Registration number: 06495696

Tunstall Healthcare Group Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 30 September 2016

Contents

Strategic Report for the Year Ended 30 September 2016

The Directors present their Strategic Report for the year ended 30 September 2016.

Principal activity
The Company is a parent Company and the principal activities of its subsidiary undertakings are the provision of Connected Care and Connected Health solutions and propositions across each of its main Regions which are UK & Ireland, Nordics, Southern Europe, Central Europe, North America and Australasia, in addition to corporate activities.

Adoption of International Financial Reporting Standards
For all periods up to and including the year ended 30 September 2015, the Group (headed by Tunstall Healthcare Group Limited) prepared its Consolidated financial statements in accordance with United Kingdom Generally Accepted Accounting Principles ("UK GAAP"). Due to the changes in the financial reporting standards in the UK, the Group had the option to adopt several different accounting frameworks. The decision was made by the Directors to prepare the financial statements for the year ended 30 September 2016 in accordance with International Financial Reporting Standards as adopted by the European Union ("Adopted IFRSs"), which enables the Group to most appropriately present its performance. Reconciliations of the Group's UK GAAP balance sheets to its IFRS Statements of Financial Position at 1 October 2014 (the Group's transition date to IFRS) and 30 September 2015 together with a reconciliation of the Group's UK GAAP profit and loss account to its IFRS Income Statement for the year ended 30 September 2015 are shown in note 32 of these financial statements.

The Parent Company financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

Review of the business
Financial performance
The Consolidated Statement of Comprehensive Income is set out on page 12 of the financial statements reflecting the Group's loss for the financial year of £391,526,398 (2015 - £149,235,939).

The Group performed well with revenue for the year of £220,635,045 (2015 - £212,123,294) and the Group's operating profit before charging depreciation, amortisation and exceptional items ("EBITDA") increasing to £46,281,467 (2015 - £44,952,400). With approximately 69% (2015 - 68%) of the Group's revenues in non-sterling currencies, the Group's financial performance was favourably impacted by the weakening of Sterling during the year.

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

UK & Ireland
Excluding intercompany revenue, the UK delivered 3.9% Revenue and 5.6% EBITDA growth. The growth seen in the Connected Care Managed Services market has continued (17.4% year on year), both with existing customers through contract extensions, increased deployment levels and new customer wins. The Assisted Living market has also seen significant growth (21.5% year on year), particularly in the new build housing sector. This growth has also in part been supported by additional revenues from the launch of new products and propositions.

Nordics
Revenue and EBITDA in the Nordics was significantly impacted in Sweden due to the reallocation of local and regional government funds from residential elderly care to supporting a significant influx of refugees and migrants. This resulted in lower sales of Assisted Living installations. Partial mitigation was achieved through strong growth in Independent Living equipment sales which was achieved as the Region benefited from ongoing digital churn in addition to sales achieved through the Mohinet acquisition in September 2015.

Strategic Report for the Year Ended 30 September 2016 (continued)

Southern Europe
13.0% Revenue and 17.4% EBITDA growth was achieved in Southern Europe as a result of continuing strong organic growth generated from the Region's key Connected Care Managed Service contracts in Spain. Three of our key contracts in Spain were renewed during the year following competitive tender processes. The Region further benefited from contract wins in France where Tunstall leads the French Connected Care Managed Services market.

Central Europe
Revenue grew by 4.1% in Central Europe but was significantly impacted by the Group's charity customers diverting resources to deal with a massive influx of refugees and migrants, together with an unsuccessful sales force restructuring at a key customer. As a result, EBITDA margin declined by 1.9%.

North America
Following the loss of a major Connected Health contract in 2015 and ongoing operational issues with the Region's outsourced Medical Answering Service ("MAS") resulting in customer attrition, Revenue grew marginally only by 0.4%. MAS services have now been brought in house and as a result the Region is well placed for growth in 2017. The Region's Connected Care Managed Service business benefited from a number of small accretive acquisitions which extend the geographic footprint of the Group in the USA.

Australasia
26.8% Revenue growth was achieved in Australasia through growth in Independent Living driven by Australia's National Broadband Network's Medical Alarm Subsidy Scheme.

Depreciation and amortisation
The Group's depreciation charge in the year increased to £12,006,729 (2015 - £9,840,096) as a result of the investment in equipment to support the growth of the Group's Managed Services contracts.

Amortisation of development expenditure increased to £5,628,499 (2015 - £4,700,714) as the Group continued to develop its Connected Care and Connected Health solutions with a particular focus on Internet Protocol machine to machine communications technology which will radically transform the services which the Group will be able to provide to its customers.

Amortisation of customer related and computer software intangible assets amounted to £1,401,496 (2015 - £1,316,717). The increase is principally in relation to the Group's acquisitions in North America in the current and prior years.

Exceptional items
The Group presents certain items as exceptional items that are non-recurring and significant in nature. 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 £18,512,955 in the year ended 30 September 2016 (2015 - £3,097,291). This principally comprised a provision for US aged debt, costs associated with the potential sale of the Group in 2015 which was subsequently abandoned and restructuring costs incurred as part of the Group's initiative to drive significant cost and operational efficiencies to support the implementation of the Group's growth strategy. More details are provided in note 7 of the financial statements.

Goodwill impairment
The Directors have reviewed the carrying value of Goodwill. An impairment charge of £63,853,716 has been recognised in the year ended 30 September 2016 (2015 - £nil).

Net finance costs
Net finance costs for the year increased to £335,512,563 (2015 - £172,153,271). This principally comprises £164,450,397 of interest accrued on the Group's long-term subordinated shareholder and management loans (2015 - £138,585,420), £119,797,451 in relation to the Equity Bridge Loan Guarantee fee (2015 - £19,712,128), and £18,366,130 interest payable on the Group's Senior debt and Equity Bridge loan (2015 - £20,221,559). In addition to this, in the current year, there was a foreign exchange loss of £31,153,123 principally in relation to the Euro denominated Senior term loan (2015 - foreign exchange gain of £9,933,213).

Strategic Report for the Year Ended 30 September 2016 (continued)

Taxation
The Group recorded an income tax expense of £88,912 (2015 - income tax expense of £3,082,248). Despite the loss on ordinary activities before tax of £391,437,486 (2015 - £146,153,691), the Group' is tax paying as a result of taxable profits in overseas jurisdictions and due to the fact that shareholder loan interest charges are not deductible in arriving at UK profits or losses chargeable for tax. The Group's tax charge is also affected by brought forward tax losses and timing differences that are recognised as deferred tax.

Acquisitions
During the year, the Group acquired the trade and assets of two Connected Care Providers in North America and one in Australasia.

Cash flow
Cash generated from operations decreased to £35,628,123 compared with £45,345,890 in the previous year. Operating cash flow represented 77.0% of EBITDA (2015 - 100.9 %) with the decline due to the timing of working capital cash flows and significant exceptional costs being incurred.

Net interest paid almost entirely relates to serving the Group's Senior debt and amounted to £10,297,123 (2015 - £16,123,445) with the decrease due to a change in interest periods (being paid bi-annually rather than monthly). Interest on the Equity Bridge Loan was compounded bi-annually and paid on redemption of the loan on 30 September 2016 with funds subscribed by the Group's institutional investors in the form of loan notes. Interest on the long-term unsecured subordinated shareholder loan notes is compounded annually and paid on redemption of the notes themselves on exit or in 2098.

Capital expenditure of £23,158,314 (2015 - £24,714,500) remained in line with the prior year as the Group continued to invest in its growth strategy. The main areas of expenditure included development of new products, software and services of £9,824,907 (2015 - £9,068,644) in addition to investment in equipment installed in service users homes as part of a Managed Service arrangement of £8,635,545 (2015 - £9,997,524) and investment in infrastructure of £2,910,715 (2015 - £3,800,533).

Funding
The Group has considerable financial resources with a cash balance at 30 September 2016 amounting to £48,742,215 (2015 - £42,479,340).

The Group has a syndicated Senior debt arrangement in place with £90m and €240m term loans together with a £40m acquisition facility and £20m revolving credit facility ("RCF"). At 30 September 2016 both the acquisition and RCF were undrawn except for £0.5m of the RCF to cover letters of credit issued by the Group in the normal course of business. Further details of loans including repayment terms are provided in note 24 of these financial statements. The remaining RCF was fully drawn on 21 October 2016 in order the fund the Group's strategy and is repayable on 21 April 2017.

As part of the financing arrangements the Group is subject to a standard set of financial covenants based on debt cover, cash flow, interest cover and capital expenditure which are tested quarterly. Whilst the Group complied with these covenants throughout the year the Group's covenant was reset effective from X in order to provide additional flexibility to implement the Group's strategy at pace.

Note 24 also provides details of an Equity Bridge Loan facility. On 30 September 2016, the carrying value (prior to repayment) of the Equity Bridge Loan amounted to £64,301,353. The Equity Bridge Loan was fully repaid from the proceeds of new shareholder loan notes on 30 September 2016. The loan notes are repayable in 2098. As the Company was unable to repay the Equity Bridge Loan from its own resources, the Equity Bridge Loan guarantee fee provided by the Institutional Shareholders was called upon resulting in a guarantee fee becoming due amounting to £202,573,978 at the reporting date which comprises the redemption value of the loan and interest compounded at 19% per annum from March 2008.

Note 22 provides details of the Group's long-term subordinated shareholder loans amounting to £1,151,490,211 (2015 - £922,510,504). These are repayable at the earlier of redemption in 2098 or in the event of shareholder divestment of the Group.

Further details of loans including repayment terms are provided in note 24.

Strategic Report for the Year Ended 30 September 2016 (continued)

Events after the financial period
On 17 March 2017 the Group's Acquisition Facility of £40m was cancelled and an agreement was reached with the Group's Senior Debt providers to reset the Group's financial covenants in order to provide additional flexibility to implement the Group's strategy at pace. The new financial covenants comprise a gross leverage ratio, liquidity and capital expenditure. The gross leverage and liquidity covenants are tested quarterly and will be tested for the first time on 31 March 2017. The capital covenant is an annual test and will be tested for the first time on 30 September 2017.

As a condition of the covenant reset agreement, the Group transferred 24.9% of its shareholding in TGH Acquisitions Limited to the Senior Debt providers and 25% to Management.

Following the agreement with the Group's Senior Debt providers to reset the financial covenants, the Group also undertook a capital restructuring exercise designed to simplify the group structure. As part of the process, on 17 March 2017, the Group changed its tax strategy in relation to claiming Group relief.

On 17 March 2017, the Equity Bridge Loan guarantee fee of £202,573,978, was waived by the Institutional Shareholders.

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 Group as a whole operates a stable business with a number of customers and suppliers across different geographic regions and has considerable financial resources with a cash balance at 30 September 2016 amounting to £48,742,215 (2015 - £42,479,340).

The Directors have made an assessment and satisfied themselves of the Group's and Company's ability to continue as a going concern. The key elements of this assessment were the Group's forecasts and projections which, taking account of reasonably possible changes in trading performance, show the Group has adequate resources to continue in operational existence for at least twelve months from the date of this report. In addition the Group's Senior Debt covenants were reset effective from 17 March 2017 in order to provide additional flexibility to implement the Group's strategy at pace.

The Directors are of the opinion that the Group has adequate resources to continue in operational existence for at least twelve months from the date of this report. The Group continues to adopt the going concern basis of accounting in preparing the financial statements.

