Turnstone Midco 2 Limited

Annual report and consolidated financial statements

Registered number 07496754

Year ended 31 March 2021

Contents

Strategic report for the year ended 31 March 2021

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

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 Midco 2 Limited ('the group') are the operation of dental practices and the provision of materials, services and equipment to dental practices.

The group provides a range of National Health Service ('NHS') and private dental services from practices throughout the United Kingdom along with support services to other third party dental practices and the wider healthcare sector.

Business ownership

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

Carlyle and Palamon had joint control of Turnstone Midco 2 Limited for the full financial year FY2021 through their respective interests in Turnstone Equityco 1 Limited, the company's ultimate parent, which are shown below. Carlyle's majority holding was owned by CEP III Participations S.à.r.l. SICAR, an investment vehicle for Carlyle. Palamon's ownership of the group was through its fund Palamon European Equity II, L.P. At 31 March 2021, senior managers of the group held 25.4% of the equity interest in the company (2020: 24.6%).

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

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

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

Subsequent events – Change in ownership

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

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

Business review

Operating loss decreased from £83.4 million in FY2020 to £8.7 million in FY2021, as the loss in FY2020 included an impairment charge of £79.1 million relating to the fair value of goodwill and intangibles.

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

During March 2020, the dental industry received regular updates from the Chief Dental Officers ("CDOs") for England, Scotland, Wales and Northern Ireland. From 20 March 2020, this included recommendations to avoid, as far as possible, treating vulnerable patients and performing aerosol generating procedures ("AGP"). On 23 March 2020, {my}dentist took the decision, for the safety of patients, staff and self-employed clinicians, to stop all non-emergency treatments across all practices in the group. On 24 March 2020, the CDO for England followed the action of the other CDOs and recommended that all non-urgent dental care be stopped. Routine dental treatment was allowed to restart, with modifications in operating procedures, from 8 June 2020. The operating procedures included a requirement for an hour long "fallow" period between procedures to allow for airborne particles to settle and for enhanced cleaning to be carried out. Following further scientific research into the behaviour of airborne particles in dentistry and airflow in practices, the fallow period was reduced in government guidance to 10 minutes from November 2020 provided that

Strategic report for the year ended 31 March 2021 *(continued)*

Business review *(continued)*

the air was changed in the surgery regularly. The group made an investment in air filtration equipment of £1.25m to add equipment to increase airflow in every surgery in the practice estate to enable patient services to be increased.

During the subsequent lockdowns in the UK in November and from January 2021, dental practices were allowed to continue to see patients due to a recognition of the important role dental care plays in general health.

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

A key focus of the business during the pandemic was to maintain communication with all stakeholders – patients, self-employed clinicians, practice and Support Centre staff, the NHS and industry bodies. Regular email and video communications have been made available to keep groups updated with information relevant to their situation such as pay, infection control procedures and Personal Protective Equipment (PPE) for clinicians and oral health advice for patients. Management have also been in close contact with the NHS across the regions, the Association of Dental Groups (ADG) and the British Dental Association (BDA) on the approach of dentistry to the lockdown and then on restart of procedures.

The group was able to utilise government support to maintain operations during the year through the use of the Coronavirus Job Retention Scheme to support staff salaries where parts of the business were not able to operate at certain times over the year. In addition, following agreement with HMRC, the group deferred a VAT payment due in April 2020 to March 2021 and certain PAYE and NI liabilities for March and April 2020 were settled in June 2020.

{my}dentist

The group owns and manages a national chain of dental practices trading as "{my}dentist", with 593 sites at 31 March 2021 (2020: 597). The dental practices offer a broad range of primary care dental services, including dental examinations, fillings and extractions, as well as more specialised dental services such as cosmetic dentistry and orthodontics. The group offers both private and NHS services in the majority of practices and is the largest provider of NHS dentistry in the UK, with around 62% (2020: 58%) of total group revenue and 82% (2020: 74%) of divisional revenue coming from NHS contracts. The increased proportion of NHS dentistry during FY2021 is out of line with the recent trend of increasing private revenue at {my}dentist due to the impact of Covid-19 on practice operations.

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

{my}dentist NHS revenue is derived from long-term fixed value contracts with NHS regions and sub regions ('NHS Regions'). Provided the group achieves certain performance related criteria on an annual basis, the fixed-income nature of the contracts in England and Wales provides the group with stability and visibility over its revenue and profit streams. Payments under the framework contracts are made to the business by NHS England, with payment of 1/12 of the contract value paid on the first working day of the following month. Practices collect patient contributions on behalf of the NHS, and typically remit such amounts to the NHS in arrears within two-to-six weeks thereafter. Three to six months following the contract year end (31 March), {my}dentist receive a statement detailing UDA performance under each contract. If, at the end of the contract year, a practice has not performed all the UDAs allocated under its contract, NHS England may seek to reclaim UDAs paid for but not performed. Any reclamation of payment must be made after the end of the contract year of underperformance, although repayment may be made in-year (referred to as a "handback") if both parties agree. In addition {my}dentist has variable income streams based on treatment provided to patients under private contract and to NHS patients in Scotland and Northern Ireland. While this system has broadly operated as normal during the financial year, there have been some important variations due to the changes required for Covid-19.

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

As the lockdown conditions eased, the CDO in England announced on 28 May 2020 that dental practices in England could restart face-to face care with effect from 8 June 2020. {my}dentist delayed restarting activity until 15 June 2020 to enable practices to fully train staff and self-employed clinicians on new Standard Operating Procedures (SOPs) including staggered appointment times, social distancing and enhanced personal protective equipment. Protective screens, hand sanitiser stations and social distancing vinyls were installed in practices and surgeries were reviewed for air flow and suction capacity. From 1 July 2020 all treatment options including AGPs were able to be performed in practice subject to PPE, however a downtime fallow period was required in surgery after a treatment involving AGP.

Strategic report for the year ended 31 March 2021 *(continued)*

Business review *(continued)*

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

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

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

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

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

In Northern Ireland capitation and continuing care payments were made at 100% of normal levels while items of service payments were made at 80% of normal volumes from 1 April to 31 July. The blended payment approximated 85% of normal revenue. From 1 August the reduction in service payments was removed due to the higher cost of PPE.

The group has applied these rules to each of {my}dentists 547 contracts however until the final NHS reconciliation is completed for each contract there is some uncertainty as to the final level of any repayment due back to the NHS for underperformance.

Over recent years {my}dentist has experienced challenges in the delivery of NHS contracts and has seen a reduction in the volume of Units of Dental Activity ("UDA") completed by the business as a whole. As a result {my}dentist has sought to dispose of loss-making practices where recruitment challenges due to geographical isolation or low UDA contract values reduce the potential EBITDA a practice can earn.

During this year a small number of practices were identified as no longer viable due to these structural issues. The group has continued to review on a practice by practice basis the portfolio of NHS contracts held by practices and the services available to be provided in the practice. This resulted in the decision to close a further 3 dental practices and sell 2 practices during the year.

A pilot programme was implemented during FY2020 to move increasingly uneconomic smaller 1-2 chair practices into larger premises in higher footfall, "High Street" locations. The results from the pilot programme are positive however due to focus on Covid, during the year ended 31 March 2021, 1 practice merged into another existing practice. Expanding this programme to consolidate smaller sites into better resourced locations to improve patient options is a key element of the future business strategy.

Strategic report for the year ended 31 March 2021 *(continued)*

Business review *(continued)*

{my}dentist also completed the acquisition of 2 dental practices in Northern Ireland during the year.

