Turnstone Equityco 1 Limited

Annual report and consolidated financial statements

Registered number 07496756

Year ended 31 March 2022

Contents

Strategic report for the year ended 31 March 2022

The directors present the Strategic report for the year ended 31 March 2022.

Principal activities

The principal activity of the company during the year was to act as a holding company.

The principal activities of the group of companies owned by Turnstone Equityco 1 Limited ('the group') during the year were the operation of dental practices and the provision of materials, services and equipment to dental practices.

The group provides a range of National Health Service ('NHS') and private dental services from practices throughout the United Kingdom through it's {my}dentist business. The group's DD business provides support services to {my}dentist and other third-party dental practices and the wider healthcare sector. During the year, the Board reviewed the strategic options open to the DD business and made the decision for the group to seek new ownership for the entity. The DD business was sold on 8 June 2022. From this date, the group's principal activity is the operation of dental practices.

Business ownership

During the year ended 31 March 2022, there was a change in ownership of the group.

Until 16 August 2021, the group was jointly owned by The Carlyle Group ('Carlyle') and Palamon Capital Partners ('Palamon'). Founded in 1987, Carlyle is one of the world's largest alternative asset managers. Palamon, founded in 1999, is an independent private equity partnership focused on providing equity for European growth services companies.

Carlyle and Palamon held joint control of Turnstone Equityco 1 Limited. Carlyle's majority holding was owned by CEP III Participations S.à.r.l. SICAR, an investment vehicle for Carlyle. Palamon's ownership of the group was through its fund Palamon European Equity II, L.P. At 31 March 2021, senior managers of the group held 25.4% of the equity interest in the company.

Equity was split between preference and ordinary share capital, with the ordinary capital being designated 'A1', 'A2', 'B', 'E1' and 'E2' for ownership identification. 'A1' ordinary shares have a nominal value of £0.01, 'A2' and 'B' ordinary shares have a nominal value of £0.04, 'E1' ordinary shares have a nominal value of £0.10 and 'E2' ordinary shares have a nominal value of £0.001.

Ownership Structure of Turnstone Equityco 1 Limited prior to 16 August 2021

Number of shares (% of total)	Management		Carlyle		Palamon		Total	
'A1' Ordinary ('000)	-	-	1,282	56.9%	400	17.7%	1,682	74.6%
'A2' Ordinary ('000)	18	0.8%	-	-	-	-	18	0.8%
'B' Ordinary ('000)	300	13.3%	-	-	-	-	300	13.3%
'E1' Ordinary ('000)	83	3.7%	-	-	-	-	83	3.7%
'E2' Ordinary ('000)	172	7.6%	-	-	-	-	172	7.6%
Total	**573**	**25.4%**	**1,282**	**56.9%**	**400**	**17.7%**	**2,255**	**100.0%**

Change in ownership

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. A full refinancing of the Group's third-party borrowings was also finalised.

As part of the completion process for the Palamon acquisition, a restructuring of the outstanding shareholder loan notes and preference shares was undertaken. The outstanding loans, including all accrued interest and dividends were settled, waived or exchanged for 'A' Ordinary shares. The share capital structure was also reorganised to re-designate share classes as 'A' and 'B' Ordinary shares.

Ownership Structure of Turnstone Equityco 1 Limited post 16 August 2021

Number of shares (% of total)	Management		Other		Palamon		Total	
'A' Ordinary ('000)	-	-	18	1.8%	736	73.6%	755	75.5%
'B' Ordinary ('000)	245	24.5%	-	-	-	-	245	24.5%
Total	**245**	**24.5%**	**18**	**1.8%**	**736**	**73.6%**	**1,000**	**100.0%**

This analysis excludes the "Deferred" shares as they hold no voting or distribution rights.

Strategic report for the year ended 31 March 2022 *(continued)*

Business review

Operating loss increased from £8.7m in the year-ended 31 March 2021 ("FY2021") to £11.4 million for the year-ended 31 March 2022 ("FY2022").

The results for both FY2021 and FY2022 in both the DD division and in {my}dentist were significantly affected by the Covid-19 outbreak and consequent restrictions placed on operations.

From 24 March 2020 through to 8 June 2020 all non-urgent dental care was stopped in {my}dentist practices on the recommendation of the Chief Dental Officers ("CDOs") for England, Scotland, Wales and Northern Ireland. Routine dental treatment was allowed to restart, with modifications in operating procedures, from 8 June 2020. The new operating procedures included a requirement for an hour long "fallow" period between procedures to allow for airborne particles to settle and for enhanced cleaning to be carried out. Following further scientific research into the behaviour of airborne particles in dentistry and airflow in practices, the fallow period was reduced in government guidance to 10 minutes from November 2020 provided that the air was changed in the surgery regularly. The group made an investment in air filtration equipment of £1.25m to add equipment to increase airflow in every surgery in the practice estate to enable patient services to be increased from November 2020.

During the subsequent lockdowns in the UK in November 2020 and from January 2021, dental practices were allowed to continue to see patients due to a recognition of the important role dental care plays in general health. From January 2021, the dental sector has seen a gradual reduction in additional requirements through to June 2022.

The results for the year in FY2021 and FY2022 demonstrate the challenges faced by the group during these periods yet they also indicate the resilient nature of the business and the potential that exists for future growth in underlying financial results.

A key focus of the business over the last two years has been to maintain communication with all stakeholders – patients, self-employed clinicians, practice and Support Centre staff, the NHS and industry bodies. Regular email updates, video broadcasts and Q&A sessions have been made available to keep groups updated with information relevant to their specific situation. Sessions have covered topics such as pay, infection control procedures and Personal Protective Equipment (PPE) for clinicians and oral health advice for patients. Management have also been in close contact with the NHS across the regions, the Association of Dental Groups (ADG) and the British Dental Association (BDA) on the approach of dentistry to the lockdown, the restart of procedures and subsequent increasing levels of activity.

{my}dentist
The group owns and manages a national chain of dental practices trading as "{my}dentist", with 583 sites at 31 March 2022 (2021: 593). 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 50% (2021: 62%) of total group revenue and 68% (2021: 82%) of divisional revenue coming from NHS services. The restrictions on routine dentistry in Q1 FY2021 reduced private revenue significantly in FY2021 and increased the proportion of revenue earned from the NHS. This was inconsistent with the trends experienced in recent years and FY2022 has seen a return to an increasing proportion of private revenue at {my}dentist.

The division's main trading entities are Petrie Tucker and Partners Limited, Whitecross Dental Care Limited and IDH Limited.

{my}dentist NHS revenue in England and Wales is derived from long-term fixed value contracts with NHS regions and sub regions ('NHS Regions'). Provided the group achieves certain performance related criteria on an annual basis, the fixed-income nature of the contracts provides the group with stability and visibility over these 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. Practices collect patient contributions on behalf of the NHS, and typically remit such amounts to the NHS in arrears within two-to-six weeks thereafter. Three to six months following the contract year end (31 March), {my}dentist receive a statement detailing Unit of Dental Activity ("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. In addition {my}dentist has variable income streams based on treatment provided to patients under private contract and to NHS patients in Scotland and Northern Ireland. While this system has broadly operated as normal during the financial year, there have been some important variations in performance criteria due to the changes required for Covid-19.

Strategic report for the year ended 31 March 2022 *(continued)*

Business review *(continued)*

During the first nationwide lockdown period starting in March 2020, dental practices were still staffed, with most practices operating a telephone only triage system and emergency cases referred into the network of NHS Urgent Dental Care Centres (UDC's). {my}dentist operated over 70 UDC's from its practices. No private dentistry could be carried out during this period.

Following notification from the CDO that dental practices in England could restart face-to face care with effect from 8 June 2020, {my}dentist delayed restarting activity until 15 June 2020 to enable practices to fully train staff and self-employed clinicians on new Standard Operating Procedures (SOPs) including staggered appointment times, social distancing and enhanced personal protective equipment. Protective screens, hand sanitiser stations and social distancing vinyls were installed in practices and surgeries were reviewed for air flow and suction capacity. From 1 July 2020 all treatment options including AGPs were able to be performed in practice subject to PPE, however the downtime fallow period required in surgery after a treatment involving AGP and the time taken in changing PPE had an impact on practice productivity.

NHS contractual payments continued to be made each month to dental practices at 1/12th of the annual contract value on condition that practices were operational and self-employed clinicians and staff continued to be paid in line with their contracts. NHS England confirmed that mixed NHS and private practices could claim for furloughed workers in proportion to the private income of the practice and {my}dentist placed just under 25% of practice staff on furlough and claimed under the Coronavirus Job Retention Scheme.

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 period from 1 April 2020 to 30 June 2022. 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.
- During FY2022, the NHS slowly increased the level of UDA delivery required to be deemed to have delivered 100% of the contract:
    - From 1 April 2021 to 30 September 2021, the target was set at 60% to be deemed to deliver 100%. If the practice delivered below 36% of contract, delivery reverted to actual UDAs completed. Between the lower threshold and the target a sliding scale between 80% and 100% applied to deemed delivery.
    - From 1 October 2021 to 31 December 2021, the target was increased to 65% with a higher threshold of 52% below which only delivered UDAs were allowed.
    - From 1 January 2022 to 31 March 2022, the target increased to 85% with a lower threshold position of 75%.
    - Clawback of 16.75% applied to all undelivered activity throughout the year.

The NHS in Wales suspended measurements of contract performance for FY2021 and paid the full contract value with an abatement for variable costs of 20% applied to Q1 FY2021 which then reduced to 10% in Q2. During FY2022, 90% of the contract value was paid subject to KPI targets set on fluoride varnish and patient recalls, with 10% of contract value dependent on new patient visits.

Strategic report for the year ended 31 March 2022 *(continued)*

Business review *(continued)*

In Scotland from 1 April 2020 to 31 October 2020 capitation and continuing care payments were made at 100% of normal levels while items of service payments were made at 80%. This blended approach approximated c85% of normal NHS revenue in Scotland. From 1 November 2020 to the end of February 2021, the items of service payment increased to 85% of normal levels. During March 2021 a three-tier system was introduced based on activity levels, which continued in place through FY2022.

In Northern Ireland capitation and continuing care payments were made at 100% of normal levels while items of service payments were made at 80% of normal volumes from 1 April 2020 to 31 July 2020. The blended payment approximated 85% of normal revenue. From 1 August 2020 the reduction in service payments was removed due to the higher cost of PPE. Payments for item of service and capitation continued through FY2022 based on the pre-pandemic position.

The group has applied these rules to the recognition of NHS revenue through FY2021 and FY2022, however until the final NHS reconciliation is completed for each contract there is some uncertainty as to the level of any repayment due back to the NHS for underperformance. At the end of FY2021, the uncertainty was increased due to the absence of any UDA volume based contract measurement. At the end of FY2022, there remains some uncertainty as to the final level of any repayment due back to the NHS for underperformance in FY2021 due to ongoing reviews by NHS regions, however where performance in FY2022 is in line with NHS targets the risk is considered to be reduced.

Over recent years {my}dentist has experienced challenges in the delivery of NHS contracts, primarily driven by the lack of availability of clinicians in certain geographies and has seen a reduction in the volume of UDAs completed by the business as a whole. As a result {my}dentist has sought to dispose of loss-making practices where recruitment challenges due to geographical isolation or low UDA contract values reduce the potential amounts a practice can earn. During this year a number of practices were identified as no longer viable due to these structural issues. The group has continued 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. This resulted in the decision to dispose of 36 additional practices, either through market sales or by closing them. At 31 March 2022, 7 practices have been closed during the year (FY2021: 3 practices closed) and 29 practices are in sale processes, and the assets have been reclassified as "Assets held for sale" on the balance sheet (FY2021: 2 practices sold).

The review of the practice network also identified a number of opportunities for organic growth.

- Merge & relocate: the group has a significant number of smaller 1-3 dental chair practices with limited growth opportunities driven by their small formats but in locations that have strong demand characteristics. The group has developed strategies to merge practices and relocate these smaller practices into larger and better located premises, generally in higher footfall "High Street" or retail park locations. For example, in Leeds, two 4 surgery practices were merged and moved into a new 10 surgery location with car parking, located on a main traffic route.
- Relocation: the group has identified opportunities to relocate certain practices into new locations to maximise the opportunities available from affordable private and to spread the allocation of NHS contracts across more clinicians. For example, in Killingworth, near Newcastle, an old 7 surgery practice with cramped facilities in a Health Centre which struggled to deliver a large NHS contract due to the available surgery space, has moved to a 10 surgery location (with the potential to increase to 13) located in the town centre shopping precinct.
- Expansion/"Bolt-on" surgeries: in locations where the group has experienced high patient demand, has good availability of clinicians and have identified opportunities to extend the premises or reconfigure to add on more surgery space, the group has added new surgery space, provided that returns on capital are at or above the requisite thresholds. In addition, in certain locations we have been able to expand practices into neighbouring buildings, for example in Royal Wootton Bassett we added 2 surgeries to the existing 2 surgery location to create a 4 surgery practice.
- Advanced Oral Health Centres ("AOHC"): the group continues to expand its network of AOHCs in order to provide convenient hub locations for practices to refer patients for specialist care including dental implants.

During FY2022, 20 of these projects were completed and 27 initiatives have been approved with building works underway or about to start. Expanding this programme to consolidate smaller sites into better resourced locations to improve patient options is a key element of the future business strategy.

Strategic report for the year ended 31 March 2022 *(continued)*

Business review *(continued)*

The table below sets out the movements in the number of dental practices owned by the group:

Movement in the number of dental practices **Year ended 31 March**	**2022** **No.**	**2021** **No.**
Opening	**593**	**597**
Acquired/Opened	1	2
Merged into other existing practices	(4)	(1)
Merged into new practices	-	-
Closed	(7)	(3)
Sold	-	(2)
Closing	**583**	**593**

{my}dentist has continued to expand it's recruitment capabilities in order to increase the number of hours of clinician availability to patients. During the year ended 31 March 2022, the business sought to recruit from both UK and overseas sources. The group continues to monitor the progress of changes to UK immigration law and the potential new recruitment routes any change could open up. The group is also involved in regular discussions with other industry bodies on how the registration of overseas dentists can be made easier while maintaining high levels of patient care.

Over FY2022, recruitment however continued to be challenging driven by many EEA clinicians not returning from countries of origin post Covid lockdowns and as a result of the cessation of Overseas Registration Examinations during the pandemic. Post-pandemic, churn has increased as self-employed clinicians reassessed priorities and many either retired, re-located or left the UK. The group consider this to be a one-off increase, the impact of which is exacerbated given low levels of churn experienced during the pandemic period at a time when self-employed clinicians received support from the NHS. The group has recently increased the amount of clinical support available to existing dentists in order to support clinicians to regain confidence in delivering at higher productivity levels under normalised operating procedures. The clinical support team also contacts leavers to follow up on the reasons behind departures. During FY2022, the leading reason for leaving a {my}dentist practice was for the clinician's retirement or relocation.

Previous research with clinicians led by external consultants determined that while dentists appreciate the opportunities initially provided by NHS dentistry, as they progress in their career they generally wish to develop their skills by providing a wider range of treatments, some of which are not available to patients on the NHS. The clear feedback from dentists led to the development of the group's affordable private treatment choice for patients, branded as "{my}options". During the first three quarters of FY2021, opportunities to provide {my}options treatments along with most private services was limited due to Covid. The introduction of air filtration equipment and the reduction in the fallow time increased the amount of time available for clinicians in surgery and with high levels of patient demand, {my}options revenues quickly returned to the levels achieved pre-pandemic in Q4 FY2021. During FY2022, dentists have chosen to allocate more of their time to providing private treatment options and the group has therefore generated significant levels of like-for-like revenue growth in private dentistry.

DD

DD is a leading supplier of dental and other medical consumables, materials, medical aesthetics and services (including the installation and servicing of specialised dental equipment), selling dental supplies and services to at least 8,000 dental practices, including {my}dentist dental practices.

The principal trading entities of DD are DD Products and Services Ltd trading as DD, along with a number of smaller businesses including Dolby Medical Limited based in Scotland, Med-FX Ltd, concentrating on medical aesthetics and BF Mulholland Limited, based in Northern Ireland.

During FY2021, the significant reduction in dental activity during the Covid-19 pandemic across the United Kingdom resulted in the main sales channels in DD such as High Street consumables, engineering and aesthetics being heavily impacted. However, the increase in the demand for PPE across many private and public sector organisations led the business to expand and diversify its supply chain and customer base during the initial stages of the pandemic.

DD has carried the momentum developed during FY2021 into FY2022 to grow revenue, including sales to {my}dentist from £164.4 million to £210.2 million. Revenue growth was driven across both dental and beauty product lines. New sales contracts with leading dental corporates in the UK and Ireland as well as smaller "High Street" practices increased revenue from dental materials and engineering services.

Strategic report for the year ended 31 March 2022 *(continued)*

Business review *(continued)*

The re-opening of the Beauty sector triggered very strong demand early in the year for toxins and fillers away from normal cyclical expectations of demand linked to these products. The revenue growth was achieved in spite of the loss of most PPE sales to the dental sector due to the availability of free PPE for practices providing NHS services from the UK government.

The management team have continued to focus on customer service to improve the order process and customer experience. Significant improvements have also been made in back office processes to support the development of higher margin activities such as equipment installation and repairs and maintenance.

Following the Palamon transaction, the group has reviewed it's strategic priorities and determined that the investment required to move DD forward would be best provided outside of the group. The DD division, net of intergroup transactions, has been shown as a discontinued operation on the income statement and all assets have been grouped and shown as assets held for sale on the balance sheet.

Subsequent events – Sale of the DD division

On 18 May 2022, the group entered into a binding share purchase agreement to sell DD Group Holdings Limited and subsidiaries to an affiliate of Sun European Partners LLP. On 8 June 2022, the transaction was completed and the DD division ceased to form part of the group. The proceeds from the sale of DD Group Holdings Limited were used to repay in full amounts outstanding on the £120m Subordinated PIK facility including all accrued interest.

Financial review

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS').

The group's results for the year are summarised below.

Summary Financial Results Year ended 31 March	**2022 £m**	**2021 £m**
Revenue	**702.4**	**562.6**
Gross profit	**294.1**	**233.6**
Operating loss	**(11.4)**	**(8.7)**
Amortisation	27.8	30.1
Depreciation	34.0	33.8
Amortisation of grant income	-	-
Impairment of goodwill and intangible assets	-	0.4
Impairment or disposal of right of use assets	(0.4)	-
Impairment of non-current assets reclassified as held for sale and loss on closure or disposal of dental practices	8.9	3.0
Remeasurement of lease commitments	0.1	(0.2)
Differences between contingent consideration paid and estimates initially recognised	(0.5)	(0.1)
Share based payments	2.6	-
Other non-underlying items	33.2	11.3
Foreign exchange	0.2	0.1
Less rental and other lease charges	(15.7)	(14.7)
EBITDA before non-underlying items*	**78.8**	**55.0**

* EBITDA before non-underlying items refers to earnings before interest, tax, depreciation, amortisation and non-underlying items less rental and other lease charges

Strategic report for the year ended 31 March 2022 *(continued)*

Financial review *(continued)*

Consolidated income statement

Revenue from the {my}dentist division was £520.2 million (2021: £426.0 million) with £352.2 million (2021: £347.5 million) earned from NHS dentistry services and £167.8 million from private dentistry services (2021: £78.2 million). Revenue from NHS dentistry services comprised 50.1% (2021: 61.8%) of total group revenue with private dentistry services contributing 23.9.% (2021: 13.9%). Non-dental practice revenue including revenue from DD, net of supplies to {my}dentist practices, was £182.4 million (2021: £136.8 million) or 26.0% of the group total (2021: 24.3%).

NHS revenue has been recognised during the year based on the public announcements made by the NHS as to how contract performance would be measured given the restrictions placed on activity to reduce the transmission risk of Covid-19.

Affordable private treatment choices have driven strong demand for private dentistry services within our practices in FY2022 with practice private revenue having increased by over 60% from FY2020. Comparison with FY2021 is not considered to be useful given the significant period where practices were closed for routine treatments or where a long fallow period was required between appointments. Following the reduction to a 10 minute fallow time between appointments in Q4 FY2021, clinicians started to provide additional private hours, and affordable private revenue grew rapidly week-on-week through the quarter. This momentum has continued throughout FY2022.

Gross profit for the group increased by £60.5 million from £233.6 million for the year ended 31 March 2021 to £294.1 million for the year ended 31 March 2022 driven by the increase in revenue across both {my}dentist and DD. Gross margin improved from 41.5% for the year ended 31 March 2021 to 41.9% for the year ended 31 March 2022. In {my}dentist, gross margin improved from 47.7% for the year ended 31 March 2021 to 48.5% for the year ended 31 March 2022, principally due to the impact of Covid support policies. The gross margin in DD was 23.0%, an increase of 1.5 percentage points from 21.5% for the year ended 31 March 2021 reflecting higher supplier support and increased higher margin engineering work, partially offset by the growth in lower margin toxin and filler revenue.

The group's key profit performance indicator is earnings before interest, tax, depreciation, amortisation and non-underlying items less rental and other lease charges ('EBITDA before non-underlying items'). Management consider this the key operating indicator as it measures the underlying performance of the group and the ability of the group to service its debt.

EBITDA before non-underlying items was £78.8 million, up from £55.0m in FY2021. Growth in EBITDA before non-underlying items was driven by the significant growth in DD from beauty revenue and from the development of private dentistry within {my}dentist. The result in FY2021 was also depressed by the minimal profit arising from the first quarter where dentistry was subject to lockdown restrictions significantly affecting both divisions.

Other non-underlying items have increased significantly to reflect the professional fees and associated expenses associated with the Palamon transaction in August 2021.

	2022 £m	2021 £m
Operating profit/ (loss)	**(11.4)**	**(8.7)**
Net finance costs	(95.8)	(154.7)
Loss before income tax	(107.2)	(163.4)
Income tax credit/(charge)	9.7	6.4
Loss for the year	**(97.5)**	**(157.0)**

Net finance costs are significantly lower in FY2022 when compared to FY2021 due to the conversion of loan notes and preference shares to equity shares as part of the Palamon transaction. This significantly reduced the ongoing non-cash interest costs of the group from August 2021.

The income tax credit increase reflects the re-recognition of certain deferred tax assets following confirmation of the closure of HMRC's review of the treatment of goodwill amortisation. These balances had been written off in a previous period.

Strategic report for the year ended 31 March 2022 (continued)

Financial review *(continued)*

Consolidated balance sheet
Assets relating to the DD division have been transferred to assets held for sale at the year-end. The book value of the assets of £74.0 million is considered to be recoverable in full.

Goodwill and intangible assets amount to £329.7 million for the {my}dentist division with an additional £39.2m for DD and £6.5 million for {my}dentist practices classified as held for sale (2021: £407.1 million). The {my}dentist assets arose from the acquisition of the Integrated Dental Holdings ('IDH') and Associated Dental Practices ('ADP') groups in May 2011 together with the acquisition of further dental practices.

Amounts ascribed to intangible assets acquired through business combinations are determined by using appropriate valuation techniques, including estimated discounted future cash flows. The principal intangible assets recognised by the group include contractual arrangements and relationships and customer relationships.

During the year ended 31 March 2022, the group has recorded the following impairment charges, reflecting the fair value of assets compared to book value, contract handbacks and the decisions taken to close dental practices. Further details can be found in note 15 to the financial statements.

- An impairment of less than £0.1 million was recorded against the carrying value of intangible assets arising from contractual arrangements within {my}dentist as a result of the permanent contract hand-backs agreed with NHS Regions during the year. Permanent contract cuts are agreed for a limited number of practices where delivery rates have been consistently difficult to maintain due to either dentist or patient shortages.
- Impairments and other costs or charges totalling £8.9 million have been recorded against the carrying value of intangible assets, tangible assets and other current assets within {my}dentist, to write the carrying value of assets associated with practices which were identified for closure, or are held for sale at year-end, down to their estimated recoverable amounts. Seven dental practices have been closed in the year and the assets for 29 practices are shown as held for sale at 31 March 2022.

Property, plant and equipment of £96.9 million (2021: £99.7 million) includes £27.6 million (2021: £22.1 million) of additions during the year resulting from upgrades to the group's dental practices, equipment and facilities. This does not include assets with a net book value of £4.3 million relating to DD which have been reclassified as held for sale.

The closing right of use asset of £78.6 million (2021: £86.4m) is after additions of £11.8 million, disposals of £4.9 million, revaluations of £7.7 million, depreciation of £11.8 million and the transfer of right of use assets with a net book value of £7.5 million to assets held for sale for leases utilised by DD and £3.1 million for leases utilised by {my}dentist practices. See note 18 for more information.

Up until the Palamon transaction on 16 August 2021, the group had the following external borrowings, further details of which can be found in note 24 to the financial statements:

- £275 million 6.25% senior secured notes due 15 August 2022;
- £150 million LIBOR plus 6.00% senior secured floating rate notes due 15 August 2022;
- £130 million LIBOR plus 8.00% second lien notes due 15 August 2023, with LIBOR subject to a minimum floor of 1.00%; and
- £100 million Super Senior Revolving Credit Facility ('SSRCF') available until 5 August 2022 with interest payable in arrears at a rate of LIBOR plus 3.5% per annum. As at 31 March 2021, £30.0 million had been drawn against this facility, with a further £1.8 million committed against a letter of credit, leaving the facility £31.8 million drawn.