Strategic Report for the Year Ended 30 September 2016 (continued)

Key performance indicators

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

	Unit	2016	2015
Revenue	£m	220.64	212.12
EBITDA	£m	46.28	44.95
Gross profit margin	%	45.20	45.33
EBITDA margin	%	20.98	21.19
Cash generated from operations	£m	35.63	45.35
Cash generated from operations % of EBITDA	%	77.00	100.88
Net cash inflow	£m	6.26	1.76

- Revenue for the year of £220,635,045 (2015 - £212,123,294), increased as a result of trading and the weakening of Sterling.
- EBITDA of £46,281,467 (2015 - £44,952,400) increased as a result of trading and the weakening of Sterling and cost control.
- EBITDA margin of 21.0% (2015 - 21.2%) is in line with the prior year.
- Cash generated from operations as a percentage of EBITDA decreased to 77.0% (2015 - 100.9%) due to timing of working capital cash flows and as a result of significant expenditure in relation to the Group's restructuring costs.
- Net cash inflow increased to £6,262,875 (2015 - £1,761,032).

Strategic Report for the Year Ended 30 September 2016 (continued)

Business strategy
The Group offers a wide range of Connected Health and Connected Care technology-enabled solutions and propositions which allow its customers to stay connected to their carers, relatives and healthcare professionals and receive support aligned to their level of need, regardless of their care setting. The Group delivers solutions to healthcare economies across the globe via the public and private sector as well as a network of channel partners spanning over 50 countries.

The Groups strategy and future growth agenda is driven by priorities, all of which are targeted at enabling high touch, value-added services with solutions tailored to specific user needs as follows:

- Delivering innovative solutions that exploit IP-connected technology;
- Growing and enhancing our managed service offering; and
- Accelerating growth in Connected Health

The Group's strategy looks to drive these priorities, building on its unique capabilities as market leader, by investing to grow revenues and maintain its leading position in the Connected Health Care domain. The priorities are underpinned by detailed proposition roadmaps, research & development plans and organic growth from the Group's existing contract base.

- A new IP-enabled Smarthub carephone for people living in their own home;
- Extension of the IP-enabled, integrated Assisted Living platform (Communicall ViIP);
- An integrated monitoring platform (PNC8), enabling more efficient workflow management and data analytics;
- A new patient home hub (MyMedicII) and upgraded TriageManager software platform; and
- Expansion of the Managed Service business across the Group

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

Business environment
The Group's core markets are underpinned by strong demographics with the global population of 65+ expected to grow at 2.9% compound annual growth rate over the period 2005-2030 and the population of 80+ expected to grow at 3.1% annually over the same period. In addition to this growth, ageing populations are living longer at home and family support structures are becoming more geographically dislocated.

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

Social care finances are also under significant pressure and are incapable of delivering the required levels of care which is having the effect of driving low-level care and alarm management into private pay. Although customers are willing to move to private pay they are also seeking increased mobility and technology agnostic providers of Connected Health Care equipment using trusted brands, endorsed by authorities and healthcare professionals.

The Group is addressing this shift by developing and delivering innovative Connected Care and Connected Health solutions using IP technology and is in an excellent position to take advantage of the growth opportunities in its core markets as it adapts to the changing needs of its customers and the technological landscape.

Strategic Report for the Year Ended 30 September 2016 (continued)

Principal risks and uncertainties

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

Interest rate risk
The Group has syndicated loans and credit facilities, including two term loans as described in note 24 at fixed margins above LIBOR and EURIBOR respectively. The risk of interest rate increase is managed through a number of interest rate hedges as described in note 25 which fix interest rates relating to approximately 75% of the borrowing.

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

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

Approved by the Board on 28 March 2017 and signed on its behalf by:

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Jon Furniss
Company secretary

Directors' Report for the Year Ended 30 September 2016

The Directors present their Report and the financial statements for the year ended 30 September 2016.

Directors of the Group

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

Malcolm Miller - Chairman (resigned 10 February 2017)

Gordon Sutherland - Chief executive (appointed 5 September 2016)

James Arnell (appointed 28 June 2016)

Shaun Parker (resigned 31 December 2016)

Paul Stobart (resigned 5 September 2016)

Robert Moores (resigned 31 December 2016)

Tim James (resigned 12 September 2016)

Giuseppe Prestia (resigned 28 June 2016)

The following directors were appointed after the year end:

Sheena Pattni (appointed 23 January 2017)

Dividends

The Directors do not propose the payment of a dividend (2015 - £nil).

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee involvement

The Group places considerable value on the involvement of its employees and has continued its previous practice of ensuring effective two-way communication on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal meetings and the Group intranet. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

Disclosure of information to the auditor

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

Reappointment of auditor

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

Approved by the Board on 28 March 2017 and signed on its behalf by:

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Jon Furniss
Company secretary

Statement of Directors' Responsibilities

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the European Union;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

KPMG

KPMG LLP
1 Sovereign Square
SovereignStreet
Leeds
LS1 4DA
United Kingdom

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

We have audited the financial statements of Tunstall Healthcare Group Limited for the year ended 30 September 2016 set out on pages 12 to 72. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditor's Report to the members of Tunstall Healthcare Group Limited *(continued)*

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; 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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

David Morritt

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

29 March 2017

Consolidated Income Statement for the Year Ended 30 September 2016

	Note	2016 £ 000	2015 £ 000
Revenue	4, 5	220,635	212,123
Cost of sales		(121,009)	(115,960)
Gross profit		99,626	96,163
Administrative expenses		(90,896)	(70,164)
Operating profit	6	8,730	25,999
Analysed as:			
Operating profit before charging depreciation and amortisation and exceptional items ("EBITDA")	5, 6	46,279	44,952
Depreciation and amortisation	6	(19,036)	(15,856)
Exceptional items	7	(18,513)	(3,097)
Impairment of non-current assets	14	(64,658)	-
Finance income		1,733	9,960
Finance costs		(337,244)	(182,113)
Net finance cost	8	(335,511)	(172,153)
Loss before tax		(391,439)	(146,154)
Income tax expense	12	(89)	(3,082)
Loss for the year		(391,528)	(149,236)
Profit/(loss) attributable to:			
Owners of the Company		(391,855)	(149,478)
Non-controlling interests		327	242
		(391,528)	(149,236)

The above results were derived from continuing operations.

Consolidated Statement of Comprehensive Income for the Year Ended 30 September 2016

	Note	2016 £ 000	2015 £ 000
Loss for the year		(391,528)	(149,236)
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations	26	(16,688)	(2,904)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation gains		12,979	1,055
Total comprehensive loss for the year		(395,237)	(151,085)
Total comprehensive loss attributable to:			
Owners of the Company		(395,736)	(151,301)
Non-controlling interests		499	216
		(395,237)	(151,085)

Consolidated Statement of Financial Position as at 30 September 2016

	Note	2016 £ 000	2015 £ 000	2014 £ 000
Non-current assets				
Property, plant and equipment	13	35,545	31,940	31,407
Intangible assets	14	340,661	400,909	393,443
Equity accounted investments	15	6	176	176
Other non-current financial assets	16	234	-	-
Deferred tax assets	12	8,332	6,299	7,180
		384,778	439,324	432,206
Current assets				
Inventories	17	15,238	14,126	15,183
Trade and other receivables	18	45,098	44,110	44,742
Income tax asset		1,665	841	1,006
Cash and cash equivalents		48,742	42,479	40,718
		110,743	101,556	101,649
Total assets		495,521	540,880	533,855
Current liabilities				
Trade and other payables	19	(48,739)	(40,103)	(38,276)
Loans and borrowings	21	(6,225)	(63,333)	(911)
Income tax liability		(1,957)	(2,084)	(1,830)
Derivative financial instruments	25	(274)	(1,170)	(989)
Deferred income		(8,091)	(9,460)	(8,796)
Provisions	20	(2,810)	(859)	(553)
		(68,096)	(117,009)	(51,355)
Non-current liabilities				
Loans and borrowings	21	(293,427)	(260,465)	(329,131)
Loan notes	22	(1,151,490)	(922,511)	(783,848)
Retirement benefit obligations	26	(36,401)	(20,236)	(17,649)
Other non-current financial liabilities	24	(202,574)	(82,776)	(63,064)
Deferred tax liabilities	12	(1,255)	(733)	(936)
		(1,685,147)	(1,286,721)	(1,194,628)
Total liabilities		(1,753,243)	(1,403,730)	(1,245,983)
NET LIABILITIES		(1,257,722)	(862,850)	(712,128)

The notes on pages 20 to 72 form an integral part of these financial statements.

Consolidated Statement of Financial Position as at 30 September 2016 (continued)

	Note	2016 £ 000	2015 £ 000	2014 £ 000
Equity				
Share capital	27	100	100	100
Share premium		9,566	9,566	9,566
Foreign currency translation reserve		13,888	1,081	-
Cash flow hedging reserve		(61)	(426)	(790)
Treasury share reserve		(227)	(227)	(227)
Accumulated losses		(1,282,279)	(873,736)	(721,353)
Equity attributable to owners of the Company		(1,259,013)	(863,642)	(712,704)
Non-controlling interests		1,291	792	576
TOTAL EQUITY		(1,257,722)	(862,850)	(712,128)

Approved by the Board on 28 March 2017 and signed on its behalf by:

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Gordon Sutherland

Chief executive

(Registration number: 06495696)

Consolidated Statement of Changes in Equity for the Year Ended 30 September 2016

	Share capital £ 000	Share premium £ 000	Foreign currency translation £ 000	Cash flow hedging reserve £ 000	Treasury share reserve £ 000	Accumulated losses £ 000	Total £ 000	Non-controlling interests £ 000	Total equity £ 000
At 1 October 2014	100	9,566	-	(791)	(227)	(721,354)	(712,706)	576	(712,130)
(Loss)/profit for the year	-	-	-	-	-	(149,478)	(149,478)	242	(149,236)
Other comprehensive income/(loss)	-	-	1,081	-	-	(2,904)	(1,823)	(26)	(1,849)
Total comprehensive income/(loss)	-	-	1,081	-	-	(152,382)	(151,301)	216	(151,085)
Unwinding of cash flow hedge reserve	-	-	-	365	-	-	365	-	365
At 30 September 2015	**100**	**9,566**	**1,081**	**(426)**	**(227)**	**(873,736)**	**(863,642)**	**792**	**(862,850)**

	Share capital £ 000	Share premium £ 000	Foreign currency translation £ 000	Cash flow hedging reserve £ 000	Treasury share reserve £ 000	Accumulated losses £ 000	Total £ 000	Non-controlling interests £ 000	Total equity £ 000
At 1 October 2015	100	9,566	1,081	(426)	(227)	(873,736)	(863,642)	792	(862,850)
(Loss)/profit for the year	-	-	-	-	-	(391,855)	(391,855)	327	(391,528)
Other comprehensive income/(loss)	-	-	12,807	-	-	(16,688)	(3,881)	172	(3,709)
Total comprehensive income/(loss)	-	-	12,807	-	-	(408,543)	(395,736)	499	(395,237)
Unwinding of cash flow hedge reserve	-	-	-	365	-	-	365	-	365
At 30 September 2016	**100**	**9,566**	**13,888**	**(61)**	**(227)**	**(1,282,279)**	**(1,259,013)**	**1,291**	**(1,257,722)**

Consolidated Statement of Cash Flows for the Year Ended 30 September 2016

	Note	2016 £ 000	2015 £ 000
Cash flows from operating activities			
Loss for the year		(391,528)	(149,236)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	19,036	15,856
Impairment of non-current assets	14	64,658	-
Finance income	8	(1,733)	(9,960)
Finance costs	8	337,244	182,113
Income tax expense	12	89	3,082
		27,766	41,855
Working capital adjustments			
(Increase)/decrease in inventories	17	(1,112)	1,057
(Increase)/decrease in trade and other receivables	18	(1,222)	632
Increase in trade and other payables		10,714	1,827
Decrease in retirement benefit obligation	26	(1,100)	(995)
Increase in provisions		1,951	306
(Decrease)/increase in deferred income		(1,369)	664
Cash generated from operations		35,628	45,346
Income taxes paid	12	(2,551)	(1,985)
Net cash flow from operating activities		33,077	43,361
Cash flows from investing activities			
Acquisition of intangible assets	14	(11,897)	(13,653)
Acquisitions of property plant and equipment		(11,261)	(11,061)
Proceeds from sale of property plant and equipment		327	298
Interest received		835	26
Dividend income	8	3	-
Acquisition of investments	15	-	(16)
Proceeds from disposal of investments		-	16
Net cash flows from investing activities		(21,993)	(24,390)
Cash flows from financing activities			
Interest paid		(11,132)	(18,846)
Proceeds from issue of loan notes		64,301	-
Repayment of bank borrowing		(64,301)	-
Transaction costs for borrowings		(340)	(196)
Payments to finance lease creditors		(57)	(17)
Net cash flows from financing activities		(11,529)	(19,059)
Net decrease in cash and cash equivalents		(445)	(88)
Cash and cash equivalents at 1 October		42,479	40,718
Effect of exchange rate fluctuations on cash held		6,708	1,849
Cash and cash equivalents at 30 September		48,742	42,479

The notes on pages 20 to 72 form an integral part of these financial statements.

