Registration number: 06495696

Tunstall Healthcare Group Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 30 September 2017

Contents

Strategic Report for the Year Ended 30 September 2017

The Directors present their Strategic Report for the year ended 30 September 2017.

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.

Review of the business
Financial performance
Revenue for the year amounted to £240,617,000 (2016 - £220,635,000) and the Group's operating profit before charging depreciation, amortisation and exceptional items ("EBITDA") increased to £51,397,000 (2016 - £46,279,000). With approximately 72% (2016 - 69%) 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 Consolidated Income Statement is set out on page 15 of the financial statements reflecting the Group's loss for the financial year of £45,958,000 (2016 - £391,528,000). The significant improvement in financial performance is mainly due to the waiver of the Equity Bridge Guarantee Fee which resulted in a credit of £202,574,000 (2016 - loss of £119,797,000). Further details of the Equity Bridge Loan Guarantee Fee are provided in note 25.

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

UK & Ireland
Revenue in the UK has declined as a result of difficult trading conditions in the Assisted Living market which has seen significant pressure and contracted in year (11.5% reduction year on year), primarily driven by a reduction in private sector build plans. It is expected that the Assisted Living market will recover in 2018, with indicative private sector build plans returning to prior levels supported by our strong order book. EBITDA grew by 6.1% helped by cost savings generated as part of the Group's initiative to drive significant cost and operational efficiencies to support the implementation of the Group's growth strategy.

Nordics
17.8% Revenue (3.0% constant currency) and 14.0% EBITDA (7.3% constant currency) growth was achieved in the Nordics as a result of the ongoing digital switch over particularly in Sweden. The Assisted Living market is still impacted by the reallocation of local and regional government funds from residential elderly care to supporting a significant influx of refugees and migrants but we expect a gradual improvement next year. EBITDA benefited from cost savings achieved as part of the Group's cost saving initiative.

Southern Europe
7.6% Revenue and 6.0% EBITDA growth was achieved in Southern Europe however once the impact of a weakening sterling is removed this translates to a decline in Revenue and EBITDA of 2.6% and 2.8% respectively. The main reason for the decline is the full year impact of price reductions for our key contracts in Spain that were renewed in the previous year following competitive tender processes, this impact was partially mitigated by cost savings achieved as part of the Group's cost saving initiative.

Central Europe
Revenue and EBITDA grew by 15.9% and 20.6% respectively in Central Europe driven by strong high margin Nursecall sales in addition to cost savings delivered as part of the Group's cost saving initiative. Removing currency effects this translates into Revenue growth of 1.7% and EBITDA growth of 8.3%.

Strategic Report for the Year Ended 30 September 2017 (continued)

North America
Revenue and EBITDA growth was impacted by the sale of the Region's non-healthcare Telephone Answering Service ("TAS") in July following the Board's decision to divest as this business line was non-core to the Group's operations. As a result Revenue grew by 1.1% on a constant currency basis and EBITDA growth was flat year on year. Two further acquisitions were successfully completed during the period, Southern Oklahoma in January 2017 for £340,000 and the Providence Health System Personal Emergency Response Program in August 2017 for £2,286,000 the benefits from which will be seen next year.

Australasia
As in the previous year 37.9% Revenue and 11.1% EBITDA growth was achieved in Australasia through growth in Independent Living driven by Australia's National Broadband Network's Medical Alarm Subsidy Scheme which is due to complete in early 2018. Removing currency effects this translates into Revenue growth of 23.8% and EBITDA growth of 4.7%.

Depreciation and amortisation
The Group's depreciation charge in the year increased to £13,307,000 (2016 - £12,007,000) 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 £5,970,000 (2016 - £5,628,000) 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 is providing to its customers.

Amortisation of customer related and computer software intangible assets amounted to £1,722,000 (2016 - £1,402,000). 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 £12,054,000 in the year ended 30 September 2017 (2016 - £18,513,000). This principally comprised ongoing costs relating to the recovery of US aged debt and associated business process reengineering (£1,684,000), costs associated with the Group's initiative to drive significant cost and operational efficiencies to support the implementation of the Group's growth strategy (£5,148,000), and costs associated with the successful restructuring of the Group's Senior Debt in March 2017 (£2,673,000) in addition to other restructuring costs. More details are provided in note 8 of the financial statements.

Goodwill impairment
The Directors have reviewed the carrying value of Goodwill. An impairment charge of £23,795,000 (2016 - £63,853,000) has been recognised in the year ended 30 September 2017.

Net finance costs
Net finance costs for the year decreased to £34,752,000 (2016 - £335,511,000). This principally comprises £207,018,000 of interest accrued on the Group's long-term subordinated shareholder and management loans (2016 - £164,450,000), a credit of £202,574,000 in relation to the Equity Bridge Loan Guarantee fee (2016 - loss of £119,797,000), and £21,300,000 interest payable on the Group's Senior debt and Equity Bridge loan (2016 - £18,366,000). In addition to this, in the current year, there was a foreign exchange loss of £4,220,000 principally in relation to the Euro denominated Senior Term Loan (2016 - foreign exchange loss of £31,153,000).

Strategic Report for the Year Ended 30 September 2017 (continued)

Taxation
The Group recorded an income tax expense of £5,808,000 (2016 - income tax expense of £89,000). Despite the loss on ordinary activities before tax of £40,150,000 (2016 - £391,439,000), 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 and disposals
During the year, the Group acquired the trade and assets of two Connected Care Providers in North America. During the year, the Group also sold the trade and assets of its non-healthcare Telephone Answering Services ("TAS") companies in North America. A profit on disposal of £3,058,000 has been recognised in the financial statements for the year ended 30 September 2017.

Cash flow
Cash generated from operations decreased to £35,088,000 compared with £35,628,000 in the previous year. Operating cash flow represented 68.3% of EBITDA (2016 - 77.0 %) with the decline due to the timing of working capital cash flows including the settlement of exceptional costs.

Net interest paid almost entirely relates to serving the Group's Senior debt and amounted to £16,512,000 (2016 - £10,297,000) with the increase due to a change in interest periods mid-way through the prior year (being paid bi-annually rather than monthly) and the additional interest paid on the revolving credit facility ("RCF"). Interest on the Equity Bridge Loan was compounded bi-annually and paid on redemption of the loan on 30 September 2016 via 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 £27,081,000 (2016 - £23,158,000) increased as the Group continued to invest in its growth strategy. The main areas of expenditure included development of new products, software and services of £6,815,000 (2016 - £9,825,000) in addition to investment in equipment installed in service users homes as part of a Managed Service arrangement of £10,016,000 (2016 - £8,636,000).

Funding
The Group continues to enjoy considerable financial resources with a cash balance at 30 September 2017 amounting to £34,072,000 (2016 - £48,742,000).

In the prior year, the Group had a syndicated Senior debt arrangement in place with £90m and €240m term loans together with a £40m acquisition facility and £20m 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.

On 17 March 2017 an agreement was reached to restructure the Group's Senior Debt including resetting the Group's financial covenants in order to provide additional flexibility to implement the Group's strategy at pace. As a result of the restructure of the Group's Senior Debt, both the B1 and B2 Term Loans now include a Payment-In-Kind ("PIK") margin of 3% compounded on a 6 monthly basis and is payable at the earlier of a shareholder divestment of the Group or on repayment of the Term Loans on 18th October 2020. The Company's acquisition facility of £40m was cancelled on 17 March 2017.

The new financial covenants comprise a gross leverage ratio, liquidity and capital expenditure tests. The gross leverage and liquidity covenant tests are quarterly and monthly respectively and were tested for the first time on 31 March 2017. The capital covenant is an annual test and was tested for the first time on 30 September 2017. The Group complied with these covenants throughout the year. Further details of loans including repayment terms are provided in note 25 of these financial statements.

Strategic Report for the Year Ended 30 September 2017 (continued)

As a condition of the covenant reset agreement, the Group's subsidiary undertaking, TGH Acquisitions Limited issued additional shares to the Senior Debt providers and to Management. Senior Debt providers hold 24.9% of the shareholding of TGH Acquisitions Limited and Management hold 25% of the shareholding. Further details of the shareholdings can be found in the financial statements of TGH Acquisitions Limited.

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's structure which resulted in the settlement and waiving of a number intercompany balances. In addition and as a result of the issue of shares in TGH Acquisitions Limited to the Senior Debt providers and Management the Group also changed its tax strategy in relation to claiming Corporation Tax group relief as a result of the creation of a new tax sub-group and resultant restrictions on certain Group Companies being able surrender losses to other Group Companies.

