

IDH Finance Plc

Annual report and financial statements

Registered number 08516986

Year ended 31 March 2017

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Strategic report for the year ended 31 March 2017

The directors present the Strategic report for the year ended 31 March 2017.

Principal activities

The principal activity of the company is to act as a group financing company.

Business review

The company is a member of the group of companies headed by Turnstone Equityco 1 Limited ('the group'). The principal activities of the group are the operation of dental practices and the provision of materials, services and equipment to dental practices.

The group is organised into two distinct business units and provides a range of National Health Service ('NHS') and private dental services from practices throughout the United Kingdom along with support services to other third party dental practices and the wider healthcare sector.

The company provides externally sourced finance to the group. During the year, the company re-financed its existing note, further details of which are provided in the financial review.

mydentist (formerly Patient Services)

Through its mydentist division, the group owns and manages a national chain of dental practices, with 674 sites at 31 March 2017 (2016: 672). The division's dental practices, operating mainly under the "mydentist" brand, offer a broad range of primary care dental services, including dental examinations, fillings and extractions, as well as more specialised dental services such as cosmetic dentistry and orthodontics. With around 66% of group revenue coming from NHS contracts (2016: 68%), the group is the largest provider of NHS dentistry in the UK.

The division's main trading entities are Petrie Tucker and Partners Limited, Whitecross Dental Care Limited and IDH Limited. mydentist has continued to grow its private dentistry revenues during the year, both organically and through acquisition. The NHS dentistry business has been negatively impacted compared to previous years by increased NHS scrutiny of claims and performance benchmarks, which have reduced dentist productivity by increasing appointment times as dentists spend more time recording notes detailing patient care and causing dentists to be more cautious in claiming Units of Dental Activity ("UDAs"). As a result, some dentists have decided to reduce the volume of UDAs they are willing to complete in a year, or to change their focus towards delivering more private treatments. In addition, the business has seen a decrease in the number of exempt patients seeking treatment as a result of the improving UK economy. Management are implementing a range of actions in order to improve UDA delivery performance, including the recruitment of additional clinicians, in order to enable mydentist to deliver the NHS contracts in future periods.

The Dental Directory (formerly Practice Services)

The Dental Directory division is a leading supplier of dental and other medical consumables and materials and services (including the installation and servicing of specialised dental equipment), selling dental supplies and services to at least 8,000 dental practices, including mydentist dental practices. The Dental Directory has an estimated market share of 25% in the United Kingdom, by revenue.

The principal trading entities of The Dental Directory are Billericay Dental Supply Co. Limited trading as The Dental Directory, along with a number of smaller businesses including DBG (UK) Limited, Dolby Medical Limited, Med-FX Limited and PDS Dental Laboratory Leeds Limited. During the year ended 31 March 2017, The Dental Directory has continued to grow organically and significant progress has been made in integrating the acquisitions of both Dolby Medical Limited and PDS Dental Laboratory Leeds Limited, which were acquired in March 2016.

Strategy and future outlook

The directors believe that the group continues to be well positioned to take advantage of further opportunities within the market, however there is likely to be a period of consolidation before growth recommences.

Strategic report for the year ended 31 March 2017 *(continued)*

Business review *(continued)*

Financial review

The operating loss for the year was £6,000 (2016: £6,000). The profit for the financial year was £735,000 (2016: £271,000).

On 5 August 2016, the company re-financed its existing senior secured notes, due 2018, and second lien notes, due 2019, with an aggregate par value of £500 million. The senior secured fixed rate notes were redeemed at 101.5, a premium of 1.5% to par, the senior secured floating rate notes were redeemed at par and the second lien notes were redeemed at 104.25, a premium of 4.25% to par. The redemption was financed through the issue of the following instruments by the company:

- £275 million 6.25% senior secured notes due 15 August 2022;
- £150 million LIBOR plus 6.00% senior secured fixed rate notes due 15 August 2022; and
- £130 million LIBOR plus 8.00% second lien notes due 15 August 2023, with LIBOR subject to a minimum floor of 1.00%.

The 6.25% senior secured notes were issued at par, the senior secured floating rate notes were issued at 99.5, a discount of 0.5% to par, and the second lien notes were issued at 96.5, a discount of 3.5% to par.