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

Movement in the number of dental practices **Year ended 31 March**	**2021** **No.**	**2020** **No.**
Opening	**597**	**603**
Acquired/Opened	2	1
Merged into other existing practices	(1)	(1)
Merged into new practices	-	(2)
Closed	(3)	(4)
Sold	(2)	-
Closing	**593**	**597**

{my}dentist has continued to recruit more dentists through the year in order to increase the hours available to patients when practices are able to operate at full capacity. During the year ended 31 March 2021, the business worked on recruitment from both UK and overseas sources. The total number of dentists engaged by the group increased by 187 over the year, including over 153 newly-qualified dentists and added 5,174 weekly hours of clinical time. The group continues to monitor the progress of changes to UK immigration law and the potential new recruitment routes that could open up. The group is also involved in regular discussions with other industry bodies on how the registration of overseas dentists can be made easier while maintaining high levels of patient care.

Previous research discussions with clinicians determined that while dentists appreciate the opportunities provided by NHS dentistry as they progress in their career they generally wish to develop their skills by providing a wider range of treatments, some of which are not available on the NHS. The clear feedback from dentists led to the launch during FY2020 of a new affordable private treatment choice for patients, branded as "{my}options". {my}options was rolled out quickly to over 400 practices during the first half of the last financial year and generated significant levels of like-for-like revenue growth in private dentistry. During the first three quarters of FY2021, opportunities to provide {my}options treatments along with most private services was limited. The income certainty provided by the NHS contract for clinicians meant that ensuring the requirements for continued payment with reduced hours in surgery due to fallow period requirements was prioritised. The introduction of air filtration equipment and the reduction in the fallow time increased the amount of time available for clinicians in surgery and with high levels of patient demand, {my}options revenues have quickly returned to the levels achieved pre-pandemic.

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. DD has an estimated market share of 25% in the United Kingdom, by revenue.

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

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

Overall DD has had a positive year with both revenue and adjusted EBITDA growth despite the restrictions in customer activities during large parts of the year with national lockdowns and the requirements of social distancing restricting the numbers of staff able to work at the same time in warehouse facilities. During the lockdown in March 2020, when dental practices were closed, in order to maintain operations DD management pivoted away from the supply of dental practices to sourcing and supplying large bulk orders of PPE. This new approach to market underpinned EBITDA during the period while the main DD markets were closed and also built new relationships with suppliers and customers including NHS buying groups and Police authorities. When dental practices were allowed to return to routine treatment, revenue growth was driven by new sales contracts with leading dental corporates as well as smaller "High Street" practices. While the opening of beauty salons was more restricted, when they were permitted to open, demand was very strong and this increased DD's Beauty market sales of toxins and fillers.

Strategic report for the year ended 31 March 2021 *(continued)*

Business review *(continued)*

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

Subsequent events – Continued impact of the coronavirus pandemic

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

In England and Wales, NHS contractual payments have continued to be made each month to dental practices at 1/12th of the annual contract value. From 1 April 2021, the percentage contract delivery required to claim 100% of the contract value has increased to 60% with a sliding scale of delivery between 36% and 60% allowing between 80% and 100% to be claimed. This approach is expected to remain in place until September 2021. An abatement of 16.75% remains in place for any undelivered element of the contract.

Financial review

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

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

Summary Financial Results **Year ended 31 March**	**2021** **£m**	**2020** **£m**
Revenue	**562.6**	**600.5**
Gross profit	**233.6**	**257.6**
Operating loss	**(8.7)**	**(83.4)**
Amortisation	30.1	30.5
Depreciation	33.8	33.6
Amortisation of grant income	-	(0.1)
Impairment of goodwill and intangible assets	0.4	79.1
Impairment of right of use assets	-	0.5
Impairment of non-current assets reclassified as held for sale and loss on closure or disposal of dental practices	3.0	10.0
Remeasurement of lease commitments	(0.2)	-
Differences between contingent consideration paid and estimates initially recognised	(0.1)	(0.1)
Value of employee services arising from shares granted	-	1.1
Other non-underlying items	11.3	4.9
Foreign exchange	0.1	0.1
EBITDA before non-underlying items*	**69.7**	**76.2**
Less rental and other lease charges	**(14.7)**	**(14.1)**
Adjusted EBITDA before non-underlying items	**55.0**	**62.1**
*Figures are reported under IFRS 16		

Consolidated income statement

Revenue from the {my}dentist division was £426.0 million (2020: £466.7 million) with £347.5 million (2020: £347.1 million) earned from NHS dentistry services and £78.2 million from private dentistry services (2020: £119.3 million). Revenue from NHS dentistry services comprised 61.8% (2020: 57.8%) of total group revenue with private dentistry services contributing 13.9% (2020: 19.9%). Non-dental practice revenue including revenue from DD, net of supplies to {my}dentist practices, was £136.8 million (2020: £134.1 million) or 24.3% of the group total (2020: 22.3%).

NHS revenue has been recognised during the year based on the public announcements made by the NHS as to how contracts would be managed given the restrictions placed on activity to reduce the transmission risk of Covid-19. However, revenue has been restricted to reflect uncertainty arising from the final sign off of the NHS on contract performance through the normal annual reconciliation process carried out with contract holders during September to November following the financial year.

Strategic report for the year ended 31 March 2021 *(continued)*

Financial review *(continued)*

The roll-out of {my}options as an affordable private treatment choice had driven strong demand for private dentistry services within our practices in FY2020 with like-for-like practice private revenue having increased by 16.0% however during the first three quarters of FY2021 the closure of practices for routine treatment in Q1 and the hour long fallow period between AGPs significantly reduced the amount of time available for private treatment. Self-employed clinicians whose income was predominantly based on providing private dentistry therefore also had a significantly reduced income. With a 10 minute fallow time between appointments in Q4 and clinicians keen to provide additional private hours, {my}options revenue grew rapidly week-on-week through Q4 and into Q1 FY2022.

Gross profit for the group decreased by £24.0 million from £257.6 million for the year ended 31 March 2020 to £233.6 million for the year ended 31 March 2021. Gross margin also declined from 42.9% for the year ended 31 March 2020 to 41.5% for the year ended 31 March 2021. In {my}dentist, gross margin declined from 48.0% for the year ended 31 March 2020 to 47.7% for the year ended 31 March 2021, principally due to the increase in material costs resulting from the increased usage of PPE and also higher costs per unit. The gross margin in DD was 21.5%, a decrease of 2.8 percentage points from 24.3% for the year ended 31 March 2020 reflecting a mix shift to lower margin beauty sales.

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

EBITDA before non-underlying items for FY2021 was £69.7 million (FY2020: £76.2m).

In order to provide comparability with previous years, "Adjusted EBITDA" (EBITDA before non-underlying items adjusted for rental and other lease charges) has also been quoted within these financial statements.

Adjusted EBITDA was £55.0 million, a 11.4% decrease on the comparable EBITDA for FY2020 of £62.1 million. The decrease resulted from a £6.7 million adjusted EBITDA decrease in {my}dentist to £53.7 million (2020: £60.4 million) offset by an improvement in DD adjusted EBITDA of £0.3 million to £6.7 million (2020: £6.4 million) .