Company Statement of Financial Position as at 30 September 2016

	Note	2016 £ 000	2015 £ 000
Non-current assets			
Investments	15	-	9,628
Current assets			
Income tax asset		32	-
Total assets		32	9,628
Non-current liabilities			
Loans and borrowings	21	(223)	(76)
NET (LIABILITIES)/ASSETS		(191)	9,552
Equity			
Share capital	27	100	100
Share premium		9,566	9,566
Accumulated losses		(9,857)	(114)
TOTAL EQUITY		(191)	9,552

Approved by the Board on 28 March 2017 and signed on its behalf by:

....

Gordon Sutherland

Chief executive

(Registration number: 06495696)

The notes on pages 20 to 72 form an integral part of these financial statements.

Company Statement of Changes in Equity for the Year Ended 30 September 2016

	Share capital £ 000	Share premium £ 000	Accumulated losses £ 000	Total £ 000
At 1 October 2014	100	9,566	(86)	9,580
Loss for the year	-	-	(28)	(28)
Total comprehensive loss	-	-	(28)	(28)
At 30 September 2015	**100**	**9,566**	**(114)**	**9,552**

	Share capital £ 000	Share premium £ 000	Accumulated losses £ 000	Total £ 000
At 1 October 2015	100	9,566	(114)	9,552
Loss for the year	-	-	(9,743)	(9,743)
Total comprehensive loss	-	-	(9,743)	(9,743)
At 30 September 2016	**100**	**9,566**	**(9,857)**	**(191)**

Notes to the Financial Statements for the Year Ended 30 September 2016

1 General information

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

The address of its registered office is:
Whitley Lodge
Whitley Bridge
Doncaster
DN14 0HR
United Kingdom

2 Accounting policies

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

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

Basis of preparation

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

IFRS 1 - 'First-time Adoption of International Financial Reporting Standards', has been applied in preparing these financial statements. These are the Group's first financial statements to be prepared in accordance with IFRS. Note 32 describes how the Directors have applied the first-time adoption provisions as set out in IFRS 1.

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.'

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

2 Accounting policies (continued)

Application of new and revised International Financial Reporting Standards

Amendments to IFRSs that are mandatorily effective for the current year
The following accounting standards and interpretations, issued by the International Accounting Standards Board ("IASB") or International Financial Reporting Interpretations Committee ("IFRIC") (as endorsed by the European Union), are effective for the first time in the current financial year.

- IAS 16 (Amendment) - 'Property, Plant and Equipment' (effective 1 January 2016);
- IAS 38 (Amendment) - 'Intangible Assets' (effective 1 January 2016);
- IFRS 10 (Amendment) - 'Consolidated financial statements' (effective 1 January 2016);
- IFRS 12 (Amendment) - 'Disclosure of Interests in Other Entities' (effective 1 January 2016);
- IAS 28 (Amendment) - 'Investments in Associates and Joint Ventures' (effective 1 January 2016); and
- IFRS 11 (Amendment) - 'Joint Arrangements' (effective 1 January 2016).

IFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In accordance with the transitional provisions of IFRS 10, the Group assessed the control conclusion for its investees at 1 October 2014. Upon transition to IFRS, the Group has included the results of the Tunstall Employee Benefit Trust, which were not previously consolidated under UK GAAP.

IFRS 15 - 'Revenue from Contracts with Customers' (effective 1 January 2018) and IFRS 9 - 'Financial Instruments' (effective 1 January 2018) have been endorsed subsequent to the year end. These standards will be adopted by the Group in future accounting periods. The Directors have not yet assessed the impact of these standards on the financial statements.

New standards and interpretations not yet endorsed and not yet effective
The IASB and IFRIC have also issued the following standards and interpretations that are yet to be endorsed with an effective date after the date of these financial statements.

- IFRS 16 - 'Leases' (effective 1 January 2019);
- IAS 12 (Amendment) - 'Recognition of Deferred Tax Assets for Unrealised Losses' (effective 1 January 2017); and
- IAS 7 (Amendment) - 'Disclosure Initiative' (effective 1 January 2017).

These standards will be adopted by the Group in future accounting periods. The Directors do not anticipate that the adoption of any of these standards and interpretations will have a material impact on the Group's financial statements, except for IFRS 16 where the impact has not yet been assessed. The Directors have not chosen to early adopt these standards for the current financial year.

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

2 Accounting policies (continued)

Company

The Parent Company financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

Summary of disclosure exemptions

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

• A Cash Flow Statement and related notes;

• Disclosures in respect of transactions with wholly owned subsidiaries;

• An additional Statement of Financial Position for the beginning of the earliest comparative period;

• Disclosures in respect of the compensation of Key Management Personnel;

• Certain disclosures required by IFRS 13 - 'Fair Value Measurement' and the disclosures required by IFRS 7 -'Financial Instrument Disclosures'; and

• Disclosures of transactions with a management entity that provides key management personnel services to the Company.

Going concern

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

The Group as a whole operates a stable business with a number of customers and suppliers across different geographic regions and has considerable financial resources with a cash balance at 30 September 2016 amounting to £48,742,215 (2015 - £42,479,340).

The Directors have made an assessment and satisfied themselves of the Group's and Company's ability to continue as a going concern. The key elements of this assessment were the Group's forecasts and projections which, taking account of reasonably possible changes in trading performance, show the Group has adequate resources to continue in operational existence for at least twelve months from the date of this report. In addition the Group's Senior Debt covenants were reset effective from 17 March 2017 in order to provide additional flexibility to implement the Group's strategy at pace.

The Directors are of the opinion that the Group has adequate resources to continue in operational existence for at least twelve months from the date of this report. The Group continues to adopt the going concern basis of accounting in preparing the financial statements.

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

2 Accounting policies (continued)

Basis of consolidation
The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 30 September 2016.

No Income Statement is presented for the Company as permitted by section 408 of the Companies Act 2006. The Company made a loss after tax for the financial year of £9,743,842 (2015 - loss of £27,689).

The Group financial statements consolidate the financial statements of Tunstall Healthcare Group Limited ("the Company") and entities controlled by the Company (its subsidiaries and joint ventures).

The results of subsidiaries acquired during the year are consolidated from the effective date of acquisition. Where necessary, adjustments are made to the financial statements of subsidiaries and joint ventures to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The purchase method of accounting is used to account for the acquisition of subsidiaries. On transition to IFRS, the Group has elected not to apply IFRS 3 - 'Business Combinations' retrospectively to acquisitions that occurred before 1 October 2014. Goodwill arising on the acquisition of a business that occurred before 1 October 2014 is included in the Statement of Financial Position at original cost, less accumulated amortisation to the date of transition and any provisions for impairment. For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Contingent consideration is measured at fair value at the date of the acquisition. Acquisition costs are expensed to the Income Statement as they are incurred, except those that relate to the issue of debt or equity securities.

Non-controlling interests represent the portion of profits or losses and net assets in subsidiaries that is not held by the Group and is presented within equity in the consolidated balance sheet, separate from equity shareholders of the Group.

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

2 Accounting policies (continued)

Revenue recognition
Revenue from the sale of the Group's Connected Care and Connected Health equipment and services is stated net of value added tax, trade discounts and returns and is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue, and the associated costs incurred, or to be incurred, can be reliably measured.

Connected Care - Independent Living
Revenue generated from equipment sales of Base Units and peripherals such as sensors and triggers is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, typically on delivery of the goods to the customer or despatch of goods from the warehouse.

Revenue generated from the sale and installation of software and hardware is recognised with reference to contract milestones as a proxy for percentage of completion ("POC"). Once the initial licence term expires and the licence is prolonged, revenue is recognised over the period of the licence.

Connected Care - Assisted 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.

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 or as services are provided.

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

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

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

Connected Health - Remote Patient Monitoring and Support
Remote Patient Support ("RPS") comprises Medical Answering Services ("MAS"), and Telephone Answering Services ("TAS") provided in North America in addition to patient administration, monitoring and support services provided to US Hospitals and also Pharmaceutical companies around the Globe. Revenue is recognised as services are performed, over the life of the contracted period and/or on a charge per call basis.

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
Financial instruments include interest bearing loans and other borrowings which are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition interest bearing loans are subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

2 Accounting policies (continued)

Finance income and costs policy

Finance costs and income arising on interest-bearing financial instruments carried at amortised cost are recognised in the 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 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. At the date of transition to IFRS, the cumulative translation differences for foreign operations have been set to zero.

Taxation

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

2 Accounting policies (continued)

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.

Trade receivables
Trade receivables are amounts due from customers for equipment sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. A provision for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Estimated future cash flows are not discounted due to the relatively short period of time between recognition of trade receivables and receipt of cash.

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. The value of trade payables is the value that would be payable to settle the liability at the reporting date.

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

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

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

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

2 Accounting policies (continued)

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

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

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

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

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

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

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

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

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 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:

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

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

2 Accounting policies (continued)

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:

Asset class	*Depreciation method and rate*
Freehold property	2% straight line
Plant, fixtures and vehicles	10% - 33% straight line

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

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

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

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

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.

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

2 Accounting policies (continued)

Derivatives and hedging
The Group uses derivative financial instruments mainly to reduce exposure to interest rate movements. Derivative financial instruments are recognised initially at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. The gains or losses on measurement are taken to the Income Statement.

Derivative financial instruments are classified as assets when their fair value is positive, or as liabilities where their fair value is negative.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of host contracts and host contracts are not carried at fair value. Changes in the fair value of embedded derivatives are recognised in the Income Statement in the line which most appropriately reflects the nature of the item or transaction.

When a derivative is designated as as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Other Comprehensive Income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the Income Statement.

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 the Consolidated Statement of 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 finance costs or income within the Income Statement.

Defined contribution pension obligation
The Group operates 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.

