Tunstall Healthcare Group Limited

Directors' report and consolidated financial statements

Registered number 06495696

Year ended 30 September 2009

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2009

Principal activities

The company is a parent company and the principal activities of its subsidiary undertakings are the development, manufacture, marketing, installation, monitoring and service of telecare, telehealth and hospital systems

Business Review

In a year of global recession and financial market turmoil, Tunstall has experienced mixed results, seeing its UK and Australasian businesses grow year on year, but experiencing a decline in European markets Overall, revenues declined by 4% on last year, falling from £147 2 million to £141 8 million

Tunstall UK increased its revenues by 2% to £71 7 million Growth of 14% in the home solutions market (£3 5 million) came through the continued adoption of the benefits of telecare and growth in telehealth Assisted Living revenues fell by £1 7 million on last year, with continuation in the decline in the private developer markets which began in the second half of last year UK Service and monitoring revenues increased by 4% to £22 1 million Export sales to North America fell £0 8 million to £0 2 million, following the loss of our US distributor in 2008

In Europe, revenues fell by 10% from £72 2 million to £64 7 million Volumes in Spain reduced by 60% on 2008, reverting back to 2007 levels, resulting in a £6 7 million reduction in revenues 2008 benefited from a one-off contract with the City of Madrid, but the anticipated increase in volumes elsewhere within Spain, from the further adoption of the Spanish Law of Dependence, did not fully materialise as the country re-prioritised public spending in the face of financial constraints Danish revenues increased by £0 7 million following the acquisition of RTX Healthcare AS part way through 2008

The Asia Pacific region market saw revenue growth of 22% from £3 7 million to £4 5 million, mainly within the Australian market, which is showing promising signs of the adoption of multi-sensor telecare solutions and is running a number of pilots for telehealth systems

Summary of risks and uncertainties

Foreign exchange risk

The group operates within a number of international territories, invoicing in local currency, and sources its product in a number of currencies As such, the company is exposed to foreign exchange risk, principally against the Euro and US dollar The risk in relation to the Euro is managed through a natural hedge in respect of the denomination of bank borrowings of the parent companies The US dollar risk is managed through a series of foreign exchange contracts to purchase sufficient quantities of US dollars to meet production requirements

Interest rate risk

The group has a number of bank borrowings, as described in note 18, at fixed margins above LIBOR, Euribor and Stibor As disclosed in note 18, this risk is managed through a number of interest rate hedges, fixing interest rates relating to approximately 73% of the value of the bank borrowings

Credit risk

The company sells to both government and non-government customers and is therefore subject to credit risk The risk is managed through operating policies relating to credit approvals for non-government customers

Future Prospects

Although 2009 was a challenging year, Tunstall demonstrated that its UK and Australasian markets are robust, having posted overall revenue growth in a tumultuous economic climate Tunstall expects to continue to grow these markets, with further increase in telecare package content Following the success in the telehealth trials in Cornwall, Tunstall is forecasting further pilot schemes to be launched, and mainstreaming of those regions trialing through 2009 into volume deployment Both the telecare and telehealth solutions support the UK Department of Health's targeted saving through technology efficiencies

Whilst the European markets were more severely impacted by the recession, signs of recovery were evident in the last quarter of 2009 with order intake levels increasing

Directors' report *(continued)*

Future prospects *(continued)*

2010 sees the launch of Tunstall's range of next-generation, digital–ready telecare solutions, designed to give both service users and care providers more choice and flexibility These latest product releases include the digital-ready PNC6 call monitoring and management system and the IP Connect+, the latest addition to Tunstall's home telecare unit range, which for the first time gives service users the flexibility to communicate with monitoring centres using standard telephone, Internet and also GSM networks, all from a single home unit

Although the UK telephony network digitalisation programme was suspended during 2009, there is still a need to drive towards digital readiness and Tunstall is working with many of its customers to make the transition and plan for a programmatic approach to the replacement of non digital-ready solutions There will be renewed focus on the large corporate Private Developer market to ensure we are well placed to support the market recovery and resumption in new build community housing schemes

Research & Development

Despite the economic downturn, Tunstall invested £3 7 million in research & development, up 7% year on year, representing 2 6% of revenues (2008 2 3%) Tunstall has invested in the development of an IP platform to address the changing requirements of its customer base, together with researching the long term requirements in developing its product roadmap For the first time, certain items of expenditure have met the accounting standard criteria for capitalisation as disclosed in notes 1 and 10

KPI's

UK total orders on hand at £20 2 million are down £1 million (5%) on the opening orderbook level

As at September 2009, UK Assisted Living order coverage amounted to 55% of planned revenues for the first 6 months of 2009/10, compared with 57% in 2008/09

Overdue debt (accounts receivable balances beyond normal collection terms) amounted to £9 6 million, an increase £0 6 million on September 2008 Provisions against these balances have increased by £0 7 million to £3 3 million

Operating cash flow represented 116% of EBITDA *(period ended 30 September 2008 84%)*

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

Since the year end, the group has made a voluntary prepayment of £10 million against senior term loans

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

Results and dividends

The results for the year ending 30 September 2009 are set out on page 7 The group recorded an operating profit before amortisation of goodwill and operating exceptional items of £31 3 million *(period ended 30 September 2008 £18 1 million)* No interim or final dividend was paid or proposed *(period ended 30 September 2008 £nil)*

Directors

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

JE Greenhalgh	
G Prestia	
NA Duffy	
JP Buckley	(resigned 14 January 2010)
S Sadler	
R Moores	
M Miller	(appointed 18 August 2009)

Payments to suppliers

The company agrees payment terms and conditions with its suppliers according to local laws and generally accepted trading practices within its business and geographical region It is the company's normal practice to pay suppliers in accordance with these terms provided that the suppliers meet their obligations

Trade creditors represent 32 days purchases *(period ended 30 September 2008 52 days)*

