

**IDH Finance Plc**

Annual report and financial statements

Registered number 08516986

Year ended 31 March 2019

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## Strategic report for the year ended 31 March 2019

The directors present the Strategic report for the year ended 31 March 2019.

### Principal activities

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

### Business review

The company provides externally sourced finance to the group.

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)*

#### ***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 directors believe that the group continues to be well positioned to take advantage of further opportunities within the market through the introduction of affordable private services, however there are also challenges in orthodontics and Dental Directory to be resolved before growth accelerates significantly.

#### ***Financial review***

The operating loss for the year was £9,000 (2018: £8,000). The loss for the financial year was £9,000 (2018: £8,000).

#### **Principal risks and uncertainties**

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

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

#### **Financial risk management**

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

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

#### ***Credit risk***

Credit risk is the risk of financial loss to the group if a customer fails to meet its contractual obligations. The nature of the group's contracts with 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).

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

### ***Liquidity risk***

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

The group regularly monitors its 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 or costs. 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%).

Management have considered the risk of changes in interest rates upon the group's financial performance. 48% (2018: 49%) of the group's external debt is subject to fixed interest and therefore the impact of changes to interest rates upon the group's cash flows is significantly mitigated. However a 1% increase or decrease in the rate of LIBOR would have the effect of increasing or decreasing the group's annual cash interest costs by approximately £2.9 million or £1.8 million respectively, based upon the funding structure in place at 31 March 2019.

### ***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.

**T Riall**

*Director*

18 June 2019

## **Directors' report for the year ended 31 March 2019**

The directors present their report and the audited financial statements of IDH Finance Plc 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 directors do 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:

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

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

### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors are 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.

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

### **Political and charitable contributions**

The company made no political or charitable contributions during the year (2018: £nil).

## **Directors' report for the year ended 31 March 2019** *(continued)*

### **Disclosure of information to auditors**

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

### **Independent auditors**

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

On behalf of the Board

**T Riall**  
*Director*  
18 June 2019

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

## Independent auditors' report to the members of IDH Finance Plc

### Report on the audit of the financial statements

#### Opinion

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

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

#### Our audit approach

##### Overview



- Overall materiality: £5.5 million (2018: £5.5 million), based on 1% of total assets.
- Our audit consisted of a full scope audit over the statutory accounts of IDH Finance Plc.
- Going concern.

#### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.



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

### **Key audit matters**

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

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#### **Key audit matter**

#### **How our audit addressed the key audit matter**

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### **Going concern**

The financial statements have been prepared on the going concern basis. The directors believe that the entity will have the cash resources it requires to settle its liabilities for the period extending beyond 12 months from the date of approval of the financial statements.

The entity has borrowings of £552m (2018: £551m). There are no financial covenants on any of the borrowings.

The going concern status of the entity is intrinsically linked to the success of the group, being Turnstone Equityco 1 Limited.

Our testing focused on the key judgements and assumptions as follows:

- We evaluated and challenged the group's future cash flow forecasts and the process by which they were drawn up. We compared the group's forecasts to the latest Board approved budget and found them to be consistent;
- We have completed downside scenario analysis of the cash flow within the business and the potential utilisation of the revolving credit facility to see if enough liquidity is available on a short term basis;
- We have reviewed the terms of the Group's financing facility and confirmed that there are no restrictions to draw down outside of the control of the Group, other than covenant compliance. We have reviewed the covenants in relation to this facility and confirmed that the Group is in compliance with all covenant conditions in the current year. In addition, we have compared forecasted cash flows by assessing their impact on the covenant conditions, including on the downside case scenarios considered;
- We have assessed management's ability to produce reliable forecasts by reviewing the accuracy of previous forecasts; and
- We have reviewed results post year-end and confirmed there are no significant variations from management's initial expectations, which should change their conclusions over going concern.

Considering the test results above we noted no other factors that would impact the going concern status of the entity and, therefore, we concur with management's assessment that the group and company accounts should be prepared on a going concern basis.