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation financial statements in conformity with IFRS requires the use of certain critical accounting estimates and 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
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. 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 and resulting post recognition for software and equipment sold by the Group is based on the percentage of completion method ("POC"). The POC method requires the exercise of judgement when estimating the time and cost required to achieve customer acceptance.

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

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

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

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

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

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

4 Revenue

The Group's revenue is generated as follows:

	2016 £ 000	2015 £ 000
Connected Care - Independent Living	54,267	53,941
Connected Care - Assisted Living	57,159	56,749
Connected Care - Managed Services Contracts	84,853	73,437
Connected Health - Remote Patient Monitoring and Support	16,580	20,282
Integrated Nursecall Communications	7,776	7,714
	220,635	212,123

5 Segmental analysis

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

The Group's reportable segments are as follows:

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

The Group Regions' principal activities are the provision of Connected Care and Connected Health solutions and propositions.

Segment revenues and performance for the year ended 30 September 2016

Analysis by reportable segment:

	Revenue £ 000	EBITDA £ 000	Net assets/ (liabilities) £ 000
UK & Ireland	93,386	19,841	29,588
Southern Europe	46,492	14,006	16,492
Nordics	40,878	8,919	10,120
North America	31,496	4,471	19,542
Central Europe	23,969	9,297	1,850
Australasia	10,022	1,590	2,001
Corporate	127	(11,845)	(41,310)
Total for reportable segments	246,370	46,279	38,283

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

5 Segmental analysis (continued)

Segment revenues and performance for the year ended 30 September 2015

Analysis by reportable segment:

	Revenue £ 000	EBITDA £ 000	Net assets/ (liabilities) £ 000
UK & Ireland	93,477	18,787	28,138
Southern Europe	41,134	11,933	11,591
Nordics	40,712	10,283	7,184
North America	31,381	5,341	20,588
Central Europe	23,022	9,359	1,174
Australasia	7,904	2,174	744
Corporate	17	(12,924)	(18,808)
Total for reportable segments	237,647	44,953	50,611

Reconciliations of information on reportable segments to IFRS measures

Reconciliation of Revenue from reportable segments to total Consolidated Revenue

	2016 £ 000	2015 £ 000
Total revenue for reportable segments	246,370	237,583
Elimination of inter-segment revenue	(25,735)	(25,460)
Total Consolidated Revenue	220,635	212,123

Analysis of revenue by country of origin:

	2016 £ 000	2015 £ 000
United Kingdom	68,519	65,969
Spain	36,885	33,121
North America	31,496	31,381
Other European countries	31,809	30,167
Sweden	24,688	26,020
Germany	18,071	17,561
Rest of the world	9,167	7,904
	220,635	212,123

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

5 Segmental analysis (continued)

Analysis of revenue by country of destination:

	2016 £ 000	2015 £ 000
United Kingdom	68,536	65,983
Spain	36,607	32,285
North America	31,495	31,381
Other European countries	30,590	32,136
Sweden	23,579	24,640
Germany	17,324	16,265
Rest of the world	12,504	9,433
	220,635	212,123

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

	2016 £ 000	2015 £ 000
Total EBITDA for reportable segments	46,279	44,952
Impairment of non-current assets	(64,658)	-
Depreciation and amortisation	(19,036)	(15,856)
Exceptional items* (note 7)	(18,513)	(3,097)
Net Finance costs	(335,513)	(172,153)
Total consolidated loss before tax	(391,441)	(146,154)

*The Group incurred a net exceptional charge of £18,512,955 in the year ended 30 September 2016 (2015 - £3,097,291). This principally comprised a provision for US aged debt, costs associated with the potential sale of the Group in 2015 which was subsequently abandoned and restructuring costs incurred as part of the Group's initiative to deliver significant cost and operational efficiencies to support the implementation of the Group's growth strategy.

Reconciliation of net assets of reportable segments to Consolidated net liabilities

	2016 £ 000	2015 £ 000
Total net assets for reportable segments	38,283	50,611
Goodwill and investments	309,244	374,315
Cash and cash equivalents	48,742	42,479
Loans and borrowings	(299,652)	(323,798)
Derivative financial instruments	(274)	(1,170)
Equity Bridge Loan Guarantee fee	(202,574)	(82,776)
Loan notes	(1,151,490)	(922,511)
Total Consolidated net liabilities	(1,257,721)	(862,850)

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

6 Operating profit

Arrived at after charging:

	2016 £ 000	2015 £ 000
Depreciation expense	12,007	9,840
Amortisation expense	7,029	6,016
Research and development cost	3,244	2,947
Operating lease expense - property	2,922	2,776
Operating lease expense - plant and machinery	2,144	2,012
Exceptional items (note 7)	18,513	3,097

7 Exceptional items

	2016 £ 000	2015 £ 000
Exceptional items	18,513	3,097

The Group incurred a net exceptional charge of £18,512,955 in the year ended 30 September 2016 (2015 - £3,097,291). This principally comprised a provision for US aged debt, costs associated with the potential sale of the Group in 2015 which was subsequently abandoned and restructuring costs incurred as part of the Group's initiative to deliver significant cost and operational efficiencies to support the implementation of the Group's growth strategy.

8 Finance income and costs

	2016 £ 000	2015 £ 000
Finance income		
Foreign exchange gains on borrowings	-	9,934
Interest income on bank deposits	835	26
Dividend income	3	-
Net change in fair value of interest rate swaps	895	-
Total finance income	1,733	9,960
Finance costs		
Interest on bank overdrafts and borrowings	(18,366)	(20,222)
Interest on loan notes	(164,450)	(138,585)
Equity Bridge Loan Guarantee fee	(119,797)	(19,712)
Foreign exchange losses on borrowings	(31,153)	-
Amortisation of debt issue costs	(2,254)	(2,279)
Unwinding of cash flow hedge reserve	(456)	(456)
Finance costs in respect of pensions	(745)	(678)
Net change in fair value of interest rate swaps	-	(181)
Interest on obligations under finance leases and hire purchase contracts	(23)	-
Total finance costs	(337,244)	(182,113)
Net finance costs	(335,511)	(172,153)

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

9 Staff costs

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

	2016 £ 000	2015 £ 000
Wages and salaries	74,438	69,116
Social security costs	10,982	10,925
Pension costs	3,224	3,866
	88,644	83,907

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

	2016 No.	2015 No.
Sales, production and administration	3,036	2,867
Research and development	75	101
	3,111	2,968

10 Directors' remuneration

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

	2016 £ 000	2015 £ 000
Directors' emoluments	1,036	875
Amounts paid to third parties for Directors' services	107	109
Pension contributions in relation to money purchase schemes	23	14
Compensation for loss of office	500	-
	1,666	998

In respect of the highest paid Director:

	2016 £ 000	2015 £ 000
Emoluments	536	445
Compensation for loss of office	500	-
	1,036	445

No Director (2015 - none) accrued benefits under the Group's defined benefit pension scheme in respect of qualifying services during the year. One Director (2015 - one) accrued benefits under defined contribution schemes.

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

11 Auditor's remuneration

	2016 £ 000	2015 £ 000
Audit of Group and subsidiary financial statements	449	544
Non-Audit Services	344	286
	793	830

Non-audit services relate to taxation services of £344,000 (2015 - £201,000) and £nil in relation to payroll and pension services (2015 - £85,000).

12 Income tax

Tax charged/(credited) in the income statement

	2016 £ 000	2015 £ 000
Current taxation		
UK corporation tax	(69)	937
UK corporation tax adjustment to prior periods	(954)	(365)
	(1,023)	572
Foreign tax	2,452	2,125
Foreign tax adjustment to prior periods	12	(155)
	2,464	1,970
Total current income tax	1,441	2,542
Deferred taxation		
Arising from origination and reversal of temporary differences	(4,045)	(21)
Arising from changes in tax rates and laws	207	97
Deferred tax adjustment to prior periods	2,486	464
Total deferred taxation	(1,352)	540
Tax expense in the income statement	89	3,082

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

12 Income tax (continued)

Factors affecting the tax charge for the period

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2015 - higher than the standard rate of corporation tax in the UK) of 20% (2015 - 20.5%).

The differences are reconciled below:

	2016 £ 000	2015 £ 000
Loss for the year	(391,528)	(149,236)
Income tax expense	89	3,082
Loss before tax	(391,439)	(146,154)
Corporation tax at standard rate	(78,287)	(29,962)
Expenses not deductible in determining tax loss	66,740	33,040
UK corporation tax adjustment to prior periods	(942)	(520)
Effect of capital allowances depreciation	1,114	324
Impairment not deductible for tax purposes	11,956	233
Other timing differences	(121)	(125)
Effect of foreign tax rates	(1,622)	(239)
Decrease in overseas tax losses carried forward	3,416	(209)
Deferred tax adjustment to prior periods	2,485	464
Deferred tax - origination and reversal of timing differences	(4,448)	(21)
Deferred tax expense relating to changes in tax rates or laws	207	97
Effect of adjustment in research development tax credit	16	-
Tax expense arising from Patent Box	(425)	-
Total tax charge	89	3,082

Factors affecting future tax charges

Changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2015 on 26 October 2015. These include reductions to the main rate to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020. A further change to the UK corporation tax rate was substantively enacted as part of the Finance Bill 2016 on 6 September 2016. This includes a reduction in the main rate to reduce the rate to 17% from 1 April 2020. This will reduce the Group's future current tax charge accordingly.

Deferred taxes at the reporting date have been measured using the enacted tax rates and reflected in these financial statements.

Deferred tax

Group

The Group has deferred tax assets recognised at 17% (2015 - 20%). The Group's net deferred tax asset is summarised as follows:

	2016 £ 000	2015 £ 000
Deferred tax assets	8,332	6,299
Deferred tax liabilities	(1,255)	(733)
	7,077	5,566

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

12 Income tax (continued)

Deferred tax movement during the year:

	At 1 October 2015 £ 000	Recognised in income £ 000	Foreign exchange movements £ 000	Recognised in equity £ 000	At 30 September 2016 £ 000
Accelerated tax depreciation	2,774	1,352	-	-	4,126
Other items	1,973	133	249	(90)	2,265
Tax losses carry-forwards	819	(133)	-	-	686
Net tax assets/(liabilities)	5,566	1,352	249	(90)	7,077

Deferred tax movement during the prior year:

	At 1 October 2014 £ 000	Recognised in income £ 000	Foreign exchange movements £ 000	Recognised in equity £ 000	At 30 September 2015 £ 000
Accelerated tax depreciation	3,131	(357)	-	-	2,774
Other items	2,437	(327)	(47)	(90)	1,973
Tax losses carry-forwards	675	144	-	-	819
Net tax assets/(liabilities)	6,243	(540)	(47)	(90)	5,566

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 (2015 - £3,642,000) and £11,234,029 of unused tax losses (2015 - £12,812,000) for which no deferred tax asset is recognised in the Statement of Financial Position.