On 16 August 2021, the borrowings above were all refinanced in full, partly through the issue of the following external borrowings:

- £400 million reference rate plus 7.25% margin Unitranche Facility B due 16 August 2027;
- £50 million Unitranche Facility C available until 16 August 2023; and
- £120 million Subordinated PIK facility due 16 August 2023 (with an option to extend for 1 additional year) with interest due at repayment based on a reference rate plus 11.00% per annum for the first 12 months and then increasing by 0.50% every three months until repayment, to a maximum of 13.50%.

On 16 August 2021, the outstanding shareholder loan notes and preference shares, including all accrued interest and dividends were waived or settled through the issue of 'A' Ordinary shares.

On 29 October 2021 the Unitranche Facility C was refinanced with a bank led £45 million Revolving Credit Facility ("new RCF"). At the year-end £25 million was drawn from the facility. On 29 July 2022, the outstanding £25 million was repaid, leaving £45 million available for drawdown if required.

At 31 March 2022, borrowings, including shareholder debt, net of unamortised arrangement fees, totalled £621.2 million

Strategic report for the year ended 31 March 2022 *(continued)*

Financial review *(continued)*

On 10 December 2021 the group agreed an interest rate swap contract to fix the reference rate for £300 million of debt. See note 25 for more information.

On 8 June 2022 the Subordinated PIK facility was repaid in full, including accrued interest, with the proceeds arising from the DD disposal.

Consolidated cash flow statement
Cash generated from operations increased to £108.0 million (2021: £83.6 million) as a result of the growth in private dentistry revenue, DD beauty revenue and movements in working capital which increased cash by £47.0 million due to an increase in trade creditors and accruals.

After the servicing of external finance costs, investments made in the practice estate and operational systems at DD, and lease payments, there was a net cash inflow before financing transactions of £29.1 million (2021: £3.7 million outflow). Cash inflows relating to the Palamon transaction including the repayment of bank and bond financing, the drawdown of new bank loans, loan arrangement fees, preference and equity share issues totalled £23.2 million. The group also made a net repayment of £25.0 million from the revolving credit facilities during the year (2021: £78.2 million repayment). As a result, cash increased by £27.3 million (2021: decrease of £64.5 million) to leave a closing cash balance of £39.1 million (2021: £11.7 million) split £7.2 million held by DD and £31.8 million with {my}dentist and group entities.

Company results

The company made a loss of £474.7 million (2021: £0.6 million profit) due to an impairment charge over the company's investment in Turnstone Midco 1 Limited. As part of the Palamon transaction, a number of shareholder loans and preference shares were converted to equity. The impairment was required to reduce the net book value of the investment to the fair value less costs to dispose of the group.

Principal risks and uncertainties

General economic conditions following Covid-19
The Covid-19 pandemic has had a significant impact on our patients, our clinicians and employees and our suppliers. The severity of the ongoing economic effect, levels of inflation, interest rates and unemployment, government funding for public services and the speed and nature of a future recovery will all impact on performance in the near future.

The high levels of inflation experienced during 2022 will increase operating costs for dental practices particularly for utilities and staff costs. Continuing increases in costs will place pressure on margins as there is limited scope available from increasing prices for NHS dentistry. The contract rate paid by the NHS for UDA delivery is subject to an annual uplift set by the government usually by reference to a calculation based on the recommendations of the Review Body on Doctors and Dentists Remuneration ("DDRB") and inflation.

As private dentistry for the group has grown as a proportion of total revenue, the risk relating to demand falling during an economic downturn has increased. The group considers that this risk is mitigated by the fact that the group provides services across a range of price points. Historically during a period of economic uncertainty private dentistry has seen a decline in demand. However the addition of affordable private treatments to our range of services provides an alternative to patients to maintain access to dentistry when income is restricted.

Regulatory risks
The results of the group are subject to the regulatory environment related to health and safety, quality of care, the storage and distribution of controlled drugs and medicines, the disposal of hazardous waste and data protection, principally through the costs related to compliance. The group's dental practices are subject to regular review by the Care Quality Commission ('CQC') and could be closed if compliance with CQC guidelines cannot be demonstrated. As the leading provider of dental services in the United Kingdom, the group is well placed to respond to and comply with regulatory changes through dedicated regulatory and compliance teams. The group has a dedicated control system "{my}comply" which allows senior management, compliance specialists and area and regional operational management to see the areas each practice needs to update to remain compliant.

DD is also subject to regulatory oversight from the Medical and Healthcare Products Regulatory Agency ('MHRA') in respect of the purchase, sale and storage of medicines.

Strategic report for the year ended 31 March 2022 *(continued)*

Principal risks and uncertainties *(continued)*

Regulatory risks *(continued)*
The group receives, generates and stores significant volumes of personal data containing patients personal and medical information. The group is therefore subject to the privacy laws with respect to the use, transfer and disclosure of this data, including the European General Data Protection Regulation ('GDPR'). During the course of the year, the group has reviewed the implementation of the regulations, ensured all staff are appropriately trained for their role and monitored operational application of internal safeguards. A failure to adequately safeguard confidential patient information could result in significant fines, penalties and litigation.

Changes to the NHS contract
The NHS contract for dentists in England and Wales, introduced in April 2006, provides clear benefits to the group, in terms of income stability and visibility. This is because the majority of the group's NHS dentistry contracts are General Dentistry Services ('GDS') contracts, which are evergreen contracts with no end date that automatically roll over upon the achievement of targeted UDA volumes. The group also has a small number of Personal Dentistry Services ('PDS') contracts, typically to deliver orthodontic dentistry services, which are for a fixed term, usually between three and five years.

However, as with any system, there are likely to be modifications to it, potentially through the introduction of a new contract structure. The extent of such modifications and the impact which they may have on the group, either in a favourable or adverse manner have not yet been drafted into legislation. The group maintains a close dialogue with the Government in developing the new contract and participated in prototype programmes to ensure that the business is well prepared for future changes, if any.

The NHS Regions have also over the last few years run a competitive re-tendering process for the majority of its PDS contracts to deliver orthodontic dentistry services across England. The tender results have been consistent with the early results in the South of England which identified a clear trend in terms of reductions in rate for orthodontic services and a smaller overall contract size as the NHS looked to increase the number of treatment locations. With the trend for smaller contracts, it is likely that the overall size of our orthodontic practice NHS contracts will reduce in size. In mitigation, the group is exploring options to provide more private orthodontics including using products such as clear aligners for the treatment of adults.

Clinicians and other qualified staff
The group requires skilled clinicians, hygienists and nurses in order to care for its patient base. In recent years recruiting clinicians for vacancies, particularly for practices located in rural or coastal areas has become harder. The impact of the Covid-19 pandemic has also reduced the number of overseas dentists available to work in the UK. 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 group continues to monitor developments.

The directors recognise the importance of quality clinicians for ensuring the continued success of the group. The group has significantly invested in improving the recruitment capabilities and clinical support functions of {my}dentist in order to attract new and retain existing clinicians. The group employs a number of qualified dentists to assist self-employed associates working in practice develop their own careers and businesses. The group also offers access and subscription to training and development programmes to enhance retention through the {my}dentist Academy. Due to factors which have resulted in a decrease in UDA delivery rates over recent years, the group continues to work to recruit additional clinicians in order to deliver its NHS contracts and to develop the provision of private dentistry including {my}options affordable private.

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

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

Strategic report for the year ended 31 March 2022 *(continued)*

Principal risks and uncertainties *(continued)*

The group is aware that HMRC have approached a number of clinicians engaged by the group in order to discuss their self-employed status.

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

HMRC have announced that they will withdraw the specific guidance relating to dentistry and the model contract with effect from April 2023. HMRC indicated that the withdrawal is due to their belief that they should not provide guidance on individual industry-specific contracts. Given the status of the current guidance, the group considers that any changes in HMRC's approach will relate to prospective rather than retrospective engagements and that status will need to be considered against HMRC's general guidance for self-employment in the future. Any change this has on the nature of engagement with clinicians is also likely to affect the entire industry.

The group continues to invest in improving pay structures and incentivisation for nurses and other clinical staff and continues to monitor the impact of future increases to the National Living Wage and other potential regulatory future changes upon its staffing structures. The group has also introduced a defined career path for training nurses in order to improve retention of highly skilled nursing staff and continued to invest in its own training resource, the {my}dentist Academy, along with an accompanying online training system.

Statement of Corporate Governance arrangements

The Companies (Miscellaneous Reporting) Regulations 2019 (the "Regulations") have been in force with effect from 1 January 2019. The Regulations introduced a requirement for large private companies to provide information on the approach taken to corporate governance. The Wates Corporate Governance Principles for Large Private Companies have been used by the group to provide high-level guidance on good practice corporate governance. The Regulations also require the group to report how directors have considered their duties under section 172 of the Companies Act 2006 during the financial year.

The Board develops and promotes the purpose of the group through regular engagement across the group and challenge management to ensure that the values, strategy and culture of all group entities align with the purpose. The group operates through clear Board protocols and governance procedures and is supported by the executive management team through comprehensive regular reporting covering all aspects of the group including clinical and operational issues, health and safety, employee engagement and risk management. Board meetings include regular presentations from members of the executive team with regular deep dive sessions on key opportunities that promote long term success and on the identification and mitigation of risks.

Prior to 16 August 2021, the Board was comprised of an experienced Chairman, Alan Bowkett, and included representation from shareholders, management and a non-Executive Director, Barry Cockcroft, who as an experienced clinician and previous UK Chief Dental Officer brought considerable knowledge of dentistry and the NHS to the Board.

From 16 August 2021 and the completion of the transaction with Palamon, the Board consists of two directors appointed by Palamon with the Chief Executive Officer, Tom Riall and Chief Financial Officer, Nilesh Pandya and a new Chairman, Kevin Beeston. On 8 July 2022 and following Nilesh Pandya's appointment as Deputy Chief Executive, the new Chief Financial Officer, Richard Storah joined the Board as a non-voting member.

The group also follows Sir David Walker's Guidelines for Disclosure and Transparency in Private Equity in its annual reporting. These guidelines were developed at the request of the British Venture Capital Association (BVCA) to demonstrate the private equity industry's commitment to transparency in portfolio company reporting. The guidelines provide a framework for private equity portfolio companies to enhance stakeholder's understanding of our activities through their annual reporting and require additional disclosure beyond compliance with regulatory requirements. The Guidelines are monitored by an independent body, the Private Equity Reporting Group.

Section 172(1) statement

The directors of the company must act in accordance with the duties detailed in section 172 of the Companies Act 2006:

"A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and in doing so have regard (amongst other matters to) –

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company."

Strategic report for the year ended 31 March 2022 *(continued)*

Section 172(1) statement *(continued)*

The directors remain conscious of the impact their decisions have on employees, patients of {my}dentist and customers of DD, clinicians, the NHS, communities, suppliers, regulators, investors and the environment. The directors focus on engagement with all stakeholders and this informs the group's decision-making process.

Consequences of decisions in the long term

Following the change in the group ownership structure, the group has the following key strategies:

- To maintain the highest clinical standards by developing best-in-class clinical pathways and procedures to deliver consistent, high quality and ethical dental care;
- To improve clinician and nurse resourcing, retention and engagement;
- To optimise practice productivity;
- To grow our private business through affordable and specialist options;
- To divest our DD businesses;
- To ensure every practice is sustainable for the future;
- To transform our estate to provide modern, well-equipped, easily accessible practices for our patients, clinicians and staff.

The directors believe these are critical long-term factors for the success of the group. The group has detailed plans to ensure investment is in place to support these goals; examples include the transformation of the practice estate through the merger and relocation of smaller practices to larger, high street locations, expansion of Advanced Oral Health Centres (AOHCs) to increase the availability of specialist treatments including implants, continued development of affordable private treatment options for patients and the development of a nationwide clinical support network to assist self-employed clinicians to develop their businesses.

The objective to divest the DD business was completed on 8 June 2022.

The group aims to operate and develop its businesses in a way that supports current needs and provides a platform for future development. This decision making process takes into account the relevant economic, environmental and social factors to sustain the group for the long term. Part of this decision making process includes resource allocation decisions over where to invest capital to generate the best return to underpin long term operational requirements.

The impact of Covid-19 on the business meant that during the last two years, on many occasions the directors were required to balance the demands of the short-term environment while also considering the long term strategic impact of decisions.

Engaging with our people

As a healthcare business, it is critical that we maintain the highest possible clinical standards and our people, including our self-employed clinicians, are key to this objective. The directors and executive management want our people to be engaged in the success of their practice and to strive to provide the best possible patient care. At DD we want our people to be able to provide our customers with industry leading service.

The Chief Executive Officer, Chief Operating Officer, and the Chief Clinical Officer all regularly hold area meetings for clinicians and practice employees to gather feedback on potential improvements, to listen to perspectives from practices and to empower practice teams. This includes regular practice visits and a number of online meeting options such as broadcasts, video conferencing and regular updates on the latest clinical issues to ensure connections are maintained with practice teams. Support Centre Heads of Department and the Executive team all make regular visits to practices to follow up how central services can be improved.

The Managing Director for DD also regularly visits the regional businesses within the division or holds video "town hall" meetings.

{my}dentist wide "Great Place to Work" (for employees) and "Great Place to Practise" (for clinicians) surveys are run annually using consistent question patterns in order to track progress against key issues relating to "my team", "my manager", "my career", "my engagement" and "my ideas". Localised feedback from the surveys are then used to develop action plans which are aligned with wider divisional focus areas. Survey results from previous years have led to the restructuring of the Nurse career path, the introduction of Practice Manager development programmes, the launch of our Clinical Excellence awards and a reorganisation of the practice Facilities telephone helpdesk. The analysis for each survey is presented to the Board and reviewed against the current strategic goals of the business.

Strategic report for the year ended 31 March 2022 *(continued)*

Section 172(1) statement *(continued)*

The annual {my}dentist clinical conference provides a forum for clinicians to meet, attend continuing professional development seminars led by industry experts and gain an insight into the development of the group. It also provides an opportunity for clinicians to highlight the positive changes their work can have on patients. Unfortunately due to Covid, it was not possible to run the clinical conference during 2020 or 2021, however the conference will run in October 2022.

The group is in the process of setting up a Clinical Advisory Board, made up of a number of self-employed clinicians from across the business. The advisory board would provide a forum for clinical issues to be discussed with the Chief Clinical Officer and for the business to seek feedback from clinicians in relevant areas to them.

The mental health challenges arising from the pressures of working in practice during Covid or from working at home for an extended period of time have been recognised by the business. Team meetings via Microsoft Teams have been cascaded through the business and have included messaging on maintaining a balance between work and life while working from home. A number of colleagues have also been trained to support staff experiencing mental health challenges.

During FY2022, restrictions relating to access to practices have relaxed and offices have reopened with appropriate safety provisions. The business has taken a "hybrid" approach to central operations with support teams, depending on roles, able to work flexibly where possible.

Further information is provided in the Strategic Report section "People".

Understanding the views of all of our stakeholders and fostering of business relationships

Engaging stakeholders and developing meaningful partnerships is essential for long term business success. The group is engaged in regular and open dialogue with relevant stakeholders to understand perspectives, expectations, concerns and needs.

The group maintains a wide range of relationships in the dental and healthcare sector in order to ensure it is able to plan effectively for the future. The group maintains relationships:

- with the NHS at a regional and national level to understand commissioning requirements;
- with the BDA to understand clinicians key interests;
- with the Department of Health;
- with Members of Parliament with an interest in dentistry;
- with the UK dental schools to understand the aspirations of future clinicians;
- with overseas dental schools to increase awareness of clinicians to the opportunities available in the UK; and
- with suppliers to work on the future of dentistry including digital transformation.

The group is also a founder member of the Association of Dental Groups and through this works with other dental corporates in the UK on issues that affect the industry as a whole.

Over the last two years, these relationships have been critical in managing the impact of Covid on the group and ensuring that there is effective communication across the dental sector.

Impact of the company's operations on the community and environment

We aim to deliver outstanding care to our patients, ensuring great clinical outcomes along a patient journey.

We collect feedback from patients as part of our NHS commitments which generates a "Friends and Family test" recommendation that is published on the NHS website for each practice. The website also includes a section for reviews and ratings and Practice Managers provide responses to feedback and take action when issues are raised. {my}dentist also has a dedicated Patient Support team who assist practices in dealing with any issues or complaints raised by patients.

The main complaint raised by patients relates to the availability of appointments. This reflects the current access problem in dentistry centred on the availability of clinician time.

Further information is provided in the Strategic Report section "Social matters" and "Environmental impact"

Strategic report for the year ended 31 March 2022 *(continued)*

Section 172(1) statement *(continued)*

Maintaining a reputation for high standards of business conduct

The group operates in highly regulated environments across all of its business areas. This level of regulation is critical as it ultimately aims to protect patients and to ensure they receive the right level of care and are treated fairly. Our approach aligns with our strategy to maintain the highest clinical standards. In order to maintain compliance, {my}dentist operates a bespoke system of monitoring progress against practice targets which is reviewed alongside practice financial performance by operational management. Within DD, the Med-FX pharmacy is a registered pharmacy with the General Pharmaceutical Council and is required to declare each year compliance with professional, ethical and fitness to practice standards.

Alongside clinical compliance, our Health and Safety specialists assist practice and DD teams in maintaining a safe environment for patients and employees. The processes and procedures in place at {my}dentist have led to the team being presented with the "Commended in the Healthcare Services Sector" award at the Royal Society for the Prevention of Accidents (RoSPA) Health and Safety Awards.

During the year the group was partly funded through debt securities listed on The International Stock Exchange. Quarterly briefing presentations were held for bondholders to discuss developments in the group over the last three months in an open and transparent way. This also provided an opportunity for bondholders to raise questions with the Chief Executive Officer and Chief Financial Officer. All significant announcements and quarterly financial statements were published on the {my}dentist website up until the redemption of the debt. Following the Palamon transaction, the group's debt funding is now privately held. The Chief Executive Officer and Chief Financial Officer regularly meet with the holders of debt in order to update them on the group's progress against its strategic objectives.

The need to act fairly as between members of the company

After weighing up all relevant factors, the directors consider which course of action best enables delivery of the group's strategy for the long term, taking into consideration the impact on stakeholders.

Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework. 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 both the risks and adherence to limits set. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. Further details can be found in note 34 to the financial statements.

Strategic report for the year ended 31 March 2022 *(continued)*

KPIs – financial and non-financial

The KPIs set out in the table below are fundamental to the business and reflect focus on the drivers of value that will enable and inform the management team to achieve the business plans, strategic aims and objectives.

During the year-ended 31 March 2022 certain KPIs were not relevant to the financial performance of the business due to Covid-19 and therefore no measure has been included in the table below.

KPIs **Year ended 31 March**	**2022**	**2021**
Revenue (£'m)	702.4	562.6
EBITDA before non-underlying items (£'m) (1)	78.8	55.0
Operating loss (£'m)	(11.4)	(8.7)
NHS dentistry services as a percentage of group revenue (%)	50.1%	61.8%
Private dentistry services as a percentage of group revenue (%)	23.9%	13.9%
Gross profit margin (%)	41.9%	41.5%
EBITDA before non-underlying items margin (%)	11.2%	9.8%
Number of dental practices	583	593
Net bank and bond debt (£'m)	490.4	568.7
Net debt to EBITDA before non-underlying items	6.22	10.33
Cash generated from operations (£'m)	108.0	83.6
Cash generated from operations net of interest paid (£'m)	71.2	42.5

(1) EBITDA before non-underlying items consists of operating profit before deducting interest, tax, depreciation and amortisation and non-underlying items, less rental and other lease charges. Non-underlying items are generally one-off charges not associated with ongoing operational activities of the group.

Measures not reported this year due to the impact of Covid on operations over FY2021 and FY2022

(2) Like-for-like private revenue growth reflects true private revenue achieved at equivalent sites year on year. As such, this excludes the impact of newly acquired practices and disposed and closed sites. This measure has not been provided for FY2021 or FY2022 as practices were closed for routine treatment due to Covid restrictions for Q1 and operating procedures through the rest of the year restricted the number of patients that could be treated.

(3) UDA – Units of Dental Activity, measures set by the NHS Regions as part of the contract terms. This measure has not been provided for FY2021 or FY2022 as measurement of contract performance through UDA delivery was suspended or adjusted by the NHS for these years due to Covid-19.

Social matters

The group owns a national chain of dental practices, operating principally under the '{my}dentist' brand, with 583 locations throughout the UK as at 31 March 2022 (2021: 593). Our dental practices provide community dental services to more than 4 million patients throughout the UK and offer a broad range of, and choice between, NHS and private dental treatments. The UK Government has a long-term goal of increasing access to NHS dentistry for the UK population. The group is the largest provider of NHS dentistry services in the UK and plays an important role towards the UK Government achieving its access target. The group recognises that NHS dentistry has limitations in both the range of treatments available and the type of materials used. At the same time, the wider range of treatments and higher cost materials used in private dentistry can be very expensive. In order to make high quality dentistry available to the widest possible group and to increase the choice for patients, the group has developed an affordable private dentistry offering, {my}options. This provides a full range of treatments and gives patients the choice of private treatment with transparent pricing options. {my}options was launched initially in FY2020 but has expanded rapidly in FY2022 as dentists have looked to increase their range of private treatments.

The group has also used its scale to help raise awareness of the importance of dental hygiene, particularly amongst children. Tooth decay is nearly entirely preventable in around 90% of cases, however around 25% of all five year olds have tooth decay, and it remains the number one reason for childhood hospital admissions for general anaesthesia, the point at which it is too late.

Strategic report for the year ended 31 March 2022 *(continued)*

Social matters *(continued)*

Around 44,000 children up to the age of 19 were admitted to hospital with tooth decay in 2017/18 and it is also one of the main reasons for school absence. It can also have a longer-term impact upon physical and mental health, development, confidence and educational achievement. {my}dentist kids' clubs, involving visits to schools, nurseries and other organisations throughout the UK, have provided expert advice to children and parents on subjects including brushing techniques and tooth-friendly foods, through interactive role-play and games. The group also has online information to assist parents in improving the dental hygiene of their children, which can be found at www.mydentist.co.uk/dental-health/dental-treatment/kids-club.

In addition, the group continues to work closely with its clinical charity partner, Bridge2Aid. Bridge2Aid takes clinicians from the UK to some of the poorest areas of the developing world to provide emergency dental care, as well as training for local health workers to allow them to continue to provide vital treatment. Historically, the group provides funding for two of our clinicians to travel to Tanzania with the charity. Although this has not been possible in the last two financial years due to the pandemic, it is hoped to recommence as soon as possible. In 2019, group clinicians helped to train health workers in the Rorya region to provide sustainable emergency dentistry to remote communities. The group also provides financial aid by making a donation to Bridge2Aid each time a clinician is successfully referred to the group. In the last 12 months the group has donated more than £12,000 (2021: £7,000).

The group also has a charity committee, comprised of employees from across the business, who organise a range of fundraising events to support the group's chosen charity, which during the year was Dementia UK. All employees are encouraged to participate. Covid-19 unfortunately meant that proactive charity fundraising has been limited over the last two years. However, during the early days of the pandemic our teams undertook local community initiatives and acted fast to support the vulnerable and shielding, from providing help delivering shopping or prescriptions to being a friendly ear to talk to on the phone, they aimed to help those who needed it most.

Environmental impact

The group aims to minimise the impact of all of its business activities upon the environment, in addition to complying with all relevant laws and regulations. As far as practicable, the group is aiming to:

- reduce consumption of electricity, gas and other fossil fuels;
- reduce the consumption of consumables and recycle equipment and other redundant items or waste;
- reduce travel and offset travel carbon emissions by enrolling in an approved programme;
- use, store, control and dispose of hazardous materials, in line with best environmental practices; and
- purchase items manufactured or produced from sustainable sources.

To achieve these aims, the group has an environmental committee ("Green Forum"), which comprises employees from across the business. The committee's objective is to identify and promote changes that will contribute towards the group's aims. The committee considers all elements of business activity including carbon reduction initiatives, aspects and impact assessments and opportunities based on the 3R's concept of Reduce/Reuse/Recycle.

Initiatives rolled-out across the business over the last few years had been shown to be successful in reducing overheads and the impact on the environment pre-Covid. These included providing all Practice Managers with environmental training and appointing them Environmental Champion for their respective sites; reducing staff travel through the use of online meetings; monitoring staff travel more effectively with the introduction of a new expenses system; increasing the use of low power LED lighting across the estate; initiatives across our dental practices and in our support centre to reduce waste; and ensuring all electricity purchased by the organisation is from a provider supplying 100% renewable energy. The group also contracts with a third party to manage the safe and responsible disposal of all of our clinical waste. The group is particularly focussed on reviewing utilities consumption across the estate through reviewing individual practice and surgery energy consumption in order to identify wastage.

During the financial year-ended 31 March 2022 carbon emissions increased over FY2021 due to an increase in travel levels. However, when adjusted for the increase in revenue from FY2021, the movement is in line with the movement in revenue for the year.

