Holdings Limited	Intermediate holding company	England	100%
Tunstall Trustee Company Limited	Non-trading entity	England	100%
Blythmore Limited	Intermediate holding company	England	100%
Tunstall Group Limited	Intermediate holding company	England	100%
Tunstall Monitoring Limited	Non-trading entity	England	100%
Whitley Securities Limited	Non-trading entity	England	100%
Tunstall Taiwan Co Limited	Non-trading entity	Taiwan	100%
Tunstall New Zealand Limited	Monitoring of community alarms	New Zealand	100%
Tunstall Australasia Pty Limited	Sale and monitoring of community alarms and telehealth equipment	Australia	100%

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 18. Investments (continued)

Name of subsidiary	Principal activity	Country of Incorporation	% Shareholding
Emergency Response Limited	Marketing, installation and service of community alarms	Ireland	100%
Tunstall Healthcare (UK) Limited	Marketing, installation and service of community alarms	England	100%
Tunstall Electronics Limited	Non-trading entity	England	100%
Tunstall Response Limited	Non-trading entity	England	100%
Tunstall Iberica SA	Marketing, installation and service of community alarms	Spain	100%
Televida Servicios Sociosanitarios	Monitoring of community alarms and provider of healthcare response services	Spain	100%
U.T.E. Televida/GSR/Grupo Igualmequiza	Monitoring of community alarms and provider of healthcare response services	Spain	80%
U.T.E. Televida/GSR/IMQ	Monitoring of community alarms and provider of healthcare response services	Spain	80%
U.T.E. Televida Vodafone Salto	Monitoring of community alarms and provider of healthcare response services	Spain	55%
Tunstall Group Holdings BV	Intermediate holding company	The Netherlands	100%
Secuvita Leasing BV	Provision of community alarms	The Netherlands	100%
Secuvita BV	Marketing, installation and service of community alarms	The Netherlands	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 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

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 18. Investments (continued)

Country	Registered office
Spain	Avda. de Castilla, 2 Parque Empresarial San Fernando, Edificio Munich, 2ª Planta, 28830 San Fernando de Henares, Madrid, Spain
Sweden	Hyllie Boulevard 10B, 215 32 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

## 19. Other financial assets

	Group	
	2021	2020
	£ 000	£ 000
<b>Non-current financial assets</b>		
Security deposits	666	754
Restricted cash	13	293
	<u>679</u>	<u>1,047</u>

Security deposits relate to amount paid in relation to guarantees and property. Restricted cash principally related to amounts held in Escrow.

## 20. Inventories

	Group	
	2021	2020
	£ 000	£ 000
Raw materials, spare parts and consumables	5,184	3,277
Work in progress	713	364
Contract work in progress	940	830
Finished goods and goods for resale	7,048	6,755
	<u>13,885</u>	<u>11,226</u>

The cost of Group inventories recognised as an expense in the year amounted to £28,564,000 (2020: £25,563,000).

The amount of write-down of Group inventories recognised as an expense in the year is £650,000 (2020: £674,000). Both of the above costs are included within cost of sales.

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 21. Trade and other receivables

#### Current

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Trade receivables	31,872	30,050
Prepayments and other receivables	6,783	5,748
Other current assets	113	497
	<u>38,768</u>	<u>36,295</u>

The group applies the IFRS9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, 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.

#### Current

	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Amounts owed by subsidiary undertakings	-	572
Prepayments and other receivables	37	-
	<u>37</u>	<u>572</u>

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

#### Non-current

	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Amounts owed by subsidiary undertakings	<u>91,491</u>	<u>82,190</u>

The Company has formal documented intercompany loan agreements. The loans are unsecured and repayable 12 months following written notice from the Company, or on 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 bore interest at 6% until 3 August 2020, after which the rate dropped to 5% and subsequently increased to 5.25%. Amounts owed by subsidiary undertakings are stated net of a provision of £nil (2020: £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 2021 (continued)

### 22. Trade and other payables

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Trade payables	17,539	14,103
Accrued expenses	34,066	31,765
Deferred consideration	5,913	19
	<u>57,518</u>	<u>45,887</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.