Note 25 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 £64,301,000. The Equity Bridge Loan facility was guaranteed by the institutional shareholders. At 30 September 2016, the carrying value of the Guarantee fee was £202,574,000 and was included within other non-current financial liabilities in the Statement of Financial Position.

The Equity Bridge Loan Facility was repaid on 30 September 2016, at which point the guarantee fee became due to the guarantors amounting to the redemption value of the loan, compounded at 19% per annum from March 2008. Also at 30 September 2016, the guarantors agreed that the fee and the date at which the fee would become due, would be deferred and would not become due until such time as the guarantors agreed. As the fee itself was deferred, no interest accrued.

On 17 March 2017, the Equity Bridge Loan Guarantee fee of £202,574,000, was waived by the Institutional Shareholders. This has been credited to finance income in the Income Statement for the year ended 30 September 2017.

Note 23 provides details of the Group's long-term subordinated shareholder loans amounting to £1,358,651,000 (2016 - £1,151,490,000). 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 25.

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 2017 amounting to £34,072,000 (2016 - £48,742,000).

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, and further amended 12 February 2018, 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 2017 (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	2017	2016
Revenue	£m	240.62	220.64
EBITDA	£m	51.40	46.28
Gross profit margin	%	44.58	45.15
EBITDA margin	%	21.36	20.98
Cash generated from operations	£m	35.09	35.63
Cash generated from operations % of EBITDA	%	68.27	76.99
Net cash flow	£m	(14.67)	6.26

- Revenue for the year of £240,617,000 (2016 - £220,635,000), increased as a result of trading and in particular the Nordics, Central Europe and Australasia Regions, in addition to the weakening of Sterling.
- EBITDA of £51,397,000 (2016 - £46,279,000) increased as a result of trading, the weakening of Sterling and cost control as a result of the Group’s cost saving initiative.
- EBITDA margin of 21.4% (2016 - 21.0%) is in line with the prior year.
- Cash generated from operations as a percentage of EBITDA decreased to 68.27% (2016 - 76.99%) due to timing of working capital cash flows including the settlement of expenditure in relation to the Group's restructuring and other exceptional costs.
- Net cash flow amounted to an outflow of £14,669,000 (2016 - an inflow of £6,262,000.

Strategic Report for the Year Ended 30 September 2017 (continued)

Business strategy
The Group's strategy 'One Tunstall' is to provide technology-enabled solutions and managed services that streamline our customers' ability to deliver new models for health and care management in the community setting. The Group delivers these solutions and services across six Regions which are UK & Ireland, Nordics, Southern Europe, Central Europe, North America and Australasia.

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

At a top level, this is what we do:

Enabling clients	**Facilitating the optimum level of care**	**Reducing and mitigating adverse events**
The Group enables clients to enjoy their lifestyle to their maximum potential, safe in the knowledge that they are being monitored and that in the event of adverse events there will be a rapid response engaging the appropriate services.	The Group enables the most appropriate level of care to be applied in care management and response. For clients and carers this provides reassurance, whilst for providers and commissioners, this is also normally the most cost efficient.	Care providers/commissioners want to avoid adverse events so that they can reduce acute capacity demands and associated costs.
The support the Group's solutions provide enable more independent living, with conditions (and their management) being less constraining on lifestyles.	By enabling clients remotely, the Group can free-up resources which would otherwise be required in routine and acute situations.	Using Tunstall alarms (physical, biological and potentially predictive) to identify and qualify risks, informed interventions can be made to reduce adverse events.
The Group's active monitoring for the 'cared for' and for their carers provides reassurance and also helps to resolve the financial challenges faced by care/healthcare providers as the Group delivers a high quality service at a lower cost.	The benefits are wide spread from avoidance for the need for physical clinic attendance, to avoidance of unnecessary or avoidable emergency response including hospitalisation and ultimately lost bed days.	And when events do arise Tunstall technology ensures the alarm is raised with rapid notification of appropriate responders so that prompt emergency action can be taken.

The 'One Tunstall' strategy is underpinned by the following four key pillars:

- Building integrated healthcare propositions focussed on long term chronic condition management
- Enhancing Tunstall's capability to deliver optimised social & healthcare (response) management software solutions and services
- Establishing Tunstall as the thought leaders and point of knowledge for technology enabled health and care
- Leveraging the Tunstall capability to meet the private pay need via multiple consumer channel focused partners

Strategic Report for the Year Ended 30 September 2017 (continued)

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 to 2030 and the population of 80+ expected to grow at 3.1% annually over the same period.

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

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

Finally the consumerisation of products and services is presenting a threat to International standards and compliance of protocols for hardware. An ability to be technology and device agnostic but still control what connects to what is critical, as well as being able to transition to digital communications platforms which enable the transition to a SaaS managed service model. Customers want increased mobility, aesthetic and unobtrusive technology. As highlighted in last year's report the Group launched a programme to drive significant cost and operational efficiencies designed to save costs or improve profit which in turn provides resources to invest in growth. To address these market trends the Group successfully launched a new IP-enabled Smart Hub carephone for people living in their own home in addition to a new integrated IP monitoring platform (PNC8), enabling end to end IP care services, optimising workflow through the use of better data analytics. The Group is also investing in global data services platform named Evity that will enable the Group to develop responsive products and services utilising multiple data sources and devices at pace. This will give the Group the ability to respond to emerging market requirements more quickly and deliver consolidated value propositions across the Groups software and services portfolio.

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

Strategic Report for the Year Ended 30 September 2017 (continued)

Principal risks and uncertainties

Foreign exchange risk

The Group operates within a number of international territories with approximately 72% 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 25, 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 26 which fix interest rates relating to approximately 97% 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.

Brexit

On June 23, 2016, the United Kingdom ("UK") held a referendum in which voters approved for the UK to leave the European Union ("EU") ("Brexit"). During the financial year, the UK government triggered Article 50 (the process of leaving the EU). At the time of this report, the UK government continues to review and negotiate the terms of the UK's future relationship with the EU.

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

Events after the financial period

On the 12 February 2018 the Group reached an agreement with its Senior Debt providers to defer key milestone dates associated with the conditions of the financing arrangement dated 17 March 2017. At the year end there was uncertainty around the Group's ability to meet one of its milestones covenants. This deferral means the covenant now falls at a time when management expect the key milestone to be achievable. This has no impact upon the other financial covenants previously agreed and the fee charged by the lenders in relation to the deferral is not material to the Group.

Strategic Report for the Year Ended 30 September 2017 (continued)

Approved by the Board on 2 March 2018 and signed on its behalf by:

....
Jon Furniss
Company Secretary

Whitley Lodge
Whitley Bridge
Doncaster
DN14 0HR

Directors' Report for the Year Ended 30 September 2017

The Directors present their Report and the financial statements for the year ended 30 September 2017.

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

James Arnell - Chairman

Gordon Sutherland - Chief Executive

Malcolm Miller (resigned 10 February 2017)

Robert Moores (resigned 31 December 2016)

Shaun Parker (resigned 31 December 2016)

Craig Parsons (appointed 31 August 2017)

Sheena Pattni (appointed 23 January 2017)

Dividends
The Directors do not propose the payment of a dividend (2016 - £nil).

Political contributions
The Company made no political donations and did not incur any political expenditure during the year.

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.

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

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.

Directors' Report for the Year Ended 30 September 2017 (continued)

Approved by the Board on 2 March 2018 and signed on its behalf by:

....
Jon Furniss
Company Secretary

Whitley Lodge
Whitley Bridge
Doncaster
DN14 0HR

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

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

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

Opinion

We have audited the financial statements of Tunstall Healthcare Group Limited ("the company") for the year ended 30 September 2017 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2017 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

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

David Morritt

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

6 March 2018

Consolidated Income Statement for the Year Ended 30 September 2017

	Note	2017 £ 000	2016 £ 000
Revenue	4, 5	240,617	220,635
Cost of sales		(133,352)	(121,009)
Gross profit		107,265	99,626
Administrative expenses		(88,921)	(90,896)
Operating profit	7	18,344	8,730
Analysed as:			
Operating profit before charging depreciation and amortisation and exceptional items ("EBITDA")	5, 7	51,397	46,280
Depreciation and amortisation	7	(20,999)	(19,037)
Exceptional items	8	(12,054)	(18,513)
Impairment of non-current assets	15	(26,800)	(64,658)
Profit on disposal of trade and assets		3,058	-
Finance income		202,772	1,733
Finance costs		(237,524)	(337,244)
Net finance cost	9	(34,752)	(335,511)
Loss before tax		(40,150)	(391,439)
Income tax expense	13	(5,808)	(89)
Loss for the year		(45,958)	(391,528)
Profit/(loss) attributable to:			
Owners of the Company		(39,138)	(391,855)
Non-controlling interests		(6,820)	327
		(45,958)	(391,528)

The above results were derived from continuing operations.

