

Turnstone Bidco 1 Limited

Annual report and financial statements

Registered number 07496765

Year ended 31 March 2019

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Strategic report for the year ended 31 March 2019

The director presents the Strategic report for the year ended 31 March 2019.

Principal activities

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

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 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.

mydentist

The group owns and manages a national chain of dental practices trading as "mydentist", with 603 sites at 31 March 2019 (2018: 643). The dental practices 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 offers both private and NHS services in the majority of practices and is the largest provider of NHS dentistry in the UK, with around 63% of group revenue coming from NHS contracts (2018: 64%).

The division's main trading entities are Petrie Tucker and Partners Limited, Whitecross Dental Care Limited and IDH Limited. The challenging trading environment in the NHS business has continued resulting in a reduction in the volume of Units of Dental Activity ("UDA") completed by the business in the year. The reduction in volume was due to:

- a reduction in the number of hours dentists provide for NHS work;
- a reduction in the volume of contracted UDA's held by individual 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.

The group has engaged external specialists to carry out an in depth review of dentist aspirations and determined that while dentists still appreciate the opportunities provided by NHS dentistry, as they progress in their career they wish to develop their skills by providing a wider range of treatments, some of which are not available on the NHS. In concentrating on NHS services, mydentist has not provided the opportunities for experienced dentists to develop their practice through offering additional private sessions and this has led to a decrease in the number of hours the group can make available to patients. Following clear feedback from dentists, the group has introduced a new affordable private treatment choice for patients which is branded as "{my}options".

mydentist has also continued to recruit more dentists in order to increase the hours available to patients. During the year ended 31 March 2019, the business continued to develop its internal recruitment team and its strategy 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 102 dentists over the course of the year. Significant progress has been made in building a pipeline of newly-qualified dentists from both UK and European dental schools to join the group during the year ending 31 March 2020.

The group has now completed its review of the portfolio of dental practices. The portfolio review sought 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, a further 39 dental practices were sold or closed during the year. In total, the review led to the closure of 40 practices and sale of 31 practices over the last three financial years. The group continues to review on a practice by practice basis the portfolio of NHS contracts held by practices and the services available to be provided in the practice. Following the conclusion of the portfolio review, the group is preparing to re-start its acquisition strategy through a targeted process to add appropriate locations to the group, subject to funding requirements.

Strategic report for the year ended 31 March 2019 *(continued)*

Business review *(continued)*

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 BF Mulholland Limited.

Dental Directory has endured a tough year with a decline in external revenue particularly due to a slowdown in the high street independent dental practice sector along with issues in customer servicing. Gross margins have declined due to promotional discounting and pricing issues and the disposal of older stock items and EBITDA was impacted through increasing overheads for new developments in advance of sales generation. A new management team was introduced during the year and customer service has been radically overhauled to improve the order process and customer experience. Significant improvements have been made in back office processes to support the development of higher margin activities such as equipment installation and repairs and maintenance.

Strategy and future outlook

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

Financial review

The operating loss for the year was £10,756,000 (2018: £103,458,000). The loss for the financial year was £39,480,000 (2018: £132,832,000).

Throughout the year ended 31 March 2019, IDH Finance Plc, a fellow subsidiary of Turnstone Equityco 1 Limited, had the following borrowings:

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

The net proceeds of these notes were on lent to the company by IDH Finance Plc on the same terms.

The company also holds a £100 million Super Senior Revolving Credit Facility ('SSRCF') available until 5 August 2022 with interest payable in arrears at a rate of LIBOR plus 3.5% per annum. As at 31 March 2019, £25,000,000 had been drawn against this facility, with a further £1,800,000 committed against a letter of credit, leaving £73,200,000 available to the group.

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.

Strategic report for the year ended 31 March 2019 *(continued)*

Principal risks and uncertainties *(continued)*

Clinicians and other qualified staff

The group requires skilled clinicians, hygienists and nurses in order to care for its patient base. The expansion of the European Union ('EU') over recent years and, until recently, the increased capacity of UK dental schools have increased the supply of clinicians available to the group. The group has also significantly invested in increasing the recruitment capabilities of the group in order to attract new and retain existing clinicians. The director recognises the importance of quality clinicians and their self-employed status for ensuring the continued success of the group. The group manages the risk associated with the supply of clinicians through offering access and subscription to training and development programmes to enhance retention. Due to factors which have resulted in a decrease in UDA delivery rates over recent years, the group continues to work to recruit additional clinicians in order to deliver its NHS contracts and to develop the provision of private dentistry. In addition, the UK's decision to withdraw from membership of the EU may impact the supply of clinicians in future but could also open up alternative recruitment options through changes in visa regulations. The group continues to monitor developments.