	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Accrued expenses	<u>2,144</u>	<u>100</u>

### 23. Provisions

#### Group

	<b>Warranties</b>	<b>Legal proceedings</b>	<b>Restructuring &amp; other</b>	<b>Total</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
At 1 October 2020	965	932	721	2,618
Charged in the year	357	34	1,319	1,710
Provisions used	(526)	(177)	(1,107)	(1,810)
Provisions released	(73)	(676)	(10)	(759)
Foreign exchange differences	(39)	(11)	(11)	(61)
At 30 September 2021	<u>684</u>	<u>102</u>	<u>912</u>	<u>1,698</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.

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 23. Provisions (continued)

#### Restructuring

As in previous years, the Group is committed to certain restructuring activities. As a result, the Group recognised additional provisions of £1,319,000 (2020: £890,000) during the year. These restructurings are expected to be completed in the year ended 30 September 2022. Amounts used or utilised during the year amounted to £1,107,000 (2020: £768,000).

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

### 24. Loans and borrowings

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Current loans and borrowings</b>		
Accrued interest on bank borrowings	1,819	2,052
Finance lease liabilities	3,094	3,456
Other borrowings	226	-
	<u>5,139</u>	<u>5,508</u>

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Non-current loans and borrowings</b>		
Bank borrowings	181,361	179,526
Other loans	1,045	1,051
Finance lease liabilities	4,964	7,066
Amounts owed to parent and ultimate parent undertakings	120	120
	<u>187,490</u>	<u>187,763</u>

Bank borrowings are stated, net of debt issue costs of £171,000 (2020: £nil). Repayment terms can be found in the financial instruments note 25.

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 24. Loans and borrowings (continued)

### Changes in liabilities from financing activities

	Loans and borrowings	Amounts owed to and by parent and ultimate parent	Finance lease liabilities	Derivatives assets/ (liabilities)	Total
<b>Balance at 1 October 2020</b>	182,629	120	10,522	287	193,558
<b>Changes from financing cash flows</b>					
Net payment of finance leases	-	-	(5,048)	-	(5,048)
Drawdown of supersenior facility	11,987	-	-	-	11,987
Other loans	226	-	-	-	226
<b>Total changes from financing cash flows</b>	<b>12,213</b>	<b>-</b>	<b>(5,048)</b>	<b>-</b>	<b>7,165</b>
The effect of changes in foreign exchange rates	(9,987)	-	(380)	-	(10,367)
<b>Other changes</b>					
Changes in fair value of currency forward contracts	-	-	-	(197)	(197)
Acquisitions	-	-	139	-	139
Interest charges	-	-	415	-	415
New leases in the year	-	-	2,410	-	2,410
Movement in accrued interest	(233)	-	-	-	(233)
Movement in arrangement fees	(171)	-	-	-	(171)
<b>Balance at 30 September 2021</b>	<b>184,451</b>	<b>120</b>	<b>8,058</b>	<b>90</b>	<b>192,719</b>

	Loans and borrowings	Amounts owed to and by parent and ultimate parent	Finance lease liabilities	Derivatives assets/ (liabilities)	Total
<b>Balance at 1 October 2019</b>	312,780	468,829	1,164	-	782,773
<b>Changes from financing cash flows</b>					
Net payment of finance leases	-	-	(4,960)	-	(4,960)
Net payment of intercompany balances	-	(265)	-	-	(265)
<b>Total changes from financing cash flows</b>	<b>-</b>	<b>(265)</b>	<b>(4,960)</b>	<b>-</b>	<b>(5,225)</b>
The effect of changes in foreign exchange rates	(64)	-	209	-	145
<b>Other changes</b>					
Changes in fair value of currency forward contracts	-	-	-	287	287
Transition to IFRS 16	-	-	9,253	-	9,253
Interest charges	55	-	479	-	534
New leases in the year	-	-	4,377	-	4,377
Movement in accrued interest	2,052	-	-	-	2,052
Interest rolled into debt	20,957	-	-	-	20,957
Net intercompany interest charge	-	62,319	-	-	62,319
Debt for equity swap	(153,151)	-	-	-	(153,151)
Forgiveness of intercompany debt	-	(530,763)	-	-	(530,763)
<b>Balance at 30 September 2020</b>	<b>182,629</b>	<b>120</b>	<b>10,522</b>	<b>287</b>	<b>193,558</b>