	2021 £m	**2020 £m**
Operating loss	**(8.7)**	**(83.4)**
Net finance costs	(48.0)	(48.4)
Loss before income tax	(56.7)	(131.8)
Income tax credit/(charge)	6.4	(8.7)
Loss for the year	**(50.3)**	**(140.5)**

Consolidated balance sheet

Goodwill and intangible assets amount to £407.1 million (2020: £437.6 million) and arose from the acquisition of the Integrated Dental Holdings ('IDH') and Associated Dental Practices ('ADP') groups in May 2011 together with the acquisition of further dental practices and businesses complementary to DD over the past nine years. Amounts ascribed to intangible assets acquired through business combinations are determined by using appropriate valuation techniques, including estimated discounted future cash flows. The principal intangible assets recognised by the group include contractual arrangements and relationships, customer relationships and brands or trademarks. During the year ended 31 March 2021, the group has recorded the following impairment charges, reflecting the fair value of assets compared to book value, contract handbacks and the decisions taken to close dental practices. Further details can be found in note 15 to the financial statements.

- An impairment of £0.4 million was recorded against the carrying value of intangible assets arising from contractual arrangements within {my}dentist as a result of the permanent contract hand-backs agreed with NHS Regions during the year. The permanent contract cuts have affected a limited number of practices where delivery rates have been consistently difficult to maintain due to either dentist or patient shortages.
- Impairments and other costs or charges totalling £3.0 million have been recorded against the carrying value of intangible assets, tangible assets and other current assets within {my}dentist, to write the carrying value of assets associated with practices which were identified for closure down to their estimated recoverable amounts. Two dental practices have been sold in the year and there are no assets held for sale at 31 March 2021.

Strategic report for the year ended 31 March 2021 (continued)

Financial review *(continued)*

Property, plant and equipment of £99.7 million (2020: £99.8 million) includes £22.1 million (2020: £27.7 million) of additions during the year resulting from upgrades to the group's dental practices, equipment and facilities along with £0.5 million acquired through business combinations.

The Right of use asset of £86.4 million (2020: £88.0) includes additions of £4.6 million, disposals of £4.5 million, revaluations of £10.3 million and depreciation of £12.0 million which were recognised against the right of use asset during the year. See note 17 for more information.

Throughout the year ended 31 March 2021, the group had the following external borrowings, further details of which can be found in note 24 to the financial statements:

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

On 16 August 2021, the borrowings above were refinanced partly through the issue of the following external borrowings.

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

At 31 March 2021, borrowings totalled £580.4 million (2020: £646.0 million).

- £550.4 million (2020: £547.8 million) of senior and second lien debt as detailed above, net of unamortised arrangement fees, and £30.0 million (2020: £98.2 million) drawn against the SSRCF.

Consolidated cash flow statement
Cash generated from operations increased to £83.6 million (2020: £78.3 million) as a result of movements in working capital which increased cash by £24.6 million with an increase in trade creditors and accruals.

After the servicing of external finance costs, investments made in the practice estate and operational systems at DD, and lease payments, there was a net cash inflow before financing transactions of £3.7 million (2020: £6.0 million outflow). The group also made net repayment of £68.2 million from the SSRCF during the year (2020: £73.2 million drawdown). As a result, cash decreased by £64.5 million (2020: increase of £67.2 million) to leave a closing cash balance of £11.6 million (2020: £76.1 million). The prior year cash balance is around £68.0 million higher than normal as a result of the group's decision to maximise its liquidity position in March 2020 at the start of the coronavirus lockdown. This drawdown was repaid in September 2020 when a clearer view of dental industry funding during the pandemic had been formed.

Strategic report for the year ended 31 March 2021 *(continued)*

Principal risks and uncertainties

Covid-19

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

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

As dental practices reduced their purchasing of materials and equipment while only able to provide telephone service, DD utilised their skill set in sourcing key elements of PPE such as masks, gloves and aprons. While this provides part of their normal core service to dental practices, the focus switched to sourcing larger amounts of items to meet the demand for large orders from the NHS supply chain and other public authorities.

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

Regulatory risks

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

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 2021 *(continued)*

Principal risks and uncertainties *(continued)*

NHS contract

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

However, as with any system, there are likely to be modifications to it, potentially through the introduction of a new contract structure. The extent of such modifications and the impact which they may have on the group, either in a favourable or adverse manner have not yet been drafted into legislation. The group maintains a close dialogue with the Government in developing the new contract and is participating in the prototype programme which commenced in October 2015 to ensure that the business is well prepared for future changes, if any.

The NHS Regions have also over the last few years run a competitive re-tendering process for the majority of its PDS contracts to deliver orthodontic dentistry services across England. The early tender results in the South of England identified a clear trend in terms of reductions in rate for orthodontic services and a smaller overall contract size as the NHS looks to increase the number of treatment locations. With the trend for smaller contracts, it is likely that the overall size of our orthodontic practice NHS contracts will reduce in size. In mitigation, the group is exploring options to provide more private orthodontics including using products such as clear aligners for the treatment of adults. However, the contract process is "paused" at present in certain regions due to the volume of legal challenges raised on contract awards and inconsistent bid marking.

Clinicians and other qualified staff

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

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

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

Strategic report for the year ended 31 March 2021 *(continued)*

Principal risks and uncertainties *(continued)*

As of the date of this report, HMRC's review is still in progress. HMRC had previously notified the group that they were considering withdrawing or amending the guidance relating to the model contract with effect from 5 April 2020. This action has subsequently been paused. HMRC have stated previously that their view is that they should not now be providing guidance on individual industry-specific contracts. Given the existence of the current guidance, the group considers that any changes will relate to prospective rather than retrospective engagements and that status will need to be considered against HMRC's general guidance for self-employment in the future. Any change this has on the nature of engagement with clinicians is also likely to affect the entire industry.

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

Statement of Corporate Governance arrangements

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

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

Prior to 16 August 2021, the Board was comprised of an experienced Chairman, Alan Bowkett, and included representation from shareholders, management and a non-Executive Director, Barry Cockcroft, who as an experienced clinician and previous UK Chief Dental Officer brought considerable knowledge of dentistry and the NHS to the Board. Following the completion of the transaction with Palamon, the Board consists of two directors appointed by Palamon, the Chief Executive Officer and Chief Financial Officer.

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

Section 172(1) statement

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

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

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

Strategic report for the year ended 31 March 2021 *(continued)*

Section 172(1) statement *(continued)*

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

Consequences of decisions in the long term

The group has the following key strategies:

- To maintain the highest clinical standards by developing best-in-class clinical pathways and procedures to deliver consistent, high quality and ethical dental care
- To improve clinician and nurse resourcing, retention and engagement
- To optimise practice productivity
- To grow our private business through affordable and specialist options
- To develop our DD businesses
- To ensure every practice is sustainable for the future
- To ensure cost efficiency across the group

The directors believe these are critical long term factors for the success of the group. The group plans for strategic investment to support these goals; examples include the expansion of Advanced Oral Health Centres (AOHCs) to increase the availability of specialist treatments including implants, the roll-out of {my}options to provide an affordable private treatment option for patients and the continued development of new markets for DD through the development of the beauty channel and the expansion of the engineering services team.

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

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

Engaging with our people

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

The Chief Executive Officer, Managing Director for {my}dentist, and the Group Clinical Director all regularly hold area meetings for clinicians and practice employees to gather feedback on potential improvements, to listen to perspectives from practices and to empower practice teams. Pre-Covid this also included regular practice visits however over the last year the business has utilised a number of online meeting options to ensure that connections are maintained with practice teams. This has included broadcasts, video conferencing and regular updates on the latest clinical issues.

The Managing Director for DD also regularly visited the regional businesses within the division pre-Covid. Over the last year this has been replaced by regular video contact.