Directors' report *(continued)*

Financial Instruments

The group uses financial instruments including cash, borrowings, forward currency contracts and interest rate swaps, the main purpose of which are to raise finance for the group's activities and to manage currency and interest rate risks It is the group's policy not to enter into trading of a speculative nature in financial instruments Further detail is given in note 18 to the financial statements

Disabled employees

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

Employee consultation

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

Political and charitable donations

During the year, the group contributed £1,142 *(period ended 30 September 2008 £nil)* to charity

No political contributions were made *(period ended 30 September 2008 £nil)*

Disclosure of information to auditors

The directors who hold office at the date of approval of this directors' report confirm that, so far as the are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

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

By order of the board

N Duffy
Company Secretary

Whitley Lodge
Whitley Bridge
Doncaster
DN14 0HR

26 January 2010

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

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditors' report to the members of Tunstall Healthcare Group Limited

We have audited the financial statements ("the financial statements") of Tunstall Healthcare Group Limited for the year ended 30 September 2009 set out on pages 7 to 37 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 30 September 2009 and of the group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report to the members of Tunstall Healthcare Group Limited
(continued)

Matters on which we are required to report by exception

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

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

PN Meehan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

26 January 2010

Consolidated profit and loss account
for the year ended 30 September 2009

	Note	Year ended 30 September 2009 £000	Period ended 30 September 2008 £000
Turnover	2	**141,755**	75,530
Operating profit before amortisation of goodwill and operating exceptional items ("EBITA")		**31,268**	18,147
Amortisation of goodwill		**(24,463)**	(12,174)
Operating exceptional items	3	**(4,610)**	(587)
Operating profit	3	**2,195**	5,386
Share of operating profits/(losses) of associates	12	**92**	(12)
Profit on ordinary activities before interest		**2,287**	5,374
Interest receivable	7	**188**	70
Interest payable	8	**(87,533)**	(33,281)
Loss on ordinary activities before taxation	4	**(85,058)**	(27,837)
Tax on loss on ordinary activities	9	**937**	92
Loss for the financial year	21	**(84,121)**	(27,745)

All of the turnover and results for the current year and preceding period arise from continuing activities

Consolidated balance sheet
at 30 September 2009

	Note	2009 £000	£000	2008 £000	£000
Fixed assets					
Intangible assets	*10*		**453,723**		477,079
Tangible assets	*11*		**12,685**		13,240
Investment in associates	*12*		**-**		(108)
			466,408		490,211
Current assets					
Stocks	*13*	**14,954**		16,071	
Debtors	*14*	**26,395**		35,912	
Cash at bank and in hand		**27,070**		17,810	
		68,419		69,793	
Creditors amounts falling due within one year	*15*	**(81,687)**		(41,847)	
Net current (liabilities)/assets			**(13,268)**		27,946
Total assets less current liabilities			**453,140**		518,157
Creditors: amounts falling due after more than one year	*16*		**(555,032)**		(534,859)
Provisions for liabilities and charges	*19*		**(1,877)**		(1,736)
Net liabilities before net pension liabilities			**(103,769)**		(18,438)
Net pension liabilities	*23*		**(9,023)**		(973)
Net liabilities			**(112,792)**		(19,411)
Capital and reserves					
Called up share capital	*20*		**98**		97
Share premium account	*21*		**9,566**		9,566
Profit and loss account	*21*		**(122,456)**		(29,074)
Equity shareholders' deficit			**(112,792)**		(19,411)

These financial statements were approved by the board of directors on 26 January 2010 and were signed on its behalf by

S Sadler
Director

N Duffy
Director

Company registered number 6495696

Company balance sheet
at 30 September 2009

	Note	**2009**		2008	
		£000	**£000**	£000	£000
Fixed assets					
Investments	*12*		**9,628**		9,628
Current assets					
Debtors	*14*	**39**		35	
Net current assets			**39**		35
Total assets, being net assets			**9,667**		9,663
Capital and reserves					
Called up share capital	*20*		**98**		97
Share premium account	*21*		**9,566**		9,566
Profit and loss account	*21*		**3**		-
Equity shareholders' funds			**9,667**		9,663

These financial statements were approved by the board of directors on 26 January 2010 and were signed on its behalf by

S Sadler
Director

N Duffy
Director

Consolidated statement of total recognised gains and losses
for the year ended 30 September 2009

	Year ended 30 September 2009 £000	Period ended 30 September 2008 £000
Loss for the financial year	**(84,121)**	(27,745)
Exchange gains/(losses) on the retranslation of net investments and related borrowings	**(1,032)**	(1,288)
Actuarial loss on pension scheme	**(8,229)**	(41)
Total recognised gains and losses relating to the financial year	**(93,382)**	(29,074)

Reconciliation of movements in equity shareholders' (deficit)/funds
for the year ended 30 September 2009

	Year ended 30 September 2009		Period ended 30 September 2008	
	Group £000	**Company £000**	Group £000	Company £000
(Loss)/profit for the financial year	**(84,121)**	**3**	(27,745)	-
Other recognised gains and losses relating to the year (net)	**(9,261)**	**-**	(1,329)	-
New share capital subscribed (net of issue costs)	**1**	**1**	9,663	9,663
Net (reduction in)/addition to shareholder's funds	**(93,381)**	**4**	(19,411)	9,663
Opening equity shareholders' funds	**(19,411)**	**9,663**	-	-
Closing equity shareholders' (deficit)/funds	**(112,792)**	**9,667**	(19,411)	9,663

Consolidated cash flow statement
for the year ended 30 September 2009

	Note	Year ended 30 September 2009 £000	Period ended 30 September 2008 £000
Net cash inflow from operating activities	*(iii)*	**41,217**	16,788
Returns on investments and servicing of finance	*(iv)*	**(24,260)**	(1,540)
Taxation		**(2,252)**	(1,177)
Capital expenditure	*(v)*	**(3,868)**	(1,297)
Acquisitions	*(vi)*	**16**	(168,029)
Net cash inflow/(outflow) before financing		**10,853**	(155,255)
Financing	*(vii)*	**(3,743)**	172,258
Net cash inflow		**7,110**	17,003