Consolidated Statement of Comprehensive Income for the Year Ended 30 September 2017

	Note	2017 £ 000	2016 £ 000
Loss for the year		(45,958)	(391,528)
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations	27	10,143	(16,688)
Deferred taxation regarding pension scheme deficit		4,471	-
		14,614	(16,688)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation (losses)/gains		(2,802)	12,979
Total comprehensive loss for the year		(34,146)	(395,237)
Total comprehensive loss attributable to:			
Owners of the Company		(34,638)	(395,736)
Non-controlling interests		492	499
		(34,146)	(395,237)

The notes on pages 24 to 74 form an integral part of these financial statements.

Consolidated Statement of Financial Position as at 30 September 2017

	Note	2017 £ 000	2016 £ 000
Non-current assets			
Property, plant and equipment	14	37,491	35,545
Intangible assets	15	316,990	340,661
Equity accounted investments	16	6	6
Other non-current financial assets	17	926	234
Deferred tax assets	13	7,923	8,332
		363,336	384,778
Current assets			
Inventories	18	12,347	15,238
Trade and other receivables	19	40,623	45,098
Income tax asset	13	5,898	1,665
Cash and cash equivalents		34,072	48,742
Derivative financial instruments	17	263	-
		93,203	110,743
Total assets		456,539	495,521
Current liabilities			
Trade and other payables	20	(40,546)	(48,739)
Loans and borrowings	22	(1,607)	(6,225)
Income tax liability	13	(5,674)	(1,957)
Derivative financial instruments	26	-	(274)
Deferred income		(7,093)	(8,091)
Provisions	21	(1,601)	(2,810)
		(56,521)	(68,096)
Non-current liabilities			
Loans and borrowings	22	(306,381)	(293,427)
Loan notes	23	(1,358,651)	(1,151,490)
Retirement benefit obligations	27	(26,046)	(36,401)
Other non-current financial liabilities	25	-	(202,574)
Deferred tax liabilities	13	-	(1,255)
		(1,691,078)	(1,685,147)
Total liabilities		(1,747,599)	(1,753,243)
NET LIABILITIES		(1,291,060)	(1,257,722)

Consolidated Statement of Financial Position as at 30 September 2017 (continued)

	Note	2017 £ 000	2016 £ 000
Equity			
Share capital	28	100	100
Share premium		9,566	9,566
Foreign currency translation reserve		11,068	13,888
Cash flow hedging reserve		-	(61)
Treasury share reserve		(227)	(227)
Accumulated losses		(1,313,350)	(1,282,279)
Equity attributable to owners of the Company		(1,292,843)	(1,259,013)
Non-controlling interests		1,783	1,291
TOTAL EQUITY		(1,291,060)	(1,257,722)

Approved by the Board on 2 March 2018 and signed on its behalf by:

....

Gordon Sutherland

Chief Executive

(Registration number: 06495696)

Consolidated Statement of Changes in Equity for the Year Ended 30 September 2017

	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)**

	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 2016	100	9,566	13,888	(61)	(227)	(1,282,279)	(1,259,013)	1,291	(1,257,722)
Loss for the year	-	-	-	-	-	(39,138)	(39,138)	(6,820)	(45,958)
Other comprehensive income/(loss)	-	-	(2,820)	-	-	7,320	4,500	7,312	11,812
Total comprehensive income/(loss)	-	-	(2,820)	-	-	(31,818)	(34,638)	492	(34,146)
Share based payment transactions	-	-	-	-	-	747	747	-	747
Unwinding of cash flow hedge reserve	-	-	-	61	-	-	61	-	61
At 30 September 2017	**100**	**9,566**	**11,068**	**-**	**(227)**	**(1,313,350)**	**(1,292,843)**	**1,783**	**(1,291,060)**

The notes on pages 24 to 74 form an integral part of these financial statements.

Consolidated Statement of Cash Flows for the Year Ended 30 September 2017

	Note	2017 £ 000	2016 £ 000
Cash flows from operating activities			
Loss for the year		(45,958)	(391,528)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	7	20,999	19,036
Impairment of non-current assets	15	26,800	64,658
Profit on disposal of property plant and equipment	6	(3,058)	-
Share based payment transactions		747	-
Finance income	9	(202,772)	(1,733)
Finance costs	9	237,524	337,244
Income tax expense	13	5,808	89
		40,090	27,766
Working capital adjustments			
Decrease/(increase) in inventories	18	2,891	(1,112)
Decrease/(increase) in trade and other receivables	19	3,470	(1,222)
(Decrease)/increase in trade and other payables		(8,138)	10,714
(Decrease) in retirement benefit obligation	27	(1,018)	(1,100)
(Decrease)/increase in provisions		(1,209)	1,951
(Decrease) in deferred income		(998)	(1,369)
Cash generated from operations		35,088	35,628
Income taxes paid	13	(3,556)	(2,551)
Net cash flow from operating activities		31,532	33,077
Cash flows from investing activities			
Acquisition of intangible assets	15	(11,223)	(11,897)
Acquisitions of property plant and equipment		(15,858)	(11,261)
Proceeds from sale of property plant and equipment		4,657	327
Interest received		73	835
Dividend income	9	-	3
Net cash flows from investing activities		(22,351)	(21,993)
Cash flows from financing activities			
Interest paid		(16,585)	(11,132)
Proceeds from issue of loan notes		19,400	64,301
Repayment of bank borrowing		(19,400)	(64,301)
Transaction costs for borrowings		(3,400)	(340)
Redemption of shares classified as liabilities		(414)	-
Payments to finance lease creditors		(25)	(57)
Net cash flows from financing activities		(20,424)	(11,529)

Consolidated Statement of Cash Flows for the Year Ended 30 September 2017 (continued)

	Note	2017 £ 000	2016 £ 000
Net decrease in cash and cash equivalents		(11,243)	(445)
Cash and cash equivalents at 1 October		48,742	42,479
Effect of exchange rate fluctuations on cash held		(3,427)	6,708
Cash and cash equivalents at 30 September		34,072	48,742

The notes on pages 24 to 74 form an integral part of these financial statements.

Company Statement of Financial Position as at 30 September 2017

	Note	2017 £ 000	2016 £ 000
Non-current assets			
Investments	16	-	-
Current assets			
Income tax asset		-	32
Non-current liabilities			
Loans and borrowings	22	(237)	(223)
NET LIABILITIES		(237)	(191)
Equity			
Share capital	28	100	100
Share premium		9,566	9,566
Accumulated losses		(9,903)	(9,857)
TOTAL EQUITY		(237)	(191)

Approved by the Board on 2 March 2018 and signed on its behalf by:

....
Gordon Sutherland
Chief Executive

(Registration number: 06495696)

Company Statement of Changes in Equity for the Year Ended 30 September 2017

	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)**

	Share capital £ 000	Share premium £ 000	Accumulated losses £ 000	Total £ 000
At 1 October 2016	100	9,566	(9,857)	(191)
Loss for the year	-	-	(46)	(46)
Total comprehensive loss	-	-	(46)	(46)
At 30 September 2017	**100**	**9,566**	**(9,903)**	**(237)**

Notes to the Financial Statements for the Year Ended 30 September 2017

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.

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'.

Application of new and revised International Financial Reporting Standards

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

- IFRS 9 Financial Instruments (effective date 1 January 2018);
- IFRS 15 Revenue from Contract with Customers (effective date 1 January 2018);
- IFRS 16 Leases (effective date 1 January 2019);
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective date 1 January 2017); and
- Amendments to IAS 7: Disclosure Initiative (effective date 1 January 2017 to be confirmed).

These standards will be adopted by the Company in future accounting periods. The Directors have not yet fully assessed the impact of these standards on the financial statements.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

2 Accounting policies (continued)

Application of new and revised International Financial Reporting Standards (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;

• An Income Statement for the Company;

• A Cash Flow Statement and related notes;

• Disclosures in respect of transactions with wholly owned subsidiaries;

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

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

• Disclosures of transactions with a management entity that provides Key Management Personnel services to the Company.

Going concern

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

The 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 2017 amounting to £34,072,000 (2016 - £48,742,000).

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, and further amended 12 February 2018, 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 2017 (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 2017.