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

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

During the coronavirus lockdown, our practices were still open for telephone triage appointments and face to face for urgent treatment and were staffed on a rota basis. However, as private dental treatment could not be delivered, in accordance with BDA guidance a proportion of our workforce in line with our private turnover was placed on furlough.

Strategic report for the year ended 31 March 2021 *(continued)*

Section 172(1) statement *(continued)*

Priority was given for employees who were shielding or had relatives who required support. Furloughed staff were paid at 80% of normal salary. At DD changes were made to warehouse operations to ensure that social distancing was enforced and some staff were furloughed to reduce the numbers in the building at any one time. Office based employees, where possible, all moved to working remotely using technology solutions and working flexibly around domestic circumstances.

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

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

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

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

The group maintains a wide range of relationships in the dental and healthcare sector in order to ensure it is able to plan effectively for the future. The group maintains relationships with the NHS at a regional and national level to understand commissioning requirements, with the BDA to understand clinicians key interests, with the Department of Health, with Members of Parliament with an interest in dentistry, with the UK dental schools to understand the aspirations of future clinicians and with suppliers to work on the future of dentistry including digital transformation. The group is also a founder member of the Association of Dental Groups and through this works with other dental corporates in the UK on issues that affect the industry as a whole.

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

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

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

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

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

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

During the year the group was partly funded through debt securities listed on The International Stock Exchange. Quarterly briefing presentations were held for bondholders to discuss developments in the group over the last three months in an open and transparent way. This also provided an opportunity for bondholders to raise questions with the Chief Executive Officer and Chief Financial Officer. All significant announcements and quarterly financial statements were published on the {my}dentist website.

Strategic report for the year ended 31 March 2021 *(continued)*

Section 172(1) statement *(continued)*

The need to act fairly as between members of the company

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

Financial risk management

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

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls to monitor both the risks and adherence to limits set. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. Further details can be found in note 32 to the financial statements.

KPIs – financial and non-financial

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

During the year-ended 31 March 2021 certain KPIs were not relevant to the financial performance of the business due to Covid-19 and therefore no measure has been included in the table below.

KPIs **Year ended 31 March**	**2021**	**2020**
Revenue (£'m)	562.6	600.5
EBITDA before non-underlying items (£'m) (1)	69.7	76.2
Adjusted EBITDA before non-underlying items (£'m) (2)	55.0	62.1
Operating loss (£'m)	(8.7)	(83.4)
NHS dentistry services as a percentage of group revenue (%)	61.8%	57.8%
Private dentistry services as a percentage of group revenue (%)	13.9%	19.9%
Gross profit margin (%)	41.5%	42.9%
Overheads as a percentage of revenue (%) (5)	29.5%	30.5%
Adjusted Overheads as a percentage of revenue (%) (5)	32.1%	32.8%
EBITDA margin (%)	12.4%	12.7%
Adjusted EBITDA margin (%)	9.8%	10.3%
Number of dental practices	593	597
Proforma LTM EBITDA (£'m) (6)	69.2	75.4
Proforma LTM adjusted EBITDA (£'m) (6)	54.5	61.3
Net bank and bond debt (£'m)	568.8	569.9
Net debt to EBITDA	8.16	7.47
Net debt to adjusted EBITDA	10.34	9.17
Net debt to Proforma LTM EBITDA	8.22	7.56
Net debt to Proforma LTM adjusted EBITDA	10.44	9.30
Cash generated from operations (£'m)	83.6	78.3
Cash generated from operations net of interest paid (£'m)	42.5	36.8

(1) EBITDA before non-underlying items consists of operating profit before deducting interest, tax, depreciation and amortisation and non-underlying items, as reported under IFRS 16. Non-underlying items are generally one-off charges not associated with ongoing operational activities of the group.

(2) Adjusted EBITDA before non-underlying items is defined as per point 1 above, and then adjusted to include rental and other lease charges in order to be comparable with periods before the introduction of IFRS 16.

Strategic report for the year ended 31 March 2021 *(continued)*

KPIs – financial and non-financial *(continued)*

(3) Overheads as a percentage of revenue represents administrative expenses, plus distribution costs, less depreciation, amortisation and impairment of goodwill and intangible assets, and other non-underlying items. Adjusted overheads as a percentage of revenue consist of overheads as described above, and then adjusted to include rental and other lease charges in order to be comparable with previous years, before IFRS 16 was implemented.

(4) Proforma LTM EBITDA (unaudited) represents the estimated Last Twelve Months EBITDA of the group after annualising the result of acquisitions and adjusting for the actual LTM EBITDA arising from disposals and closures completed during the year ended 31 March 2021. Adjusted proforma LTM EBITDA consists of proforma LTM EBITDA as described above, and then adjusted to include rental and other lease charges in order to be comparable with previous years, before IFRS 16 was implemented.

Measures not reported this year due to the impact of Covid on operations

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

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

Social matters

The group owns a national chain of dental practices, operating principally under the '{my}dentist' brand, with 593 sites throughout the UK as at 31 March 2021 (2020: 597). Our dental practices provide community dental services to more than 4 million patients throughout the UK and offer a broad range of, and choice between, NHS and private dental treatments. The UK Government has a long term goal of increasing access to NHS dentistry for the UK population. As at 31 March 2021, {my}dentist held contracts for approximately 13% of all units of dental activity ('UDAs') commissioned by the NHS in England and Wales. The group is the largest provider of NHS dentistry services in the UK and plays an important role towards the UK Government achieving its access target. The group recognises that NHS dentistry has limitations in both the range of treatments available and the type of materials used. At the same time, the wider range of treatments and higher cost materials used in private dentistry can be very expensive. In order to make high quality dentistry available to the widest possible group and to increase the choice for patients, the group introduced a limited affordable private dentistry offering "access {my}dentist". The demand for this service led the group to develop a full service affordable offering, "{my}options", which offers patients the choice of private treatment with transparent pricing options. {my}options is currently available in 506 practices and is being rolled-out across the group.

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

In addition, the group continues to work closely with its clinical charity partner, Bridge2Aid. Bridge2Aid take 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. Each year the group provides funding for two of our clinicians to go to Tanzania with the charity. Although this was not possible in the current financial year due to the pandemic, it is expected to recommence once travel to Tanzania resumes. In 2019, group clinicians returned to help train health workers in the Rorya region to provide sustainable emergency dentistry to remote communities. The group also provides financial aid by making a donation to Bridge2Aid each time a clinician is successfully referred to the group. In the last 12 months the group has donated more than £7,000.

The group also has a charity committee, comprised of employees from across the business, who organise a range of fundraising events to support the group's chosen charity, which during the year was Dementia UK. All employees are encouraged to participate. During the year ended 31 March 2021, the group employees' fundraising activities raised £4,000 for Dementia UK. Covid-19 unfortunately meant that proactive charity fundraising was limited. However, during the early days of the pandemic our teams undertook local community initiatives and acted fast to support the vulnerable and shielding, from providing help delivering shopping or prescriptions to being a friendly ear to talk to on the phone, they aimed to help those who needed it most.

Strategic report for the year ended 31 March 2021 *(continued)*

Environmental impact

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

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

To achieve these aims, the group has an environmental committee ("Green Forum"), which comprises employees from across the business. The committee's objective is to identify and promote changes that will contribute towards the group's aims. In January 2019, the group was certified to conform with ISO 14,001 (2015) environmental standard. This process considers all elements of business activity including carbon reduction initiatives, aspects and impact assessments and opportunities based on the 3R's concept of Reduce/Reuse/Recycle.