Notes to the consolidated cash flow statement
for the year ended 30 September 2009

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

	Year ended 30 September 2009 £000	Period ended 30 September 2008 £000
Increase in cash	**7,110**	17,003
Cash flow from increase in debt	**8,741**	(162,595)
Movement in net debt resulting from cash flows	**15,851**	(145,592)
Debt acquired with subsidiaries	**-**	(347,698)
Loan note and other interest added to principal	**(49,600)**	(29,129)
Amortisation of debt issue costs	**(1,623)**	(812)
Exchange adjustments	**(19,040)**	(2,694)
Movement in net debt	**(54,412)**	(525,925)
Opening net debt	**(525,925)**	-
Closing net debt	**(580,337)**	(525,925)

(ii) Analysis of changes in net debt

	At 1 October 2008 £000	Cash flow £000	Other non-cash movements £000	Exchange adjustments £000	**At 30 September 2009 £000**
Cash at bank and in hand	17,810	7,110	-	2,150	**27,070**
Debt due within one year	(8,708)	8,504	(52,047)	-	**(52,251)**
Debt due after more than one year	(534,718)	62	824	(21,190)	**(555,022)**
Hire purchase contracts due within one year	(168)	175	(131)	-	**(124)**
Hire purchase contracts due after more than one year	(141)	-	131	-	**(10)**
	(543,735)	8,741	(51,223)	(21,190)	**(607,407)**
Net debt	(525,925)	15,851	(51,223)	(19,040)	**(580,337)**

Other non cash movements of £51,223,000 include £49,600,000 capitalising interest and amortisation of debt issue costs of £1,623,000 The movement of £52,047,000 into debt due within one year includes the reclassification of the Equity Bridge loan facility of £48,851,000 which matures on 4 April 2010 (see note 18)

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

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

	Year ended 30 September 2009 £000	Period ended 30 September 2008 £000
Operating profit before exceptional items	6,805	5,973
Cash outflow in respect of exceptional items	(1,814)	(587)
Loss on disposal of fixed assets	156	161
Depreciation charges	4,233	1,841
Amortisation of goodwill	24,463	12,174
Decrease/(increase) in stocks	806	(1,579)
Decrease in debtors	9,016	1,273
Decrease in creditors	(2,448)	(2,468)
Net cash inflow from operating activities	41,217	16,788

(iv) Returns on investments and servicing of finance

	Year ended 30 September 2009 £000	Period ended 30 September 2008 £000
Interest received	117	70
Interest paid	(24,377)	(1,610)
	(24,260)	(1,540)

(v) Capital expenditure

	Year ended 30 September 2009 £000	Period ended 30 September 2008 £000
Purchase of intangible fixed assets	(1,004)	-
Purchase of tangible fixed assets	(2,945)	(1,323)
Sale of tangible fixed assets	81	26
	(3,868)	(1,297)

(vi) Acquisitions

	Year ended 30 September 2009 £000	Period ended 30 September 2008 £000
Purchase of subsidiary undertaking	-	(184,020)
Cash acquired with subsidiary undertaking	-	15,991
Refund of legal fees overpaid	16	-
	16	(168,029)

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

(vii) Financing

	Year ended 30 September 2009 £000	Period ended 30 September 2008 £000
Issue of ordinary share capital	**1**	9,663
Issue of unsecured loan notes	**-**	245,700
New bank borrowings	**-**	273,500
Debt issue costs paid	**(62)**	(7,716)
Repayment of bank borrowings	**(3,507)**	(348,784)
Repayment of hire purchase contracts	**(175)**	(105)
	(3,743)	172,258

Notes
(forming part of the financial statements)

1 Accounting polıcies

The followıng accountıng polıcıes have been applıed consıstently ın dealıng wıth ıtems whıch are consıdered materıal ın relatıon to the company's financıal statements

Basıs of preparation

The financıal statements have been prepared ın accordance wıth applıcable accountıng standards and under the hıstorıcal cost accountıng rules

Going concern

The dırectors acknowledge that at 30 September 2009 the group had net lıabılıtıes of £112,792,000 Thıs was after classıfyıng, ın accordance wıth UK GAAP, unsecured subordınated shareholder loan notes and related ıssue costs of £307,130,000 as borrowıngs

Havıng consıdered the cash flow forecasts of the group whıch take account of reasonably possıble changes ın tradıng performance, the dırectors are of the opınıon that the group wıll have suffıcıent funds to meet ıts lıabılıtıes as they fall due for payment for at least 12 months from the date of these financıal statements In reachıng theır conclusıon, the dırectors have consıdered the group's bankıng facılıtıes, ıncludıng covenants and tımıng of repayments Accordıngly, the dırectors have prepared these financıal statements on a goıng concern basıs

Basis of consolıdatıon

The consolıdated financıal statements ınclude the financıal statements of the company and ıts subsıdıary undertakıngs made up to 30 September 2009, under the acquısıtıon method of accountıng Under thıs method, the results of the subsıdıary undertakıngs acquıred or dısposed of ın the year are ıncluded ın the consolıdated profit and loss account from the effectıve date of acquısıtıon or up to the date of dısposal

An assocıate ıs an undertakıng ın whıch the group has a long term ınterest, usually from 20% to 50% of the equıty votıng rıghts, and over whıch ıt exercıses sıgnıficant ınfluence The group's share of the profits less losses of assocıates ıs ıncluded ın the consolıdated profit and loss account and ıts ınterest ın theır net assets ıs ıncluded ın ınvestments ın the consolıdated balance sheet

The company ıs exempt under s408 of the Companıes Act 2006 from the requırement to present ıts ındıvıdual profit and loss account The company's result for the year ıs show ın the notes to the financıal statements

Related party transactıons

The company has taken advantage of the exemptıon wıthın FRS 8 not to dısclose transactıons wıth other members of the group

