

Hillcrest Ionian Limited

Company Number 07162100

Annual report and financial statements - 31 March 2021



Hillcrest Ionian Limited
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Hillcrest Ionian 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 the provision of dental services.

Business review

Review of the development and performance of the company

The company provides NHS dental services to patients.

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 directors believe that the company continues to be well positioned to take advantage of further opportunities within the market, however there is likely to be a period of consolidation before growth recommences.

Hillcrest Ionian 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.

Financial review

The majority of the company's revenue was derived from a fixed income contract with the NHS Region. The fixed income nature of the contract provides the company with stability and visibility over its revenue and profit streams.

Turnover for the year was £517,841 (2020: £492,398). The profit before tax on ordinary activities for the year was £25,140 (2020: £28,731). The profit for the financial year was £28,634 (2020: £32,026).

Earnings before interest, tax, depreciation and amortisation ("EBITDA") is the key indicator for the company's stakeholders. In the year EBITDA before non-underlying items was £62,522 (2020: £64,723).

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.

Clinicians and other qualified staff

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

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

Hillcrest Ionian Limited
Strategic report
For the year ended 31 March 2021

Business review *(continued)*

Clinicians and other qualified staff *(continued)*

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

As of the date of this report, HMRC's review is still in progress.

HMRC have stated previously that their view is that they should not now be providing guidance on individual industry-specific contracts. HMRC announced in September that the specific guidance for Associate Dentists will be withdrawn with effect from 6 April 2023 and after this date the status of new and ongoing engagements should be considered in line with general self-employment guidance. Given the existence of the current guidance, the company considers that any changes will relate to prospective rather than retrospective engagements. Any change this has on the nature of engagement with clinicians is also likely to affect the entire industry.

Key performance indicators

As noted above, one of the key performance indicators ("KPIs") which the directors and other stakeholders monitor is EBITDA. This is reviewed in absolute terms and in relation to budgeted and prior year comparatives.

Other KPIs used by the company include the following:

- Staff retention percentages
- Dentist retention percentages
- NHS activity performance against target

The directors consider these ratios to be commercially sensitive and as a consequence details are not disclosed within this report.

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.

Hillcrest Ionian Limited
Strategic report
For the year ended 31 March 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.

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 furthermore 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.

Hillcrest Ionian Limited
Strategic report
For the year ended 31 March 2021

Covid-19 *(continued)*

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 Storah
Director

17 December 2021

Hillcrest Ionian 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:

B Moroney
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.

Hillcrest Ionian 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, IDH 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

Hillcrest Ionian Limited
Income statement
For the year ended 31 March 2021

	Note	2021 £	2020 £
Turnover	4	517,841	492,398
Cost of sales		<u>(252,009)</u>	<u>(233,414)</u>
Gross profit		<u>265,832</u>	<u>258,984</u>
Other operating income		472	-
Administrative expenses		<u>(241,164)</u>	<u>(230,253)</u>
Profit before tax on ordinary activities	5	25,140	28,731
Tax on ordinary activities	8	<u>3,494</u>	<u>3,295</u>
Profit after tax on ordinary activities for the year		28,634	32,026
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>28,634</u></u>	<u><u>32,026</u></u>

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

Hillcrest Ionian Limited
Balance sheet
As at 31 March 2021

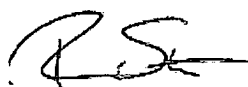
	Note	2021 £	2020 £
Fixed assets			
Intangible assets	9	111,552	128,198
Tangible assets	10	106,687	114,722
Total fixed assets		<u>218,239</u>	<u>242,920</u>
Current assets			
Stocks	11	7,600	7,600
Debtors	12	435,597	399,475
Total current assets		<u>443,197</u>	<u>407,075</u>
Current liabilities			
Creditors: amounts falling due within one year	13	132,560	150,008
Total current liabilities		<u>132,560</u>	<u>150,008</u>
Net current assets		<u>310,637</u>	<u>257,067</u>
Total assets less current liabilities		<u>528,876</u>	<u>499,987</u>
Non-current liabilities			
Provisions for liabilities	14	1,020	765
Total non-current liabilities		<u>1,020</u>	<u>765</u>
Net assets		<u>527,856</u>	<u>499,222</u>
Capital and reserves			
Called up share capital	15	50	50
Retained earnings	16	527,806	499,172
Total capital and reserves		<u>527,856</u>	<u>499,222</u>

The notes on pages 12 to 22 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:
- ensuring the company keeps accounting records which comply with Section 386; and
 - 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.