Initiatives rolled-out across the business over the last few years had been shown to be successful in reducing overheads and the impact on the environment pre-Covid. These included providing all Practice Managers with environmental training and appointing them Environmental Champion for their respective sites; reducing staff travel through the use of online meetings; monitoring staff travel more effectively with the introduction of a new expenses system; increasing the use of low power LED lighting across the estate; initiatives across our dental practices and in our support centre to reduce waste; and ensuring all electricity purchased by the organisation is from a provider supplying 100% renewable energy. The group also contracts with a third party to manage the safe and responsible disposal of all of our clinical waste. In addition, the group carries out environmental audits at 20% of sites each year and bespoke energy audits at a selection of sites.

During the financial year-ended 31 March 2021, the direct environmental impact of the group was reduced through lower travel due to Covid restrictions for support staff plus practice closures for routine treatments for the early part of the financial year. However, indirectly this impact would be reduced due to higher energy usage related to significant numbers of staff working from home.

The group emitted 6,075 tCO2e (tonnes of carbon dioxide equivalent) for 2020/21 (across scope 1 and 2) with an intensity indicator of 0.58 tCO2e per operational staff member (including self-employed clinicians) and 10.80 tCO2e per £ million of revenue. When Scope 3 business travel is added, this brings the total to 6,779 tCO2e.

Lower levels of business activity and travel have led to an improvement in all intensity indicators, excluding tCO2e per £ million of revenue on gross scope 1 & 2 (increase of 0.15) which has resulted from the drop in revenue in the current financial year. The true impact of the environmental protection measures taken to date should be more visible over the next year as business operations should return to more normal levels. Scope 2 electricity also saw an increase of 304 tCO2e due to a change in supplier and estimated readings being used. This should be rectified in next years figures with the smart meter roll out.

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

Strategic report for the year ended 31 March 2021 *(continued)*

Environmental impact *(continued)*

The below table shows UK GHG emissions and energy use data for the year 1 April 2020 to 31 March 2021 and the comparative year ended 31 March 2020:

Emissions source	**kWh**	**Carbon (tCO_2e)**	**Carbon (tCO_2e)**
	31 March 2021	**31 March 2021**	**31 March 2020**
Scope 1			
Diesel	1,388,980	354	781
Natural gas	1,710,272	315	401
Refrigeration gas	0	0	36
Petrol	152,087	37	109
Other	534	0	2
Total Scope 1		**706**	**1,329**
Scope 2			
Electricity - National Grid	23,029,797	5,369	5,065
Total Scope 1 & 2		**6,075**	**6,394**
Total tCO2e per *operational staff member on gross scope 1 & 2		**0.58**	**0.61**
Total tCO2e per *£m Revenue on gross scope 1 & 2		**10.80**	**10.65**
Scope 3			
Electricity (Transmission and Distribution)	21,202,610	425	393
Gas oil	114,005	29	33
Passenger car	964,639	241	534
Rail travel	N/A	3	73
Flights	N/A	5	101
Other	N/A	1	4
Total Scope 3		**704**	**1,138**
Total Scope 1, 2 & 3		**6,779**	**7,532**
Total tCO2e per * operational staff member on gross scope 1, 2 & 3		**0.65**	**0.71**
Total tCO2e per *£m revenue on gross scope 1, 2 & 3		**12.05**	**12.54**

*For 1 April 2020 to 31 March 2021 the number of operational staff members (including self-employed clinicians) was 10,503 (2020: 10,536) and the revenue was GBP £562,621,000 (2020: £600,471,000).

People

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

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

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

Strategic report for the year ended 31 March 2021 *(continued)*

People *(continued)*

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

Human rights

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

Anti-corruption and bribery

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

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

Strategic report for the year ended 31 March 2021 *(continued)*

Future outlook and strategy

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

In particular, the group will continue to develop patient access to new affordable and transparent private treatments. The group will also look to grow in each of its two business units through:

- continuing to deliver high quality care and promoting the highest clinical standards;
- recovering and optimising delivery of its existing NHS contracts;
- developing patient choice through affordable private treatments under the "{my}options" programme;
- increasing 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;
- exploring opportunities to tender for new contracts, particularly through the ongoing orthodontic dentistry procurement programme;
- diversifying our revenues through new initiatives both in private dentistry and within DD;
- leveraging the investment in the {my}dentist brand to attract new customers, increase brand recognition and expand its dentistry offering;
- implementing improved systems and processes to increase productivity, efficiency and oversight;
- investing in the equipment and buildings of our practice estate; and
- using the size of our portfolio and systems to procure materials and services more efficiently and effectively.

On behalf of the Board

N Pandya
Director
1 October 2021

Directors' report for the year ended 31 March 2021

The directors present their report and the audited consolidated financial statements of Turnstone Midco 2 Limited for the year ended 31 March 2021.

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 section of the Strategic report for a description of future developments.

Proposed dividend

The directors do not recommend the payment of a dividend for the year (2020: £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:

N Pandya	(appointed 27 November 2020)
T Riall	
A Bowkett	(resigned 16 August 2021)

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

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

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

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

Directors' report for the year ended 31 March 2021 *(continued)*

Employees

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

Political and charitable contributions

The group made charitable contributions totalling £17,750 during the year (2020: £20,350). The group made no political donations during the year (2020: £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.

Petrie Tucker and Partners Limited reported payments to creditors are on average were made within 52 days for the six months ending 31 March 2021 (50 days for the six months ending 31 March 2020). DD Products and Services Ltd reported payments to creditors within 43 days for the six month period ending 31 March 2021 (49 days for the six months ending 31 March 2020).

Subsequent events

Please refer to the Strategic report for details of the continuing impact of the Covid-19 pandemic.

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

Going concern

The group meets its normal day to day working capital requirements through cash generated from operations and its 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. A base assumption was first created for the group based on the assumption that there would not be any further impact on the results of the group from Covid-19. The base assumption was then sensitised to estimate the potential impact of Covid-19 restrictions and regulations, the NHS support for dentistry likely in these scenarios and the potential actions that could be taken over the next 18 months to mitigate risk. 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 new facilities for the foreseeable future.

The significant variables in the scenarios related to Covid-19 included the level of contract payments provided by the NHS in England, Scotland, Wales and Northern Ireland over various time periods, the abatement to be levied by the NHS for variable costs where activity is not at normal levels and the speed of recovery for NHS and private dentistry, productivity due to fallow periods, and the cost of PPE. The speed of recovery was also considered against the high demand currently experienced in the UK.

The initial base case scenario assumed that normal dental procedures and UDA monitoring were in place from 1 April 2021 and that the strong demand for private dentistry would persist, especially across the {my}options range of treatments. A revised scenario was calculated following the announcement that NHS contracts in England would operate until September 2021 with 100% of contract deemed met for meeting 60% of the normal contract target and that the NHS portal for free PPE for dentistry would remain open until 31 March 2022. The abatement of 16.75% on the level of activity not delivered was also assumed to continue. In the downside scenario, NHS and private dental activity was modelled to remain consistent with the results delivered in FY2021 through until March 2022 and then to return to FY2020 levels for FY2023. The forecasts include continued support for dental practices from the NHS with the continued contractual payments of 1/12th of the current annual contract each month. The forecasts include some growth in results from DD due to a number of long term supply contracts signed with leading healthcare operations during FY2020 and FY2021. As part of the downside case, EBITDA from these contracts has been sensitised down to 70% in FY2022 and 75% in FY2023.