Across scope 1 and 2, the group emitted 7,661 tCO2e (tonnes of carbon dioxide equivalent) for FY2022 (FY2021: 6,075) with an intensity indicator of 0.71 tCO2e per operational staff member (including self-employed clinicians) and 10.91 tCO2e per £ million of revenue. When Scope 3 business travel is added, this brings the total to 8,514 tCO2e (FY2021: 6,779).

Strategic report for the year ended 31 March 2022 *(continued)*

Environmental impact *(continued)*

Within the group numbers, the DD division, which was held for sale at the year-end, contributed 1,559 tCO2e for FY2022 with an intensity indicator of 2.72 tCO2e per operational staff member. When Scope 3 business travel is added, the DD division contributed 1,572 tCO2e.

The group has adopted an operational control approach to establishing the boundary. The methodology adopted is in line with the Greenhouse Gas Protocol and the BEIS Environmental Reporting Guidelines. The calculations have been completed on the SmartCarbon™ Calculator using the UK Government emissions factors.

The below table shows UK GHG emissions and energy use data for the year 1 April 2021 to 31 March 2022 and the comparative year ended 31 March 2021:

Emissions source	**kWh**	**Carbon (tCO_2e)**	**Carbon (tCO_2e)**
	31 March 2022	**31 March 2022**	**31 March 2021**
Scope 1			
Diesel	3,369,036	845	354
Natural gas	2,458,611	450	315
Refrigeration gas	-	15	0
Petrol	483,670	117	37
Other	-	-	0
Total Scope 1		**1,427**	**706**
Scope 2			
Electricity - National Grid	29,358,753	6,234	5,369
Total Scope 1 & 2		**7,661**	**6,075**
Total tCO2e per *operational staff member on gross scope 1 & 2		**0.71**	**0.58**
Total tCO2e per *£m Revenue on gross scope 1 & 2		**10.91**	**10.80**
Scope 3			
Electricity (Transmission and Distribution)	28,943,926	544	425
Gas oil	N/A	42	29
Passenger car	923,453	226	241
Rail travel	N/A	24	3
Flights	N/A	16	5
Other	N/A	1	1
Total Scope 3		**853**	**704**
Total Scope 1, 2 & 3		**8,514**	**6,779**
Total tCO2e per * operational staff member on gross scope 1, 2 & 3		**0.79**	**0.65**
Total tCO2e per *£m revenue on gross scope 1, 2 & 3		**12.12**	**12.05**

*For 1 April 2021 to 31 March 2022 the number of operational staff members (including self-employed clinicians) was 10,723 (2021: 10,503) and the revenue was GBP £702,431,000 (2021: £562,621,000).

People

People are essential to the success of the group and we look to create an environment where our employees and self-employed dental clinicians are treated fairly, feel valued and are provided with training and opportunities to develop their careers. Our {my}dentist Academy in Manchester together with an online bespoke learning management system, enables us to offer a wide range of learning and development opportunities to our dental nurses, support centre teams and self-employed clinicians.

The group is an equal opportunities employer and is committed to the principle of equality regardless of race, religion, creed, colour, nationality, gender, disability, age, gender re-assignment or sexual orientation. Applications for employment from disabled persons are given full and fair consideration with regard paid only to the ability of candidates to carry out satisfactorily the duties of the job. Should an existing employee become disabled, every effort is made to ensure continuing employment with retraining arranged where necessary. Disabled persons share in the opportunities for career development and promotion while training takes account of any special needs.

Strategic report for the year ended 31 March 2022 *(continued)*

People *(continued)*

The group is keen to ensure that our employees and self-employed clinicians have a voice in how the group operates. As such, a number of initiatives are in place to enable us to engage with our people. These have included 'town hall' meetings conducted regionally by our CEO with local practice staff and clinicians; regular online anonymised surveys; and a forum through which employee representatives can discuss issues openly with management. Over the last two years, these meetings have moved online and information has been circulated via recorded presentations, live Q&A sessions and cascaded via local management. The group regularly briefs employees on matters of concern to them, including the financial and economic performance of their business units. Strategy is cascaded through the business from an annual Leadership Conference of senior operational management down through regional sessions to practice level. In addition, an annual Clinical Conference provides the opportunity for senior management to engage with a cross-section of self-employed clinicians and understand the issues and concerns they face whilst also providing a programme of interesting and stimulating Continuing Professional Development lectures.

The nature of the group's business activities means that health and safety is an area of particular importance. The group therefore places great emphasis upon ensuring that we create a safe working environment for all of our people, patients and other visitors. For example, we are required to take care to prevent serious accidents and to eliminate from our facilities conditions that could lead to such accidents, including the risk of transmission of blood-borne and other infections. In addition, we continue to work closely with the Royal Society for Prevention of Accidents ('RoSPA'), implementing its Quality Safety Assessment ('QSA') management system audit across the company. The QSA process helps ensure measurable standards of performance are being constantly improved and maintained throughout the business. After achieving the RoSPA Gold Medal Award for six years running, it was announced in June 2021 that {my}dentist had won the RoSPA Healthcare Services Sector Award for helping to ensure colleagues and patients at {my}dentist are safe at work and when visiting our practices. This is the highest accolade {my}dentist has ever received and with over 2,000 entrants every year it demonstrates {my}dentist as being recognised as a world leader in health and safety practice.

Human rights

The group is committed to respecting the rights and dignity of all of the people with whom we engage, including our patients, customers, self-employed clinicians, employees, suppliers, and other stakeholders. The group's employee handbook sets out the group's expectations of all employees in this regard. The group has processes in place to mitigate the risk of slavery and human trafficking occurring in our supply chains and to protect whistle blowers. The group's whistle blowing policy has recently been updated to align to the NHS's 'Freedom to Speak Up' guidance. The group's full statement in respect of the Modern Slavery Act 2015 can be found on our website at www.mydentist.co.uk/customer-services/legal.

Anti-corruption and bribery

The group is committed to the highest standards of ethical conduct and integrity in its business activities. The group's senior management is committed to implementing effective measures to prevent, monitor and eliminate bribery by fostering a culture of integrity in which bribery is unacceptable. As such, the group will not tolerate any form of bribery by, or of, its employees, consultants or any person or body acting on its behalf. The group believes that a zero tolerance approach towards bribery will ultimately deliver benefits to the group in terms of maintaining our reputation and confidence in the group from its customers and business partners. The group has an anti-bribery policy and has provided training on the content of the policy to all employees.

Furthermore, the group is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. The group has procedures to verify the identity of parties with whom it transacts and training has been provided to all relevant employees.

Strategic report for the year ended 31 March 2022 *(continued)*

Future outlook and strategy

Whilst the market continues to be challenging for NHS dentistry in the UK with pressures on funding and resource, the directors believe that the group continues to be well positioned to take advantage of other opportunities in dentistry, particularly after the completion on 16 August 2021 of the change in ownership and refinancing of long term funding.

In particular, the group will continue to develop patient access to new affordable and transparent private treatments.

Following the Palamon transaction in August 2021, the group reviewed its strategic objectives and will focus activities in the following areas:

- divest the DD division to enable it to maximise opportunities in its sector. The sale was completed on 8 June 2022;
- transform the {my}dentist estate to improve facilities, equipment and access for patients;
- continue to deliver high quality care and promote the highest clinical standards;
- develop patient choice through affordable private treatments;
- increase the number of clinician hours available to patients by recruiting additional dentists and working with existing clinicians to increase the choice they can provide patients;
- diversify our revenues through new initiatives in private dentistry;
- leverage the investment in the {my}dentist brand to attract new customers, increase brand recognition and expand its dentistry offering;
- implement improved systems and processes to increase productivity, efficiency and oversight; and
- use the size of our portfolio and systems to procure materials and services more efficiently and effectively.

On behalf of the Board

R Storah
Director
31 August 2022

Directors' report for the year ended 31 March 2022

The directors present their report and the audited consolidated financial statements of Turnstone Equityco 1 Limited for the year ended 31 March 2022.

Financial risk management

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

Future developments

Please refer to the business review and future outlook sections 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 (2021: £nil).

Directors

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

F Giuseppetti	
K Beeston	(appointed 7 September 2021)
A Kadar	
N Pandya	
T Riall	
R Storah	(appointed 8 July 2022)
A Bowkett	(resigned 16 August 2021)
O Butler	(resigned 16 August 2021)
B Cockcroft	(resigned 16 August 2021)
K Jayaraman	(resigned 16 August 2021)

The directors benefitted from qualifying third-party indemnification provisions in place during the financial year and to the date of this report. The group also provided qualifying third party indemnity provisions to certain directors of subsidiary companies during the financial year and to the date of this report.

Following the sale of Carlyle's shares to Palamon on 16 August 2021, directors appointed as representatives of Carlyle along with the two non-executive directors stood down from the Board. The Board now comprises of two representatives from Palamon Capital Partners, three executive directors and a non-executive Chairman, Kevin Beeston.

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 group and the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 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 group and company will continue in business.

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

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

Directors' report for the year ended 31 March 2022 *(continued)*

Statement of directors' responsibilities *(continued)*

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Employees

Please refer to the Strategic report for further detail of the group's employment policies.

Political and charitable contributions

The group made charitable contributions totalling £212,000 during the year (2021: £17,750). This included the donation of a mobile dental unit to Dentaid and end of line stock to organisations in Sierra Leone by DD.

The group made no political donations during the year (2021: £nil).

Policy and practice on the payment of creditors

It is the group's policy in respect of all suppliers, including self-employed dentists, to agree payment terms in advance of the supply of goods and to adhere to those payment terms.

Supplier payments are principally made by Petrie Tucker and Partners Limited on behalf of {my}dentist dental practice companies and by DD Products and Services Ltd for DD divisional entities.

Petrie Tucker and Partners Limited reported payments to creditors are on average were made within 52 days for the six months ending 31 March 2022 (52 days for the six months ending 31 March 2021). DD Products and Services Ltd reported payments to creditors within 42 days for the six month period ending 31 March 2022 (43 days for the six months ending 31 March 2021).

Subsequent events

Please refer to the Strategic report for details of the impact of the Covid-19 pandemic on the early months of the financial year ended 31 March 2023.

On 18 May 2022, the group entered into a binding share purchase agreement to sell DD Group Holdings Limited and subsidiaries to an affiliate of Sun European Partners LLP. On 8 June 2022, the transaction was completed and the DD division ceased to form part of the group. The DD division has been classified as a discontinued operation in the Income Statement and as a held for sale asset on the Balance sheet at 31 March 2022.

The proceeds from the sale of DD Group Holdings Limited were used to repay in full amounts outstanding on the £120 million Subordinated PIK facility including all accrued interest.

The outstanding amount on the RCF facility at 31 March 2022 of £25 million was repaid on 29 July 2022. The full £45 million facility remains available to the group.

Going concern

The group meets its normal day to day working capital requirements through cash generated from operations and its borrowing facilities. The going concern review focussed on the {my}dentist division and included the sale of the DD division in June 2022. The group has not assumed any structural changes to the {my}dentist business to remain a going concern.

As part of the directors' consideration of the appropriateness of adopting the going concern basis in preparing the financial statements a range of scenarios have been reviewed. The forecasts and projections, which include forecasts that have been sensitised to reflect a severe but plausible downside scenario, show that the group is able to operate within the level of its current facilities for the foreseeable future.

A base assumption was first created for the group based on the assumption that there would not be any further impact on the results of the group from Covid-19. This scenario reflected the likelihood that the 95% UDA targets in place for Q1 FY2023 would end at the end of the quarter and NHS dentistry would then revert to the pre-pandemic norm of performance measurement against UDA contractual targets. The scenario also concluded that the strong demand for private dentistry in FY2022 would persist, especially across the {my}options range of affordable private treatments.

The key variable in the forecast though is the number of clinician hours available and the base model assumed that recruitment and retention mirrored pre-pandemic normal levels from FY2019 and FY2020. Over the last year, investment has been made in a national clinical support team and to improve access to new recruitment channels in order to improve the retention of existing and the recruitment of new clinicians, however the base case does not reflect an improvement in this key driver.

Directors' report for the year ended 31 March 2022 *(continued)*

Going concern *(continued)*

The base assumption was then sensitised to reflect a severe but plausible downside through reducing the number of clinician hours available to the business, cutting productivity and increasing cost inflation particularly in utilities.

Patient demand for appointments is currently, and is expected to remain, very strong however there are supply constraints in the number of hours of clinician time that can be provided across the industry given the availability of dentists able to practise in the UK. As part of the downside case, EBITDA before non-underlying items has been sensitised down to reflect a 33% decline in net resourcing in FY2023.

The impact on the demand for dentistry of significant cost increases in general living expenses through FY2023 has been considered in defining the downside scenarios used to review going concern, however as mitigation {my}dentist has a range of treatment options available including affordable private to provide choice to patients over how they access services.

At the end of FY2022, {my}dentist is in a net current liability position however this includes some non-cash liabilities such as deferred income and timing differences related to the structure of NHS dentistry. This means that cash is received before costs fall due and cost accruals cover a longer period than accrued income. In addition private receipts are generally taken at the time of the appointment while costs will be payable over time. The amounts to be repaid to the local NHS teams for the shortfall on UDA delivery in the year ended 31 March 2022 of up to £118.4 million will be deducted from contract payments received across the next financial year. This is therefore included in the base case cash forecast and does not impact on the forecast headroom available to the group.

These forecasts demonstrate that while a severe but plausible downside scenario would have a negative impact on profitability, the group would generate positive EBITDA before non-underlying items and cash in the year ended 31 March 2023 and beyond and the cash reserves would be sufficient to meet expected obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

Cash and funding

At 31 March 2022, the group's cash balance was £39.1 million (31 March 2021: £11.7 million). The cash balance was split across the group with {my}dentist holding £31.8 million and DD £7.2 million. During the year there was a cash inflow of £27.3 million due to the trading performance of the group and drawdown of new facilities, offset by the repayment of bank finance and costs associated with the Palamon transaction.

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. On 16 August 2021, the transaction was completed and a full refinancing of the Group's third-party borrowings was finalised.

On 16 August 2021, the group's borrowing facilities, comprising £275 million of senior secured fixed rate notes, £150 million of senior secured floating rate notes and £130 million second lien notes, which were due for repayment in 2022 and 2023, plus the SSRCF were refinanced in full through the arrangement of a £400m Unitranche facility, a £50 million Revolver facility and a £120 million Subordinated PIK facility. The Unitranche facility has a 6 year maturity timeline, with the new SSRCF set at 5.5 years. The Subordinated PIK facility has a 3 year life but with interest only payable at maturity. This new financing package reduces the amount of cash paid interest for the group.

Covenants are in place for the ratio of senior debt to EBITDA and will be tested quarterly initially against a 9.0x level, stepping down after three quarters by 0.25x per quarter to a minimum of 6.0x. In October 2021, the £50 million Revolver was refinanced to reduce the cash interest rate and replaced with a £45 million new Revolver. At the year-end £25 million was outstanding on the facility.

The group's loan notes and redeemable preference shares, along with all interest and dividends accrued thereon, were restructured as part of the transaction on 16 August 2021 through the issue of new equity shares. New preference shares have been issued as part of the transaction, which can be redeemed at the option of the group or automatically on exit. On redemption the preference shares receive a fixed 1.5x return. The group has no short-term cash obligations in respect of this debt instrument.

In both the base case and downside scenarios tested above, the group retained sufficient headroom on the covenant measures to meet the test at each quarter end throughout the forecast period.

The group's reported operating loss and loss before tax arise from one-off costs associated with the Palamon transaction and from non-cash items, including the amortisation and impairment of goodwill and intangible assets, depreciation, and non-cash interest accrued on shareholder loan notes.

Further information on the group's available borrowing facilities and covenants can be found in notes 25 and 34 respectively to the financial statements.

Directors' report for the year ended 31 March 2022 *(continued)*

Going concern *(continued)*

The parent company and consolidated financial statements have been prepared on a going concern basis, which the directors consider to be appropriate, having given due consideration to current trading forecasts and the various facilities available to the group.

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 will be proposed at the Annual General Meeting.

On behalf of the Board

R Storah
Director
31 August 2022

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

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

Report on the audit of the financial statements

Opinion

In our opinion, Turnstone Equityco 1 Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2022 and of the group's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 consolidated financial statements (the "Annual Report"), which comprise: the Consolidated balance sheet and Company balance sheet as at 31 March 2022; the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated and Company statements of changes in equity and the Consolidated and Company cash flow statements 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Review of the group's forecasted cashflows over the going concern period and the process by which they were drawn up;
- Discussed with management the impact of a severe but plausible downside scenario so we could understand the rationale behind the assumptions;
- Review of the group's new financing facilities and the covenant terms associated with these and assessed the impact of these new covenant conditions on the forecasted cash flows including on the downside scenario considered;
- Confirmed that the group is in compliance with all covenant conditions during the current year and reviewed the terms of the group's new financing facilities following the Palamon transaction. We have compared forecasted cash flows by assessing their impact on the new covenant conditions, including on the downside scenario considered;
- Review of results post year end and confirmed that there are no significant variations from management's expectations which should change their conclusions over going concern; and
- Assessed management's ability to produce reliable forecasts by reviewing the accuracy of previous forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.
Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

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

Reporting on other information *(continued)*

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2022 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 group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

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, 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 group's and 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 group or 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to other regulatory regulations (including those monitored by the Care Quality Commission and the Medical Health Regulatory Authority), and health and safety regulations (especially those governing dental surgeries and warehouse operations), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax regulations,. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the potential overstatement of revenue through manipulation of revenue recognition or the use of journals to manipulate financial results. Audit procedures performed by the engagement team included:

- Obtaining an understanding of the legal and regulatory framework applicable to the Group and Company and how the Group and Company are complying with that framework;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;

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

Responsibilities for the financial statements and the audit (continued)

- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, including unusual revenue journal entries;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Reviewing management's accounting policies for revenue recognition, particularly in relation to income from public dentistry

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

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 obtained 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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

H. Mac

Hazel Macnamara (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
31 August 2022

Consolidated income statement
for the year ended 31 March 2022

	Note	Continuing £'000	Discontinued £'000	2022 Group £'000	Continuing £'000	Discontinued £'000	2021 Group £'000
Revenue	5	**520,250**	**182,181**	**702,431**	425,987	136,634	562,621
Cost of sales		**(267,917)**	**(140,418)**	**(408,335)**	(222,673)	(106,388)	(329,061)
Gross profit		**252,333**	**41,763**	**294,096**	203,314	30,246	233,560
Distribution costs		**-**	**(24,885)**	**(24,885)**	-	(17,693)	(17,693)
Administrative expenses		**(268,991)**	**(13,324)**	**(282,315)**	(213,324)	(13,287)	(226,611)
Other income	10	**1,893**	**-**	**1,893**	2,200	-	2,200
Other losses	11	**-**	**(227)**	**(227)**	-	(127)	(127)
Operating (loss)/profit		**(14,765)**	**3,327**	**(11,438)**	(7,810)	(861)	(8,671)
Finance costs	12			**(95,811)**			(154,719)
Finance income	13			**6**			4
Net finance costs				**(95,805)**			(154,715)
Loss before income tax				**(107,243)**			(163,386)
Income tax credit/(charge)	14			**9,695**			6,388
Loss for the year				**(97,548)**			(156,998)
Attributable to:							
Owners of the parent				**(97,548)**			(156,998)

The DD division, including intergroup trading profit eliminations, has been classified as "discontinued" as it was held for sale at year-end.

The notes on pages 36 to 91 form part of these financial statements.

Consolidated statement of comprehensive income
for the year ended 31 March 2022

	2022 £'000	2021 £'000
Loss for the year	**(97,548)**	(156,998)
Other comprehensive income:		
Items that will not be reclassified to the income statement		
Re-measurement gain in respect of defined benefit pension scheme	**89**	66
Total comprehensive expense for the year	**(97,459)**	(156,932)
Attributable to:		
Owners of the parent	**(97,459)**	(156,932)

Movements above are disclosed net of income tax.

The notes on pages 36 to 91 form part of these financial statements.

Consolidated balance sheet
at 31 March 2022

	Note	2022 £'000	2021 £'000
Assets			
Non-current assets			
Goodwill	*16*	**121,256**	143,235
Other intangible assets	*16*	**208,429**	263,879
Property, plant and equipment	*17*	**96,914**	99,688
Right of use assets	*18*	**78,629**	86,380
Deferred income tax assets	*27*	**79**	-
		505,307	593,182
Current assets			
Inventories	*20*	**5,867**	34,036
Trade and other receivables	*21*	**19,885**	47,488
Current income tax		**-**	-
Derivative financial instruments	*24*	**8,601**	-
Cash and cash equivalents	*22*	**31,849**	11,713
		66,202	93,237
Assets held for sale			
Dental practices	*30*	**8,999**	-
DD	*30*	**73,951**	-
Total assets		**654,459**	686,419
Equity attributable to the owners of the parent			
Share capital	*28*	**3,280**	38
Share premium	*29*	**962,551**	1,974
Capital reserve	*29*	**44,154**	-
Accumulated losses	*29*	**(1,277,280)**	(1,181,912)
Total equity		**(267,295)**	(1,179,900)

Consolidated balance sheet *(continued)*
at 31 March 2022

	Note	**2022 £'000**	2021 £'000
Liabilities			
Non-current liabilities			
Borrowings	*25*	**621,219**	1,576,205
Other payables	*23*	**78**	304
Lease liabilities	*18*	**72,929**	78,914
Deferred income tax liabilities	*27*	**-**	13,370
Post-employment benefits	*35*	**417**	299
Provisions	*26*	**5,210**	4,070
Derivative financial instruments	*24*	**582**	-
		700,435	1,673,162
Current liabilities			
Trade and other payables	*23*	**207,754**	177,744
Lease liabilities	*18*	**12,871**	14,543
Provisions	*26*	**694**	536
Derivative financial instruments	*24*	**-**	334
		221,319	193,157
Total liabilities		**921,754**	1,866,319
Total equity and liabilities		**654,459**	686,419

The notes on pages 36 to 91 form part of these financial statements.

The financial statements on pages 27 to 91 were approved by the Board of Directors on 31 August 2022 and were signed on its behalf by:

R Storah
Director

Consolidated statement of changes in equity

for the year ended 31 March 2022

	Share capital £'000	Share premium £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 April 2020	38	1,974	(1,024,980)	(1,022,968)
Comprehensive expense for the year				
Loss for the year	-	-	(156,998)	(156,998)
Other comprehensive income				
Items that will not be reclassified to the income statement	-	-	66	66
Total comprehensive expense for the year	-	-	(156,932)	(156,932)
Balance at 31 March 2021	**38**	**1,974**	**(1,181,912)**	**(1,179,900)**

	Share capital £'000	Share premium £'000	Capital reserve £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 April 2021	38	1,974	-	(1,181,912)	(1,179,900)
Comprehensive expense for the year					
Loss for the year	-	-	-	(97,548)	(97,548)
Other comprehensive income					
Items that will not be reclassified to the income statement	-	-	-	89	89
Total comprehensive expense for the year	-	-	-	(97,459)	(97,459)
Transactions with owners recognised directly in equity					
Issue of new equity shares in settlement of loan notes and preference shares	3,280	960,577	-	-	963,857
Reorganisation of share classes	(38)	-	-	-	(38)
Value of employed services arising from shares granted to directors and employees	-	-	-	2,582	2,582
Capital contribution arising from the waiver of outstanding preference share dividends by shareholders	-	-	44,154	-	44,154
Deferred tax in relation to the above	-	-	-	(491)	(491)
Total transactions with owners	3,242	960,577	44,154	2,091	1,010,064
Balance at 31 March 2022	**3,280**	**962,551**	**44,154**	**(1,277,280)**	**(267,295)**

The notes on pages 36 to 91 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Cash generated from operations	37	**107,966**	83,613
Net cash inflow from operating activities		**107,966**	83,613
Cash flows from investing activities			
Acquisitions (net of cash acquired)		**(6)**	(1,934)
Contingent consideration paid		**(1,637)**	(93)
Purchase of property, plant and equipment		**(25,763)**	(21,924)
Proceeds/ (Costs) on business and asset disposals		**251**	(6)
Government grants received		**63**	11
Interest received		**6**	4
Net cash outflow from investing activities		**(27,086)**	(23,942)
Cash flows from financing activities			
Drawdown of bank loans		**570,000**	10,000
Repayment of bank loans		**(55,000)**	(78,200)
Repayment of shareholder loan notes		**(25,815)**	-
Repayment of senior secured notes, floating rate notes, 2nd lien notes		**(555,000)**	-
Loan arrangement fees and associated professional costs		**(20,018)**	-
Bank and bond interest paid		**(36,843)**	(41,137)
Proceeds from equity share issue		**466**	-
Proceeds from preference share issues		**83,600**	-
Principal element of lease payment		**(10,568)**	(10,472)
Interest element of lease payment		**(4,354)**	(4,335)
Net cash (outflow)/inflow from financing activities		**(53,532)**	(124,144)
Net (decrease)/increase in cash and cash equivalents		**27,348**	(64,473)
Cash and cash equivalents at the start of the year		**11,713**	76,186
Cash and cash equivalents at the end of the year		**39,061**	11,713

The cash and cash equivalents balance at 31 March 2022 consists of £31,849,000 held by continuing operations and £7,212,000 recognised with Assets held for sale related to the DD division.