Hillcrest Ionian Limited's company number is 07162100.

These financial statements on pages 9 to 22 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

Hillcrest Ionian Limited
Statement of changes in equity
For the year ended 31 March 2021

	Called up share capital £	Retained earnings £	Total capital and reserves £
Balance at 1 April 2019	50	467,146	467,196
Profit after tax on ordinary activities for the year	-	32,026	32,026
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	32,026	32,026
Balance at 31 March 2020	<u>50</u>	<u>499,172</u>	<u>499,222</u>

	Called up share capital £	Retained earnings £	Total capital and reserves £
Balance at 1 April 2020	50	499,172	499,222
Profit after tax on ordinary activities for the year	-	28,634	28,634
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	28,634	28,634
Balance at 31 March 2021	<u>50</u>	<u>527,806</u>	<u>527,856</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Hillcrest Ionian Limited
Notes to the financial statements
For the year ended 31 March 2021

1. Company information

The financial statements cover Hillcrest Ionian Limited as an individual entity. The financial statements are presented in Pound sterling, which is Hillcrest Ionian 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 the provision of dental services.

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.

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.

Hillcrest Ionian Limited
Notes to the financial statements
For the year ended 31 March 2021

2. Accounting policies (continued)

Turnover

Turnover represents the income received in the ordinary course of business for dentistry goods or services provided to the extent that the company has obtained the right to consideration. NHS turnover is recognised based on the volume of dental activity delivered in the contract period. Amounts received from the NHS in advance of dental activity delivered are held on the balance sheet within deferred income. Turnover from orthodontic treatment is recognised based on the stage of the completion reached during the course of treatment.

From early March 2020, due to the coronavirus outbreak NHS dental practices were restricted to emergency procedures only. The NHS confirmed that for the contract year ended 31 March 2020, any shortfall in March 2020 activity performance due to the restrictions placed on practices could be mitigated by substituting the number of March 2019 claims for March 2020 performance. Routine dental treatment was allowed to restart, with modifications in operating procedures, from 8 June 2020. Modified operating procedures remained in place throughout the rest of FY2021 and into FY2022.

Other operating income

During the year the company received payments from the British Government as part of the UK Coronavirus Job Retention Scheme. Furlough grants received are recognised in other income in the period for which claims are made (see note 5).

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 substantially enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only 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. If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration and associated costs over the fair value of the separable net assets acquired, including intangible assets) arising in respect of business combinations is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

The company has not applied section 19 of FRS 102 to business combinations which occurred prior to the transition date of 1 April 2014, in accordance with the transitional exemption permitted under FRS 102.

Goodwill arising prior to the transition date is amortised over a useful life of 20 years. The useful lives reflect the period over which the company expects to benefit from the assets acquired.

In calculating the goodwill, the total consideration, both actual and deferred, is taken into account. Where the deferred consideration is contingent and dependent upon future trading performance, an estimate of the present value of the likely consideration payable is made. This contingent deferred consideration is re-assessed annually and corresponding adjustment is made to the goodwill arising on acquisition.

On the subsequent disposal or termination of a business acquired, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

Hillcrest Ionian Limited
Notes to the financial statements
For the year ended 31 March 2021

2. Accounting policies (continued)

Tangible assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset less expected residual value over its expected useful life as follows:

Fittings and equipment	4-10 years
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Where the residual value of an asset is material it is reviewed at the end of each financial year, to ensure that it has been depreciated on an appropriate basis.

Impairment of fixed assets

At each reporting date fixed assets, including goodwill and tangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset 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 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 asset 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 asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell. Dental practice consumables are valued at the weighted average purchase cost during the financial year. Average purchase cost is calculated to take account of trade discounts received and transport and handling costs incurred. Provision is made for obsolete, slow moving and defective stock.

Leases

Operating lease rentals are charged to the income statement on a straight line basis over the period of the lease.

Pensions

The company makes contributions to the National Employment Savings Trust ('NEST'), a defined contribution pension scheme, on behalf of its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are charged to the income statement in the period to which they relate.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Hillcrest Ionian Limited
Notes to the financial statements
For the year ended 31 March 2021

2. Accounting policies (continued)

Financial instruments

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

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

3. Significant accounting judgements and estimates

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

Impairment of fixed assets

At each reporting date, fixed assets, including goodwill and tangible assets, are reviewed to determine whether there is any indication that those assets 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 the assets and current market conditions.