The amount to be repaid to the local NHS teams for the shortfall on UDA delivery in the year ended 31 March 2021 of up to £70.5 million will be deducted from contract payments received across the next financial year. This is therefore included in the base case cash forecast and does not impact on the forecast headroom available to the group.

The group has not assumed any structural changes to the business to remain a going concern.

These forecasts demonstrate that while a severe but plausible downside scenario would have a negative impact on profitability, the group would generate adjusted EBITDA and cash in the year ended 31 March 2022 and beyond and

Directors' report for the year ended 31 March 2021 *(continued)*

Going concern *(continued)*

the cash reserves would be sufficient to meet expected obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

At 31 March 2021, the group's cash balance was £11.6 million (31 March 2020: £76.1 million). During the year there was a cash outflow of £64.5m due to the repayment of the drawdown made from the group's SSRCF in the early stages of the Covid-19 pandemic. In September 2020, £78.2 million of the facility was repaid and at the year-end the facility was 30% drawn at £30.0 million.

On 16 August 2021, the group's borrowing facilities, comprising £275 million of senior secured fixed rate notes, £150 million of senior secured floating rate notes and £130 million second lien notes, which were due for repayment in 2022 and 2023, plus the SSRCF were refinanced in full through the arrangement of a £400m Unitranche facility, a £50 million new Super Senior Revolving Credit Facility ("new SSRCF") and a £120 million Subordinated PIK facility. The Unitranche facility has a 6 year maturity timeline, with the new SSRCF set at 5.5 years. The Subordinated PIK facility has a 3 year life but with interest only payable at maturity. This new financing package reduces the amount of cash paid interest for the group. Covenants are in place for the ratio of senior debt to EBITDA and will be tested quarterly initially against a 9.0x level, stepping down after three quarters by 0.25x per quarter to a minimum of 6.0x.

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

The group's reported operating loss and loss before tax arise principally from non-cash items, including the amortisation and impairment of goodwill and intangible assets and depreciation.

Further information on the group's available borrowing facilities and covenants can be found in notes 24 and 32 respectively to the financial statements.

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

Disclosure of information to auditors

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

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

On behalf of the Board

N Pandya
Director
1 October 2021

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

Independent auditors' report to the members of Turnstone Midco 2 Limited

Report on the audit of the financial statements

Opinion

In our opinion, Turnstone Midco 2 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 2021 and of the group's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements 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 and Company balance sheets as at 31 March 2021; the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated and Company statements of changes in equity and the Consolidated and Company cash flow statements for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- Our work incorporated full scope audits of three components within the group, which are the {my}dentist division and DD Products and Services Limited ('DDPS') and Med-FX Limited ('Med-FX') within the DD division
- Our audit scope addressed 95% of group revenue and 96% of EBITDA before non-underlying items
- In addition to the full scope components, we have audited specific financial statement line items being the borrowings and interest expense within IDH Finance plc and borrowings within Turnstone Midco 2 company

Key audit matters

- Going concern (group and parent)
- Impairment review of goodwill and intangible assets (group)
- Revenue recognition (group)
- Consideration of the impact of COVID-19 (group and parent)

Materiality

- Overall group materiality: £1.7 million (2020: £1.5 million) based on 2.5% of earnings before interest, taxes, depreciation and amortisation ('EBITDA') and before non-underlying items. In the current year this is based on EBITDA calculated after the impact of IFRS 16, and in 2020 it is based on EBITDA calculated before considering the impact of IFRS 16 (ie akin to IAS 17).
- Overall company materiality: £342,020 (2020: £20) based on 1% of total assets.
- Performance materiality: £1,275,000 (group) and £256,515 (company).

Independent auditors' report to the members of Turnstone Midco 2 Limited *(continued)*

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

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

This is not a complete list of all risks identified by our audit.

Revenue recognition is a new key audit matter this year. Uncertain tax positions, which was a key audit matter last year, is no longer included because of the three uncertain tax positions, one has been withdrawn by HMRC, one is now fully provided for and HMRC are yet to raise an assessment for the other case relating to the self-employed status of dentists. The risk of a retrospective claim succeeding in relation to the self-employed status of dentists is considered to be less than remote and therefore is not considered to be a contingent liability. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Going concern	
Group and parent	
The group and company financial statements have been prepared on the going concern basis. The directors believe that the group and company will have the cash resources it requires to service and settle its liabilities for the period extending beyond 12 months from the date of approval of the financial statements. Whilst the group generates positive EBITDA, the group has made a significant loss before tax in both the prior and current year. Furthermore the group is in a significant current and net liability position, which is largely due to borrowings of £580 million (2020: £646 million). On 16 August 2021 the group completed the Palaman transaction which resulted in Palaman and the management team acquiring Carlyle's shareholding. Once the transaction completed a full refinancing of the Group's third party borrowings was finalised. The group's third party borrowings were refinanced partly through the issue of new third party borrowings. These new facilities are made up of a £400m Unitranche facility due 16 August 2027, £50m SSRCF available until 16 January 2027 and £120 million subordinated PIK facility due 16 August 2024. There are debt covenant terms associated with the Unitranche facility which are first assessed for the quarter ended 31 December 2021. The shareholder loan notes, including all accrued interest were waived or settled through the issue of ordinary shares. The Covid-19 pandemic has had an impact on the cash flow forecasts for the 12 months from the date of signing the financial statements. For further details see the section below covering the impact of Covid-19.	Our procedures and conclusions in respect of going concern are set out below in the 'Conclusions relating to going concern' section on page 27.

Independent auditors' report to the members of Turnstone Midco 2 Limited *(continued)*

***Key audit matters** (continued)*

Key audit matter	How our audit addressed the key audit matter
The going concern status of the company is intrinsically linked to the success of the group. Refer to note 38 for details of the post balance sheet events and note 2 for details of the basis of preparation.	
Impairment review of goodwill and intangible assets **Group**	
Goodwill of £143.2 million (2020: £142.1 million) and intangible assets of £263.9 million (2020: £295.6 million) are material to the group financial statements. Management have performed a full impairment review to compare the carrying value of the asset base, including goodwill and intangible assets, to the value of discounted future cash flows, using a five year perpetuity model which includes a number of assumptions The impairment model tests for impairment based on two groups of CGUs, being {my}dentist and DD, as this is the level at which goodwill is monitored. The models incorporate a number of estimates, the key ones being: - Forecasted Adjusted EBITDA for each of the next five years and then into perpetuity including an inflationary assumption; - Discount rates applied to each group of CGUs; and - Long term growth rate An impairment charge of £0.4 million (2020: £79.1 million) has been recorded in the current year against goodwill and intangible assets. £nil of this is specific to the DD CGU (2020: £nil) and £0.4 million is specific to the {my}dentist CGU (2020: £79.1 million). Refer to note 15 to the financial statements for further details.	We evaluated and assessed {my}dentist's and DD's future cash flow forecasts, discount rates and tested the underlying calculations. During our testing we noted the following: - We consider it appropriate to test for impairment at the level of {my}dentist and DD as that is the level at which goodwill is monitored; - We engaged with internal experts to review the reasonableness of the discount rates used by assessing the cost of capital calculations for the CGUs and comparing against comparable organisations; - We reviewed the cashflows and found them to be consistent with the bank's case as part of the Palamon transaction. We further reviewed the Adjusted EBITDA forecasts by evaluating the impact of management's actions to improve performance, for example the success in DD in gaining new contracts and the pivot towards PPE supplies during the pandemic and {my}dentist's increased focus on private dentistry. - The long term growth rate is lower than long term UK inflation expectations but is in line with expectations for the dental industry. - We assessed the current management team's ability to create accurate forecasts; and - We performed sensitivity analysis and found both of the models to be sensitive to small changes in the key assumptions listed above. As a result management have disclosed the sensitivity of the key assumptions within the financial statements (note 15). We have verified that these calculations have been performed correctly. We have performed the above procedures and concluded that no further impairment is required.

