

"AMENDED"
CARHOLME DENTAL GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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Note page 28

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CARHOLME DENTAL GROUP LIMITED

COMPANY INFORMATION

| | |
|--------------------------|---|
| Directors | J D Schonberg G Staneviciene |
| Company number | 08566386 |
| Registered office | 14 David Mews London W1U 6EQ |
| Auditor | Oliver Clive & Co Limited 14 David Mews London W1U 6EQ |

CARHOLME DENTAL GROUP LIMITED

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CARHOLME DENTAL GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The directors present the strategic report for the year ended 30 June 2018.

Fair review of the business

The principal activity of the group continues to be that of dental care. The dental care market remains a fragmented but fast consolidating sector. The Board foresees continued expansion. This will be achieved through continuing to focus on both NHS and private dentistry, in many cases incorporating both types of business in a single practice, and extending this lead by rapid growth through both acquisition and organic growth.

The group's revenue is principally derived from fixed income contracts with local NHS Primary Care Trusts ("PCTs"), with the variable income based on treatment provided to patients under private contracts.

Group turnover for the year was £10.1m (2017 - £9.0m), with an operating loss of £1.0m (2017 - £653k). Earnings before interest, tax, depreciation and amortisation ("EBITDA") is a key indicator for management. In the year, EBITDA for the group was £1.7m (2017 - £1.9m).

Principal risks and uncertainties

Principal risks to the business would be that of the following:-

Human Resources

The group's ability to recruit and retain dentists is key to the future growth of the business. The directors place a significant emphasis on the recruitment, retention and performance of the group's largely self employed dentists and the group's staff. The group's associate contract for self-employed dentists aims to motivate, incentivise and retain those practitioners through the provision of self-employed revenue sharing.

Clinical Standards

The clinical care delivered to our patients is at a standard expected by patients, industry forums and regulatory authorities. Meeting this standard is very important to the group and thus the group focuses on rigorous monitoring of standards and continued development and training of the group dentists. The group have also mitigated any risk by ensuring that suitable insurance policies are taken at both an individual and corporate level.

Acquisitions


The group's strategy involves growing the business through organic and non-organic growth. The risk of loss or reduction of financial facility to fund these acquisitions is mitigated by demonstrating a robust stewardship of funds and stringent criteria for new acquisitions to ensure they add growth and are a strategic fit for the group.

Key performance indicators

One of the key performance indicators ("KPIs") which the directors monitor is EBITDA. This is reviewed in absolute terms, in relation to budget and prior year comparatives and by reference to the group's debt position.

Other KPIs used by the group include dentist retention and NHS activity performance against target. The directors consider this information to be commercially sensitive and as a consequence details are not disclosed within this report.

On behalf of the board


J D Schonberg
Director
18/13/19

CARHOLME DENTAL GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The directors present their annual report and financial statements for the year ended 30 June 2018.

Principal activities

The principal activity of the company and group continued to be that of the provision of dental services.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J D Schonberg
G Staneviciene

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Financial instruments

Treasury operations and financial instruments

The group operates a treasury function which is responsible for managing the liquidity, interest and credit risks associated with the group's activities.

The group's principal financial instruments include financial assets and liabilities such as trade debtors and trade creditors arising directly from its operations. The company and group do not use derivatives to hedge risk.

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 manages its cash and borrowing requirements in order to ensure that the group has sufficient liquid resources to meet its operating needs.

Interest rate risk

The group and company have loans that would be affected by any increase in interest rate as they are not fixed rate borrowings. This is mitigated by regular rate review by the board.

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 means that credit risk is minimised for a significant proportion of group revenue. The group has limited exposure to debts due from any individual customer and where large-value treatments are to be undertaken with an individual, payment is taken in advance or in stages as the work progresses.

Post reporting date events

After the reporting date the group did not purchase any further practices - there are no post reporting date events to mention.

Future developments

The company is not looking to purchase any further practices and intends to consolidate its current position focusing on maintaining strong EBITDA and repaying bank loans.

Auditor

Oliver Clive & Co Limited were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

CARHOLME DENTAL GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board



J D Schonberg

Director

Date: 18/3/19

CARHOLME DENTAL GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 group and company, and of the profit or loss of the group for that period. In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CARHOLME DENTAL GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CARHOLME DENTAL GROUP LIMITED

Opinion

We have audited the financial statements of Carholme Dental Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2018 which comprise the Group Profit And Loss Account, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows, the Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

CARHOLME DENTAL GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CARHOLME DENTAL GROUP LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities 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 auditor's 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 Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

CARHOLME DENTAL GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CARHOLME DENTAL GROUP LIMITED

Emma Benjamin (Senior Statutory Auditor)
for and on behalf of Oliver Clive & Co Limited