The net cash movement associated with discontinued operations from operating activities was an inflow of £7.6 million (FY2021: inflow of £1.9 million), from investing activities was an outflow of £3.3 million (FY2021: outflow of £1.1 million) and from financing activities was an outflow of £1.1 million (FY2021: outflow of £1.2 million) .

The notes on pages 36 to 91 form part of these financial statements.

Company balance sheet
at 31 March 2022

	Note	**2022 £'000**	2021 £'000
Assets			
Non-current assets			
Investments	*19*	**586,647**	2
Other receivables	*21*	**-**	5,681
		586,647	5,683
Current assets			
Other receivables	*21*	**396**	23
Cash and cash equivalents	*22*	**262**	40
		658	63
Total assets		**587,305**	5,746
Equity			
Share capital	*28*	**3,280**	38
Share premium	*29*	**962,551**	1,974
Brought forward retained earnings	*29*	**3,732**	3,124
Current year earnings	*15*	**(474,676)**	608
Total equity		**494,887**	5,744
Liabilities			
Non-current liabilities			
Borrowings	*25*	**91,728**	-
Derivative financial instruments	*24*	**582**	-
		92,310	-
Current liabilities			
Other payables	*23*	**108**	2
Total liabilities		**92,418**	2
Total equity and liabilities		**587,305**	5,746

The company made a loss of £474.7 million for the year ended 31 March 2022 (2021: profit of £608,000). See note 15 for more details.

The notes on pages 36 to 91 form part of these financial statements.

The financial statements on pages 27 to 91 were approved by the Board of Directors on 31 August 2022 and were signed on its behalf by:

R Storah
Director

Company statement of changes in equity
for the year ended 31 March 2022

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2020	38	1,974	3,124	5,136
Comprehensive income for the year				
Profit and total comprehensive income for the year	-	-	608	608
Balance at 31 March 2021	**38**	**1,974**	**3,732**	**5,744**
Balance at 1 April 2021	38	1,974	3,732	5,744
Comprehensive expense for the year				
Loss and total comprehensive expense for the year	-	-	(474,676)	(474,676)
Transactions with owners recognised directly in equity				
Issue of new equity shares in settlement of loan notes and preference shares	3,280	960,577	-	963,857
Reorganisation of share classes	(38)	-	-	(38)
Balance at 31 March 2022	**3,280**	**962,551**	**(470,944)**	**494,887**

The company has no items of comprehensive income during either the current or previous year, other than the profit for the year.

The notes on pages 36 to 91 form part of these financial statements

Company cash flow statement

for the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Cash generated from operations	*37*	**(33)**	-
Net cash inflow from operating activities		**(33)**	-
Cash flows from investing activities			
Additional investment in subsidiary		**(83,600)**	-
Net cash flows from investing activities		**(83,600)**	-
Cash flows from financing activities			
Issue of share capital		**255**	-
Issue of preference shares		**83,600**	-
Net cash inflow from financing activities		**83,855**	
Net increase in cash and cash equivalents		**222**	-
Cash and cash equivalents at the start of the year		**40**	40
Cash and cash equivalents at the end of the year		**262**	40

The notes on pages 36 to 91 form part of these financial statements.

Notes to the consolidated financial statements

1 Company information

Turnstone Equityco 1 Limited (the 'company') is a private company, limited by shares, incorporated in the United Kingdom and domiciled in England. The address of the registered office is: Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester M26 1GG.

The company is the holding company of Turnstone Midco 1 Limited and its subsidiaries (collectively, the 'group'). The principal activity of the company during the year was to act as a holding company. The principal activities of the group during the year was the operation of dental practices and the provision of materials, services and equipment to dental practices. On 8 June 2022, the group completed the sale of the DD division and from this date, the principal activity of the group is the operation of dental practices.

The group provides a range of National Health Service ('NHS') and private dental services from practices located in England, Wales, Scotland and Northern Ireland. The DD division provides support services to {my}dentist and other third party dental practices and the wider healthcare sector.

2 Accounting policies

(a) Basis of preparation

The parent company and consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards, in conformity with the requirements of the Companies Act 2006. The change, on 1 January 2021, from International Financial Reporting Standards ("IFRS") as adopted in the European Union to UK-adopted IFRS was a change in accounting framework in line with the requirements of UK company law. Future changes to IFRS are now subject to endorsement by the UK Endorsement Board. The consolidated financial statements transitioned to UK-adopted international accounting standards for the financial period commencing 1 April 2021. There was no impact on recognition, measurement or disclosure and no changes in accounting policies from this transition.

The parent company and consolidated financial statements for the year ended 31 March 2022 have been prepared on the historical cost basis, as modified for the revaluation of certain financial instruments including derivatives and contingent consideration. The statements have also been prepared on a going concern basis, which the directors consider to be appropriate, having given due consideration to current trading forecasts and the various facilities available to the group.

The consolidated financial statements are presented in Sterling (£). Sterling is the company's functional currency, being the currency of the primary economic environment in which it operates. All amounts in these financial statements are presented in thousands of pounds Sterling (£'000), unless otherwise stated.

The group meets its normal day to day working capital requirements through cash generated from operations and its borrowing facilities. The group has not assumed any structural changes to the {my}dentist business to remain a going concern.

As part of the directors' consideration of the appropriateness of adopting the going concern basis in preparing the financial statements a range of scenarios have been reviewed. The forecasts and projections, which include forecasts that have been sensitised to reflect a severe but plausible downside scenario, show that the group is able to operate within the level of its current facilities for the foreseeable future.

A base assumption was first created for the group based on the assumption that there would not be any further impact on the results of the group from Covid-19. This scenario reflected the likelihood that the 95% UDA targets in place for Q1 FY2023 would end at the end of the quarter and NHS dentistry would then revert to the pre-pandemic norm of performance measurement against UDA contractual targets. The scenario also concluded that the strong demand for private dentistry in FY2022 would persist, especially across the {my}options range of affordable private treatments.

The key variable in the forecast though is the number of clinician hours available and the base model assumed that recruitment and retention mirrored pre-pandemic normal levels from FY2019 and FY2020. Over the last year, investment has been made in a national clinical support team and to improve access to new recruitment channels in order to improve the retention of existing and the recruitment of new clinicians, however the base case does not reflect an improvement in this key driver.

The base assumption was then sensitised to reflect a severe but plausible downside through reducing the number of clinician hours available to the business, cutting productivity and increasing cost inflation particularly in utilities.

Patient demand for appointments is currently, and is expected to remain, very strong however there are supply constraints in the number of hours of clinician time that can be provided across the industry given the availability of dentists able to practise in the UK. As part of the downside case, EBITDA before non-underlying items has been sensitised down to reflect a 33% decline in net resourcing in FY2023.

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(a) Basis of preparation (continued)

The impact on the demand for dentistry of significant cost increases in general living expenses through FY2023 has been considered in defining the downside scenarios used to review going concern, however as mitigation {my}dentist has a range of treatment options available including affordable private to provide choice to patients over how they access services.

At the end of FY2022, {my}dentist is in a net current liability position however this includes some non-cash liabilities such as deferred income and timing differences related to the structure of NHS dentistry. This means that cash is received before costs fall due and cost accruals cover a longer period than accrued income. In addition private receipts are generally taken at the time of the appointment while costs will be payable over time. The amounts to be repaid to the local NHS teams for the shortfall on UDA delivery in the year ended 31 March 2022 of up to £118.4 million will be deducted from contract payments received across the next financial year. This is therefore included in the base case cash forecast and does not impact on the forecast headroom available to the group.

These forecasts demonstrate that while a severe but plausible downside scenario would have a negative impact on profitability, the group would generate positive EBITDA before non-underlying items and cash in the year ended 31 March 2023 and beyond and the cash reserves would be sufficient to meet expected obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

Cash and funding

At 31 March 2022, the group's cash balance was £39.1 million (31 March 2021: £11.7 million). The cash balance was split across the group with {my}dentist holding £31.8 million and DD £7.2 million. During the year there was a cash inflow of £27.3 million due to the trading performance of the group and drawdown of new facilities, offset by the repayment of bank finance and costs associated with the Palamon transaction.

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. On 16 August 2021, the transaction was completed and a full refinancing of the Group's third-party borrowings was finalised.

On 16 August 2021, the group's borrowing facilities, comprising £275 million of senior secured fixed rate notes, £150 million of senior secured floating rate notes and £130 million second lien notes, which were due for repayment in 2022 and 2023, plus the SSRCF were refinanced in full through the arrangement of a £400m Unitranche facility, a £50 million Revolver facility and a £120 million Subordinated PIK facility. The Unitranche facility has a 6 year maturity timeline, with the new SSRCF set at 5.5 years. The Subordinated PIK facility has a 3 year life but with interest only payable at maturity. This new financing package reduces the amount of cash paid interest for the group.

Covenants are in place for the ratio of senior debt to EBITDA and will be tested quarterly initially against a 9.0x level, stepping down after three quarters by 0.25x per quarter to a minimum of 6.0x. In October 2021, the £50 million Revolver was refinanced to reduce the cash interest rate and replaced with a £45 million new Revolver. At the year-end £25 million was outstanding on the facility.

The group's loan notes and redeemable preference shares, along with all interest and dividends accrued thereon, were restructured as part of the transaction on 16 August 2021 through the issue of new equity shares. New preference shares have been issued as part of the transaction, which can be redeemed at the option of the group or automatically on exit. On redemption the preference shares receive a fixed 1.5x return. The group has no short-term cash obligations in respect of this debt instrument.

In both the base case and downside scenarios tested above, the group retained sufficient headroom on the covenant measures to meet the test at each quarter end throughout the forecast period.

The group's reported operating loss and loss before tax arise from one-off costs associated with the Palamon transaction and from non-cash items, including the amortisation and impairment of goodwill and intangible assets, depreciation, and non-cash interest accrued on shareholder loan notes.

Further information on the group's available borrowing facilities and covenants can be found in notes 25 and 34 respectively to the financial statements.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied unless otherwise stated.

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(b) Basis of consolidation

Subsidiaries
The group controls an entity when the group has power over that entity, is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Partnerships
Certain members of the group management team act as partners on behalf of group companies in a number of dental practice partnerships. These partnerships are held on trust on behalf of a number of group companies. All profits arising from partnership activity are transferred to a group trading company.

As a result, the group considers that it has control of these partnerships and consequently the results of the partnerships are consolidated into the group's financial statements. The partnerships are accounted for in accordance with the group's accounting policies.

Transactions eliminated on consolidation
Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial information. Losses are eliminated in the same way as gains, but only to the extent that there is no evidence of impairment.

(c) New standards, amendments and interpretations

Standards, amendments and interpretations effective and adopted by the group:
There is no material impact to these financial statements due to new standards, amendments or interpretations that have become effective during the year ended 31 March 2022.

Standards, amendments and interpretations which are not effective or early adopted by the group:
A number of new, revised and amended accounting standards and interpretations are currently endorsed but are effective for annual periods beginning on or after 1 January 2022, and have not been applied in preparing these consolidated financial statements. These standards, interpretations or amendments are not expected to have a material effect on the group's financial statements.

(d) Foreign currency translation

Transactions and balances
Foreign currency transactions are translated into the functional currency of each subsidiary or partnership using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, including realised gains and losses arising from foreign exchange forward contracts and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Unrealised gains and losses arising from derivative financial instruments used to hedge against movements in foreign exchange rates (principally foreign exchange forward contracts) are recognised in the income statement within other net losses. See note 2(p).

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(e) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The fair value of consideration of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control over the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 – Business Combinations (Revised) ('IFRS 3') are recognised at their fair values at the acquisition date. All acquisition costs are expensed as incurred and included within administrative expenses.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised at fair value through profit or loss.

Upon transition to IFRS, the group applied IFRS 3 to all previous business combinations, including the acquisitions of both Pearl Topco Limited and ADP Healthcare Services Limited on 11 May 2011.

(f) Intangible assets

Goodwill
Goodwill represents the excess of the fair value of consideration paid on acquisition of a business over the fair value of assets, including any intangible assets identified, liabilities and contingent liabilities acquired. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. See note 2(g). On disposal of a subsidiary, the attributable net book value of goodwill, based on relative fair value, is included in the determination of the profit or loss on disposal.

Externally acquired intangible assets
Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The amortisation expense is included within administrative expenses in the income statement. Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual or legal rights. The amounts ascribed to such intangibles are determined by using appropriate valuation techniques.

The significant intangible assets recognised by the group, their estimated useful economic lives and the methods used to determine the cost of intangible assets acquired through business combinations, are as follows:

Intangible asset	Estimated useful economic life	Valuation method
Contractual arrangements and relationships	20 years	Estimated discounted cash flow
Customer relationships	10-20 years	Estimated discounted cash flow
Brands and trademarks	15 years	Estimated royalty stream if the rights were to be licensed

Contractual arrangements reflect long term, fixed income, contracts with the NHS for the delivery of dentistry services. These contracts specify targeted annual volumes of units of dental activity ('UDAs') for a contracted dental practice or entity. The majority of these contracts have no fixed term and will roll over indefinitely provided that certain performance targets are achieved. The intangible assets arising from these contractual arrangements are amortised over a period of 20 years to reflect the potential for future changes to government policy in this area.

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(g) Impairment of non-financial assets

The carrying amounts of the group's non-financial assets, other than inventories and deferred income tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at the same time in each period.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to dispose. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit' or 'CGU'). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to groups of CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, the group of CGUs to which goodwill has been allocated is such that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Internally the groups of CGUs comprising the DD division and the {my}dentist division are commonly referred to as the two CGUs, when management are discussing goodwill and intangible assets.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised through the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Property, plant and equipment

Owned assets
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset into its working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement within administrative expenses.

Computer software that is necessary for an item of equipment to operate for its intended use is capitalised as part of the cost of the equipment.

Depreciation
Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Freehold and long leasehold property	50 years
Fixtures, fittings and equipment:	4-10 years

Fixtures, fittings and equipment include short leasehold improvements.

Computer software is depreciated in line with the expected life of the item of equipment it is used with.

The residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each accounting period.

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(i) Inventories

Inventory is stated at the lower of cost and net realisable value (net realisable value is the price at which inventories can be sold after allowing for costs of sale).

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.

Goods for resale are valued at actual cost, including the value of any trade discounts received or transport and handling costs incurred.

Provision is made for obsolete, slow moving and defective inventory.

(j) Trade receivables and prepayments

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less appropriate allowances for expected credit losses (provision for impairment).

In accordance with the accounting policy for impairment of financial assets, the group recognises an allowance for expected credit losses (ECLs) for customers and other receivables. As permitted by IFRS 9 the group applies the simplified approach which requires expected lifetime credit losses (ECL's that result from all possible default events over the expected life of the financial instrument) to be recognised from initial recognition of the receivables. An estimate is made of the ECL based on the groups historical default rates as well as forward looking estimates at the end of each reporting period. Subsequent recoveries of previously impaired trade receivables are recognised as a credit to the income statement as they are realised.

Accrued income includes amounts due from the NHS in England and Wales in respect of the group's long term fixed income contracts to deliver dentistry services.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and cash held as part of discontinued operations.

(l) Trade and other payables

Trade and other payables are initially stated at fair value and subsequently measured at amortised cost. The carrying amounts of trade and other payables are considered to be the same as their fair value due to their short term nature.

(m) Government grants

Grants received to assist with the purchase of property, plant and equipment are credited to deferred income within trade and other payables and are amortised to the income statement over a period to match the useful life of the asset acquired. Revenue grants are recognised in the income statement through administrative expenses in the financial year in which the related service or obligation is performed. During the current and prior year the group also received payments from the British Government as part of the UK Coronavirus Job Retention Scheme which have been recognised in the income statement through administrative expenses (see note 8).

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fees are deferred until the drawdown occurs and are subsequently amortised through the income statement over the term of the facility.

Preference shares, which are mandatorily redeemable on a specific date or have a set rate of return, are classified as liabilities due to the fixed return. The dividends on these preference shares are recognised in the income statement as a finance cost.

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(o) Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognised within finance costs. Further details are provided in note 26.

(p) Derivative financial instruments

The group's activities expose it to the financial risks resulting from fluctuations in interest rates and foreign exchange rates.

Foreign exchange forward contracts are used to hedge a proportion of the group's exposure to fluctuations in foreign exchange rates.

A fixed interest rate contract was entered into during the year to hedge a proportion of the group's exposure to movements in interest rates.

Prior to August 2021, under the terms of the indenture to the group's senior secured fixed rate notes and floating rate notes, the group held certain call options to re-purchase all or part of the notes at pre-determined amounts during certain periods.

In addition, in a very small number of instances, the group has entered into option contracts with the vendors of businesses in which the group has acquired a majority shareholding in order to enable the group to acquire the remaining equity interest at a pre-determined price, or by reference to a pre-determined earnings multiple, in the future.

The group does not hedge account for any derivative financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period.

The use of financial derivatives is governed by the group's policies approved by the Board of Directors, which provide written principles in the use of financial derivatives consistent with the group's risk management strategy. The group does not use derivative financial instruments for speculative purposes. See note 34 for further details.

(q) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

(r) Revenue

Revenue represents the income received in the ordinary course of business for dentistry or other goods or services provided to the extent that the group has completed the specific performance obligations and has therefore obtained the right to consideration. Amounts are stated net of discounts, returns and value added taxes. Revenue derived from NHS contracts in England and Wales is recognised based upon the volume of dental activity delivered in the financial year. Amounts received from the NHS in advance of dental activity delivery are held on the balance sheet within accruals. More information on this is provided in note 23. Revenue from all private dental work and NHS patients in Scotland is recognised based upon the completion of each piece of treatment carried out, with the exception of orthodontic treatment, which is recognised based upon the stage of completion reached during the course of treatment. Revenue generated from the sale of goods by DD is recognised upon despatch and revenue generated from the installation or repair of equipment, or from other services, is recognised upon completion of the service.

From early March 2020, due to the coronavirus outbreak NHS dental practices were restricted to emergency procedures only. Routine dental treatment was allowed to restart, with modifications in operating procedures, from 8 June 2020. Modified operating procedures remained in place through the rest of FY2021 and the whole of FY2022 with consequent adjustments to the volume of dental activity required to meet the performance obligations of the NHS contract. More information is provided in note 3(b).

Deferred income

Where the group receives an amount upfront in respect of future income streams, the value of the receipt is amortised over the period of the contract as the services are delivered and the unexpired element is disclosed in trade and other payables as deferred income.

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(s) Leases

The group's lease arrangements are principally short leasehold properties, most notably in respect of the group's dental practice estate as well as some leased motor vehicles and other equipment. The lease liability and corresponding right of use asset arising from a lease are initially measured on a present value basis.

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the incremental cost of borrowing at the date of initial application. Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any modification, with a corresponding adjustment reflected in the right of use asset.

The incremental cost of borrowing is determined by reference to recent third-party financing received by the group, adjusted to reflect changes in financing conditions between the date of financing and the inception of the lease.

The right of use asset is initially measured at cost which comprises the amount of the initial measurement of the lease liability, adjusted for any lease payments made at or before the commencement date less any lease incentives received plus any initial direct costs incurred and restoration costs. The right of use asset is depreciated on a straight line basis over the lease term.

The group has elected to account for short term leases and low value assets using practical expedients. Instead of recognising a right of use asset and lease liability, the payments in relation to these are recognised in the consolidated income statement on a straight line basis over the lease term.

There are no material lease agreements under which the group is a lessor.

(t) Net finance costs

Finance costs
Finance costs comprise interest payable on borrowings, associated transaction costs and dividends on redeemable preference shares. Finance costs are charged to the income statement on an accruals basis using the effective interest rate method. In addition, finance costs also include interest in respect of lease liabilities and the unwinding of discount on provisions.

Finance income
Finance income comprises interest receivable on cash and cash equivalents or other funds invested and fair value movements on hedging arrangements. Interest income is recognised in the income statement as it accrues using the effective interest method.

(u) Income tax

Income tax for the accounting periods presented comprises current and deferred income tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax is the expected tax payable or refundable on the taxable income or loss for the year, based upon the tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of other assets or liabilities that affect neither accounting nor taxable profit; nor differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. The amount of deferred income tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred income tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(u) Income tax (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for on deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting of business performance to the Board of Directors and the Executive Management Team. The Executive Management Team has been identified as the chief operating decision maker and consists of the Executive Directors and certain key management personnel.

(w) Employee benefits: pension obligations

The group makes contributions to a small number of defined contribution pension schemes on behalf of its employees, including the National Employment Savings Trust ('NEST'). Contributions are recognised in the income statement on an accruals basis. In addition, the group also operates a stakeholder defined contribution pension scheme, to which the group makes no contributions on behalf of its employees. The assets of both of these schemes are held separately from those of the group in independently administered funds. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

The group also operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group. The scheme is closed to new members and has no active members. The group makes contributions in respect of current or past service. The group also funds the administration costs of the scheme which are charged to administrative expenses within the income statement as incurred. The re-measurement loss arising from the actual return on assets and changes in demographic and financial assumptions underlying the present value of scheme liabilities is taken to other comprehensive income.

(x) Share based payments

As set out in more detail in note 31, certain employees of the group purchased new 'B' ordinary shares in the company at the time of the Palamon transaction. The shares were purchased at a market value based on an assessment of the value of the group and the rights of the shares. Within the terms of the scheme there is a service requirement for the holder of the shares to remain in employment until sale in order to retain all of the shares acquired, IFRS 2 considers that, regardless of the amount subscribed, the shares are being awarded in connection with, and in return for employee services. The fair value of the employee services received in exchange for the issue of the shares is recognised as an expense, within administrative expenses in the income statement.

The amount to be expensed is adjusted to reflect management's estimate of the number of leavers. At each balance sheet date, the group revisits its estimate of the number of leavers when determining the charge to be recognised in the income statement.

(y) Non-underlying items

Non-underlying items are considered to be items which are non-recurring or which do not form part of the underlying trading results of the group. In some cases non-recurring items will appear in more than one year (for example if they relate to an activity that takes place across a year-end). Examples of non-underlying items include the profit or loss arising from a practice disposal, practice closure costs, redundancy costs and costs associated with a change in ownership or financing. Costs associated with the Palamon transaction and the sale of the DD division have been recognised as non-underlying items.

(z) Investments

Investments in subsidiaries are held at cost less accumulated impairment losses.

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(aa) Assets held for sale

Assets are classified as held for sale when their carrying value is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

3 Critical accounting judgements and estimates

The preparation of the group's consolidated financial information under IFRS requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the consolidated financial information.

(a) Critical judgements

IFRS 16 Leases
Judgements have been made during the year ended 31 March 2022 including determining the lease term where extension or termination options exist. In such instances, all facts and circumstances that may create an economic incentive to exercise an extension option, or not exercise a termination option, have been considered to determine the lease term. Over FY2021 and FY2022 this has included assessment of the impact of changes to lease periods or amounts payable due to Covid negotiations with landlords. Extension periods (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated), for example where negotiations are in progress with landlords. Lease terms are only limited to the termination option where a decision has been taken and actioned to cease operations at the location. There is a related judgement in the calculation of the lease liability relating to the discount rate, which is based on the incremental borrowing rate at the time the lease is entered into.

(b) Critical estimates

Impairment of goodwill and other intangibles
Determining whether goodwill or other intangible assets are impaired requires an estimation of the fair value or value in use of the CGUs to which goodwill and other intangible assets have been allocated. These calculations require the group to estimate the future cash flows expected to arise from the CGU (or group of CGU's) and a suitable discount rate in order to calculate present value. Management have conducted impairment reviews at the reporting date which have resulted in a small impairment charge of less than £0.1 million (2021: £0.4 million) being recognised within non-underlying items in the income statement for the year ended 31 March 2022.

The base case for future growth in the cash flows of the group has been reduced to reflect the current challenges in the recruitment of clinicians and reflects a continued change in the mix between NHS dentistry and private dentistry based on the feedback from clinicians of how they want to develop their careers. More details, including carrying values and the outcomes of the reviews conducted including sensitivity analysis are included in note 16.

Valuation of investments
As part of the Palamon transaction, the outstanding shareholder loans and preference shares were partly settled through the issue of new equity shares in the company. This significantly increased the book value of the investment held by the company in it's subsidiary. Determining whether the investment is impaired requires an estimation of the fair value less costs to dispose of the subsidiary. The group has utilised the calculations and assumptions used to value the {my}dentist future cash flows for the annual impairment review to determine the fair value of the investment in Turnstone Midco 1 Limited at the year end.

Application of tax laws
The group is subject to complex tax laws. Changes in tax laws and their interpretation could adversely affect our tax position, including our effective tax rate or tax payments. We often rely on generally available interpretations of applicable tax laws and regulations including guidance specific to our industry published by HMRC on their website. Changes in NHS regulations and interpretations have in the past also required changes in the group structure which could subsequently lead to an adverse tax position. In certain instances we have secured clearance from HMRC on the application of tax law within the group.

Notes to the consolidated financial statements *(continued)*

3 Critical accounting judgements and estimates *(continued)*

***(b) Critical estimates** (continued)*

***Application of tax laws** (continued)*

We have regular, open, discussions with HMRC over issues that could affect either the group or the industry generally, such as the partnership acquisition model, the self-employed status of dentists under the model BDA contract and the VAT treatment of dental facilities. These discussions have highlighted differences in interpretation between HMRC on the one hand and the group and its external advisors on the other. In these circumstances we continue to provide additional information to HMRC to support our current tax positions.

