IDH Finance Plc

Annual report and financial statements

Registered number 08516986

Year ended 31 March 2018

Contents

Strategic report for the year ended 31 March 2018

The directors present the Strategic report for the year ended 31 March 2018.

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.

mydentist
Through its mydentist division, the group owns and manages a national chain of dental practices, with 643 sites at 31 March 2018 (2017: 674). 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. The group is the largest provider of NHS dentistry in the UK, with around 64% of group revenue coming from NHS contracts (2017: 66%).

The division's main trading entities are Petrie Tucker and Partners Limited, Whitecross Dental Care Limited and IDH Limited. mydentist has continued to be affected by a challenging trading environment during the year, with the NHS dentistry business, in particular, being adversely impacted by a declining level of Unit of Dental Activity ('UDA') delivery. This decline has been due to a number of factors, including:

- a reduction in the number of hours dentists are making themselves available for work;
- a reduction in the volume of contracted UDA's held by dentists;
- a reduction in the number of eligible exempt patients resulting in changes in the UDA band mix; and
- the impact of our growth in private revenues.

In response to these factors, mydentist has needed to recruit more dentists in order to fulfil the NHS contracts. During the year ended 31 March 2018, the business has significantly expanded its internal recruitment team in order to accelerate dentist recruitment from both UK and overseas channels. Over the course of the year, a number of well attended resourcing days have been held both across the UK and overseas. As a result of these actions, the group has added a net additional 232 dentists over the course of the year.

In addition, management have conducted a thorough review of the group's portfolio of dental practices to identify those which are no longer viable due to structural issues such as, for example, very low UDA contract values or where geographical isolation has made it difficult to recruit dentists. As a result of this review, decisions were taken to close or sell 49 dental practices. By 31 March 2018, the group had sold 13 practices and closed 19 practices, including two which were closed at the end of the year ended 31 March 2017. The remaining 17 practices are expected to be closed or sold by 30 September 2018. In addition, after the period end, the decision has been taken to close or sell a further 21 practices which we also expect to complete by 30 September 2018.

The Dental Directory
Dental Directory is a leading supplier of dental and other medical consumables, 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. 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 2018, The Dental Directory has continued to grow both organically and through the acquisitions of BF Mulholland Limited on 8 September 2017 and the trade, assets and liabilities of Torque Orthodontics Limited, which completed on 30 June 2017. BF Mulholland supplies a similar range of dental consumables, materials and equipment to those offered by Dental Directory, but to the Northern Irish and Irish markets, and therefore extends the geographic reach of The Dental Directory. Torque Orthodontics Limited is a small supplier of orthodontic appliances and materials.

Strategic report for the year ended 31 March 2018 *(continued)*

Business review *(continued)*

Dental Directory has continued to grow its revenues during the year ended 31 March 2018, however gross margins have declined both as a result of a change in the sales mix, with higher sales of lower margin products such as facial aesthetics, as well as a continuation of the increase in cost of goods sold following the decline in the value of Sterling against the Euro. The foreign exchange impact continues to be partially mitigated by market based reviews of pricing.

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 any significant growth.

Financial review
The operating loss for the year was £8,000 (2017: £6,000). The loss for the financial year was £8,000 (2017: profit of £735,000).

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 risk (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).

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.

Strategic report for the year ended 31 March 2018 *(continued)*

Financial risk management *(continued)*

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.

Until 1 June 2017, the group held two fixed interest rate contracts totalling £125 million. These contracts expired on 1 June 2017 and have not been renewed. The group continues to monitor market conditions and may choose to enter into new hedging arrangements in the future. Following the expiry of these contracts, interest charges are now fixed in respect of 49% of the group's total drawn debt (2017: 72%).

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.

O Shafi Khan
Director
26 June 2018

Directors' report for the year ended 31 March 2018

The directors present their report and the audited financial statements of IDH Finance Plc for the year ended 31 March 2018.

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 (2017: £nil).

Directors

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

J Bonnavion	
A Burgess	
K Jayaraman	
T Riall	(appointed 8 May 2017)
O Shafi Khan	(appointed 16 October 2017)
WHM Robson	(resigned 31 July 2017)

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 (2017: £nil).

Directors' report for the year ended 31 March 2018 *(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

O Shafi Khan
Director
26 June 2018

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

Independent auditors' report to the members of IDH Finance Plc

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared 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); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2018; the Income statement, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall materiality: £5.6 million (2017: £6 million), based on 1% of total assets.

- Our audit consisted of a full scope audit over the statutory accounts of IDH Finance Plc.

- Going concern.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Going concern	
The financial statements have been prepared on the going concern basis. The Directors believe that the entity will have the cash resources it requires to settle its liabilities for the period extending beyond 12 months from the date of approval of the financial statements. The entity has borrowings of £551m (2017: £551m). There are no financial covenants on any of the borrowings. The going concern status of the entity is intrinsically linked to the success of the group.	Our testing focused on the key judgements and assumptions as follows: • We evaluated and challenged the group's future cash flow forecasts and the process by which they were drawn up. We compared the group's forecasts to the latest Board approved budget and found them to be consistent; • We have reviewed the terms of the financing agreements and confirmed that there are no restrictions to draw down outside of the control of the entity and group, there are no financial covenants on any of the borrowings. We have compared forecasted cash flows by assessing their impact on the covenant conditions and noted no expected breaches; • We have assessed management's ability to produce reliable forecasts by reviewing the accuracy of previous forecasts; • We have reviewed results post year end and confirmed there are no significant variations from management's initial expectations which would change their conclusions over going concern; and • Considering the test results above we noted no other factors that would impact the going concern status of the entity and, therefore, we concur with management's assessment that the accounts should be prepared on a going concern basis.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Our audit consisted of a full scope audit over the statutory accounts of IDH Finance Plc.

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

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£5.6 million (2017: £6 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	We believe that total assets is the appropriate benchmark as the entity is a holding company.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £278,500 (2017: £299,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
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.

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.

Randal Casson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
26 June 2018

Income statement
for the year ended 31 March 2018

	Note	**2018** **£'000**	2017 £'000
Administrative expenses		**(8)**	(6)
Operating loss	*5*	**(8)**	(6)
Interest receivable and similar income	*7*	**39,251**	43,748
Interest payable and similar charges	*8*	**(39,251)**	(43,007)
Net interest receivable		**-**	741
(Loss)/profit on ordinary activities before taxation		**(8)**	735
Tax on (loss)/profit on ordinary activities	*9*	**-**	-
(Loss)/profit for the financial year		**(8)**	735

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 2018

	Note	**2018**	2017
		£'000	£'000
Current assets			
Debtors (includes £552,242,000 falling due after more than one year; 2017: £551,467,000)	*10*	**557,032**	556,223
Cash at bank and in hand		**49**	49
		557,081	556,272
Creditors: amounts falling due within one year	*11*	**(4,825)**	(4,784)
Net current assets		**552,256**	551,488
Creditors: amounts falling due after more than one year	*12*	**(550,992)**	(550,216)
Net assets		**1,264**	1,272
Capital and reserves			
Called up share capital	*14*	**50**	50
Retained earnings	*15*	**1,214**	1,222
Total shareholders' funds		**1,264**	1,272

The notes on pages 13 to 17 form an integral part of these financial statements.

These financial statements on pages 10 to 17 were approved by the board of directors on 26 June 2018 and were signed on its behalf by:

O Shafi Khan
Director

Statement of changes in equity
for the year ended 31 March 2018

	Called up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance at 1 April 2016	50	487	537
Comprehensive income for the year			
Profit for the financial year and total comprehensive income	-	735	735
Balance at 31 March 2017	50	1,222	1,272
Comprehensive expense for the year			
Loss for the financial year and total comprehensive expense	-	(8)	(8)
Balance at 31 March 2018	**50**	**1,214**	**1,264**

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.

Derivative 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 (loss)/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

	2018	2017
	£'000	£'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	**8**	6

6 Directors and employees

The directors received no emoluments from the company for their services during the year (2017: £nil). The emoluments received as a director of the parent company are disclosed in the financial statements of Turnstone Equityco 1 Limited for T Riall, O Shafi Khan and WHM Robson.

The company has no employees (2017: none).

7 Interest receivable and similar income

	2018	2017
	£'000	£'000
Interest receivable on loans to fellow group undertaking	**39,251**	43,748

8 Interest payable and similar charges

	2018	2017
	£'000	£'000
Senior secured fixed rate notes	**17,187**	15,867
Senior secured floating rate notes	**9,714**	10,446
Second lien notes	**12,350**	10,506
Non recurring - fees payable in respect of the early redemption of senior secured fixed rate notes and second lien notes	**-**	6,188
	39,251	43,007

Notes to the financial statements *(continued)*

9 Tax on (loss)/profit on ordinary activities

a) Analysis of tax charge for the financial year

	2018	2017
	£'000	£'000
Current tax		
Current tax for the year	**-**	-
Tax on (loss)/profit on ordinary activities	**-**	-

b) Factors affecting the tax charge for the financial year

The tax charge for the year is higher (2017: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2018 of 19% (2017: 20%). The differences are explained below:

	2018	2017
	£'000	£'000
(Loss)/profit on ordinary activities before taxation	**(8)**	735
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%)	**(2)**	147
Effects of:		
Group relief surrendered/(claimed) for nil consideration	**2**	(147)
Tax on (loss)/ profit on ordinary activities	-	-

The main rate of corporation tax reduced 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

	2018	2017
	£'000	£'000
Amounts falling due after more than one year		
Amounts owed by group undertakings	**552,242**	551,467
Amounts falling due within one year		
Amounts owed by group undertakings	**4,790**	4,756
	557,032	556,223

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

	2018	2017
	£'000	£'000
Accruals	**4,825**	4,784

12 Creditors: amounts falling due after more than one year

	2018	2017
	£'000	£'000
Borrowings (note 13)	**550,992**	550,216

13 Borrowings

	2018	2017
Senior secured, floating rate and second lien notes	**£'000**	£'000
Due between two and five years	**424,459**	-
Due after five years	**126,533**	550,216
	550,992	550,216

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.

Throughout the year ended 31 March 2018, the company had 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.

The proceeds from the issue of the notes have been on-lent to Turnstone Bidco 1 Limited. See also note 10.

Under the terms of the indenture to the £275 million senior secured fixed rate notes and £150 million floating rate notes, the company 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 company 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 company 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 either 31 March 2018 or 31 March 2017.

Notes to the financial statements *(continued)*

14 Called up share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
50,000 (2017: 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:

	Note	2018 £'000	2017 £'000
Financial assets measured at amortised cost			
Amounts owed by group undertakings	*10*	**557,032**	556,223
Financial liabilities measured at amortised cost			
Borrowings	*12*	**(550,992)**	(550,216)

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 both Turnstone Midco 2 Limited and Turnstone Equityco 1 Limited are publicly available and may be obtained from Turnstone Equityco 1 Limited, Europa House, Stoneclough Road, Kearsley, Manchester, M26 1GG.

At 31 March 2018 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.