The most common method for a practice owner of engaging with clinicians in the dental industry is for the clinician to operate as a self-employed associate dentist. This enables dentists to retain their clinical freedom over the appropriate course of treatment for patients, to develop their interests in specific specialities by having the flexibility to work across different practices and to have control of the amount they can earn through the hours they make available for appointments. In return, they contribute to the running costs of the practice and are responsible for a share of the laboratory costs relating to their treatment plans. This method of engagement has been recognised historically as the normal approach for the industry through the use of a model contract developed by the BDA. HMRC have published guidance that confirms if an associate is engaged on the terms of the model contract and the terms are followed, then the associate can consider themselves to be self-employed.

In common with many industries where self-employed individuals are utilised widely, HMRC have undertaken an industry review of the engagement terms used and the way these terms are applied in practice. The group utilises the model contract developed by the BDA as its basis of engagement with dentists and has clear policies and procedures about how associates work with employed practice teams. The group, supported by external advisors, has engaged with HMRC in this review, including through discussions with senior operational management and practice teams. The group is aware that HMRC have approached a number of clinicians engaged by the group in order to discuss their self-employed status.

As of the date of this report, HMRC's findings from the review are not known, however they have notified the group that they are considering withdrawing or amending the guidance relating to the model contract with effect from 5 April 2020. HMRC have stated that their view is that they should not now be providing guidance on individual industry-specific contracts. Given the existence of the current guidance, the group considers that any changes will relate to prospective rather than retrospective engagements and that status will need to be considered against HMRC's general guidance for self-employment in the future. Any change this has on the nature of engagement with clinicians is also likely to affect the entire industry.

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 set. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

Strategic report for the year ended 31 March 2019 *(continued)*

Financial risk management *(continued)*

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 the 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 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 that hold a minimum credit rating meeting two of the following: 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 cash flow 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 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. Following the expiry of these contracts on 1 June 2017 and with £275 million of the group's Senior Secured notes being of a fixed rate nature, interest charges are now fixed in respect of 48% of the group's total drawn debt (2018: 49%).

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 the group's NHS contracts 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 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.

On behalf of the Board



T Riall

Director

18 December 2019

Director's report for the year ended 31 March 2019

The director presents their report and the audited financial statements of Turnstone Bidco 1 Limited for the year ended 31 March 2019.

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 director does not recommend the payment of a dividend for the year (2018: £nil).

Directors

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

T Riall	
J Bonnavion	(resigned 24 October 2018)
A Burgess	(resigned 19 October 2018)
L Elson	(resigned 24 October 2018)
K Jayaraman	(resigned 19 October 2018)
O Shafi Khan	(resigned 5 April 2019)

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

Statement of director's responsibilities

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director 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 director is 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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 director is 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.

Director's report for the year ended 31 March 2019 *(continued)*

Subsequent events

On 1 June 2019, the trade and assets of DBG (UK) Limited, a wholly owned subsidiary of the group, were transferred to Billericy Dental Supply Co. Limited, another wholly owned subsidiary. The transfer was made at the net book value of £8,529,000

Disclosure of information to auditors

The director who held office at the date of approval of this Director's report confirm that, so far as they are 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



T Riall
Director
18 December 2019

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

Independent auditors' report to the members of Turnstone Bidco 1 Limited

Report on the audit of the financial statements

Opinion

In our opinion, Turnstone Bidco 1 Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 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 2019; 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has 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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Independent auditors' report to the members of Turnstone Bidco 1 Limited *(continued)*

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 director is 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 Director's 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 Director's report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Director's report for the year ended 31 March 2019 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 Director's report.

Responsibilities for the financial statements and the audit

Responsibilities of the director for the financial statements

As explained more fully in the Statement of director's responsibilities set out on page 5, the director is 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 director is 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 director is 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 director either intends to liquidate the company or to cease operations, or has 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.

Independent auditors' report to the members of Turnstone Bidco 1 Limited
(continued)

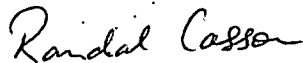
Other required reporting

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 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
18 December 2019

Income statement
for the year ended 31 March 2019

	<i>Note</i>	2019 £'000	2018 £'000
Administrative expenses		(9)	(8)
Impairment of investment in subsidiary	10	-	(95,082)
Impairment of receivable due from subsidiary	11	(10,747)	(8,368)
Operating loss	5	(10,756)	(103,458)
Interest receivable and similar income	7	14,465	13,408
Interest payable and similar charges	8	(43,189)	(42,698)
Net interest payable		(28,724)	(29,290)
Loss on ordinary activities before taxation		(39,480)	(132,748)
Tax on loss on ordinary activities	9	-	(84)
Loss for the financial year		(39,480)	(132,832)

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 2019

	<i>Note</i>	£'000	2019 £'000	£'000	2018 £'000
Fixed assets					
Investments	10		588,014		588,014
Current assets					
Debtors (includes £47,432,000 falling due after more than one year, 2018: £42,339,000)	11	126,135		124,027	
Cash at bank and in hand		93		91	
		126,228		124,118	
Creditors: amounts falling due within one year	12	(89,677)		(68,920)	
Net current assets			36,551		55,198
Total assets less current liabilities			624,565		643,212
Creditors: amounts falling due after more than one year	13		(582,865)		(562,032)
Net assets			41,700		81,180
Capital and reserves					
Called up share capital	15		4,110		4,110
Retained earnings	16		37,590		77,070
Total shareholders' funds			41,700		81,180

The notes on pages 13 to 24 form an integral part of these financial statements.