Independent auditors' report to the members of Turnstone Midco 2 Limited *(continued)*

***Key audit matters** (continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
Group	
NHS revenue in England and Wales within {my}dentist is derived from long-term fixed value contracts with the NHS whereby the contract is paid over the year. If at the end of the contract year, a practice has not performed all the UDAs allocated under its contract then the NHS may seek to reclaim the UDAs paid but not performed. Due to the COVID-19 pandemic the NHS adapted the system to take account of the restrictions in place and the consequent reduction in productivity. {my}dentist have applied the rules set out by the NHS to recognise the revenue in relation to each contract. There is a level of uncertainty surrounding this recognition until the final reconciliation process is completed and agreed with the NHS. The unrecgonised revenue which does not yet meet the "highly probable" test is included within the accruals balance. See note 22 of the financial statements, the accounting policy in note 2(r) and disclosures around critical accounting estimates in note 3(b).	We obtained and assessed management's accounting paper for recognising NHS revenue in light of the NHS' revised guidance issued during the year. We obtained copies of the guidance issued by the NHS during the year and ensured that management's accounting treatment was consistent with the guidance issued. We consulted with internal specialists to ensure that management's accounting treatment was in line with the requirements of IFRS 15, in particular the 'highly probable' test. We performed sample testing over the underlying data feeding into management's revenue calculation and agreed this to supporting documentation, such as statements received from the NHS. Based on our procedures performed we are comfortable that management's approach to revenue recognition for NHS revenue is in line with IFRS 15.
Consideration of the impact of COVID-19	
Group and parent	
The ongoing and evolving COVID-19 pandemic and the related government response to the crisis, is having a significant impact on the UK economy. As part of the UK lockdown dental practices were closed except for emergencies. Practices re-opened in June 2020 with reduced activity levels as a result of additional cleaning procedures required between patients. The COVID-19 pandemic continued to be a condition which existed at the balance sheet date. Management has considered the impact on the group and company's financial statements, and in relation to their going concern assessment Management have disclosed the impact of COVID-19 on the group within the financial statements. Refer to the 'Principal risks and uncertainties' section of the Strategic Report, disclosures relating to going concern within the Directors' Report and note 1(a) as well as the sections relating to accounting estimates within revenue recognition (note 3(b)) and impairment of intangible assets (note 15).	In assessing management's considerations of the potential impact of COVID-19, we have undertaken the following procedures: - Reviewed the impact of COVID-19 on revenue recognition (see Key Audit Matter on Revenue Recognition (group) above). - Reviewed management's assessment of the impact of COVID-19 and forecast recovery incorporated into management's going concern assessment (see Key Audit Matter on Going Concern above) and carrying value of intangible assets (see Key Audit Matter on Impairment of Goodwill and Intangible Assets above). - Reviewed management's disclosures within the financial statements to ensure that these are consistent with our understanding obtained during the audit and with the audit work performed over revenue recognition, going concern and the carrying value of intangible assets. Based on our procedures performed we are satisfied that management have appropriately incorporated the impact of COVID-19 into their going concern assessment and impairment review, and their accounting for NHS revenue.

Independent auditors' report to the members of Turnstone Midco 2 Limited *(continued)*

How we tailored the audit scope

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

The group is made up of two divisions, the {my}dentist division which provides public and private dental services from practices throughout the UK, and the DD division, which supplies healthcare goods and services. The {my}dentist division is treated as one component as it is financially significant to the group. Within the DD division there are two components which are financially significant to the group - DDPS and MedFX. We have performed full scope audits of these three components. Our audit scope addressed 95% of group revenue and 96% of EBITDA before non-underlying items. All the group's operations are within the UK. The group is partly funded by loan notes issued on the International Stock Exchange, issued by IDH Finance plc. IDH Finance plc is not a financially significant component, however, we perform audit procedures over the borrowings and interest expense line items within that entity.

All audit work was performed by the same engagement team within the UK.

The company Turnstone Midco 2 Limited is a holding company for the {my}dentist and DD divisions but is not itself a trading entity. We perform audit procedures over the borrowings line item within the holding company.

Materiality

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

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

	Financial statements - group	**Financial statements - company**
Overall materiality	£1.7 million (2020: £1.5 million).	£ 342,020 (2020: £20).
How we determined it	2.5% of earnings before interest, taxes, depreciation and amortisation ('EBITDA') and before non-underlying items. In the current year this is based on EBITDA calculated after the impact of IFRS 16, and in 2020 it is based on EBITDA calculated before considering the impact of IFRS 16 (ie akin to IAS 17).	1% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the annual report EBITDA before non-underlying items is the primary measure used by shareholders in assessing the performance of the group and is a generally accepted auditing benchmark.	We believe that total assets is the appropriate benchmark as the entity is a holding company.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £630,000 and £1,170,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

Independent auditors' report to the members of Turnstone Midco 2 Limited *(continued)*

***Materiality** (continued)*

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £1,275,000 for the group financial statements and £256,515 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £85,000 (group audit) (2020: £75,000) and £17,100 (company audit) (2020: £1) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of Turnstone Midco 2 Limited *(continued)*

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 2021 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.

Independent auditors' report to the members of Turnstone Midco 2 Limited *(continued)*

***Auditors' responsibilities for the audit of the financial statements** (continued)*

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to to tax regulations, other regulatory regulations (including those monitored by the Care Quality Commission and the Medical Health Regulatory Authority), and health and safety regulations (especially those governing dental surgeries and warehouse operations), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. 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:

- Obtained 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;
- Reviewed management's accounting policies for revenue recognition, particularly in relation to income from public dentistry; and
- Performed audit procedures to test revenue transactions (refer to KAM above)

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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Independent auditors' report to the members of Turnstone Midco 2 Limited *(continued)*

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.

Randal Casson

Randal Casson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
1 October 2021

Consolidated income statement
for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Revenue	*4*	**562,621**	600,471
Cost of sales		**(329,061)**	(342,843)
Gross profit		**233,560**	257,628
Distribution costs		**(17,693)**	(19,868)
Administrative expenses		**(226,611)**	(322,610)
Other income	*9*	**2,200**	1,548
Other net losses	*10*	**(127)**	(140)
Operating loss		**(8,671)**	(83,442)
Analysed as			
EBITDA before non-underlying items		**69,749**	76,239
Amortisation of intangible assets	*15*	**(30,125)**	(30,525)
Depreciation	*16/17*	**(33,795)**	(33,658)
Amortisation of government grant income		**41**	52
Impairment of intangible assets	*15*	**(367)**	(79,053)
Impairment of right of use assets	*17*	**-**	(483)
Impairment of non-current assets reclassified as held for sale and loss on closure or disposal of dental practices	*5*	**(2,961)**	(9,971)
Remeasurement of lease commitments	*17*	**177**	-
Differences between contingent consideration paid and estimates initially recognised	*5*	**79**	98
Value of employee services arising from shares granted	*29*	**-**	(1,077)
Other non-underlying items	*5*	**(11,342)**	(4,924)
Net foreign exchange losses	*10*	**(127)**	(140)
Operating loss		**(8,671)**	(83,442)
Finance costs	*11*	**(48,032)**	(48,424)
Finance income	*12*	**4**	56
Net finance costs		**(48,028)**	(48,368)
Loss before income tax		**(56,699)**	(131,810)
Income tax credit/(charge)	*13*	**6,388**	(8,657)
Loss for the year		**(50,311)**	(140,467)
Attributable to:			
Owners of the parent		**(50,311)**	(140,467)
Non-controlling interests		**-**	-
		(50,311)	(140,467)

All activities are derived from continuing operations.