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

13 Property, plant and equipment

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation			
At 1 October 2014	4,746	39,248	43,994
Additions	408	10,031	10,439
Acquired through business combinations	-	622	622
Disposals	(71)	(3,291)	(3,362)
Foreign exchange movements	(82)	(1,142)	(1,224)
At 30 September 2015	5,001	45,468	50,469
Additions	277	10,952	11,229
Acquired through business combinations	-	32	32
Disposals	-	(742)	(742)
Foreign exchange movements	(314)	12,125	11,811
At 30 September 2016	4,964	67,835	72,799
Depreciation			
At 1 October 2014	618	11,969	12,587
Charge for year	158	9,681	9,839
Eliminated on disposal	(61)	(3,003)	(3,064)
Foreign exchange movements	(63)	(770)	(833)
At 30 September 2015	652	17,877	18,529
Charge for the year	243	11,764	12,007
Eliminated on disposal	-	(415)	(415)
Foreign exchange movements	206	6,927	7,133
At 30 September 2016	1,101	36,153	37,254
Carrying amount			
At 30 September 2016	3,863	31,682	35,545
At 30 September 2015	4,349	27,591	31,940
At 1 October 2014	4,128	27,279	31,407

Assets held under finance leases and hire purchase contracts

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

	2016 £ 000	2015 £ 000
Plant, fixtures and vehicles	1,304	986

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

14 Intangible assets

Group

	Goodwill £ 000	Contractual customer relationships £ 000	Computer software £ 000	Research and development £ 000	Total £ 000
Cost or valuation					
At 1 October 2014	374,015	-	3,613	27,452	405,080
Additions	-	-	851	9,069	9,920
Acquired through business combinations	-	3,733	-	-	3,733
Foreign exchange movements	124	-	-	(439)	(315)
At 30 September 2015	374,139	3,733	4,464	36,082	418,418
Additions	-	-	808	9,825	10,633
Acquired through business combinations	-	1,264	-	-	1,264
Disposals	-	-	-	(310)	(310)
Foreign exchange movements	(1,048)	691	516	2,854	3,013
At 30 September 2016	373,091	5,688	5,788	48,451	433,018
Amortisation					
At 1 October 2014	-	-	2,275	9,362	11,637
Amortisation charge	-	415	901	4,700	6,016
Foreign exchange movements	-	9	2	(155)	(144)
At 30 September 2015	-	424	3,178	13,907	17,509
Amortisation charge	-	686	716	5,628	7,030
Disposals	-	-	-	(309)	(309)
Impairment	63,853	-	-	875	64,728
Foreign exchange movements	-	208	459	2,732	3,399
At 30 September 2016	63,853	1,318	4,353	22,833	92,357
Carrying amount					
At 30 September 2016	309,238	4,370	1,435	25,618	340,661
At 30 September 2015	374,139	3,309	1,286	22,175	400,909
At 1 October 2014	374,015	-	1,338	18,090	393,443

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

14 Intangible assets (continued)

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 4 year period to 30 September 2020.
- The cash flow projections included specific estimates for 4 years and 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 rate used was the Group's Weighted Average Cost of Capital ("WACC") of 12.47%.

The terminal growth rate for each Region was as follows:

	2016 %	2015 %
UK	2.27	2.32
Ireland	4.53	4.37
Nordics	1.93	1.90
Southern Europe	2.46	2.42
Australasia	3.22	3.32
North America	2.61	2.67

As a result of the above, an impairment of £63,853,716 was recognised in the Income Statement for the year ended 30 September 2016 (2015 - no impairment charge).

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 financial plans approved by the Board covering a 4 year period to 30 September 2020. The discount rate was the Group's Weighted Average Cost of Capital ("WACC") of 12.47%. The Directors have deemed that for certain projects, future discounted cash flows do not support the carrying value of the asset. As such, an impairment of £875,129 was recognised for the year ended 30 September 2016 (2015 - £nil).

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

14 Intangible assets (continued)

Acquisitions during the year

Lifeline Hawaii Services

On 6 January 2016, the Group acquired the trade and assets of Lifeline Hawaii Services Inc, for a consideration of $650,000, of which $65,000 is deferred and subject to performance conditions. The principal activity of Lifeline Hawaii Services Inc is that of a Connected Care product and service provider serving Hawaii, USA.

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

	2016 £ 000
Fair value of assets and liabilities acquired	
Identifiable intangible assets	485
Satisfied by:	
Cash	437
Contingent consideration arrangement	48
Total consideration transferred	485

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

14 Intangible assets (continued)

Ozcare

On 31 May 2016, the Group acquired the trade and assets of Ozcare Limited for a cash consideration of $380,000AUS. The principal activity of Ozcare Limited is that of an aged care and community support services provider in Australia.

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

	2016 £ 000
Assets and liabilities acquired	
Property, plant and equipment	33
Identifiable intangible assets	183
Total identifiable assets	216
	-
Total consideration	216
Satisfied by:	
Cash	216

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

14 Intangible assets (continued)

Lifeline Emergency Response Services
On 8 June 2016, the Group acquired the trade and assets of Lifeline Emergency Response Services Inc, for a cash consideration of $750,000. The principal activity of Lifeline Emergency Response Services Inc is that of a a Connected Care product and service provider serving Orange County, California, USA.

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

	2016 £ 000
Fair value of assets and liabilities acquired	
Identifiable intangible assets	596
Satisfied by:	
Cash	596

15 Investments

Group Investments

	2016 £ 000	2015 £ 000
At beginning of year	176	176
Impairment of investments	(170)	-
Additions	-	16
Disposals	-	(11)
Adjustment in carrying value	-	(5)
	6	176

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

15 Investments (continued)

Summary of the Company investments

	2016 £ 000	2015 £ 000
Investments in subsidiaries	-	9,628

Subsidiaries	**£ 000**
Cost or valuation	
At 1 October 2014	9,628
At 30 September 2015	9,628
At 30 September 2016	9,628
Provision	
At 1 October 2014	-
At 30 September 2015	-
Provision	9,628
At 30 September 2016	9,628
Carrying amount	
At 30 September 2016	-
At 30 September 2015	9,628
At 1 October 2014	9,628

During the year, the Directors have reviewed the carrying value of investments. As the carrying value of investments is not supported by the net assets of the subsidiary undertaking, an impairment loss of £9,628,000 has been recognised in the Income Statement for the year ended 30 September 2016.

At 30 September 2016, the Company's investments are as follows (* indicates direct investment of the Company rather than via a subsidiary):

All shares held are Ordinary Shares unless otherwise stated.

Name of subsidiary	Principal activity	Country of Incorporation	% Shareholding
TGH Investments Limited*	Intermediate holding company	England	100%
TGH Finance Limited	Intermediate holding company	England	100%
TGH Acquisitions Limited	Intermediate holding company	England	100%
Tunstall Group Holdings Limited	Intermediate holding company	England	100%
Tunstall Group Finance Limited	Intermediate holding company	England	100%
Tunstall Group Acquisition Limited	Intermediate holding company	England	100%
Tunstall Holdings Limited	Intermediate holding company	England	100%
Tunstall Monitoring Limited	Non-trading entity	England	100%
Blythmore Limited	Intermediate holding company	England	100%

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

15 Investments (continued)

Name of subsidiary	Principal activity	Country of Incorporation	% Shareholding
Tunstall Group Limited	Intermediate holding company	England	100%
Tunstall Healthcare (UK) Limited	Marketing, installation and service of community alarms	England	100%
Tunstall Trustee Company Limited	Non-trading entity	England	100%
Tunstall Employee Benefit Trust	Employee Benefit Trust	England	100%
Emergency Response Limited	Marketing, installation and service of community alarms	Ireland	100%
Tunstall Group Holding GmbH	Intermediate holding company	Germany	100%
Tunstall GmbH	Installation of community alarms and hospital communications systems	Germany	100%
Tunstall AG	Marketing, installation and service of community alarms	Switzerland	100%
Vitaris Response BV	Monitoring of community alarms	Holland	100%
Tunstall BV	Marketing, installation and service of community alarms	Holland	100%
Tunstall SA	Marketing, installation and service of community alarms	Belgium	100%
Tunstall Group Holding AB	Intermediate holding company	Sweden	100%
Vitaris Iberia SL	Non-trading entity	Spain	100%
Tunstall Management AB	Non-trading entity	Sweden	100%
Tunstall Nordic AB	Intermediate holding company	Sweden	100%
Tunstall AB	Marketing, installation and service of community alarms	Sweden	100%
Tunstall Sweden AB	Marketing, installation and service of community alarms	Sweden	100%
Tunstall AS	Marketing, installation and service of community alarms	Denmark	100%
Tunstall OY	Marketing, installation and service of community alarms	Finland	100%
Mohinet Lahti	Marketing, installation and service of community alarms	Finland	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%
Vitaris France SAS	Intermediate holding company	France	100%
Tunstall Technologies	Monitoring of community alarms	France	100%
Vitaris SAS	Monitoring of community alarms	France	100%
Autonomie Et Assistance A Domicile Cannoises SARL	Monitoring of community alarms	France	100%
Tunstall Australasia Pty Limited	Sale and monitoring of community alarms and telehealth equipment	Australia	100%
Tunstall New Zealand Limited	Monitoring of community alarms	New Zealand	100%

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

15 Investments (continued)

Name of subsidiary	Principal activity	Country of Incorporation	% Shareholding
Tunstall New Zealand Trust	Non-trading entity	New Zealand	100%
Tunstall Taiwan Co Limited	Non-trading entity	Taiwan	100%
Monitor AMA Holdco Corp.	Intermediate holding company	US	100%
American Medical Alert Corp.	Monitoring of community alarms and medical call centre activities	US	100%
Alpha Message Centre Acquisition Corp.	Monitoring of community alarms and medical call centre activities	US	100%
American Mediconnect Acquisition Corp.	Monitoring of community alarms and medical call centre activities	US	100%
Answer Connecticut Acquisition Corp.	Monitoring of community alarms and medical call centre activities	US	100%
HCI Acquisition Corp.	Monitoring of community alarms and medical call centre activities	US	100%
Live Message America Acquisition	Monitoring of community alarms and medical call centre activities	US	100%
MD On Call Acquisition Corp.	Monitoring of community alarms and medical call centre activities	US	100%
NM Call Centre Inc.	Monitoring of community alarms and medical call centre activities	US	100%
North Shore Answering Service Inc.	Monitoring of community alarms and medical call centre activities	US	100%
Safe Com Inc.	Monitoring of community alarms and medical call centre activities	US	100%
Tunstall Canada Inc.	Sale and monitoring of community alarms and telehealth equipment	Canada	100%
Saludnova Solutions S.L.	Telehealth	Spain	51%
La Saleta S.L.	Sale and monitoring of community alarms and provider of healthcare response services	Spain	75%
UTE Pais vasco GSR/Televida	Sale and monitoring of community alarms and provider of healthcare response services	Spain	85%
UTE Barcelona/Ayto.	Sale and monitoring of community alarms and provider of healthcare response services	Spain	100%
Fundación Televida	Social Foundation	Spain	100%
Whitley Securities Limited	Non-trading entity	England	100%
Tunstall Electronics Limited	Non-trading entity	England	100%
Tunstall Response Limited	Non-trading entity	England	100%

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

16 Other financial assets

	Group		
	2016	2015	2014
	£ 000	£ 000	£ 000
Non-current financial assets			
Security deposits	234	-	-

17 Inventories

	Group		
	2016	2015	2014
	£ 000	£ 000	£ 000
Raw materials and consumables	2,540	2,535	1,831
Work in progress	375	181	1,427
Contract work in progress	1,178	1,269	1,191
Finished goods and goods for resale	11,145	10,141	10,734
	15,238	14,126	15,183

The cost of Group inventories recognised as an expense in the year amounted to £50,434,269 (2015 - £59,622,792).

The amount of write-down of Group inventories recognised as an expense in the year is £462,525 (2015 - £82,464).

Both of the above costs are included within cost of sales.

18 Trade and other receivables

Current

	Group		
	2016	2015	2014
	£ 000	£ 000	£ 000
Trade receivables	30,532	35,863	36,200
Prepayments and other receivables	14,566	8,247	8,542
	45,098	44,110	44,742

The fair value of those trade and other receivables classified as financial instrument loans and receivables are disclosed in the financial instruments note 24.