The net proceeds were on-lent by the company to Turnstone Bidco 1 Limited, and used to repay £39 million drawn from the existing Super Senior Revolving Credit Facility ('SSRCF') along with the associated transaction fees and expenses.

On the same date, Turnstone Bidco 1 Limited entered into an agreement with a syndicate of banks for a new £100 million SSRCF, available until 25 July 2022.

Principal risks and uncertainties

The company's risks and uncertainties are integrated with the principal risks and uncertainties of the group. Accordingly, the principal risks and uncertainties of Turnstone Equityco 1 Limited, which includes those of the company, are discussed in the Strategic report in the financial statements of Turnstone Equityco 1 Limited which does not form part of this report.

The consolidated financial statements of Turnstone Equityco 1 Limited are publicly available and may be obtained from the Company Secretary, Turnstone Equityco 1 Limited, Europa House, Stoneclough Road, Kearsley, Manchester, M26 1GG.

Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework which are managed in the context of the risks to which the group is exposed. The group's activities expose it to a variety of financial risks: credit risk, liquidity risk, market (including currency and interest rate risk) and inflation risk.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

Credit risk

Credit risk is the risk of financial loss to the group if a customer fails to meet its contractual obligations. The nature of the group's contracts with NHS Regions means that credit risk is minimised for a significant proportion of group revenue. The patient's contribution to NHS charges is usually collected before treatment in order to minimise risk to the group, however a risk may arise if treatment plans change and additional charges are not collected at the time of the appointment. Payment is also requested in advance for major courses of private treatment. In The Dental Directory, new customers are subject to external credit checks using the main agencies. Credit terms are negotiated individually and subsequently monitored closely by the credit control team. Cash deposits are principally held with institutions with a minimum credit rating of BBB+ (Standard and Poor's or Fitch); or Baa1 (Moody's).

Strategic report for the year ended 31 March 2017 *(continued)*

Financial risk management *(continued)*

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without unacceptable losses or risking damage to the group's reputation.

The group regularly monitors its cashflow forecasts and currently maintains funds on demand to meet all operational expenses including the servicing of financial obligations.

Market risk

Market risk is the risk that changes in foreign exchange rates and interest rates will affect the group's income.

The group is exposed to currency risk as business units within The Dental Directory routinely purchase goods in currencies other than Sterling (principally Euro and US Dollar). The group has policies and procedures in place to mitigate the impact of fluctuations in foreign exchange rates and in particular, to provide reasonable certainty over the group's cash flows through the use of, for example, derivative financial instruments such as foreign currency forward contracts or option contracts. This risk is also managed through competitive tendering for the group's significant supply contracts. All other operations are carried out in the United Kingdom and all income, other expenses and facilities are denominated in Sterling.

During the year, the group held two fixed interest rate contracts totalling £125 million. This, in addition to the fixed rate nature of a further £275 million of the group's senior secured notes, means that interest charges are fixed in respect of 72% of the group's total drawn debt (2016: 74%).

Inflation risk

Inflation risk is the risk that the cost of key services and products procured by the group will rise with inflation and affect the group's income. The rates paid under the terms of NHS contracts are reviewed centrally on an annual basis and, over the course of the past few years, the annual uplifts have typically been lower than the rate of both RPI and CPI.

The group undergoes a regular review of key suppliers through its procurement programme to mitigate cost increases, using tendering processes where possible. In addition, the group seeks to rationalise its supplier base to benefit from its scale.

WHM Robson

Director

31 May 2017

Directors' report for the year ended 31 March 2017

The directors present their report and the audited financial statements of IDH Finance Plc for the year ended 31 March 2017.

Financial risk management

Please refer to the Strategic report for a description of the company's financial risk management processes.

Future developments

Please refer to the strategy and future outlook section of the Strategic report for a description of future developments.

Proposed dividend

The directors do not recommend the payment of a dividend for the year (2016: £nil).

Directors

The directors who held office during the year and to the date of this report were as follows:

J Bonnavion	
A Burgess	(appointed 3 October 2016)
K Jayaraman	(appointed 3 October 2016)
T Riall	(appointed 8 May 2017)
WHM Robson	
E Kump	(resigned 3 October 2016)
T Scicluna	(resigned 31 March 2017)
A Stirling	(resigned 3 October 2016)

The directors benefitted from qualifying third party indemnification provisions in place during the financial year and to the date of this report.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law. 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 company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Political and charitable contributions

The company made no political or charitable contributions during the year (2016: £nil).