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 24. Loans and borrowings (continued)

### Changes in liabilities from financing activities

	Company	
	2021	2020
	£ 000	£ 000
<b>Non-current loans and borrowings</b>		
Amounts owed to subsidiary undertakings	37,457	33,365
Amounts owed to parent and ultimate parent undertakings	-	120
	<u>37,457</u>	<u>33,485</u>

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

Amounts payable after more than one year are in the form of loans between Group companies and bore interest at 6% until 3 August 2020, after which the rate dropped to 5% and subsequently increased to 5.25%.

## 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.

#### At 30 September 2021

	Carrying value	Fair value
	£ 000	£ 000
Cash and cash equivalents	17,223	17,223
Trade and other receivables	38,768	38,768
Restricted cash	13	13
Security deposits	666	666
	<u>56,670</u>	<u>56,670</u>

#### At 30 September 2020

	Carrying value	Fair value
	£ 000	£ 000
Cash and cash equivalents	18,582	18,582
Trade and other receivables	36,295	36,295
Restricted cash	293	293
Security deposits	754	754
	<u>55,924</u>	<u>55,924</u>

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 25. Financial instruments (continued)

### At 30 September 2021

	Carrying value £ 000	Fair value £ 000
Trade and other payables	(57,518)	(57,518)
Loans and borrowings	(192,629)	(192,629)
	<u>(250,147)</u>	<u>(250,147)</u>

### At 30 September 2020

	Carrying value £ 000	Fair value £ 000
Trade and other payables	(45,887)	(45,887)
Loans and borrowings	(193,271)	(193,271)
	<u>(239,158)</u>	<u>(239,158)</u>

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

### At 30 September 2021

	Carrying value £ 000	Fair value £ 000
Contingent consideration	(5,913)	(5,913)
Derivative financial instruments	(90)	(90)
	<u>(6,003)</u>	<u>(6,003)</u>

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 25. Financial Instruments (continued)

#### At 30 September 2020

	Carrying value £ 000	Fair value £ 000
Contingent consideration	(19)	(19)
Derivative financial instruments	(287)	(287)
	<u>(306)</u>	<u>(306)</u>

#### Bank borrowings

##### Refinancing

On 3 August 2020, the parent company of the Group, Tunstall Group Holdings Limited, 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. In addition, a further super senior term loan ("SSTL") facility of €20,000,000 was also provided by the existing lenders.

The company has the following facilities:

##### Senior Term Loans

A Senior Term Loan of €197,676,000 repayable in full on 3 August 2025 and bearing interest at 5.0% above EURIBOR.

Super Senior Term Loans of €13,500,000 repayable in full on 3 August 2023 and bearing interest at 8.0% above EURIBOR. This loan was drawn down in the current year.

In addition Super Senior Term Loan facilities of €6,500,000 were available to drawdown at the year end, expiring on the same date of 3 August 2023.

The carrying value of total term loans at the reporting date is £181,361,000 (2020: £179,526,000).

Accrued interest on term loans amounted to £1,819,000 (2020: £2,052,000). The term loans are stated net of debt issue costs of £171,000 (2020: £nil).

Subsequent to the year end, the €6,500,000 Super Senior Term Loan facility was drawn down. A further facility of €14,880,000 was also made available.

## Notes to the Financial Statements for the Year Ended 30 September 2021 (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	Provision for doubtful debt	Carrying value
2021	£ 000	£ 000	£ 000
Trade and other receivables	40,122	(1,354)	38,768

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 25. Financial Instruments (continued)

### Financial risk management and impairment of financial assets (continued)

2020	Maximum amount of exposure £ 000	Provision for doubtful debt £ 000	Carrying value £ 000
Trade and other receivables	37,483	(1,188)	36,295

#### 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 collectable 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	
	2021	2020
	£ 000	£ 000
Up to 3 months	4,648	6,781
3 months to 1 year	795	1,678
Over 1 year	79	172
	5,522	8,631