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 £46,000 (2016 - loss of £9,743,000).

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

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

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

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

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

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

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.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

2 Accounting policies (continued)

Revenue recognition (continued)

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, Pharmaceutical companies and other entities 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.

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.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

2 Accounting policies (continued)

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 an income tax expense or receipt, except when the tax relates to items charged or credited directly in equity, in which case the tax is also recognised in equity.

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

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

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

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

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.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

2 *Accounting policies (continued)*

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.

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 and other receivables
Trade and other 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 and other payables
Trade and other 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.

Deferred income
Where payments are received upfront this is recognised as deferred income until the point the goods or services have been provided.

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

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

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

2 Accounting policies (continued)

Leases

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

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

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

Intangible assets

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

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

Development costs

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

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

Software

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

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

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

Other intangible assets

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

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

2 Accounting policies (continued)

Amortisation

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are 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

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
Furniture, fittings and equipment	10% - 33% straight line

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

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.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

2 Accounting policies (continued)

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

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

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

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

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 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.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

2 Accounting policies (continued)

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

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

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

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

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

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

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

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

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and 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.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

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

Goodwill and investments

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

Revenue recognition

The measurement of revenue 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.

Share-based payments

The measurement of the Group's equity-settled share-based payments is determined using the Monte Carlo option pricing model. The judgements, estimates and associated assumptions used to calculate these are based on historical experience and other reasonable factors.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

4 Revenue

The Group's revenue is generated as follows:

	2017 £ 000	2016 £ 000
Connected Care - Independent Living	60,076	54,267
Connected Care - Assisted Living	59,069	57,159
Connected Care - Managed Services Contracts	95,045	84,853
Connected Health - Remote Patient Monitoring and Support	17,289	16,580
Integrated Nursecall Communications	9,138	7,776
	240,617	220,635

5 Segmental analysis

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

The Group's reportable segments are 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.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

5 Segmental analysis (continued)

Segment revenues and performance for the year ended 30 September 2017

Analysis by reportable segment:

	Revenue £ 000	EBITDA £ 000	Net assets/ (liabilities) £ 000
UK & Ireland	82,658	21,046	21,871
Southern Europe	50,018	14,848	18,179
Nordics	48,146	10,169	6,326
North America	35,064	4,450	19,869
Central Europe	27,780	11,215	3,721
Australasia	13,817	1,767	3,312
Corporate	-	(12,098)	(17,483)
Total for reportable segments	257,483	51,397	55,795

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

Reconciliations of information on reportable segments to IFRS measures

Reconciliation of Revenue from reportable segments to total Consolidated Revenue

	2017 £ 000	2016 £ 000
Total revenue for reportable segments	257,483	246,370
Elimination of inter-segment revenue	(16,866)	(25,735)
Total Consolidated Revenue	240,617	220,635

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

5 Segmental analysis (continued)

Analysis of revenue by country of origin:

	2017 £ 000	2016 £ 000
United Kingdom	67,736	68,519
Spain	38,191	36,885
North America	35,064	31,496
Other European countries	38,916	31,809
Sweden	27,783	24,688
Germany	20,135	18,071
Rest of the world	12,792	9,167
	240,617	220,635

Analysis of revenue by country of destination:

	2017 £ 000	2016 £ 000
United Kingdom	67,786	68,536
Spain	37,973	36,607
North America	35,076	31,495
Other European countries	41,709	30,590
Sweden	25,503	23,579
Germany	19,162	17,324
Rest of the world	13,408	12,504
	240,617	220,635

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

	2017 £ 000	2016 £ 000
Total EBITDA for reportable segments	51,397	46,279
Impairment of non-current assets	(26,800)	(64,658)
Profit on disposal of trade and assets	3,058	-
Depreciation and amortisation	(20,999)	(19,036)
Exceptional items (note 8)	(12,054)	(18,513)
Net Finance costs	(34,752)	(335,511)
Total consolidated loss before tax	(40,150)	(391,439)

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

5 Segmental analysis (continued)

The Group incurred a net exceptional charge of £12,054,000 in the year ended 30 September 2017 (2016 - £18,513,000). This principally comprised costs relating to the recovery of US aged debt and associated business process reengineering (£1,684,000), costs associated with the Group's initiative to drive significant cost and operational efficiencies to support the implementation of the Group's growth strategy (£5,148,000), and costs associated with the successful restructuring of the Group's Senior Debt in March 2017 (£2,673,000).

In the prior year, 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

	2017 £ 000	2016 £ 000
Total net assets for reportable segments	55,795	38,283
Goodwill and investments	285,449	309,244
Cash and cash equivalents	34,072	48,742
Loans and borrowings	(307,988)	(299,652)
Derivative financial instruments	263	(274)
Equity Bridge Loan Guarantee fee	-	(202,574)
Loan notes	(1,358,651)	(1,151,490)
Total Consolidated net liabilities	(1,291,060)	(1,257,721)

6 Other gains and losses

The analysis of the group's other gains and losses for the year is as follows:

	2017 £ 000	2016 £ 000
Profit on disposal of trade and assets (note 15)	3,058	-

7 Operating profit

Arrived at after charging:

	2017 £ 000	2016 £ 000
Depreciation expense	13,307	12,007
Amortisation expense	7,692	7,030
Research and development cost	3,788	3,244
Operating lease expense - property	3,156	2,922
Operating lease expense - plant and machinery	1,760	2,144
Exceptional items (note 8)	12,054	18,513

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

8 Exceptional items

	2017 £ 000	2016 £ 000
Exceptional items	12,054	18,513

The Group incurred a net exceptional charge of £12,054,000 in the year ended 30 September 2017 (2016 - £18,513,000). This principally comprised costs relating to the recovery of US aged debt and associated business process reengineering (£1,684,000), costs associated with the Group's initiative to drive significant cost and operational efficiencies to support the implementation of the Group's growth strategy (£5,148,000), costs associated with the successful restructuring of the Group's Senior Debt in March 2017 (£2,673,000) in addition to other restructuring costs.

In the prior year, 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.

9 Finance income and costs

	2017 £ 000	2016 £ 000
Finance income		
Interest income on bank deposits	73	835
Dividend income	-	3
Net change in fair value of interest rate swaps	125	895
Equity bridge loan guarantee waiver	202,574	-
Total finance income	202,772	1,733
Finance costs		
Interest on bank overdrafts and borrowings	(21,300)	(18,366)
Interest on loan notes	(207,018)	(164,450)
Equity Bridge Loan Guarantee fee	-	(119,797)
Foreign exchange losses on borrowings	(4,220)	(31,153)
Amortisation of debt issue costs	(4,081)	(2,254)
Unwinding of cash flow hedge reserve	(76)	(456)
Finance costs in respect of pensions	(806)	(745)
Interest on obligations under finance leases and hire purchase contracts	(23)	(23)
Total finance costs	(237,524)	(337,244)
Net finance costs	(34,752)	(335,511)

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

10 Staff costs

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

	2017 £ 000	2016 £ 000
Wages and salaries	72,113	74,438
Social security costs	11,235	10,982
Pension costs	3,563	3,224
	86,911	88,644

Included within wages and salaries is a charge of £747,000 (2016 - £nil) in relation to equity-settled share-based payment arrangements granted in the current year. Further details are provided in note 30.

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

	2017 No.	2016 No.
Sales, production and administration	2,857	3,036
Research and development	83	75
	2,940	3,111

11 Directors' remuneration

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

	2017 £ 000	2016 £ 000
Directors' emoluments	1,063	1,036
Amounts paid to third parties for Directors' services	78	107
Pension contributions in relation to money purchase schemes	2	23
Compensation for loss of office	370	500
	1,513	1,666

In respect of the highest paid Director:

	2017 £ 000	2016 £ 000
Emoluments	820	536
Compensation for loss of office	-	500
	820	1,036

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

11 Directors' remuneration (continued)

No Director (2016 - none) accrued benefits under the Group's defined benefit pension scheme in respect of qualifying services during the year. One Director (2016 - one) accrued benefits under defined contribution schemes.

12 Auditor's remuneration

	2017 £ 000	2016 £ 000
Audit of Group and subsidiary financial statements	449	449
Non-Audit Services	143	344
	592	793

Non-audit services relate to taxation services of £94,000 (2016 - £344,000) and £48,000 in relation to payroll and pension and other services (2016 - £nil).