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### **How we tailored the audit scope**

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

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

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

### **Materiality**

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

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

<b>Overall materiality</b>	£5.5 million (2018: £5.5 million).
<b>How we determined it</b>	1% of total assets.
<b>Rationale for benchmark applied</b>	We believe that total assets is the appropriate benchmark as the entity is a holding company.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £275,000 (2018: £278,500) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### **Conclusions relating to going concern**

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

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

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.

### **Reporting on other information**

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

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

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

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

### **Strategic report and Directors' report**

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

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

### **Responsibilities for the financial statements and the audit**

#### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### ***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

#### ***Use of this report***

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

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the 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 June 2019

**Income statement**  
*for the year ended 31 March 2019*

	<i>Note</i>	<b>2019</b> <b>£'000</b>	2018 £'000
Administrative expenses		(9)	(8)
<b>Operating loss</b>	5	<b>(9)</b>	(8)
Interest receivable and similar income	7	<b>39,801</b>	39,251
Interest payable and similar expenses	8	<b>(39,801)</b>	(39,251)
Net interest receivable		-	-
<b>Loss before taxation</b>		<b>(9)</b>	(8)
Tax on loss	9	-	-
<b>Loss for the financial year</b>		<b>(9)</b>	(8)

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>	<b>2019</b> <b>£'000</b>	2018 £'000
<b>Current assets</b>			
Debtors (includes £553,016,000 falling due after more than one year; 2018: £552,242,000)	<i>10</i>	<b>557,865</b>	557,032
Cash at bank and in hand		<b>49</b>	49
		<hr/>	<hr/>
		<b>557,914</b>	557,081
<b>Creditors: amounts falling due within one year</b>	<i>11</i>	<b>(4,892)</b>	(4,825)
		<hr/>	<hr/>
<b>Net current assets</b>		<b>553,022</b>	552,256
		<hr/>	<hr/>
<b>Creditors: amounts falling due after more than one year</b>	<i>12</i>	<b>(551,767)</b>	(550,992)
		<hr/>	<hr/>
<b>Net assets</b>		<b>1,255</b>	1,264
		<hr/> <hr/>	<hr/> <hr/>
<b>Capital and reserves</b>			
Called up share capital	<i>14</i>	<b>50</b>	50
Retained earnings	<i>15</i>	<b>1,205</b>	1,214
		<hr/>	<hr/>
<b>Total shareholders' funds</b>		<b>1,255</b>	1,264
		<hr/> <hr/>	<hr/> <hr/>

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

These financial statements on pages 10 to 17 were approved by the board of directors on 18 June 2019 and were signed on its behalf by:

**T Riall**  
*Director*

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

	<b>Called up share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total shareholders' funds £'000</b>
Balance at 1 April 2017	50	1,222	1,272
<b>Comprehensive expense for the year</b> Loss for the financial year and total comprehensive expense	-	(8)	(8)
Balance at 31 March 2018	50	1,214	1,264
<b>Comprehensive expense for the year</b> Loss for the financial year and total comprehensive expense	-	(9)	(9)
<b>Balance at 31 March 2019</b>	<b>50</b>	<b>1,205</b>	<b>1,255</b>

## Notes to the financial statements

### 1 Company information

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

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

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

### 2 Accounting policies

#### *Basis of preparation*

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

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

The financial statements are presented in Sterling (£).

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

#### *Exemptions for qualifying entities under FRS 102*

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

The company has taken advantage of the following exemptions:

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

#### *Taxation*

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

#### *Financial instruments including borrowings*

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

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

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

## Notes to the financial statements *(continued)*

### 3 Significant judgements and estimates

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

#### *Carrying value of financial assets and liabilities*

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

### 4 Segmental analysis

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

### 5 Operating loss

	2019 £'000	2018 £'000
<b>Operating loss is stated after charging:</b>		
<b>Auditors' remuneration:</b>		
Fees payable to the company's auditors for the audit of the company's financial statements	9	8
	<u>9</u>	<u>8</u>

