

ADP Holdings Limited
Company Number 04298115

Annual report and financial statements - 31 March 2021

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ADP Holdings Limited
Contents
For the year ended 31 March 2021

| | |
|-----------------------------------|---|
| Strategic report | 2 |
| Directors' report | 5 |
| Income statement | 7 |
| Balance sheet | 8 |
| Notes to the financial statements | 9 |

ADP Holdings Limited
Strategic report
For the year ended 31 March 2021

The directors present their Strategic report for the year ended 31 March 2021.

Principal activities

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

The company did not trade in the year to 31 March 2021 nor during the year to 31 March 2020. Accordingly, the company has no items of other comprehensive income during the current or previous year and therefore no statement of changes in equity has been presented.

Business review

Review of the development and performance of the company

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

The group is organised into two distinct business units, {my}dentist and DD divisions, which provide a range of National Health Service ('NHS') and private dental services from practices throughout the United Kingdom along with support services to other third party dental practices and the wider healthcare sector.

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

Due to the restrictions placed on dental practices, the NHS in England and Wales replaced the contractual UDA performance measures with a more flexible system for the year. This system adapted to the restrictions placed on practices by public health authorities and the consequent reduction in productivity as facilities could not be utilised 100%. In England:

- From 1 April 2019 to 8 June 2020: Practices were closed to normal operations but carried out emergency triage and referrals. Contracts were considered to be delivered where practices were staffed but the contract value was subject to a 16.75% abatement to reflect lower variable costs such as laboratories and materials expenses.
- From 9 June 2020 to 31 December 2020: Practices reopened but operations were restricted by the requirement for a fallow period between appointments. Initially the fallow period was set at 1 hour but this was reduced from November by the introduction of air filtration equipment. Contracts were considered to be delivered if the practice met a 20% activity threshold measured by reference to "patient contacts" and not UDA volumes.
- From 1 January 2021 to 31 March 2021: The fallow period between appointments was reduced to 10 minutes and therefore more patients could be treated. The NHS reintroduced UDA volume targets subject to a tiered model:
 - If a practice achieved 45% or more of the contracted volumes for the period from 1 January 2021 to 31 March 2021, it would be deemed to have delivered 100% of the contract. However funding would be subject to a clawback of 16.75% of activity not delivered.
 - If a practice achieved between 36% and 45% of contracted volumes, it would be deemed to have delivered between 80% and 100% on a sliding scale within the performance band. Undelivered volumes would also be subject to the clawback of 16.75%.
 - Practices which delivered lower than 36% of the contracted volumes would be deemed to have delivered their actual number of UDAs claimed.

The company has applied these rules to each of its contracts however there remains some uncertainty as to the final level of any repayment due back to the NHS for underperformance due to ongoing reviews by NHS Regions.

Strategy and future outlook

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

ADP Holdings Limited
Strategic report
For the year ended 31 March 2021

Business review (continued)

Events after the reporting period

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

Principal risks and uncertainties

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

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

Subsequent Events – Continued impact of the coronavirus pandemic

The Covid-19 coronavirus outbreak continues to have a significant impact on the group post year end.

In England and Wales, NHS contractual payments have continued to be made each month to dental practices at 1/12th of the annual contract value. From 1 April 2021, the percentage contract delivery required to claim 100% of the contract value was 60% with a sliding scale of delivery between 36% and 60% allowing between 80% and 100% to be claimed. From 1 October 2021, the percentage contract delivery required to claim 100% of the contract value increased to 65% with a sliding scale of delivery between 52% and 65% allowing between 80% and 100% to be claimed. Delivery less than 52% will be paid for based on UDAs delivered. This approach is expected to remain in place until December 2021. The abatement based on the full contract value from 1 April 2021 to 30 September 2021 was 16.75% for any undelivered element of the contract. This reduced to 12.75% from 1 October 2021.

Financial risk management

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

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

Credit risk

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

Liquidity risk

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

ADP Holdings Limited
Strategic report
For the year ended 31 March 2021

Financial risk management *(continued)*

Market risk

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

The company has limited currency risk as all operations are carried out in the United Kingdom and all income and expenses are denominated in Sterling. However, as materials are principally sourced by other group companies from suppliers internationally, the company is indirectly exposed to currency risk as prices are adjusted to reflect currency movements. The group mitigates this risk through the use of, for example, derivative financial instruments such as foreign currency forward contracts or option contracts. This risk is also managed through competitive tendering for the group's significant supply contracts.