Goodwill

Purchased goodwıll arısıng on busıness combınatıons ıs capıtalısed Posıtıve goodwıll ıs amortısed to nıl by equal annual ınstalments over ıts estımated useful lıfe, deemed to be 20 years

Negatıve goodwıll ıs ıncluded wıthın fixed assets and released to the profit and loss account ın the perıods ın whıch the faır values of the non-monetary assets purchased on the same acquısıtıon are recovered, whether through deprecıatıon or sale

Investments in subsıdıary and associate undertakings

Investments ın subsıdıary and assocıated undertakıngs are stated at cost ın the company balance sheet. Investments ın assocıated undertakıngs are stated at the group's share of the net assets of each assocıate ın the consolıdated balance sheet

Notes *(continued)*

1 Accounting policies *(continued)*

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold property	-	2% straight line
Plant, fixtures and vehicles	-	10% - 33% straight line

No depreciation is provided on freehold land

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Stocks

Stocks are stated at the lower of cost and net realisable value on a first in, first out basis Work in progress and finished goods include an appropriate proportion of attributable labour and overheads

Installation contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years Provision is made for any losses as soon as they are foreseen

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account

Payments received on account in excess of work done and work in progress are included within creditors

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market Liquid resources comprise of term deposits of less than one year

Foreign currencies

Trading results of overseas subsidiaries and associated undertakings are translated using average exchange rates ruling during the financial year The balance sheets of overseas undertakings are translated using the rate of exchange ruling at the balance sheet date Exchange differences arising from these translations are taken to reserves, net of exchange differences on related foreign currency borrowings

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Notes *(continued)*

1 Accounting policies *(continued)*

Borrowings

Borrowings are initially stated at the fair value of the consideration received after deduction of issue costs Issue costs, together with finance costs, are charged to the profit and loss account over the expected term of the borrowings

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group), and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Government grants

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

Turnover

Turnover is stated net of value added tax, trade discounts and returns

Maintenance and monitoring income is recognised on a straight line basis over the contract life Rental income is recognised on a straight line basis over the period of the lease All other sales are recognised on despatch or on the transfer of legal title

Pension costs

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

Regular valuations are prepared by independent professionally qualified actuaries These determine the level of contributions required to fund the benefits set out in the rules of the scheme and allow for the periodic increase on pensions in payment

Notes *(continued)*

1 Accounting policies *(continued)*

Pension costs (continued)

The regular service cost of providing retirement benefits to employees during the year, together with the cost of benefits to relating to past service is charged to operating profit in the year

A credit representing the expected return on the assets of the scheme and a charge representing the increase in the liabilities of the scheme during the year give the net return on the pension scheme and is included as a finance charge or credit within interest

Differences between actual and expected return on assets during the year are reflected in the statement of total recognised gains and losses in the year together with differences arising from changes in assumptions

In addition, a stakeholder scheme is in operation in the UK and various defined contribution schemes are in operation in other countries

The assets of these schemes are held separately from those of the company in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Research and development expenditure

Development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are not expected to exceed related future sales and adequate resources exist to enable the project to be completed

Other development expenditure and research expenditure is written off to the profit and loss account in the year in which it is incurred

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences, except as otherwise required by FRS 19

Notes *(continued)*

2 Segmental information

	Year ended 30 September 2009			Period ended 30 September 2008		
	Turnover	**Profit before interest and tax**	**Net assets/ (liabilities)**	Turnover	Profit before interest and tax	Net assets/ (liabilities)
	£000	**£000**	**£000**	£000	£000	£000
Analysis by country of origin						
UK	**71,696**	**23,565**	**3,138**	36,398	13,320	15,365
Sweden	**16,160**	**1,238**	**(237)**	9,200	1,335	341
Germany	**17,599**	**3,313**	**12,799**	8,790	1,772	12,856
Other European countries	**30,945**	**(529)**	**3,549**	18,618	2,031	3,946
Rest of the world	**5,355**	**(837)**	**(4,396)**	2,524	(910)	(1,292)
	141,755	**26,750**	**14,853**	75,530	17,548	31,216
Amortisation of goodwill	-	**(24,463)**	-	-	(12,174)	-
	141,755	**2,287**	**14,853**	75,530	5,374	31,216
Share of net liabilities of associated undertaking			**(27)**			(108)
Goodwill			**452,719**			475,276
Net interest bearing liabilities			**(580,337)**			(525,795)
			(112,792)			(19,411)

	Year ended 30 September 2009	Period ended 30 September 2008
	£000	£000
Analysis of turnover by country of destination		
United Kingdom	**71,038**	34,701
Germany	**15,917**	7,956
Sweden	**15,920**	9,019
Other European countries	**32,042**	19,758
Rest of the world	**6,838**	4,096
	141,755	75,530

The directors consider there is only one class of business

Notes *(continued)*

3 Costs and overheads

	Year ended 30 September 2009 £000	Period ended 30 September 2008 £000
Movement in stocks	**1,117**	(1,579)
Raw materials and consumables	**44,690**	24,888
Other external charges	**24,786**	14,204
Staff costs	**40,271**	18,616
Depreciation and amortisation	**28,696**	14,015
	139,560	70,144

Included in other external charges are operating exceptional items of £4,610,000, including £2,267,000 relating to provision against asset values of the French subsidiary, Biotel SA, and subsequent restructuring costs, £927,000 in relation to redundancy and restructuring costs elsewhere in the business, £673,000 specific bad debt provision, £440,000 provision against restructure of Asia Pacific businesses and £289,000 legal costs relating to a supplier arbitration hearing

During the year, management identified issues on the recoverability of trading balances in the Biotel SA subsidiary, which led to a thorough re-appraisal of activities in the French market, including impairment of trading assets and restructuring of operations This resulted in the £2,267,000 exceptional charge referred to above

Included within other external charges in 2008 were operating exceptional items of £587,000 relating to closure of non-core businesses (£344,000) and field replacement warranty costs (£243,000)