These financial statements on pages 10 to 24 were approved by the board of directors on 18 December 2019 and were signed on its behalf by:



T Riall
Director

Statement of changes in equity
for the year ended 31 March 2019

	Called up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance at 1 April 2017	4,110	209,902	214,012
Comprehensive expense for the year			
Loss for the financial year	-	(132,832)	(132,832)
Balance at 31 March 2018	4,110	77,070	81,180
Comprehensive expense for the year			
Loss for the financial year	-	(39,480)	(39,480)
Balance at 31 March 2019	4,110	37,590	41,700

Notes to the financial statements

1 Company information

Turnstone Bidco 1 Limited (the 'company') is a private company limited by shares incorporated in the United Kingdom 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 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

The financial statements of Turnstone Bidco 1 Limited 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.

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 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.

Investments

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

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

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 amounts owed to and 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.

Transaction costs paid as part of the issue of borrowings are deducted from the amount initially recognised upon issue of the debt and are subsequently amortised to the income statement over the term of the facility.

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 interest rate swap contracts, 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.

3 Significant accounting judgements and estimates

In preparing the financial statements, the director is 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 director assesses 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.

Notes to the financial statements (continued)

4 Segmental analysis

The loss on ordinary activities before taxation and net assets of the company relate to its principal activity of investment holding. All services are provided in the United Kingdom.

5 Operating loss

	2019 £'000	2018 £'000
<i>Operating loss is stated after charging:</i>		
<i>Auditors' remuneration:</i>		
Amounts receivable by the auditors and their associates in respect of:		
Fees payable for the audit of the financial statements	9	8

There were no costs payable for non-audit by this company during the year (2018: none).

6 Directors and employees

The directors received no emoluments from the company for their services during the year (2018: £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 and O Shafi Khan.

The company has no employees (2018: none).

7 Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable on loan to subsidiary undertakings	14,465	12,915
Change in the fair value of interest rate swap classified at fair value through profit or loss	-	493
	<u>14,465</u>	<u>13,408</u>

8 Interest payable and similar charges

	2019 £'000	2018 £'000
Bank loans and overdrafts	411	117
Fixed rate interest rate swap charges	-	333
Amortisation of issue costs of bank loans and related fees	1,760	1,700
Syndicate charges	1,216	1,297
Interest payable on loan from fellow subsidiary undertaking	39,802	39,251
	<u>43,189</u>	<u>42,698</u>

Notes to the financial statements (continued)

9 Tax on loss on ordinary activities

a) Analysis of tax charge for the financial year

	2019 £'000	2018 £'000
Current tax		
Current tax for the year	-	-
Deferred tax		
Deferred tax charge for the year	-	84
Total deferred tax charge for the year	-	84
Tax on loss on ordinary activities	-	84

b) Factors affecting the tax charge for the financial year

The tax charge for the year is higher (2018: higher) than the standard rate of corporation tax in the UK at 31 March 2019 of 19% (2018: 19%). The differences are explained below.

	2019 £'000	2018 £'000
Loss on ordinary activities before taxation	(39,480)	(132,748)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(7,501)	(25,222)
Effects of:		
Expenses not deductible for tax purposes	1,074	19,657
Income not taxable for tax purposes	-	(864)
Group relief surrendered for nil payment	5,456	5,777
Unrelieved losses	971	747
Difference in tax rate – short term timing differences	-	(11)
Tax on loss on ordinary activities	-	84

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.

Notes to the financial statements (continued)

10 Investments

	Shares in subsidiary £'000
Cost	
At 1 April 2018 and 31 March 2019	993,673
Accumulated impairment	
At 1 April 2018 and 31 March 2019	405,659
Net book value	
At 31 March 2019	588,014
At 31 March 2018	588,014

The table below provides details of the company's immediate subsidiary undertakings. The company holds 100% of the ordinary share capital of each of the companies listed.

