

# **Turnstone Equityco 1 Limited**

Annual report and consolidated financial  
statements

Registered number 07496756

Year ended 31 March 2023

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## Strategic report for the year ended 31 March 2023

The directors present the Strategic report for the year ended 31 March 2023.

### 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, through the group's {my}dentist business and, until 8 June 2022, the provision of materials, services and equipment to dental practices through the group's 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, leaving the group with a single business unit, {my}dentist. The group ceased to consolidate the activities of the DD division from this date onwards but continued to trade with DD through the remainder of the year.

Through {my}dentist, the group provides a range of National Health Service ('NHS') and private dental services from practices throughout the United Kingdom.

### Business ownership

The group is jointly owned by management and Palamon Capital Partners ('Palamon'), a private equity partnership focused on providing equity for European growth services companies, that holds its interest in the group through its investment vehicle, ADP Primary Care Acquisitions Limited.

### Business review and future developments

The group reported an operating profit of £81.8 million for the year ended 31 March 2023 ('FY2023'), increased from a loss of £11.4 million for the year-ended 31 March 2022 ('FY2022').

Results for FY2023 include the DD division only up until 8 June 2022, and hence reflect a lower profit contribution compared to FY2022. At 31 March 2023, the net liabilities of the group were £210.6 million (£2022: £267.3 million) and the net assets of the company were £480.1 million (2022: £494.9 million).

#### *{my}dentist*

As of 31 March 2023, the group owns and manages a national chain of 545 dental practices trading as "{my}dentist" (2022: 583). Through its dental practices, {my}dentist offers a broad range of primary care dental services, including dental examinations, fillings and extractions, as well as more specialised dental services such as dental implants 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.

The reduction in the number of dental practices operated by {my}dentist during FY2023 is primarily the result of the group's organic growth strategy, which involves the merger, relocation or expansion of smaller practices with limited growth opportunities, which are typically constrained both by size and/or a sub-optimal location, into larger and better located premises, typically in high footfall high street or retail park locations. In addition, the group has disposed, or is in the process of disposing, of a small number of loss making or marginal dental practices, where management do not consider there to be a viable recovery option. The assets relating to practices that have been identified for disposal but where this had not yet been completed as of 31 March 2023 are shown within assets held for sale on the balance sheet.

{my}dentist's main trading entities are Petrie Tucker and Partners Limited, Whitecross Dental Care Limited and IDH Limited.

Although the {my}dentist has experienced strong growth in private dentistry revenues, the business continues to derive the majority of its revenue from NHS dentistry, with NHS revenue in England and Wales being generated from long-term, fixed value contracts. 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. Across England and Wales, the group typically receives payment of 1/12 of the contract value on the first working day of the following month. Dental practices also collect patient contributions on behalf of the NHS, and typically remit such amounts to the NHS in arrears within two-to-six weeks of receipt. Three to six months following the contract year end on 31 March each year, {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, the NHS 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.

## **Strategic report for the year ended 31 March 2023** *(continued)*

### **Business review and future developments** *(continued)*

Through the course of the Covid pandemic period (through FY2021 and FY2022), contract operation and the relevant performance measures were substantially adjusted to reflect operating restrictions, however both operation and performance measures relating to all contracts returned to normal during the early part of FY2023.

{my}dentist has continued to expand its recruitment capabilities in order to increase the number of hours of clinician availability to patients, although the recruitment market has remained challenging. {my}dentist continues to recruit clinicians from both UK and overseas sources, however the supply of clinicians from within the UK is constrained by the limited number of places available across UK dental schools, and supply of overseas clinicians has been constrained by the number of places available to sit the Overseas Registration Exam ('ORE'). However, in early 2023 the government enacted a number of changes to the Section 60 legislation that will substantially reduce the barriers to recruiting clinicians from overseas, by opening up additional routes for overseas clinicians to sit the ORE, and are expected to have a beneficial impact from FY2025 onwards. Management are working with a range of stakeholders to accelerate the potential benefits from these changes, both to the group, and to wider patient access across the UK.

{my}dentist continues to work with self-employed clinicians to ensure that they have the opportunity to develop their careers in a way that suits both the clinician and their patients. During FY2023, dentists have continued to allocate more of their time to providing private dentistry services including, increasingly, specialisms such as implants and aligners.

### **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.

Following a strategic review of the group's activities, management took the decision to divest the DD division and, as a result, 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. Net proceeds of £151.8 million were realised from the sale, which generated a profit on disposal of £64.8 million.

Consequently, the DD division, net of intergroup transactions, has been shown as a discontinued operation on the income statement. The net assets of the division were previously classified within "Assets held for sale" in the balance sheet at 31 March 2022.

### **Subsequent events**

The directors are not aware of any events that have occurred after the balance sheet date that require disclosure in the financial statements.

### **Financial review and key performance indicators ('KPI's')**

The group's key profit performance indicator is EBITDA before non-underlying items, (referred to, simply, as 'EBITDA') which reflects earnings before interest, tax, depreciation, amortisation and non-underlying items less rental and other lease charges.

The group has aligned its definition of EBITDA with the definition set out in its banking documents, with 'non-underlying items' typically considered to be material items of a one-off, or non-recurring nature, or items which do not form part of the underlying trading results of the group. Examples include the profit or loss arising from practice disposals; practice closure costs; redundancy and other costs resulting from business restructuring; costs associated with pilot programmes, prior to wider business roll-out; and legal and professional fees relating to capital transactions involving a change in ownership or financing, or to other one-off projects.

Management consider EBITDA to be the key operating indicator as it measures the underlying performance of the group and the ability of the group to service its debt.

## Strategic report for the year ended 31 March 2023 (continued)

### Financial review and key performance indicators ('KPI's') (continued)

The group's results for the year are summarised below, together with those other KPI's that are considered by management to be 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.

<b>Summary financial results</b>	<b>2023</b>	<b>2022</b>
<b>Year ended 31 March</b>	<b>£m</b>	<b>£m</b>
<b>Revenue</b>	<b>562.0</b>	<b>702.4</b>
<b>Gross profit</b>	<b>278.0</b>	<b>294.1</b>
<b>Operating profit/(loss)</b>	<b>81.8</b>	<b>(11.4)</b>
Amortisation and depreciation	62.0	61.8
Impairment or disposal of right of use assets	(5.5)	(0.4)
Impairment of non-current assets reclassified as held for sale and loss on closure or disposal of dental practices	6.6	8.9
Gain on sale of DD division	(64.3)	-
Remeasurement of lease commitments	-	0.1
Differences between contingent consideration paid and estimates initially recognised	(0.2)	(0.5)
Share based payments	2.7	2.6
Transaction related fees and expenses	0.6	27.7
Other non-underlying items	3.7	5.5
Foreign exchange	-	0.2
Less rental and other lease charges	(13.2)	(15.7)
<b>EBITDA</b>	<b>74.2</b>	<b>78.8</b>
<b>Other KPI's</b>	<b>2023</b>	<b>2022</b>
{my}dentist private revenue mix (%)	41.4%	32.3%
Gross profit margin (%)	49.5%	41.9%
EBITDA margin (%)	13.2%	11.2%
Number of dental practices	545	583
Net bank and bond debt (£'m)	328.1	490.4
Net debt to EBITDA	4.42	6.22
Cash generated from operations (£'m)	130.3	108.0
Cash generated from operations net of interest paid (£'m)	81.4	71.2

EBITDA for the year ended 31 March 2023 was £74.2 million, reduced from £78.8 million in FY2022. The reduction principally reflects the reduced contribution of £1.0 million from the DD division following its divestment in June 2022 net of group eliminations, (2022: £11.6 million net of eliminations).

Consequently, EBITDA from continuing operations (the {my}dentist division) increased from £67.2 million to £73.2 million, with EBITDA margin increasing from 12.9% to 13.7%. This reflects strong revenue growth across the {my}dentist business, together with tight cost control.

Revenue from the {my}dentist division increased from £520.3 million in FY2022 to £534.6 million for the year ended 31 March 2023, with the proportion of {my}dentist revenue generated from private dentistry services increasing from 32.3% to 41.4%. The group's affordable private dentistry offering, together with specialist services such as implants and orthodontic aligners, continue to drive growth in private dentistry revenues and the group has experienced strong demand in this area, which has continued into FY2024.

The group continued its organic growth programme which involves the merger, relocation or expansion of smaller practices with limited growth opportunities, which are typically constrained both by size and/or a sub-optimal location, into larger and better located premises, typically in high footfall high street or retail park locations. This, together with the disposal of a small number of loss making or marginal dental practices, resulted in the number of practices across the estate reducing from 583 to 545.

## **Strategic report for the year ended 31 March 2023** *(continued)*

### **Financial review and key performance indicators ('KPI's')** *(continued)*

The group generated a profit on sale of £64.3 million from the divestment of the DD division, which completed on 8 June 2022. This represented gross proceeds of £161.3 million, less net assets of £87.5 million and associated transaction fees and expenses of £9.5 million. The cash proceeds of £161.3 million were used to repay the £120.0 million subordinated PIK facility in full, together with accrued interest and the associated transaction fees and expenses of £11.5 million, leaving a surplus of £20.3m million.

Non-underlying items for FY2023 include transaction related fees and expenses of £0.6 million that were incurred in relation to the sale of DD in June 2022. The amount for the year ended 31 March 2022 includes £27.7 million of professional fees and associated expenses incurred through the acquisition of Carlyle's shareholding in the group by Palamon and management in August 2022 ('the Palamon transaction').

The group generated £130.3 million of cash from operations during the year (2022: £108.0 million), reflecting strong cash receipts from private dentistry and an increase in the closing UDA provision from £118.4 million to £163.9 million. Net of interest paid, cash generated from operations was £81.4 million (2022: £71.2 million). This enabled the RCF to be paid down in full during July 2022 and this remained undrawn through to the end of the year. As a consequence of this and the repayment of the subordinated PIK facility following the sale of DD, net bank and bond debt reduced from £490.4 million at 31 March 2022 to £328.1 million at 31 March 2023. The strong underlying EBITDA performance meant that net debt to EBITDA reduced from 6.22 times at 31 March 2022 to 4.42 times at 31 March 2023.

Capital expenditure totalled £48.4 million (2022: £25.8 million), including expenditure on the practice merger, relocation and expansion programme, a refresh programme across other areas of the estate and further investment into digital intra-oral scanners.

On 30 March 2023, the group completed a re-financing, which included:

- repaying £5.0 million of the existing £400.0 million Unitranche facility;
- arranging a new £10.0 million super senior Term Loan ('ssTL') on the same terms as the RCF;
- extending the capacity of the existing RCF from £45.0 million to £65.0 million on the same terms; and
- agreeing a new £50.0 million Committed Acquisition Facility ('CAF'), which will provide capital for the group to continue to pursue its organic growth programme, through practice merger, relocation and expansion, alongside a focussed M&A strategy.

As a result of the re-financing and the repayment of the subordinated PIK facility, the facilities available to the group as of 31 March 2023 were as follows:

- £395.0 million (£400.0 million until 30 March 2023) Unitranche Facility B, due 16 August 2027, with interest based on a reference rate linked to SONIA plus a margin of between 6.5% and 8.0% dependent upon an adjusted net leverage ratio;
- £10.0 million ssTL, due 16 February 2027, with interest based on a reference rate linked to SONIA plus a margin of between 3.25% and 3.75% dependent upon an adjusted net leverage ratio;
- £65.0 million RCF, due 16 February 2027, with interest based on a reference rate linked to SONIA plus a margin of between 3.25% and 3.75% dependent upon an adjusted net leverage ratio;
- £50.0 million CAF, due 16 August 2027, with interest based on a reference rate linked to SONIA plus a margin of between 6.5% and 8.0% dependent upon an adjusted net leverage ratio;

Interest costs in respect of £300.0 million of debt are fixed through an interest rate swap contract which was put in place in December 2021 and expires in March 2025.

Both the RCF and the CAF were undrawn as at 31 March 2023.

Please refer to note 25 for further information on the group's borrowings and debt structure.

### **Company result**

The company made a loss of £14.8 million (2022: £474.7 million loss) arising from amounts accrued for dividends payable on preference shares. The loss for the year ended 31 March 2022 included an impairment charge against 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.

## Strategic report for the year ended 31 March 2023 *(continued)*

### Principal risks and uncertainties

#### *Clinicians and other qualified staff*

The group requires skilled clinicians, hygienists and nurses in order to provide high quality patient care. In recent years recruiting clinicians, particularly for practices located in rural or coastal areas has become challenging and the combined impact from both the Covid pandemic and Brexit, has also reduced the number of overseas dentists available to work in the UK.

The directors recognise the importance of quality clinicians for ensuring the continued success of the group and have invested in improving the recruitment capabilities and clinical support functions of {my}dentist in order to attract new, and retain existing, clinicians. This includes developing relationships with a range of partner organisations to provide opportunities for overseas clinicians to achieve qualifications that enable them to practice dentistry in the UK. The group also employs a number of qualified dentists as Clinical Development Advisors ('CDA's') to support self-employed associates working in practice to 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. The group has also worked with clinicians in order to enhance the range of opportunities available to them, through affordable private dentistry and specialisms, such as implants and aligners.

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 most appropriate course of treatment for patients, to develop their interests in specialisms 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 own 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 previously 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. The group has previously utilised 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.

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. From April 2023, HMRC have withdrawn the specific guidance relating to dentistry and confirmed that they will not seek to challenge the self-employed status of associate dentists prior to this date. HMRC have indicated that the withdrawal is due to their belief that they should not provide guidance on individual industry-specific contracts.

The group, supported by external advisors, has engaged with a range of stakeholders to develop the existing associate dentist contract, in line with general self-employment principles, to bring further clarity to the roles and responsibilities of both {my}dentist and the associate dentist.

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. Alongside this, the group continues to enhance the range of career development opportunities available to our nurses and other practice team staff, together with the support available to them, including through the {my}dentist Academy and an accompanying online training system.

#### **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.

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.