4 Loss on ordinary activities before taxation

	Year ended 30 September 2009 £000	Period ended 30 September 2008 £000
***Loss on ordinary activities before taxation is stated** after charging /(crediting)*		
Loss on disposal of fixed assets	**156**	161
Amounts receivable by auditors and their associates in respect of		
Audit of these financial statements	**2**	2
Audit of financial statements of subsidiaries pursuant to legislation	**288**	142
Other services relating to taxation	**84**	36
Remuneration of other subsidiary advisors	**29**	15
Research and development costs	**2,664**	1,712
Operating lease rentals		
Land and buildings	**1,087**	437
Plant, machinery and vehicles	**2,502**	1,140

Remuneration of £144,000 was paid to the group's auditors in respect of other services in 2009

Notes *(continued)*

5 Remuneration of directors

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

	Year ended 30 September 2009 £000	Period ended 30 September 2008 £000
Directors' emoluments	**731**	282
Pension contributions in relation to money purchase schemes	**-**	14
Amounts paid to third parties for directors' services	**150**	80
	881	376
Highest paid director		
Emoluments	**292**	132
Accrued defined benefit pension entitlement	**25**	21

Three directors *(period ended 30 September 2008 three)* accrued benefits under the group's defined benefit pension scheme in respect of qualifying services during the year No directors *(period ended 30 September 2008 nil)* accrued benefits under defined contribution schemes

6 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows

	Number of employees	
	Year ended 30 September 2009	Period ended 30 September 2008
Production and distribution	**438**	464
Sales and administration	**640**	657
Research and development	**57**	54
	1,135	1,175

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	**33,676**	15,589
Social security costs	**4,677**	2,316
Other pension costs	**1,918**	711
	40,271	18,616

Notes *(continued)*

7 Interest receivable and similar income

	Year ended 30 September 2009 £000	Period ended 30 September 2008 £000
Bank interest	**117**	70
Financial income in respect of pensions	**71**	-
	188	70

8 Interest payable and similar charges

	Year ended 30 September 2009 £000	Period ended 30 September 2008 £000
On hire purchase contracts	**24**	18
On bank loans and overdrafts	**23,693**	11,740
On all other loans	**45,262**	18,981
Retranslation of foreign currency denominated borrowings	**21,162**	1,726
All other exchange (gains)/losses	**(4,231)**	-
Amortisation of debt issue costs	**1,623**	812
Finance charge in respect of pensions	**-**	4
	87,533	33,281

Notes *(continued)*

9 Taxation

Analysis of credit in period

	Year ended 30 September 2009 £000	Period ended 30 September 2008 £000
UK corporation tax		
Current tax	-	-
Adjustments in respect of prior period	33	(2,360)
	33	(2,360)
Overseas tax		
Current tax	937	2,568
Adjustments in respect of prior period	(1,185)	97
	(248)	2,665
Total current tax	(215)	305
Deferred tax (note 18)		
Origination and reversal of timing differences	(310)	(321)
Adjustments in respect of prior period	(412)	(76)
Total deferred tax	(722)	(397)
Tax credit on loss on ordinary activities	(937)	(92)

Factors affecting the tax charge for the period

The current tax charge for the year is higher *(period ended 30 September 2008 charge is higher)* than the standard rate of corporation tax in the UK of 28% *(period ended 30 September 2008 28%)* The differences are explained below

	Year ended 30 September 2009 £000	Period ended 30 September 2008 £000
Current tax reconciliation		
Loss on ordinary activities before tax	(85,058)	(27,837)
Current tax at 28% *(period ended 30 September 2008 28%)*	(23,816)	(7,794)
Effects of		
Expenses not chargeable for tax purposes	7,715	3,796
Increase/(decrease) in overseas tax losses carried forward	143	(341)
Excess depreciation over capital allowances	242	356
Overseas tax – rate differences	175	267
Goodwill amortisation not deductible for tax purposes	6,826	3,531
Adjustments in respect of prior periods	(1,185)	97
Other timing differences	4,807	393
Increase in UK tax losses carried forward	4,878	-
Total current tax (charge)/credit (see above)	(215)	305

Notes *(continued)*

9 Taxation *(continued)*

Factors affecting future tax charges

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

10 Intangible fixed assets

Group

	Research and development expenditure £000	Goodwill £000	Total £000
Cost			
At beginning of year	-	489,253	489,253
Adjustment to carrying value of goodwill	-	103	103
Additions	1,004	-	1,004
At end of year	1,004	489,356	490,360
Amortisation			
At beginning of year	-	12,174	12,174
Charged in year	-	24,463	24,463
At end of year	-	36,637	36,637
Net book value			
At 30 September 2009	**1,004**	**452,719**	**453,723**
At 30 September 2008	-	477,079	477,079

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises The goodwill is being amortised over a period of twenty years, being the directors' best estimate of its useful economic life

In accordance with FRS 10 "Goodwill and Intangible Assets", the directors have completed a review of fair value adjustments made on the acquisition of Tunstall Group Holdings Limited on 3 April 2008 The following adjustments have been made

- Increase in the provision for doubtful debts following re-assessment of the recovery of certain receivables £479,000
- Release of warranty provision no longer considered necessary £360,000
- Refund of legal fees overpaid in respect of the acquisition of RTX Healthcare AS (£16,000)

The capitalised research and development expenditure of £1,004,000 relates to the development of a technical and architectural framework which will allow the business to develop the next generation of platforms capable of both meeting and setting the standards within the health and social care environment across the world The project is ongoing and is expected to be completed by early 2010 and, as such, no amortisation has been charged in the year

Once completed, the project costs will be amortised over four years, being the expected useful life of the first generation of associated products