.....19/03/19

Chartered Accountants
Statutory Auditor

14 David Mews
London
W1U 6EQ

CARHOLME DENTAL GROUP LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | 2018 £ | 2017 £ |
|--|-------|--------------------|--------------------|
| Turnover | 3 | 10,050,848 | 8,989,192 |
| Cost of sales | | (5,423,071) | (4,588,657) |
| Gross profit | | 4,627,777 | 4,400,535 |
| Administrative expenses | | (5,673,117) | (5,053,198) |
| Operating loss | 4 | (1,045,340) | (652,663) |
| Interest receivable and similar income | 7 | - | 2 |
| Interest payable and similar expenses | 8 | (287,283) | (240,674) |
| Loss on ordinary activities before taxation | | (1,332,623) | (893,335) |
| Taxation | 9 | 21,296 | (225,274) |
| Loss for the financial year | 25 | (1,311,327) | (1,118,609) |

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

CARHOLME DENTAL GROUP LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

| | 2018 £ | 2017 £ |
|---------------------------------------|--------------------|--------------------|
| Loss for the year | (1,311,327) | (1,118,609) |
| Other comprehensive income | - | - |
| Total comprehensive loss for the year | <u>(1,311,327)</u> | <u>(1,118,609)</u> |

Total comprehensive loss for the year is all attributable to the owners of the parent company.

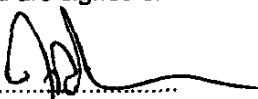
CARHOLME DENTAL GROUP LIMITED

GROUP BALANCE SHEET

AS AT 30 JUNE 2018

| | Notes | 2018 £ | £ | 2017 £ | £ |
|--|-------|-------------|---|-------------|---|
| Fixed assets | | | | | |
| Goodwill | 10 | 6,473,213 | | 6,660,264 | |
| Negative goodwill | 10 | (19,736) | | - | |
| Net goodwill | | 6,453,477 | | 6,660,264 | |
| Tangible assets | 11 | 1,166,641 | | 399,801 | |
| | | 7,620,118 | | 7,060,065 | |
| Current assets | | | | | |
| Stocks | 16 | 58,027 | | 47,734 | |
| Debtors | 17 | 1,368,826 | | 1,488,815 | |
| Cash at bank and in hand | | 257,487 | | 118,258 | |
| | | 1,684,340 | | 1,654,807 | |
| Creditors: amounts falling due within one year | 18 | (4,575,347) | | (3,041,129) | |
| Net current liabilities | | (2,891,007) | | (1,386,322) | |
| Total assets less current liabilities | | 4,729,111 | | 5,673,743 | |
| Creditors: amounts falling due after more than one year | 19 | (7,572,010) | | (7,203,516) | |
| Provisions for liabilities | 22 | (52,185) | | (53,984) | |
| Net liabilities | | (2,895,084) | | (1,583,757) | |
| Capital and reserves | | | | | |
| Called up share capital | 24 | 100 | | 100 | |
| Profit and loss reserves | 25 | (2,895,184) | | (1,583,857) | |
| Total equity | | (2,895,084) | | (1,583,757) | |

The financial statements were approved by the board of directors and authorised for issue on 18/3/19 and are signed on its behalf by:


 J D Schonberg
 Director

CARHOLME DENTAL GROUP LIMITED

COMPANY BALANCE SHEET

AS AT 30 JUNE 2018

| | Notes | 2018 £ | £ | 2017 £ | £ |
|---|-------|-----------|-------------|-----------|-------------|
| Fixed assets | | | | | |
| Tangible assets | 11 | | 1,650 | | - |
| Investments | 12 | | 1,292,876 | | 560,485 |
| | | | 1,294,526 | | 560,485 |
| Current assets | | | | | |
| Debtors | 17 | 7,420,527 | | 7,222,411 | |
| Creditors: amounts falling due within one year | 18 | | (2,578,048) | | (1,671,113) |
| Net current assets | | | 4,842,479 | | 5,551,298 |
| Total assets less current liabilities | | | 6,137,005 | | 6,111,783 |
| Creditors: amounts falling due after more than one year | 19 | | (7,259,207) | | (6,873,979) |
| Net liabilities | | | (1,122,202) | | (762,196) |
| Capital and reserves | | | | | |
| Called up share capital | 24 | | 100 | | 100 |
| Profit and loss reserves | 25 | | (1,122,302) | | (762,296) |
| Total equity | | | (1,122,202) | | (762,196) |

For the financial year ended 30 June 2018 the company was entitled to exemption from audit under section 477 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved by the board of directors and authorised for issue on 18/3/19 and are signed on its behalf by:



J.D. Schonberg
Director

Company Registration No. 08566386

CARHOLME DENTAL GROUP LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

| | Share capital | Profit and loss reserves | Total |
|--|------------------|--------------------------------|-------------|
| | £ | £ | £ |
| Balance at 1 July 2016 | 100 | (465,248) | (465,148) |
| Year ended 30 June 2017: | | | |
| Loss and total comprehensive income for the year | - | (1,118,609) | (1,118,609) |
| Balance at 30 June 2017 | 100 | (1,583,857) | (1,583,757) |
| Year ended 30 June 2018: | | | |
| Loss and total comprehensive income for the year | - | (1,311,327) | (1,311,327) |
| Balance at 30 June 2018 | 100 | (2,895,184) | (2,895,084) |