Income tax

The current income tax provision directly relates to the actual tax payable on the group's profits. Assumptions and judgements are made in applying tax laws to the taxable profits in any given period in order to calculate the tax charge for that year, including any deferred income tax element. Where the eventual tax paid or reclaimed is different to the amounts originally estimated, or where deferred tax estimates are revised, the difference will be charged or credited to the income statement in the period in which it is determined. See also note 8.

Useful economic lives of fixed assets

Fixed assets including goodwill and tangible assets are amortised over their useful economic lives. Useful lives are based on management's estimates of the period over which the assets will generate income. Useful lives are periodically reviewed for their continued appropriateness. Changes to estimates can result in changes in the carrying values and hence change the amounts charged to the income statement in particular periods which could be significant. More details, including carrying values, are included in notes 9 and 10.

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.

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For the year ended 31 March 2021

3. Significant accounting judgements and estimates (continued)

Revenue recognition of NHS UDA contracts during the Covid-19 pandemic

{my}dentist NHS revenue is derived from long-term fixed value contracts with NHS regions and sub regions ('NHS Regions'). Provided the company achieves certain performance related criteria on an annual basis, the fixed-income nature of the contracts in England and Wales provides the company with stability and visibility over its revenue and profit streams. Payments under the framework contracts are made to the business by NHS England, with payment of 1/12 of the contract value paid on the first working day of the following month. Three to six months following the contract year end (31 March), {my}dentist receive a statement detailing UDA performance under each contract. If, at the end of the contract year, a practice has not performed all the UDAs allocated under its contract, NHS England may seek to reclaim UDAs paid for but not performed. Any reclamation of payment must be made after the end of the contract year of underperformance, although repayment may be made in-year (referred to as a "handback") if both parties agree.

Due to the restrictions placed on dental practices during the Covid-19 pandemic, the NHS in England and Wales replaced the normal 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 could be considered to be delivered where practices were staffed but 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 could be 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.

4. Turnover

Turnover relates to the company's principal activity of the operation of dental practices. All services are provided in the United Kingdom.

5. Profit before tax on ordinary activities

	2021 £	2020 £
Profit before tax on ordinary activities after charging/(crediting):		
Depreciation of owned assets	20,511	18,582
Amortisation of intangible assets	16,646	16,645
Operating leases - land and buildings	10,600	10,600
Furlough grant	(472)	-
Non-underlying - rebranding costs	45	-
Non-underlying - dilapidations	-	765
Non-underlying - Covid -19 related expenses	180	-

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5. Profit before tax on ordinary activities (continued)

Furlough grant

During the year the company received payments from the British Government as part of the UK Coronavirus Job Retention Scheme amounting to £472 (2020: £nil). Furlough grants received are recognised in other income in the period for which claims are made.

Rebranding costs

Costs recognised during the year ended 31 March 2021 reflect the cost of rolling out the {my}dentist brand and includes expenditure on signage, decoration and uniforms. No rebranding costs incurred in the previous year.

Dilapidations

During the year ended 31 March 2020, a provision was made for the costs associated with a one-off assessment of additional obligations to return practices to their original condition at the end of the lease. No dilapidation provisions were created during the current year.

Covid -19 related expenses

During the year ended 31 March 2021, costs were incurred in order to make the dental practice "Covid secure" and to comply with government guidance and social distancing rules. Costs also include restart expenses incurred in practice such as servicing to bring dental chairs back into operation after being out of routine use in the first lockdown, changing air flow filters, sterilisation and cleaning.

6. Employees

The average monthly number of persons employed by the company (excluding directors), during the financial year was made up as follows:

	2021	2020
Surgery staff	6	4
Administration staff	3	3
Average number of employees	9	7

The aggregate payroll costs of these persons were as follows:

	2021 £	2020 £
Wages and salaries	158,425	127,649
Social security costs	8,312	5,923
Other pension costs	1,965	1,222
Total employee benefits expense	168,702	134,794

7. Directors' remuneration

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 B Moroney, R Storah and N Whitley.