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

Name of subsidiary	Principal activity	Country of incorporation
ADP Healthcare Services Limited	Intermediate holding company	England
Healthcare Buying Group Limited	Intermediate holding company	England
IDH Group Limited	Intermediate holding company	England
My Dental Holdings Limited	Non-trading	England
Pearl Cayman 1 Limited	Non-trading	Cayman Islands
Pearl Topco Limited	Intermediate holding company	England
The Dental Directory Limited	Intermediate holding company	England

In addition, the group holds 100% of the ordinary share capital of all of the companies listed. During the year, the group acquired the remaining 10% interest in the ordinary share capital of Denture Excellence Limited for consideration of £57,030 to take its ownership in that company and its subsidiary, Denture Excellence (Franchising) Limited, to 100%. All companies are included in the consolidation.

The group disposed of 100% of the issued share capital of PDS Dental Laboratory Leeds Limited, along with its wholly owned subsidiary A-List Dentistry Limited, on 4 October 2018.

The group also disposed of 100% of the issued share capital of Salcombe Dental Practice Limited on 30 November 2018.

Name of subsidiary	Principal activity	Country of incorporation
² @TheDentist Ltd	Dormant	England ^a
¹ A Dental Practice Limited	Dental practices	England ^a
¹ Adelstone Dental Care Limited	Dental practices	England ^a
¹ ADP Ashford Ltd	Dental practices	England ^a
¹ ADP Healthcare Acquisitions Limited	Non-trading	England ^a
² ADP Healthcare Limited	Dormant	England ^a
¹ ADP Healthcare Services Limited	Non-trading	England ^a
¹ ADP Holdings Limited	Non-trading	England ^a
¹ ADP No.1 Limited	Non-trading	England ^a
² ADP Yorkshire Ltd	Dormant	England ^a
¹ Aesthetic Dental Care Limited	Dental practices	England ^a
¹ Aesthetix Limited	Dental practices	England ^a
¹ Alemdent Limited	Dental practices	England ^a
¹ Alison Brett Dental Care LLP	Dental practices	England ^a
² A-Z Dental Holdings (Subsidiary Number 1) Limited	Dormant	England ^a
² A-Z Dental Holdings (Subsidiary Number 2) Limited	Dormant	England ^a
¹ A-Z Dental Holdings Limited	Non-trading	England ^a
³ BF Mulholland Ire Limited	Dormant	Ireland ^f
¹ BF Mulholland Limited	Healthcare goods and services	Northern Ireland ^c

Notes to the financial statements (continued)

10 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation
Billericay Dental Supply Co. Limited	Healthcare goods and services	England ^a
² Bramora Limited	Dormant	England ^a
² Butler and Finnigan Dental Practice Ltd	Dormant	England ^a
¹ Castle Hill Dental Practice Limited	Dental practices	England ^a
Chapel Road Orthodontics Limited	Dental practices	England ^a
¹ Church Street Dentists Limited	Dental practices	England ^a
¹ Clarendon Dental Practice Limited	Dental practices	England ^a
Community Dental Centres Limited	Dental practices	England ^a
¹ Confident Dental Practices Limited	Dental practices	England ^a
¹ Cromwell Dental Practice Limited	Dental practices	England ^a
¹ D and L Jordan Limited	Dental practices	England ^a
¹ D M Jordan Limited	Dental practices	England ^a
DBG (UK) Limited	Healthcare goods and services	England ^a
DBG Acquisitions Limited	Non-trading	England ^a
² DBG Subsidiary Limited	Dormant	England ^a
DBG Topco Limited	Non-trading	England ^a
¹ Dental Aesthetics Limited	Dental practices	Northern Ireland ^c
¹ Dental Excellence Group Ltd	Non-trading	Northern Ireland ^c
¹ Dental Excellence Ltd	Dental practices	Northern Ireland ^c
² Dental Health Care Limited	Dormant	England ^a
¹ Dental Talent Tree (Recruitment) Limited	Dormant	England ^a
Denticare Limited	Dental practices	England ^a
² Denticare Properties Limited	Dormant	England ^a
² Denture Excellence (Franchising) Limited	Dormant	England ^a
Denture Excellence Limited	Dental practices	England ^a
¹ DH Dental Holdings Limited	Non-trading	England ^a
¹ Diverse Acquisitions Limited	Non-trading	England ^a
¹ Diverse Holdings Limited	Non-trading	England ^a
² Diverse Property Investments Limited	Dormant	England ^a
¹ DM and LJ Jordan Limited	Dental practices	England ^a
DMJ Norwich Limited	Dental practices	England ^a
¹ Dolby Medical EBT Trustee Limited	Non-trading	Scotland ^b
¹ Dolby Medical Limited	Equipment servicing	Scotland ^b
¹ Du Toit and Burger Partnership (Harwich) Ltd	Dental practices	England ^a
¹ Du Toit and Burger Partnership (Ipswich) Ltd	Dental practices	England ^a
¹ Du Toit and Burger Partnership (Silvertown) Ltd	Dental practices	England ^a
¹ Du Toit and Burger Partnership (Stratford) Ltd	Dental practices	England ^a
¹ Du Toit and Burger Partnership (Sudbury) Ltd	Dental practices	England ^a
¹ Du Toit and Burger Partnership Limited	Dental practices	England ^a
¹ Durgan and Ashworth Dental Care Limited	Dental practices	England ^a
¹ Euxton (No 1) Limited	Dental practices	England ^a
¹ Falchion Orthodontics Limited	Dental practices	England ^a
¹ Fallowfield (No 1) Limited	Dental practices	England ^a
¹ Family Dental Care Limited	Dental practices	Scotland ^b
Ffolliot Bird Associates Limited	Dental practices	England ^a
First Choice Dental Limited	Dental practices	England ^a
¹ Flagstaff Dental Clinic Limited	Dental practices	England ^a
¹ Fleetwood Practice Limited	Dental practices	England ^a
H M Logistics Limited	Healthcare goods and services	England ^a
² Hackremco (No.2637) Limited	Dormant	England ^a
¹ Halldent Limited	Dental practices	England ^a
² Handpiece Express Limited	Dormant	England ^a
² Hayle Dental Practice Limited	Dormant	England ^a
Healthcare Buying Group Limited	Non-trading	England ^a
¹ Hessle Grange Dental Care Limited	Dental practices	England ^a
¹ Hirst and O'Donnell Ltd	Dental practices	England ^a
¹ IDH 324 & 325 Ltd	Dental practices	England ^a
¹ IDH 331 Ltd	Dental practices	England ^a
² IDH 341 Ltd	Dormant	England ^a
¹ IDH 346 Ltd	Dental practices	England ^a
¹ IDH 363 Limited	Dental practices	England ^a

Notes to the financial statements (continued)

10 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation
¹ IDH 403 Ltd	Dental practices	England ^a
¹ IDH 406 Ltd	Dental practices	England ^a
¹ IDH 418 Ltd	Dental practices	England ^a
¹ IDH 437 Ltd	Dental practices	England ^a
¹ IDH 441 to 444 Ltd	Dental practices	England ^a
¹ IDH 449 Limited	Dental practices	England ^a
¹ IDH 450 Limited	Dental practices	England ^a
¹ IDH 474 Limited	Dental practices	England ^a
¹ IDH 476 Limited	Dental practices	England ^a
¹ IDH 477 Limited	Dental practices	England ^a
¹ IDH 622 Limited	Dental practices	England ^a
IDH Acquisitions Limited	Non-trading	England ^a
IDH Group Limited	Non-trading	England ^a
IDH Limited	Dental practices	England ^a
¹ IDH Mansfield Ltd	Dental practices	England ^a
Integrated Dental Holdings Limited	Non-trading	England ^a
¹ Jackro Healthcare Services Limited	Dental practices	England ^a
KH&GW Limited	Dental practices	England ^a
M C Dentistry Limited	Dental practices	England ^a
¹ Maidwell Dental Practice Limited	Dental practices	England ^a
¹ Mainstone Health Limited	Dental practices	England ^a
¹ Manchester Orthodontists Limited	Dental practices	England ^a
Med-FX Ltd	Distributor of facial aesthetics products	England ^a
¹ Mi-Tec Ltd	Equipment repair	England ^a
¹ Mintek UK Ltd	Healthcare goods and services	England ^a
¹ Murgelas Practice Management Limited	Dental practices	England ^a
² My Dental Holdings Limited	Non-trading	England ^a
² MyDentist Limited	Dormant	England ^a
¹ N S Dental Limited	Dental practices	Scotland ^b
¹ Natural Management Ltd	Non-trading	England ^a
¹ Offerton Fold Dental Practice Ltd	Dental practices	England ^a
¹ Olivers Dental Studio Limited	Dental practices	England ^a
Orthocentres Limited	Dental practices	England ^a
Orthodontic Centre (UK) Limited	Dental practices	England ^a
¹ Orthodontic Services Limited	Dental practices	Northern Ireland ^c
Orthoworld 2000 Limited	Dental practices	England ^a
¹ Orthoworld Limited	Non-trading	England ^a
² OurDentist Ltd	Dormant	England ^a
¹ Padgate (No 1) Limited	Dental practices	England ^a
¹ Palmerston Precinct Practice Limited	Dental practices	England ^a
¹ Pearl Bidco Limited	Non-trading	England ^a
³ Pearl Cayman 1 Limited	Non-trading	Cayman Islands ^e
³ Pearl Cayman 2 Limited	Non-trading	Cayman Islands ^e
¹ Pearl Topco Limited	Non-trading	England ^a
Petrie Tucker and Partners Limited	Dental practices	Scotland ^{4,b}
¹ Phoenix Dental Limited	Dental practices	England ^a
¹ Phoenix Dental Practice Limited	Dental practices	England ^a
¹ Pierce & Geddes Limited	Dental practices	England ^a
¹ PJ Burrige Ltd	Dental practices	England ^a
¹ Premier Dental Limited	Dental practices	England ^a
¹ Priory House Dental Care Limited	Dental practices	England ^a
Q Dental Care Limited	Dental practices	England ^a
² Q Dental Surgeries Limited	Dormant	England ^a
¹ Queensferry Dental Surgery Limited	Dental practices	England ^a
Richard Flanagan & Associates Limited	Dental practices	England ^a
¹ Richmond House Practice Limited	Dental practices	England ^a
Romford Orthodontics Centre Limited	Dental practices	England ^a
¹ S L S Dental Care Limited	Dental practices	England ^a
¹ Shadeshire Limited	Non-trading	England ^a
¹ Silverdale Dental Care Ltd	Dental practices	England ^a