Directors' report for the year ended 31 March 2017 *(continued)*

Disclosure of information to auditors

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

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution that they be reappointed as auditors will be proposed at the annual general meeting.

On behalf of the Board

WHM Robson
Director
31 May 2017

Europa House
Europa Trading Estate
Stoneclough Road
Kearsley
Manchester
M26 1GG

Independent auditors' report to the members of IDH Finance Plc

Report on the financial statements

Our opinion

In our opinion, IDH Finance Plc's financial statements (the 'financial statements'):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual report and financial statements (the 'Annual report') comprise:

- the balance sheet as at 31 March 2017;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of IDH Finance Plc *(continued)*

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

Randal Casson (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
31 May 2017

Income statement
for the year ended 31 March 2017

	<i>Note</i>	2017 £'000	2016 £'000
Administrative expenses		(6)	(6)
Operating loss	5	(6)	(6)
Interest receivable and similar income	7	43,748	30,901
Interest payable and similar charges	8	(43,007)	(30,624)
Net interest receivable		741	277
Profit on ordinary activities before taxation		735	271
Tax on profit on ordinary activities	9	-	-
Profit for the financial year		735	271

The company has no items of other comprehensive income during the current or previous year other than those stated above and therefore no separate statement of comprehensive income has been presented.

Balance sheet
at 31 March 2017

	<i>Note</i>	2017 £'000	2016 £'000
Current assets			
Debtors (includes £551,467,000 falling due after more than one year; 2016: £501,250,000)	<i>10</i>	556,223	503,825
Cash at bank and in hand		49	50
		<hr/>	<hr/>
		556,272	503,875
Creditors: amounts falling due within one year	<i>11</i>	(4,784)	(2,597)
		<hr/>	<hr/>
Net current assets		551,488	501,278
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	<i>12</i>	(550,216)	(500,741)
		<hr/>	<hr/>
Net assets		1,272	537
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Called up share capital	<i>14</i>	50	50
Retained earnings	<i>15</i>	1,222	487
		<hr/>	<hr/>
Total shareholders' funds		1,272	537
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 11 to 15 form an integral part of these financial statements.

These financial statements on pages 8 to 15 were approved by the board of directors on 31 May 2017 and were signed on its behalf by:

WHM Robson
Director

Statement of changes in equity
for the year ended 31 March 2017

	Called up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance at 1 April 2015	50	216	266
Comprehensive income for the year			
Profit for the financial year	-	271	271
Balance at 31 March 2016	50	487	537
Comprehensive income for the year			
Profit for the financial year	-	735	735
Balance at 31 March 2017	50	1,222	1,272

Notes to the financial statements

1 Company information

IDH Finance Plc (the ‘company’) is a public company, limited by shares, incorporated and domiciled in England. The address of the registered office is: Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester M26 1GG.

The principal activity of the company is to act as a group financing company.

The company is a member of the group of companies headed by Turnstone Equityco 1 Limited (‘the group’). The principal activities of the group are the operation of dental practices and the provision of materials, services and equipment to dental practices.

2 Accounting policies

Basis of preparation

The financial statements of IDH Finance Plc have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the United Kingdom and Ireland (‘FRS 102’), and with the Companies Act 2006.

These financial statements are prepared on a going concern basis, under the historical cost convention.

The financial statements are presented in Sterling (£).

A summary of the more important accounting policies, which have been applied on a consistent basis, is set out below.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions which have been complied with, including notification of, and no objection to, the use of the exemptions by the company’s shareholders.

The company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and that the company’s cash flows are included within the consolidated cash flow statement for the group;
- from preparing a reconciliation of the number of shares outstanding at the beginning and end of the financial year;
- from disclosing the compensation paid to the company’s key management personnel; and
- from disclosing related party transactions between wholly owned entities that are part of the Turnstone Equityco 1 Limited group of companies.