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8. Tax on ordinary activities

a) Analysis of tax credit for the financial year

	2021 £	2020 £
Deferred tax		
Deferred tax credit for the year	(3,484)	(3,156)
Adjustment relating to the prior year	(10)	110
Impact of change in tax rate	-	(249)
Total deferred tax credit for the year	<u>(3,494)</u>	<u>(3,295)</u>
Tax on ordinary activities	<u>(3,494)</u>	<u>(3,295)</u>

b) Factors affecting the tax credit for the financial year

The tax credit for the year is lower (2020: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2021 of 19% (2020: 19%). The differences are explained below:

	2021 £	2020 £
Profit before tax on ordinary activities	<u>25,140</u>	<u>28,731</u>
Tax at the statutory tax rate of 19%	4,777	5,459
Expenses not deductible for tax purposes	734	784
Income not allowable for tax purposes	(91)	-
Difference in tax rate - capital allowances	(523)	(612)
Adjustment relating to the prior year	(10)	110
Impact of change in tax rate	-	(249)
Group relief claimed for nil consideration	<u>(8,381)</u>	<u>(8,787)</u>
Tax on ordinary activities	<u>(3,494)</u>	<u>(3,295)</u>

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the deferred tax asset by £2,848 (2020: £1,745).

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Notes to the financial statements
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9. Intangible assets

	Goodwill £
Cost	
At 1 April 2020 and 31 March 2021	<u>332,907</u>
Accumulated amortisation	
At 1 April 2020	204,709
Charge for the year	<u>16,646</u>
At 31 March 2021	<u>221,355</u>
Net book value	
At 31 March 2021	<u>111,552</u>
At 31 March 2020	<u>128,198</u>

10. Tangible assets

	Fittings and equipment £
Cost	
At 1 April 2020	302,746
Additions	<u>12,476</u>
At 31 March 2021	<u>315,222</u>
Accumulated depreciation	
At 1 April 2020	188,024
Charge for the year	<u>20,511</u>
At 31 March 2021	<u>208,535</u>
Net book value	
At 31 March 2021	<u>106,687</u>
At 31 March 2020	<u>114,722</u>

11. Stocks

	2021 £	2020 £
Dental practice consumables	<u>7,600</u>	<u>7,600</u>

There is no significant difference between the replacement cost of the inventory and its carrying amount. Inventories are stated after provisions for impairment of £nil (2020: £nil).

Hillcrest Ionian Limited
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For the year ended 31 March 2021

12. Debtors

	2021 £	2020 £
Trade debtors	13,402	-
Amounts owed by group undertakings	392,634	369,830
Other debtors	-	5,821
Deferred tax	9,019	5,525
Prepayments and accrued income	20,542	18,299
	<u>435,597</u>	<u>399,475</u>

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

Deferred tax

The movement on deferred tax in the financial year is analysed as follows:

	Deferred tax £
At 1 April 2020	5,525
Capital allowances	3,484
Adjustment relating to the prior year	<u>10</u>
At 31 March 2021	<u>9,019</u>

The elements of deferred taxation are as follows:

	2021 £	2020 £
Capital allowances	<u>9,019</u>	<u>5,525</u>

13. Creditors: amounts falling due within one year

	2021 £	2020 £
Accruals and deferred income	<u>132,560</u>	<u>150,008</u>

14. Provisions for liabilities

	Dilapidations £
At 1 April 2020	765
Charged to the income statement	<u>255</u>
At 31 March 2021	<u>1,020</u>

Dilapidations

Provision has been made for the costs associated with contractual obligations to return the practice to its original condition at the end of the lease.

Hillcrest Ionian Limited
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15. Called up share capital

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

	2021	2021	2020	2020
	No. of shares	£	No. of shares	£
Ordinary shares of £1 each	<u>50</u>	<u>50</u>	<u>50</u>	<u>50</u>

16. Retained earnings

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

17. Commitments

The company had the following future minimum lease payments under non-cancellable operating leases at the balance sheet date are as follows:

	2021	2020
	£	£
Land and buildings		
Within one year	10,600	10,600
Between one and five years	42,400	42,400
More than five years	<u>34,995</u>	<u>45,549</u>
	<u>87,995</u>	<u>98,549</u>

18. Financial assets and liabilities

The company has the following financial instruments:

	2021	2020
	£	£
Financial assets measured at amortised cost		
Trade debtors (note 12)	13,402	-
Amounts owed by group undertakings (note 12)	392,634	369,830
Other debtors (note 12)	<u>-</u>	<u>5,821</u>
	<u>406,036</u>	<u>375,651</u>
	2021	2020
	£	£
Financial liabilities measured at amortised cost		
Accruals (note 13)	<u>(132,560)</u>	<u>(150,008)</u>

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19. Controlling party

The immediate parent undertaking is IDH 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 and domiciled 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 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.

20. Events after the reporting period

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