CARHOLME DENTAL GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

| | Share capital | Profit and loss reserves | Total |
|--|------------------|--------------------------------|-------------|
| | £ | £ | £ |
| Balance at 1 July 2016 | 100 | (419,845) | (419,745) |
| Year ended 30 June 2017: | | | |
| Loss and total comprehensive income for the year | - | (342,451) | (342,451) |
| Balance at 30 June 2017 | 100 | (762,296) | (762,196) |
| Year ended 30 June 2018: | | | |
| Loss and total comprehensive income for the year | - | (360,006) | (360,006) |
| Balance at 30 June 2018 | 100 | (1,122,302) | (1,122,202) |

CARHOLME DENTAL GROUP LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | 2018 £ | £ | 2017 £ | £ |
|---|-------|--------------------|---|--------------------|---|
| Cash flows from operating activities | | | | | |
| Cash generated from operations | 29 | 1,585,362 | | 1,670,450 | |
| Interest paid | | (287,283) | | (240,674) | |
| Income taxes paid | | (23,929) | | (146,898) | |
| Net cash inflow from operating activities | | 1,274,150 | | 1,282,878 | |
| Investing activities | | | | | |
| Purchase of business | | (725,673) | | - | |
| Purchase of intangible assets | | (1,501,470) | | (1,051,107) | |
| Purchase of tangible fixed assets | | (314,306) | | (70,472) | |
| Purchase of subsidiaries | | - | | 100 | |
| Proceeds on disposal of subsidiaries | | - | | (100) | |
| Proceeds from other investments and loans | | (5,800) | | - | |
| Interest received | | - | | 2 | |
| Net cash used in investing activities | | (2,547,249) | | (1,121,577) | |
| Financing activities | | | | | |
| Repayment of borrowings | | - | | (25,278) | |
| Proceeds of new bank loans | | 8,103,000 | | 550,000 | |
| Repayment of bank loans | | (7,632,430) | | (825,309) | |
| Payment of finance leases obligations | | (6,600) | | (3,300) | |
| Net cash generated from/(used in) financing activities | | 463,970 | | (303,887) | |
| Net decrease in cash and cash equivalents | | (809,129) | | (142,586) | |
| Cash and cash equivalents at beginning of year | | (49,882) | | 92,704 | |
| Cash and cash equivalents at end of year | | (859,011) | | (49,882) | |
| Relating to: | | | | | |
| Cash at bank and in hand | | 257,487 | | 118,258 | |
| Bank overdrafts included in creditors payable within one year | | (1,116,498) | | (168,140) | |

CARHOLME DENTAL GROUP LIMITED

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | 2018 £ | £ | 2017 £ | £ |
|---|-------|-------------|---|-----------|---|
| Cash flows from operating activities | | | | | |
| Cash (absorbed by)/generated from operations | | (404,972) | | 341,388 | |
| Interest paid | | (282,755) | | (238,424) | |
| Net cash (outflow)/inflow from operating activities | | (687,727) | | 102,964 | |
| Investing activities | | | | | |
| Purchase of tangible fixed assets | | (1,650) | | - | |
| Proceeds on disposal of subsidiaries | | (732,391) | | (100) | |
| Net cash used in investing activities | | (734,041) | | (100) | |
| Financing activities | | | | | |
| Proceeds of new bank loans | | 4,030,000 | | - | |
| Repayment of bank loans | | (3,555,919) | | (270,224) | |
| Net cash generated from/(used in) financing activities | | 474,081 | | (270,224) | |
| Net decrease in cash and cash equivalents | | (947,687) | | (167,360) | |
| Cash and cash equivalents at beginning of year | | (168,140) | | (780) | |
| Cash and cash equivalents at end of year | | (1,115,827) | | (168,140) | |
| Relating to: | | | | | |
| Bank overdrafts included in creditors payable within one year | | (1,115,827) | | (168,140) | |

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

Company information

Carholme Dental Group Limited ("the company") is a limited company domiciled and incorporated in England and Wales, registration number 08566386. The registered office is 14 David Mews, London, W1U 6EQ.

The group consists of Carholme Dental Group Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £360,006 (2017 - £342,451 loss).

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

The consolidated financial statements incorporate those of Carholme Dental Group Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 30 June 2018. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 Going concern

Despite being loss making, the EBITDA is positive for the group and the results are somewhat skewed by the amortisation of goodwill. At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and the directors will continue to support the group. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

1.4 Turnover

Turnover represents the income received in the ordinary course of business for dentistry goods and services provided, to the extent that the group has obtained the right to consideration. Turnover derived from NHS contracts is recognised on the volume of dental activity delivered in the contract period. Turnover from private dental work is recognised based on the stage of completion of each piece of treatment carried out.