HMRC have notified the group that the industry specific guidance related to the self-employment status of dentists will be withdrawn from the Employment Status Manual in April 2023. From this date the status of dentists will need to be considered against HMRC's general guidance for self-employment.

The group has considered this general guidance, engaged with external advisors to understand the implications of this change and concluded that the engagement terms for dentists will remain consistent with self-employed status.

The group considers it likely that any future challenge to the tax treatment of associates by HMRC would be prospective rather than retrospective and that any change this may result in to the nature of the group's future engagement with clinicians would also likely affect the entire industry.

The discussions with HMRC on the substance and legal form of bare trust partnership arrangements have now concluded. We have used these structures to acquire 145 practices as it is a widely used industry specific method that allows practices to change hands while meeting the requirements of NHS regulations. Discussions had focussed on the corporation tax deduction allowed for the goodwill amortisation charge recognised on the acquisition of the trade and assets and the VAT treatment of dental facilities provided to the partnerships and associate dentists.

The VAT treatment of dental facilities provided to the partnership has now been agreed with HMRC with no change required to the operating model or previous accounting.

If the corporation tax deduction taken historically for goodwill amortisation specifically relating to certain NHS contracts was disallowed, it could be replaced by a claim for capital allowances in each historical period with no cash tax impact. In FY2020 the group recognised this adjustment through an increase in deferred tax liabilities for goodwill claims not yet made and a reduction in deferred tax assets for the utilisation of capital allowances to replace the historical amortisation claims. HMRC have now closed their review of goodwill amortisation claims and no changes to the previous accounting or tax filings are required. The adjustment recognised in FY2020 has been reversed in FY2022 leading to a decrease in deferred tax liabilities and an increase in deferred tax assets.

If any tax positions are subject to a successful challenge by HMRC, the imposition of additional taxes could require us to pay taxes that we currently do not collect or pay, or increase the costs of our services to track and collect such taxes, which could increase our costs of operations or effective tax rate. In certain circumstances, it is possible for HMRC to require any tax they deem to be due to be paid before their interpretation can be challenged through appeal.

However, the likelihood of any such challenge being successful is considered by management, after discussion with specialist advisors including legal counsel, as not probable and accordingly these financial statements do not include any provision in relation to the ongoing tax discussions relating to self-employment status.

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 group achieves certain performance related criteria on an annual basis, the fixed-income nature of the contracts in England and Wales provides the group 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 period from 1 April 2020 to 30 June 2022. 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%.

Notes to the consolidated financial statements *(continued)*

3 Critical accounting judgements and estimates *(continued)*

***(b) Critical estimates** (continued)*

***Revenue recognition of NHS UDA contracts during the Covid-19 pandemic** (continued)*

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.
- During FY2022, the NHS slowly increased the level of delivery required to be deemed to have delivered 100% of the contract.
    - From 1 April 2021 to 30 September 2021, the target was set at 60% to be deemed to deliver 100%. If the practice delivered below 36% of contract, delivery reverted to actual UDAs completed. Between the lower threshold and the target a sliding scale between 80% and 100% applied to deemed delivery.
    - From 1 October 2021 to 31 December 2021, the target was increased to 65% with a higher threshold of 52%, below which only delivered UDAs were allowed.
    - From 1 January 2022 to 31 March 2022, the target increased to 85% with a lower threshold position of 75%.
    - Clawback of 16.75% applied to all undelivered activity throughout the year.

The NHS in Wales suspended measurements of contract performance for FY2021 and paid the full contract value with an abatement for variable costs of 20% applied to Q1 FY2021 which then reduced to 10% in Q2.

In Scotland from 1 April to 31 October capitation and continuing care payments were made at 100% of normal levels while items of service payments were made at 80%. This blended approach approximated c85% of normal NHS revenue in Scotland. From 1 November to the end of February, the items of service payment increased to 85% of normal levels. During March a three tier system was introduced based on activity levels.

The company has applied these rules to the recognition of NHS revenue through FY2021 and FY2022, however until the final NHS reconciliation is completed for each contract there is some uncertainty as to the final level of any repayment due back to the NHS for underperformance.

At the end of FY2021, the uncertainty was increased due to the absence of any UDA volume-based contract measurement. At the end of FY2022, there remains some uncertainty as to the final level of any repayment due back to the NHS for underperformance in FY2021 due to ongoing reviews by NHS Regions, however where performance in FY2022 is in line with NHS targets the risk is considered to be reduced.

At the year-end the group reviewed the individual contract performance by practice across FY2021 and FY2022. Where uncertainty existed at the end of FY2021 but the reconciliation process with the NHS Area Team did not raise any issues, no ongoing review is active and all contract performance requirements have been met for FY2022, the group determined that the level of uncertainty was such that the revenue should be recognised in FY2022. This amounted to 20% (£7.0 million) of the total revenue not recognised in FY2021.

See note 23 for further details of the amounts due to the NHS.

Notes to the consolidated financial statements *(continued)*

3 Critical accounting judgements and estimates *(continued)*

Share based payment and preference share dividend recognition – time period

The return due on the preference shares issued as part of the Palamon transaction are fixed at 1.5 times the par value, payable on an equity transaction. In order to accrue for the return, management have estimated the time period to allocate the cost to the income statement. The time period has been determined based on the typical investment hold period for similar assets.

This estimate has also been utilised in the allocation of the value of employee services arising from the grant of shares issued to directors and employees.

4 Reconciliation of EBITDA before non-underlying items to operating profit/(loss)

The group's key profit performance indicator is earnings before interest, tax, depreciation, amortisation and non-underlying items less rental and other charges ('EBITDA before non-underlying items'). Management consider this the key operating indicator as it measures the underlying performance of the group and the ability of the group to service its debt.

EBITDA before non-underlying items for FY2022 was £78.8 million (FY2021: £55.0m) and is reconciled to Operating profit/(loss) in the following table:

	Note	**Continuing £'000**	**Discontinued £'000**	**2022 Group £'000**	2021 £'000
EBITDA before non-underlying items		**67,213**	**11,590**	**78,803**	55,031
Amortisation of intangible assets	*16*	**(24,424)**	**(3,408)**	**(27,832)**	(30,125)
Depreciation	*17/18*	**(32,629)**	**(1,369)**	**(33,998)**	(33,795)
Amortisation of government grant income		**35**	**-**	**35**	41
Impairment of intangible assets	*16*	**(46)**	**-**	**(46)**	(367)
Impairment or disposal of right of use assets		**369**	**26**	**395**	-
Impairment of non-current assets reclassified as held for sale and loss on closure or disposal of dental practices	*6*	**(8,879)**	**-**	**(8,879)**	(2,961)
Remeasurement of lease commitments	*18*	**(97)**	**-**	**(97)**	177
Differences between contingent consideration paid and estimates initially recognised	*6*	**-**	**512**	**512**	79
Other non-underlying items	*6*	**(28,367)**	**(4,869)**	**(33,236)**	(11,342)
Share based payments	*31*	**(2,582)**	**-**	**(2,582)**	-
Net foreign exchange losses	*11*	**-**	**(227)**	**(227)**	(127)
Rental and other lease charges		**14,642**	**1,072**	**15,714**	14,718
Operating profit/(loss)		**(14,765)**	**3,327**	**(11,438)**	(8,671)

5 Segmental analysis

The directors have determined the operating segments based on the operating reports reviewed by both the Board of Directors and the Executive Management Team that are used to facilitate both performance and strategic decision making. The Executive Management Team is considered to be the chief operating decision maker in accordance with the requirements of IFRS 8 – Operating Segments.

The Executive Management Team considered the business to be split into two main operating segments, being {my}dentist and DD during the financial year and up to 8 June 2022. Following the sale of DD, the group has one operating segment, {my}dentist.

Through {my}dentist, the group is the leading provider of dental services in the United Kingdom. {my}dentist owns and manages a national chain of dental practices with 583 locations at 31 March 2022 (2021: 593).

DD, which principally comprises DD Products and Services Ltd, along with a number of smaller businesses, provides a range of products and services to the dental and wider healthcare sectors, including to {my}dentist. Sales to {my}dentist are carried out on an arm's length basis.

Notes to the consolidated financial statements *(continued)*

5 Segmental analysis *(continued)*

From 1 April 2019, specific costs relating to the management of the group have been shown separately from the {my}dentist operating segment and are included within 'Group costs and intra-segment eliminations'.

Predominantly all services are provided in the United Kingdom.

Revenue is analysed by category as follows:

	2022 £'000	2021 £'000
Provision of services	**534,753**	434,708
Sale of goods	**167,678**	127,913
Total revenue	**702,431**	562,621

Year ended 31 March 2022

	{my}dentist £'000	DD £'000	Group costs, and intra-segment eliminations £'000	**Total £'000**
Revenue				
NHS dentistry	352,224	-	-	**352,224**
Private dentistry	167,824	-	-	**167,824**
Non-dental practice revenue	202	210,227	(28,046)	**182,383**
Total revenue	520,250	210,227	(28,046)	**702,431**
Gross profit	252,333	48,302	(6,539)	**294,096**
Gross margin	*48.5%*	*23.0%*		***41.9%***
Overheads	(233,324)	(44,519)	(29,357)	**(307,200)**
Other income	1,893	-	-	**1,893**
Other gains/(losses)	-	(227)	-	**(227)**
Segment operating profit/ (loss)	20,902	3,556	(35,896)	**(11,438)**
Net finance costs				**(95,805)**
Loss before income tax				**(107,243)**
Segment assets	577,534	114,894	2,974	**695,402**
Segment liabilities	(302,279)	(157,573)	(502,845)	**(962,697)**
Additions				
Goodwill	-	-	-	**-**
Right of use assets	10,928	874	-	**11,802**
Property, plant and equipment	26,449	1,835	(674)	**27,610**

Held for sale assets and liabilities are shown separately in the segment analysis above.

Notes to the consolidated financial statements *(continued)*

5 Segmental analysis *(continued)*

Year ended 31 March 2021

	{my}dentist £'000	DD £'000	Group costs, and intra-segment eliminations £'000	**Total £'000**
Revenue				
NHS dentistry	347,543	-	-	**347,543**
Private dentistry	78,239	-	-	**78,239**
Non-dental practice revenue	205	164,385	(27,751)	**136,839**
Total revenue	425,987	164,385	(27,751)	**562,621**
Gross profit	203,314	35,303	(5,057)	**233,560**
Gross margin	*47.7%*	*21.5%*		***41.5%***
Overheads	(202,533)	(35,256)	(6,515)	**(244,304)**
Other income	2,200	-		**2,200**
Other gains/(losses)	-	(127)	-	**(127)**
Segment operating loss	2,981	(80)	(11,572)	**(8,671)**
Net finance costs				**(154,715)**
Loss before income tax				**(163,386)**
Segment assets	578,592	113,281	(5,454)	**686,419**
Segment liabilities	(255,864)	(151,740)	(1,458,715)	**(1,866,319)**
Additions				
Goodwill	1,172	-	-	**1,172**
Right of use assets	4,226	386	-	**4,612**
Property, plant and equipment	22,336	996	(691)	**22,641**

Notes to the consolidated financial statements *(continued)*

6 Other non-underlying items

The following items, which are considered by the directors to be non-recurring or which do not form part of the underlying trading results of the group have been charged/(credited) in arriving at operating loss.

	Group 2022 £'000	Group 2021 £'000
Restructuring costs	**194**	160
Legal and professional fees	**28,037**	7,438
Covid-19 related expenses	**-**	1,738
Expenses in respect of defined benefit pension scheme (note 35)	**452**	47
Other	**(316)**	373
Non-underlying items – continuing operations	**28,367**	9,756
Non-underlying items – discontinued operations	**4,869**	1,586
Non-underlying items	**33,236**	11,342
Differences between contingent consideration paid and estimates initially recognised		
Continuing operations	**-**	(79)
Discontinued operations	**(512)**	-
Impairment of non-current assets reclassified as held for sale and loss on closure or disposal of dental practices		
Continuing operations	**8,879**	2,961

Restructuring costs
Costs incurred during the year ended 31 March 2022 and the year ended 31 March 2021 principally relate to specific senior management changes, and other staff and business restructuring, including related professional fees.

Legal and professional fees
Legal and professional fees for the year ended 31 March 2022 include costs incurred in relation to the Palamon transaction of £27.7m as well as other non-recurring legal advisory services.

Legal and professional fees in FY2021 include certain early fees relating to the sale of the group plus other non-recurring legal advisory services.

Recurring legal and professional fees are charged within the underlying trading result.

Covid -19 related expenses
During the year ended 31 March 2021, costs were incurred in order to make the group's dental practices and Support Centre "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.

Discontinued operations
In addition to the costs disclosed above from continuing operations, non-underlying costs of £4.9m were incurred in the DD division during the year-ended 31 March 2022. This includes £2.8 million for additional Covid-19 costs including stock write-offs and donations, £1.7 million for costs relating to the disposal process for the division consisting mainly of legal and professional fees and £0.3 million for specific senior management changes and £0.1 million for other expenses.

During the year ended 31 March 2021 non-underlying fees included £0.8 million for restructuring expenses, £0.3 million for legal and professional fees and £0.4 million for additional costs incurred by the DD division in order to prepare for Brexit. Costs included professional advice, temporary staff and additional warehouse costs.

Notes to the consolidated financial statements *(continued)*

6 Other non-underlying items *(continued)*

Differences between contingent consideration paid and estimates initially recognised
During the year ended 31 March 2021 the {my}dentist business settled certain contingent consideration obligations for amounts which were different to the initial fair value estimates recognised in the balance sheet. The net difference of £79,000 was released to the income statement.

The final contingent consideration payment relating to the acquisition of BF Mulholland Limited by DD was made during the year. There was a difference of £512,000 between the consideration paid and the estimate initially recognised and this was released to the income statement as part of discontinued operations.

Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices
The practice portfolio is being monitored closely for practices which are no longer deemed viable due to reasons such as low UDA contract values or recruitment issues due to geography. During the year ended 31 March 2022, a further 7 dental practices were closed and 29 have been reclassified as Assets held for sale at year end. (2021: 3 closed and 2 sold. There were no practices held for sale at 31 March 2021).

7 Auditors' remuneration

The total remuneration payable by the group to its auditors, PricewaterhouseCoopers LLP, during the financial year is analysed below.

	2022	2021
	£'000	£'000
Audit services		
Audit of the parent company and the consolidated financial statements*	**485**	288
Audit of the company's subsidiaries	**493**	454
	978	742
Other services		
Other advisory services	**-**	-
Transaction related advice	**2,133**	1,733
Total remuneration payable to PricewaterhouseCoopers LLP	**3,111**	2,475

** The audit fees in respect of the consolidated and parent company financial statements for the years ended 31 March 2022 and 31 March 2021 have been borne by a subsidiary company.*

Transaction related advice includes £1.4m accrued at 31 March 2022 in relation to the disposal of DD. Other transaction related advice in FY2022 and FY2021 was in relation to the change in ownership of the group.

Notes to the consolidated financial statements *(continued)*

8 Employees

The average monthly number of persons employed by the group (including directors) during the financial year was as follows:

	Group 2022 No of employees	Group 2021 No of employees
Business unit		
{my}dentist - surgery staff	**3,903**	3,820
{my}dentist - administration staff	**2,527**	2,506
DD	**575**	522
	7,005	6,848

The staff costs of these persons were as follows:

	Group 2022 £'000	Group 2021 £'000
Wages and salaries	**139,574**	126,041
Social security costs	**10,221**	8,859
Other pension costs	**2,202**	2,122
	151,997	137,022

Discontinued operations: Staff costs for the DD division were £18.3 million.

During FY2021, the group placed a maximum of 2,325 employees (2,016 at {my}dentist and 309 at DD) on "furlough" during the Covid-19 pandemic. Claims were made from the government's Coronavirus Job Retention Scheme ("CJRS") to support 80% of the staff costs of these employees. NHS contractual payments supported the majority of {my}dentist employees, however c25% of staff costs in dental practices related to private dentistry. While practices were closed for routine treatments, no private revenue could be generated. Industry guidance provided by the BDA for mixed NHS and private practices, such as the majority of the {my}dentist estate, provided that claims could be made for the employee costs associated with the private business. At DD staff were furloughed where social distancing rules meant that only limited numbers of employees could work in the warehouse at any one time. In total £9.8 million was claimed from the CJRS during the year.

In FY2022, a total of 83 employees (44 at {my}dentist and 39 at DD) continued to be on furloughed principally due to medical considerations. Total claims from the CJRS in FY2022 was £0.2 million.

The above analysis shows the gross staff costs excluding the CJRS claim.

The company has no employees (2021: none).

Notes to the consolidated financial statements *(continued)*

9 Directors' remuneration

The total emoluments received for services as a director of the group are as follows:

	Group 2022 £'000	Group 2021 £'000
Aggregate emoluments including benefits	**5,725**	952

No directors accrued retirement benefits under money purchase or defined benefit pension schemes. Certain directors received no emoluments from the group for their services.

During FY2021 the group's shareholders put in place a one-off transaction related bonus arrangement payable on successful completion of a change in control of the group. The transaction bonus was funded, in its entirety, by the Palamon and Carlyle shareholders as part of the transaction in FY2022 and has been charged to the income statement as a cost of the transaction. The total transaction bonus was £6.7m, of which £4.0m was paid to three Directors.

Following the transaction, a new management share scheme was introduced for key management including executive directors. Shares were made available to management for purchase as part of the Palamon transaction (see note 31).

The aggregate of remuneration, excluding share based payments, for the highest paid director was £2,932,000 (2021: £684,000), which included benefits in kind of £6,000 (2021: £5,000) and a one-off transaction bonus of £2,000,0000 (2021: £nil) paid by the Carlyle and Palamon shareholders.

The directors received no emoluments from the company for their services during the year (2021: £nil).

Notes to the consolidated financial statements *(continued)*

10 Other income

Other income of £1.9 million (FY2021: £2.2 million) principally represents amounts received from Scottish health boards to assist in the upkeep of premises and is based on the proportion of NHS treatment carried out by a dental practice. Income is also received from property rentals.

11 Other net gains/(losses)

	Group 2022 £'000	Group 2021 £'000
Unrealised gains/(losses) at fair value through profit or loss on foreign exchange forward contracts	**309**	(623)
Realised foreign exchange (losses)/gains	**(536)**	496
	(227)	(127)

12 Finance costs

	Group 2022 £'000	Group 2021 £'000
Senior secured fixed rate notes	**6,398**	17,188
Senior secured floating rate notes	**3,612**	9,433
Second lien notes	**5,940**	12,350
Bank loans and overdrafts	**1,632**	2,173
Unitranche loan	**19,081**	-
Subordinated PIK loan	**8,654**	-
Interest rate hedge payments	**647**	-
Amortisation of debt issue costs and related fees	**7,392**	1,880
Loan note interest	**41,100**	99,042
Preference share dividends	**4,552**	7,645
Other interest payable – unwinding of discount (notes 18, 26, 34)	**4,363**	4,371
Syndicate charges	**451**	628
Finance expense in respect of defined benefit pension scheme (note 35)	**8**	9
Mark-to-market movement on interest rate swap contract (see note 25)	**(8,601)**	-
Share purchase warrants (see note 24)	**582**	-
	95,811	154,719

As part of the Palamon transaction on 16 August 2021, all outstanding preference share dividends of £50.9 million were waived. The preference share dividends waived by equity shareholders of £44.2 million have been treated as a capital contribution.

The preference share dividend charge for the year includes £3.2 million recognised between 1 April 2021 and 16 August 2021 and post 16 August 2021, £8.1 million of dividends have been accrued on the new preference shares, offset by the £6.7 million of dividends waived by third parties as part of the Palamon transaction.

13 Finance income

	Group 2022 £'000	Group 2021 £'000
Bank deposit interest	**6**	4

Notes to the consolidated financial statements *(continued)*

14 Income tax (credit)/charge

	Group 2022 £'000	Group 2021 £'000
Current income tax		
Current charge for the year	-	-
Deferred income tax		
Origin and reversal of temporary differences	**9,610**	(9,978)
Adjustments in respect of previous years	**(17,896)**	3,590
Effect of change in income tax rate	**(1,409)**	-
Deferred tax not recognised	-	-
Total deferred income tax (note 27)	**(9,695)**	(6,388)
Total income tax (credit)/charge	**(9,695)**	(6,388)

The income tax (credit)/charge for the financial year is lower (2021: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2022 of 19% (2021: 19%). The differences are explained below:

	Group 2022 £'000	Group 2021 £'000
Loss before income tax	**(107,243)**	(163,386)
Loss before income tax multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	**(20,376)**	(31,043)
Effects of:		
Expenses not deductible for tax	**29,206**	20,787
Utilisation of losses not previously recognised	-	(4)
Effect of rate changes on opening balances	**(1,409)**	-
Adjustments in respect of previous years	**(17,896)**	3,590
Unrelieved losses carried forwards	**780**	282
Deferred tax not recognised	-	-
Total income tax (credit)/charge for the year	**(9,695)**	(6,388)

Expenses not deductible for tax principally include finance costs relating to the loan notes and preference shares, the unrealised gain in the value of the interest rate swap and the impairment of goodwill which are not tax deductible. The adjustment in respect of previous years relates to the re-recognition of the value of future tax deductions arising from the goodwill amortisation associated with partnership acquisitions.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase from 19% to 25%. As the proposal had been substantively enacted at the balance sheet date, its effects are included in these financial statements.

Please also refer to note 3(b) for further details of estimates that have been made in respect of the application of certain tax laws.

Notes to the consolidated financial statements *(continued)*

15 Parent company result

The company has taken advantage of Section 408(4) of the Companies Act 2006 and consequently an income statement for the company is not presented.

The company's loss of £474,676,000 (2021: £608,000) arises from the impairment of the company's investment in Turnstone Midco 1 Limited based on the value in use of the group's assets and an accrual for dividends payable on preference shares.

16 Intangible assets

Group

	Goodwill £'000	Contractual arrangement £'000	Customer relationships £'000	Brands and trademarks £'000	Total £'000
Cost					
At 1 April 2020	293,059	453,123	65,880	25,765	837,827
Acquired through business combinations	1,172	933	134	-	2,239
Disposals	-	(3,960)	(380)	-	(4,340)
At 31 March 2021	**294,231**	**450,096**	**65,634**	**25,765**	**835,726**
Accumulated amortisation					
At 1 April 2020	150,996	192,857	45,835	10,507	400,195
Charge for the year	-	22,094	6,331	1,700	30,125
Impairment charge	-	367	-	-	367
Disposals	-	(1,726)	(349)	-	(2,075)
At 31 March 2021	**150,996**	**213,592**	**51,817**	**12,207**	**428,612**
Net book value					
At 31 March 2021	**143,235**	**236,504**	**13,817**	**13,558**	**407,114**

	Goodwill £'000	Contractual arrangement £'000	Customer relationships £'000	Brands and trademarks £'000	Total £'000
Cost					
At 1 April 2021	294,231	450,096	65,634	25,765	835,726
Disposals	-	(6,938)	(569)	-	(7,507)
Transfer to Assets held for sale ({my}dentist)	-	(12,565)	(1,003)	-	(13,568)
Transfer to Assets held for sale (DD)	(35,259)	-	(19,564)	(25,765)	(80,588)
At 31 March 2022	**258,972**	**430,593**	**44,498**	-	**734,063**
Accumulated amortisation					
At 1 April 2021	150,996	213,592	51,817	12,207	428,612
Charge for the year	-	22,001	4,135	1,696	27,832
Impairment charge	-	46	-	-	46
Disposals	-	(3,111)	(539)	-	(3,650)
Transfer to Assets held for sale ({my}dentist)	-	(6,281)	(815)	-	(7,096)
Transfer to Assets held for sale (DD)	(13,280)	-	(14,183)	(13,903)	(41,366)
At 31 March 2022	**137,716**	**226,247**	**40,415**	-	**404,378**
Net book value					
At 31 March 2022	**121,256**	**204,346**	**4,083**	-	**329,685**

Notes to the consolidated financial statements *(continued)*

16 Intangible assets *(continued)*

All amortisation charges have been included within administrative expenses in the income statement.

The weighted average unamortised useful life of intangible assets at 31 March 2022 was 10.2 years (2021: 10.8 years).

Cash Generating Units ('CGUs')

After considering all the evidence available, including the activities from which the group generates cash inflows and how management monitors business performance, the directors have allocated goodwill to the groups of CGUs comprising the {my}dentist division and the DD division, referred to as CGUs below.

Net book value of goodwill by CGU	Group 2022 £'000	Group 2021 £'000
{my}dentist	**121,256**	121,256
DD	**21,979**	21,979
	143,235	143,235

The net book value of goodwill related to the DD division has been transferred to Assets held for sale. See note 30 for more information. The annual impairment review has therefore only been completed for the {my}dentist CGU.

Annual impairment review

The annual impairment review for goodwill is based on an assessment of each CGU's recoverable amount based on fair value less costs to dispose models. These values are calculated from cash flow projections, normally based on budgets covering a minimum period of 12 months and a maximum period of 5 years which have been approved by the Board of Directors. The cash flow projection for FY2023 has been adjusted from budget to reflect the latest forecast for the year.