Notes *(continued)*

10 Intangible fixed assets *(continued)*

On 7 September 2009, Tunstall Australasia Pty Limited entered into an agreement with Care Services Inc, for the phased transfer of the latter's monitoring clients to Tunstall Under the terms of the agreement, a payment of AU$180 is payable for each former private client of Care Services who remains a client of Tunstall as at 28 February 2010, or corporate client who remains a customer at 31 March 2010 Tunstall made an initial deposit of AU$50,000 to acquire the private client list and rental alarms of Care Services Inc This payment has been included within fixed assets

During the year ended 30 September 2009, 500 private clients were transferred On 1 October 2009, the corporate client list was acquired and a further 1,200 corporate clients transferred The maximum additional amount payable under the terms of the agreement would be AU$256,000 However, due to the uncertainty as to the extent of the likely payment given the recent acquisition, management have not made provision for contingent consideration in these financial statements

11 Tangible fixed assets

Group

	Freehold property £000	Plant, fixtures and vehicles £000	Total £000
Cost			
At beginning of year	4,915	9,798	14,713
Additions	-	2,945	2,945
Disposals	-	(1,166)	(1,166)
Currency movements	-	2,766	2,766
At end of year	4,915	14,343	19,258
Depreciation			
At beginning of year	70	1,403	1,473
Charge for year	162	4,071	4,233
Disposals	-	(929)	(929)
Currency movements	-	1,796	1,796
At end of year	232	6,341	6,573
Net book value			
At 30 September 2009	**4,683**	**8,002**	**12,685**
At 30 September 2008	4,845	8,395	13,240

Included within plant, fixtures and vehicles are assets held under finance leases with a net book value of £122,000 *(2008 £302,000)* The depreciation charge for the year on these assets was £180,000 *(2008 £270,000)*

12 Investments

Company

	Share in subsidiary undertakings £000
At beginning and end of year	9,628

Notes *(continued)*

12 Investments *(continued)*

Group

	Share of net liabilities £000
Associated undertakings	
At beginning of year	(108)
Share of profits of associate	92
Currency movement	(11)
Transferred to provisions for liabilities and charges (see note 19)	27
At end of year	-

Details of the investments in subsidiary and associated undertakings are shown on page 37

13 Stocks

Group

	2009 £000	2008 £000
Raw materials	**1,259**	1,280
Work in progress	**1,655**	2,443
Contract work in progress	**1,289**	2,583
Finished goods	**10,751**	9,765
	14,954	16,071

14 Debtors

	2009 Group £000	Company £000	2008 Group £000	Company £000
Trade debtors	**19,832**	-	28,198	-
Amounts recoverable on contracts	-	-	2,687	-
Amounts owed by subsidiary undertakings	-	**39**	-	35
Other debtors	**2,260**	-	1,043	-
Prepayments	**1,598**	-	2,027	-
Deferred tax (note 19)	**2,705**	-	1,957	-
	26,395	**39**	35,912	35

Of the deferred tax asset of £2,705,000 *(2008 £1,957,000)* an amount of £96,000 *(2008 £144,000)* is recoverable within one year

The amounts owed by subsidiary undertakings are repayable on demand and bear interest at a rate which reflects the cost of borrowings to the group

During the year, the group aligned its invoicing policy on contract work in progress with the revenue recognition policy As a result, the amounts recoverable on contracts is £Nil *(2008 £2,687,000)*

Notes *(continued)*

15 Creditors: amounts falling due within one year

	Group 2009 £000	2008 £000
Obligations under finance leases and hire purchase contracts (note 17)	**124**	168
Other borrowings (note 18)		
Bank loans	**52,251**	8,708
Trade creditors	**6,772**	9,086
Corporation tax	**265**	2,706
Other taxes and social security	**2,733**	3,198
Accruals and deferred income	**18,205**	16,893
Other creditors	**1,337**	1,088
	81,687	41,847

16 Creditors: amounts falling due after more than one year

	Group 2009 £000	2008 £000
Obligations under finance leases and hire purchase contracts (note 17)	**10**	141
Other borrowings (note 18)		
Bank loans	**247,892**	270,585
Shareholders' loan notes	**307,130**	264,133
	555,032	534,859

17 Obligations under hire purchase agreements

Group

	2009 £000	2008 £000
Amounts payable within one year	**124**	168
Amount payable within two to five years	**10**	141
	134	309

These borrowings are secured on the assets to which they relate

Notes *(continued)*

18 Other borrowings

	Bank loans	Unsecured subordinated loan notes	Total	Bank loans	Unsecured subordinated loan notes	Total
	£000	£000	£000	£000	£000	£000
Repayment terms						
Wholly within five years – not by instalments	48,851	-	48,851	50,626	-	50,626
Not wholly within five years – by instalments	173,398	-	173,398	158,311	-	158,311
Not wholly within five years – not by instalments	82,810	307,556	390,366	76,711	264,681	341,392
Unamortised issue costs	(4,916)	(426)	(5,342)	(6,355)	(548)	(6,903)
	300,143	307,130	607,273	279,293	264,133	543,426
Maturity						
On demand or within one year	52,373	(122)	52,251	8,708	-	8,708
Between one and two years	2,226	(122)	2,104	48,214	-	48,214
Between two and five years	21,042	(182)	20,860	15,174	-	15,174
After five years	224,502	307,556	532,058	207,197	264,133	471,330
	300,143	307,130	607,273	279,293	264,133	543,426