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 5 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.6 Intangible fixed assets other than goodwill

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|------------------------------|----------------------------|
| Freehold land and buildings | 1% straight line basis |
| Leasehold land and buildings | Over the term of the lease |
| Plant and equipment | 20% straight line basis |
| Fixtures and fittings | 20% straight line basis |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.8 Fixed asset investments

In the parent company's financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

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

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.11 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

1.12 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 profit or loss.

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 profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.13 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

2 Judgements and key sources of estimation uncertainty

(Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Goodwill and intangible assets

The group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Goodwill acquired on each business combination is capitalised, classified as an asset on the statement of financial position and amortised on a straight line basis over its useful economic life.

If a subsidiary, associate or business is subsequently sold or discontinued, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit and loss on sale or discontinuance

Taxation

Management estimation is required to determine the amount of deferred tax assets which can be recognised, based upon likely timing and level of future taxable profits together with an assessment of future tax planning strategies.

Operating lease commitments

The group has entered into commercial property leases as a lessee. The classification of such leases as an operating or finance lease requires the group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

| | 2018 £ | 2017 £ |
|---|-------------------|-------------------|
| Turnover analysed by class of business | | |
| Dental services | 10,050,848 | 8,989,192 |
| | <u> </u> | <u> </u> |
| | 2018 £ | 2017 £ |
| Other significant revenue | | |
| Interest income | - | 2 |
| | <u> </u> | <u> </u> |

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

4 Operating loss

| | 2018 £ | 2017 £ |
|---|-------------------|-------------------|
| Operating loss for the year is stated after charging/(crediting): | | |
| Depreciation of owned tangible fixed assets | 170,265 | 103,069 |
| Depreciation of tangible fixed assets held under finance leases | - | (3,300) |
| (Profit)/loss on disposal of tangible fixed assets | - | 3,327 |
| Amortisation of intangible assets | 2,573,972 | 2,417,191 |
| Cost of stocks recognised as an expense | 5,423,071 | 4,588,657 |
| Operating lease charges | 237,847 | 232,905 |
| | <u> </u> | <u> </u> |

The amortisation of intangible assets is included within administration expenses.

5 Auditor's remuneration

| | 2018 £ | 2017 £ |
|--|-------------------|-------------------|
| Fees payable to the company's auditor and associates: | | |
| For audit services | | |
| Audit of the financial statements of the group and company | 15,000 | 10,000 |
| | <u> </u> | <u> </u> |
| For other services | | |
| All other non-audit services | 62,123 | 51,433 |
| | <u> </u> | <u> </u> |

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

| | 2018 Number | 2017 Number |
|--|-------------------|-------------------|
| | 121 | 58 |
| | <u> </u> | <u> </u> |

Their aggregate remuneration comprised:

| | 2018 £ | 2017 £ |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 1,767,216 | 1,560,843 |
| Social security costs | 112,440 | 86,263 |
| Pension costs | 14,086 | 251 |
| | <u> </u> | <u> </u> |
| | 1,893,742 | 1,647,357 |
| | <u> </u> | <u> </u> |

No directors' remuneration was paid during the year.

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

7 Interest receivable and similar income

| | 2018 £ | 2017 £ |
|---------------------------|-----------|-----------|
| Interest income | | |
| Interest on bank deposits | - | 2 |

Investment income includes the following:

| | | |
|--|---|---|
| Interest on financial assets not measured at fair value through profit or loss | - | 2 |
|--|---|---|

8 Interest payable and similar expenses

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| Interest on financial liabilities measured at amortised cost: | | |
| Interest on bank overdrafts and loans | 284,174 | 239,816 |
| Interest on finance leases and hire purchase contracts | 858 | 858 |
| | 285,032 | 240,674 |
| Other finance costs: | | |
| Other interest | 2,251 | - |
| Total finance costs | 287,283 | 240,674 |

9 Taxation

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| Current tax | | |
| UK corporation tax on profits for the current period | 19,463 | 84,436 |
| Adjustments in respect of prior periods | (38,960) | 88,928 |
| Total current tax | (19,497) | 173,364 |
| Deferred tax | | |
| Origination and reversal of timing differences | (1,799) | 51,910 |
| Total tax charge | (21,296) | 225,274 |

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

| | 2018 £ | 2017 £ |
|--|-------------|-----------|
| Loss before taxation | (1,332,623) | (893,335) |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.00%) | (253,198) | (169,734) |
| Tax effect of utilisation of tax losses not previously recognised | (1,984) | - |
| Permanent capital allowances in excess of depreciation | (36,346) | (14,510) |
| Under/(over) provided in prior years | (38,960) | 88,928 |
| Deferred tax adjustments in respect of prior years | (1,799) | 51,910 |
| Depreciation and amortisation | 309,968 | 275,387 |
| Difference relating to change in tax rate | - | (6,707) |
| Other differences | 1,023 | - |
| Tax expense for the year | (21,296) | 225,274 |