At each reporting date the impairment review is performed by comparing the estimated recoverable amount of each CGU with its carrying amount, including goodwill. The impairment reviews at 31 March 2022 and 31 March 2021 both concluded that no impairment was required.

Cash flows outside of the budgeted period are estimated using the long-term growth rate stated below. The long-term growth rate applied does not exceed the long-term average growth rate for the market in which the CGU operates.

The directors have assessed the appropriate discount rate for the {my}dentist CGU using a Weighted Average Cost of Capital ('WACC') for comparable companies operating in similar markets to the group. This 'base' WACC has been adjusted to reflect risks specific to {my}dentist. The discount rates applied are as shown below.

The projections for future years have been adjusted to remove the EBITDA impact of the group's growth plans, however the corresponding future capital expenditure cash flows related to new merge and relocate practices, semi-greenfield developments or Advanced Oral Health Centre have been excluded. The cash flow projections take account of the expected impact from committed efficiency initiatives and the stability and maturity of the market in which the CGU operates.

Key assumptions by CGU	Group 2022 %	Group 2021 %
Long term growth rate		
{my}dentist	**1.50**	1.50
Discount rate		
{my}dentist	**8.00**	7.54

Notes to the consolidated financial statements *(continued)*

16 Intangible assets *(continued)*

Annual impairment review *(continued)*

The impairment review performed at 31 March 2022 was based upon discounted cash flow forecasts, derived from management's new strategic plan for the medium term following the Palamon transaction. The impairment review performed at 31 March 2021 was based on actual performance in FY2021 with limited increases in EBITDA in each of the following years. This varied from the strategic plan at the time by building into the forecast a continued reduction in performance due to the coronavirus. The planned resumption in growth in new private initiatives was reduced to reflect low volume growth and limited price increases due to the continued impact of Covid-19.

The FY2022 strategic plan was based on FY2020 as the last year largely unaffected by Covid-19 and includes limited growth in NHS revenues and the continued development of the group's private dentistry revenues. Private revenue is forecast to grow at a compound annual growth rate of 18.5% from FY2020 to FY2025 with organic growth realised from developments in affordable private treatment, clear aligner systems and implants. Revenue growth is likely to be achieved through a mix of volume and price increases.

Like-for-like growth is achieved through this plan utilising resourcing and retention assumptions that are in line with performance over recent pre-Covid periods. As the number of hours clinicians are available in practice is critical to the generation of revenue and with current delays within industry recruitment due to a shortage of UK dentists, the impairment model has reduced the resourcing and retention assumptions in FY2023 by 33.0%.

The fair value less costs to dispose calculation at 31 March 2022 for the {my}dentist intangible assets results in headroom of £199 million over the net book value of goodwill and intangible assets. (2021: £125.6 million).

As part of the impairment review, management have considered the impact upon the calculations from a range of sensitivities to the key assumptions. As at 31 March 2022:

- A change of £2.0 million in the assumed long term annual pre-tax cash flows generated from the {my}dentist CGU each year, would change the calculated fair value less costs to dispose by approximately £22.7 million.
- A change of 0.25% in the assumed WACC would change the calculated fair value less costs to dispose by approximately £21.5 million.

Contractual arrangements

During the year ended 31 March 2022, the group has agreed some further permanent contract hand-backs with the relevant NHS Regions, principally relating to dental practices which have consistently failed to deliver the contractual volumes due to structural issues such as a shortage of patients, or where there are persistent dentist shortages, making it difficult to recruit. Where we have agreed these permanent contract hand-backs, management have reduced the carrying value of the associated contractual arrangement intangible asset, to reflect this reduced earning potential. This has resulted in a total impairment charge of less than £0.1 million being recorded in the income statement for the year ended 31 March 2022 (2021: £0.4 million).

Customer relationships

The directors have considered whether any indicators of impairment of these {my}dentist assets were present at each balance sheet date. No specific indicators of impairment have been identified.

Company

The company does not own any intangible assets (2021: none).

Notes to the consolidated financial statements *(continued)*

17 Property, plant and equipment

Group

	Freehold property £'000	Long leasehold property £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost				
At 1 April 2020	175	265	244,978	**245,418**
Acquired through business combinations	423	-	120	**543**
Additions	-	-	22,098	**22,098**
Disposals	-	-	(1,859)	**(1,859)**
At 31 March 2021	**598**	**265**	**265,337**	**266,200**
Accumulated depreciation				
At 1 April 2020	21	168	145,427	**145,616**
Charge for the year	7	11	21,740	**21,758**
Disposals	-	-	(862)	**(862)**
At 31 March 2021	**28**	**179**	**166,305**	**166,512**
Net book value				
At 31 March 2021	**570**	**86**	**99,032**	**99,688**

	Freehold Property £'000	Long leasehold property £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost				
At 1 April 2021	598	265	265,337	**266,200**
Additions	-	-	27,610	**27,610**
Disposals	-	-	(4,217)	**(4,217)**
Transfer to asset held for sale – {my}dentist	-	-	(8,870)	**(8,870)**
Transfer to asset held for sale - DD	-	-	(17,738)	**(17,738)**
At 31 March 2022	**598**	**265**	**262,122**	**262,985**
Accumulated depreciation				
At 1 April 2021	28	179	166,305	**166,512**
Charge for the year	12	2	22,169	**22,183**
Disposals	-	-	(2,867)	**(2,867)**
Transfer to asset held for sale – {my}dentist	-	-	(6,365)	**(6,365)**
Transfer to asset held for sale – DD	-	-	(13,392)	**(13,392)**
At 31 March 2022	**40**	**181**	**165,850**	**166,071**
Net book value				
At 31 March 2022	**558**	**84**	**96,272**	**96,914**

All depreciation charges have been included within administrative expenses in the income statement.

Please refer to note 25 for more information about assets pledged as security in respect of group borrowings.

Company

The company does not own any property, plant and equipment (2021: none).

Notes to the consolidated financial statements *(continued)*

18 Leases

Right of use assets

Group

	Land and buildings £'000	Motor vehicles £'000	Other £'000	Total £'000
Cost				
At 1 April 2020	98,469	1,883	80	100,432
Additions	4,015	525	72	4,612
Disposals	(4,451)	(46)	-	(4,497)
Remeasurements	10,212	52	2	10,266
At 31 March 2021	**108,245**	**2,414**	**154**	**110,813**
Accumulated Depreciation				
At 1 April 2020	11,674	693	29	12,396
Charge for the year	11,261	746	30	12,037
At 31 March 2021	**22,935**	**1,439**	**59**	**24,433**
Net book value				
At 31 March 2021	**85,310**	**975**	**95**	**86,380**

	Land and buildings £'000	Motor vehicles £'000	Other £'000	Total £'000
Cost				
At 1 April 2021	108,245	2,414	154	110,813
Additions	11,282	520	-	11,802
Disposals	(4,890)	(4)	(6)	(4,900)
Remeasurements	7,626	89	-	7,715
Transfer to assets held for sale – {my}dentist	(4,131)	-	-	(4,131)
Transfer to assets held for sale - DD	(8,283)	(1,926)	(148)	(10,357)
At 31 March 2022	**109,849**	**1,093**	**-**	**110,942**
Accumulated Depreciation				
At 1 April 2021	22,935	1,439	59	24,433
Charge for the year	11,265	517	33	11,815
Transfer to assets held for sale – {my}dentist	(1,073)	-	-	(1,073)
Transfer to assets held for sale – DD	(1,482)	(1,288)	(92)	(2,862)
At 31 March 2022	**31,645**	**668**	**-**	**32,313**
Net book value				
At 31 March 2022	**78,204**	**425**	**-**	**78,629**

Notes to the consolidated financial statements *(continued)*

18 Leases *(continued)*

Lease liability

	£'000
As at 1 April 2021	93,457
Rental and operating lease payments	(14,922)
Lease additions	11,801
Disposals	(5,295)
Remeasurements	7,813
Interest on lease liability	4,354
Transfer to Assets held for sale	(11,408)
As at 31 March 2022	**85,800**

Lease liabilities of £8.2 million for DD and £3.2m for {my}dentist practices have been transferred to assets held for sale at 31 March 2022.

An interest charge of £4.4 million has been charged to finance costs in relation to the unwinding of the discount on the lease liability (2021: £4.3 million). This includes £0.5m relating to dental practices held for sale and DD. The expense relating to leases of low-value assets that are not shown above as short-term leases was £0.1 million (2021: £0.1 million). The expense relating to variable lease payments not included in lease liabilities was £nil (2021: £nil). Income recognised from subleasing was £0.1 million (2021: £0.2 million). £0.3 million credit has been recognised within non-underlying items relating to the remeasurement of lease commitments (2021: £0.2 million). The total cash outflow for leases for the year was £14.9 million (2021: £14.8 million).

Remeasurements reflect changes to lease liabilities for updates to rent review periods and changes in lease terms and charges during the year.

19 Investments

Company

	£'000
Investment at cost and net book value in subsidiary undertaking at 1 April 2021	**2**
Issue of shares in Turnstone Midco 1 Limited in settlement of outstanding loan notes and preference shares	**1,052,863**
Impairment of investment in Turnstone Midco 1 Limited	**(466,218)**
Investment at net book value in subsidiary undertaking at 31 March 2022	**586,647**

The company owns 100% of its immediate subsidiary, Turnstone Midco 1 Limited. The cost of its investment in that entity at 31 March 2022 is £1,052.9 million following the issue of Ordinary shares in settlement of outstanding preference shares and loan notes issued by subsidiary entities. (2021: £2,294). An impairment charge of £466.2 million has been recognised in FY2022 to reduce the net book value of the investment to the fair value less costs to dispose of the group.

The fair value less costs to dispose was calculated based upon discounted cash flow forecasts derived from management's strategic plan following the Palamon transaction.

The strategic plan was based on FY2020 as the last year largely unaffected by Covid-19 and includes limited growth in NHS revenues and the continued development of the group's private dentistry revenues. Private revenue is forecast to grow at a compound annual growth rate of 18.5% from FY2020 to FY2025 with organic growth realised from developments in affordable private treatment, clear aligner systems and implants. Revenue growth is likely to be achieved through a mix of volume and price increases.

Like-for-like growth is achieved through this plan utilising resourcing and retention assumptions that are in line with performance over recent pre-Covid periods. As the number of hours clinicians are available in practice is critical to the generation of revenue and with current delays within industry recruitment due to a shortage of UK dentists, the fair value model has reduced the resourcing and retention assumptions in FY2023 by 33.0%.

Notes to the consolidated financial statements *(continued)*

19 Investments *(continued)*

As part of the review of the investment value, management have considered the impact upon the calculations from a range of sensitivities to the key assumptions. As at 31 March 2022:

- A change of £2.0 million in the assumed long term annual pre-tax cash flows generated from the {my}dentist CGU each year, would change the calculated fair value less costs to dispose by approximately £22.7 million.
- A change of 0.25% in the assumed WACC would change the calculated fair value less costs to dispose by approximately £21.5 million.

The table below provides details of the company's subsidiary undertakings. All companies are indirectly owned with the exception of Turnstone Midco 1 Limited. All of the non-trading entities are holding companies for investments in other group companies.

The group holds 100% of the ordinary share capital of all of the companies listed. All companies are included in the consolidation.

The company has provided a guarantee to the members of certain subsidiary companies (marked [1] below), over all of their respective outstanding liabilities, under section 479C of the Companies Act 2006. As a result, having also received agreement from all members of each company, the companies identified below are exempt from audit of their individual company financial statements for the year ended 31 March 2022 by virtue of section 479A of the Companies Act 2006. In the opinion of the directors the value of the company's investment in its subsidiaries is not less than the amount at which it is shown in the balance sheet.

Notes to the consolidated financial statements *(continued)*

19 Investments *(continued)*

Name of subsidiary	Principal activity	Country of incorporation
Turnstone Midco 1 Limited	Non-trading	England [a]
Turnstone Midco 2 Limited	Non-trading	England [a]
Turnstone Bidco 1 Limited	Non-trading	England [a]
IDH Finance Plc (IDH Finance Limited from 10 August 2022)	Group financing	England [a]
[2]@TheDentist Ltd	Dormant	England [a]
[2]1A Dental Practice Limited	Dormant	England [a]
[1]Adelstone Dental Care Limited	Dental practices	England [a]
[2]ADP Ashford Ltd	Dormant	England [a]
[1]ADP Healthcare Acquisitions Limited	Non-trading	England [a]
[2]ADP Healthcare Limited	Dormant	England [a]
[1]ADP Healthcare Services Limited	Non-trading	England [a]
[1]ADP Holdings Limited	Non-trading	England [a]
[1]ADP No.1 Limited	Non-trading	England [a]
[2]ADP Yorkshire Ltd	Dormant	England [a]
[1]Aesthetic Dental Care Limited	Dental practices	England [a]
[1]Aesthetix Limited	Dental practices	England [a]
[1]Alemdent Limited	Dental practices	England [a]
[1]Alison Brett Dental Care LLP	Dental practices	England [a]
[2]A-Z Dental (Subsidiary Number1) Limited	Dormant	England [a]
[2]A-Z Dental (Subsidiary Number 2) Limited	Dormant	England [a]
[1]A-Z Dental Holdings Limited	Non-trading	England [a]
[2]Bramora Limited	Dormant	England [a]
[2]Butler and Finnigan Dental Practice Ltd	Dormant	England [a]
[1]Castle Hill Dental Practice Limited	Dental practices	England [a]
[1]Chapel Road Orthodontics Limited	Dental practices	England [a]
[1]Church Street Dentists Limited	Dental practices	England [a]
[1]Clarendon Dental Practice Limited	Dental practices	England [a]
Community Dental Centres Limited	Dental practices	England [a]
[1]Confident Dental Practices Limited	Dental practices	England [a]
[1]Cromwell Dental Practice Limited	Dental practices	England [a]
[1]D and L Jordan Limited	Dental practices	England [a]
[1]D M Jordan Limited	Dental practices	England [a]
[1]DBG (UK) Limited	Dormant	England [a]
[1]DBG Acquisitions Limited	Non-trading	England [a]
[2]DBG Subsidiary Limited	Dormant	England [a]
[1]DBG Topco Limited	Non-trading	England [a]
[1]Dental Aesthetics Ltd	Dental practices	Northern Ireland [c]
[1]Dental Excellence Group Ltd	Non-trading	Northern Ireland [c]
[1]Dental Excellence Ltd	Dental practices	Northern Ireland [c]
[2]Dental Health Care Limited	Dormant	England [a]
[2]Dental Talent Tree (Recruitment) Limited	Dormant	England [a]
Denticare Limited	Dental practices	England [a]
[2]Denticare Properties Limited	Dormant	England [a]
[2]Denture Excellence (Franchising) Limited	Dormant	England [a]
Denture Excellence Limited	Dental practices	England [a]
[1]DH Dental Holdings Limited	Non-trading	England [a]
[1]Diverse Acquisitions Limited	Non-trading	England [a]
[1]Diverse Holdings Limited	Non-trading	England [a]
[2]Diverse Property Investments Limited	Dormant	England [a]
[1]DM and LJ Jordan Limited	Dental practices	England [a]
[1]DMJ Norwich Limited	Dental practices	England [a]
[1]Du Toit and Burger Partnership (Harwich) Ltd	Dental practices	England [a]
[1]Du Toit and Burger Partnership (Ipswich) Ltd	Dental practices	England [a]
[1]Du Toit and Burger Partnership (Silvertown) Ltd	Dental practices	England [a]
[1]Du Toit and Burger Partnership (Stratford) Ltd	Dental practices	England [a]
[1]Du Toit and Burger Partnership (Sudbury) Ltd	Dental practices	England [a]
[1]Du Toit and Burger Partnership Limited	Dental practices	England [a]

Notes to the consolidated financial statements *(continued)*

19 Investments *(continued)*

Name of subsidiary	Principal activity	Country of incorporation
[1]Durgan and Ashworth Dental Care Limited	Dental practices	England [a]
[1]Euxton (No 1) Limited	Dental practices	England [a]
[1]Falchion Orthodontics Limited	Dental practices	England [a]
[1]Fallowfield (No 1) Limited	Dental practices	England [a]
[1]Family Dental Care Limited	Dental practices	Scotland [b]
[1]Ffolliot Bird Associates Limited	Dental practices	England [a]
First Choice Dental Limited	Dental practices	England [a]
[1]Flagstaff Dental Clinic Limited	Dental practices	England [a]
[1]Fleetwood Practice Limited	Dental practices	England [a]
[2]Hackremco (No.2637) Limited	Dormant	England [a]
[1]Halldent Limited	Dental practices	England [a]
[2]Hayle Dental Practice Limited	Dormant	England [a]
[1]Healthcare Buying Group Limited	Non-trading	England [a]
[1]Hessle Grange Dental Care Limited	Dental practices	England [a]
[1]Hillcrest Ionian Limited	Dental practices	England [a]
[1]Hirst and O'Donnell Ltd	Dental practices	England [a]
[1]IDH 324 & 325 Ltd	Dental practices	England [a]
[1]IDH 331 Ltd	Dental practices	England [a]
[2]IDH 341 Ltd	Dormant	England [a]
[1]IDH 346 Ltd	Dental practices	England [a]
[1]IDH 363 Limited	Dental practices	England [a]
[1]IDH 403 Ltd	Dental practices	England [a]
[1]IDH 406 Ltd	Dental practices	England [a]
[1]IDH 418 Ltd	Dental practices	England [a]
[1]IDH 437 Ltd	Dental practices	England [a]
[1]IDH 441 to 444 Ltd	Dental practices	England [a]
[1]IDH 449 Limited	Dental practices	England [a]
[1]IDH 450 Limited	Dental practices	England [a]
[1]IDH 474 Limited	Dental practices	England [a]
[1]IDH 476 Limited	Dental practices	England [a]
[1]IDH 477 Limited	Dental practices	England [a]
[1]IDH 622 Limited	Dental practices	England [a]
IDH Acquisitions Limited	Non-trading	England [a]
IDH Group Limited	Non-trading	England [a]
IDH Limited	Dental practices	England [a]
[1]IDH Mansfield Limited	Dental practices	England [a]
Integrated Dental Holdings Limited	Non-trading	England [a]
[1]Jackro Healthcare Services Limited	Dental practices	England [a]
KH&GW Limited	Dental practices	England [a]
M C Dentistry Limited	Dental practices	England [a]
[1] Maidwell Dental Practice Limited	Dental practices	England [a]
[1]Mainstone Health Limited	Dental practices	England [a]
[1]Manchester Orthodontists Limited	Dental practices	England [a]
[1]Murgelas Practice Management Limited	Dental practices	England [a]
[2]My Dental Holdings Limited	Non-trading	England [a]
[2]MyDentist Limited	Dormant	England [a]
[1]N S Dental Ltd	Dental practices	Scotland [b]
[1]Natural Management Ltd	Non-trading	England [a]
[1]Offerton Fold Dental Practice Ltd	Dental practices	England [a]
[1]Olivers Dental Studio Limited	Dental practices	England [a]
Orthocentres Limited	Dental practices	England [a]
Orthodontic Centre (UK) Limited	Dental practices	England [a]
[1]Orthodontic Services Limited	Dental practices	Northern Ireland [c]
Orthoworld 2000 Limited	Dental practices	England [a]
[1]Orthoworld Limited	Dormant	England [a]
[2]OurDentist Ltd	Dormant	England [a]
[1]Padgate (No 1) Limited	Dental practices	England [a]
[1]Palmerston Precinct Practice Limited	Dental practices	England [a]
[1]Pearl Bidco Limited	Non-trading	England [a]

Notes to the consolidated financial statements *(continued)*

19 Investments *(continued)*

Name of subsidiary	Principal activity	Country of incorporation
[3]Pearl Cayman 1 Limited	Non-trading	Cayman Islands [d]
[3]Pearl Cayman 2 Limited	Non-trading	Cayman Islands [d]
[1]Pearl Topco Limited	Non-trading	England [a]
Petrie Tucker and Partners Limited	Dental practices	Scotland [4,b]
[1]Phoenix Dental Limited	Dental practices	England [a]
[1]Phoenix Dental Practice Limited	Dental practices	England [a]
[1]Pierce & Geddes Limited	Dental practices	England [a]
[1]PJ Burridge Ltd	Dental practices	England [a]
[1]Premier Dental Limited	Dental practices	England [a]
[1]Priory House Dental Care Limited	Dental practices	England [a]
Q Dental Care Limited	Dental practices	England [a]
[2]Q Dental Surgeries Limited	Dormant	England [a]
[1]Queensferry Dental Surgery Limited	Dental practices	England [a]
[1]Richard Flanagan & Associates Limited	Dental practices	England [a]
[1]Richmond House Practice Limited	Dental practices	England [a]
Romford Orthodontics Centre Limited	Dental practices	England [a]
[1]S L S Dental Care Limited	Dental practices	England [a]
[1]Shadeshire Limited	Non-trading	England [a]
[1]Silverdale Dental Care Ltd	Dental practices	England [a]
[2]Smile Dental Practices Limited	Dormant	England [a]
[1]South Tyneside Smiles Limited	Dental practices	England [a]
[2]Speed 8599 Limited	Dormant	England [a]
[2]Speed 8600 Limited	Dormant	England [a]
[1]SRDP Limited	Dental practices	England [a]
[1]Stalbridge Dental Practice Limited	Dental practices	England [a]
[1]Stunning Smiles Ltd	Dental practices	Northern Ireland [c]
[1]The Bristol Endodontic Clinic Limited	Dental practices	England [a]
The Crescent Specialist Dental Centre Ltd	Dental practices	England [a]
The Dental Directory Limited	Non-trading	England [a]
[1]The Domiciliary Dental Practice Limited	Dental practices	England [a]
[1]The Plains' Dental Practice Limited	Dental practices	England [a]
[1]The Village Practice Ltd	Dormant	England [a]
[1]The Visiting Dental Service Ltd	Dental practices	England [a]
[1]Tully Crine Limited	Dental practices	England [a]
[1]Unnati Limited	Dental practices	England [a]
[2]Viren Patel and Associates Limited	Dormant	England [a]
[1]Westhoughton (No 1) Limited	Dental practices	England [a]
[1]Westpark Dental Practice Limited	Dental practices	England [a]
[1]White Dental Care Ltd	Dental practices	Northern Ireland [c]
Whitecross Dental Care Limited	Dental practices	England [a]
[1]Whitecross Group Limited	Non-trading	England [a]
[1]Whitecross Healthcare Limited	Non-trading	England [a]
[2]Whitecross Supplies Limited	Dormant	England [a]
[1]Wishaw Cross Dental Care Limited	Dental practices	Scotland [b]

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

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

[3] *Company exempt from audit by virtue of the legislation in the country of incorporation.*

[4] *Countries of operation are England, Scotland and Wales*

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

[b] *Registered office address: 1 Johnston Street, Paisley, Renfrewshire, Scotland, PA1 1XQ*

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

[d] *Registered office address: c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman Ky1-9005, Cayman Islands*

Notes to the consolidated financial statements *(continued)*

19 Investments *(continued)*

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

Name of partnership
1A Group Dental Practice Partnership
*Ardent Dental Care Practice Partnership
Armley Dental Practice Partnership
Avondale Dental Practice Partnership
Bank House Dental Practice Partnership
Bolton and Bury Dental Practice Partnership
Brinsworth Lane Dental Care Partnership
Broadwalk Dental Centre Partnership
Carcroft Dental Practice Partnership
Castle View House Dental Practice Partnership
Chequer Hall Dental Practice Partnership
Colne & Earby Dental Practice Partnership
*Cottage Dental Practice Partnership
Crown Dental Practice Partnership
*Dalton Dental Surgery Partnership
Effingham Square Dental Practice Partnership
Florence House Dental Practice Partnership
Front Street Dental Practice Partnership
Hampton Court Dental Centre Partnership
Harbour Dental Practice Partnership
*Haslingden Dental Surgery Partnership
Heaton Road and Blakelaw Dental Practice Partnership
Henfield Dental Practice Partnership
High Street Dental Practice Partnership
Hollinwood Dental Practice Partnership
Jefferies Reed and Associates
JF Scott Dental Surgeon Partnership
Kettering Central Dental Practice Partnership
Lambert Coutts & Associates Dental Practice Partnership
Low Fell Dental Practice Partnership
*Mayo Dental Clinic Partnership
Mill Dental Practice Partnership
Mostyn House Dental Practice Partnership
Narborough Road South Dental Practice Partnership
North Marine Road Dental Practice Partnership
Northgate Dental Health Practice Partnership
Picton Road Dental Practice Partnership
*Railway Road Dental Practice Partnership
Red Rose Dental Group
Rhyl and Abergele Elwy Dental Partnership
Ripponden Road Dental Practice Partnership

Name of partnership
Risley Hill Dental Centre Partnership
River Wye Dental Practice Partnership
Roe Lane Family Dental Practice Partnership
Severn Street Dental Practice Partnership
Shaw Family Dental Practice Partnership
Sneyd Green Dental Practice Partnership
South England Dental Practice Partnership
Spital Hill Dental Surgery Practice Partnership
Stanhope Road Dental Practice Partnership
The Bell Lane Practice
The Boulevard Dental Practice Partnership
The Burnby Dental Practice Partnership
The Burnham Dental Practice Partnership
The Caulfield Dental Surgery Partnership
The Church House Dental Practice Partnership
The Crab Tree Lane and Church Street Dental Practice Partnership
The Crossgates Lane and Chapeltown Road Dental Practice Partnership
The Dental Surgery Partnership
The Fairfield Dental Practice Partnership
The Gairloch House Dental Practice Partnership
The Grainger Stockton , Birtley and Stanley Dental Practice Partnership
*The Haverflatts Lane Dental Practice Partnership
The Killingworth Dental Practice Partnership
The Loddon Dental Practice Partnership
The London Road Dental Practice Partnership
The Lyppard Dental Centre Practice Partnership
The Marden House Dental Practice Partnership
The Peterborough Dental Practice Partnership
The Peterlee Dental Practice Partnership
The Pon Dental Surgery Dental Practice Partnership
The Sea Road Dental Practice Partnership
The Severnside Dental Practice Partnership
The Southwick and Whitburn Dental Practice Partnership
Tower Gardens Dental Practice Partnership
Trinity Terrace Dental Practice Partnership
VI Dental Centre Partnership
*West Lodge Dental Practice Partnership
Westbury Park Dental Practice Partnership
Whiston Village Dental Practice Partnership
Woodview Dental Health Practice Partnership

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

**The NHS contract within this partnership has been novated into a group company and the partnership has therefore ceased to trade.*

Notes to the consolidated financial statements *(continued)*

19 Investments *(continued)*

The following companies form part of the DD division and have been recognised as "held for sale" assets at 31 March 2022 in the consolidated financial statements. The companies all formed part of the sale of DD on 8 June 2022.