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Financial instruments including borrowings

Basic financial assets and liabilities, including amounts owed by group undertakings, borrowings and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset’s original effective interest rate. The impairment loss is recognised in the income statement. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

Derivate financial instruments, including unquoted options, are not basic financial instruments. Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivative financial instruments are recognised within interest receivable or interest payable in the income statement as appropriate.

Notes to the financial statements *(continued)*

3 Significant judgements and estimates

In preparing the financial statements, the Directors are required to make significant judgements and estimates. The principal area of the financial statements where judgements and estimates have been made is:

Carrying value of financial assets and liabilities

At the end of each reporting period, the Directors assess the carrying value of financial assets for objective evidence of impairment. In addition, where financial assets or liabilities constitute a financing arrangement, the value of the asset or liability is measured by reference to the present value of the estimated future cashflows. Both of these estimates require the future cashflows arising from the financial assets or liabilities to be estimated and an appropriate discount rate to be selected.

4 Segmental analysis

The profit on ordinary activities before taxation and net assets of the company relate to its principal activity as a group financing company. All services are provided in the United Kingdom.

5 Operating loss

	2017 £'000	2016 £'000
Operating loss is stated after charging:		
Auditors' remuneration:		
Fees payable to the company's auditor for the audit of the company's financial statements	6	6
	6	6

6 Directors and employees

The directors received no emoluments from the company for their services during the year (2016: £nil). The emoluments received as a director of the parent company are disclosed in the financial statements of Turnstone Equityco 1 Limited for WHM Robson and T Scicluna.

The company has no employees (2016: none).

7 Interest receivable and similar income

	2017 £'000	2016 £'000
Interest receivable on loan to fellow group undertaking	43,748	30,901
	43,748	30,901

8 Interest payable and similar charges

	2017 £'000	2016 £'000
Senior secured fixed rate notes	15,867	12,000
Senior secured floating rate notes	10,446	12,249
Second lien notes	10,506	6,375
Non recurring - fees payable in respect of the early redemption of senior secured fixed rate notes and second lien notes	6,188	-
	43,007	30,624

Notes to the financial statements *(continued)*

9 Tax on profit on ordinary activities

a) Analysis of tax charge for the financial year

	2017 £'000	2016 £'000
Current tax		
Current tax for the year	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	-	-
	<hr/> <hr/>	<hr/> <hr/>

b) Factors affecting the tax charge for the financial year

The tax charge for the year is lower (2016: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2017 of 20% (2016: 20%). The differences are explained below:

	2017 £'000	2016 £'000
Profit on ordinary activities before taxation	735	271
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2016: 20%)	147	54
Effects of:		
Group relief claimed for nil consideration	(147)	(54)
	<hr/>	<hr/>
Tax on profit on ordinary activities	-	-
	<hr/> <hr/>	<hr/> <hr/>

The main rate of corporation tax reduces from 20% to 19% with effect from 1 April 2017. A further reduction in the main rate of corporation tax to 17% from 1 April 2020 was substantively enacted on 15 September 2016.

10 Debtors

	2017 £'000	2016 £'000
Amounts falling due after more than one year		
Amounts owed by group undertakings	551,467	501,250
	<hr/>	<hr/>
Amounts falling due within one year		
Amounts owed by group undertakings	4,756	2,575
	<hr/>	<hr/>
	556,223	503,825
	<hr/> <hr/>	<hr/> <hr/>

The amounts owed by group undertakings falling due after more than one year are unsecured and are subject to an interest charge equivalent to that payable upon the senior secured, floating rate and second lien notes (note 13).

Amounts owed by group undertakings falling due within one year are unsecured, are not subject to an interest charge and are repayable on demand.

Notes to the financial statements *(continued)*

11 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Accruals	<u>4,784</u>	<u>2,597</u>

12 Creditors: amounts falling after more than one year

	2017 £'000	2016 £'000
Borrowings (note 13)	<u>550,216</u>	<u>500,741</u>

13 Borrowings

	2017 £'000	2016 £'000
Senior secured, floating rate and second lien notes		
Due between two and five years	-	500,741
Due after five years	<u>550,216</u>	<u>-</u>
	<u>550,216</u>	<u>500,741</u>

All of the company's borrowings are denominated in Sterling and are secured by means of a floating charge against the assets of certain group subsidiary companies.