10 Intangible fixed assets

| Group | Goodwill £ | Negative goodwill £ | Total £ |
|------------------------------------|---------------|------------------------|------------|
| Cost | | | |
| At 1 July 2017 | 12,085,457 | - | 12,085,457 |
| Additions - separately acquired | 1,547,720 | - | 1,547,720 |
| Additions - business combinations | 839,200 | (19,736) | 819,464 |
| At 30 June 2018 | 14,472,377 | (19,736) | 14,452,641 |
| Amortisation and impairment | | | |
| At 1 July 2017 | 5,425,192 | - | 5,425,192 |
| Amortisation charged for the year | 2,573,972 | - | 2,573,972 |
| At 30 June 2018 | 7,999,164 | - | 7,999,164 |

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

10 Intangible fixed assets

(Continued)

Carrying amount

| | | | |
|-----------------|-----------|----------|-----------|
| At 30 June 2018 | 6,473,213 | (19,736) | 6,453,477 |
| At 30 June 2017 | 6,660,264 | - | 6,660,264 |

The company had no intangible fixed assets at 30 June 2018 or 30 June 2017.

Intangible fixed assets with a carrying value of £6,453,477 (2017 - £6,660,264) have been pledged to secure borrowings of the group. The group is not permitted to pledge these assets as security for other borrowings.

11 Tangible fixed assets

| Group | Freehold land and buildings | Leasehold land and buildings | Plant and equipment | Fixtures and fittings | Total |
|------------------------------------|-----------------------------|------------------------------|---------------------|-----------------------|-----------|
| | £ | £ | £ | £ | £ |
| Cost | | | | | |
| At 1 July 2017 | 105,000 | 2,002 | - | 544,355 | 651,357 |
| Additions | 135,000 | 1 | 1,650 | 71,888 | 208,539 |
| Business combinations | 609,913 | - | - | 118,651 | 728,564 |
| At 30 June 2018 | 849,913 | 2,003 | 1,650 | 734,894 | 1,588,460 |
| Depreciation and impairment | | | | | |
| At 1 July 2017 | 1,050 | 700 | - | 249,805 | 251,555 |
| Depreciation charged in the year | 29,451 | 200 | - | 140,613 | 170,264 |
| At 30 June 2018 | 30,501 | 900 | - | 390,418 | 421,819 |
| Carrying amount | | | | | |
| At 30 June 2018 | 819,412 | 1,103 | 1,650 | 344,476 | 1,166,641 |
| At 30 June 2017 | 103,950 | 1,302 | - | 294,549 | 399,801 |

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

11 Tangible fixed assets

(Continued)

| Company | Plant and equipment |
|------------------------------------|---------------------|
| | £ |
| Cost | |
| At 1 July 2017 | - |
| Additions | 1,650 |
| At 30 June 2018 | 1,650 |
| Depreciation and impairment | |
| At 1 July 2017 and 30 June 2018 | - |
| Carrying amount | |
| At 30 June 2018 | 1,650 |

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

| | Group 2018 £ | 2017 £ | Company 2018 £ | 2017 £ |
|--|--------------------|-----------|----------------------|-----------|
| Fixtures and fittings | - | 6,600 | - | - |
| Depreciation charge for the year in respect of leased assets | - | 3,300 | - | - |

Assets held under finance leases had finance charges in the year of £858 (2017 - £858).

Tangible fixed assets with a carrying value of £1,166,641 (2017 - £399,801) have been pledged to secure borrowings of the group. The group is not permitted to pledge these assets as security for other borrowings.

12 Fixed asset investments

| | Notes | Group 2018 £ | 2017 £ | Company 2018 £ | 2017 £ |
|-----------------------------|-------|--------------------|-----------|----------------------|-----------|
| Investments in subsidiaries | 13 | - | - | 1,292,876 | 560,485 |

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

12 Fixed asset investments

(Continued)

Movements in fixed asset investments

Company

Shares in
group
undertakings
£

Cost or valuation

At 1 July 2017

560,485

Additions

732,391

At 30 June 2018

1,292,876

Carrying amount

At 30 June 2018

1,292,876

At 30 June 2017

560,485

13 Subsidiaries

All of the subsidiaries listed below are included in the consolidated financial statements. The subsidiary undertakings listed below have taken the audit exemption available under section 479A of the Companies Act 2006. Under section 479C, Carholme Dental Group Limited has provided a guarantee for each subsidiary undertakings liabilities outstanding as at 30 June 2018. The registered office for the UK subsidiaries is 14 David Mews, London, W1U 6EQ. Details of the company's subsidiaries at 30 June 2018 are as follows:

| Name of undertaking | Registered office | Nature of business | Class of shares held | % Held | |
|------------------------------|-------------------|--------------------|----------------------|--------|----------|
| | | | | Direct | Indirect |
| Allerton Dental Limited | UK | Dentist | Ordinary | 100.00 | |
| Carholme Dental Limited | UK | Dentist | Ordinary | 100.00 | |
| Clear Springs Dental Limited | UK | Dentist | Ordinary | 100.00 | |
| Dedham Dental Limited | UK | Dentist | Ordinary | 100.00 | |
| Dentecare (Barnsley) Limited | UK | Dentist | Ordinary | 100.00 | |
| Gabsta Limited | UK | Dentist | Ordinary | 100.00 | |
| Gillingham Dental Limited | UK | Dentist | Ordinary | 100.00 | |
| Meanwood Dental Limited | UK | Dentist | Ordinary | 100.00 | |
| Padiham Dental Limited | UK | Dentist | Ordinary | 100.00 | |
| Thornton Dental Limited | UK | Dentist | Ordinary | 100.00 | |
| Whalley Dental Limited | UK | Dentist | Ordinary | 100.00 | |
| Whingate Dental Limited | UK | Dentist | Ordinary | 100.00 | |
| Witard Dental Limited | UK | Dentist | Ordinary | 100.00 | |
| York Dental Limited | UK | Dentist | Ordinary | 100.00 | |
| Carholme Freeholds Limited | UK | Property Holding | Ordinary | 100.00 | |
| A J Cale Limited | UK | Dentist | Ordinary | 100.00 | |
| Greengates Limited | UK | Dentist | Ordinary | 100.00 | |

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

13 Subsidiaries

(Continued)

The aggregate capital and reserves and the profit for the year of the subsidiaries noted above was as follows:

| Name of undertaking | Profit/(Loss) £ | Capital and Reserves £ |
|------------------------------|--------------------|------------------------------|
| Allerton Dental Limited | (56,116) | (62,910) |
| Carholme Dental Limited | 128,688 | 61,334 |
| Clear Springs Dental Limited | (86,090) | (147,436) |
| Dedham Dental Limited | (18,869) | (31,271) |
| Dentecare (Barnsley) Limited | (16,331) | (47,081) |
| Gabsta Limited | (28,245) | 244,109 |
| Gillingham Dental Limited | (248,331) | (171,267) |
| Meanwood Dental Limited | (105,427) | (87,134) |
| Padiham Dental Limited | (168,461) | (145,377) |
| Thornton Dental Limited | (34,139) | 13,921 |
| Whalley Dental Limited | (43,702) | (19,402) |
| Whingate Dental Limited | (75,808) | - |
| Witard Dental Limited | (69,573) | (105,646) |
| York Dental Limited | (49,112) | (42,809) |
| Carholme Freeholds Limited | 24,916 | 13,219 |
| A J Cale Limited | 94,345 | (73,621) |
| Greengates Limited | 30,708 | - |

The investments in subsidiaries are all stated at cost.

14 Acquisitions

On 31 January 2018 the group acquired 100% of the issued capital of A J Cale Limited.

| | Book Value £ | Adjustments £ | Fair Value £ |
|-------------------------------|-----------------|------------------|-----------------|
| Intangible assets | 46,250 | - | 46,250 |
| Property, plant and equipment | 12,884 | - | 12,884 |
| Inventories | 796 | - | 796 |
| Trade and other receivables | 480,104 | - | 480,104 |
| Trade and other payables | (647,044) | - | (647,044) |
| Total identifiable net assets | (107,010) | - | (107,010) |
| Goodwill | | | 839,200 |
| Total consideration | | | 732,190 |

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

14 Acquisitions

(Continued)

The consideration was satisfied by: £

| | |
|------|---------|
| Cash | 732,190 |
|------|---------|

Contribution by the acquired business for the reporting period included in the consolidated statement of comprehensive income since acquisition: £

| | |
|----------|---------|
| Turnover | 266,046 |
|----------|---------|

| | |
|------------------|---------|
| Profit after tax | 108,474 |
|------------------|---------|

On 1 July 2017 the group acquired 100% of the issued capital of Carholme Freeholds Limited.

| | Book Value £ | Adjustments £ | Fair Value £ |
|-------------------------------|-----------------|------------------|-----------------|
| Property, plant and equipment | 609,913 | - | 609,913 |
| Trade and other payables | (596,694) | - | (596,694) |
| Total identifiable net assets | 13,219 | - | 13,219 |
| Goodwill | | | (13,119) |
| Total consideration | | | 100 |

The consideration was satisfied by: £

| | |
|------|-----|
| Cash | 100 |
|------|-----|

Contribution by the acquired business for the reporting period included in the consolidated statement of comprehensive income since acquisition: £

| | |
|----------|--------|
| Turnover | 55,138 |
|----------|--------|

| | |
|------------------|--------|
| Profit after tax | 24,916 |
|------------------|--------|

On 31 January 2018 the group acquired 100% of the issued share capital of Greengates Dental Limited.

| | Book Value £ | Adjustments £ | Fair Value £ |
|-------------------------------|-----------------|------------------|-----------------|
| Trade and other receivables | 6,317 | - | 6,317 |
| Total identifiable net assets | 6,317 | - | 6,317 |