Name of subsidiary	Principal activity	Country of incorporation
[3]BF Mulholland Ire Limited	Dormant	Ireland [f]
BF Mulholland Limited	Healthcare goods and services	Northern Ireland [c]
DD Products and Services Ltd (formerly Billericay Dental Supply Co. Limited)	Healthcare goods and services	England [g]
Dolby Medical EBT Trustee Limited	Non-trading	Scotland [h]
Dolby Medical Limited	Equipment servicing	Scotland [h]
DD Group Holdings Ltd (formerly H M Logistics Limited)	Healthcare goods and services	England [g]
[2]Handpiece Express Limited	Dormant	England [g]
Med-FX Ltd	Distributor of facial aesthetics products	England [g]
Mi-Tec Ltd	Equipment repair	England [g]
[2]Mintek UK Ltd	Dormant	England [g]
TAG Medical Limited	Medical equipment and testing	England [g]
[2]Unodent Ltd	Dormant	England [g]
[3]X-Dent Limited	Healthcare goods and services	Jersey [e]

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

[3] *Company exempt from audit by virtue of the legislation in the country of incorporation.*

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

[e] *Registered office address: PO Box 771, Ground Floor, Colomberie Close, St Helier, Jersey, JE4 0RX*

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

[g] *Registered office address: 6 Perry Way, Witham, England, CM8 3SX*

[h] *Registered office address: Units 1-3 Block 5, Manor Farm Business Park, Manor Loan, Stirling, Scotland, FK9 5QD*

Group

The group does not own any investments (2021: none).

20 Inventories

	Group 2022 £'000	Group 2021 £'000
Dental practice consumables	**5,867**	5,419
Goods for resale	-	28,617
	5,867	34,036

Inventories are shown net of provisions of £6,000 for {my}dentist at 31 March 2022 in respect of obsolete or slow moving items.

At 31 March 2022, £25.3 million of inventories held by DD have been reclassified to assets held for sale. This is net of provisions of £5.8 million in respect of obsolete or slow moving items. In 2021 the group held £11.1 million of provisions for obsolete or slow moving items with a provision on normal goods at DD of £4.9 million and a provision of £6.2 million on Covid related stock.

The cost of inventories recognised as an expense within cost of sales during the year amounted to £163.0 million. (2021: £125.9 million).

The replacement cost of inventories are not materially different to its carrying value.

Company

The company has no inventories (2021: £nil).

Notes to the consolidated financial statements *(continued)*

21 Trade and other receivables

	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Current				
Trade receivables	**392**	-	22,846	-
Amounts owed by group undertakings	**-**	**396**	-	12
Amounts owed by related undertakings	**55**	-	306	11
Other assets	**4,162**	-	5,483	-
Prepayments	**4,612**	-	5,345	-
Accrued income	**10,664**	-	13,508	-
	19,885	**396**	47,488	23
Non-current				
Amounts owed by group undertakings	-	-	-	5,681

At 31 March 2022, £31.3 million of trade and other receivables held by DD have been reclassified to assets held for sale.

Amounts owed by group undertakings included within non-current assets at March 2021 were in relation to loan notes issued by Turnstone Midco 1 Limited, the company's immediate subsidiary. The amounts were unsecured and subject to an interest charge of 12% per annum. The loan was settled as part of the Palamon transaction on 16 August 2021.

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

Amounts owed by related undertakings in FY2021 comprise expenses paid on behalf of Turnstone Management Investments Limited, a company registered in England and which holds investments in Turnstone Equityco 1 Limited on behalf of group management, along with amounts due from the Employee Benefit Trust, which also holds investments in Turnstone Equityco 1 Limited on behalf of employees. The outstanding amounts due from Turnstone Management Investments Limited were settled as part of the Palamon transaction. The amounts owed by related undertakings in FY2022 comprise loans made by group companies to the Employee Benefit Trust.

Accrued income includes amounts due from the NHS in England and Wales in respect of the group's long term fixed income contracts to deliver dentistry services.

The fair value of trade and other receivables is not considered to be materially different to the carrying values, with the majority of the balance being short term in nature. Trade and other receivables are considered to be past due once they have passed their contracted due date.

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	Group 2022 £'000	Group 2021 £'000
Sterling	**49,975**	46,247
Euro	**1,204**	1,241
	51,179	47,488
Transferred to assets held for sale	**(31,294)**	-
	19,885	47,488

All of the company's receivables are denominated in Sterling.

Notes to the consolidated financial statements *(continued)*

21 Trade and other receivables *(continued)*

As at 31 March 2022, trade receivables, including amounts included in assets held for sale relating to DD, of £1,609,000 were past due and/or partially impaired (2021: £1,538,000). An expected credit loss is established based on past default experience adjusted for forward looking estimates. In previous years, the individually impaired receivables principally relate to businesses within DD. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade receivables over 120 days old are categorised and provided for based on risk characteristics for example, balances passed to debt collectors, in dispute or on a payment plan have an expected loss rate of 100%, 50% and 25% respectively.

Trade receivables under 120 days old are provided against based on specific facts related to the counterparty.

The ageing of these receivables is as follows:

	Group 2022 £'000	Group 2021 £'000
Not overdue	**15**	63
One month to six months overdue	**489**	364
Over six months overdue	**1,105**	1,111
	1,609	1,538

Movements on the provision for impairment of trade receivables during the year are as follows:

	2022 £'000	2021 £'000
At 1 April	**1,033**	869
Impairment losses recognised	**187**	462
Amounts written off as uncollectable	**(130)**	(298)
Unused amounts reversed	**(27)**	-
Transferred to assets held for sale – DD	**(1,063)**	-
At 31 March	**-**	1,033

The other classes within trade and other receivables do not contain any assets that are considered to be impaired.

Notes to the consolidated financial statements *(continued)*

22 Cash and cash equivalents

	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Cash at bank and in hand	**31,849**	**262**	11,713	40

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). Please also refer to note 34.

The carrying amounts of the group's cash and cash equivalents are denominated in the following currencies:

	Group 2022 £'000	Group 2021 £'000
Sterling	**31,849**	11,428
Euro	-	190
US Dollar	-	17
Other currencies	-	78
	31,849	11,713

In addition to the above amounts held by the continuing {my}dentist division, there is £7.2 million of cash and cash equivalents included in the DD held for sale asset. See note 30 for more information.

All of the company's cash and cash equivalents are denominated in Sterling.

23 Trade and other payables

	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Current				
Trade payables	**11,276**	-	27,691	-
Amounts owed to group undertakings	-	**108**	-	2
Accruals	**184,231**	-	141,958	-
Deferred income	**8,731**	-	2,290	-
Other taxation and social security	**3,128**	-	3,524	-
Contingent consideration	**380**	-	2,251	-
Government grants	**8**	-	30	-
	207,754	**108**	177,744	2
Non-current				
Contingent consideration	-	-	275	-
Government grants	**78**	-	29	-
	78	-	304	-

At 31 March 2022, £28.3 million of trade and other payables held by DD have been reclassified to assets held for sale.

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

Included within accruals is an amount due to the NHS of £118.4 million in respect of UDAs not delivered (2021: £70.5 million), along with fees of £27.8 million payable to self-employed dentists in respect of work completed (2021: £35.7 million).

Notes to the consolidated financial statements *(continued)*

23 Trade and other payables *(continued)*

The accrual for amounts due back to the NHS reflects the recognition of NHS revenue through FY2021 and FY2022. At the end of FY2021, the uncertainty was increased due to the absence of any UDA volume-based contract measurement.

At the end of FY2022, there remains some uncertainty as to the final level of any repayment due back to the NHS for underperformance in FY2021 due to ongoing reviews by NHS Regions, however where performance in FY2022 is in line with NHS targets the risk is considered to be reduced.

At the year-end the group reviewed the individual contract performance by practice across FY2021 and FY2022. Where uncertainty existed at the end of FY2021 but the reconciliation process with the NHS Area Team did not raise any issues, no ongoing review is active and all contract performance requirements have been met for FY2022, the group determined that the level of uncertainty was such that the revenue should be recognised in FY2022. This amounted to 20% of the total revenue not recognised in FY2021.

The fair value of the contingent consideration was estimated by assessing the probability that the performance based targets will be achieved and by discounting the probability weighted future cash flows. Target conditions can vary depending on the agreements made with individual sellers and may include revenue or EBITDA targets. The fair value estimates have been calculated using a discount rate of 2% (2021: 2%) which has been deemed the appropriate risk specific rate. This is a level 3 fair value measurement (see note 34).
The fair value of the remaining financial liabilities is not considered to be materially different from their carrying values, due to the short term to maturity.

The carrying amounts of the group's trade and other payables are denominated in the following currencies:

	Group 2022 £'000	Group 2021 £'000
Sterling	**231,340**	171,873
Euro	**4,524**	4,116
US Dollar	**147**	1,822
Other currencies	**142**	237
	236,153	178,048
Transferred to assets held for sale	**(28,321)**	-
	207,832	178,048

All of the company's payables are denominated in Sterling.

24 Derivative financial instruments

Derivative financial liabilities

	Group 2022 £'000	Group 2021 £'000
Current assets		
Interest rate swap contract (see Note 25)	**8,601**	-
Current liabilities		
Foreign exchange forward contracts	**-**	334
Non-current liabilities		
Share purchase warrants	**582**	-

The fair value of the foreign exchange forward contracts of £25,000 held by DD have been transferred to Assets held for sale at 31 March 2022.

Notes to the consolidated financial statements *(continued)*

24 Derivative financial instruments *(continued)*

Fair value of foreign exchange forward contracts
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. As part of this strategy, the DD division routinely enters into foreign exchange forward contracts, which are negotiated in line with the group's anticipated commitments.

The fair value of the foreign exchange forward contracts is calculated as the present value of the estimated future cash flows when comparing the contracted forward rate against observable forward contract rates at the balance sheet date. This is a level 2 fair value measurement (see note 34).

Share purchase warrants
As part of the Palamon transaction, share purchase warrants were issued to a lender. The number of shares to be issued under the warrant is dependent on the timeframe for the settlement of the Subordinated PIK facility. The warrant has been valued based on an assessment of the equity value most likely to arise at the point of utilisation.

Company

The company has issued a share purchase warrant which has been classified as a non-current liability and valued at £0.6 million. (2021: £nil).

25 Borrowings

	Group 2022 £'000	Group 2021 £'000
Non-current		
Loans/ Senior secured fixed rate, floating rate and second lien notes		
Due between one and two years	**120,000**	553,316
Due over five years	**400,000**	-
	520,000	553,316
Bank loans		
Due between two and five years	**25,000**	30,000
Less: unamortised arrangement fees and related costs	**(15,509)**	(2,884)
	529,491	580,432
Loan notes (due between two and five years)	-	924,416
Redeemable preference shares (due between two and five years)	**91,728**	71,357
	621,219	1,576,205

All of the group's borrowings are denominated in Sterling and are secured by means of a floating charge against the assets of certain group subsidiary companies. See note 38 for a reconciliation of net debt.

Senior secured fixed rate, floating rate and second lien notes
Up until 16 August 2021, the group had the following available borrowing facilities:

- £275 million of senior secured fixed rate notes. The notes were issued on 5 August 2016 at par, and were due to mature at par on 15 August 2022. Interest was 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 were due to mature at par on 15 August 2022. Interest was 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 were due to mature at par on 15 August 2023. Interest was 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.
- £100 million Super Senior Revolving Credit Facility ('SSRCF'). £30.0 million had been drawn against the facility at 31 March 2021 and a further £1.8 million committed against a letter of credit (see also note 33).

Notes to the consolidated financial statements *(continued)*

25 Borrowings *(continued)*

- Interest was payable in arrears at a rate of LIBOR plus 3.5% per annum. The facility was to be available until 5 August 2022.

As part of the Palamon transaction on 16 August 2021, all of the outstanding loans, together with any accrued interest and dividends were repaid in full and the notes and facilities cancelled. The issue discount arising on the senior secured floating rate notes and the second lien notes was being amortised over the term to maturity, in accordance with the effective interest method. On the repayment of the outstanding loans, the remaining discount of £1.4m was released to the income statement through finance costs.

On the 16 August 2021, new long term financing arrangements were put in place.

- £450 million Unitranche facility split into a £400.0 million Facility B and £50.0 million Facility C. The Facility B is available until 16 August 2027, with the Facility C available to 16 August 2023. Interest is payable in arrears at a rate of SONIA plus a credit adjustment spread plus a margin based on the group leverage from 16 August 2022. Until this date the margin is fixed at 7.25%.
- £120.0 million Subordinated PIK facility. The facility is available until 16 August 2023 or 16 August 2024 if extended. Interest is rolled into the outstanding debt on a quarterly basis and is payable on repayment of the facility. Interest accrues at SONIA plus a credit adjustment spread plus 11.0% until 16 August 2022 and then increases by 0.50% each quarter.

On 29 October 2021, the £50 million Facility C element of the Unitranche was repaid in full and replaced with a new Revolving Credit Facility ("RCF") initially for £45 million but with the potential to increase to £70 million. The RCF is available to 16 February 2026 with interest payable in arrears at a rate of SONIA plus a credit adjustment spread plus a margin based on the group leverage from 16 August 2022. Until this date the margin is fixed at 3.50%. The RCF was fully drawn at inception but £20.0 million has been repaid during the year. At 31 March 2022, £25.0m was drawn on the RCF. On 29 July 2022, the outstanding £25.0 million was repaid.

On 8 June 2022 following the sale of the DD division, the £120.0 million Subordinated PIK facility was repaid in full including accrued interest. The total repayment was £131.5 million.

The group is required to comply with certain financial and non-financial covenants under the terms of its various borrowing facilities. Further details of certain financial covenants can be found in note 34.

The directors do not consider the fair value of the group's other borrowings to be materially different from their carrying values.

Following the Palamon transaction and the refinancing of the group's debt, the group reviewed the exposure to interest rate fluctuations of the new financing arrangements. Prior to the transaction, 47% of the group's debt was at fixed interest rates. Post transaction, the 100% of the new financing was exposed to fluctuations in SONIA. On 10 December 2021, the group agreed an fixed interest rate swap contract with Santander UK Plc for £300.0 million. This instrument means that at year-end 55% of group debt was held at a fixed rate. This increases to 70% on the repayment of the subordinated PIK facility. The contract has a termination date of 31 March 2025 and payments are made quarterly based on the difference between the floating SONIA rate and the fixed rate of 1.05%.

Loan notes and redeemable preference shares

Loan stock of £314.5 million was issued on 11 May 2011 to fund the acquisition of Pearl Topco Limited and ADP Healthcare Services Limited. Interest accrued on the principal amount at a rate of 12% per annum. Interest that remained unpaid on the anniversary of the note issue was capitalised. During the previous year, the group's leading shareholders agreed to extend the repayment date of these instruments to the earlier of a sale of the business or May 2024.

A total of 23,627,422 £1 preference shares were issued at par on 11 May 2011 to fund the acquisition of Pearl Topco Limited and ADP Healthcare Services Limited. The preference shares had a fixed, cumulative dividend of 12% per annum which was repayable on the earlier of a sale of the business or May 2024. As part of the Palamon transaction, the loan notes and redeemable preference shares were waived or settled by the issue of Ordinary shares.

A new class of preference shares were issued by the company as part of the Palamon transaction. The shares were issued at par for £83.6 million and have a fixed return of 1.5x the par value, payable at the time of an exit from the group by Palamon Capital Partners. The dividend payable at exit will be accrued over time. At 31 March 2022, £8.1 million was accrued.

Company

The company has issued preference shares of £83.6 million with £8.1 million of dividends accrued at 31 March 2022. (2021: £nil).

Notes to the consolidated financial statements *(continued)*

26 Provisions

	Vacant property & dilapidations £'000
At 1 April 2020	4,872
Charged to the income statement	329
Utilised in the financial year	(631)
Unwinding of discount	36
At 31 March 2021	**4,606**

	Total £'000
At 1 April 2021	4,606
Charged to the income statement	2,517
Utilised in the financial year	(1,101)
Unwinding of discount	4
Transfer to Assets held for sale	(122)
At 31 March 2022	**5,904**

	Group 2022 £'000	Group 2021 £'000
Current	**694**	536
Non-current	**5,210**	4,070
	5,904	4,606

Vacant property and dilapidations

The group has a number of vacant and partly sub-let leasehold properties arising from the closure of loss making practices. Prior to the transition to IFRS 16 on 1 April 2019, provisions were made for the residual lease commitments, together with other outgoings, after taking into account existing sub-tenant arrangements. It was not assumed that the properties will be able to be sublet beyond the periods in the present sub-lease agreements.

On 1 April 19, the provision relating to the rental charges on these properties was derecognised as these have been reflected in the lease liability under IFRS 16. An impairment to the right of use asset in respect of these properties was recorded. The residual non-rental property outgoings are still included within this provision. Provision has also been made for the costs associated with contractual obligations to return practices to their original condition at the end of the lease. The provisions are expected to be substantially utilised over the next five years.

Company: The company has no provisions (2021: £nil).

Notes to the consolidated financial statements *(continued)*

27 Deferred income tax

Deferred income tax is provided in full on temporary differences using the liability method and a tax rate of 19% (2021: 19%). See also note 14. The movement on the deferred income tax account is as shown below:

	Arising on losses £'000	Arising on share based payments £'000	Arising on defined benefit pension obligation £'000	Capital allowances £'000	Arising on intangible assets £'000	Arising on financial assets and liabilities £'000	Total £'000
At 1 April 2020	1,539	-	76	20,802	(41,950)	6	(19,527)
Recognised in income	2,725	-	9	2,685	969	-	6,388
Recognised in other comprehensive expense	-	-	(28)	-	-	-	(28)
Recognised directly in equity	-	-	-	-	-	-	-
Arising through business combinations	-	-	-	-	(203)	-	(203)
At 31 March 2021	4,264	-	57	23,487	(41,184)	6	(13,370)
Recognised in income	(4,264)	491	87	7,459	7,968	(2,046)	9,695
Recognised in other comprehensive expense	-	-	(65)	-	-	-	(65)
Recognised directly in equity	-	(491)	-	-	-	-	(491)
Transferred to held for sale - DD	-	-	-	-	4,310	-	4,310
At 31 March 2022	**-**	**-**	**79**	**30,946**	**(28,906)**	**(2,040)**	**79**

The group has estimated non-trade losses of £72.7 million (2021: £27.2 million) available for carry forward against future non-trade profits. A deferred income tax asset of £18.2 million (2021: £5.2 million) in respect of these losses has not been recognised as the future recoverability is uncertain or not currently anticipated.

Deferred income tax arising on intangible assets has arisen as a result of business combinations.

Based upon its latest available budgets and forecasts, the group has a reasonable expectation that it will generate sufficient future taxable profits to recover the recognised deferred income tax assets shown above.

Net deferred income tax of approximately £nil is expected to unwind to the income statement during the year ending 31 March 2023.

Company: The company has no deferred income tax (2021: £nil).

Notes to the consolidated financial statements *(continued)*

28 Share capital

Group and company	Number issued	2022 £'000	Number issued	2021 £'000
Allotted, called up and fully paid				
'A1' ordinary shares of £0.01	-	-	1,681,763	17
'A2' ordinary shares of £0.04	-	-	18,236	1
'B' ordinary shares of £0.04	-	-	300,000	12
'E1' ordinary shares of £0.10	-	-	82,559	8
'E2' ordinary shares of £0.001	-	-	171,998	-
New 'A' Ordinary shares of £0.0001	**754,520**	-	-	-
New 'B' Ordinary shares of £0.0001	**245,480**	-	-	-
Deferred shares of £0.0001	**32,797,653,241**	**3,280**	-	-
	32,798,653,241	**3,280**	2,254,556	38

The 'A1' and 'A2' ordinary shares ranked pari-passu.

The 'B' ordinary shares retained the same voting rights as the 'A1 and 'A2' ordinary shares but with restrictions on distributions in the event of a sale of the company.

The 'E1' ordinary shares carried five percent of the total voting rights at a general meeting, subject to certain restrictions. The 'E1' ordinary shares were also subject to restrictions on distributions in the event of a sale of the company.

The 'E2' ordinary shares carried no voting rights and are were also subject to restrictions on distributions in the event of a sale of the company.

As part of the Palamon transaction on 16 August 2021, 'A' Ordinary and Deferred shares were issued in exchange for preference shares and shareholder loan notes and all existing share classes. New 'B' Ordinary shares were issued to the management team. The new 'A' and 'B' Ordinary shares rank pari-passu.

Share purchase warrants for additional 'A' Ordinary shares were also issued to a lender as part of the transaction. The number of shares that would be issued under the warrant at exit is dependent on the time frame for the settlement of the Subordinated PIK facility. The facility was repaid in June 2022.

The deferred shares have no voting rights and no entitlement to any dividend or any other distribution of the company.

29 Reserves

The following describes the nature and purpose of each reserve within equity attributable to owners of the parent:

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

Capital reserve
As part of the Palamon transaction, equity shareholders waived the requirement for some outstanding preference share dividends to be settled. The amount of dividends waived has been classified as a capital contribution and is held in the capital reserve.

Retained earnings or accumulated losses
Cumulative net gains and losses recognised in the group or parent company income statement or through equity.

Notes to the consolidated financial statements *(continued)*

30 Assets held for sale

Dental Directory

At 31 March 2022, the following assets were reclassified as held for sale as the group had started a process with external advisors to sell the DD division.

	2022
	£'000
Assets	
Non-current assets	
Goodwill	**21,979**
Other intangible assets	**17,243**
Property, plant and equipment	**4,346**
Right of use assets	**7,495**
	51,063
Current assets	
Inventories	**25,325**
Trade and other receivables	**31,294**
Cash and cash equivalents	**7,212**
	63,831
Total assets	**114,894**
Liabilities	
Trade and other payables	**28,321**
Lease liabilities	**8,165**
Provisions	**122**
Deferred tax liability	**4,310**
Derivative financial liability	**25**
Total liabilities	**40,943**
Total Assets held for sale	**73,951**

On 18 May 2022, the group entered into a binding share purchase agreement to sell DD Group Holdings Limited and subsidiaries to an affiliate of Sun European Partners LLP. On 8 June 2022, the transaction was completed and the DD division ceased to form part of the group. The proceeds from the sale of DD Group Holdings Limited were used to repay the full outstanding amount of the £120m Subordinated PIK facility including all accrued interest.

Notes to the consolidated financial statements *(continued)*

30 Assets held for sale *(continued)*

{my}dentist

At 31 March 2022, the following assets were reclassified as held for sale as the group had started a process to dispose of 29 practices.

	2022 £'000
Assets	
Non-current assets	
Other intangible assets	6,472
Property, plant and equipment	2,505
Right of use assets	3,058
	12,035
Current assets	
Inventories	207
Total assets	12,242
Liabilities	
Lease liabilities	3,243
Total liabilities	3,243
Total Assets held for sale	8,999

31 Share based payments

On 16 August 2021, the company issued a total of 245,480 'B' Ordinary shares of £0.0001p to members of the group's management and an Employee Benefit Trust. The 'B' Ordinary shares were issued for £1.00 per share to all participants.

The 'B' Ordinary shares entitle the holders to a share of the equity value of the company in the event of a sale of the business. Holders of the 'B' Ordinary shares are subject to certain vesting conditions and leaver conditions. In the event of a sale of the business, all remaining shares held by current employees of the group at such a time will immediately vest.

The fair value of the shares issued during the year ended 31 March 2022, determined using an expected value model, was £46.59 for each 'B' Ordinary share. The expected value model considered a range of probability weighted enterprise value outcomes in the event of a sale of the business.