#### Age of impaired trade receivables

	Group	
	2021	2020
	£ 000	£ 000
Up to 3 months	165	143
3 months to 1 year	552	570
Over 1 year	640	387
	1,357	1,100

#### Movement in provision for doubtful debt

	Group	
	2021	2020
	£ 000	£ 000
At start of year	(1,188)	(806)
Charged to the Income Statement	(100)	(386)
Utilised during the year	41	3
Other movement	(107)	1
At end of year	(1,354)	(1,188)

## Notes to the Financial Statements for the Year Ended 30 September 2021 (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 72% of the Group's revenues in non-sterling currencies. The Group sources its raw materials mainly from the UK, EU and Far Eastern suppliers. 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 structural and natural hedges. In respect of the Euro exposure, this is managed through the Euro denomination of the Group's term loans. In respect of US dollar exposure, this is managed through a series of forward contracts.

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 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 2021

	Impact on EBITDA	Impact on Equity
	£ 000	£ 000
EUR (Sterling weakens by 10%)	3,090	7,380
EUR (Sterling strengthens by 10%)	(3,263)	(6,038)
SEK (Sterling weakens by 10%)	998	5,673
SEK (Sterling strengthens by 10%)	(817)	(4,642)

#### At 30 September 2020

	Impact on EBITDA	Impact on Equity
	£ 000	£ 000
EUR (Sterling weakens by 10%)	3,131	6,909
EUR (Sterling strengthens by 10%)	(2,543)	(5,653)
SEK (Sterling weakens by 10%)	945	5,015
SEK (Sterling strengthens by 10%)	(773)	(4,103)

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 25. Financial Instruments (continued)

#### Financial risk management and impairment of financial assets (continued)

##### Interest rate risk

The Group has syndicated loans and credit facilities, with the only loan now at a fixed rate above EURIBOR (with a zero floor) and EURIBOR respectively.

Assuming that all other variables (in particular foreign exchange rates) remain constant, an increase in the interest rate of 0.5% per annum above the zero floor would decrease profit and equity by £908,000 (2020: £898,000).

Note that at the year end, the 6 month EURIBOR rate was negative 0.526%, so the above 0.5% per annum above EURIBOR would represent a total increase of 1.026%.

##### 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.

Following the restructuring and refinancing, the Group had access to an additional super senior term facility of €20,000,000 of which €13,500,000 had been utilised in the year. Subsequent to the year end the remaining €6,500,000 was utilised and an additional facility of €14,880,000 became available.

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 include accrued interest.

##### Maturity analysis

2021	Within 1 year	Between 1 and 5 years	Total
	£ 000	£ 000	£ 000
Trade and other payables	(57,518)	-	(57,518)
Deferred income	(8,510)	-	(8,510)
Amounts owed to parent and ultimate parent undertakings	-	(120)	(120)
Bank borrowings	(1,819)	(181,361)	(183,180)
Secured debentures and other loans	-	(1,045)	(1,045)
Finance lease liabilities	(3,094)	(4,964)	(8,058)
	<u>(70,941)</u>	<u>(187,490)</u>	<u>(258,431)</u>

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 25. Financial Instruments (continued)

#### Financial risk management and impairment of financial assets (continued)

#### Maturity analysis (continued)

2020	Within 1 year	Between 1 and 5 years	Total
	£ 000	£ 000	£ 000
Trade and other payables	(45,887)	-	(45,887)
Deferred income	(9,429)	-	(9,429)
Amounts owed to parent and ultimate parent undertakings	-	(120)	(120)
Bank borrowings	(2,052)	(179,526)	(181,578)
Redeemable preference shares	-	(1,051)	(1,051)
Finance lease liabilities	(3,456)	(7,066)	(10,522)
	(60,824)	(187,763)	(248,587)

### 26. Derivative Financial Instruments

#### Group

#### Derivative financial instruments - Foreign currency forward contracts

Where possible, the Group manages its foreign currency risk by buying and selling in the same currency. The loans are in Euros, which offsets net Euro income from the Eurozone regions. However, the Group will also review whether to manage its future exposure by means of currency forward contracts. At the year end, a number of contracts were in place for the purchase of US dollars. No formal hedging arrangement is in place so movements in the currency instrument are reflected in the Income Statement.