13 Income tax

Tax charged/(credited) in the income statement

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax	(1)	(69)
UK corporation tax adjustment to prior periods	493	(954)
	492	(1,023)
Foreign tax	2,108	2,452
Foreign tax adjustment to prior periods	(586)	12
	1,522	2,464
Total current income tax	2,014	1,441
Deferred taxation		
Arising from origination and reversal of temporary differences	2,792	(4,045)
Arising from changes in tax rates and laws	57	207
Deferred tax adjustment to prior periods	945	2,486
Total deferred taxation	3,794	(1,352)
Tax expense in the income statement	5,808	89

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

13 Income tax (continued)

Factors affecting the tax charge for the period

The tax on loss before tax for the year is based on a blended UK statutory rate of corporation tax for the period of 19.5% (2016 - 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Loss for the year	(45,958)	(391,528)
Income tax expense	5,808	89
Loss before tax	(40,150)	(391,439)
Corporation tax at standard rate	(7,829)	(78,287)
Expenses not deductible in determining tax loss	(1,895)	66,740
UK corporation tax adjustment to prior periods	(93)	(942)
Effect of capital allowances depreciation	15	1,114
Impairment not deductible for tax purposes	4,640	11,956
Other timing differences	(421)	(121)
Effect of foreign tax rates	(292)	(1,622)
Decrease in overseas tax losses carried forward	3,485	3,416
Change in UK tax losses carried forward	193	-
Interest not-deductible for tax purposes	7,398	-
Deferred tax adjustment to prior periods	945	2,485
Deferred tax - origination and reversal of timing differences	35	(4,448)
Deferred tax expense relating to changes in tax rates or laws	57	207
Effect of adjustment in research development tax credit	75	16
Tax expense arising from Patent Box	(505)	(425)
Total tax expense	5,808	89

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.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

13 Income tax (continued)

Deferred tax

Group

The Group has deferred tax assets recognised at 17% (2016 - 17%). The Group's net deferred tax asset is summarised as follows:

	2017 £ 000	2016 £ 000
Current tax assets	5,898	1,665
Current tax liabilities	(5,674)	(1,957)
	224	(292)

	2017 £ 000	2016 £ 000
Deferred tax assets	7,923	8,332
Deferred tax liabilities	-	(1,255)
	7,923	7,077

Deferred tax movement during the year:

	At 1 October 2016 £ 000	Recognised in income £ 000	Foreign exchange movements £ 000	Recognised in equity £ 000	At 30 September 2017 £ 000
Accelerated tax depreciation	4,925	(1,824)	(27)	-	3,074
Revaluation of intangible assets	(799)	67	-	-	(732)
Other items	2,265	(1,204)	154	4,457	5,672
Tax losses carry-forwards	686	(833)	56	-	(91)
Net tax assets/(liabilities)	7,077	(3,794)	183	4,457	7,923

Deferred tax movement during the prior 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	2,151	-	-	4,925
Revaluation of intangible assets	-	(799)	-	-	(799)
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

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

13 Income tax (continued)

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 (2016 - £Nil) and £8,153,000 of unused tax losses (2016 - £11,234,000) 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 2017 (continued)

14 Property, plant and equipment

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation			
At 1 October 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
Additions	207	15,651	15,858
Disposals	-	(5,302)	(5,302)
Foreign exchange movements	23	373	396
At 30 September 2017	5,194	78,557	83,751
Depreciation			
At 1 October 2016	652	17,877	18,529
Charge for year	243	11,764	12,007
Eliminated on disposal	-	(415)	(415)
Foreign exchange movements	206	6,927	7,133
At 31 September 2016	1,101	36,153	37,254
Charge for the year	266	13,041	13,307
Eliminated on disposal	-	(4,438)	(4,438)
Foreign exchange movements	19	118	137
At 30 September 2017	1,386	44,874	46,260
Carrying amount			
At 30 September 2017	3,808	33,683	37,491
At 30 September 2016	3,863	31,682	35,545
At 1 October 2015	4,349	27,591	31,940

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:

	2017 £ 000	2016 £ 000
Plant, fixtures and vehicles	1,258	1,304

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

15 Intangible assets

Group

	Goodwill £ 000	Contractual customer relationships £ 000	Computer software £ 000	Research and development £ 000	Total £ 000
Cost or valuation					
At 1 October 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
Additions	-	-	1,390	6,815	8,205
Acquired through business combinations	-	3,018	-	-	3,018
Disposals	-	(393)	(307)	-	(700)
Foreign exchange movements	-	(253)	357	254	358
At 30 September 2017	373,091	8,060	7,228	55,520	443,899
Amortisation					
At 1 October 2015	-	424	3,178	13,907	17,509
Amortisation charge	-	686	716	5,628	7,030
Amortisation eliminated on 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
Amortisation charge	-	832	890	5,970	7,692
Disposals	-	-	(298)	-	(298)
Impairment	23,795	-	-	3,005	26,800
Foreign exchange movements	-	23	(26)	361	358
At 30 September 2017	87,648	2,173	4,919	32,169	126,909
Carrying amount					
At 30 September 2017	285,443	5,887	2,309	23,351	316,990
At 30 September 2016	309,238	4,370	1,435	25,618	340,661
At 1 October 2015	374,139	3,309	1,286	22,175	400,909

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

15 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 3 year period to 30 September 2020.
- The cash flow projections included specific estimates for 3 years and terminal growth rates 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 14.07% (2016 - 12.47%).

The terminal growth rate for each Region was as follows:

	2017 %	2016 %
UK	2.21	2.27
Ireland	4.89	4.53
Nordics	1.89	1.93
Southern Europe	2.40	2.46
Australasia	3.20	3.22
Central Europe	1.78	0.00
North America	2.53	2.61

As a result of the above, an impairment of £23,795,000 was recognised in the Income Statement for the year ended 30 September 2017 (2016 - £63,853,000).

Impairment review - Research and Development

The Directors have reviewed the carrying value of Research and Development at the reporting date. The recoverable amount of each project was based on its value in use with the calculations based on the financial plans approved by the Board covering a 3 year period to 2020. The discount rate was the Group's Weighted Average Cost of Capital ("WACC") of 14.07% (2016 - 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 £3,005,000 was recognised for the year ended 30 September 2017 (2016 - £875,000).

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

15 Intangible assets (continued)

Oklahoma

In January 2017, the Group acquired the trade and assets of Southern Oklahoma Lifeline Inc, for a cash consideration of $428,000. The principal activity of Southern Oklahoma Lifeline Inc is that of a Connected Care product and service provider serving Oklahoma, USA.

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

	2017 £ 000
Fair value of assets and liabilities acquired	
Identifiable intangible assets - contractual customer relationships	340
Satisfied by:	
Cash	340

Providence

In August 2017, the Group acquired certain trade and assets of Providence Health System Network Inc, for a consideration of $2,947,000 (£2,285,000). The principal activity of Providence Health System Network is that of a Connected Care product and service provider in the USA.

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

	2017 £ 000
Fair value of assets and liabilities acquired	
Identifiable intangible assets - contractual customer relationships	2,285
Satisfied by:	
Cash	2,285

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

15 Intangible assets (continued)

Disposals

In July 2017, the Group sold the trade and assets of its non-healthcare Telephone Answering Services ("TAS") companies in North America for a consideration of $6,226,000 (£4,657,000). This includes deferred consideration of $500,000 which is recognised and is subject to certain performance obligations being met as part of the Sale and Purchase Agreement.

The net book value of assets and liabilities disposed at July 2017 were as follows:

	$ 000	£ 000
Property, Plant and Equipment	142	106
Intangible Assets	527	394
Trade receivables	404	302
Prepayments and other receivables	16	12
Current tax assets	1,123	840
Trade and other payables	(74)	(55)
	2,138	1,599

The Group has recognised a profit on disposal of $4,088,000 (£3,058,000) in the Income Statement for the year ended 30 September 2017.