The Group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the financial instruments note 24.

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

19 Trade and other payables

	Group		
	2016	2015	2014
	£ 000	£ 000	£ 000
Trade payables	15,485	16,242	14,940
Accrued expenses	33,254	23,861	23,336
	48,739	40,103	38,276

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments note 24.

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 24.

20 Provisions

	Warranties £ 000	Legal proceedings £ 000	Restructuring £ 000	Total £ 000
At 1 October 2015	859	-	-	859
Charged in the year	714	347	1,721	2,782
Provisions used	(647)	(7)	(113)	(767)
Provisions released	(170)	(11)	-	(181)
Foreign exchange differences	117	-	-	117
At 30 September 2016	873	329	1,608	2,810

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.

Restructuring
During the year, the Group committed to an initiative to deliver significant cost and operational efficiencies to support the implementation of the Group's growth strategy. As a result, the Group recognised a provision of £1,608,100. The restructuring is expected to be completed in the year ended 30 September 2017.

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 2016 (continued)

21 Loans and borrowings

	Group		
	2016 £ 000	2015 £ 000	2014 £ 000
Current loans and borrowings			
Bank borrowings	5,739	63,060	368
Finance lease liabilities	486	273	543
	6,225	63,333	911

Current bank borrowings are stated, net of debt issue costs of £1,914,000 (2015 - £2,007,000).

	Group		
	2016 £ 000	2015 £ 000	2014 £ 000
Non-current loans and borrowings			
Bank borrowings	292,624	259,697	328,618
Finance lease liabilities	803	768	513
	293,427	260,465	329,131

Non-current bank borrowings are stated, net of debt issue costs of £5,745,779 (2015 - £7,659,601).

	Company	
	2016 £ 000	2015 £ 000
Non-current loans and borrowings		
Amounts owed to subsidiary undertakings	223	76
	223	76

The Group's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in the financial instruments note 24.

22 Loan notes

Non-current liabilities

	Group		
	2016 £ 000	2015 £ 000	2014 £ 000
Loan notes			
Loan notes	1,151,490	922,511	783,848
	1,151,490	922,511	783,848

Loan notes are stated, net of debt issue costs of £566,635 (2015 - £794,591).

The loan notes classified as financial instruments are disclosed in the financial instruments note 24.

The Group's exposure to market and liquidity risk; including maturity analysis, in respect of loan notes is disclosed in the financial instruments note 24.

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

23 Obligations under leases and hire purchase contracts

Group

Finance leases

2016	Minimum lease payments £ 000	Present value £ 000
Within one year	486	486
In two to five years	803	803
	1,289	1,289

2015	Minimum lease payments £ 000	Present value £ 000
Within one year	273	273
In two to five years	768	768
	1,041	1,041

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

	2016 £ 000	2015 £ 000
Current liabilities	486	273
Non-current liabilities	803	768
	1,289	1,041

Operating leases

At 30 September 2016, the Group had the following operating lease commitments:

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

	2016 £ 000	2015 £ 000
Within one year	5,418	4,924
In two to five years	12,189	9,598
In over five years	2,037	2,506
	19,644	17,028

The amount of non-cancellable operating lease payments recognised as an expense during the year was £4,266,045 (2015 - £4,787,510).

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

24 Financial instruments

Group

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

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible.

The following tables show the carrying amounts and fair values of the Group's financial assets and liabilities:

Financial assets

Loans and receivables

At 30 September 2016

	Carrying value £ 000	Fair value £ 000
Cash and cash equivalents	48,742	48,742
Trade and other receivables	45,098	45,098
Security deposits	234	234
	94,074	94,074

At 30 September 2015

	Carrying value £ 000	Fair value £ 000
Cash and cash equivalents	42,479	42,479
Trade and other receivables	44,109	44,109
	86,588	86,588

Financial liabilities

Financial liabilities at amortised cost

At 30 September 2016

	Carrying value £ 000	Fair value £ 000
Trade and other payables	(48,739)	(48,739)
Loans and borrowings	(299,652)	(299,652)
Loan notes	(1,151,490)	(1,151,490)
Equity Bridge Loan Guarantee fee	(202,574)	(202,574)
	(1,702,455)	(1,702,455)

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

24 Financial instruments (continued)

At 30 September 2015

	Carrying value £ 000	Fair value £ 000
Trade and other payables	(40,103)	(40,103)
Loans and borrowings	(323,798)	(323,798)
Loan notes	(922,511)	(922,511)
Equity Bridge loan Guarantee fee	(82,776)	(82,776)
	(1,369,188)	(1,369,188)

Borrowings

The Group has the following facilities:

Senior Term Loans (B1 and B2)
The B1 Term Loan amounts to £90m and is repayable in full on 18 October 2020 and bears interest at 5.0% per annum above LIBOR. The B2 Term Loan amounts to €240m and is repayable in full on 18 October 2020 and bears interest at 4.5% per annum above EURIBOR.

The carrying value of term loans at the reporting date is £298,362,512 (2015 - £260,236,192). Accrued interest on term loans amounted to £7,652,782 (2015 - £2,453,533).

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

Equity Bridge Loan
The Group had an Equity bridge Loan facility guaranteed by the Group's institutional shareholders which had a maturity of 30 September 2016. This replaced the previous Equity Bridge facility of £58,085,683 which was repaid on 10 March 2014 for a total of £60,346,147 (including accrued interest) and bore interest at six month LIBOR plus a margin of 1.80%. Interest was compounded semi-annually and paid on redemption of the loan. The loan was repaid on 30 September 2016.

The carrying value of the Equity Bridge Loan at the the reporting date is £nil (2015 - £62,521,997).

Equity Bridge Loan Guarantee fee
The Equity Bridge Loan facility was guaranteed by the institutional shareholders. In the event the guarantee was called upon, a guarantee fee became due to the guarantors amounting to the redemption value of the loan, compounded at 19% per annum from March 2008, less the amount of any interest paid in redeeming the Equity Bridge Loan. The guarantee fee meets the definition of a contingent liability provision in accordance with IAS 32 - 'Financial Instruments: Presentation' and is recognised on the Statement of Financial Position as a non-derivative financial instrument in accordance with IAS 39 - 'Financial Instruments: Recognition and Measurement'. The guarantee fee is repayable in 2098.

The carrying value of the guarantee fee at the reporting date is £202,573,938 (2015 - £82,776,487).

The guarantee fee has been included within other non-current financial liabilities in the Statement of Financial Position.

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

24 Financial instruments (continued)

Acquisition facility
The Group has an acquisition facility of £40m which expires on 18 October 2019 and bears interest at 4.5% per annum above LIBOR.

The amount drawn at the reporting date is £nil (2015 - £nil).

Revolving credit facility
The Group has a revolving credit facility of £20m which expires on 18 October 2019 and bears interest at 4.5% per annum above LIBOR.

The amount drawn at the reporting date is £543,434 (2015 - £444,775).

Loan notes
The Group has the following loan note facilities:

£245,723,340 of the Unsecured Investor and Management Loan Notes issued in April 2008 are redeemable at par on 3 April 2098 and bear interest at 16% per annum. Interest is compounded annually on 3 April and paid on redemption of the loan notes themselves.

£57,188,163 and £10,632,338 of the Unsecured Investor Loan Notes issued in December 2011 and February 2012 respectively are redeemable at par on 3 April 2098 and bear interest at 25% per annum. Interest is compounded annually and paid on redemption of the notes themselves.

£20,000,000 of the Secured Investor Loan Notes issued in September 2014 are redeemable at par on 3 April 2098 and bear interest at 25% (2015 - 20%) per annum. Interest is compounded annually and paid on redemption of the notes themselves.

£64,301,353 of the Unsecured Investor Loan Notes issued on 30 September 2016 are redeemable at par on 3 April 2098 and bear interest at 19% per annum. Interest is compounded annually and paid on redemption of the notes themselves.

The carrying value of the loan notes at the the reporting date is £1,151,490,211 (2015 - £922,510,504).

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

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

24 Financial instruments (continued)

Financial risk management and impairment of financial assets (continued)

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 trade 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 Note 4.

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 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

2016	Maximum amount of exposure £ 000	Provision for doubtful debt £ 000	Carrying value £ 000
Trade and other receivables	56,042	(10,944)	45,098

2015	Maximum amount of exposure £ 000	Provision for doubtful debt £ 000	Carrying value £ 000
Trade and other receivables	46,335	(2,225)	44,110

Past due and impaired financial assets

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

Age of trade receivables that are past due but not impaired	Group 2016 £ 000	Group 2015 £ 000
Up to 3 months	8,136	10,189
3 months to 1 year	1,341	6,041
	9,477	16,230

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

24 Financial instruments (continued)

Financial risk management and impairment of financial assets (continued)

Age of impaired trade receivables	Group 2016 £ 000	2015 £ 000
3 months to 1 year	5,230	2,225
Over 1 year	5,714	-
	10,944	2,225

Movement in provision for doubtful debt

2016	Provision for doubtful debt £ 000
At start of year	(2,225)
Charge to the Income Statement	(9,423)
Utilised during the year	916
Other movement	(212)
At end of year	(10,944)

The charge for the year includes exceptional charges of £9,025,040 (2015 - £nil) in respect of US aged debt.

2015	Provision for doubtful debt £ 000
At start of year	(1,027)
Charged to the Income Statement	(1,223)
Utilised during the year	25
At end of year	(2,225)

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 69% of the Group's revenues in non-sterling currencies. As a result the Group is exposed to foreign exchange risk, principally against the Euro, US dollar and Swedish Kroner.

The Group's strategy is to mitigate the transactional and translation risk through natural hedges. In respect of the Euro exposure this is managed through the Euro denomination of one of the Group's term loans.

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

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

24 Financial instruments (continued)

Financial risk management and impairment of financial assets (continued)

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

At 30 September 2016

	Impact on EBITDA £ 000	Impact on Equity £ 000
EUR (Sterling weakens by 10%)	2,688	6,411
EUR (Sterling strengthens by 10%)	(2,199)	(5,246)
USD (Sterling weakens by 10%)	467	128
USD (Sterling strengthens by 10%)	(383)	(106)
SKR (Sterling weakens by 10%)	601	3,014
SKR (Sterling strengthens by 10%)	(491)	(2,466)

At 30 September 2015

	Impact on EBITDA £ 000	Impact on Equity £ 000
EUR (Sterling weakens by 10%)	2,746	4,970
EUR (Sterling strengthens by 10%)	(1,764)	(4,067)
USD (Sterling weakens by 10%)	356	1,348
USD (Sterling strengthens by 10%)	(204)	(1,104)
SKR (Sterling weakens by 10%)	443	2,845
SKR (Sterling strengthens by 10%)	(275)	(2,329)

Interest rate risk

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

The risk of interest rate increases is managed through a number of interest rate hedges as described below which fix interest rates relating to approximately 75% of the borrowing.

Assuming that all other variables (in particular foreign exchange rates) remain constant, an increase in the interest rate of 0.5% per annum would decrease profit and equity by £1,398,989 (2015 - £1,195,283).

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

24 Financial instruments (continued)

Financial risk management and impairment of financial assets (continued)

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 weekly basis. The Group's working capital is reviewed on a monthly basis. The Group operates within a cashflow cover financial covenant ensuring that the operating cashflow of the business after payment of taxes and investments in capital expenditure is sufficient to meet the debt service requirements of the Group.