Notes *(continued)*

18 Other borrowings *(continued)*

The terms of the bank loans are as follows

Senior term loan A	
(i) (£5 7 million)	Repayable in defined instalments up to 4 April 2015 Bears interest at 2 75% per annum above LIBOR
(ii) (SEK 106 million)	Repayable in defined instalments up to 4 April 2015 Bears interest at 2 75% per annum above STIBOR
(iii) (€23 4 million)	Repayable in defined instalments up to 4 April 2015 Bears interest at 2 75% per annum above EURIBOR
Senior term loan B	
(i) (£4 million)	Repayable in full on 4 April 2016 Bears interest at 3 625% per annum above LIBOR
(ii) (SEK 197 million)	Repayable in full on 4 April 2016 Bears interest at 3 625% per annum above STIBOR
(iii) (€52 4 million)	Repayable in full on 4 April 2016 Bears interest at 3 625% per annum above EURIBOR
Senior term loan C	
C(i) (£20 million)	Repayable in full on 4 April 2017 Bears interest at 3 875% per annum above LIBOR
C(ii) (€50 6 million)	Repayable in full on 4 April 2017 Bears interest at 3 875% per annum above EURIBOR
Mezzanine term loan	
(i) (£50 6 million)	Repayable in full on 4 April 2018 Bears cash interest at 4 25% per annum above LIBOR and capitalising interest at 5 5% per annum
(ii) (€32 2 million)	Repayable in full on 4 April 2018 Bears cash interest at 4 25% per annum above EURIBOR and capitalising interest at 5 5% per annum
Shareholders' unsecured subordinated loan notes	Investor loan notes redeemable at par in 2098, management loan notes at par in 2033 Bear interest at 16% per annum
Equity bridge £48 9 million	Secured by shareholder guarantee until 31 March 2010 Bears interest at 0 75% above 6 month LIBOR to March 2009, increasing to 1 00% from March 2009 and 1 25% from September 2009
Security	
Senior and mezzanine term loans	Secured by a mortgage debenture incorporating a fixed and floating charge over the company and all its present and future subsidiaries together with an unlimited composite cross-guarantee structure

Hedging

Interest rate hedges have been entered into by the group, summarised as follows

£52 7 million at a fixed rate cap of 4 98% until 31 May 2011
£19 7 million at a fixed rate cap of 5 015% until 31 May 2010
€97 7 million at a fixed rate cap of 4 17% until 31 May 2011
€36 1 million at a fixed rate cap of 4 20% until 31 May 2010
SEK 245 million at a fixed rate cap of 4 51% until 31 May 2011

The fair value of these instruments as at 30 September 2009 is a liability of £10,326,500 *(2008 asset £715,000)*

The group has access to a revolving credit facility of £10 million which, other than ancillary amounts in the form of performance bonds referred to in note 22, has remained undrawn throughout the year Cash drawings bear interest at 2 75% per annum above LIBOR

Notes *(continued)*

19 Provisions for liabilities and charges

Group

	Provision for investment in associates £000	Warranty provision £000	Total £000
At beginning of year	-	(1,736)	(1,736)
Credit to the profit and loss account in the year	-	781	781
Utilised	-	(1,255)	(1,255)
Transferred from investments (see note 12)	(27)	-	(27)
Adjustment to fair value provision	-	360	360
At end of year	**(27)**	**(1,850)**	**(1,877)**

Deferred tax

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

	£000
At beginning of year	1,957
Credit to the profit and loss account in the year	722
Foreign exchange movement	26
At end of year	**2,705**

	2009 Recognised £000	Unrecognised £000	2008 Recognised £000	Unrecognised £000
Excess book depreciation over tax allowances on fixed assets	1,503	7	1,056	6
UK trading losses	-	5,006	-	-
Other timing differences	1,004	7,240	901	361
Overseas losses	198	27	-	-
	2,705	12,280	1,957	367

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, as disclosed in note 14

Notes *(continued)*

20 Called up share capital

	2009 £000	2008 £000
Authorised:		
8,264,996 "A" ordinary shares of £0 01 each	**83**	83
1,735,004 'B' ordinary shares of £0 01 each	**17**	17
	100	100
Allotted, called up and fully paid:		
8,264,996 "A" ordinary shares of £0 01 each	**83**	83
1,498,004 *(2008 1,398,004)* 'B" ordinary shares of £0 01 each	**15**	14
	98	97

On 18 August 2009, 100,000 "B" ordinary shares were issued at par for consideration of £1,000

Rights of shares

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

21 Reserves

Group

	Share capital £000	Share premium account £000	Profit and loss account £000
At beginning of year	97	9,566	(29,074)
Shares issued	1	-	-
Loss for the year	-	-	(84,121)
Currency movement	-	-	(1,032)
Actuarial loss on pension scheme	-	-	(8,229)
At end of year	**98**	**9,566**	**(122,456)**

Company

	Share capital £000	Share premium account £000	Profit and loss account £000
At beginning of year	97	9,566	-
Shares issued	1	-	-
Profit for the financial year	-	-	3
At end of year	**98**	**9,566**	**3**

Details of share issues in the year are disclosed in note 20

Notes *(continued)*

22 Guarantees and other financial commitments

At 30 September 2009, the group had the following commitments outstanding

(a) Operating lease commitments

	2009 Land and buildings	**Plant, machinery and vehicles**	2008 Land and buildings	Plant, machinery and vehicles
	2009	**2009**	2008	2008
	£000	**£000**	£000	£000
Minimum annual lease rentals under operating leases which expire				
Within one year	**155**	**676**	104	619
Within two to five years	**735**	**1,457**	581	1,285
After five years	**89**	**-**	105	16
	979	**2,133**	790	1,920

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

(b) Contingencies

In the event of the utilisation of the shareholder guarantee over the equity bridge loan facility referred to in note 18, a fee would become due to those shareholders who have provided the guarantee This fee would not be payable until the earlier of either a sale of the group or the redemption of the shareholder instruments which would replace the bridge loan The maximum amount of this fee is £19 million if the guarantee is utilised at the final maturity of the bridge loan in March 2010

At 30 September 2009, the group had contingent liabilities in respect of performance bonds totalling £1,280,000 *(2008 £1,233,000)* given by the group's bankers

(c) Security

The assets of the group are pledged by TGH Finance Limited to their bankers as security against loans

Notes *(continued)*

23 Pension scheme

The group contributes to a number of pension schemes for its employees Details of the significant schemes are as follows