Notes to the financial statements (continued)

10 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation
² Smile Dental Practices Limited	Dormant	England ^a
¹ South Tyneside Smiles Limited	Dental practices	England ^a
² Speed 8599 Limited	Dormant	England ^a
² Speed 8600 Limited	Dormant	England ^a
SRDP Limited	Dental practices	England ^a
¹ Stalbridge Dental Practice Limited	Dental practices	England ^a
¹ Stunning Smiles Ltd	Dental practices	Northern Ireland ^c
¹ TAG Medical Limited	Medical equipment and testing	England ^a
¹ The Bristol Endodontic Clinic Limited	Dental practices	England ^a
The Crescent Specialist Dental Centre Ltd	Dental practices	England ^a
The Dental Directory Limited	Non-trading	England ^a
The Domiciliary Dental Practice Limited	Dental practices	England ^a
¹ The Plains' Dental Practice Limited	Dental practices	England ^a
¹ The Village Practice Ltd	Dental practices	England ^a
¹ The Visiting Dental Service Ltd	Dental practices	England ^a
¹ Tully Crine Limited	Dental practices	England ^a
¹ Unnati Limited	Dental practices	England ^a
² Unodent Limited	Dormant	England ^a
² Viren Patel and Associates Limited	Dormant	England ^a
¹ Westhoughton (No 1) Limited	Dental practices	England ^a
¹ Westpark Dental Practice Limited	Dental practices	England ^a
¹ White Dental Care Ltd	Dental practices	Northern Ireland ^c
Whitecross Dental Care Limited	Dental practices	England ^a
¹ Whitecross Group Limited	Non-trading	England ^a
¹ Whitecross Healthcare Limited	Non-trading	England ^a
² Whitecross Supplies Limited	Dormant	England ^a
¹ Wishaw Cross Dental Care Limited	Dental practices	Scotland ^b
³ X-Dent Limited	Healthcare goods and services	Jersey ^d

¹ Company exempt from audit under section 479A of the Companies Act 2006

² Company exempt from audit under section 480 of the Companies Act 2006

³ Company exempt from audit by virtue of the legislation in the country of incorporation

⁴ Countries of operation are England, Scotland and Wales

⁵ Company acquired during the year ended 31 March 2018

^a Registered office address: Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG

^b Registered office address: 1 Johnston Street, Paisley, Renfrewshire, Scotland, PA1 1XQ

^c Registered office address: c/o A&L Goodbody Solicitors, 6th Floor, 42-46 Fountain Street, Belfast, BT1 5EF

^d Registered office address: PO Box 771, Ground Floor, Colomberie Close, St Helier, Jersey, JE4 0RX

^e Registered office address: c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands

^f Registered office address: The Black Church, St Mary's Place, Dublin 7, D07P4AX

In addition to the limited companies listed above, the company controls the following partnerships, all of which are engaged in dental practice activities, through the appointment of members of the management team as partners, acting on behalf of certain group companies:

Name of partnership	Name of partnership
1A Group Dental Practice Partnership	Rhos Road Dental Practice Partnership
Abercromby Health Centre Partnership	Rhyl and Abergele Elwy Dental Partnership
Ardent Dental Care Practice Partnership	Ripponden Road Dental Practice Partnership
Armley Dental Practice Partnership	Risley Hill Dental Centre Partnership
Aspire Dental Practice Partnership	River Wye Dental Practice Partnership
Avante Dental Care Practice Partnership	Roe Lane Family Dental Practice Partnership
Avondale Dental Practice Partnership	Severn Street Dental Practice Partnership
Bank House Dental Practice Partnership	Shaw Family Dental Practice Partnership
Berwick Dental Practice Partnership	Shell Drake Drive Dental Practice Partnership
Bolton and Bury Dental Practice Partnership	SK Dental Staines Road Dental Practice Partnership
Brassey Avenue Dental Practice Partnership	Sneyd Green Dental Practice Partnership
Brighton Hill Dental Practice Partnership	South England Dental Practice Partnership
Brinsworth Lane Dental Care Partnership	Spital Hill Dental Surgery Practice Partnership

Notes to the financial statements *(continued)*

10 Investments *(continued)*

Name of partnership

Brixton Hill Dental Practice Partnership
Broadwalk Dental Centre Partnership
Caldy Road Dental Practice Partnership
Carcroft Dental Practice Partnership
Castle View House Dental Practice Partnership
Central Dental Practice Partnership
Chantry Dental Practice Partnership
Chequer Hall Dental Practice Partnership
Cherry Orchard Dental Practice Partnership
Colne & Earby Dental Practice Partnership
Cottage Dental Practice Partnership
Crown Dental Practice Partnership
Dalton Dental Surgery Partnership
Dividy Road Dental Practice Partnership
Effingham Square Dental Practice Partnership
Fearnhead Dental Surgery Partnership
Feidr Fair Partnership Dental Practice
Filey Dental Care Centre Partnership
Finchley Dental Care Practice Partnership
Florence House Dental Practice Partnership
Front Street Dental Practice Partnership
Green Lane Dental Practice Partnership
Hampton Court Dental Centre Partnership
Harbour Dental Practice Partnership
Haslingden Dental Surgery Partnership
Hayle Dental Practice Partnership
Heaton Road and Blakelaw Dental Practice Partnership
Henfield Dental Practice Partnership
High Street Dental Practice Partnership
Hollinwood Dental Practice Partnership
Ingleby Meadow Dental Practice Partnership
Jefferies Reed and Associates
JF Scott Dental Surgeon Partnership
Kettering Central Dental Practice Partnership
Lambert Coutts & Associates Dental Practice Partnership
Low Fell Dental Practice Partnership
Lyme Dental Surgery Partnership
Mayo Dental Clinic Partnership
Mill Dental Practice Partnership
Mostyn House Dental Practice Partnership
Mount Folly Square Dental Practice Partnership
Narborough Road South Dental Practice Partnership
Newcastle and Wallsend Dental Practice Partnership
North Marine Road Dental Practice Partnership
Northgate Dental Health Practice Partnership
Old Brewery Yard Dental Practice Partnership
Old Mill Lane Dental Practice Partnership
Picton Road Dental Practice Partnership
Railway Road Dental Practice Partnership
Red Rose Dental Group

Name of partnership

Stanhope Road Dental Practice Partnership
The Bell Lane Practice
The Birley Moor Dental Practice Partnership
The Boulevard Dental Practice Partnership
The Burnby Dental Practice Partnership
The Burnham Dental Practice Partnership
The Caulfield Dental Surgery Partnership
The Church House Dental Practice Partnership
The Cornhill Dental Practice Partnership
The Cowpen and Waterloo Dental Practice Partnership
The Crab Tree Lane and Church Street Dental Practice Partnership
The Crossgates Lane and Chapeltown Road Dental Practice Partnership
The Dental Surgery Partnership
The Fairfield Dental Practice Partnership
The Gairloch House Dental Practice Partnership
The Grainger Stockton, Birtley and Stanley Dental Practice Partnership
The Gull Coppice Dental Practice Partnership
The Haverflatts Lane Dental Practice Partnership
The Helston Dental Practice Partnership
The Kandy Lodge Dental Practice Partnership
The Kenton Park Dental Practice Partnership
The Killingworth Dental Practice Partnership
The Kings Norton Dental Practice Partnership
The Lacey Dental Practice Partnership
The Llangefni Dental Practice Partnership
The Loddon Dental Practice Partnership
The London Road Dental Practice Partnership
The Lyppard Dental Centre Practice Partnership
The Marden House Dental Practice Partnership
The Nelson Street Dental Practice Partnership
The Newland Avenue and Castle Street Dental Practice Partnership
The Peterborough Dental Practice Partnership
The Peterlee Dental Practice Partnership
The Pon Dental Surgery Dental Practice Partnership
The Sea Road Dental Practice Partnership
The Severnside Dental Practice Partnership
The Southwick and Whitburn Dental Practice Partnership
The Trewergie Dental Practice Partnership
The Victoria Road Dental Practice Partnership
The Warner Street Dental Practice Partnership
Thomas Street Dental Practice Partnership
Tower Gardens Dental Practice Partnership
Trinity Terrace Dental Practice Partnership
VI Dental Centre Partnership
West Lodge Dental Practice Partnership
Westbury Park Dental Practice Partnership
Weymouth and the Bridges Dental Practice Partnership
Whiston Village Dental Practice Partnership
Woodview Dental Health Practice Partnership

All of the above partnerships have their registered office address at: Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG.