At the year end, the fair value of the instruments was a liability of £90,000 (2020: £287,000)

### 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 2021, the Group paid regular contributions to the pension scheme of £nil (2020: £nil) in respect of the defined benefits arrangements. Additional contributions of £3,178,000 (2020: £2,848,000) have been paid in the period to reduce the pension deficit.

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 27. Pension and other schemes (continued)

The Group agreed with the trustees that it will aim to eliminate the deficit over a period of 7 years from 1 October 2020 by the payment of annual contributions of £3,178,000. These contribution will increase at 6% per annum with the first increase of 6% being due at 1 October 2021.

Contributions payable to the pension scheme at the end of the year are £nil (2020: £nil). The expected contributions to the plan for the next reporting period are £3,369,000.

The scheme was most recently valued on 5 April 2019. A full actuarial valuation of the scheme was carried out at 5 April 2019 and updated for IAS 19 purposes to 30 September 2021 by a qualified actuary, independent of the scheme's sponsoring employer. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures. The average duration of the defined benefit obligation at the period ended 30 September 2021 is 20 years.

#### Risks

##### Investment risk

This arises from assets underperforming, resulting in an investment return not being sufficient to meet the funding objective. It is the policy of the trustees and the Group to review the investment strategy at the time of each funding valuation. The trustees investment objectives, and the processes undertaken to measure and manage the risks inherent in the plan investment strategy, are documented in the plan's Statement of investment principles.

##### Inflation risk

The Group is exposed to changes in inflation rates. 22% 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. Additionally, caps on inflationary increases are in place to protect against extreme inflation.

#### Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	2021	2020
	£ 000	£ 000
Fair value of scheme assets	71,893	67,330
Present value of scheme liabilities	(91,882)	(95,978)
<b>Defined benefit pension scheme deficit</b>	(19,989)	(28,648)
Deferred tax asset	4,688	5,443
<b>Net liability recognised</b>	<b>(15,301)</b>	<b>(23,205)</b>

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 projected unit credit 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).

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 27. Pension and other schemes (continued)

### Scheme assets

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

	2021	2020
	£ 000	£ 000
Fair value at start of year	67,330	64,663
Interest income	1,132	1,187
Return on plan assets, excluding amounts included in interest income	3,378	374
Employer contributions	3,178	2,848
Benefits paid	(3,893)	(1,742)
Recognition of insurance policies	768	-
Fair value at end of year	71,893	67,330

### Analysis of assets

The major categories of scheme assets are as follows:

	2021	2020
	£ 000	£ 000
Cash and cash equivalents	53	5
Equity instruments	32,450	40,842
Liability Driven Investments ("LDI")	15,631	23,032
Index linked Gilts	22,991	3,451
Insurance policies	768	-
	71,893	67,330

None of the fair values of the assets shown above include any direct investments in the Group's own financial instruments or any property occupied by, or other assets used by, the Group. Equity, LDI and Gilts represent investments in pooled investment vehicles where inputs other than quoted prices included within Level 1 are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

### Actual return on scheme's assets

	2021	2020
	£ 000	£ 000
Actual return on scheme assets	4,510	1,561

# Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

## 27. Pension and other schemes (continued)

### Scheme liabilities

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

	2021	2020
	£ 000	£ 000
Present value at start of year	95,978	90,023
Interest expense	1,589	1,623
Actuarial gains and losses arising from changes in demographic assumptions	(160)	2,680
Actuarial gains and losses arising from changes in financial assumptions	(1,007)	4,810
Actuarial gains and losses arising from experience adjustments	(1,393)	(1,416)
Benefits paid	(3,893)	(1,742)
Recognition of liabilities related to insurance policies	768	-
Present value at end of year	91,882	95,978

There have been no plan amendments, curtailments or settlements in the accounting period.