## **Strategic report for the year ended 31 March 2023 (continued)**

### **Principal risks and uncertainties (continued)**

#### ***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 over time, 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, however the Welsh Government are currently piloting an alternative contract structure, with which the group is actively engaged. The group maintains a close dialogue with governments across the UK in developing the existing dental contract frameworks and has previously participated in prototype programmes in England, with the overall goal of ensuring 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 typically resulted in rate reductions for orthodontic services and a smaller overall contract size, as the NHS looked to increase the number of treatment locations. In mitigation, the group continues to pursue opportunities to grow activity within private orthodontics including using products such as clear aligners for the treatment of adults.

#### ***General economic conditions and inflationary pressures***

Following the Covid pandemic and the outbreak of war in Ukraine, the economy has experienced high levels of inflation throughout FY2023, which have continued into FY2024. This has placed pressure on the group's cost base, notably in respect of utilities costs and staff costs. Continuing increases in costs will place pressure on margins as there is limited scope available to increase 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.

Although the group retains control over the pricing within its growing private dentistry business, the risk relating to reducing demand for private dentistry 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 and that the majority of revenue is derived from treatments that are essential. Historically during periods of economic uncertainty, private dentistry has seen a decline in demand, however this typically results in a corresponding increase in the demand for NHS dentistry.

### **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 organisation, and challenging management to ensure that the values, strategy and culture of all group entities align with the group's purpose. The group operates through clear Board protocols and governance procedures and is supported by the executive management team, with comprehensive, regular reporting covering all aspects of the group's operations, 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.

## **Strategic report for the year ended 31 March 2023** *(continued)*

### **Statement of Corporate Governance arrangements** *(continued)*

During the year, the Board consisted of an independent chairman, Kevin Beeston, two directors appointed by Palamon, and initially two, and then three, members of the management team; Tom Riall, the Chief Executive Officer, Niles Pandya, the Chief Financial Officer (and then Deputy Chief Executive Officer from 1 June 2022), and from 8 July 2022, Richard Storah as Chief Financial Officer. Subsequently, from 1 April 2023, Tom Riall assumed the role of Executive Chairman, with Niles Pandya taking the role of Chief Executive Officer and Kevin Beeston becoming the group's Senior Independent Non-Executive Director.

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 and group 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 between members of the company."

The directors remain conscious of the impact their decisions have on employees, patients of {my}dentist, 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*

The group has the following key strategies, which remain unchanged from the previous financial year:

- 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 dentistry business through affordable and specialist options;
- to ensure every practice is sustainable for the future; and
- to transform our estate, in order to provide modern, well-equipped, easily accessible practices for our patients, clinicians and staff.

The directors believe these are critical long-term factors to ensure the success of the group. The group has detailed plans to provide investment to support these goals; examples include the transformation of the practice estate through the merger, relocation and expansion of smaller practices to larger, high street or retail locations, increasing the availability of specialist treatments across the practice network including through implants and orthodontics, 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 own businesses and careers.

The group aims to operate and develop its {my}dentist business 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 process includes decisions around resource allocation to ensure that capital is invested in order to both maximise returns and underpin long term operational goals.

## **Strategic report for the year ended 31 March 2023** *(continued)*

### **Section 172(1) statement** *(continued)*

#### *Engaging with our people*

As a healthcare business, it is critical that the group maintains the highest possible clinical standards and our people, including our self-employed clinicians, are key to this objective. Both 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.

The Chief Executive Officer, Chief Operating Officer, and the Chief Clinical Officer regularly meet with our clinicians and practice employees to gather feedback on potential improvements, listen to local perspectives and to empower our practice teams. This ongoing dialogue and engagement is facilitated via a range of forums, including face-to-face “town-hall” meetings, broadcasts, video conferencing and regular updates on emerging clinical matters. Support Centre Heads of Department and the Executive team all make regular visits to practices to understand how central services can be further developed for the benefit of the wider practice teams.

Furthermore, {my}dentist wide “Great Place to Work” (for employees) and “Great Place to Practise” (for clinicians) surveys are run annually using consistent question patterns encompassing “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 dental 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 strategic goals of the business.

The {my}dentist clinical conference was held in October 2022, following a two-year hiatus as a result of the Covid pandemic. The 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.

The group has a Clinical Advisory Board, made up of a number of self-employed clinicians from across {my}dentist. The advisory board provides 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.

Following the Covid pandemic, the group has retained a ‘hybrid’ approach to working across our support centre and field teams, where this is practicable within the scope of individual job roles and responsibilities.

Management are also mindful of the mental health challenges that our colleagues may experience as a consequence of the Covid pandemic, current cost of living pressures, or other matters in their work, or personal lives. Therefore, the group has trained a number of colleagues as ‘Mental Health First Aiders’ to support staff experiencing such challenges.

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 across the dental and healthcare sectors, in order to ensure management are able to plan effectively for the future. These include:

- 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 across the UK on issues that affect the industry as a whole.

## **Strategic report for the year ended 31 March 2023 (continued)**

### **Section 172(1) statement (continued)**

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

We aim to deliver outstanding care to our patients, by ensuring both great clinical outcomes for them, together with a seamless patient journey through our network of dental practices.

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.

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

#### *Maintaining a reputation for high standards of business conduct*

The group's dental practices operate in highly regulated environment. 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. In addition, prior to its divestment by the group in June 2022, the DD division operated a pharmacy (Med-FX), registered with the General Pharmaceutical Council for which the group was required to declare compliance each year with relevant professional, ethical and fitness to practice standards.

Alongside clinical compliance, our Health and Safety specialists assist our dental practices and, until sale, the DD team in maintaining a safe environment for all 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.

From a wider investor and stakeholder perspective, the Chief Executive Officer and Chief Financial Officer regularly meet with the holders of the group's debt in order to update them on the group's progress against its strategic objectives.

#### *The need to act fairly 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 both individually, and collectively.

### **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.

### **Social matters**

The dental practices operated by {my}dentist provide community dental services to more than 4 million patients throughout the UK and offer a broad range of NHS and private dentistry services which provides a significant range of choices to both our patients and clinicians. The UK Government has a long-term goal of increasing access to NHS dentistry for the UK population and the group, as the largest provider of NHS dentistry services in the UK, 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 nature of the materials that can be used. At the same time, the wider range of treatments and often higher cost materials used in private dentistry, can be expensive and, therefore, prohibitive to some patients. In order to make high quality dentistry available to the widest possible group and to increase the choice for patients, the group has continued to develop and expand its affordable private dentistry offering. This provides a full range of treatments and gives patients the choice of private treatment with transparent pricing options. Revenues generated from affordable private dentistry have continued to expand rapidly in FY2023 as dentists have looked to increase the range of treatments that they offer to patients.

## Strategic report for the year ended 31 March 2023 *(continued)*

### Social matters *(continued)*

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. It is also one of the main reasons for school absence and 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](http://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. Prior to the Covid pandemic, the group provided funding for a small number of our clinicians to travel to Tanzania with the charity, although this has not been subsequently possible. 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 £9,000 (2022: £12,000).

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, since 2020, has been Dementia UK, with all employees being encouraged to participate.

### 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 (known as the "Green Forum"), which comprises employees from across the business. The objective of the Green Forum is to identify and promote changes that will contribute towards the group's aims. The Green Forum 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. These include 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; providing more energy efficient vehicles for fleet drivers; working with consultants to reduce heat and light usage and waste across our dental practices, including through the use of low power LED lighting; initiatives to reduce waste across our dental practices and in our support centre; 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.

During the financial year-ended 31 March 2023 carbon emissions decreased over FY2022, predominantly due to the sale of DD and therefore there only being two months worth of emissions contribution from them. The {my}dentist division however did also show a decrease in emissions due to improvements made in the practice estate on energy consumption and efficiency.

## Strategic report for the year ended 31 March 2023 (continued)

### Environmental impact (continued)

Across scope 1 and 2, the group emitted 4,503 tCO<sub>2</sub>e (tonnes of carbon dioxide equivalent) for FY2023 (FY2022: 7,661) with an intensity indicator of 0.45 tCO<sub>2</sub>e per operational staff member (including self-employed clinicians) and 8.02 tCO<sub>2</sub>e per £ million of revenue. When Scope 3 business travel is added, this brings the total to 5,178 tCO<sub>2</sub>e (FY2022: 8,514).

Within the total numbers for the group, the DD division contributed 190 tCO<sub>2</sub>e prior to its divestment in June 2022 (FY2022: 1,559) with an intensity indicator of 1.89 tCO<sub>2</sub>e per operational staff member. When Scope 3 business travel is added, the DD division contributed 198 tCO<sub>2</sub>e.

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 and DEFRA Environmental Reporting Guidelines. The calculations have been completed on the SmartCarbon™ Calculator using the UK Government emissions factors 2023.

The below table shows UK GHG emissions and energy use data for the year 1 April 2022 to 31 March 2023 and the comparatives for the year ended 31 March 2022:

Emissions source	kWh	Carbon (tCO <sub>2</sub> e)	Carbon (tCO <sub>2</sub> e)
	2023	2023	2022
Scope 1			
Diesel	1,385,460	354	845
Natural gas	660,198	121	450
Refrigeration gas	-	46	15
Petrol	362,019	87	117
Other	112,721	28	-
<b>Total Scope 1</b>	<b>2,520,398</b>	<b>636</b>	<b>1,427</b>
Scope 2			
Electricity - National Grid	19,998,556	3,867	6,234
<b>Total Scope 1 &amp; 2</b>	<b>22,518,954</b>	<b>4,503</b>	<b>7,661</b>
<b>Total tCO<sub>2</sub>e per *operational staff member on gross scope 1 &amp; 2</b>		<b>0.45</b>	<b>0.71</b>
<b>Total tCO<sub>2</sub>e per *£m Revenue on gross scope 1 &amp; 2</b>		<b>8.01</b>	<b>10.91</b>
Scope 3			
Electricity (Transmission and Distribution)	19,841,152	351	544
Gas oil	-	-	42
Passenger car	1,117,972	276	226
Rail travel	-	28	24
Flights	-	18	16
Other	-	2	1
<b>Total Scope 3</b>	<b>20,959,124</b>	<b>675</b>	<b>853</b>
<b>Total Scope 1, 2 &amp; 3</b>	<b>43,478,078</b>	<b>5,178</b>	<b>8,514</b>
<b>Total tCO<sub>2</sub>e per *operational staff member on gross scope 1, 2 &amp; 3</b>		<b>0.52</b>	<b>0.79</b>
<b>Total tCO<sub>2</sub>e per *£m revenue on gross scope 1, 2 &amp; 3</b>		<b>9.21</b>	<b>12.12</b>

\*For the year ended 31 March 2023 the number of operational staff members (including self-employed clinicians) was 10,005 (2022: 10,723) and revenue was £562,088,000 (2022: £702,431,000).

### People

People are essential to the success of the group and management seek to create an environment where all 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, self-employed clinicians and wider support centre colleagues.

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 2023** *(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 forums are in place to enable us to engage with our people. As set out earlier, these include face-to-face “town-hall” meetings, broadcasts, video conferencing and regular updates on emerging clinical matters. In addition, there is a forum through which employee representatives can discuss issues openly with management. Management regularly collect feedback through both the “Great Place to Work” (for employees) and “Great Place to Practise” (for clinicians) surveys, that are run annually using consistent question patterns in order to track progress against KPIs. Localised feedback from the surveys are then used to develop action plans.

The group regularly briefs employees on matters of concern to them, including the financial and operational 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, our Clinical Conference, which was held in October 2022, 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 seminars led by industry experts.

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. {my}dentist has now achieved the RoSPA Gold Medal Award for nine years running and it was announced in June 2022 that {my}dentist had been awarded 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 also aligns 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](http://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 2023 *(continued)*

### Future outlook and strategy

Whilst the market for clinical recruitment within the UK continues to be challenging, the directors are encouraged by continued strong patient demand for both the group's NHS and private dentistry services. The directors also believe that the group is well positioned to benefit from the medium term opportunity created by the legislative changes to Section 60 that came into effect during the year. These changes substantially reducing the barriers to recruiting clinicians from overseas and are expected to have a beneficial impact from FY2025 onwards.

The re-financing completed during March 2023 also provides the group with additional capital to continue to pursue its organic growth programme, through practice merger, relocation and expansion, alongside a focussed M&A strategy.

As such, the group's strategic objectives will continue to focus activities in the following areas:

- 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*

13 July 2023

## **Directors' report for the year ended 31 March 2023**

The directors present their report and the audited consolidated financial statements of Turnstone Equityco 1 Limited for the year ended 31 March 2023.

### **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 (2022: £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:

K Beeston  
F Giuseppetti  
A Kadar  
N Pandya  
T Riall  
R Storah (appointed 8 July 2022)

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.

Through the year, the Board comprised two representatives from Palamon Capital Partners, two (or three from 8 July 2022 onwards) 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 UK-adopted international accounting standards.

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 UK-adopted international accounting standards 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 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 also 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 2023** *(continued)*

### **Employees**

Please refer to the Strategic report and Section 172(1) statement for further detail of the group's employment engagement and consultation policies.

### **Political and charitable contributions**

The group made charitable contributions totalling £9,000 during the year (2022: £212,000). Charitable donation for FY2022 included the donation of a mobile dental unit to Dentaaid and end of line stock to organisations in Sierra Leone by DD.

The group made no political donations during the year (2022: £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. Petrie Tucker and Partners Limited reported payments to creditors are on average were made within 51 days for the six months ending 31 March 2023 (52 days for the six months ending 31 March 2022).

### **Subsequent events**

The directors are not aware of any events that have occurred after the balance sheet date that require disclosure in the financial statements.

### **Going concern**

The group meets its normal day to day working capital requirements through cash generated from operations and its available borrowing facilities.

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 a period of at least 12 months from the date of this report.

The key drivers of these forecasts include the number of clinical hours available and the productivity of those hours, which is significantly influenced by the mix of private dentistry. In this context, management's base case scenario assumes that there will continue to strong demand for the group's private dentistry, that clinician recruitment will remain in line with pre-pandemic levels and that retention continues in line with current trends. The group continues to invest in its clinical support network, which also underpin these retention and productivity assumptions. The forecast does not assume any significant benefit from the legislative changes to Section 60 that came into effect during the year. These changes substantially reduce the barriers to recruiting clinicians from overseas and are expected to have a beneficial impact from FY2025 onwards. The forecast also assumes that the group will continue with its organic growth programme, together with a limited programme of M&A, however all of this expenditure is discretionary.

Management have also considered a mitigated downside scenario in which the number of clinical hours recruited is lower than currently expected and where demand for private dentistry reduces, as a result of current cost of living pressures. However, to date, demand for private dentistry remains robust. The forecast also assumes that mitigating actions are taken, including the deferral of an element of discretionary capital expenditure.

Whilst the mitigated downside scenario would have a negative impact on profitability, in both scenarios, the group would generate positive EBITDA and cashflow throughout the year ended 31 March 2024 and beyond, and that sufficient cash and liquidity would be available to meet all anticipated obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements. This includes a prudent assumption over the level of repayment required to the NHS in respect of undelivered UDA activity and payment of all cash interest due under the group's borrowing facilities. Management do not expect that any of the group's debt facilities will need to be re-financed over this period and no principal debt repayments fall due. The forecasts also take into account that the group held cash of £63.2m as of 31 March 2023 and, following the re-financing completed on 30 March 2023, undrawn facilities of £115.0m, which include the £65.0m RCF and £50.0m CAF. Please refer also to the financial review and key performance indicators section of the strategic report for further details.


In addition, both scenarios demonstrate that the group would remain compliant with all covenant obligations over the same period. Further details of the group's covenant obligations are set out in note 34 to these financial statements.

## **Directors' report for the year ended 31 March 2023** *(continued)*

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

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

On behalf of the Board



**R Storah**  
*Director*  
13 July 2023

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 2023 and of the group's profit 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 as applied in accordance with the provisions of the Companies Act 2006; 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 2023; the Consolidated income statement, the Consolidated statement of comprehensive income, the 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. We have compared forecasted cash flows by assessing their impact on the 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 the 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.

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 2023 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 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;
- 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

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

## Other required reporting

### Companies Act 2006 exception reporting

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

- we have not 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.



Hazel Macnamara (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
13 July 2023

**Consolidated income statement**  
for the year ended 31 March 2023

	<i>Note</i>	<b>Continuing £'000</b>	<b>Discontinued £'000</b>	<b>2023 Group £'000</b>	<b>Continuing £'000</b>	<b>Discontinued £'000</b>	<b>Restated 2022 Group £'000</b>
<b>Revenue</b>	5	534,636	27,452	562,088	520,250	182,181	702,431
Cost of sales		(264,352)	(19,768)	(284,120)	(267,917)	(140,418)	(408,335)
<b>Gross profit</b>		270,284	7,684	277,968	252,333	41,763	294,096
Distribution costs		-	(645)	(645)	-	(24,885)	(24,885)
Administrative expenses		(192,071)	(5,538)	(197,609)	(268,991)	(13,324)	(282,315)
Other income	10	2,101	-	2,101	1,893	-	1,893
Other gains/(losses)	11	-	21	21	-	(227)	(227)
<b>Operating profit/(loss)</b>		80,314	1,522	81,836	(14,765)	3,327	(11,438)
Finance costs	12			(66,193)			(104,412)
Finance income	13			14,539			8,607
Net finance costs				(51,654)			(95,805)
<b>Profit/(loss) before income tax</b>				30,182			(107,243)
Income tax credit	14,27			24,941			9,695
<b>Profit/(loss) for the year</b>				55,123			(97,548)
<b>Attributable to:</b>							
Owners of the parent				55,123			(97,548)

The DD division, including intergroup trading profit eliminations, has been classified as “discontinued”.

Please refer to note 12 for further details regarding the restatement.

The notes on pages 31 to 82 form part of these financial statements.

**Consolidated statement of comprehensive income**  
*for the year ended 31 March 2023*

	<i>Note</i>	<b>2023</b> <b>£'000</b>	2022 £'000
<b>Profit/(loss) for the year</b>		<b>55,123</b>	(97,548)
<b>Other comprehensive (expense)/income:</b>			
<i>Items that will not be reclassified to the income statement</i>			
Re-measurement (loss)/gain in respect of defined benefit pension scheme	35	<b>(403)</b>	89
<b>Total comprehensive income/(expense) for the year</b>		<b>54,720</b>	(97,459)
<b>Attributable to:</b>			
Owners of the parent		<b>54,720</b>	(97,459)

Movements above are disclosed net of income tax.

The notes on pages 31 to 82 form part of these financial statements.

**Consolidated balance sheet**  
**at 31 March 2023**

	<i>Note</i>	<b>2023</b> <b>£'000</b>	Restated 2022 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	16	121,256	121,256
Other intangible assets	16	182,952	208,429
Property, plant and equipment	17	119,255	96,914
Right of use assets	18	81,713	78,629
Deferred income tax assets	27	24,475	79
		<hr/>	<hr/>
		529,651	505,307
<b>Current assets</b>			
Inventories	20	6,145	5,867
Trade and other receivables	21	31,124	19,885
Derivative financial instruments	24	19,316	8,601
Cash and cash equivalents	22	63,156	31,849
		<hr/>	<hr/>
		119,741	66,202
<b>Assets held for sale</b>			
Dental practice current assets	30	2,971	12,242
Dental practice current liabilities	30	(613)	(3,243)
DD current assets	30	-	114,894
DD current liabilities	30	-	(40,943)
		<hr/>	<hr/>
		2,358	82,950
<b>Total assets</b>		<hr/>	<hr/>
		651,750	654,459
		<hr/>	<hr/>
<b>Equity attributable to the owners of the parent</b>			
Share capital	28	3,280	3,280
Share premium	29	962,551	962,551
Capital reserve	29	44,154	44,154
Accumulated losses	29	(1,220,573)	(1,277,280)
		<hr/>	<hr/>
<b>Total equity</b>		(210,588)	(267,295)
		<hr/>	<hr/>

Assets held for sale at 31 March 2022 have been restated to present the relevant current assets and liabilities on a gross basis in order to correct previous treatment.

**Consolidated balance sheet (continued)**  
**at 31 March 2023**

	<i>Note</i>	<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	25,38	<b>496,966</b>	621,219
Trade and other payables	23	<b>107</b>	78
Lease liabilities	18	<b>76,320</b>	72,929
Post-employment benefits	35	<b>891</b>	417
Provisions	26	<b>11,625</b>	5,210
Derivative financial instruments	24	<b>1,474</b>	582
		<b>587,383</b>	700,435
<b>Current liabilities</b>			
Trade and other payables	23	<b>261,612</b>	207,754
Lease liabilities	18	<b>12,924</b>	12,871
Provisions	26	<b>419</b>	694
		<b>274,955</b>	221,319
<b>Total liabilities</b>		<b>862,338</b>	921,754
<b>Total equity and liabilities</b>		<b>651,750</b>	654,459

The notes on pages 31 to 82 form part of these financial statements.

The financial statements on pages 21 to 82 were approved by the Board of Directors on 13 July 2023 and were signed on its behalf by:



**R Storah**  
*Director*

**Consolidated statement of changes in equity**  
*for the year ended 31 March 2023*

	Share capital £'000	Share premium £'000	Capital reserve £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 April 2022	3,280	962,551	44,154	(1,277,280)	(267,295)
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	55,123	55,123
<b>Other comprehensive expense</b>					
Items that will not be reclassified to the statement of comprehensive income	-	-	-	(403)	(403)
Total other comprehensive expense	-	-	-	(403)	(403)
Total comprehensive income for the year	-	-	-	54,720	54,720
<b>Transactions with owners recognised directly in equity</b>					
Value of employed services arising from shares granted to directors and employees	-	-	-	2,650	2,650
Deferred tax in relation to the above	-	-	-	(663)	(663)
Total transactions with owners	-	-	-	1,987	1,987
<b>Balance at 31 March 2023</b>	<b>3,280</b>	<b>962,551</b>	<b>44,154</b>	<b>(1,220,573)</b>	<b>(210,588)</b>

**Consolidated statement of changes in equity (continued)**  
**for the year ended 31 March 2023**

	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)
<b>Comprehensive expense for the year</b>					
Loss for the year	-	-	-	(97,548)	(97,548)
<b>Other comprehensive income</b>					
Items that will not be reclassified to the income statement	-	-	-	89	89
Total other comprehensive income	-	-	-	89	89
Total comprehensive expense for the year	-	-	-	(97,459)	(97,459)
<b>Transactions with owners recognised directly in equity</b>					
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
<b>Balance at 31 March 2022</b>	<b>3,280</b>	<b>962,551</b>	<b>44,154</b>	<b>(1,277,280)</b>	<b>(267,295)</b>

The notes on pages 31 to 82 form part of these financial statements.

**Consolidated cash flow statement**  
for the year ended 31 March 2023

	<i>Note</i>	<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	37	130,323	107,966
<b>Net cash inflow from operating activities</b>		<b>130,323</b>	<b>107,966</b>
<b>Cash flows from investing activities</b>			
Acquisitions (net of cash acquired)		-	(6)
Contingent consideration paid		(188)	(1,637)
Purchase of property, plant and equipment		(48,433)	(25,763)
Proceeds on business and asset disposals		4,583	251
Net proceeds from sale of DD division		141,152	-
Government grants received		40	63
Receipts from interest rate swap contract		2,119	-
Interest received		667	6
<b>Net cash inflow/(outflow) from investing activities</b>		<b>99,940</b>	<b>(27,086)</b>
<b>Cash flows from financing activities</b>			
Drawdown of bank loans		10,000	570,000
Repayment of bank loans		(30,000)	(55,000)
Repayment of shareholder loan notes		-	(25,815)
Repayment of subordinated PIK facility		(120,000)	-
Interest paid on subordinated PIK facility		(11,539)	-
Repayment of senior secured notes, floating rate notes, 2 <sup>nd</sup> lien notes		-	(555,000)
Loan arrangement fees and associated professional costs		(3,235)	(20,018)
Bank and bond interest paid		(37,352)	(36,843)
Proceeds from equity share issue		-	466
Proceeds from preference share issues		-	83,600
Principal element of lease payment		(9,948)	(10,568)
Interest element of lease payment		(4,094)	(4,354)
<b>Net cash outflow from financing activities</b>		<b>(206,168)</b>	<b>(53,532)</b>
<b>Net increase in cash and cash equivalents</b>		<b>24,095</b>	<b>27,348</b>
Cash and cash equivalents at the start of the year		39,061	11,713
<b>Cash and cash equivalents at the end of the year</b>		<b>63,156</b>	<b>39,061</b>

At 31 March 2023, all cash and cash equivalents relate to continuing operations. Cash and cash equivalents at 31 March 2022 consisted of £31,849,000 held by continuing operations and £7,212,000 recognised within assets held for sale, related to the DD division.

In FY2023, the net cash movement associated with discontinued operations was an inflow of £4.1 million (2022: £7.6 million) from operating activities, an outflow of £0.5 million (2022: £3.3 million) from investing activities, and an outflow of £0.2 million (2022: £1.1 million).

The notes on pages 31 to 82 form part of these financial statements.

**Company balance sheet**  
*at 31 March 2023*

	<i>Note</i>	<b>2023</b> <b>£'000</b>	<b>2022</b> <b>£'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	19	<b>586,647</b>	586,647
<b>Current assets</b>			
Trade and other receivables	21	<b>396</b>	396
Cash and cash equivalents	22	<b>270</b>	262
		<b>666</b>	658
<b>Total assets</b>		<b>587,313</b>	587,305
<b>Equity</b>			
Share capital	28	<b>3,280</b>	3,280
Share premium	29	<b>962,551</b>	962,551
Brought forward (accumulated losses)/retained earnings	29	<b>(470,944)</b>	3,732
Current year losses	15	<b>(14,826)</b>	(474,676)
<b>Total equity</b>		<b>480,061</b>	494,887
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	25	<b>105,661</b>	91,728
Derivative financial instruments	24	<b>1,474</b>	582
		<b>107,135</b>	92,310
<b>Current liabilities</b>			
Trade and other payables	23	<b>117</b>	108
<b>Total liabilities</b>		<b>107,252</b>	92,418
<b>Total equity and liabilities</b>		<b>587,313</b>	587,305

The company made a loss of £14.8 million for the year ended 31 March 2023 (2022: £474.7 million). See note 15 for more details.

The notes on pages 31 to 82 form part of these financial statements.

The financial statements on pages 21 to 82 were approved by the Board of Directors on 13 July 2023 and were signed on its behalf by:

**R Storah**  
*Director*

**Company statement of changes in equity**  
*for the year ended 31 March 2023*

	Share capital	Share premium	Retained earnings/ (accumulated losses)	Total equity
	£'000	£'000	£'000	£'000
Balance at 1 April 2021	38	1,974	3,732	5,744
<b>Comprehensive expense for the year</b>				
Loss and total comprehensive expense for the year	-	-	(474,676)	(474,676)
<b>Transactions with owners recognised directly in equity</b>				
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)
<b>Balance at 31 March 2022</b>	<b>3,280</b>	<b>962,551</b>	<b>(470,944)</b>	<b>494,887</b>
<b>Comprehensive expense for the year</b>				
Loss and total comprehensive expense for the year	-	-	(14,826)	(14,826)
<b>Balance at 31 March 2023</b>	<b>3,280</b>	<b>962,551</b>	<b>(485,770)</b>	<b>480,061</b>

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 31 to 82 form part of these financial statements.

**Company cash flow statement**  
*for the year ended 31 March 2023*

	Note	2023 £'000	2022 £'000
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	37	8	(33)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>8</b>	<b>(33)</b>
<b>Cash flows from investing activities</b>			
Additional investment in subsidiary		-	(83,600)
<b>Net cash outflow from investing activities</b>		<b>-</b>	<b>(83,600)</b>
<b>Cash flows from financing activities</b>			
Issue of share capital		-	255
Issue of preference shares		-	83,600
<b>Net cash inflow from financing activities</b>		<b>-</b>	<b>83,855</b>
<b>Net increase in cash and cash equivalents</b>		<b>8</b>	<b>222</b>
Cash and cash equivalents at the start of the year		<b>262</b>	<b>40</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>270</b>	<b>262</b>

The notes on pages 31 to 82 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 and registered 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 were the operation of dental practices and, prior to the divestment of the DD division on 8 June 2022, the provision of materials, services and equipment to dental practices.

The group provides a range of National Health Service ('NHS') and private dentistry services from practices located in England, Wales, Scotland and Northern Ireland. Prior to its divestment in June 2022, the DD division provided 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 and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. Future changes to IFRS are 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 2022. 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 2023 have been prepared on the historical cost basis, as modified for the revaluation of certain financial instruments including derivatives and contingent consideration and in accordance with the accounting policies set out below which have been consistently applied.

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 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, the extent to which cash is expected to be generated from day-to-day operations, working capital requirements and the borrowing facilities available to the group.

As part of the directors' consideration of the appropriateness of adopting the going concern basis, a base case and mitigated downside case, which reflects a severe but plausible downside scenario, have been considered. These forecasts show that the group is able to operate within the level of its current facilities for the foreseeable future.

The key drivers of these forecasts include the number of clinical hours available and the productivity of those hours, which is significantly influenced by the mix of private dentistry. In this context, management's base case scenario assumes that there will continue to strong demand for the group's private dentistry, that clinician recruitment will remain in line with pre-pandemic levels and that retention will continue in line with current trends. The group continues to invest in its clinical support network, which also underpin these retention and productivity assumptions. The forecast does not assume any significant benefit from the legislative changes to Section 60 that came into effect during the year. These changes substantially reduce the barriers to recruiting clinicians from overseas and are expected to have a beneficial impact from FY2025 onwards. The forecast also assumes that the group will continue with its organic growth programme, together with a limited programme of M&A, however all of this expenditure is discretionary.

Management have also considered a mitigated downside scenario in which the number of clinical hours recruited is lower than currently expected and where demand for private dentistry reduces, as a result of current cost of living pressures. However, to date, demand for private dentistry remains robust. The forecast also assumes that mitigating actions are taken, including the deferral of an element of discretionary capital expenditure.

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

### **2 Accounting policies** *(continued)*

#### **(a) Basis of preparation** *(continued)*

Whilst the mitigated downside scenario would have a negative impact on profitability, in both scenarios, the group would generate positive EBITDA and cashflow throughout the year ended 31 March 2024 and beyond, and that sufficient cash and liquidity would be available to meet all anticipated obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements. This includes a prudent assumption over the level of repayment required to the NHS in respect of undelivered UDA activity and payment of all cash interest due under the group's borrowing facilities. Management do not expect that any of the group's debt facilities will need to be re-financed over this period and no principal debt repayments fall due. The forecasts also take into account that the group held cash of £63.2m as of 31 March 2023 and, following the re-financing completed on 30 March 2023, undrawn facilities of £115.0m, which include the £65.0m RCF and £50.0m CAF. Please refer also to the financial review and key performance indicators section of the strategic report for further details.

In addition, both scenarios demonstrate that the group would remain compliant with all covenant obligations over the same period. Further details of the group's covenant obligations are set out in note 34 to these financial statements.

#### **(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 2023.

##### ***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 2023, 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 by the DD division prior to its divestment, 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(j).

## 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.

#### (f) Intangible assets

##### Goodwill

Goodwill has an indefinite life and 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.

#### (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.

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

### **2 Accounting policies (continued)**

#### **(g) Impairment of non-financial assets (continued)**

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 (prior to its divestment) 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.

#### **(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.

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

### **2 Accounting policies** *(continued)*

#### ***(j) Financial instruments***

Non-derivative financial instruments comprise investments, trade receivables and prepayments, cash and cash equivalents, trade and other payables and borrowings.

##### ***Investments***

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

##### ***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.

##### ***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.

##### ***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.

##### ***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.

##### ***Derivative financial instruments***

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

Prior to divestment in June 2022, the DD division utilised foreign exchange forward contracts to hedge a proportion of the group's exposure to fluctuations in foreign exchange rates.

A fixed interest rate contract is also in place to hedge a proportion of the group's exposure to movements in interest rates.

In addition, share purchase warrants over the group's 'A' ordinary shares were issued to a lender as part of the Palamon transaction. The number of shares that would be issued under the warrant at exit was dependent on the time frame for

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

### **2 Accounting policies (continued)**

#### **(j) Financial instruments (continued)**

##### ***Derivative financial instruments (continued)***

the settlement of the subordinated PIK facility. The facility was repaid in June 2022 following the sale of DD, fixing the number of 'A' shares over which warrants are held at 12,500.

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.

##### ***(k) 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 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).

##### ***(l) 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.

##### ***(m) 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.

##### ***(n) 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. Patients pay for treatments as these occur, with the transaction price being based either upon the relevant NHS charge, or the relevant charge for each particular item of private treatment. The performance obligation is identified as the services being provided to a patient which is deemed to be recognised at a point in time.

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.

The group's NHS dentistry contracts were subject to modified operating procedures during the COVID pandemic period, which continued until the early part of FY2023. 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)**

#### **(o) 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.

#### **(p) 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, the unwinding of discount on provisions and fair value movements on hedging arrangements.

##### **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.

#### **(q) Income tax**

Income tax 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)**

#### **(r) 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.

#### **(s) 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.

#### **(t) 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.

#### **(u) 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.

#### **(v) Non-underlying items**

The group has aligned its definition of EBITDA with the definition set out in its banking documents, with 'non-underlying items' typically considered to be material items of a one-off, or non-recurring nature, or items which do not form part of the underlying trading results of the group. Examples include the profit or loss arising from practice disposals; practice closure costs; redundancy and other costs resulting from business restructuring; costs associated with pilot programmes, prior to wider business roll-out; and legal and professional fees relating to capital transactions involving a change in ownership or financing, or to other one-off projects.

In particular, the costs associated with the Palamon transaction and the sale of the DD division have been recognised within non-underlying items.

#### **(w) Investments**

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

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

### **2 Accounting policies** *(continued)*

#### ***(x) 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. The carrying value of assets held for sale is reviewed for evidence of impairment at each balance sheet date and any resulting impairment is charged to the income statement.

### **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 2023 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. 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 not identified any impairments to the carrying values of the CGUs. During the year ended 31 March 2022 an impairment of less than £0.1 million was recognised within non-underlying items in the income statement. More details, including carrying values and the outcomes of the reviews conducted including sensitivity analysis are included in note 16.

#### ***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 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.

We have regular, open, discussions with HMRC over issues that could affect either the group or the industry generally, such as, in the past, the partnership acquisition model and the VAT treatment of dental facilities, however both of these discussions have now been concluded with no changes being required to either the operating model, or previous accounting.

The group has also engaged in discussions with HMRC in the past around the self-employed status of clinicians. From April 2023, HMRC have withdrawn the specific self-employment guidance relating to dentistry and the model contract and have also confirmed that they will not seek to challenge the self-employed status of associate dentists prior to this date. HMRC have indicated that the withdrawal is due to their belief that they should not provide guidance on individual industry-specific contracts.

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

### **3 Critical accounting judgements and estimates** *(continued)*

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

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

Having considered guidance and case law, the group, during FY2023, supported by external advisors, has engaged with a range of stakeholders to make further improvements to the existing associate dentist contract to bring further clarity to the roles and responsibilities of both {my}dentist and the associate dentist. As a result the group has concluded that the engagement terms for its associate dentists remain consistent with self-employed status.

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, or contingent liability, in relation to the ongoing tax discussions relating to self-employment status.

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

NHS revenue in England and Wales is generated from long-term, fixed value contracts. 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. Across England and Wales, the group typically receives payment of 1/12 of the contract value on the first working day of the following month. Dental practices also collect patient contributions on behalf of the NHS, and typically remit such amounts to the NHS in arrears within two-to-six weeks of receipt. Three to six months following the contract year end on 31 March each year, {my}dentist receive a statement detailing Unit of Dental Activity ('UDA') performance under each contract (referred to as the 'year end reconciliation process'). If, at the end of the contract year, a practice has not performed all the UDAs allocated under its contract, the NHS 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 from 1 April 2020, before gradually returning to normal by 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%.

At the end of FY2021, there was increased uncertainty over the repayment position due to the absence of any UDA volume-based contract measurement and the group did not recognise the revenue related to these areas of uncertainty. During FY2022, the FY2021 year end reconciliation process with the NHS did not highlight any issues, however a level of uncertainty remained across a number of areas. As a result, management recognised revenue of £7.0m, representing 20% of the amount previously deferred, in respect of certain elements of the deferred revenue where it was clear that the uncertainty had reduced such that it was appropriate to recognise the associated revenue. The group has subsequently progressed through the FY2022 year reconciliation process and, as no further issues having been highlighted, and having given consideration to other factors including data retention periods, management consider that the highly probable threshold for revenue recognition has been met in respect of a further £17.1m of the amount previously deferred such that it is appropriate to recognise the revenue. Therefore, management have recognised this within revenue in the income statement for FY2023. See also note 23 for further details of the amounts due to the NHS.

##### ***Time period for share based payment and preference share dividend recognition***

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.

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

### 4 Reconciliation of EBITDA to operating profit/(loss)

The group's key profit performance indicator is EBITDA before non-underlying items, (referred to, simply, as 'EBITDA') which reflects earnings before interest, tax, depreciation, amortisation and non-underlying items less rental and other lease charges.

The group has aligned its definition of EBITDA with the definition set out in its banking documents, with 'non-underlying items' typically considered to be material items of a one-off, or non-recurring nature, or items which do not form part of the underlying trading results of the group. Examples include the profit or loss arising from practice disposals; practice closure costs; redundancy and other costs resulting from business restructuring; costs associated with pilot programmes, prior to wider business roll-out; and legal and professional fees relating to capital transactions involving a change in ownership or financing, or to other one-off projects.

Management consider EBITDA to be the key operating indicator as it measures the underlying performance of the group and the ability of the group to service its debt.

EBITDA for FY2023 was £74.2 million (FY2022: £78.8 million) and is reconciled to operating profit/(loss) in the following table:

	<i>Note</i>	<b>Continuing £'000</b>	<b>Discontinued £'000</b>	<b>2023 Group £'000</b>
<b>EBITDA</b>		<b>73,207</b>	<b>987</b>	<b>74,194</b>
Amortisation of intangible assets	16	(22,774)	-	(22,774)
Depreciation	17/18	(39,764)	559	(39,205)
Amortisation of government grant income		18	-	18
Net gain/loss on termination/disposal of leases		5,551	-	5,551
Net impairment of non-current assets reclassified as held for sale and profit/loss on closure or disposal of dental practices	6	(6,555)	-	(6,555)
Gain on sale of DD division	30	64,297	-	64,297
Differences between contingent consideration paid and estimates initially recognised	6	158	-	158
Other non-underlying items	6	(4,177)	(203)	(4,380)
Share based payments	31	(2,650)	-	(2,650)
Net foreign exchange gain	11	-	21	21
Rental and other lease charges		13,003	158	13,161
<b>Operating profit</b>		<b>80,314</b>	<b>1,522</b>	<b>81,836</b>

## Notes to the consolidated financial statements (continued)

### 4 Reconciliation of EBITDA to operating profit/(loss) (continued)

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

### 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.

Up to the point of the divestment of DD in June 2022, the Executive Management Team considered the business to be split into two main operating segments, being {my}dentist and DD. 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 545 locations at 31 March 2023 (2022: 583).

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.

Prior to the sale of DD, 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.

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

### 5 Segmental analysis *(continued)*

Revenue is analysed by category as follows:

	2023 £'000	2022 £'000
Provision of services	533,542	534,753
Sale of goods	28,546	167,678
<b>Total revenue</b>	<b>562,088</b>	<b>702,431</b>

### Year ended 31 March 2023

	mydentist £'000	DD £'000	Group costs, and intra- segment eliminations £'000	<b>Total £'000</b>
<b>Revenue</b>				
NHS dentistry	313,402	-	-	<b>313,402</b>
Private dentistry	221,136	-	-	<b>221,136</b>
Non-dental practice revenue	98	33,051	(5,599)	<b>27,550</b>
<b>Total revenue</b>	<b>534,636</b>	<b>33,051</b>	<b>(5,599)</b>	<b>562,088</b>
Gross profit	270,284	8,924	(1,240)	<b>277,968</b>
Gross margin	50.6%	27.0%		<b>49.5%</b>
Overheads	(192,071)	(6,626)	443	<b>(198,254)</b>
Other income	2,101	-	-	<b>2,101</b>
Other gains	-	21	-	<b>21</b>
<b>Segment operating profit/(loss)</b>	<b>80,314</b>	<b>2,319</b>	<b>(797)</b>	<b>81,836</b>
Net finance costs				<b>(51,654)</b>
<b>Profit before income tax</b>				<b>30,182</b>
<b>Segment assets</b>	<b>651,750</b>	<b>-</b>	<b>-</b>	<b>651,750</b>
<b>Segment liabilities</b>	<b>(862,338)</b>	<b>-</b>	<b>-</b>	<b>(862,338)</b>
<b>Additions</b>				
Right of use assets	10,196	-	-	<b>10,196</b>
Property, plant and equipment	47,549	506	(484)	<b>47,571</b>

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

### 5 Segmental analysis *(continued)*

Year ended 31 March 2022

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

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

## 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.

	<b>Group 2023 £'000</b>	Group 2022 £'000
Restructuring costs	1,695	194
Legal and professional fees	1,102	28,037
System transformation	1,286	-
Expenses in respect of defined benefit pension scheme (note 35)	94	452
Other	-	(316)
	<hr/>	<hr/>
Non-underlying items – continuing operations	4,177	28,367
Non-underlying items – discontinued operations	203	4,869
	<hr/>	<hr/>
<b>Non-underlying items</b>	<b>4,380</b>	<b>33,236</b>
	<hr/>	<hr/>
Differences between contingent consideration paid and estimates initially recognised		
Continuing operations	(158)	-
Discontinued operations	-	(512)
	<hr/>	<hr/>
Net impairment of non-current assets reclassified as held for sale and profit/loss on closure or disposal of dental practices		
Continuing operations	6,555	8,879
	<hr/>	<hr/>

#### ***Restructuring costs***

Costs incurred during the year ended 31 March 2023 and the year ended 31 March 2022 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 2023 include costs incurred in relation to the Palamon transaction of £0.6 million (2022: £27.7 million) as well as other non-recurring legal advisory services.

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

#### ***System transformation***

System transformation costs for the year ended 31 March 2023 include project activity in relation to systems selection and associated business cases together with the initial license subscriptions.

#### ***Discontinued operations***

In addition to the costs disclosed above from continuing operations, non-underlying costs of £0.2 million were incurred in the DD division during the year-ended 31 March 2023 relating predominantly to the disposal process for the division. Costs for the year ended 31 March 2022 of £4.9 million include £2.8 million of 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.

#### ***Differences between contingent consideration paid and estimates initially recognised***

During the year ended 31 March 2023, the final contingent consideration payment relating to the acquisition of a dental practice was made. There was a difference of £158,000 between the consideration paid and the estimate initially recognised and this was released to the income statement.

During the year ended 31 March 2022, the final contingent consideration payment relating to the acquisition of BF Mulholland Limited by DD was made. 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.

## Notes to the consolidated financial statements (continued)

### 6 Other non-underlying items (continued)

#### *Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices*

The practice portfolio is regularly reviewed to identify practices which are no longer deemed viable due to reasons such as low UDA contract values or recruitment constraints arising from the geographical location. During the year ended 31 March 2023, 20 dental practices were sold, 15 were closed and a further 10 have been reclassified as assets held for sale at year end. (2022: 7 closed and 29 reclassified as Assets held for sale). An impairment is recognised at the point a practice is reclassified to assets held for sale, where the fair value less costs to sell is expected to be lower than the carrying amount.

### 7 Auditors' remuneration

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

	2023 £'000	2022 £'000
<b>Audit services</b>		
Audit of the parent company and the consolidated financial statements***	460	485
Audit of the company's subsidiaries	375	493
	<hr/>	<hr/>
	835	978
<b>Non-audit services</b>		
Transaction related advice***	-	2,133
Debt covenant reporting	17	15
	<hr/>	<hr/>
<b>Total remuneration payable to PricewaterhouseCoopers LLP</b>	<b>852</b>	<b>3,126</b>

\* The audit fees in respect of the consolidated and parent company financial statements for the years ended 31 March 2023 and 31 March 2022 have been borne by a subsidiary company.

\*\*During FY2022 year end reporting, PwC charged an additional fee of £54,000 which was billed in FY2023. Given the timing of the agreement of this fee, the amount was not included within the audit fee disclosed in FY2022 of £978,000, it has been added to the FY2023 fee of £835,000.

\*\*\*Transaction related advice in FY2022 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:

	<b>Group 2023</b>	<b>Group 2022</b>
<b>Business unit</b>	<b>No of employees</b>	<b>No of employees</b>
{my}dentist - surgery staff	<b>3,782</b>	3,903
{my}dentist - administration staff	<b>2,531</b>	2,527
DD	<b>101</b>	575
	<hr/>	<hr/>
	<b>6,414</b>	7,005
	<hr/>	<hr/>

The staff costs of these persons were as follows:

	<b>Group 2023</b>	<b>Group 2022</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	<b>121,164</b>	139,574
Social security costs	<b>9,471</b>	10,221
Other pension costs	<b>1,919</b>	2,202
	<hr/>	<hr/>
	<b>132,554</b>	151,997
	<hr/>	<hr/>

Discontinued operations: Staff costs for the DD division were £3.2 million (2022: £18.3 million).

During FY2022, a total of 83 employees (44 at {my}dentist and 39 at DD) continued to be on furlough principally due to medical considerations. The total claim from the government's Coronavirus Job Retention Scheme ("CJRS") in FY2022 was £0.2 million. There was no furlough claimed in FY2023.

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

The company has no employees (2022: none).

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

### 9 Directors' remuneration

The total emoluments received for services as a director of the group are shown in the table below. Management consider that the directors are also the key management personnel as defined by IFRS and the Companies Act 2013.

	<b>Group 2023 £'000</b>	<b>Group 2022 £'000</b>
Salary and other short term benefits	<b>1,920</b>	5,725
Pension contributions	<b>2</b>	-
	<hr/>	<hr/>
Aggregate emoluments	<b>1,922</b>	5,725
	<hr/>	<hr/>

Two (2022: no) directors accrued retirement benefits totalling £2,000 under money purchase or defined benefit pension schemes. Certain directors received no emoluments from the group for their services. Directors remuneration excludes share based payments. Refer to note 31 for further information.

Note that the 2022 emoluments include a one off transaction bonus of £4,000,000 paid to three directors 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 and was charged to the income statement as a cost of the transaction.

The aggregate remuneration, excluding share based payments, for the highest paid director was £976,000 (2022: £2,932,000), which included benefits in kind of £5,000 (2022: £6,000). The amount for 2022 also included a one-off transaction bonus of £2,000,000 paid by the Carlyle and Palamon shareholders.

The directors received no emoluments from the company for their services during the year (2022: £nil).

### 10 Other income

Other income of £2.1 million (FY2022: £1.9 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.

## Notes to the consolidated financial statements (continued)

### 11 Other net gains/(losses)

	Group 2023 £'000	Group 2022 £'000
Unrealised gains at fair value through profit or loss on foreign exchange forward contracts	-	309
Realised foreign exchange gains/(losses)	21	(536)
	<b>21</b>	<b>(227)</b>

### 12 Finance costs

	Group 2023 £'000	Restated Group 2022 £'000
Senior secured fixed rate notes	-	6,398
Senior secured floating rate notes	-	3,612
Second lien notes	-	5,940
Bank loans and overdrafts	378	1,632
Unitranche loan	38,077	19,081
Subordinated PIK loan	2,885	8,654
Interest rate hedge payments	-	647
Amortisation of debt issue costs and related fees	5,049	7,392
Loan note interest	-	41,100
Preference share dividends	13,933	4,552
Other interest payable – unwinding of discount (notes 18, 26, 34)	4,492	4,363
Syndicate charges	477	451
Finance expense in respect of defined benefit pension scheme (note 35)	10	8
Fair value movement on share purchase warrants (note 24)	892	582
	<b>66,193</b>	<b>104,412</b>

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 were treated as a capital contribution in the financial statements for the year ended 31 March 2022. The preference share dividend charge for the year ended 31 March 2022 includes £3.2 million recognised between 1 April 2022 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.

Interest costs for the year ended 31 March 2022 have been restated to show finance costs gross of the mark-to-market movement on the group's interest rate swap, which has been reclassified to finance income.

### 13 Finance income

	Group 2023 £'000	Restated Group 2022 £'000
Bank deposit interest	667	6
Interest rate hedge received	3,157	-
Mark-to-market movement on interest rate swap contract (notes 24 and 25)	10,715	8,601
	<b>14,539</b>	<b>8,607</b>

Please refer to note 12 for further details regarding the restatement.

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

### 14 Income tax (credit)/charge

	Group 2023 £'000	Group 2022 £'000
<b>Current income tax</b>		
Current charge for the year	-	-
<b>Deferred income tax</b>		
Origin and reversal of temporary differences	(24,941)	9,610
Adjustments in respect of previous years	-	(17,896)
Effect of change in income tax rate	-	(1,409)
Total deferred income tax (note 27)	(24,941)	(9,695)
Total income tax credit	(24,941)	(9,695)

The income tax credit for the financial year is higher (2022: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2023 of 19% (2022: 19%). The differences are explained below:

	Group 2023 £'000	Group 2022 £'000
Profit/(loss) before income tax	30,182	(107,243)
Profit/(loss) before income tax multiplied by the standard rate of corporation tax in the UK of 19% (2022: 19%)	5,735	(20,376)
<b>Effects of:</b>		
Expenses not deductible for tax	9,294	29,206
Income not taxable for tax	(10,343)	-
Short term timing differences	(21,177)	-
Recognition of losses not previously recognised	(8,450)	-
Effect of rate changes on opening balances	-	(1,409)
Adjustments in respect of previous years	-	(17,896)
Unrelieved losses carried forwards	-	780
Total income tax credit for the year	(24,941)	(9,695)

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 2022, 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 £14,826,000 (2022: £474,676,000) arises from the accrual for dividends payable on preference shares. The company's loss of £474,676,000 for the year ended 31 March 2022 arose 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

	<b>Goodwill £'000</b>	<b>Contractual arrangement £'000</b>	<b>Customer relationships £'000</b>	<b>Brands and trademarks £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 April 2022	258,972	430,593	44,498	-	734,063
Disposals	-	(4,547)	(588)	-	(5,135)
Transfer to Assets held for sale	-	(1,364)	(156)	-	(1,520)
<b>At 31 March 2023</b>	<b>258,972</b>	<b>424,682</b>	<b>43,754</b>	<b>-</b>	<b>727,408</b>
<b>Accumulated amortisation</b>					
At 1 April 2022	137,716	226,247	40,415	-	404,378
Charge for the year	-	21,023	1,751	-	22,774
Disposals	-	(2,281)	(551)	-	(2,832)
Transfer to Assets held for sale	-	(964)	(156)	-	(1,120)
<b>At 31 March 2023</b>	<b>137,716</b>	<b>244,025</b>	<b>41,459</b>	<b>-</b>	<b>423,200</b>
<b>Net book value</b>					
<b>At 31 March 2023</b>	<b>121,256</b>	<b>180,657</b>	<b>2,295</b>	<b>-</b>	<b>304,208</b>

	<b>Goodwill £'000</b>	<b>Contractual arrangement £'000</b>	<b>Customer relationships £'000</b>	<b>Brands and trademarks £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
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)
<b>At 31 March 2022</b>	<b>258,972</b>	<b>430,593</b>	<b>44,498</b>	<b>-</b>	<b>734,063</b>
<b>Accumulated amortisation</b>					
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)
<b>At 31 March 2022</b>	<b>137,716</b>	<b>226,247</b>	<b>40,415</b>	<b>-</b>	<b>404,378</b>
<b>Net book value</b>					
<b>At 31 March 2022</b>	<b>121,256</b>	<b>204,346</b>	<b>4,083</b>	<b>-</b>	<b>329,685</b>

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

### 16 Intangible assets *(continued)*

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

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 2023 was 9.3 years (2022: 10.2 years).

#### Cash Generating Units ('CGUs')

Following the sale of DD, and 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 the remaining goodwill to a single CGU representing the {my}dentist division. The goodwill previously attributed to the DD division CGU was derecognised upon the completion of the sale of the DD division in June 2022. The net book value of goodwill related to the DD division had previously been transferred to assets held for sale at 31 March 2022. Consequently, the annual impairment review has therefore only been completed for the {my}dentist CGU.

#### Net book value of goodwill by CGU

	<b>Group 2023 £'000</b>	<b>Group 2022 £'000</b>
{my}dentist	<b>121,256</b>	121,256
DD	-	21,979
	<b>121,256</b>	<b>143,235</b>

#### Annual impairment review

The annual impairment review for goodwill is based on an assessment of the CGU's recoverable amount based on a value in use model. This value is 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.

At each reporting date the impairment review is performed by comparing the estimated recoverable amount of the CGU with its carrying amount, including goodwill. The impairment reviews at both 31 March 2023 and 31 March 2022 have concluded that no impairment is 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. 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 practice merger, relocation and expansion projects have also 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

	<b>Group 2023 %</b>	<b>Group 2022 %</b>
<b>Long term growth rate</b>		
{my}dentist	<b>2.00</b>	1.50
<b>Discount rate</b>		
{my}dentist	<b>8.52</b>	8.00

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

### **16 Intangible assets** *(continued)*

#### **Annual impairment review** *(continued)*

The impairment review performed at 31 March 2023 was based upon discounted cash flow forecasts, derived from management's latest 5 year strategic plan, which was updated during the year from the plan that was used to inform the impairment review undertaken at 31 March 2022. The directors have also considered the potential impact of climate change on future cash flows in the context of this plan.

The FY2023 strategic plan was based on a 9+3 forecast for {my}dentist for FY2023 and includes limited future growth in NHS revenues, alongside the continued growth in private dentistry revenues. Private revenue is forecast to grow at a compound annual growth rate of 17% from FY2023 to FY2028 with organic growth principally realised from developments in affordable private treatment, clear aligner systems and implants and through a combination of both price and volume. Like-for-like growth is achieved through the plan period by utilising resourcing and retention assumptions that are informed by performance in both FY2023 and the most recent pre-Covid pandemic periods prior to that.

The value in use calculation at 31 March 2023 for the {my}dentist intangible assets results in headroom of £195 million over the net book value of goodwill and intangible assets (2022: £199 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 2023:

- 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 value in use by approximately £22.1 million (2022: £22.7 million).
- A change of 0.25% in the assumed WACC would change the calculated value in use by approximately £22.6 million (2022: £21.5 million).

Management do not consider that any reasonably possible changes to these key assumptions would result in an impairment.

#### **Contractual arrangements**

During the year ended 31 March 2022, the group agreed a small number of 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 the group has 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 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. No further contract hand-backs have been agreed during the year ended 31 March 2023.

#### **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 (2022: 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
<b>Cost</b>				
At 1 April 2022	598	265	262,122	262,985
Additions	-	-	47,571	47,571
Disposals	-	-	(5,508)	(5,508)
Transfer to asset held for sale – {my}dentist	-	-	(1,500)	(1,500)
<b>At 31 March 2023</b>	<b>598</b>	<b>265</b>	<b>302,685</b>	<b>303,548</b>
<b>Accumulated depreciation</b>				
At 1 April 2022	40	181	165,850	166,071
Charge for the year	12	2	23,885	23,899
Disposals	-	-	(4,650)	(4,650)
Transfer to asset held for sale – {my}dentist	-	-	(1,027)	(1,027)
<b>At 31 March 2023</b>	<b>52</b>	<b>183</b>	<b>184,058</b>	<b>184,293</b>
<b>Net book value</b>				
<b>At 31 March 2023</b>	<b>546</b>	<b>82</b>	<b>118,627</b>	<b>119,255</b>

	Freehold property £'000	Long leasehold property £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>				
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)
<b>At 31 March 2022</b>	<b>598</b>	<b>265</b>	<b>262,122</b>	<b>262,985</b>
<b>Accumulated depreciation</b>				
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)
<b>At 31 March 2022</b>	<b>40</b>	<b>181</b>	<b>165,850</b>	<b>166,071</b>
<b>Net book value</b>				
<b>At 31 March 2022</b>	<b>558</b>	<b>84</b>	<b>96,272</b>	<b>96,914</b>

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 (2022: 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
<b>Cost</b>				
At 1 April 2022	109,849	1,093	-	110,942
Additions	10,112	84	1,614	11,810
Disposals	(674)	(158)	-	(832)
Remeasurements	7,997	-	-	7,997
Transfer to assets held for sale	(837)	-	-	(837)
<b>At 31 March 2023</b>	<b>126,447</b>	<b>1,019</b>	<b>1,614</b>	<b>129,080</b>
<b>Accumulated Depreciation</b>				
At 1 April 2022	31,645	668	-	32,313
Charge for the year	14,753	194	359	15,306
Transfer to assets held for sale	(252)	-	-	(252)
<b>At 31 March 2023</b>	<b>46,146</b>	<b>862</b>	<b>359</b>	<b>47,367</b>
<b>Net book value</b>				
<b>At 31 March 2023</b>	<b>80,301</b>	<b>157</b>	<b>1,255</b>	<b>81,713</b>

	Land and buildings £'000	Motor vehicles £'000	Other £'000	Total £'000
<b>Cost</b>				
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)
<b>At 31 March 2022</b>	<b>109,849</b>	<b>1,093</b>	<b>-</b>	<b>110,942</b>
<b>Accumulated Depreciation</b>				
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)
<b>At 31 March 2022</b>	<b>31,645</b>	<b>668</b>	<b>-</b>	<b>32,313</b>
<b>Net book value</b>				
<b>At 31 March 2022</b>	<b>78,204</b>	<b>425</b>	<b>-</b>	<b>78,629</b>

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

### 18 Leases *(continued)*

#### Lease liabilities

	<b>£'000</b>
As at 1 April 2022	85,800
Rental and operating lease payments	(14,481)
Lease additions	11,809
Disposals	(5,370)
Remeasurements	8,005
Interest on lease liability	4,094
Transfer to Assets held for sale	(613)
<b>As at 31 March 2023</b>	<b>89,244</b>

An interest charge of £4.1 million has been charged to finance costs in relation to the unwinding of the discount on the lease liability (2022: £4.4 million). The total cash outflow for leases for the year was £14.5 million (2022: £14.9 million). During the year ended 31 March 2022, an expense of £0.1 million related to leases of low-value assets that are not shown above as short-term leases; £0.1m of income resulting from subleasing was recognised; and a gain of £0.3m arose within non-underlying items from the remeasurement of lease commitments.

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

	<b>Shares in subsidiary £'000</b>
<b>Cost</b>	
At 1 April 2022 and 31 March 2023	1,052,863
<b>Accumulated impairment</b>	
At 1 April 2022 and 31 March 2023	466,216
<b>Net book value</b>	
At 31 March 2022 and 31 March 2023	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 2023 is £1,052.9 million (2022: £1,052.9 million). An impairment charge of £466.2 million was recognised during the year ended 31 March 2022 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.

No further indicators of impairment have been identified during the year ended 31 March 2023.

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 <sup>1</sup> below), over all of their respective outstanding liabilities, under section 479C of the Companies Act 2006. As a result, having also

## Notes to the consolidated financial statements (continued)

### 19 Investments (continued)

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 2023 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.

<b>Name of subsidiary</b>	<b>Principal activity</b>	<b>Country of incorporation</b>
Turnstone Midco 1 Limited	Non trading	England <sup>a</sup>
Turnstone Midco 2 Limited	Non-trading	England <sup>a</sup>
Turnstone Bidco 1 Limited	Non-trading	England <sup>a</sup>
Mydentist Finance Limited (previously IDH Finance Plc until 10 August 2022 and IDH Finance Limited until 5 December 2022)	Group financing	England <sup>a</sup>
<sup>2</sup> @TheDentist Ltd	Dormant	England <sup>a</sup>
<sup>2</sup> IA Dental Practice Limited	Dormant	England <sup>a</sup>
<sup>1</sup> Adelstone Dental Care Limited	Dental practices	England <sup>a</sup>
<sup>2</sup> ADP Ashford Ltd	Dormant	England <sup>a</sup>
<sup>1</sup> ADP Healthcare Acquisitions Limited	Non-trading	England <sup>a</sup>
<sup>2</sup> ADP Healthcare Limited	Dormant	England <sup>a</sup>
<sup>1</sup> ADP Healthcare Services Limited	Non-trading	England <sup>a</sup>
<sup>1</sup> ADP Holdings Limited	Non-trading	England <sup>a</sup>
<sup>1</sup> ADP No.1 Limited	Non-trading	England <sup>a</sup>
<sup>2</sup> ADP Yorkshire Ltd	Dormant	England <sup>a</sup>
<sup>1</sup> Aesthetic Dental Care Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Aesthetix Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Alendental Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Alison Brett Dental Care LLP	Dental practices	England <sup>a</sup>
<sup>2</sup> A-Z Dental (Subsidiary Number1) Limited	Dormant	England <sup>a</sup>
<sup>2</sup> A-Z Dental (Subsidiary Number 2) Limited	Dormant	England <sup>a</sup>
<sup>1</sup> A-Z Dental Holdings Limited	Non-trading	England <sup>a</sup>
<sup>2</sup> Bramora Limited	Dormant	England <sup>a</sup>
<sup>2</sup> Butler and Finnigan Dental Practice Ltd	Dormant	England <sup>a</sup>
<sup>1</sup> Castle Hill Dental Practice Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Chapel Road Orthodontics Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Church Street Dentists Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Clarendon Dental Practice Limited	Dental practices	England <sup>a</sup>
Community Dental Centres Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Confident Dental Practices Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Cromwell Dental Practice Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> D and L Jordan Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> D M Jordan Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> DBG (UK) Limited	Dormant	England <sup>a</sup>
<sup>1</sup> DBG Acquisitions Limited	Non-trading	England <sup>a</sup>
<sup>2</sup> DBG Subsidiary Limited	Dormant	England <sup>a</sup>
<sup>1</sup> DBG Topco Limited	Non-trading	England <sup>a</sup>
<sup>1</sup> Dental Aesthetics Ltd	Dental practices	Northern Ireland <sup>c</sup>
<sup>1</sup> Dental Excellence Group Ltd	Non-trading	Northern Ireland <sup>c</sup>
<sup>1</sup> Dental Excellence Ltd	Dental practices	Northern Ireland <sup>c</sup>
<sup>2</sup> Dental Health Care Limited	Dormant	England <sup>a</sup>
<sup>2</sup> Dental Talent Tree (Recruitment) Limited	Dormant	England <sup>a</sup>
Denticare Limited	Dental practices	England <sup>a</sup>
<sup>2</sup> Denticare Properties Limited	Dormant	England <sup>a</sup>
<sup>2</sup> Denture Excellence (Franchising) Limited	Dormant	England <sup>a</sup>
Denture Excellence Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> DH Dental Holdings Limited	Non-trading	England <sup>a</sup>
<sup>1</sup> Diverse Acquisitions Limited	Non-trading	England <sup>a</sup>
<sup>1</sup> Diverse Holdings Limited	Non-trading	England <sup>a</sup>
<sup>2</sup> Diverse Property Investments Limited	Dormant	England <sup>a</sup>
<sup>1</sup> DM and LJ Jordan Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> DMJ Norwich Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Du Toit and Burger Partnership (Harwich) Ltd	Dental practices	England <sup>a</sup>
<sup>1</sup> Du Toit and Burger Partnership (Ipswich) Ltd	Dental practices	England <sup>a</sup>
<sup>1</sup> Du Toit and Burger Partnership (Silvertown) Ltd	Dental practices	England <sup>a</sup>
<sup>1</sup> Du Toit and Burger Partnership (Stratford) Ltd	Dental practices	England <sup>a</sup>
<sup>1</sup> Du Toit and Burger Partnership Limited	Dental practices	England <sup>a</sup>

## Notes to the consolidated financial statements (continued)

### 19 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation
<sup>1</sup> Durgan and Ashworth Dental Care Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Euxton (No 1) Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Falchion Orthodontics Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Fallowfield (No 1) Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Family Dental Care Limited	Dental practices	Scotland <sup>b</sup>
<sup>1</sup> Folliot Bird Associates Limited	Dental practices	England <sup>a</sup>
First Choice Dental Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Flagstaff Dental Clinic Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Fleetwood Practice Limited	Dental practices	England <sup>a</sup>
<sup>2</sup> Hackremco (No.2637) Limited	Dormant	England <sup>a</sup>
<sup>1</sup> Halldent Limited	Dental practices	England <sup>a</sup>
<sup>2</sup> Hayle Dental Practice Limited	Dormant	England <sup>a</sup>
<sup>1</sup> Healthcare Buying Group Limited	Non-trading	England <sup>a</sup>
<sup>1</sup> Hessle Grange Dental Care Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Hillcrest Ionian Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Hirst and O'Donnell Ltd	Dental practices	England <sup>a</sup>
<sup>1</sup> IDH 324 & 325 Ltd	Dental practices	England <sup>a</sup>
<sup>1</sup> IDH 331 Ltd	Dental practices	England <sup>a</sup>
<sup>2</sup> IDH 341 Ltd	Dormant	England <sup>a</sup>
<sup>1</sup> IDH 346 Ltd	Dental practices	England <sup>a</sup>
<sup>1</sup> IDH 363 Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> IDH 403 Ltd	Dental practices	England <sup>a</sup>
<sup>1</sup> IDH 406 Ltd	Dental practices	England <sup>a</sup>
<sup>1</sup> IDH 418 Ltd	Dental practices	England <sup>a</sup>
<sup>1</sup> IDH 441 to 444 Ltd	Dental practices	England <sup>a</sup>
<sup>1</sup> IDH 449 Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> IDH 450 Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> IDH 474 Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> IDH 476 Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> IDH 477 Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> IDH 622 Limited	Dental practices	England <sup>a</sup>
Mydentist Acquisitions Limited (previously IDH Acquisitions Limited until 5 December 2022)	Non-trading	England <sup>a</sup>
Mydentist Group Limited (previously IDH Group Limited until 5 December 2022)	Non-trading	England <sup>a</sup>
IDH Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> IDH Mansfield Limited	Dental practices	England <sup>a</sup>
Integrated Dental Holdings Limited	Non-trading	England <sup>a</sup>
<sup>1</sup> Jackro Healthcare Services Limited	Dental practices	England <sup>a</sup>
KH&GW Limited	Dental practices	England <sup>a</sup>
M C Dentistry Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Maidwell Dental Practice Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Mainstone Health Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Manchester Orthodontists Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Murgelas Practice Management Limited	Dental practices	England <sup>a</sup>
<sup>2</sup> My Dental Holdings Limited	Non-trading	England <sup>a</sup>
<sup>2</sup> MyDentist Limited	Dormant	England <sup>a</sup>
<sup>1</sup> N S Dental Ltd	Dental practices	Scotland <sup>b</sup>
<sup>1</sup> Natural Management Ltd	Non-trading	England <sup>a</sup>
<sup>1</sup> Offerton Fold Dental Practice Ltd	Dental practices	England <sup>a</sup>
<sup>1</sup> Olivers Dental Studio Limited	Dental practices	England <sup>a</sup>
Orthocentres Limited	Dental practices	England <sup>a</sup>
Orthodontic Centre (UK) Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Orthodontic Services Limited	Dental practices	Northern Ireland <sup>c</sup>
Orthoworld 2000 Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Orthoworld Limited	Dormant	England <sup>a</sup>
<sup>2</sup> OurDentist Ltd	Dormant	England <sup>a</sup>
<sup>1</sup> Padgate (No 1) Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Palmerston Precinct Practice Limited	Dental practices	England <sup>a</sup>
<sup>1</sup> Pearl Bidco Limited	Non-trading	England <sup>a</sup>

## Notes to the consolidated financial statements (continued)

### 19 Investments (continued)

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

<sup>1</sup> Company exempt from audit under section 479A of the Companies Act 2006

<sup>2</sup> Company exempt from audit under section 480 of the Companies Act 2006

<sup>3</sup> Company exempt from audit by virtue of the legislation in the country of incorporation.

<sup>4</sup> Countries of operation are England, Scotland and Wales

<sup>a</sup> Registered office address: Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester, M26 1GG

<sup>b</sup> Registered office address: 1 Johnston Street, Paisley, Renfrewshire, Scotland, PA1 1XQ

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

<sup>d</sup> 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  
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  
Crown Dental Practice 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  
  
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  
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  
Red Rose Dental Group  
Rhyl and Abergele Elwy Dental Partnership  
Ripponden Road Dental Practice Partnership  
Risley Hill Dental Centre Partnership

#### Name of 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 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  
VI Dental Centre 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.*

#### Group

The group does not own any investments (2022: none).

## Notes to the consolidated financial statements (continued)

### 20 Inventories

	<b>Group 2023 £'000</b>	<b>Group 2022 £'000</b>
Dental practice consumables	<b>6,145</b>	5,867

Inventories are shown net of provisions of £nil (2022: £6,000) in respect of obsolete or slow moving items.

At 31 March 2022, £25.3 million of inventories held by DD were reclassified to assets held for sale. This is net of provisions of £5.8 million in respect of obsolete or slow moving items.

The cost of inventories recognised as an expense within cost of sales during the year amounted to £40.0 million. (2022: £163.0 million), which included £24.2 million (2022: £161.5 million) relating to the discontinued DD division. The replacement cost of inventories are not materially different to its carrying value.

### Company

The company has no inventories (2022: £nil).

### 21 Trade and other receivables

	<b>Group 2023 £'000</b>	<b>Company 2023 £'000</b>	<b>Group 2022 £'000</b>	<b>Company 2022 £'000</b>
<b>Current</b>				
Trade receivables	<b>4,892</b>	-	392	-
Amounts owed by group undertakings	-	<b>396</b>	-	396
Amounts owed by related undertakings	-	-	55	-
Other assets	<b>5,829</b>	-	4,162	-
Prepayments	<b>7,731</b>	-	4,612	-
Accrued income	<b>12,672</b>	-	10,664	-
	<b>31,124</b>	<b>396</b>	19,885	396

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

Amounts owed by group undertakings included within current assets are unsecured, are not subject to an interest charge and are repayable on demand. The amounts owed by related undertakings 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. Other assets relates predominantly to laboratory fees recoverable from dentists.

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:

	<b>Group 2023 £'000</b>	<b>Group 2022 £'000</b>
Sterling	<b>31,124</b>	49,975
Euro	-	1,204
	<b>31,124</b>	51,179
Transferred to assets held for sale	-	(31,294)
	<b>31,124</b>	19,885

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

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

### 21 Trade and other receivables *(continued)*

No trade receivables are past due and/or impaired as at 31 March 2023. As at 31 March 2022, trade receivables relating to DD, including amounts included in assets held for sale, of £1,609,000 were past due and/or partially impaired.

An expected credit loss is established based on past default experience adjusted for forward looking estimates. In previous years, the individually impaired receivables 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:

	<b>Group 2023 £'000</b>	<b>Group 2022 £'000</b>
Not overdue	-	15
One month to six months overdue	-	489
Over six months overdue	-	1,105
	<hr/>	<hr/>
	-	1,609
	<hr/>	<hr/>

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

	<b>2023 £'000</b>	<b>2022 £'000</b>
At 1 April	-	1,033
Impairment losses recognised	-	187
Amounts written off as uncollectable	-	(130)
Unused amounts reversed	-	(27)
Transferred to assets held for sale – DD	-	(1,063)
	<hr/>	<hr/>
At 31 March	-	-
	<hr/>	<hr/>

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

	<b>Group 2023 £'000</b>	<b>Company 2023 £'000</b>	<b>Group 2022 £'000</b>	<b>Company 2022 £'000</b>
Cash at bank and in hand	<b>63,156</b>	<b>270</b>	31,849	262

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:

	<b>Group 2023 £'000</b>	<b>Group 2022 £'000</b>
Sterling	<b>63,156</b>	31,849

At 31 March 2022, £7.2 million of cash and cash equivalents held by DD were reclassified to assets held for sale. See note 30 for more information.

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

### 23 Trade and other payables

	<b>Group 2023 £'000</b>	<b>Company 2023 £'000</b>	<b>Group 2022 £'000</b>	<b>Company 2022 £'000</b>
<b>Current</b>				
Trade payables	<b>15,667</b>	-	11,276	-
Amounts owed to group undertakings	-	<b>117</b>	-	108
Amounts owed to related undertakings	<b>13</b>	-	-	-
Accruals	<b>229,949</b>	-	184,231	-
Deferred income	<b>12,865</b>	-	8,731	-
Other taxation and social security	<b>3,083</b>	-	3,128	-
Contingent consideration	<b>34</b>	-	380	-
Government grants	<b>1</b>	-	8	-
	<b>261,612</b>	<b>117</b>	207,754	108
<b>Non-current</b>				
Government grants	<b>107</b>	-	78	-

At 31 March 2022, £28.3 million of trade and other payables held by DD were 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.

The amounts owed to related undertakings comprise loans made by group companies to the Employee Benefit Trust. Included within accruals is an amount due to the NHS of £163.9 million in respect of UDAs not delivered (2022: £118.4 million), along with fees of £27.6 million payable to self-employed dentists in respect of work completed (2022: £27.8 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 for both FY2022 and FY2023. At the end of FY2022, the uncertainty was increased due to the absence of any UDA volume-based contract measurement.

At the end of FY2021, there was increased uncertainty over the repayment position due to the absence of any UDA volume-based contract measurement and the group did not recognise the revenue related to these areas of uncertainty. During FY2022, the FY2021 year end reconciliation process with the NHS did not highlight any issues, however a level of uncertainty remained across a number of areas. As a result, management recognised revenue of £7.0m, representing 20% of the amount previously deferred, in respect of certain elements of the deferred revenue where it was clear that the uncertainty had reduced such that it was appropriate to recognise the associated revenue. The group has subsequently progressed through the FY2022 year reconciliation process, and with no further issues having been highlighted, management consider that the uncertainty in respect of a further £17.1m of the amount previously deferred has reduced to such an extent that it is appropriate to recognise the revenue. Therefore, management have recognised this within revenue in the income statement for FY2023.

The element of the accrual relating to FY2023 is expected to be repaid to the NHS through FY2024, following the return to normal contract operation.

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% (2022: 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:

	<b>Group 2023 £'000</b>	<b>Group 2022 £'000</b>
Sterling	261,719	231,340
Euro	-	4,524
US Dollar	-	147
Other currencies	-	142
	<b>261,719</b>	<b>236,153</b>
Transferred to assets held for sale	-	(28,321)
	<b>261,719</b>	<b>207,832</b>

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

### 24 Derivative financial instruments

#### Derivative financial liabilities

	<b>Group 2023 £'000</b>	<b>Group 2022 £'000</b>
<b>Current assets</b>		
Interest rate swap contract (see note 25)	19,316	8,601
<b>Non-current liabilities</b>		
Share purchase warrants	1,474	582

As at 31 March 2022, the fair value of the foreign exchange forward contracts of £25,000 held by DD was reclassified to assets held for sale.

## 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. Until its divestment in June 2022 and as part of this strategy, the DD division routinely entered 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 that would be issued under the warrant at exit was dependent on the time frame for the settlement of the subordinated PIK facility. The facility was repaid in June 2022 following the sale of DD, fixing the number of 'A' shares over which warrants are held at 12,500. The warrant has been valued using a Black Scholes model using observable inputs as far as possible, or unobservable inputs where no observable value is available. Management have considered a range of sensitivities to the unobservable inputs used in the valuation model, however any reasonable changes to these inputs do not result in a material change to the valuation.

#### **Company**

The company has issued a share purchase warrant which has been classified as a non-current liability and valued at £1.5 million. (2022: £0.6 million).

### 25 Borrowings

	<b>Group 2023 £'000</b>	Group 2022 £'000
<b>Non-current</b>		
<i>Loans/ Senior secured fixed rate, floating rate and second lien notes</i>		
Due between one and two years	-	120,000
Due between two and five years	<b>405,000</b>	-
Due over five years	-	400,000
	<b>405,000</b>	520,000
<i>Bank loans</i>		
Due between two and five years	-	25,000
Less: unamortised arrangement fees and related costs	<b>(13,695)</b>	(15,509)
	<b>391,305</b>	529,491
Redeemable preference shares (due between two and five years)	<b>105,661</b>	91,728
	<b>496,966</b>	621,219

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*

At 31 March 2022, the group had the following facilities in place:

- £400.0 million Unitranche Facility B, due 16 August 2027, with interest based on a reference rate linked to SONIA plus a margin of between 6.5% and 8.0% dependent upon an adjusted net leverage ratio;
- £120.0 million Subordinated PIK facility, available until 16 August 2023 or 16 August 2024 if extended, with interest charged at SONIA plus a credit adjustment spread plus 11.0% being rolled into the outstanding debt on a quarterly basis and is payable on repayment of the facility.
- £45.0 million RCF, due 16 February 2027, with interest based on a reference rate linked to SONIA plus a margin of between 3.25% and 3.75% dependent upon an adjusted net leverage ratio;

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

### 25 Borrowings *(continued)*

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.

On 30 March 2023, the group completed a re-financing, which included:

- repaying £5.0 million of the existing £400.0 million Unitranche facility;
- arranging a new £10.0 million super senior Term Loan ('ssTL') on the same terms as the RCF;
- extending the capacity of the existing RCF from £45.0 million to £65.0 million on the same terms; and
- agreeing a new £50.0 million Committed Acquisition Facility ('CAF'), which will provide capital for the group to continue to pursue its organic growth programme, through practice merger, relocation and expansion, alongside a focussed M&A strategy.

Consequently, at 31 March 2023, the group's available borrowing facilities comprised:

- £395.0 million Unitranche Facility B, due 16 August 2027, with interest based on a reference rate linked to SONIA plus a margin of between 6.5% and 8.0% dependent upon an adjusted net leverage ratio;
- £10.0 million ssTL, due 16 February 2027, with interest based on a reference rate linked to SONIA plus a margin of between 3.25% and 3.75% dependent upon an adjusted net leverage ratio;
- £65.0 million RCF, due 16 February 2027, with interest based on a reference rate linked to SONIA plus a margin of between 3.25% and 3.75% dependent upon an adjusted net leverage ratio;
- £50.0 million CAF, due 16 August 2027, with interest based on a reference rate linked to SONIA plus a margin of between 6.5% and 8.0% dependent upon an adjusted net leverage ratio;

Both the RCF and the CAF were undrawn as at 31 March 2023.

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.

On 10 December 2021, the group entered into a fixed interest rate swap contract with Santander UK Plc for £300.0 million. This instrument means that as at 31 March 2023, interest costs are fixed in respect of 75% (2022: 55%) of drawn debt. 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%.

#### ***Redeemable preference shares***

Preference shares with a par value of £83.6 million were issued by the company as part of the Palamon transaction. The shares were issued at par 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 2023, £22.1 million was accrued (2022: £8.1 million).

#### **Company**

The company has issued preference shares with a par value of £83.6 million with £22.1 million of accrued dividends at 31 March 2023. (2022: £83.6 million with £8.1 million of accrued dividends).

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

### 26 Provisions

	<b>Vacant property &amp; dilapidations £'000</b>	
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)	
	<hr/>	
At 31 March 2022	<b>5,904</b>	
	<hr/>	
	<b>Total £'000</b>	
At 1 April 2022	<b>5,904</b>	
Charged to the income statement	7,507	
Utilised in the financial year	(1,712)	
Unwinding of discount	345	
	<hr/>	
At 31 March 2023	<b>12,044</b>	
	<hr/>	
	<b>Group 2023 £'000</b>	<b>Group 2022 £'000</b>
Current	<b>419</b>	694
Non-current	<b>11,625</b>	5,210
	<hr/>	<hr/>
	<b>12,044</b>	5,904
	<hr/>	<hr/>

#### ***Vacant property and dilapidations provisions***

In addition to the associated lease liabilities which have been recognised in accordance with IFRS 16, the group has made provision for the costs associated with contractual obligations to return practices to their original condition at the end of the lease, together with other onerous contracts associated with a small number of vacant and partly sub-let leasehold properties arising from the closure of loss making practices, after taking into account existing sub-tenant arrangements. It is not assumed that the properties will be able to be sublet beyond the periods in the present sub-lease agreements. The provisions are expected to be substantially utilised over the next five years.

**Company:** The company has no provisions (2022: £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 25% (2022: 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 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
Recognised in income	8,450	663	26	14,975	3,616	(2,789)	24,941
Recognised in other comprehensive expense	-	-	118	-	-	-	118
Recognised directly in equity	-	(663)	-	-	-	-	(663)
At 31 March 2023	8,450	-	223	45,921	(25,290)	(4,829)	24,475

The group has estimated losses of £95.3 million (2022: £72.7 million) available for carry forward against future profits. The group has an unrecognised deferred income tax asset of £15.5 million (2022: £18.4 million) which includes £15.4 million (2022: £18.2 million) in respect of these losses 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. Included in these deferred income tax assets is the partial recognition of non-trade losses totalling £8.5 million.

Net deferred income tax of approximately £5.6 million is expected to unwind to the income statement during the year ending 31 March 2024.

**Company:** The company has no deferred income tax (2022: £nil).

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

### 28 Share capital

Group and company	Number issued	2023 £'000	Number issued	2022 £'000
<b>Authorised, allotted, called up and fully paid</b>				
'A' Ordinary shares of £0.0001	754,520	-	754,520	-
'B' Ordinary shares of £0.0001	245,480	-	245,480	-
Deferred shares of £0.0001	32,797,653,241	3,280	32,797,653,241	3,280
	<b>32,798,653,241</b>	<b>3,280</b>	<b>32,798,653,241</b>	<b>3,280</b>

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. 'B' Ordinary shares were issued to the management team. The '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 Palamon transaction. The number of shares that would be issued under the warrant at exit was dependent on the time frame for the settlement of the subordinated PIK facility. The facility was repaid in June 2022 following the sale of DD, fixing the number of 'A' shares over which warrants are held at 12,500. The share purchase warrants have been recognised as a derivative financial liability in the balance sheet, refer also to note 34.

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

#### DD

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. Divestment of the DD division was completed on 8 June 2022, resulting in a profit on disposal of £64.3 million. See below reconciliation of the gain on disposal recognised in the income statement in the year ended 31 March 2023.

<i>Gain on disposal of DD Division</i>	<b>2023</b> <b>£'000</b>
Cash consideration for equity sold	132,903
Cash consideration for intercompany balance settlement	28,370
Less: Transaction fee and expenses	(9,462)
Less: cash balance of DD division	(10,659)
	<hr/>
Net proceeds from sale of DD division	141,152
	<hr/>
Less: Carrying amount of net assets sold	(76,855)
	<hr/>
<b>Gain on sale of DD division</b>	<b>64,297</b>
	<hr/>
	<hr/>
	<b>2022</b> <b>£'000</b>
<b>Current assets</b>	
Goodwill	21,979
Other intangible assets	17,243
Property, plant and equipment	4,346
Right of use assets	7,495
Inventories	25,325
Trade and other receivables	31,294
Cash and cash equivalents	7,212
	<hr/>
<b>Total current assets</b>	<b>114,894</b>
<b>Current liabilities</b>	
Trade and other payables	28,321
Lease liabilities	8,165
Provisions	122
Deferred tax liability	4,310
Derivative financial liability	25
	<hr/>
<b>Total current liabilities</b>	<b>40,943</b>
	<hr/>
<b>Total assets held for sale</b>	<b>73,951</b>
	<hr/>

## Notes to the consolidated financial statements (continued)

### 30 Assets held for sale (continued)

#### {my}dentist

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 2023, 20 dental practices were sold and 15 were closed. 10 dental practices have been reclassified as Assets held for sale at year end as the group had started the disposal process. (2022: 7 closed and 29 reclassified as Assets held for sale).

The assets reclassified are as follows:

	2023 £'000	2022 £'000
<b>Current assets</b>		
Other intangible assets	1,845	6,472
Property, plant and equipment	490	2,505
Right of use assets	585	3,058
Inventories	51	207
	<hr/>	<hr/>
<b>Total current assets</b>	<b>2,971</b>	<b>12,242</b>
<b>Current liabilities</b>		
Lease liabilities	613	3,243
	<hr/>	<hr/>
<b>Total current liabilities</b>	<b>613</b>	<b>3,243</b>
	<hr/>	<hr/>
<b>Total assets held for sale</b>	<b>2,358</b>	<b>8,999</b>

Asset figures have been presented as current assets rather than current and non-current assets as disclosed in the prior year given that the assets are held for sale and are expected to be sold within twelve months of the balance sheet date. Assets and liabilities held for sale have also been restated on the face of the balance sheet to present the relevant current assets and liabilities on a gross basis in order to correct previous treatment.

### 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 at grant date, determined using a Black Scholes 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.

During the current year no shares were granted, exercised or forfeited.

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 £2.7 million (2022: £2.6 million) 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 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 group has recognised right of use assets for these leases, together with corresponding lease liabilities (see note 18), except for a small number of short term and low value leases which principally relate to storage or car parking facilities.

The future aggregate minimum lease payments under these non-cancellable operating leases are shown below.

Land and buildings	Group 2023 £'000	Group 2022 £'000
Within one year	12	74
Between one year and five years	11	8
After five years	50	16
	<hr/>	<hr/>
	73	98

**Company:** The company has no commitments (2022: £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 has been agreed, supported by a letter of credit from the group's bank for £1.8 million (2022: £1.8 million letter of credit in place).

**Company:** The company has no contingencies (2022: £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. 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.

The group's debt facilities includes a variable cost element based on SONIA 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. At 31 March 2023, the market value of the interest swap contract is £19.3 million (2022: £8.6 million), with the movement 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:

- 75% of the group's drawn external debt is subject to fixed interest (2022: 55%) 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 £1.0 million, based upon the drawn debt at 31 March 2023 (2022: £2.5 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

	Group 2023 £'000	Group 2022 £'000
EBITDA	74,194	78,803
Net bank and bond debt	328,149	490,430
Net debt to EBITDA	4.42	6.22

Net bank and bond debt includes cash and cash equivalents and the Unitranche Facility B, Subordinated PIK (31 March 2022 only) and RCF.

Net bank and bond debt excludes 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 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 does not reflect the full earnings benefit generated by this expenditure until the year following acquisition. Furthermore, EBITDA 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 2023 was £80.6 million (2022: £79.4 million). The estimated ratio of net debt (unaudited) to Proforma EBITDA (unaudited) was 4.06x (2022: 6.26x).

##### EBITDA interest cover

	Group 2023 £'000	Group 2022 £'000
EBITDA	74,194	78,803
Cash finance costs	27,955	36,837
EBITDA interest cover	2.65	2.14

## Notes to the consolidated financial statements (continued)

### 34 Financial instruments (continued)

Cash finance costs exclude loan note interest, preference share dividends, interest related to the sub-ordinated PIK facility, 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.

The group's principal loan covenants include:

- the ratio of senior debt to EBITDA adjusted to reflect the estimated annualised impact of acquisitions and growth projects. Senior debt is defined as amounts drawn under the Unitranche, ssTL, CAF and RCF less cash plus deferred consideration. The ratio is tested quarterly and is required to be lower than 8.25 times at 31 March 2023 (2022: 9.0 times).
- Following the 30 March 2023 re-financing, a quarterly liquidity test, which requires the group to retain a minimum liquidity of £30.0 million at 31 March 2023 measured by reference to cash plus undrawn RCF facility. The liquidity requirement reduces quarterly, down to £20.0 million by 31 March 2025.
- Following the 30 March 2023 re-financing, the group is also subject to an annual RCF 'clean-down' requirement, which requires the RCF to be repaid in full for at least one business day in each financial year.

### 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 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
	<b>208,766</b>	<b>131,471</b>	<b>143,232</b>	<b>435,032</b>

#### At 31 March 2023

	Less than one year £'000	Between one and two years £'000	Between two and five years £'000	After five years £'000
Loans and borrowings	-	-	510,661	-
Trade and other payables	245,664	-	8	99
Lease liabilities	12,924	11,960	27,804	36,556
	<b>258,588</b>	<b>11,960</b>	<b>538,473</b>	<b>36,655</b>

### 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. Valuation techniques have been applied consistently year on year. 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 2023			At 31 March 2022		
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
<b>Financial assets</b>						
Derivative financial instruments	-	19,316	-	-	8,601	-
<b>Financial liabilities</b>						
Derivative financial instruments	-	-	(1,474)	-	-	(582)
Contingent consideration	-	-	(34)	-	-	(380)

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 (2022: 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 2023 £'000	Group 2022 £'000
At 1 April	380	2,526
Contingent consideration settled	(188)	(1,637)
Differences between contingent consideration paid and estimates initially recognised	(158)	(512)
Unwinding of discount	-	5
Transferred to assets held for sale	-	(2)
<b>At 31 March</b>	<b>34</b>	<b>380</b>

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

## Notes to the consolidated financial statements (continued)

### 34 Financial instruments (continued)

#### Share purchase warrants

Share purchase warrants were issued to a lender as part of the Palamon transaction (see note 28). At both 31 March 2023 and 31 March 2022, the warrants were valued using a Black Scholes model as set out in note 24.

	<b>Group 2023 £'000</b>	Group 2022 £'000
At 1 April	<b>582</b>	-
Charged to the income statement (see note 12)	<b>892</b>	582
<b>At 31 March</b>	<b>1,474</b>	582

### 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 £1,919,000 (2022: £2,202,000) including £83,000 related to discontinued operations. There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2022: £nil).

The group also operates a small defined benefit pension scheme, which is closed to new members and has no active members. The scheme is governed by reference to the trust deed and rules dated June 1973, together with the supplementary trust deed and rules dated July 2006. Governance and administration of the scheme on a day-to-day basis is outsourced.

During the year to 31 March 2023 the group contributed £150,000 directly into the scheme (2022: £188,000) and the cost of insuring death in service benefits and other trustee expenses were paid by the group and amounted to £55,000 (2022: £101,000). 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 5 April 2020 and was updated for disclosure purposes to 31 March 2023 and 31 March 2022 by a qualified independent actuary.

The significant actuarial assumptions were as follows:

	<b>Group 2023 %</b>	Group 2022 %
Rate of increase in pensions in payment and deferred pensions	<b>3.20</b>	3.70
Discount rate applied to scheme liabilities	<b>4.70</b>	2.70
Inflation assumption	<b>3.30</b>	3.90

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 2022 will on average live for a further 22.1 years (2021: 22.0 years) after retirement if they are male and 24.5 years (2022: 24.4 years) if they are female.

It is also assumed that members retiring in 20 years' time will on average live for a further 23.5 years (2022: 23.4 years) after retirement if they are male and 25.9 years (2022: 25.8 years) if they are female.

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

	<b>Group 2023 £'000</b>	Group 2022 £'000
Present value of funded obligations	<b>(5,784)</b>	(7,523)
Fair value of plan assets	<b>4,893</b>	7,106
<b>Deficit recognised in the balance sheet</b>	<b>(891)</b>	(417)

## 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:

	2023			2022		
	Present value of funded obligations	Fair value of plan assets	Deficit	Present value of funded obligations	Fair value of plan assets	Deficit
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April	(7,523)	7,106	(417)	(8,026)	7,727	(299)
Scheme expenses paid out	-	(94)	(94)	-	(73)	(73)
Employer contributions	-	150	150	-	188	188
Interest (expense)/income	(200)	190	(10)	(161)	153	(8)
	(200)	246	46	(161)	268	107
<b>Re-measurement:</b>						
Return on plan assets excluding interest income	-	(2,232)	(2,232)	-	(605)	(605)
Re-measurement gain from changes in financial assumptions	1,712	-	1,712	759	-	759
Past service cost	-	-	-	(379)	-	(379)
	1,712	(2,232)	(520)	380	(605)	(225)
Benefits paid	227	(227)	-	284	(284)	-
At 31 March	(5,784)	4,893	(891)	(7,523)	7,106	(417)

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 was recognised as a Past Service Cost and recorded in the Income Statement in the year ended 31 March 2022. The figures for the year ended 31 March 2023 continue to incorporate this allowance. 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:

	2023		2022	
	Value	Percentage of plan assets	Value	Percentage of plan assets
	£'000	%	£'000	%
Equities	259	5	384	5
Absolute return/diversified growth funds	536	11	1,754	25
Bonds	2,004	41	1,904	27
Alternatives funds	366	7	454	6
Property	-	-	-	-
Cash	80	2	512	7
Insured annuitants	1,648	34	2,098	30
<b>Total market value of plan assets</b>	<b>4,893</b>	<b>100</b>	<b>7,106</b>	<b>100</b>

## 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 74
Rate of inflation	Increase by 0.1%	Increase by 15
Life expectancy	Increase by one year	Increase by 102

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 and company

##### *Preference shares*

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 (2022: £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 2023, accrued dividends of £22.1 million (2022: £8.1 million) were outstanding.

## Notes to the consolidated financial statements (continued)

### 37 Cash generated from/(used in) operations

#### Group

	Group 2023 £'000	Restated Group 2022 £'000
Profit/(loss) before income tax	30,182	(107,243)
<b>Adjustments:</b>		
Depreciation of property, plant and equipment	39,205	33,998
Amortisation of government grants	(18)	(35)
Amortisation of intangible assets	22,774	27,832
Impairment of goodwill and intangible assets	-	46
Finance costs	66,193	104,412
Finance income	(14,539)	(8,607)
Loss on business and asset disposals	1,004	8,581
Gain on sale of DD division	(64,297)	-
Differences between contingent consideration paid and estimates initially recognised	(158)	(512)
Profit from derivative financial instruments at fair value through profit or loss	-	(309)
Share based payments	2,650	2,582
Defined benefit pension scheme expenses	94	73
Defined benefit pension service cost	-	379
Pension contributions	(150)	(188)
<b>Cash generated from operations before movements in working capital</b>	<b>82,940</b>	<b>61,009</b>
<b>Movements in working capital:</b>		
(Increase)/decrease in inventories	(2,935)	2,542
Increase in trade and other receivables	(13,840)	(3,855)
Increase in trade and other payables	58,436	50,596
Increase/(decrease) in provisions	5,722	(2,326)
<b>Total movements in working capital</b>	<b>47,383</b>	<b>46,957</b>
<b>Cash generated from operations</b>	<b>130,323</b>	<b>107,966</b>

Please refer to note 12 for further details regarding the restatement.

#### Company

	Company 2023 £'000	Company 2022 £'000
Loss before income tax	(14,826)	(474,094)
<b>Adjustments:</b>		
Finance expense	14,826	7,876
Impairment of investments	-	466,218
<b>Cash generated from operations before movements in working capital</b>	<b>-</b>	<b>-</b>
<b>Movements in working capital:</b>		
Increase in other receivables	-	(139)
Increase in other payables	8	106
<b>Cash generated from/(used in) operations</b>	<b>8</b>	<b>(33)</b>

## Notes to the consolidated financial statements (continued)

### 38 Net debt reconciliation

	Other assets	Liabilities from financing activities			Total £'000
	Cash £'000	Bank and bond liabilities more than 1 year £'000	Shareholder debt £'000	Lease liabilities £'000	
Balance at 1 April 2021	11,713	(580,432)	(995,773)	(93,457)	(1,657,949)
Cash flows	4,502	40,000	-	-	44,502
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)
Rental and operating lease payments	(14,922)	-	-	14,922	-
Net additions, disposals and remeasurements of lease liabilities	-	-	-	(14,319)	(14,319)
Interest on lease liabilities	-	-	-	(4,354)	(4,354)
Transferred to assets held for sale	(7,212)	-	-	11,408	4,196
Balance at 31 March 2022	31,849	(529,491)	(91,728)	(85,800)	(675,170)
Cash flows	49,023	140,000	-	-	189,023
Amortisation of debt issue costs	-	(5,049)	-	-	(5,049)
Debt issue costs	(3,235)	3,235	-	-	-
Preference share dividends accrued	-	-	(13,933)	-	(13,933)
Rental and operating lease payments	(14,481)	-	-	14,481	-
Net additions, disposals and remeasurements of lease liabilities	-	-	-	(14,444)	(14,444)
Interest on lease liabilities	-	-	-	(4,094)	(4,094)
Transferred to assets held for sale	-	-	-	613	613
Balance at 31 March 2023	63,156	(391,305)	(105,661)	(89,244)	(523,054)

Shareholder debt includes preference shares of £105.7 million including accrued dividends (2022: £91.7 million).

The gross cash flows in the year on bank debt and bond debt comprise repayment in full of the £120.0 million subordinated PIK facility, £5.0 million of the existing £400.0 million Unitranche facility and £25.0 million repayment on the RCF (2022: £610.0 million) along with the drawdown of £10 million on the new super senior term loan facility ('SSTL') (2022: £570.0 million).

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

### **39 Post balance sheet events**

The directors are not aware of any events that have occurred after the balance sheet date that require disclosure in the financial statements.

### **40 Controlling party**

Throughout the year ended 31 March 2023 and since 16 August 2021 (the date of the Palamon transaction), the ultimate controlling party is considered by the directors to be ADP Primary Care Acquisitions Limited, an investment vehicle for Palamon Capital Partners which is incorporated in the United Kingdom.

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.à.r.l. SICAR.

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.