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

| | | | | | |
|-----------|--|--------------------|-------------|----------------|-------------|
| 14 | Acquisitions | (Continued) | | | |
| | Goodwill | | | | (6,417) |
| | Total consideration | | | | 100 |
| | The consideration was satisfied by: | | | | £ |
| | Cash | | | | 100 |
| | Contribution by the acquired business for the reporting period included in the consolidated statement of comprehensive income since acquisition: | | | | £ |
| | Turnover | | | | 55,138 |
| | Profit after tax | | | | 24,916 |
| 15 | Financial instruments | Group | | Company | |
| | | 2018 | 2017 | 2018 | 2017 |
| | | £ | £ | £ | £ |
| | Carrying amount of financial assets | | | | |
| | Debt instruments measured at amortised cost | 1,323,261 | 1,484,649 | 7,420,527 | 7,222,411 |
| | Carrying amount of financial liabilities | | | | |
| | Measured at amortised cost | 11,980,341 | 10,088,231 | 9,837,255 | 8,545,092 |
| 16 | Stocks | Group | | Company | |
| | | 2018 | 2017 | 2018 | 2017 |
| | | £ | £ | £ | £ |
| | Finished goods and goods for resale | 58,027 | 47,734 | - | - |

Stocks with a carrying value of £58,027 (2017 - £47,734) have been pledged to secure borrowings of the group. The group is not permitted to pledge these assets as security for other borrowings.

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

17 Debtors

| | Group 2018 | 2017 | Company 2018 | 2017 |
|--|------------------|------------------|------------------|------------------|
| | £ | £ | £ | £ |
| Amounts falling due within one year: | | | | |
| Trade debtors | 1,014,997 | 756,875 | - | - |
| Corporation tax recoverable | 42,136 | - | - | - |
| Amounts owed by group undertakings | - | - | 7,395,727 | 6,559,354 |
| Amounts owed by undertakings in which the company has a participating interest | 88,412 | - | - | - |
| Other debtors | 219,852 | 727,774 | 24,800 | 663,057 |
| Prepayments and accrued income | 3,429 | 4,166 | - | - |
| | <u>1,368,826</u> | <u>1,488,815</u> | <u>7,420,527</u> | <u>7,222,411</u> |

18 Creditors: amounts falling due within one year

| | | Group 2018 | 2017 | Company 2018 | 2017 |
|---|-------|------------------|------------------|------------------|------------------|
| | Notes | £ | £ | £ | £ |
| Bank loans and overdrafts | 20 | 2,285,593 | 1,242,050 | 2,278,590 | 1,242,050 |
| Obligations under finance leases | 21 | 4,449 | 4,158 | - | - |
| Amounts due to group undertakings | | - | - | 250,603 | 221,034 |
| Amounts due to undertakings in which the group has a participating interest | | 303,405 | - | - | - |
| Corporation tax payable | | 135,775 | 137,065 | - | - |
| Other taxation and social security | | 31,241 | 19,349 | - | - |
| Other creditors | | 863,035 | 1,164,125 | - | 208,029 |
| Accruals and deferred income | | 951,849 | 474,382 | 48,855 | - |
| | | <u>4,575,347</u> | <u>3,041,129</u> | <u>2,578,048</u> | <u>1,671,113</u> |

19 Creditors: amounts falling due after more than one year

| | | Group 2018 | 2017 | Company 2018 | 2017 |
|----------------------------------|-------|------------------|------------------|------------------|------------------|
| | Notes | £ | £ | £ | £ |
| Bank loans and overdrafts | 20 | 7,292,163 | 6,916,778 | 7,259,207 | 6,873,979 |
| Obligations under finance leases | 21 | - | 6,891 | - | - |
| Other borrowings | 20 | 279,847 | 279,847 | - | - |
| | | <u>7,572,010</u> | <u>7,203,516</u> | <u>7,259,207</u> | <u>6,873,979</u> |

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

20 Loans and overdrafts

| | Group 2018 £ | 2017 £ | Company 2018 £ | 2017 £ |
|-------------------------|--------------------|------------------|----------------------|------------------|
| Bank loans | 8,461,258 | 7,990,688 | 8,421,970 | 7,947,889 |
| Bank overdrafts | 1,116,498 | 168,140 | 1,115,827 | 168,140 |
| Other loans | 279,847 | 279,847 | - | - |
| | <u>9,857,603</u> | <u>8,438,675</u> | <u>9,537,797</u> | <u>8,116,029</u> |
| Payable within one year | 2,285,593 | 1,242,050 | 2,278,590 | 1,242,050 |
| Payable after one year | <u>7,572,010</u> | <u>7,196,625</u> | <u>7,259,207</u> | <u>6,873,979</u> |

Bank loans are secured against a debenture over Carholme Dental Group Limited and its subsidiaries including a fixed charge over all assets. Bank loans are repayable over 5 years and have covenants attached. Interest is charged at 2.75% above LIBOR.