Inflation risk

Inflation risk is the risk that the cost of key services and products procured by the company will rise with inflation and affect the company's income. The rates paid under the terms of the company's NHS contract are reviewed on an annual basis and, over the course of the past few years, the annual uplifts have typically been lower than the rate of both RPI and CPI.

The company undergoes a regular review of key suppliers through its procurement programme to mitigate cost increases, using tendering processes where possible. In addition, the group seeks to rationalise its supplier base to benefit from its scale.


Covid-19

The Covid-19 pandemic has had a significant impact on our patients, our clinicians and employees and our suppliers with the extent dependent on any recurrence and consequent lockdown measures whether local or national. The severity of the economic effect, levels of unemployment, and the speed and nature of the recovery will all impact on performance in the near future. Within {my}dentist, the revised operating procedures required for healthcare settings including additional personal protective equipment (PPE) requirements, the higher costs of PPE or the length of time PPE is available via the NHS and the fallow period requirements between patient appointments will impact on productivity and the potential revenue an individual surgery can generate. While patients have not so far shown reluctance to visit dental settings this may not continue especially if further more transmissible variants are identified. The speed of vaccine roll-out in the UK does provide some potential for the lifting of restrictions and a return to more normal operations, however the NHS have committed to support the industry while current fallow time restrictions are in place until at least December 2021.

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

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

On behalf of the Board



R Stora
Director

17 December 2021

ADP Holdings Limited
Directors' report
For the year ended 31 March 2021

The directors present their report and the unaudited financial statements for the year ended 31 March 2021.

Financial risk management

Please refer to the Strategic report for a description of the company's financial risk management processes.

Future developments

Please refer to the strategy and future outlook section of the Strategic report for a description of future developments.

Proposed dividend

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

Directors

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

NK Pandya (appointed 27 November 2020)
T Riall
R Storah
N Whitley

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

Going concern

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

Events after the reporting period

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

ADP Holdings Limited
Directors' report
For the year ended 31 March 2021

Statement of directors' responsibilities

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

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

In preparing the financial statements, the directors are required to:

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


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

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Audit exemption

For the year ended 31 March 2021, the company was entitled to exemption from audit under section 479A of the Companies Act 2006 as Turnstone Midco 2 Limited has provided a guarantee over all of the outstanding liabilities of the company to the company's immediate parent and sole member, ADP Healthcare Acquisitions Limited, in accordance with section 479C of the Companies Act 2006.

On behalf of the Board



R Storah
Director

17 December 2021

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

ADP Holdings Limited
Income statement
For the year ended 31 March 2021

| | Note | 2021 £'000 | 2020 £'000 |
|---|-------------|-----------------------|-----------------------|
| Result before tax on ordinary activities | | - | - |
| Tax on ordinary activities | | - | - |
| Result after tax on ordinary activities for the year | | - | - |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income for the year | | - | - |

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

ADP Holdings Limited
Balance sheet
As at 31 March 2021

| | Note | 2021 £'000 | 2020 £'000 |
|--|------|-----------------|-----------------|
| Fixed assets | | | |
| Investments | 5 | 10,427 | 10,427 |
| Total fixed assets | | <u>10,427</u> | <u>10,427</u> |
| Current assets | | | |
| Debtors | 6 | 14,913 | 14,913 |
| Total current assets | | <u>14,913</u> | <u>14,913</u> |
| Current liabilities | | | |
| Creditors: amounts falling due within one year | 7 | 30,214 | 30,214 |
| Total current liabilities | | <u>30,214</u> | <u>30,214</u> |
| Net current liabilities | | <u>(15,301)</u> | <u>(15,301)</u> |
| Total assets less current liabilities | | <u>(4,874)</u> | <u>(4,874)</u> |
| Net liabilities | | <u>(4,874)</u> | <u>(4,874)</u> |
| Capital and reserves | | | |
| Called up share capital | 8 | 14,798 | 14,798 |
| Share premium account | 9 | 886 | 886 |
| Accumulated losses | 10 | (20,558) | (20,558) |
| Total capital and reserves | | <u>(4,874)</u> | <u>(4,874)</u> |

The notes on pages 9 to 12 form an integral part of these financial statements.