16 Investments

Group Investments

	2017 £ 000	2016 £ 000
At beginning of year	6	176
Impairment of investments	-	(170)
	6	6

Summary of the Company investments

Subsidiaries	**£ 000**
Cost or valuation	
At 30 September 2016 and 30 September 2017	9,628
Provision	
At 30 September 2016 and 30 September 2017	9,628
Carrying amount	
At 30 September 2016 and 30 September 2017	-

All shares held are Ordinary Shares unless otherwise stated.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

16 Investments (continued)

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%
Blythmore Limited	Intermediate holding company	England	50.1%
TGH Acquisitions Limited	Intermediate holding company	England	50.1%
Tunstall Electronics Limited	Non-trading entity	England	50.1%
Tunstall Employee Benefit Trust	Employee Benefit Trust	England	50.1%
Tunstall Group Acquisition Limited	Intermediate holding company	England	50.1%
Tunstall Group Finance Limited	Intermediate holding company	England	50.1%
Tunstall Group Holdings Limited	Intermediate holding company	England	50.1%
Tunstall Group Limited	Intermediate holding company	England	50.1%
Tunstall Healthcare (UK) Limited	Marketing, installation and service of community alarms	England	50.1%
Tunstall Holdings Limited	Intermediate holding company	England	50.1%
Tunstall Monitoring Limited	Non-trading entity	England	50.1%
Tunstall Response Limited	Non-trading entity	England	50.1%
Tunstall Trustee Company Limited	Non-trading entity	England	50.1%
Whitley Securities Limited	Non-trading entity	England	50.1%
Emergency Response Limited	Marketing, installation and service of community alarms	Ireland	50.1%
Tunstall GmbH	Installation of community alarms and hospital communications systems	Germany	50.1%
Tunstall Group Holding GmbH	Intermediate holding company	Germany	50.1%
Tunstall SA	Marketing, installation and service of community alarms	Belgium	50.1%
Tunstall AG	Marketing, installation and service of community alarms	Switzerland	50.1%
Tunstall BV	Marketing, installation and service of community alarms	Holland	50.1%
Vitaris Response BV	Monitoring of community alarms	Holland	50.1%
La Saleta Tunstall S.L.	Sale and monitoring of community alarms and provider of healthcare response services	Spain	50.1%
Saludnova Solutions S.L.	Telehealth	Spain	50.1%
Televida Servicios Sociosanitarios SL	Monitoring of community alarms and provider of healthcare response services	Spain	50.1%
Tunstall Iberica SA	Marketing, installation and service of community alarms	Spain	50.1%
UTE Televida GSR	Monitoring of community alarms and provider of healthcare response services	Spain	42.6%

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

16 Investments (continued)

Name of subsidiary	Principal activity	Country of Incorporation	% Shareholding
UTE Televida Tunstall GSR IMQ	Monitoring of community alarms and provider of healthcare response services	Spain	40.1%
UTE Televida Tunstall	Monitoring of community alarms and provider of healthcare response services	Spain	47.6%
Vitaris Iberia SL	Non-trading entity	Spain	50.1%
Tunstall Technologies SA	Monitoring of community alarms	France	50.1%
Vitaris France SAS	Intermediate holding company	France	50.1%
Vitaris SAS	Monitoring of community alarms	France	50.1%
Tunstall AB	Marketing, installation and service of community alarms	Sweden	50.1%
Tunstall Group Holding AB	Intermediate holding company	Sweden	50.1%
Tunstall Management AB	Non-trading entity	Sweden	50.1%
Tunstall Nordic AB	Intermediate holding company	Sweden	50.1%
Tunstall Sweden AB	Marketing, installation and service of community alarms	Sweden	50.1%
Tunstall AS	Marketing, installation and service of community alarms	Denmark	50.1%
Tunstall OY	Marketing, installation and service of community alarms	Finland	50.1%
Tunstall Australasia Pty Limited	Sale and monitoring of community alarms and telehealth equipment	Australia	50.1%
Alpha Message Center Acquisition Corp.	Monitoring of community alarms and medical call centre activities	US	50.1%
American Medical Alert Corp.	Monitoring of community alarms and medical call centre activities	US	50.1%
American Mediconnect Acquisition Corp.	Monitoring of community alarms and medical call centre activities	US	50.1%
Answer Connecticut Acquisition Corp.	Monitoring of community alarms and medical call centre activities	US	50.1%
HCI Acquisition Corp.	Monitoring of community alarms and medical call centre activities	US	50.1%
Live Message America Acquisition Corp.	Monitoring of community alarms and medical call centre activities	US	50.1%
MD On Call Acquisition Corp.	Monitoring of community alarms and medical call centre activities	US	50.1%
Monitor AMA Holdco Corp.	Intermediate holding company	US	50.1%
NM Call Center Inc.	Monitoring of community alarms and medical call centre activities	US	50.1%
North Shore Answering Service Inc.	Monitoring of community alarms and medical call centre activities	US	50.1%

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

16 Investments (continued)

Name of subsidiary	Principal activity	Country of Incorporation	% Shareholding
Safe Com Inc.	Monitoring of community alarms and medical call centre activities	US	50.1%
Tunstall Canada Inc.	Sale and monitoring of community alarms and telehealth equipment	Canada	50.1%
Tunstall New Zealand Limited	Monitoring of community alarms	New Zealand	50.1%
Tunstall Taiwan Co Limited	Non-trading entity	Taiwan	50.1%

The registered office for entities in the respective country of registration is as follows:

Country	Registered office
England	Whitley Lodge, Whitley Bridge, Doncaster, DN14 0HR, United Kingdom
Ireland	Ryland Road, Bunclody, Enniscorthy, Co Wexford, Ireland
Germany	Orkotten 66, 48291 Telgte, Germany
Belgium	Rusatiralaan 1, 1083 Brussels, Belgium
Switzerland	Atte Lyssstrasse 1, 3270 Aarberg, Switzerland
Holland	Oslo 26 – 28, P.O. Box 311, 2990 AH Barendrecht, The Netherlands
Spain	Avda. de Castilla, 2 Parque Empresarial San Fernando, Edificio Munich, 2ª Planta, 28830 San Fernando de Henares, Madrid, Spain
France	90A allée Hubert Curien, 71201 Le Creusot, France
Sweden	Agnesfridsvägen 113 A, Box 9028, SE-200 39 Malmö, Sweden
Denmark	Niels Bohrs Vej 42, Stilling, 8660 Skanderborg, Denmark
Finland	Äyritie 22, 01510 Vantaa, Finland
Australia	Unit 1, 56 Lavarack Ave, Eagle Farm, Queensland 4009, Australia
US	36-36 33rd Street, Suite 103, Long Island City, New York 11106 , USA
Canada	111 Zenway Blvd, Unit 6A, Woodbridge, Ontario, Ontario, L4H 3H9, Canada
New Zealand	306 Cameron Road, Tauranga, New Zealand
Taiwan	4F-1, N0220, Songjiang Rd, Zhongshan District, Taipei City, 104, Taiwan

17 Other financial assets

	Group 2017 £ 000	2016 £ 000
Non-current financial assets		
Security deposits	893	234
Restricted cash	33	-
	926	234

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

18 Inventories

	Group	
	2017	2016
	£ 000	£ 000
Raw materials, spare parts and consumables	3,519	2,540
Work in progress	656	375
Contract work in progress	914	1,178
Finished goods and goods for resale	7,258	11,145
	12,347	15,238

The cost of Group inventories recognised as an expense in the year amounted to £37,940,000 (2016 - £50,434,000).

The amount of write-down of Group inventories recognised as an expense in the year is £1,457,000 (2016 - £463,000).

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

19 Trade and other receivables

Current

	Group	
	2017	2016
	£ 000	£ 000
Trade receivables	33,946	30,532
Prepayments and other receivables	6,462	14,566
Other receivables	215	-
	40,623	45,098

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

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

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

20 Trade and other payables

	Group 2017 £ 000	2016 £ 000
Trade payables	15,198	15,485
Accrued expenses	25,348	33,254
	40,546	48,739

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

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

21 Provisions

	Warranties £ 000	Legal proceedings £ 000	Restructuring & other £ 000	Total £ 000
At 1 October 2016	873	329	1,608	2,810
Charged in the year	860	113	95	1,068
Provisions used	(720)	-	(1,188)	(1,908)
Provisions released	(86)	(218)	(56)	(360)
Foreign exchange differences	9	5	(23)	(9)
At 30 September 2017	936	229	436	1,601

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

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

Restructuring & other
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 £95,000 (2016 - £1,608,000). Amounts used or released during the year accounted to £1,244,000.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

22 Loans and borrowings

	Group 2017 £ 000	2016 £ 000
Current loans and borrowings		
Bank borrowings	1,574	5,739
Finance lease liabilities	33	486
	1,607	6,225

Current bank borrowings are stated, net of debt issue costs of £5,701,000 (2016 - £1,914,000). Further details on interest rates and repayment terms can be found in note 25.

	Group 2017 £ 000	2016 £ 000
Non-current loans and borrowings		
Bank borrowings	305,126	292,624
Finance lease liabilities	1,255	803
	306,381	293,427

Non-current bank borrowings are stated, net of debt issue costs of £1,425,000 (2016 - £5,746,000). Further details on interest rates and repayment terms can be found in note 25.