21 Finance lease obligations

| | Group 2018 £ | 2017 £ | Company 2018 £ | 2017 £ |
|---|--------------------|---------------|----------------------|-----------|
| Future minimum lease payments due under finance leases: | | | | |
| Within one year | 4,449 | 4,158 | - | - |
| In two to five years | - | 6,891 | - | - |
| | <u>4,449</u> | <u>11,049</u> | <u>-</u> | <u>-</u> |

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

22 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

| | Liabilities 2018 £ | Liabilities 2017 £ |
|--------------------------------|--------------------------|--------------------------|
| Group | | |
| Accelerated capital allowances | <u>52,185</u> | <u>53,984</u> |

The company has no deferred tax assets or liabilities.

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

22 Deferred taxation

(Continued)

| | Group 2018 £ | Company 2018 £ |
|-------------------------------|--------------------|----------------------|
| Movements in the year: | | |
| Liability at 1 July 2017 | 53,984 | - |
| Credit to profit or loss | (1,799) | - |
| Liability at 30 June 2018 | <u>52,185</u> | <u>-</u> |

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

The company has no deferred tax assets or liabilities.

23 Retirement benefit schemes

| | 2018 £ | 2017 £ |
|---|------------|-----------|
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | <u>251</u> | <u>-</u> |

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

24 Share capital

| | Group and company 2018 £ | 2017 £ |
|--------------------------------|--------------------------------|------------|
| Ordinary share capital | | |
| Issued and fully paid | | |
| 100 Ordinary shares of £1 each | <u>100</u> | <u>100</u> |

25 Profit and loss reserves

| | Group 2018 £ | 2017 £ | Company 2018 £ | 2017 £ |
|------------------------------|--------------------|--------------------|----------------------|------------------|
| At the beginning of the year | (1,583,857) | (465,248) | (762,296) | (419,845) |
| Loss for the year | <u>(1,311,327)</u> | <u>(1,118,609)</u> | <u>(360,006)</u> | <u>(342,451)</u> |
| At the end of the year | <u>(2,895,184)</u> | <u>(1,583,857)</u> | <u>(1,122,302)</u> | <u>(762,296)</u> |

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

26 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | Group 2018 £ | 2017 £ | Company 2018 £ | 2017 £ |
|----------------------------|--------------------|------------------|----------------------|-----------|
| Within one year | 247,155 | 333,105 | - | - |
| Between two and five years | 990,097 | 997,302 | - | - |
| In over five years | 1,963,120 | 2,132,632 | - | - |
| | <u>3,200,372</u> | <u>3,463,039</u> | <u>-</u> | <u>-</u> |

The operating leases represent leases to third parties. The leases are negotiated over various terms and rentals are fixed. All leases include a provision for five-yearly upward rent reviews according to prevailing market conditions. There are no options in place for either party to extend the lease terms. During the year the group had operating lease expenditure of £233,460 (2017 - £228,111).

27 Related party transactions

Transactions with related parties

Included in other debtors is a balance for the sum of £88,412 (2017 - £31,291) due from Chadwell Heath Practice.

Included in trade debtors is a balance of £300,738 (2017 - £243,336) due from Chadwell Heath Practice relating to the private sales in Gabsta Limited.

Included in creditors due less than one year is a balance due to Chadwell Heath Practice for the sum of £303,405 (2017 - £231,146).

Chadwell Heath Practice is an unincorporated business held in partnership by JD Schonberg and G Staneviciene.

Included in other debtors is an amount due from April Holdings Limited for £137,016 (2017 - £Nil)

April Holdings Limited is a business owned by JD Schonberg.

The loans are interest free, unsecured, and there are no fixed terms of repayment.

28 Directors' transactions

Included in creditors due less than one year are balances for the sum of £404,446 (2017 - £412,064) and £459,286 (2017 - £519,061) due to J D Schonberg and G Staneviciene respectively.

Included in creditors due more than one year is a balance due J D Schonberg for the sum of £279,847 (2017 - £279,847).

The loans are interest free with no fixed terms of repayment.

CARHOLME DENTAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

29 Cash generated from group operations

| | 2018 £ | 2017 £ |
|--|------------------|------------------|
| Loss for the year after tax | (1,311,328) | (1,118,609) |
| Adjustments for: | | |
| Taxation (credited)/charged | (21,296) | 225,274 |
| Finance costs | 287,283 | 240,674 |
| Investment income | - | (2) |
| (Gain)/loss on disposal of tangible fixed assets | - | 3,327 |
| Amortisation and impairment of intangible assets | 2,573,972 | 2,417,191 |
| Depreciation and impairment of tangible fixed assets | 170,264 | 106,369 |
| Movements in working capital: | | |
| (Increase) in stocks | (9,497) | (19,909) |
| Decrease in debtors | 648,029 | 37,966 |
| (Decrease) in creditors | (752,065) | (221,831) |
| Cash generated from operations | 1,585,362 | 1,670,450 |