- (a) For the financial year ended 31 March 2021 the company was entitled to exemption from audit under section 479A of the Companies Act 2006.
- (b) The member has not required the company to obtain an audit in accordance with section 476 of the Companies Act 2006.
- (c) The directors acknowledge their responsibility for:
 - i) ensuring the company keeps accounting records which comply with Section 386; and
 - ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial year in accordance with the requirements of the Companies Act relating to accounts, so far as is applicable to the company.

ADP Holdings Limited's company number is 04298115.

These financial statements on pages 7 to 12 were approved by the board of directors on 17 December 2021 and were signed on its behalf by:



 R Storah
 Director

17 December 2021

The above balance sheet should be read in conjunction with the accompanying notes

ADP Holdings Limited
Notes to the financial statements
For the year ended 31 March 2021

1. Company information

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

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

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

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

2. Accounting policies

Basis of preparation

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

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

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

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

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

Exemptions for qualifying entities under FRS 102

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

The company has taken advantage of the following exemptions:

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

Investments

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

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

ADP Holdings Limited
Notes to the financial statements
For the year ended 31 March 2021

2. Accounting policies (continued)

Impairment of investments

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

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

Financial instruments

Basic financial assets and liabilities, including amounts owed to and by group undertakings, borrowings and cash and bank balances, in accordance with section 11 and 12 of FRS102 are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

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

3. Significant accounting judgements and estimates

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

Impairment investments

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

Carrying value of financial assets and liabilities

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

4. Directors and employees

The directors received no emoluments from the company for their services during the financial year (2020: £nil). The directors are paid by Petrie Tucker and Partners Limited and no recharge is made to this company. The emoluments received as a director of a group trading company are disclosed in the financial statements of Petrie Tucker and Partners Limited for R Storah and N Whitley, and in the financial statements of Turnstone Equityco 1 Limited for T Riall and NK Pandya.

There company has no other employees (2020: none).

ADP Holdings Limited
Notes to the financial statements
For the year ended 31 March 2021

5. Investments

£'000

Investments at cost in subsidiary undertakings

At 1 April 2020 and 31 March 2021

10,427

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

All of the subsidiary companies are incorporated in the United Kingdom.

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

| Name of subsidiary | Principal activity | Domiciled in |
|------------------------|--------------------|--------------|
| ADP Healthcare Limited | Dormant | England |
| ADP No. 1 Limited | Dormant | England |
| MyDentist Limited | Dormant | England |
| Natural Management Ltd | Dormant | England |

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

6. Debtors

| | 2021 £'000 | 2020 £'000 |
|------------------------------------|---------------|---------------|
| Amounts owed by group undertakings | 14,913 | 14,913 |

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

7. Creditors: amounts falling due within one year

| | 2021 £'000 | 2020 £'000 |
|------------------------------------|---------------|---------------|
| Amounts owed to group undertakings | 30,214 | 30,214 |

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

8. Called up share capital

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

| | 2021 No. of shares | 2021 £'000 | 2020 No. of shares | 2020 £'000 |
|-------------------------------|-----------------------|---------------|-----------------------|---------------|
| Ordinary shares of £0.10 each | 147,983,740 | 14,798 | 147,983,740 | 14,798 |

ADP Holdings Limited
Notes to the financial statements
For the year ended 31 March 2021

9. Share premium account

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

10. Accumulated losses

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

11. Financial assets and liabilities

The company has the following financial instruments:

| | 2021 £'000 | 2020 £'000 |
|---|-----------------|-----------------|
| Financial assets measured at amortised cost | | |
| Amounts owed by group undertakings (note 6) | <u>14,913</u> | <u>14,913</u> |
| | 2021 £'000 | 2020 £'000 |
| Financial liabilities measured at amortised cost | | |
| Amounts owed to group undertakings (note 7) | <u>(30,214)</u> | <u>(30,214)</u> |

12. Controlling party

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

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

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

At the 31 March 2021 and up to 16 August 2021 the ultimate controlling party was 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 was the controlling party of Turnstone Equityco 1 Limited. Following the Palamon transaction, the controlling party from 16 August 2021 is considered by the directors to be ADP Primary Care Acquisitions Limited.

13. Events after the reporting period

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