On 5 August 2016, the company re-financed its existing senior secured notes, due 2018, and second lien notes, due 2019, with an aggregate par value of £500 million. The senior secured fixed rate notes were redeemed at 101.5, a premium of 1.5% to par, the senior secured floating rate notes were redeemed at par and the second lien notes were redeemed at 104.25, a premium of 4.25% to par. The redemption was financed through the issue of £275 million of senior secured fixed rate notes, £150 million of senior secured floating rate notes and £130 million of second lien notes.

The net proceeds were on-lent by the company to Turnstone Bidco 1 Limited, and used to repay £39 million drawn from the existing Super Senior Revolving Credit Facility ('SSRCF') along with the associated transaction fees and expenses.

On the same date, Turnstone Bidco 1 Limited entered into an agreement with a syndicate of banks for a new £100 million SSRCF, available until 25 July 2022.

As at March 2017, the company has the following notes in issue:

- £275 million of senior secured fixed rate notes. The notes were issued on 5 August 2016 at par, and mature at par on 15 August 2022. Interest is payable semi-annually in arrears on 15 February and 15 August each year, at a fixed coupon of 6.25% per annum.
- £150 million of senior secured floating rate notes. The notes were issued on 5 August 2016 at 99.5, a discount of 0.5% to par. The notes mature at par on 15 August 2022. Interest is payable quarterly in arrears on 15 February, 15 May, 15 August and 15 November each year, at a coupon of 3 month LIBOR plus 6.00%.
- £130 million of second lien notes. The notes were issued on 5 August 2016 at 96.5, a discount of 3.5% to par. The notes mature at par on 15 August 2023. Interest is payable quarterly in arrears on 15 February, 15 May, 15 August and 15 November each year, at a coupon of 3 month LIBOR plus 8.00%. 3 month LIBOR is subject to a 1.00% floor.

The issue discount arising on the senior secured floating rate notes and the second lien notes is being amortised over the term to maturity, in accordance with the effective interest method.

Notes to the financial statements *(continued)*

13 Borrowings *(continued)*

Under the terms of the indenture to the £275 million senior secured fixed rate notes and £150 million floating rate notes, the group holds certain call options to re-purchase all or part of the notes at pre-determined amounts during certain periods.

The senior secured fixed rate notes may be called by the group at a price of 103.125% of par between 15 August 2018 and 14 August 2019; at 101.563% of par between 15 August 2019 and 14 August 2020; or at par between 15 August 2020 and 14 August 2021.

The senior secured floating rate notes may be called by the group at a price of 101% of par between 15 August 2017 and 14 August 2018; or at par between 15 August 2018 and 14 August 2019.

The above call options are not considered by the directors to have any value at 31 March 2017.

14 Called up share capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid		
50,000 (2016: 50,000) ordinary shares of £1	50	50

15 Reserves

The following describes the nature and purpose of each reserve within shareholders' funds:

Retained earnings

Cumulative net gains and losses recognised in the group income statement or through equity.

16 Financial assets and liabilities

The company has the following financial instruments:

	<i>Note</i>	2017 £'000	2016 £'000
Financial assets measured at amortised cost			
Amounts owed by group undertakings	<i>10</i>	556,223	503,825
Financial liabilities measured at amortised cost			
Borrowings	<i>12</i>	(550,216)	(500,741)

17 Controlling party

The immediate parent undertaking is Turnstone Midco 2 Limited.

The results of the company are consolidated in the financial statements of Turnstone Equityco 1 Limited, a company incorporated in England.

Turnstone Midco 2 Limited is the parent undertaking of the smallest group to consolidate these financial statements. Turnstone Equityco 1 Limited is the parent undertaking of the largest group to consolidate these financial statements. The consolidated financial statements of Turnstone Midco 2 Limited are publicly available and may be obtained from Turnstone Equityco 1 Limited, Europa House, Stoneclough Road, Kearsley, Manchester, M26 1GG.

At 31 March 2017 and throughout the year, the ultimate controlling party is considered by the Directors to be CEP III Participations S.a.r.l. SICAR, an investment vehicle for The Carlyle Group. CEP III Participations S.a.r.l. SICAR is the controlling party of Turnstone Equityco 1 Limited.