	Company 2017 £ 000	2016 £ 000
Non-current loans and borrowings		
Amounts owed to subsidiary undertakings	237	223
	237	223

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

23 Loan notes

Non-current liabilities

	Group 2017 £ 000	2016 £ 000
Loan notes		
Loan notes	1,358,651	1,151,490
	1,358,651	1,151,490

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

23 Loan notes (continued)

Loan notes are stated, net of debt issue costs of £424,000 (2016- £567,000). Further details on interest rates and repayment terms can be found in note 25.

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

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

24 Obligations under leases and hire purchase contracts

Group

Finance leases

2017	Minimum lease payments £ 000	Present value £ 000
Within one year	33	33
In two to five years	1,255	1,255
	1,288	1,288

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

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

	2017 £ 000	2016 £ 000
Current liabilities	33	486
Non-current liabilities	1,255	803
	1,288	1,289

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

24 Obligations under leases and hire purchase contracts (continued)

Operating leases

At 30 September 2017, the Group had the following operating lease commitments:

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

	2017 £ 000	2016 £ 000
Within one year	5,464	5,418
In two to five years	10,955	12,189
In over five years	1,645	2,037
	18,064	19,644

The amount of non-cancellable operating lease payments recognised as an expense during the year was £4,916,000 (2016 - £5,066,000).

25 Financial instruments

Group

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

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

Financial assets

Loans and receivables

At 30 September 2017

	Carrying value £ 000	Fair value £ 000
Cash and cash equivalents	34,072	34,072
Trade and other receivables	40,623	40,623
Security deposits	926	926
	75,621	75,621

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

25 Financial instruments (continued)

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

Financial liabilities

Financial liabilities at amortised cost

At 30 September 2017

	Carrying value £ 000	Fair value £ 000
Trade and other payables	(40,546)	(40,546)
Loans and borrowings	(307,988)	(307,988)
Loan notes	(1,358,651)	(1,358,651)
	(1,707,185)	(1,707,185)

Financial liabilities (continued)

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 2017 (continued)

25 Financial instruments (continued)

Borrowings

The Group has the following facilities:

Senior Term Loans (Bl and B2)
In the prior year, the B1 Term Loan amounted to £90m and was repayable in full on 18 October 2020 and bore interest at 5.0% per annum above LIBOR. In addition, the B2 Term Loan amounted to €240m and was repayable in full on 18 October 2020 and bore interest at 4.5% per annum above EURIBOR.

On 17 March 2017, 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 covenant is tested quarterly and the liquidity covenant is tested monthly and both were tested for the first time on 31 March 2017. The capital covenant is an annual test and was tested for the first time on 30 September 2017. The Group complied with these covenants throughout the year.

Both the B1 and B2 Term Loans now include a Payment-In-Kind ("PIK") margin of 3% compounded on a 6 monthly basis.

The Directors have deemed that there has been no substantial modification of the terms of the Term Loans during the period in accordance with IAS 39. As such, debt issue costs of £3,289,000 have been capitalised and will be amortised over the remaining life of the Term Loans.

The carrying value of term loans at the reporting date is £301,981,000 (2016 - £298,363,000). Accrued interest on term loans amounted to £11,845,000 (2016 - £7,653,000). Interest is paid bi-annually.

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 £58,086,000 which was repaid on 10 March 2014 for a total of £60,346,000 (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.

Equity Bridge Loan Guarantee fee
The Equity Bridge Loan facility was guaranteed by the institutional shareholders. At 30 September 2016, the carrying value of the guarantee fee was £202,574,000 and was included within other non-current financial liabilities in the Statement of Financial Position.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

25 Financial instruments (continued)

The Equity Bridge Loan Facility was repaid on 30 September 2016, at which point the 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 met the definition of a contingent liability provision in accordance with IAS 32 - 'Financial Instruments: Presentation' and was recognised on the Statement of Financial Position as a non-derivative financial instrument in accordance with IAS 39 - 'Financial Instruments: Recognition and Measurement' at 30 September 2016. Also at 30 September 2016, the guarantors agreed that the fee and the date at which the fee would become due, would be deferred and would not become due until such time as the guarantors agreed. As the fee itself was deferred, no interest accrued.

On 17 March 2017, the Equity Bridge Loan guarantee fee of £202,574,000, was waived by the Institutional Shareholders. This has been credited to finance income in the Income Statement for the year ended 30 September 2017.

Acquisition facility
In the prior year, the Group had an acquisition facility of £40m which was due to expire on 18 October 2019 and bore interest at 4.5% per annum above LIBOR. This was cancelled on 17 March 2017.

The amount drawn at the reporting date is £nil (2016 - £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 maximum amount drawn during the year was £19,951,000 (2016 - £543,000). The amount drawn at the reporting date is £457,000 (2016 - £543,000).

Loan notes
The Group has the following loan note facilities:

£245,723,000 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.

£57,188,000 and £10,632,000 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.

£64,301,000 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 £1,358,651,000 (2016 - £1,151,490,000).

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

25 Financial instruments (continued)

Financial risk management and impairment of financial assets

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

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

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

Credit risk and impairment
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's 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 notes 4 and 5.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group 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

2017	Maximum amount of exposure £ 000	Provision for doubtful debt £ 000	Carrying value £ 000
Trade and other receivables	44,812	(4,189)	40,623

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

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

25 Financial instruments (continued)

Financial risk management and impairment of financial assets (continued)

Past due and impaired financial assets

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

Age of trade receivables that are past due but not impaired	**Group**	
	2017	**2016**
	£ 000	**£ 000**
Up to 3 months	14,390	8,136
3 months to 1 year	2,040	1,341
Over 1 year	766	-
	17,196	9,477

Age of impaired trade receivables	**Group**	
	2017	**2016**
	£ 000	**£ 000**
Up to 3 months	309	-
3 months to 1 year	632	5,230
Over 1 year	3,248	5,714
	4,189	10,944

Movement in provision for doubtful debt

	Provision for doubtful debt
2017	**£ 000**
At start of year	(10,944)
Charge to the Income Statement	(824)
Utilised during the year	7,261
Other movement	318
At end of year	(4,189)

The charge for the year includes exceptional charges of £615,000 (2016 - £9,025,000) in respect of US aged debt.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

25 Financial instruments (continued)

Financial risk management and impairment of financial assets (continued)

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

Market risk

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

Foreign exchange risk

The Group operates within a number of international territories with approximately 72% of the Group's revenues in non-sterling currencies. As a result the Group is exposed to foreign exchange risk, principally against the Euro, US dollar and Swedish Kroner.

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

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

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

At 30 September 2017

	Impact on EBITDA £ 000	Impact on Equity £ 000
EUR (Sterling weakens by 10%)	2,610	5,543
EUR (Sterling strengthens by 10%)	(2,553)	(5,039)
USD (Sterling weakens by 10%)	427	(786)
USD (Sterling strengthens by 10%)	(389)	715
SKR (Sterling weakens by 10%)	535	2,842
SKR (Sterling strengthens by 10%)	(486)	(2,584)

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

25 Financial instruments (continued)

Financial risk management and impairment of financial assets (continued)

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)

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 caps as described below which fix interest rates relating to approximately 97% 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 £1,499,000 (2016 - £1,399,000).

Liquidity risk

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

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

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

The Group has a revolving credit facility of £20m which can be drawn down to meet short-term financing needs. The amount drawn down at the reporting date is £457,000 (2016 - £543,000).

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

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

25 Financial instruments (continued)

Financial risk management and impairment of financial assets (continued)

Maturity analysis

2017	Within 1 year £ 000	Between 1 and 2 years £ 000	After more than 5 years £ 000	Total £ 000
Trade and other payables	(40,546)	-	-	(40,546)
Deferred income	(7,093)	-	-	(7,093)
Loan notes	-	-	(1,358,651)	(1,358,651)
Bank borrowings	(1,574)	(305,126)	-	(306,700)
Finance lease liabilities	(33)	(1,255)	-	(1,288)
	(49,246)	(306,381)	(1,358,651)	(1,714,278)

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)

26 Derivative Financial Instruments

Group

Cash flow hedges

In February 2014, the Group entered into interest rate swaps on £67,500,000 and €180,000,000 of borrowings with a maturity date of November 2016. The loan amounts above represented 75% of the total Senior Debt borrowings of £90,000,000 and €240,000,000 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 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.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

26 Derivative Financial Instruments (continued)

Derivative liabilities accounted for as cash flow hedges

2017	Fair value of instrument at reporting date £ 000	Carrying value of instrument at reporting date £ 000	Carrying value of hedged item £ 000
Swap contract	-	-	-

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)

Derivative financial instruments - Interest Rate Caps

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

On 24 April 2017, the Group through its subsidiary, Tunstall Group Finance Limited entered into the following transactions:

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

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

The fair value of the caps was estimated using a standard option model. The fair value of the caps at the reporting date amounted to £242,000 (2016 - £nil). Unamortised issue costs in relation to the interest rate caps at the end of the period amounted to £22,000 (2016 - £nil). During the year, the Group recognised an interest expense related to the caps of £154,000 (2016 - £nil), being £148,000 (2016 - £nil) in relation to the change in fair value of the interest rate cap and £6,000 (2016 - £nil) in relation to the amortisation of the issue costs.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

27 Pension and other schemes

Defined benefit pension schemes

Tunstall Group Limited Pension Scheme

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

The scheme's sponsoring employer is Tunstall Group Limited.