The Group has a revolving credit facility of £20m which can be drawn down to meet short-term financing needs. The amount drawn down at the reporting date is £543,434 (2015 - £444,775).

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

Maturity analysis

2016	Within 1 year £ 000	Between 1 and 2 years £ 000	Between 2 and 5 years £ 000	After more than 5 years £ 000	Total £ 000
Trade and other payables	(48,739)	-	-	-	(48,739)
Deferred income	(8,091)	-	-	-	(8,091)
Loan notes	-	-	-	(1,151,490)	(1,151,490)
Bank borrowings	(5,739)	-	(292,626)	-	(298,365)
Finance lease liabilities	(486)	(804)	-	-	(1,290)
Equity Bridge Loan Guarantee fee	-	-	-	(202,574)	(202,574)
Derivative financial instruments	(274)	-	-	-	(274)
	(63,329)	(804)	(292,626)	(1,354,064)	(1,710,823)

2015	Within 1 year £ 000	Between 1 and 2 years £ 000	Between 2 and 5 years £ 000	After more than 5 years £ 000	Total £ 000
Trade and other payables	(40,103)	-	-	-	(40,103)
Deferred income	(9,460)	-	-	-	(9,460)
Loan notes	-	-	-	(922,511)	(922,511)
Bank borrowings	(63,060)	-	-	(259,698)	(322,758)
Finance lease liabilities	(273)	(767)	-	-	(1,040)
Equity Bridge Loan Guarantee fee	-	-	-	(82,776)	(82,776)
Derivative financial instruments	(1,170)	-	-	-	(1,170)
	(114,066)	(767)	-	(1,264,985)	(1,379,818)

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

25 Hedging instruments

Group

Cash flow hedges

In February 2014, the Group entered into interest rate swaps on £67.5m and €180m of borrowings with a maturity date of November 2016. The loan amounts above represented 75% of the total Senior Debt borrowings of £90m and €240m respectively. As the interest on the loans is variable, the cash flows payable on the loan fluctuate as interest rates change, introducing uncertainty and potential volatility into the cash flows of the Group. The Group has hedged this interest rate exposure by entering into the interest rate swaps below. The effect of the swaps is to adjust the overall interest rate profile from a floating rate to a fixed rate.

Derivative liabilities accounted for as cash flow hedges

2016	Fair value of instrument at reporting date £ 000	Carrying value of instrument at reporting date £ 000	Carrying value of hedged item £ 000
Swap contract	(274)	(274)	(298,363)

2015	Fair value of instrument at reporting date £ 000	Carrying value of instrument at reporting date £ 000	Carrying value of hedged item £ 000
Swap contract	(1,170)	(1,170)	(260,236)

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

26 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 2016, the Group paid regular contributions to the pension scheme of £nil (2015 - £nil) in respect of the defined benefits arrangements. Additional contributions of £1,100,000 (2015 - £995,000) have been paid in the period to reduce the pension deficit.

Contributions payable to the pension scheme at the end of the year are £92,000 (2015 - £83,000). The expected contributions to the plan for the next reporting period are £1,210,000.

The scheme was most recently valued on 5 April 2013. A full actuarial valuation of the scheme was carried out at 5 April 2013 and updated for IAS 19 purposes to 30 September 2016 by a qualified actuary, independent of the scheme's sponsoring employer.

Risks

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

Inflation risk
The Group is exposed to changes in inflation rates. The Group's investment strategy includes investing in liability driven investment (LDI) solutions such as inflation swaps.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	2016 £ 000	2015 £ 000
Fair value of scheme assets	50,791	47,130
Present value of scheme liabilities	(87,192)	(67,366)
Defined benefit pension scheme deficit	(36,401)	(20,236)

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

26 Pension and other schemes (continued)

Scheme assets

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

	2016 £ 000	2015 £ 000
Fair value at start of year	47,130	47,720
Interest income	1,766	1,877
Return on plan assets, excluding amounts included in interest income/(expense)	3,113	(2,059)
Employer contributions	1,100	995
Benefits paid	(1,463)	(1,403)
Assets distributed on settlements	(855)	-
Fair value at end of year	50,791	47,130

Analysis of assets

The major categories of scheme assets are as follows:

	2016 £ 000	2015 £ 000
Cash and cash equivalents	85	29
Equity instruments	37,882	34,840
Debt instruments	12,824	12,261
	50,791	47,130

Actual return on scheme's assets

	2016 £ 000	2015 £ 000
Actual return on scheme assets	4,879	(182)

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

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

26 Pension and other schemes (continued)

Scheme liabilities

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

	2016 £ 000	2015 £ 000
Present value at start of year	67,366	65,369
Current service cost	2,511	2,555
Actuarial gains and losses arising from changes in demographic assumptions	(777)	(149)
Actuarial gains and losses arising from changes in financial assumptions	21,882	994
Actuarial gains and losses arising from experience adjustments	(1,304)	-
Benefits paid	(1,463)	(1,403)
Liabilities extinguished on settlements	(1,023)	-
Present value at end of year	87,192	67,366

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:

	2016 %	2015 %
Discount rate	2.25	3.80
Future pension increases	3.30	3.35
Inflation (RPI)	3.30	3.35

The mortality table used was 110% of SAPS Year of Birth Long CMI 2014 projections (2015 - SAPS Year of Birth Long CMI 2014 projections).

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

Post retirement mortality assumptions

	2016 Years	2015 Years
Current UK pensioners at retirement age - male	21.50	21.70
Current UK pensioners at retirement age - female	23.90	24.10
Future UK pensioners at retirement age - male	23.70	23.80
Future UK pensioners at retirement age - female	26.20	26.40

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

26 Pension and other schemes (continued)

Amounts recognised in the income statement

	2016 £ 000	2015 £ 000
Amounts recognised in operating profit		
Administrative expenses paid	168	-
Amounts recognised in finance income or costs		
Finance cost in respect of pensions	(745)	(678)
Total recognised in the Income Statement	(577)	(678)

Amounts taken to the Statement of Comprehensive Income

	2016 £ 000	2015 £ 000
Actuarial gains and losses arising from changes in demographic assumptions	777	149
Remeasurements of post employment benefit obligation	(21,882)	(994)
Actuarial gains and losses arising from experience adjustments	1,304	-
Return on plan assets, excluding amounts included in interest income/(expense)	3,113	(2,059)
Amounts recognised in the Statement of Comprehensive Income	(16,688)	(2,904)

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 5.1%.
- An increase in the inflation rate of 0.25% per annum would increase the liability by 3.9%.
- An increase in the life expectancy of 1 year would increase the liability by 2.6%.

The average duration of the defined benefit obligation at the period ended 30 September 2016 is 20 years (2015 - 20 years).

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 £3,224,065 (2015 - £3,866,000).

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

27 Share capital

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

	2016 No.	2016 £ 000	2015 No.	2015 £ 000
"A" Ordinary shares of £0.01 each	8,264,996	83	8,264,996	83
"B" Ordinary shares of £0.01 each	1,704,481	17	1,704,481	17
	9,969,477	100	9,969,477	100

Rights of shares
The A ordinary shares and B ordinary shares rank pari passu in all respects.

28 Reserves

Group

Nature of reserves

The reserve for the Group's treasury shares comprise the cost of the Group's shares held by the Group.

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

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

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

	Foreign currency translation £ 000	Accumulated losses £ 000	Total £ 000
Foreign currency translation gains/(losses)	12,807	-	12,807
Remeasurements of post employment benefit obligations	-	(16,688)	(16,688)
	12,807	(16,688)	(3,881)

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

	Foreign currency translation £ 000	Accumulated losses £ 000	Total £ 000
Foreign currency translation gains/(losses)	1,081	-	1,081
Remeasurements of post employment benefit obligations	-	(2,904)	(2,904)
	1,081	(2,904)	(1,823)

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

29 Contingent liabilities

At 30 September 2016, the Group had contingent liabilities in respect of performance bonds and other letters of credit entered into on behalf of its subsidiary undertakings totalling £543,434 (2015 - £444,755).

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

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

30 Related party transactions

Key management personnel

A controlling interest in the Company is held by Charterhouse General Partners (VIII) Limited by virtue of its 60.8% holding in the issued shares of the Company and Charterhouse General Partners (VIII) Limited is the ultimate controlling party of the Group.

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 11 (2015 - 9). Remuneration to key management personnel amounted to £2,305,062 (2015 - £1,483,096).

Charterhouse General Partners (VIII) Limited also holds 74% of the loan notes, the repayment and interest terms of which are disclosed in note 24. Fees of £107,000 were paid by the Company to Charterhouse General Partners (VIII) Limited in respect of management services for the year ended 30 September 2016 (2015 - £109,000).

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

31 Events after the financial period

On 17 March 2017 the Group's Acquisition Facility of £40m was cancelled and an agreement was reached with the Group's Senior Debt providers to reset the Group's financial covenants in order to provide additional flexibility to implement the Group's strategy at pace. The new financial covenants comprise a gross leverage ratio, liquidity and capital expenditure. The gross leverage and liquidity covenants are tested quarterly and will be tested for the first time on 31 March 2017. The capital covenant is an annual test and will be tested for the first time on 30 September 2017.

As a condition of the covenant reset agreement, the Group transferred 24.9% of its shareholding in TGH Acquisitions Limited to the Senior Debt providers and 25% to Management.

Following the agreement with the Group's Senior Debt providers to reset the financial covenants, the Group also undertook a capital restructuring exercise designed to simplify the group structure. As part of the process, on 17 March 2017, the Group changed its tax strategy in relation to claiming Group relief.

On 17 March 2017, the Equity Bridge Loan guarantee fee of £202,573,978, was waived by the Institutional Shareholders.

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

32 Transition to IFRS

These Consolidated financial statements, for the year ended 30 September 2016, are the first the Group has prepared in accordance with International Financial Reporting Standards ("IFRS"). For periods up to and including the year ended 30 September 2015, the Group prepared its Consolidated financial statements in accordance with United Kingdom Generally Accepted Accounting Principles ("UK GAAP").

Accordingly the Group has prepared Consolidated financial statements which comply with IFRS applicable for periods ending on or after 30 September 2016, together with the comparative period data as at and for the year ended 30 September 2015, as described in the summary of significant accounting policies. In preparing these Consolidated financial statements, the Group's opening Consolidated Statement of Financial Position was prepared as at 1 October 2014, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its UK GAAP Consolidated financial statements, including the Consolidated Statement of Financial Position as at 1 October 2014 and the Consolidated financial statements as at and for the year ended 30 September 2015.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Group has applied the following exemptions:

IFRS 3 - '*Business Combinations*'

IFRS 1 provides an optional exemption whereby a first-time adopter may elect not to apply IFRS 3 - 'Business Combinations' retrospectively to business combinations that occurred before the date of transition. The Group has decided to take advantage of this exemption and to not restate business combinations (including non-controlling interests) prior to the transition date.

IAS 21 - 'The Effects of Changes in Foreign Exchange Rates'

Upon transition to IFRS, a first time adopter may either:
• apply IAS 21 - 'The Effects of Changes in Foreign Exchange Rates' retrospectively and determine foreign exchange differences arising on the translation of a foreign operation to be recognised as a separate component of equity; or
• deem the cumulative foreign exchange differences to be zero at the date of transition.

The Directors have deemed the cumulative foreign exchange differences to be zero at the date of transition

IFRIC 18 - Transfers of assets from customers

A first-time adopter of IFRS can use the transitional provisions of IFRIC 18 - 'Transfers of assets from customers'. This means that IFRIC 18 may be applied prospectively from the date of transition to IFRS (1 October 2014 in the Group's case).