### 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:

	2021	2020
	%	%
Discount rate	2.03	1.69
Future pension increases	3.03	2.47
Inflation (RPI)	3.43	2.97
Inflation (CPI)	3.03	2.47
Allowance for commutation of pension for cash at retirement	80% of Post A Day on current factors	80% of Post A Day on current factors

The mortality table used was 107% of standard tables S3PMA/S3PFA\_M, Year of Birth, no age rating for males and females, projected using CMI\_2020 converging to 1.25% p.a. (2020: 107% of standard tables S3PMA/S3PFA\_M, Year of Birth, no age rating for males and females, projected using CMI\_2019 converging to 1.25% p.a.).

### Post retirement mortality assumptions

	2021	2020
	Years	Years
Current UK pensioners at retirement age - male	21.60	21.60
Current UK pensioners at retirement age - female	23.30	23.30
Future UK pensioners at retirement age - male	22.90	22.90
Future UK pensioners at retirement age - female	24.90	24.80

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 27. Pension and other schemes (continued)

#### Amounts recognised in the Income Statement

	2021 £ 000	2020 £ 000
<b>Amounts recognised in finance income or costs</b>		
Finance cost in respect of pensions	(457)	(436)
Total recognised in the Income Statement	(457)	(436)

#### Amounts recognised in the Statement of Comprehensive Income

	2021 £ 000	2020 £ 000
Actuarial gains and losses arising from changes in demographic assumptions	160	(2,680)
Actuarial gains and losses arising from changes in financial assumptions	1,007	(4,810)
Actuarial gains and losses arising from experience adjustments	1,393	1,416
Return on plan assets, excluding amounts included in interest	3,378	374
Amounts recognised in the Statement of Comprehensive Income	5,938	(5,700)

#### Reconciliation of the impact of the asset ceiling

The Group have reviewed implications of the guidance provided by IFRIC14 and have 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 2021.

#### 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% (2020: 5.0%).
- An increase in the inflation rate of 0.25% per annum would increase the liability by 2.5% (2020: 2.9%).
- An increase in the life expectancy of 1 year would increase the liability by 3.1% (2020: 2.9%).
- Members contributing an extra 10% of Post A Day pension on retirement would decrease the liability by 0.6% (2020: 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.

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 27. Pension and other schemes (continued)

The pension plan holds an insurance policy that secures pensions payable to 8 members, with an estimated valuation as at the latest scheme account year ended 5 April 2021 to be £767,917 (5 April 2020: £819,626). The insurance policy held, exactly matches the value and timing of the benefits payable to individual members and the fair value is deemed to be the present value of the related obligations. This asset has been valued by the Scheme Actuary based on the assumptions as at 5 April 2021. This asset is considered to be a Level 3 asset under the fair value hierarchy obligations.

The inflation volatility assumption underlying the derivation of the capped pension increase in payment assumptions, has been updated from the prior year end from 1.20% to 1.75%. The impact of this is to reduce the liability at 31 September 2021 by £0.6m.

#### Other retirement benefit obligations

Included within the Retirement Benefit Obligation is £139,000 (2020: £139,000) in relation to employee entitlements on retirement in France.

#### 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 £3,287,000 (2020: £3,304,000).

### 28. Share capital

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

	2021		2020	
	No.	£ 000	No.	£ 000
A Ordinary share of £1,533,216.19 each	1	1,533	1	1,533
B Ordinary shares of £0.0001 each	1,000,000	-	1,000,000	-
	1,000,001	1,533	1,000,001	1,533

The A and B shares rank pari passu in all respects, including the rights to receive distributions by the Company, receive notice and vote in general meetings, and capital on a winding up of the Company.

## Notes to the Financial Statements for the Year Ended 30 September 2021 (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 changes to each component of equity resulting from items of other comprehensive income for the current year were as follows:

	<b>2021</b>	
	<b>Foreign currency translation</b>	<b>Retained profit/ accumulated losses</b>
	<b>£ 000</b>	<b>£ 000</b>
Foreign currency translation gains	(458)	-
Remeasurements of post employment benefit obligations	-	5,938
Deferred taxation regarding pension scheme deficit	-	(238)
	<u>(458)</u>	<u>5,700</u>
		<u>5,242</u>

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

	<b>2020</b>	
	<b>Foreign currency translation</b>	<b>Accumulated losses</b>
	<b>£ 000</b>	<b>£ 000</b>
Foreign currency translation losses	(1,437)	-
Remeasurements of post employment benefit obligations	-	(5,700)
Deferred taxation regarding pension scheme deficit	-	1,545
	<u>(1,437)</u>	<u>(4,155)</u>
		<u>(5,592)</u>

### 30. Share-based payments

During the previous year, the Group established a Management Equity Plan ("MEP") that entitled key management personnel to purchase shares in the ultimate parent entity, Tunstall Integrated Healthcare Holdings Limited.