During the year ended 30 September 2017, the Group paid regular contributions to the pension scheme of £nil (2016 - £nil) in respect of the defined benefits arrangements. Additional contributions of £1,210,000 (2016 - £1,100,00) have been paid in the period to reduce the pension deficit.

Contributions payable to the pension scheme at the end of the year are £101,000 (2016 - £92,000). The expected contributions to the plan for the next reporting period are £2,500,000.

The scheme was most recently valued on 5 April 2016. A full actuarial valuation of the scheme was carried out at 5 April 2016 and updated for IAS 19 purposes to 30 September 2017 by a qualified actuary, independent of the scheme's sponsoring employer.

Risks

Investment risk
This arises from assets underperforming, resulting in 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:

	2017 £ 000	2016 £ 000
Fair value of scheme assets	53,062	50,791
Present value of scheme liabilities	(78,916)	(87,192)
Defined benefit pension scheme deficit	(25,854)	(36,401)

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

27 Pension and other schemes (continued)

Scheme assets

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

	2017 £ 000	2016 £ 000
Fair value at start of year	50,791	47,130
Interest income	1,134	1,766
Return on plan assets, excluding amounts included in interest income/(expense)	1,889	3,113
Employer contributions	1,210	1,100
Benefits paid	(1,962)	(1,463)
Assets distributed on settlements	-	(855)
Fair value at end of year	53,062	50,791

Analysis of assets

The major categories of scheme assets are as follows:

	2017 £ 000	2016 £ 000
Cash and cash equivalents	108	85
Equity instruments	38,562	37,882
Debt instruments	14,392	12,824
	53,062	50,791

Actual return on scheme's assets

	2017 £ 000	2016 £ 000
Actual return on scheme assets	3,023	4,879

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 2017 (continued)

27 Pension and other schemes (continued)

Scheme liabilities

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

	2017 £ 000	2016 £ 000
Present value at start of year	87,192	67,366
Current service cost	1,940	2,511
Actuarial gains and losses arising from changes in demographic assumptions	(1,549)	(777)
Actuarial gains and losses arising from changes in financial assumptions	(4,758)	21,882
Actuarial gains and losses arising from experience adjustments	(1,947)	(1,304)
Benefits paid	(1,962)	(1,463)
Liabilities extinguished on settlements	-	(1,023)
Present value at end of year	78,916	87,192

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:

	2017 %	2016 %
Discount rate	2.65	2.25
Future pension increases	3.45	3.30
Inflation (RPI)	3.45	3.30

The mortality table used was 110% of SAPS Year of Birth Long CMI 2016 projections (2016 - SAPS Year of Birth Long CMI 2015 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

	2017 Years	2016 Years
Current UK pensioners at retirement age - male	21.50	21.50
Current UK pensioners at retirement age - female	23.40	23.90
Future UK pensioners at retirement age - male	23.20	23.70
Future UK pensioners at retirement age - female	25.20	26.20

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

27 Pension and other schemes (continued)

Amounts recognised in the income statement

	2017 £ 000	2016 £ 000
Amounts recognised in operating profit		
Administrative expenses paid	-	168
Amounts recognised in finance income or costs		
Finance cost in respect of pensions	(806)	(745)
Total recognised in the Income Statement	(806)	(577)

Amounts taken to the Statement of Comprehensive Income

	2017 £ 000	2016 £ 000
Actuarial gains and losses arising from changes in demographic assumptions	1,549	777
Remeasurements of post employment benefit obligation	4,758	(21,882)
Actuarial gains and losses arising from experience adjustments	1,947	1,304
Return on plan assets, excluding amounts included in interest income/(expense)	1,889	3,113
Amounts recognised in the Statement of Comprehensive Income	10,143	(16,688)

Sensitivity analysis

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

- A decrease in the discount rate of 0.25% per annum would increase the liability by 5.0% (2016 - 5.1%).
- An increase in the inflation rate of 0.25% per annum would increase the liability by 3.3% (2016 - 3.9%).
- An increase in the life expectancy of 1 year would increase the liability by 2.5% (2016 - 2.6%).

The average duration of the defined benefit obligation at the period ended 30 September 2017 is 20 years (2016 - 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 £3,563,000 (2016 - £3,224,000).

Other Retirement Benefit Obligations

Included within the Retirement Benefit Obligations is £192,000 (2016 - £nil) in relation to employee entitlements on retirement in Southern Europe.

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

28 Share capital

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

	2017 No.	2017 £ 000	2016 No.	2016 £ 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.

29 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)	(2,820)	-	(2,820)
Remeasurements of post employment benefit obligations	-	7,320	7,320
	(2,820)	7,320	4,500

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

29 Reserves (continued)

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)	12,807	-	12,807
Remeasurements of post employment benefit obligations	-	(16,688)	(16,688)
	12,807	(16,688)	(3,881)

30 Share-based payments

Tunstall Management Incentive Plan

Description of the share-based payment arrangements

During the year, the Group established a Management Incentive Plan ("MIP") that entitled key management personnel and senior employees to purchase shares in TGH Acquisitions Limited, a subsidiary undertaking of the Group. Participation is subject to a number of conditions and is at the discretion of the Board of Directors.

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

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

Fair value of shares granted

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

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

	2017	2016
Share price at date of grant (£)	5.81	-
Expected volatility (%)	21.00	-
Vesting period in years	1.60	-
Risk-free interest rate (%)	0.22	-

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

30 *Share-based payments (continued)*

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

The Directors have assumed that all shares granted during the year will vest on the sale of the Group.

Of the above share awards, none are exercisable at 30 September 2017.

	2017 Number	2016 Number
Outstanding at 1st October	-	-
Granted during the year	499,013	-
Outstanding at 30 September	499,013	-

For the purposes of the fair value calculation, the Directors have concluded that all shares have been granted in the current financial year although certain shares will be issued in the next financial year. The Directors have deemed that fair value at the date of the grant of the shares still to be issued will not be materially different to that calculated above.

Expense recognised in the Income Statement
A charge of £748,000 has been recognised in the Income Statement for the year ended 30 September 2017 (2016 - £nil). The corresponding credit has been recognised in retained earnings at 30 September 2017 (2016 - £nil).

31 Contingent liabilities

At 30 September 2017, the Group had contingent liabilities in respect of performance bonds and other letters of credit entered into on behalf of its subsidiary undertakings totalling £457,000 (2016 - £543,000).

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

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

Notes to the Financial Statements for the Year Ended 30 September 2017 (continued)

32 Related party transactions

Key Management Personnel

Key Management Personnel is defined as the Board of Directors (Executive and non-Executive Directors) and the Group Executive Team. The number of Key Management Personnel are 15 (2016 - 11). Remuneration to Key Management Personnel amounted to £3,018,000 (2016 - £2,305,000).

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.

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

Charterhouse General Partners (VIII) Limited also holds 74% of the loan notes, the repayment and interest terms of which are disclosed in note 25. Fees of £78,000 were paid by the Company to Charterhouse General Partners (VIII) Limited in respect of management services for the year ended 30 September 2017 (2016 - £107,000).

33 Parent and ultimate parent undertaking

The company's immediate parent is Charterhouse General Partners (VIII) Limited.

34 Events after the financial period

On the 12 February 2018 the Group reached an agreement with its Senior Debt providers to defer key milestone dates associated with the conditions of the financing arrangement dated 17 March 2017. At the year end there was uncertainty around the Group's ability to meet one of its milestones covenants. This deferral means the covenant now falls at a time when management expect the key milestone to be achievable. This has no impact upon the other financial covenants previously agreed and the fee charged by the lenders in relation to the deferral is not material to the Group.