The group operates a funded pension scheme (Tunstall Group Limited Pension Fund ('TGLPF')) providing retirement and death benefits for UK employees of the group based on final pensionable pay and the assets of the scheme are held in self-administered trust funds separate from the group assets The scheme was closed to new entrants from 1 January 2002, with new employees offered defined contribution arrangements under the company stakeholder scheme A full actuarial valuation of the scheme was carried out at 5 April 2007 and updated for FRS 17 purposes to 30 September 2009 by a qualified independent actuary

During the year ended 30 September 2009, the group paid regular contributions to the pension plan of £520,000 *(2008 £543,000)* in respect of the defined benefits arrangements Contributions for the year ended 30 September 2010 are expected to be £696,000

The group also paid £1,506,000 *(2008 £1,177,000)* in respect of defined contribution arrangements The accrued contributions at the end of the financial year were £62,000 *(2008 £58,000)*

FRS 17 valuation of the TGLPF scheme

Scheme assets are stated at fair value at 30 September 2009 and the liabilities of the scheme have been assessed as at the same date

The major assumptions used to calculate the scheme liabilities under FRS 17 are

	2009	2008
Rate of increase in salaries	**3.10%**	3 40%
Rate of increase in pensions in payment and deferred pensions	**3.10%**	3 40%
Discount rate applied to scheme liabilities	**5 50%**	6 80%
Inflation assumption	**3 10%**	3 40%

In each year, the mortality table used was PA92 Medium Cohort plus 1 year age adjustment

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

Notes *(continued)*

23 Pension scheme *(continued)*

The fair value of the assets in the scheme which are not intended to be realised in the short term and may be subject to significant change before they are realised and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were

	Long term rate of return 2009 %	**Value at 30 September 2009 £000**	Long term rate of return 2008 %	Value at 30 September 2008 £000
Equities	**8.00%**	**-**	8 00%	11,264
Bonds	**5.50%**	**32,519**	6 80%	19,039
Other	**0 50%**	**88**	5 00%	34
		32,607		30,337
Present value of scheme liabilities		**(41,630)**		(31,310)
Deficit in the scheme		**(9,023)**		(973)
Related deferred tax asset (unrecognised)		**2,526**		272
Net deficit		**(6,497)**		(701)

Movements in fair value of plan assets

	2009 £000	2008 £000
At beginning of year	**30,337**	31,432
Expected return on plan assets	**2,202**	1,995
Actuarial losses	**(99)**	(3,827)
Contributions		
By employer	**520**	1,643
By members	**255**	319
Benefits paid	**(608)**	(1,225)
At end of year	**32,607**	30,337

Movements in present value of defined benefit obligation

	2009 £000	2008 £000
At beginning of year	**(31,310)**	(33,524)
Current service cost	**(412)**	(479)
Interest cost	**(2,131)**	(1,999)
Actuarial (losses)/gains	**(8,130)**	3,786
Contributions by members	**(255)**	(319)
Benefits paid	**608**	1,225
At end of year	**(41,630)**	(31,310)

Notes *(continued)*

23 Pension scheme *(continued)*

Statement of total recognised gains and losses

	2009 £000	2008 £000
Actual return less expected return on assets	**(99)**	(3,827)
Changes in assumptions underlying the present value of the scheme liabilities	**(8,130)**	3,786
Actuarial loss recognised	**(8,229)**	(41)

Analysis of other pension costs charged in arriving at operating profit

	2009 £000	2008 £000
Current service cost	**412**	479

Analysis of amounts included in other finance costs

	2009 £000	2008 £000
Expected return on pension scheme assets	**2,202**	1,995
Interest on pension scheme liabilities	**(2,131)**	(1,999)
	71	(4)

History of plans

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

Balance sheet

	2009 £000	2008 £000
Present value of scheme liabilities	**(41,630)**	(31,310)
Fair value of scheme assets	**32,607**	30,337
Deficit	**(9,023)**	(973)

Notes *(continued)*

23 Pension scheme *(continued)*

Experience adjustments

	2009 £000	2008 £000
Experience adjustments on scheme assets	(99)	(3,827)
Experience adjustments on scheme liabilities	-	-

24 Related party disclosures

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 Charterhouse General Partners (VIII) Limited also holds 73 2% of the unsecured subordinated loan notes, the repayment and interest terms of which are disclosed in note 18 For the period to 31 July 2009, fees of £120,000 per annum were paid by the company to Charterhouse General Partners (VIII) Limited in respect of management services From 1 August 2009, these fees have been reduced to £50,000 per annum Where appropriate these fees are included in the amounts disclosed as directors' emoluments in note 5

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

25 Ultimate controlling party

The directors consider that funds managed by Charterhouse General Partners (VIII) Limited, a company incorporated in England, is the ultimate controlling party of the group

Principal subsidiary undertakings and associates

Subsidiary	Principal activity	Country of incorporation	% shareholding Direct	Via subsidiary
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 Finance Limited	Intermediate holding company	England		100%
Tunstall Group Acquisition Limited	Intermediate holding company	England		100%
Tunstall Holdings Limited	Intermediate holding company	England		100%
Tunstall Group Limited	Intermediate holding company	England		100%
Tunstall Healthcare (UK) Limited	Marketing, installation and service of community alarms	England		100%
Tunstall Iberica SA	Marketing, installation and service of community alarms	Spain		100%
Biotel SA	Marketing, installation and service of community alarms	France		100%
Tunstall AB	Marketing, installation and service of community alarms	Sweden		100%
Vitaris Response SAS	Monitoring of community alarms	France		100%
Tunstall GmbH	Installation of community alarms and hospital emergency communications systems	Germany		100%
Vitaris GmbH	Marketing, installation and service of community alarms	Germany		100%
Tunstall bv	Marketing, installation and service of community alarms	Holland		100%
Tunstall Taiwan Co Ltd	Marketing, installation service and monitoring of community alarms	Taiwan		100%
Associates				
Tunstall-Proazimut AIE	Installation of community alarms in Spain	Spain		51%

All holdings of equity shares are of a single ordinary class

Tunstall-Proazimut AIE has a year end of 31 December