The MEP is subject to a non-market performance condition with the right to hold shares terminating upon the employee ceasing to hold office with the Group during the vesting period, subject to certain exceptions. The shares fully vest only upon the sale of the Group.

Under IFRS 2, the MEP meets the definition of an equity-settled share-based payment arrangement.

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 30. Share-based payments (continued)

#### Fair value of options granted

The fair value of the MEP has been measured using the Monte Carlo simulation model.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plan were as follows:

Fair value per share at grant date	£17.14
Price paid per share	£1.40
Grant date	3 August 2020
Expected life	2 years and 2 months (26 months)
Dividend yield/interest payments	£22.8m
Expected volatility	25.0%
Discount for post-vesting restrictions	15.0%
Risk-free interest rate	(0.0006%)

The shares were issued at a value of £1.40 per share. The shares are deemed to have value if the proceeds on the sale of the Group exceed the value of the higher ranking bank borrowings of the Group (Senior debt including annual interest payments) and the Group's Retirement Benefit Obligation ("Hurdle"). The directors have not disclosed the hurdle payment due to the commercially sensitive nature of the amount.

Expected volatility is based on the evaluation of the historical volatility of the Group's quoted comparator companies over a period commensurate with the expected term of the option.

The number of shares under the share option arrangement at the reporting date are as follows:

	2021 Number of shares	2020 Number of shares
Outstanding at 1 October	85,920	
Granted during the year	-	85,920
Outstanding at 30 September	85,920	85,920

These were granted in August 2020, with an amount of £120,288 paid.

At the year end it was the assumption of the directors that all shares granted during the year will vest on the sale of the Group.

Of the above share options, none are exercisable as at 30 September 2021.

During the year, the vesting period was assumed to extend by 30 months to 31 March 2025.

#### Expense recognised in the Income Statement

A charge of £277,000 has been recognised in the Income Statement for the year ended 30 September 2021 (2020: £104,000). The corresponding credit has been recognised in retained earnings at 30 September 2021.

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 31. Commitments

#### Group

##### Capital commitments

The total amount for future capital expenditure contracted at the year end was £404,000 (2020: £180,000).

### 32. Contingent liabilities

At 30 September 2021, the Group had contingent liabilities in respect of performance bonds and other letters of credit entered into on behalf of its subsidiary undertakings, totalling £303,000 (2020: £303,000).

Since the refinancing of the Group, any guarantees are covered by cash collateralisation included in other non-current assets.

### 33. 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 16 (2020: 15). Remuneration to key management personnel amounted to £5,503,552 (2020: £4,085,569)

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

The ultimate parent company is Tunstall Integrated Healthcare Holdings Limited, a company incorporated in Jersey. These Tunstall Group Holdings Limited consolidated financial statements are the smallest in which the results of the company are consolidated. The largest accounts in which the results of the company are consolidated are those of Tunstall Integrated Healthcare Holdings Limited.

These accounts are available on request from Whitley Lodge, Whitley Bridge, Doncaster DN14 0HR.

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 34. Restatement of prior period financial statements

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision on the clarification of accounting in relation to the configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS), as follows:

- Amounts paid to the cloud vendor for configuration and customisation that are not distinct from access to the cloud software are expensed over the SaaS contract term;
- In limited circumstances, other configuration and customisation costs incurred in implementing SaaS arrangements may give rise to an identifiable intangible asset, for example, where code is created that is controlled by the entity;
- In all other instances, configuration and customisation costs will be expensed as the customisation and configuration services are received.

Due to the nature of this agenda decision and the level of spend incurred in relation to the Group's new ERP system, the Group's accounting policy in relation to such customisation and configuration costs has been reviewed and changed to align with the IFRIC guidance issued in relation to SaaS costs, previously capitalised. The restatement represents a non-cash adjustment.