### 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 loans to fellow group undertaking	39,801	39,251
	<u>39,801</u>	<u>39,251</u>

### 8 Interest payable and similar expenses

	2019 £'000	2018 £'000
Senior secured fixed rate notes	17,187	17,187
Senior secured floating rate notes	10,264	9,714
Second lien notes	12,350	12,350
	<u>39,801</u>	<u>39,251</u>



## Notes to the financial statements *(continued)*

### 9 Tax on loss

#### a) Analysis of tax charge for the financial year

	<b>2019</b> <b>£'000</b>	2018 £'000
<b>Current tax</b>		
Current tax for the year	-	-
	<hr/>	<hr/>
<b>Tax on loss</b>	-	-
	<hr/> <hr/>	<hr/> <hr/>

#### 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 for the year ended 31 March 2019 of 19% (2018: 19%). The differences are explained below:

	<b>2019</b> <b>£'000</b>	2018 £'000
Loss before taxation	(9)	(8)
	<hr/>	<hr/>
Loss activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(2)	(2)
<b>Effects of:</b>		
Group relief surrendered for nil consideration	2	2
	<hr/>	<hr/>
<b>Tax on loss</b>	-	-
	<hr/> <hr/>	<hr/> <hr/>

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

### 10 Debtors

	<b>2019</b> <b>£'000</b>	2018 £'000
<b>Amounts falling due after more than one year</b>		
Amounts owed by group undertakings	553,016	552,242
	<hr/>	<hr/>
<b>Amounts falling due within one year</b>		
Amounts owed by group undertakings	4,849	4,790
	<hr/>	<hr/>
	<b>557,865</b>	<b>557,032</b>
	<hr/> <hr/>	<hr/> <hr/>

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

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

## Notes to the financial statements *(continued)*

### 11 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed to group undertakings	43	35
Accruals and deferred income	4,849	4,790
	<u>4,892</u>	<u>4,825</u>

### 12 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Borrowings (note 13)	551,767	550,992

### 13 Borrowings

	2019 £'000	2018 £'000
<b>Senior secured, floating rate and second lien notes</b>		
Due between two and five years	551,767	424,459
Due after five years	-	126,533
	<u>551,767</u>	<u>550,992</u>

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

Throughout the years ended 31 March 2019 and 31 March 2018, the company had the following notes in issue:

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

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

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

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

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

## Notes to the financial statements *(continued)*

### 13 Borrowings *(continued)*

The senior secured floating rate notes may be called by the company at par from 15 August 2018. Between 15 August 2017 and 14 August 2018, the notes could be called at 101%.

The above call options are not considered by the directors to have any value at either 31 March 2019 or 31 March 2018.

### 14 Called up share capital

	2019 £'000	2018 £'000
<b>Allotted, called up and fully paid</b>		
50,000 (2018: 50,000) ordinary shares of £1	<b>50</b>	<b>50</b>

### 15 Reserves

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

#### *Retained earnings*

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

### 16 Financial assets and liabilities

The company has the following financial instruments:

	<i>Note</i>	2019 £'000	2018 £'000
<b>Financial assets measured at amortised cost</b>			
Amounts owed by group undertakings	<i>10</i>	<b>557,865</b>	557,032
<b>Financial liabilities measured at amortised cost</b>			
Amounts owed to group undertakings	<i>11</i>	<b>(43)</b>	(35)
Accruals	<i>11</i>	<b>(4,849)</b>	(4,790)
Borrowings	<i>12,13</i>	<b>(551,767)</b>	(550,992)
		<b>(556,659)</b>	(555,817)

### 17 Controlling party

The immediate parent undertaking is Turnstone Midco 2 Limited.

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

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

At 31 March 2019 and throughout the year, the ultimate controlling party is considered by the Directors to be CEP III Participations S.a.r.l. SICAR, an investment vehicle for The Carlyle Group. CEP III Participations S.a.r.l. SICAR is the controlling party of Turnstone Equityco 1 Limited.