The fair value of the shares issued is charged to the income statement over the expected life of the shares. As a result, a charge of £2.6 million (2021: Nil) has been recognised in the income statement.

Notes to the consolidated financial statements *(continued)*

32 Commitments

Group

Operating lease commitments

The group has a number of non-cancellable operating lease agreements, principally in relation to property. The majority of lease agreements would be renewable at the end of the lease period through negotiation of mutually acceptable terms with the lessor. The terms of the property leases vary, although they will typically contain provision for one or more upwards only rent reviews at intervals throughout the lease term, usually linked either to RPI or to market valuation. The future aggregate minimum lease payments under non-cancellable operating leases are shown below.

From 1 April 2019, the group has recognised right of use assets for leases and corresponding lease liabilities, except for short term and low value leases which are disclosed separately below. See note 18 for further information. Short term and low value leases relate to storage or car parking facilities.

Land and buildings	**Group 2022 £'000**	Group 2021 £'000
Within one year	**74**	51
Between one year and five years	**8**	8
After five years	**16**	18
	98	77

Company: The company has no commitments (2021: £nil).

33 Contingencies

Assigned leases
Upon disposal of dental practices, the group has typically assigned the associated leases to the purchaser. In the event that the purchaser defaults on their lease payments and should the landlord be unable to mitigate their losses sufficiently, then there is an obligation on the group to take on these lease commitments.

In the opinion of the directors such eventualities are unlikely, as dental practices have been disposed of as going concerns. As a result there is no such provision against such eventualities made in these financial statements. The group has no experience of any leases that it has assigned, in relation to dental practices, reverting back to it.

Partnership guarantees
A number of individuals in the management team have entered into partnerships as part of the group's acquisition of the trade and assets of those partnerships. The partners hold their interest in the partnership under a trust deed on behalf of one of the group companies. In order to indemnify the partners against specific risks in relation to this arrangement, a guarantee is in the process of being agreed supported by a letter of credit from the group's bank for £1.8 million (2021: £1.8 million letter of credit in place).

Taxation
The group and HMRC have concluded discussions over technical tax positions related to the partnership acquisition model including deductions for goodwill amortisation and VAT on dental facilities . No changes have been required to the operating model or to the historical accounting.

Goodwill deductions

The partnership acquisition process involves a group subsidiary company, usually Whitecross Dental Care Limited, purchasing the trade and assets of a target practice resulting in the recognition of goodwill for the excess of any consideration over the fair value of the trade and assets. Where the transaction completed before 8 July 2015, the company considers that a corporation tax deduction is available for the amortisation of this goodwill. HMRC disagreed with the accounting treatment adopted by the company and challenged the availability of the goodwill deductions claimed in the tax computations for the years ended 31 March 2011, 2012 and 2013. HMRC raised assessments in respect of these periods to disallow the goodwill deducted but then specified that the assessments should not be paid while they continued their review. The assessments were appealed by the company. The computations in the following tax years remained open as HMRC opened protective enquiries on the returns.

Notes to the consolidated financial statements *(continued)*

33 Contingencies *(continued)*

Goodwill deductions (continued)

There was immediate cash tax impact as the company had sufficient unclaimed capital allowances which could be utilised to replace any disallowed deductions.

In considering the likelihood of all potential outcomes at 31 March 2021, the group took the decision to recognise a potential liability for the part of the goodwill balance relating to the NHS contract. Future potential deductions for amortisation were provided for and this increased the deferred tax liability by £11.0m. The disallowance of historical claims would lead to the utilisation of currently unclaimed capital allowances. Providing for this reduced the deferred tax asset by £5.8m.

During FY2022, HMRC have withdrawn the assessments raised on years ended 31 March 2011, 2012 and 2013 and closed their investigation of this matter. The adjustments to deferred tax recognised in the prior year have been reversed at 31 March 2022.

VAT on dental facilities

Where a partnership holds the NHS dental contract, in order to enable the dentists to provide treatment to patients, dental facilities, including the chair, instruments and a nurse, are provided by a subsidiary. The company and its advisors, including Counsel, consider that this supply of dental facilities is not chargeable to VAT. HMRC had in previous years argued that the supply should have been standard rated and VAT collected on the supply. Assessments were raised by HMRC for VAT periods from 1 January 2014.

HMRC reviewed the case in detail during FY2021 and agreed that the VAT treatment was acceptable. The outstanding assessments were withdrawn by HMRC.

Self-employed status of clinicians

The status of clinicians as self-employed is discussed in note 3. The group considers that it is probable that this issue will be resolved in its favour and has therefore not recognised a provision in relation to this uncertain tax position. As it is considered remote that a retrospective charge would arise from a review, there is not considered to be a contingent liability for this issue.

Company: The company has no contingencies (2021: £nil).

Notes to the consolidated financial statements *(continued)*

34 Financial instruments

Financial risk management

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

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

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 DD, new customers are subject to external credit checks using the main agencies. Credit terms are negotiated individually and subsequently monitored closely by the credit control team. Cash deposits are principally held with institutions that hold a minimum credit rating meeting two of the following: BBB+ (Standard and Poor's or Fitch); or Baa1 (Moody's).

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

The group regularly monitors its cash flow forecasts and currently maintains funds on demand to meet all operational expenses including the servicing of financial obligations. Further details of the group's bank facilities and other borrowings are set out in note 25 and the group's trade and other payables are set out in note 23.

Market risk
Market risk is the risk that changes in foreign exchange rates and interest rates will affect the group's income or costs. Prior to the disposal of DD the group was exposed to currency risk as business units within DD routinely purchased 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. Reasonable certainty over the group's cash flows from DD was managed through the use of derivative financial instruments such as foreign currency forward contracts or option contracts. Foreign exchange risk is also managed for {my}dentist through competitive tendering for the group's significant supply contracts. All continuing operations are carried out in the United Kingdom and all income, other expenses and facilities are denominated in Sterling.

Prior to the refinancing of the group debt on 16 August 2021, £275.0 million of the group's senior secured notes were of a fixed rate nature. The new debt structure includes a variable cost element based on SONIA across Facility B and the RCF and therefore increases the group's exposure to interest rate risk. In order to mitigate this risk, the group has entered into an interest swap contract to fix the SONIA rate on £300.0 million of debt until 31 March 2025. Interest charges are therefore fixed in respect of 55% of the group's total drawn debt at 31 March 2022 (2021: 47%). At 31 March 2022, the market value of the interest swap contract is £8.6 million and has been recognised through the income statement. Further details are set out in note 25.

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.

Notes to the consolidated financial statements *(continued)*

34 Financial instruments *(continued)*

Sensitivity analysis

Management have considered the risk of changes in interest rates upon the group's financial performance:

- 55% of the group's external debt is subject to fixed interest (2021: 47%) 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 SONIA would have the effect of increasing or decreasing the group's annual cash interest costs by approximately £2.5 million, based upon the funding structure in place at 31 March 2022.
- Following the repayment of the Subordinated PIK in June 2022, the effect of a 1% increase or decrease in the rate of SONIA has decreased to £1.3 million.

Capital management

The primary objective of the group's capital management of net debt (which includes cash and specifically excludes redeemable preference shares) is to ensure that it maintains its capital ratios in order to support the business and maximise shareholder value. The group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the return of capital to shareholders or issue new shares and vary the maturity profile of its borrowings. The group monitors capital using the following key indicators:

Net debt to EBITDA before non-underlying items

	Group 2022 £'000	Group 2021 £'000
EBITDA before non-underlying items	**78,803**	55,031
Net bank and bond debt	**490,430**	568,719
Net debt to EBITDA before non-underlying items	**6.22**	10.33

Net bank and bond debt includes cash and cash equivalents and:

- In the year-ended 31 March 2022 the Unitranche Facility B, the Subordinated PIK and RCF loans;
- In the year-ended 31 March 2021, the senior secured fixed rate, floating rate and second lien notes; and
- Unamortised arrangement fees

Net bank and bond debt excludes loan notes and redeemable preference shares. Net debt and net debt ratios also exclude lease liabilities, in line with the terms of the group's banking arrangements.

In addition, management monitors the ratio of net debt to EBITDA before non-underlying items adjusted to reflect the estimated annualised impact of acquisitions, disposals and growth projects ("Proforma EBITDA"). Net debt reflects the consideration paid for all acquisitions and the capital expenditure invested in new practices, however EBITDA before non-underlying items does not reflect the full earnings benefit generated by this expenditure until the year following acquisition. Furthermore, EBITDA before non-underlying items includes losses generated by practices disposed of during the year. Management consider that Proforma EBITDA provides a view of indebtedness relative to the earnings generated by capital expenditure.

Proforma EBITDA (unaudited) at 31 March 2022 was £79.4 million (2021: £54.5 million). The estimated ratio of net debt to Proforma EBITDA was 6.26 times (2021: 10.44x).

EBITDA before non-underlying items interest cover

	Group 2022 £'000	Group 2021 £'000
EBITDA before non-underlying items	**78,803**	55,031
Cash finance costs	**36,837**	41,133
EBITDA before non-underlying items interest cover	**2.13**	1.34

Notes to the consolidated financial statements *(continued)*

34 Financial instruments *(continued)*

Cash finance costs include interest charges in respect of the Unitranche and RCF loan in FY2022 and senior secured fixed rate notes, senior secured floating rate notes, second lien notes and bank loans and overdrafts and syndicate charges in FY2021. It excludes loan note interest, preference share dividends, amortisation of debt issue costs and related fees, unwinding of provision discounts, finance expenses in respect of the defined benefit pension scheme, and all other non-recurring finance costs.

Following the refinancing of the group's debt on 16 August 2021, the group's principal loan covenant is the ratio of senior debt to EBITDA before non-underlying items adjusted to reflect the estimated annualised impact of acquisitions and growth projects. Senior debt is defined as the Unitranche and RCF less cash reserves plus deferred consideration. The ratio is tested quarterly and is required to be lower than 9.0 times at year end.

Non-derivative financial liabilities

The table below analyses the group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 March 2021	Less than one year £'000	Between one and two years £'000	Between two and five years £'000	After five years £'000
Loans and borrowings	-	553,316	1,025,773	-
Trade and other payables	171,930	287	12	5
Lease liabilities	14,543	12,473	28,258	38,183
	186,473	**566,076**	**1,054,043**	**38,188**

At 31 March 2022	Less than one year £'000	Between one and two years £'000	Between two and five years £'000	After five years £'000
Loans and borrowings	-	120,000	116,728	400,000
Trade and other payables	195,895	8	11	59
Lease liabilities	12,871	11,463	26,493	34,973
	208,766	**131,971**	**143,232**	**435,032**

Financial instruments measured at fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the group's financial assets and liabilities that are measured at fair value. See note 23 for additional details on contingent consideration arrangements and see note 24 for details of the group's derivative financial instruments.

Notes to the consolidated financial statements *(continued)*

34 Financial instruments *(continued)*

Fair value measurements	At 31 March 2022			At 31 March 2021		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Financial assets						
Derivative financial instruments	**-**	**8,601**	**-**	-	-	-
Financial liabilities						
Derivative financial instruments	**-**	**-**	**(582)**	-	(334)	-
Contingent consideration	**-**	**-**	**(380)**	-	-	(2,526)

Derivative financial liabilities and contingent consideration are measured at fair value at the end of each reporting period. A reconciliation of movements in contingent consideration has been included in the table below. Any gains or losses arising as a result of the measurement of contingent consideration are recognised through the income statement within administrative expenses.

There were no transfers between levels 1 and 2 or between levels 2 and 3 during the year (2021: none).

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments are as follows:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Financial instruments in level 3

The following tables present the changes in level 3 financial instruments:

Contingent consideration

	Group 2022 £'000	Group 2021 £'000
At 1 April	**2,526**	2,141
Arising on business combinations	**-**	555
Reallocation on non-contingent consideration payment	**-**	-
Contingent consideration settled	**(1,637)**	(91)
Differences between contingent consideration paid and estimates initially recognised	**(512)**	(79)
Unwinding of discount	**5**	-
Transferred to assets held for sale	**(2)**	
At 31 March	**380**	2,526

Further information in respect of the valuation techniques used to determine the fair value of contingent consideration can be found within note 23.

Share purchase warrants

A warrant for the issue of shares was issued as part of the Palamon transaction. At 31 March 2022, the warrant was valued based on assessment of the future equity value of the business at £0.6 million.

Notes to the consolidated financial statements *(continued)*

35 Post-employment benefits

The group makes contributions to a small number of defined contribution pension schemes on behalf of its employees, including the National Employment Savings Trust ('NEST'). The pension cost charge for the financial year represents contributions payable by the group to the schemes and amounted to £2,213,000 (2021: £2,122,000) including £399,000 related to discontinued operations.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2021: £nil).

The group also operates a pension scheme providing benefits based on final pensionable pay. The scheme is closed to new members and has no active members.

During the year to 31 March 2022 the group contributed £188,000 directly into the scheme (2021: £62,000) and the cost of insuring death in service benefits and other trustee expenses were paid by the group and amounted to £101,000 (2021: £99,000). The group expects to make contributions of £150,000 to the scheme and does not expect the costs of the scheme to change significantly in the next financial year.

The latest full actuarial valuation for which results are available, was carried out as at 6 April 2020 and was updated for disclosure purposes to 31 March 2022 and 31 March 2021 by a qualified independent actuary.

The significant actuarial assumptions were as follows:

	Group 2022 %	Group 2021 %
Rate of increase in pensions in payment and deferred pensions	**3.70**	3.30
Discount rate applied to scheme liabilities	**2.70**	2.00
Inflation assumption	**3.90**	3.40

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires at the age of 65 in 2021 will on average live for a further 22.0 years (2020: 22.0 years) after retirement if they are male and 24.3 years (2021: 24.3 years) if they are female.

It is also assumed that members retiring in 20 years' time will on average live for a further 23.3 years (2021: 23.3 years) after retirement if they are male and 25.8 years (2021: 25.8 years) if they are female.

The amounts recognised in the balance sheet are determined as follows:

	Group 2022 £'000	Group 2021 £'000
Present value of funded obligations	**(7,523)**	(8,026)
Fair value of plan assets	**7,106**	7,727
Deficit recognised in the balance sheet	**(417)**	(299)

Notes to the consolidated financial statements *(continued)*

35 Post-employment benefits *(continued)*

The movement in the deficit (prior to de-recognition of any surplus) is as follows:

	2022			2021		
	Present value of funded obligations £'000	**Fair value of plan assets £'000**	**Deficit £'000**	Present value of funded obligations £'000	Fair value of plan assets £'000	Deficit £'000
At 1 April	**(8,026)**	**7,727**	**(299)**	(7,403)	7,002	(401)
Scheme expenses paid out	**-**	**(73)**	**(73)**	-	(47)	(47)
Employer contributions	**-**	**188**	**188**	-	62	62
Interest (expense)/income	**(161)**	**153**	**(8)**	(175)	166	(9)
	(161)	**268**	**107**	(175)	181	6
Re-measurement:						
Return on plan assets excluding interest income	**-**	**(605)**	**(605)**	-	762	762
Re-measurement (loss)/gain from changes in financial assumptions	**759**	**-**	**759**	(666)	-	(666)
Past service cost	**(379)**	**-**	**(379)**	-	-	-
Experience gain	**-**	**-**	**-**	-	-	-
	380	**(605)**	**(225)**	(666)	762	96
Benefits paid	**284**	**(284)**	**-**	218	(218)	-
At 31 March	**(7,523)**	**7,106**	**(417)**	(8,026)	7,727	(299)

The government has previously issued a consultation document on how Trustees might equalise a scheme for the effects of inequalities in Guaranteed Minimum Pensions ("GMPs") between male and female members. The High Court has ruled that equalisation is legally required but there is no consensus around how to achieve it. A further High Court judgement confirmed that GMP equalisation will also be required for members whose benefits have been transferred-out in the past.

Advice from the pension scheme actuary to the Trustees indicates that GMP equalisation is estimated to increase the scheme liabilities by 4% plus c£58,000 for members who have transferred-out. This increase in liabilities has been recognised as a Past Service Cost and recorded in the Income Statement. The increase in liabilities may be revised in future years as the Trustees analyse the detailed circumstances of affected members.

Plan assets are comprised as follows:

	2022		2021	
	Value £'000	**Percentage of plan assets %**	Value £'000	Percentage of plan assets %
Equities	**384**	**5%**	2,946	38%
Absolute return/diversified growth funds	**1,754**	**25%**	-	-%
Bonds	**1,904**	**27%**	2,096	27%
Alternatives funds	**454**	**6%**	-	-%
Property	**-**	**-%**	148	2%
Cash	**512**	**7%**	86	1%
Insured annuitants	**2,098**	**30%**	2,451	32%
Total market value of plan assets	**7,106**	**100%**	7,727	100%

Notes to the consolidated financial statements *(continued)*

35 Post-employment benefits *(continued)*

The sensitivity of the defined benefit obligation to changes in the principal assumptions are as follows:

Assumption	Change in assumption	Change in liabilities (£000's)
Discount rate	Decrease by 0.1%	Increase by 119
Rate of inflation	Increase by 0.1%	Increase by 25
Life expectancy	Increase by one year	Increase by 181

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to significant actuarial assumptions has been estimated, based on the average age and the normal retirement age of members and the duration of the liabilities of the scheme.

36 Related party transactions

Group

Shareholder loans
At 31 March 2021, the following shareholder loans and preference shares recognised as debt were outstanding:

- CEP III IHP S.a.r.l., an entity controlled by The Carlyle Group, and a related party due to common control, held £255.0 million of loan notes in the company's subsidiary, Turnstone Midco 1 Limited. The total amount of accrued interest due at 31 March 2021 was £496.5 million.
- ADP Primary Care Acquisitions Limited, an entity controlled by Palamon Capital Partners and a related party due to common control, held £59.6 million of loan notes in the company's subsidiary, Turnstone Midco 1 Limited. The total amount of accrued interest due at 31 March 2021 was £113.5 million.
- ADP Primary Care Acquisitions Limited held preference shares in Turnstone Midco 1 Limited with a par value of £20.0 million. The total amount of accrued dividends due at 31 March 2021 was £41.4 million.

These instruments were all due for repayment on the earlier of a sale of the business or May 2024. See terms and conditions of these instruments in Note 25.

As part of the Palamon transaction, all shareholder loans and preference shares, including accrued interest and dividends were settled through the issue of Ordinary shares or waived.

At 31 March 2022, ADP Primary Care Acquisitions Limited, an entity controlled by Palamon Capital Partners and a related party due to common control, held preference shares with a par value of £83.6 million in Turnstone Equityco 1 Limited. The preference shares provide a fixed return of 1.5x of par value, payable on the sale of the business. At 31 March 2022, accrued dividends of £8.1 million was outstanding.

Company

Loan notes
At 31 March 2021, the company held £1.9 million of loan notes issued by the company's immediate subsidiary, Turnstone Midco 1 Limited with accrued interest due of £3.8 million. During FY2022, £0.2 million of interest accrued in the period to 16 August 2021.

On 16 August 2021 as part of the Palamon transaction, the total outstanding amount of £5.9 million was settled through the issue of A Ordinary shares.

Preference shares
At 31 March 2022, ADP Primary Care Acquisitions Limited, an entity controlled by Palamon Capital Partners and a related party due to common control, held preference shares with a par value of £83.6 million in Turnstone Equityco 1 Limited. The preference shares provide a fixed return of 1.5x of par value, payable on the sale of the business. At 31 March 2022, accrued dividends of £8.1 million was outstanding.

Notes to the consolidated financial statements *(continued)*

37 Cash generated from operations

Group

	Group 2022 £'000	Group 2021 £'000
Loss before income tax	**(107,243)**	(163,386)
Adjustments:		
Depreciation of property, plant and equipment	**33,998**	33,795
Amortisation of government grants	**(35)**	(41)
Amortisation of intangible assets	**27,832**	30,125
Impairment of goodwill and intangible assets	**46**	367
Finance costs	**95,811**	154,719
Finance income	**(6)**	(4)
Loss on business and asset disposals	**8,581**	2,940
Differences between contingent consideration paid and estimates initially recognised	**(512)**	(79)
(Profit)/loss from derivative financial instruments at fair value through profit or loss	**(309)**	623
Share based payments	**2,582**	-
Defined benefit pension scheme expenses	**73**	47
Defined benefit pension service cost	**379**	-
Pension contributions	**(188)**	(62)
Cash generated from operations before movements in working capital	**61,009**	59,044
Movements in working capital:		
(Increase)/decrease in inventories	**2,542**	(8,560)
Decrease (Increase) in trade and other receivables	**(3,855)**	3,641
Increase in trade and other payables	**50,596**	30,063
Decrease in provisions	**(2,326)**	(575)
Total movements in working capital	**46,957**	24,569
Cash generated from operations	**107,966**	83,613

Company

	Company 2022 £'000	Company 2021 £'000
(Loss)/profit before income tax	**(474,094)**	608
Adjustments:		
Finance expense/(income)	**7,876**	(608)
Impairment of investments	**466,218**	-
Cash generated from operations before movements in working capital	**-**	-
Movements in working capital:		
Decrease in other receivables	**(139)**	-
Increase in other payables	**106**	-
Cash generated from operations	**(33)**	-

Notes to the consolidated financial statements *(continued)*

38 Net debt reconciliation

	Other assets	Liabilities from financing activities		
	Cash £'000	Bank and bond liabilities more than 1 year £'000	Shareholder debt £'000	Total £'000
Balance at 1 April 2020	76,186	(645,977)	(889,086)	(1,458,877)
Cash flows	(64,473)	68,200	-	3,727
Amortisation of debt issue costs	-	(1,880)	-	(1,880)
Other changes	-	(775)	-	(775)
Loan note interest accrual	-	-	(99,042)	(99,042)
Preference share dividends accrued	-	-	(7,645)	(7,645)
Balance at 31 March 2021	**11,713**	**(580,432)**	**(995,773)**	**(1,564,492)**
Cash flows	(10,420)	40,000	-	29,580
Amortisation of debt issue costs	-	(7,392)	-	(7,392)
New debt issue costs	(20,017)	20,017	-	-
Other changes	-	(1,684)	-	(1,684)
Loan note interest accrual	-	-	(41,100)	(41,100)
Issue of new preference shares	83,600		(83,600)	-
Settlement of outstanding loan notes and preference shares through issue of 'A' Ordinary shares	-	-	963,328	963,328
Preference share dividends waived	-	-	47,730	47,730
Repayment of shareholder loans	(25,815)	-	25,815	-
New preference share dividends accrued	-	-	(8,128)	(8,128)
Transferred to Assets held for sale	(7,212)	-	-	(7,212)
Balance at 31 March 2022	**31,849**	**(529,491)**	**(91,728)**	**(589,370)**

Shareholder debt includes preference shares of £91.7 million including accrued dividends (2021: £71.4 million) and loan notes of £Nil (2021: £924.4 million).

The gross cash flows in the year on bank debt and bond debt comprise repayments of £555.0 million for the senior secured notes, floating rate notes and 2nd lien, £30.0 million of SSRCF debt as part of the Palamon transaction and £25.0 million repayment on the new RCF (2021: £78.2 million) and drawdowns of £570.0 million on the new facilities (2021: £10.0 million).

On a pre IFRS 16 basis, the group's net debt (bank and bond liabilities more than 1 year less cash) amounts to £497.6 million excluding cash held by the DD business (2021: £568.7 million).

On a post IFRS 16 basis, the group's net debt includes its lease liabilities of £72.7 million over 1 year (2021: £78.9 million) and £13.1 million less than 1 year (2021: £14.5 million). Including these items, the group's net debt amounts to £583.4 million (2021: £662.1 million).

Notes to the consolidated financial statements *(continued)*

39 Post balance sheet events

On 18 May 2022, the group entered into a binding share purchase agreement to sell DD Group Holdings Limited and subsidiaries to an affiliate of Sun European Partners LLP. On 8 June 2022, the transaction was completed and the DD division ceased to form part of the group. The proceeds from the sale of DD Group Holdings Limited were used to repay the full outstanding amount of the £120 million Subordinated PIK facility including all accrued interest.

On 29 July 2022, the outstanding amount on the RCF of £25.0 million was repaid. The facility remains available for the use of the business if required.

40 Controlling party

From 1 April 2021 to 15 August 2021, Carlyle and Palamon held joint control of Turnstone Equityco 1 Limited. Carlyle's majority holding was held by CEP III Participations S.à.r.l. SICAR, an investment vehicle for Carlyle. Palamon's ownership of the group was through its Palamon European Equity II, L.P fund.

During this period the immediate parent undertaking of Turnstone Equityco 1 Limited was CEP III IHP S.a.r.l., a company registered in Luxembourg. The ultimate controlling party of Turnstone Equityco 1 Limited for this period was considered by the directors to be CEP III Participations S.a.r.l. SICAR.

On 16 August 2021, following the completion of the Palamon transaction, the immediate parent undertaking of Turnstone Equityco 1 Limited was ADP Primary Care Acquisitions Limited, an investment vehicle for Palamon Capital Partners.

The ultimate controlling party from 16 August 2021 is considered by the directors to be ADP Primary Care Acquisitions Limited.

No other financial statements consolidate the results of the group. Turnstone Equityco 1 Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements.