

Whitecross Group Limited

Company Number 03536089

Annual report and financial statements - 31 March 2020

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Whitecross Group Limited
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Whitecross Group Limited
Strategic report
For the year ended 31 March 2020

The directors present their Strategic report for the year ended 31 March 2020.

Principal activities

The principal activity of the company is to act as an investment holding company.

The company did not trade in the year to 31 March 2020 nor during the year to 31 March 2019. Accordingly, the company has no items of other comprehensive income during the current or previous year and therefore no statement of changes in equity has been presented.

Business review

Review of the development and performance of the 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.

The group is organised into two distinct business units, {my}dentist and DD divisions, which provide 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.

From mid-March 2020 the UK was subject to lockdown measures which were implemented to slow the spread of the Covid-19 outbreak. On 23 March 2020, {my}dentist took the decision, for the safety of patients and staff, to stop all non-emergency treatments across all practices in the group. Routine dental treatment was allowed to restart, with modifications in operating procedures, from 8 June 2020. See subsequent events section for more details.

Strategy and future outlook

The company is expected to remain an investment holding company in the forthcoming year.

Events after the reporting period

On 28 May 2021, the group announced that a binding share purchase agreement had been entered into for Palamon Capital Partners and the management team to acquire The Carlyle Group's shareholding in the company's ultimate parent undertaking, Turnstone Equityco 1 Limited ("the Palamon transaction"). On 16 August 2021, the transaction was completed and a full refinancing of the group's third party borrowings was finalised.

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, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG.

Whitecross Group Limited

Strategic report

For the year ended 31 March 2020

Subsequent events - Impact of the coronavirus pandemic

The Covid-19 coronavirus outbreak has had a significant impact on the group post year end.

During March, {my}dentist practices moved quickly from normal operations to following restrictions where only emergency procedures with no aerosol generating procedures ("AGP") could be provided to patients. During the nationwide lockdown period, dental practices were still staffed, with most practices operating a telephone only triage system and emergency cases referred into the network of NHS Urgent Dental Care Centres (UDC's). {my}dentist operated over 70 UDCs from its practices. No private dentistry was carried out during this period and therefore private revenues came to a halt. NHS England confirmed that mixed NHS and private practices could claim for furloughed workers in proportion to the private income of the practice and {my}dentist placed just under 25% of practice staff on furlough and claimed under the Coronavirus Job Retention Scheme.

The NHS have stated that FY2020 UDA delivery would be measured with any shortfall in March delivery due to Covid-19 related practice closures to be replaced by March 2019 performance.

As the lockdown conditions eased, the CDO in England announced on 28 May 2020 that dental practices in England could restart face-to face care with effect from 8 June 2020. {my}dentist delayed restarting activity until 15 June 2020 to enable practices to fully train staff on new Standard Operating Procedures (SOPs) including staggered appointment times, social distancing and personal protective equipment. Protective screens, hand sanitiser stations and social distancing vinyls were installed in practices and surgeries were reviewed for air flow and suction capacity. From 1 July 2020 all treatment options including AGPs are being performed in practice subject to PPE, however a downtime fallow period is required in surgery after a treatment involving AGP.

A key focus of the business during the pandemic was to maintain communication with all stakeholders – patients, self-employed clinicians, practice and Support Centre staff, the NHS and industry bodies. Regular email and video communications have been made available to keep groups updated with information relevant to their situation such as pay, infection control procedures and Personal Protective Equipment (PPE) for clinicians and oral health advice for patients. Management have also been in close contact with the NHS across the regions, the Association of Dental Groups (ADG) and the British Dental Association (BDA) on the approach of dentistry to the lockdown and then on restart procedures.

Post year end, NHS contractual payments have continued to be made each month to dental practices at 1/12th of the annual contract value on condition that practices were operational and self-employed clinicians and staff continued to be paid in line with contract. An abatement to the UDA contract will be made for variable costs, such as laboratories and materials, that will not be incurred while practices were running as triage facilities and therefore at lower activity levels. The level of abatement in England has been set at 16.75% from 1 April 2020 to 7 June 2020 and at 0% from 8 June 2020 provided that 20% of usual patient activity is completed from the end of July 2020. NHS Wales have confirmed that the abatement will be 20% in Q1 FY2021 reducing to 10% in Q2 and that UDA completion will not be monitored for Q1. Payments in Scotland and Northern Ireland have continued at 80% of normal levels.

During the second lockdown period in November 2020, following guidance from the CDO, dental practices remained open for all treatments. {my}dentist has now invested £1.25m in installing air filtration units in all practices which allows the fallow time between appointments to be reduced to ten minutes. This will allow an increased number of appointments to be made available and will increase patient access to care.

Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The company's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk and inflation risk.

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

Whitecross Group Limited
Strategic report
For the year ended 31 March 2020

Financial risk management *(continued)*

Credit risk

Credit risk is the risk of financial loss to the company if a customer fails to meet its contractual obligations. The nature of the company's contract with the NHS Region means that credit risk is minimised for a significant proportion of the company's revenue. The patient's contribution to NHS charges is usually collected before treatment in order to minimise risk to the company, however a risk may arise if treatment plans change and additional charges are not collected at the time of the appointment.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company'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 incurring unacceptable losses or risking damage to the company's reputation.

Market risk

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

The company has limited currency risk as all operations are carried out in the United Kingdom and all income and expenses are denominated in Sterling. However, as materials are principally sourced by other group companies from suppliers internationally, the company is indirectly exposed to currency risk as prices are adjusted to reflect currency movements. The group mitigates this risk 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.

Inflation risk

Inflation risk is the risk that the cost of key services and products procured by the company will rise with inflation and affect the company's income. The rates paid under the terms of the company's NHS contract are reviewed 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 company 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.

Covid-19

The Covid-19 pandemic has had a significant impact on our patients, our clinicians and employees and our suppliers with the extent dependent on any recurrence and consequent lockdown measures whether local or national. The severity of the economic effect, levels of unemployment, and the speed and nature of the recovery will all impact on performance over the near future. Within {my}dentist, the revised operating procedures required for healthcare settings including additional personal protective equipment (PPE) requirements, the higher costs of PPE and the fallow period requirements between patient appointments will impact on productivity and the potential revenue an individual surgery can generate. There is also uncertainty over the speed at which patients will want to return to medical settings and the availability of clinicians and staff where medical conditions mean they are unwilling to risk returning to practice. While restrictions were placed on practices during March to June 2020, the NHS across the UK provided financial support to the industry by continuing monthly contract payments.

From the period where restrictions were placed on practice operations by the NHS, a leadership team group met regularly, first to prepare and implement guidance on how practices moved from routine treatment to telephone triage only, then to work on identifying suitable practices that could operate as UDCs for the NHS, and to build a set of comprehensive operating procedures that could be implemented when practices could reopen. A key element of the response to the situation was to maintain communications with clinicians, practice staff and patients including providing guidance on oral health maintenance while face-to-face treatment was not possible. Weekly cash flow models were also prepared for the Executive team in response to changing scenarios to evaluate financial impacts and to assess potential mitigation options.

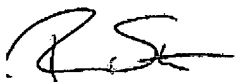
Whitecross Group Limited
Strategic report
For the year ended 31 March 2020

Financial risk management *(continued)*

Covid-19 *(continued)*

Over the next year, practice operating procedures will continue to evolve in line with feedback from clinicians and practice staff and guidance from Public Health England and the NHS. Modelling will also continue on Covid-19 scenarios to identify and evaluate financial impacts.

On behalf of the Board



R Storah
Director

26 August 2021

Whitecross Group Limited
Directors' report
For the year ended 31 March 2020

The directors present their report and the unaudited financial statements for the year ended 31 March 2020.

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

There were no dividends paid, recommended or declared during the current or previous financial year.

Directors

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

NK Pandya	(appointed 27 November 2020)
T Riall	
R Storah	(appointed 5 April 2019)
N Whitley	
O Shafi Khan	(resigned 5 April 2019)

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

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Turnstone Equityco 1 Limited. The directors have received confirmation that Turnstone Equityco 1 Limited intend to support the company for at least one year after these financial statements are signed, and therefore the going concern of the company is dependent on the going concern of the parent company. In making their assessment of the going concern of the parent company, the directors of the parent company have considered the recent Palamon Transaction, the recent refinancing of the Group's external debt, and the preparation of both a base case and a severe but plausible downside case.

Events after the reporting period

Please refer to the Strategic report for details of the impact of the Covid-19 pandemic.

On 28 May 2021, the group announced that a binding share purchase agreement had been entered into for Palamon Capital Partners and the management team to acquire The Carlyle Group's shareholding. On 16 August 2021, the transaction was completed and a full refinancing of the Group's third party borrowings was finalised.

Whitecross Group Limited
Directors' report
For the year ended 31 March 2020

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;
- make judgements and accounting estimates that are reasonable and prudent;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

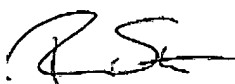
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

Audit exemption

For the year ended 31 March 2020, the company was entitled to exemption from audit under section 479A of the Companies Act 2006 as Turnstone Midco 2 Limited has provided a guarantee over all of the outstanding liabilities of the company to the company's immediate parent and sole member, Diverse Acquisitions Limited, in accordance with section 479C of the Companies Act 2006.

On behalf of the Board



R Storah
Director

26 August 2021

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

Whitecross Group Limited
Income statement
For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Result before tax on ordinary activities		-	-
Tax on ordinary activities		-	-
Result after tax on ordinary activities for the year		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		-	-

The above income statement should be read in conjunction with the accompanying notes

Whitecross Group Limited
Balance sheet
As at 31 March 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments	5	2,016	2,016
Total fixed assets		<u>2,016</u>	<u>2,016</u>
Current assets			
Debtors	6	14,922	14,922
Total current assets		<u>14,922</u>	<u>14,922</u>
Current liabilities			
Creditors: amounts falling due within one year	7	1,500	1,500
Total current liabilities		<u>1,500</u>	<u>1,500</u>
Net current assets		<u>13,422</u>	<u>13,422</u>
Total assets less current liabilities		<u>15,438</u>	<u>15,438</u>
Net assets		<u>15,438</u>	<u>15,438</u>
Capital and reserves			
Called up share capital	8	2,761	2,761
Share premium account	9	17,543	17,543
Accumulated losses	10	(4,866)	(4,866)
Total capital and reserves		<u>15,438</u>	<u>15,438</u>

The notes on pages 10 to 14 form an integral part of these financial statements.

- (a) For the financial year ended 31 March 2020 the company was entitled to exemption from audit under section 479A of the Companies Act 2006.
- (b) The member has not required the company to obtain an audit in accordance with section 476 of the Companies Act 2006.
- (c) The directors acknowledge their responsibility for:
 - i) ensuring the company keeps accounting records which comply with Section 386; and
 - ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial year in accordance with the requirements of the Companies Act relating to accounts, so far as is applicable to the company.

Whitecross Group Limited's company number is 03536089.

These financial statements on pages 8 to 14 were approved by the board of directors on 26 August 2021 and were signed on its behalf by:



R Storah
 Director

26 August 2021

Whitecross Group Limited
Notes to the financial statements
For the year ended 31 March 2020

1. Company information

The financial statements cover Whitecross Group Limited as an individual entity. The financial statements are presented in Pound sterling, which is Whitecross Group Limited's functional and presentation currency.

The company is a private company limited by shares, incorporated in the United Kingdom and domiciled in England. Its registered office is Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG.

The principal activity of the company is to act as an investment holding 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

These financial statements 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 Republic of Ireland ('FRS 102'), and with the Companies Act 2006.

The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

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

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Turnstone Equityco 1 Limited. The directors have received confirmation that Turnstone Equityco 1 Limited intend to support the company for at least one year after these financial statements are signed, and therefore the going concern of the company is dependent on the going concern of the parent company. In making their assessment of the going concern of the parent company, the directors of the parent company have considered the recent Palamon Transaction, the recent refinancing of the Group's external debt, and the preparation of both a base case and a severe but plausible downside case.

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.

Whitecross Group Limited
Notes to the financial statements
For the year ended 31 March 2020

2. Accounting policies (continued)

Investments

Investments held as fixed assets are stated at historic purchase cost less amounts written off for impairment.

Long-term intercompany balances, which have been generated by the holding company funding the subsidiaries' acquisitions of dental practices, are treated as investments in the balance sheet.

Impairment of investments

At each reporting date investments are reviewed to determine whether there is any indication that they have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected investment is estimated as the higher of its fair value less costs to sell or the value in use. This is then compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the income statement.

If an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the investment in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Financial instruments

Basic financial assets and liabilities, including trade and other receivables, trade and other payables, amounts owed to and by group undertakings and cash balances, in accordance with section 11 and 12 of FRS102 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.

3. Significant accounting judgements and estimates

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

Impairment of investments

At each reporting date investments are reviewed to determine whether there is any indication that they have suffered an impairment loss. In determining whether there is an indication of impairment a number of judgemental factors must be considered, including an estimate of the future economic benefits that can be derived from those assets and current market conditions.

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 cash flows. Both of these estimates require the future cash flows arising from the financial assets or liabilities to be estimated and an appropriate discount rate to be selected.

Whitecross Group Limited
Notes to the financial statements
For the year ended 31 March 2020

4. Directors and employees

The directors received no emoluments from the company for their services during the financial year (2019: £nil). The emoluments received as a director of a group trading company are disclosed in the financial statements of Petrie Tucker and Partners Limited for R Storah and N Whitley, and in the financial statements of Turnstone Equityco 1 Limited for T Riall and O Shafi Khan.

There company has no other employees (2019: none).

5. Investments

	£'000
Investments at cost in subsidiary undertakings	
At 1 April 2019 and 31 March 2020	<u>6,882</u>
Accumulated impairment	
At 1 April 2019 and 31 March 2020	<u>4,866</u>
Net book value	
At 1 April 2019 and 31 March 2020	<u>2,016</u>

The company owns 100% of the ordinary share capital of its immediate subsidiary undertaking, Whitecross Healthcare Limited, an investment holding company incorporated in the United Kingdom and domiciled in England.

The table below provides details of the company's subsidiary undertakings. The company indirectly owns 100% of the ordinary share capital of Whitecross Supplies Limited.

In the opinion of the directors, the value of the company's investments in its subsidiaries is not less than the amount at which it is shown in the balance sheet.

Name of subsidiary	Principal activity	Domiciled in
Whitecross Healthcare Limited	Non-trading	England
Whitecross Supplies Limited	Dormant	England

The registered office address of the above subsidiaries is Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG.

6. Debtors

	2020 £'000	2019 £'000
Amounts owed by group undertakings	<u>14,922</u>	<u>14,922</u>

Amounts owed by group undertakings are unsecured, are not subject to an interest charge and are repayable on demand. While the amounts owed by group undertakings are repayable on demand, it is not expected that they will be settled within 12 months.

Whitecross Group Limited
Notes to the financial statements
For the year ended 31 March 2020

7. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Amounts owed to group undertakings	<u>1,500</u>	<u>1,500</u>

Amounts owed to group undertakings are unsecured, are not subject to an interest charge and are repayable on demand. While the amounts owed to group undertakings are repayable on demand, it is not expected that they will be settled within 12 months.

8. Called up share capital

The allotted, called up and fully paid share capital is as follows:

	2020 No. of shares	2020 £'000	2019 No. of shares	2019 £'000
Ordinary shares of £0.10 each	<u>27,610,013</u>	<u>2,761</u>	<u>27,610,013</u>	<u>2,761</u>

9. Share premium account

The amount subscribed for share capital in excess of nominal value less any costs directly attributable to the issue of new shares.

10. Accumulated losses

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

11. Financial assets and liabilities

The company has the following financial instruments:

	2020 £'000	2019 £'000
Financial assets measured at amortised cost		
Amounts owed by group undertakings (note 6)	<u>14,922</u>	<u>14,922</u>
	2020 £'000	2019 £'000
Financial liabilities measured at amortised cost		
Amounts owed to group undertakings (note 7)	<u>(1,500)</u>	<u>(1,500)</u>

Whitecross Group Limited
Notes to the financial statements
For the year ended 31 March 2020

12. Controlling party

The immediate parent undertaking is Diverse Acquisitions Limited, incorporated in the United Kingdom.

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

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.

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.

13. Events after the reporting period

Please refer to the Strategic report for details of the impact of the Covid-19 pandemic.

On 16 August 2021, following the completion of the Palamon transaction, the immediate parent undertaking of Turnstone Equityco 1 Limited was ADP Primary Care Acquisitions Limited. The controlling party from 16 August 2021 is considered by the directors to be ADP Primary Care Acquisitions Limited.