The revision to the accounting policy has been accounted for retrospectively, resulting in a prior year restatement.

The Group identified £3,720,000 of additions made in the years ended 30 September 2020 and 30 September 2019, in relation to the ERP computer software costs capitalised that management consider, related to cloud computing arrangements and should be expensed after the consideration of the IFRIC guidance. Of this, £2,038,000 related to additions in the year ended 30 September 2020. None of this software had been amortised in the previous period and there is, therefore, no change to the reported amortisation charges.

These costs give rise to a reduction in the tax charge for the year ended 30 September 2020 of £387,000 corresponding to the movement in the resultant deferred tax asset.

The impact on the financial statements is as follows:

#### Consolidated Income statement impact:

	(As previously reported)	Restatement	(As restated)
	2020		2020
	£000	£000	£000
Administrative expenses	(71,794)	(2,038)	(73,832)
Operating profit	17,829	(2,038)	15,791
Exceptional items	(4,679)	(2,038)	(6,717)
Profit before tax	35,375	(2,038)	33,337
Income tax credit	1,902	387	2,289
Profit from continuing operations	37,277	(1,651)	35,626
Profit for the year	37,277	(1,651)	35,626
Profit attributable to Owners of the Company	36,998	(1,651)	35,347
Total comprehensive profit for the year	31,682	(1,651)	30,031
Total comprehensive profit attributable to Owners of the Company	31,406	(1,651)	29,755

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 34. Restatement of prior period financial statements (continued)

#### Consolidated Statement of Financial Position impact

	(As previously reported)	Restatement	(As restated)
	2020		2020
	£000	£000	£000
Intangible assets	218,010	(3,720)	214,290
Deferred tax assets	16,984	707	17,691
Total non current assets	279,884	(3,013)	276,871
Total assets	351,376	(3,013)	348,363
Total assets less current liabilities	282,615	(3,013)	279,602
Net assets	64,523	(3,013)	61,510
Accumulated losses	(72,623)	(3,013)	(75,636)
Equity attributable to owners of the Company	63,242	(3,013)	60,229
Total equity	64,523	(3,013)	61,510

#### Consolidated Statement of Cash Flows impact

	(As previously reported)	Restatement	(As restated)
	2020		2020
	£000	£000	£000
Profit for the year	37,277	(1,651)	35,626
Income tax credit	(1,902)	(387)	(2,289)
Cashflow generated from operations	51,837	(2,038)	49,799
Net cash flow from operating activities	49,619	(2,038)	47,581
Acquisition of intangible assets	(15,384)	2,038	(13,346)
Net cash flow from investing activities	(31,558)	2,038	(29,520)
Net decrease in cash and cash equivalents	(1,998)	-	(1,998)

A third Consolidated Statement of Financial position has been presented in accordance with IAS 1 to illustrate the impact in the opening Balance sheet for the prior financial year. The Group identified that £1,682,000 of costs previously capitalised under cloud computing arrangements should be expensed.

These additional costs give rise to a deferred tax asset of £320,000.

## Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

### 34. Restatement of prior period financial statements (continued)

The opening Consolidated Statement of Financial Position has accordingly been restated to correct for these items with the affected lines shown below:

#### Opening Consolidated Statement of Financial Position impact

	(As previously reported)	Restatement	(as restated)
	2019		2019
	£000	£000	£000
Intangible assets	230,765	(1,682)	229,083
Deferred tax assets	10,763	320	11,083
Total non current assets	272,578	(1,362)	271,216
Total assets	350,852	(1,362)	349,490
Total assets less current liabilities	291,894	(1,362)	290,532
Net assets	(515,743)	(1,362)	(517,105)
Accumulated losses	(636,333)	(1,362)	(637,695)
Equity attributable to owners of the Company	(518,031)	(1,362)	(519,393)
Total equity	(515,743)	(1,362)	(517,105)

### 35. Events after the financial period

In January 2022 the shareholders of the ultimate parent company have demonstrated their support of the Group's growth strategy through a £12,500,000 equity injection. During December 2021 an additional €14,880,000 was made available in the SSTL facility.