Notes to the financial statements (continued)

11 Debtors

	2019 £'000	2018 £'000
<i>Amounts falling due after more than one year</i>		
Amounts owed by group undertakings	47,432	42,339
<i>Amounts falling due within one year</i>		
Amounts owed by group undertakings	71,828	73,054
Amounts owed by related undertakings	286	285
Unamortised facility arrangement fees and costs	6,589	8,349
	78,703	81,688
	126,135	124,027

Given the deterioration in profitability of the group, principally due to a decline in UDA delivery performance, the director has carried out an impairment review over the carrying value of certain receivables due from group companies where indicators of impairment were considered to exist at 31 March 2019. This review concluded that the carrying value of these receivables exceeded their estimated recoverable amount by £10,747,000 (2018: £8,368,000). As a result, an impairment charge equal to this amount has been recorded in the income statement for the year ended 31 March 2019. This impairment charge related wholly to accrued interest.

Amounts owed by group undertakings falling due after more than one year are unsecured and are subject to an interest charge of 12% per annum. The amount receivable at 31 March 2019 includes accrued interest of £23,313,000 (2018: £18,220,000), following the impairment set out above.

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

The amounts owed by related undertakings reflect expenses paid on behalf of Turnstone Management Investments Limited, a company registered in England and which holds investments in Turnstone Equityco 1 Limited, the company's parent, on behalf of group management.

Unamortised facility arrangement fees and costs relate to the costs incurred by the company to arrange £100 million SSRCF entered into on 05 August 2016, which is available until 2022. £25,000,000 had been drawn against the facility at 31 March 2019, and a further £1,800,000 committed against a letter of credit. £5,000,000 had been drawn against the facility and £1,800,000 committed against a letter of credit at 31 March 2018.

12 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed to group undertakings	89,480	68,729
Accruals and deferred income	197	191
	89,677	68,920

Amounts owed to group undertakings are unsecured, are not subject to an interest charge and are repayable on demand.

Notes to the financial statements (continued)

13 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Borrowings (note 14)	25,000	5,000
Amounts owed to group undertakings	557,865	557,032
	<u>582,865</u>	<u>562,032</u>

The amounts owed to group undertakings falling due after more than one year are unsecured and are subject to an interest charge equivalent to that payable by IDH Finance plc upon its senior secured, floating rate and second lien notes. During the year, these interest rates ranged between approximately 6.0% and 9.0% per annum (2018: range between approximately 6.0% and 9.0% per annum).

14 Borrowings

	2019 £'000	2018 £'000
Bank loans		
Due between two and five years	25,000	5,000
	<u>25,000</u>	<u>5,000</u>

On 5 August 2016, the group re-financed the existing senior secured and second lien notes, with a par value of £500 million, issued by IDH Finance Plc, along with the company's £100 million Super Senior Revolving Credit Facility ('SSRCF'), against which £39 million was drawn at that date, through the issue of the following instruments by IDH Finance Plc:

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

The net proceeds from the issue of the new notes were on-lent to the company by IDH Finance Plc and used to repay the amount drawn against the existing SSRCF and the associated transaction fees and expenses.

On the same date, the company also entered into an agreement with a syndicate of banks for a new £100 million SSRCF, available until 2022. Interest is payable in arrears at a rate of LIBOR plus 3.5% per annum.

15 Called up share capital

	2019 £'000	2018 £'000
Authorised, called up and fully paid		
410,961,479 ordinary shares of £0.01 (2018: 410,961,479 ordinary shares of £0.01)	<u>4,110</u>	<u>4,110</u>

16 Reserves

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

Retained earnings

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

Notes to the financial statements (continued)

17 Financial assets and liabilities

The company has the following financial instruments:

	<i>Note</i>	2019 £'000	2018 £'000
Financial assets measured at amortised cost			
Amounts owed by group undertakings	11	119,260	115,393
Amounts owed by related undertakings	11	286	285
Unamortised facility arrangement fees and costs	11	6,589	8,349
		<hr/>	<hr/>
		126,135	124,027
		<hr/>	<hr/>
Financial liabilities measured at amortised cost			
Bank and other borrowings	13,14	(25,000)	(5,000)
Amounts owed to group undertakings	12,13	(647,345)	(625,761)
Accruals and deferred income	12	(197)	(191)
		<hr/>	<hr/>
		(672,542)	(630,952)
		<hr/>	<hr/>

18 Controlling party

The immediate parent undertaking is Turnstone Midco 2 Limited, a company 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 director 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.

19 Subsequent events

On 1 June 2019, the trade and assets of DBG (UK) Limited, a wholly owned subsidiary of the group, were transferred to Billericy Dental Supply Co Limited, another wholly owned subsidiary. The transfer was made at the net book value of £8,529,000.