Alternatively, an entity may designate any date before the date of transition and apply IFRIC 18 to all transfers of assets on or after that date.

The Directors have applied IFRIC 18 prospectively from 1 October 2014.

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

32 Transition to IFRS (continued)

Consolidated Statement of Financial Position at 1 October 2014

	Note	Under UK GAAP £ 000	Effect of transition £ 000	Under IFRS £ 000
Non-current assets				
Property, plant and equipment	32.5, 32.6	31,980	(573)	31,407
Intangible assets	32.5, 32.4	393,265	178	393,443
Equity accounted investments		176	-	176
Deferred tax assets	32.10	5,399	1,781	7,180
		430,820	1,386	432,206
Current assets				
Inventories		15,183	-	15,183
Trade and other receivables	32.3, 32.8	52,716	(7,974)	44,742
Income tax asset		1,006	-	1,006
Cash and cash equivalents	32.8	40,702	16	40,718
		109,607	(7,958)	101,649
Current liabilities				
Trade and other payables	32.3, 32.9	(37,052)	(1,224)	(38,276)
Loans and borrowings	32.6	(669)	(242)	(911)
Income tax liability		(1,830)	-	(1,830)
Derivative financial instruments	32.7	-	(989)	(989)
Deferred income	32.3	(7,325)	(1,471)	(8,796)
Provisions		(553)	-	(553)
		(47,429)	(3,926)	(51,355)
Non-current liabilities				
Loans and borrowings	32.6	(328,622)	(509)	(329,131)
Loan Notes	32.8	(786,131)	2,283	(783,848)
Retirement benefit obligations		(17,649)	-	(17,649)
Other non-current financial liabilities	32.1	-	(63,064)	(63,064)
Deferred tax liabilities		(936)	-	(936)
		(1,133,338)	(61,290)	(1,194,628)
NET LIABILITIES		(640,340)	(71,788)	(712,128)
Equity				
Share capital		100	-	100
Share premium		9,566	-	9,566
Cash flow hedging reserve	32.7	-	(790)	(790)
Treasury share reserve	32.8	-	(227)	(227)
Accumulated losses		(650,582)	(70,771)	(721,353)
Equity attributable to owners of the Company		(640,916)	(71,788)	(712,704)
Non-controlling interests		576	-	576
TOTAL EQUITY		(640,340)	(71,788)	(712,128)

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

32 Transition to IFRS (continued)

Consolidated Statement of Financial Position at 30 September 2015

	Note	Under UK GAAP £ 000	Effect of transition £ 000	Under IFRS £ 000
Non-current assets				
Property, plant and equipment	32.5, 32.6	32,163	(223)	31,940
Intangible assets	32.2, 32.4, 32.5	374,967	25,942	400,909
Equity accounted investments		176	-	176
Deferred tax assets	32.10	4,792	1,507	6,299
		412,098	27,226	439,324
Current assets				
Inventories		14,126	-	14,126
Trade and other receivables	32.3, 32.8	51,911	(7,801)	44,110
Income tax asset		841	-	841
Cash and cash equivalents	32.8	42,463	16	42,479
		109,341	(7,785)	101,556
Current liabilities				
Trade and other payables	32.3, 32.9	(39,165)	(938)	(40,103)
Loans and borrowings		(63,079)	(254)	(63,333)
Income tax liability		(2,084)	-	(2,084)
Derivative financial instruments	32.7	-	(1,170)	(1,170)
Deferred income	32.3	(8,178)	(1,282)	(9,460)
Provisions		(859)	-	(859)
		(113,365)	(3,644)	(117,009)
Non-current liabilities				
Loans and borrowings	32.6	(259,698)	(767)	(260,465)
Loan notes	32.8	(924,794)	2,283	(922,511)
Retirement benefit obligations		(20,236)	-	(20,236)
Other non-current financial liabilities	32.1	-	(82,776)	(82,776)
Deferred tax liabilities		(733)	-	(733)
		(1,205,461)	(81,260)	(1,286,721)
NET LIABILITIES		(797,387)	(65,463)	(862,850)
Equity				
Share capital		100	-	100
Share premium		9,566	-	9,566
Foreign currency translation reserve		-	1,081	1,081
Cash flow hedging reserve	32.7	-	(426)	(426)
Treasury share reserve	32.8	-	(227)	(227)
Accumulated losses		(807,844)	(65,892)	(873,736)
Equity to owners of the Company		(798,178)	(65,464)	(863,642)
Non-controlling interests		792	-	792
TOTAL EQUITY		(797,387)	(65,463)	(862,850)

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

32 Transition to IFRS (continued)

Consolidated Income Statement for the year ended 30 September 2015

	Note	Under UK GAAP £ 000	Effect of transition £ 000	Under IFRS £ 000
Revenue	32.3	211,960	163	212,123
Cost of sales	32.3	(116,165)	205	(115,960)
Gross profit		95,795	368	96,163
Administrative expenses	32.2, 32.4, 32.9	(96,319)	26,155	(70,164)
Operating (loss)/profit		(524)	26,523	25,999
Analysed as:				
Operating profit before charging depreciation and amortisation and exceptional items ("EBITDA")		44,311	641	44,952
Depreciation and amortisation	32.2, 32.4	(41,883)	26,027	(15,856)
Exceptional Items	32.2	(2,952)	(145)	(3,097)
Finance income		10,402	(442)	9,960
Finance costs	32.1, 32.7	(161,065)	(21,048)	(182,113)
Net finance cost		(150,663)	(21,490)	(172,153)
Loss before tax		(151,187)	5,033	(146,154)
Income tax		(3,000)	(82)	(3,082)
Loss for the year		(154,187)	4,951	(149,236)
Remeasurements of post employment benefit obligations		(4,024)	1,120	(2,904)
Foreign currency translation gains/(losses)		1,166	(111)	1,055
Total comprehensive income for the year		(157,045)	5,960	(151,085)

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

32 Transition to IFRS (continued)

Notes to the reconciliation of equity as at 1 October 2014 and 30 September 2015 and loss for the year ended 30 September 2015

32.1 Guarantee Fee - Equity Bridge Loan

In 2008, the Group entered into an Equity Bridge Loan facility which was guaranteed by the institutional shareholders. In the event the guarantee is called upon a guarantee fee is due amounting to the principal of the loan and 19% interest backdated to March 2008. Under UK GAAP, the Group was not required to recognise the contingent liability in relation to the guarantee fee however under IFRS, the guarantee fee meets the definition of a contingent liability provision in accordance with IAS 32 - 'Financial Instruments: Presentation' and is recognised on the Statement of Financial Position as a non-derivative financial instrument in accordance with IAS 39 - 'Financial Instruments: Recognition and Measurement'. An amount of £63.1m has been recognised on the Statement of Financial Position as at 1 October 2014. An amount of £19.7m has been recognised within finance costs for the period ended 30 September 2015 with a liability of £82.8m recognised on the Statement of Financial Position as at 30 September 2015.

32.2 Business combinations

Under IFRS, there is no amortisation of Goodwill and therefore £26.4m previously charged has been credited to the Income Statement for the year ended 30 September 2015. In addition, and in accordance with IAS38 - 'Intangible assets', the Group has separately identified customer related intangible assets of £3.7m acquired via the Group's acquisitions in the year ended 30 September 2015. The amortisation for these intangibles amounted to £0.4m for the year ended 30 September 2015.

32.3 Revenue recognition

Under UK GAAP, some of the Group's software license revenue is recognised in full on contract signature. Under IAS 18 - 'Revenue Recognition', the Group is required to recognise software revenue over the life of the contract. Net assets amounted to £6.0m at 1 October 2014 and £6.3m at 30 September 2015 under UK GAAP. These have been de-recognised upon transition to IFRS. An amount of £0.3m has been charged to the Income Statement for the year ended 30 September 2015.

32.4 Research and development

Certain of the Group's Research and Development costs do not meet the capitalisation criteria of IAS38 - 'Intangible assets'. Previously capitalised costs of £1.1m have been recognised within Retained Earnings at 1 October 2014. Previously capitalised costs of £0.3m have been expensed in the Income Statement for the year ended 30 September 2015. An amortisation charge of £0.2m has been credited to the Income Statement for the year ended 30 September 2015.

32.5 Reclassification of computer software

Computer software meeting the definition of Intangible Assets in IAS 38 have been reclassified from Property Plant and Equipment. The carrying value of these assets at 30 September 2015 amounted to £1.3m (2014 - £1.3m). The amortisation charge for the year ended 30 September 2015 amounted to £0.9m.

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

32 Transition to IFRS (continued)

32.6 Recognition of finance leases

The Group has reclassified certain leases in relation to motor vehicles from operating leases to finance leases in accordance with IAS 17 - Leases, resulting in Property Plant and Equipment of £0.8m and a finance lease liability of £0.8m being recognised at 1 October 2014.

A depreciation charge in respect of these finance leases of £0.2m has been recognised in the Income Statement for the year ended 30 September 2015. Finance costs in respect of these finance leases of £0.2m have been recognised in the Income Statement for the year ended 30 September 2015. Property Plant and Equipment of £1.0m and a finance lease liability of £1.0m being recognised on the Statement of Financial Position as at 30 September 2015.

Operating lease expenses in respect of these motor vehicles of £0.2m have been credited to the Income Statement for the year ended 30 September 2015.

32.7 Interest rate swaps

Under UK GAAP, the Group was not required to recognise interest rate swaps on the Statement of Financial Position. Under IFRS, interest rate swaps meet the definition of derivative financial instruments and are recognised on the Statement of Financial Position. The fair value of the interest rate swaps at 1 October 2014 amounted to a liability of £1.0m and this has been recognised on the Statement of Financial Position with the corresponding adjustment to the Cash Flow Hedging Reserve.

Hedge accounting has been discontinued upon transition to IFRS. As such, the cash flow hedge reserve is being unwound from the transition date (1 October 2014) to maturity date (30 November 2016). The amount charged in the Income Statement for the year ended 30 September 2015 amounted to £0.5m.

The fair value of the interest rate swaps at 30 September 2015 amounted to liability of £1.2m. The change in fair value of the interest rate swaps of £0.2m has been charged to the Income Statement for the year ended 30 September 2015.

32.8 Consolidation of Employee Benefit Trust

Under IFRS, the Group has treated the Tunstall Employee Benefit Trust as a separate legal entity and included its results in the Group's consolidated financial statements. The Tunstall Employee Benefit Trust was not previously consolidated under UK GAAP.

32.9 Annual leave provision

Under IAS19 - 'Employee Benefits', the Group is required to recognise a liability of £2.2m in relation to holiday pay at 1 October 2014 and £1.8m at 30 September 2015. A credit of £0.4m has been recognised in the Income Statement for the year ended 30 September 2015. There was no such requirement to recognise a liability under UK GAAP.

32.10 Deferred tax

Transitional adjustments has resulted in the recognition of a deferred tax asset of £1.8m at 1 October 2014 and £1.5m at 30 September 2015.

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

32 Transition to IFRS (continued)

Transition to IFRS - Cash Flow Statement
The impact on transition to the cash balance is not material. As such, no separate reconciliation from UK GAAP to IFRS for the Cash Flow Statement is presented here.

Transition to FRS 101 - Company only
There are no adjustments required for the Company Statement of Financial Position as at 1 October 2014 and 30 September 2015 or Company Income Statement for the year ended 30 September 2015. As such, no separate reconciliation from UK GAAP to FRS 101 for Company only is presented here.