The notes on pages 41 to 90 form part of these financial statements.

Consolidated statement of comprehensive income
for the year ended 31 March 2021

	2021	2020
	£'000	£'000
Loss for the year	**(50,311)**	(140,467)
Other comprehensive income:		
Items that will not be reclassified to the income statement		
Re-measurement gain in respect of defined benefit pension scheme	**66**	134
Total comprehensive expense for the year	**(50,245)**	(140,333)
Attributable to:		
Owners of the parent	**(50,245)**	(140,333)
Non-controlling interests	**-**	-
	(50,245)	(140,333)

Movements above are disclosed net of income tax.

The notes on pages 41 to 90 form part of these financial statements.

Consolidated balance sheet
at 31 March 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Goodwill	*15*	**143,235**	142,063
Other intangible assets	*15*	**263,879**	295,569
Property, plant and equipment	*16*	**99,688**	99,802
Right of use assets	*17*	**86,380**	88,036
		593,182	625,470
Current assets			
Inventories	*19*	**34,036**	25,053
Trade and other receivables	*20*	**47,458**	51,176
Current income tax		**-**	40
Derivative financial instruments	*23*	**-**	289
Cash and cash equivalents	*21,36*	**11,590**	76,063
		93,084	152,621
Total assets		**686,266**	778,091
Equity attributable to the owners of the parent			
Share capital	*27*	**410,961**	410,961
Accumulated losses	*28*	**(595,241)**	(544,996)
Total equity		**(184,280)**	(134,035)

Consolidated balance sheet *(continued)*
at 31 March 2021

	Note	**2021** **£'000**	2020 £'000
Liabilities			
Non-current liabilities			
Borrowings	*24,36*	**580,432**	645,977
Other payables	*22*	**304**	163
Lease liabilities	*17*	**78,914**	79,392
Deferred income tax liabilities	*26*	**13,370**	19,527
Post employment benefits	*33*	**299**	401
Provisions	*25*	**4,070**	4,265
		677,389	749,725
Current liabilities			
Trade and other payables	*22*	**177,744**	147,461
Lease liabilities	*17*	**14,543**	14,333
Provisions	*25*	**536**	607
Derivative financial instruments	*23*	**334**	-
		193,157	162,401
Total liabilities		**870,546**	912,126
Total equity and liabilities		**686,266**	778,091

The notes on pages 41 to 90 form part of these financial statements.

The financial statements on pages 31 to 90 were approved by the Board of Directors on 1 October 2021 and were signed on its behalf by:

N Pandya
Director

Consolidated statement of changes in equity
for the year ended 31 March 2021

	Share capital £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 April 2019	410,961	(405,535)	5,426
Comprehensive expense for the year			
Loss for the year	-	(140,467)	(140,467)
Other comprehensive income			
Items that will not be reclassified to the income statement	-	134	134
Total comprehensive expense for the year	-	(140,333)	(140,333)
Transactions with owners recognised directly in equity			
Value of employee services arising from shares granted to directors and employees (note 29)	-	1,077	1,077
Deferred tax in relation to the above	-	(205)	(205)
Total transactions with owners	-	872	872
Balance at 31 March 2020	410,961	(544,996)	(134,035)

The notes on pages 41 to 90 form part of these financial statements.

Consolidated statement of changes in equity *(continued)*
for the year ended 31 March 2021

	Share capital £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 April 2020	410,961	(544,996)	(134,035)
Comprehensive expense for the year			
Loss for the year	-	(50,311)	(50,311)
Other comprehensive income			
Items that will not be reclassified to the income statement	-	66	66
Total comprehensive expense for the year	-	(50,245)	(50,245)
Balance at 31 March 2021	**410,961**	**(595,241)**	**(184,280)**

The notes on pages 41 to 90 form part of these financial statements.

Consolidated cash flow statement
for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Cash generated from operations	*35*	**83,613**	78,261
Net cash inflow from operating activities		**83,613**	78,261
Cash flows from investing activities			
Acquisitions (net of cash acquired)		**(1,934)**	(8)
Contingent consideration paid		**(93)**	(435)
Purchase of property, plant and equipment		**(21,924)**	(27,305)
Costs on business and asset disposals		**(6)**	(129)
Government grants received		**11**	-
Interest received		**4**	56
Net cash outflow from investing activities		**(23,942)**	(27,821)
Cash flows from financing activities			
Drawdown of bank loans		**10,000**	78,200
Repayment of bank loans		**(78,200)**	(5,000)
Bank and bond interest paid		**(41,137)**	(41,430)
Principal element of lease payment		**(10,472)**	(10,596)
Interest element of lease payment		**(4,335)**	(4,412)
Net cash (outflow)/inflow from financing activities		**(124,144)**	16,762
Net (decrease)/increase in cash and cash equivalents		**(64,473)**	67,202
Cash and cash equivalents at the start of the year		**76,063**	8,861
Cash and cash equivalents at the end of the year		**11,590**	76,063

The notes on pages 41 to 90 form part of these financial statements.

Company balance sheet
at 31 March 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Investments	*18*	**34,200**	-
		34,200	-
Current assets			
Cash and cash equivalents	*21*	**2**	2
		2	2
Total assets		**34,202**	2
Equity			
Share capital	*27*	**410,961**	410,961
Brought forward accumulated losses	*28*	**(411,074)**	(239,051)
Current year profit/(loss)	*14*	**34,160**	(172,023)
Total equity		**34,047**	(113)
Liabilities			
Current liabilities			
Other payables	*22*	**155**	115
Total equity and liabilities		**34,202**	2

The company made a profit of £34,160 for the year ended 31 March 2021 (2020:loss of £172,023,000). See note 14 for more details.

The notes on pages 41 to 90 form part of these financial statements.

The financial statements on pages 31 to 90 were approved by the Board of Directors on 1 October 2021 and were signed on its behalf by:

N Pandya
Director

Company statement of changes in equity

for the year ended 31 March 2021

	Share capital £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 April 2019	410,961	(239,051)	171,910
Comprehensive expense for the year			
Loss and total comprehensive expense for the year	-	(172,023)	(172,023)
Balance at 31 March 2020	410,961	(411,074)	(113)
Comprehensive expense for the year			
Profit and total comprehensive income for the year	-	34,160	34,160
Balance at 31 March 2021	**410,961**	**(376,914)**	**34,047**

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 41 to 90 form part of these financial statements

Company cash flow statement
for the year ended 31 March 2021

	Note	**2021** **£'000**	2020 £'000
Cash flows from operating activities			
Cash generated from operations	35	**-**	-
Net cash inflow from operating activities		**-**	-
Net increase in cash and cash equivalents		**-**	-
Cash and cash equivalents at the start of the year		**2**	2
Cash and cash equivalents at the end of the year		**2**	2

The notes on pages 41 to 90 form part of these financial statements.

Notes to the consolidated financial statements

1 Company information

Turnstone Midco 2 Limited (the 'company') is a private company, limited by shares, incorporated in the United Kingdom and domiciled in England. The address of the registered office is: Europa House, Europa Trading Estate, Stoneclough Road, Kearsley, Manchester M26 1GG.

The company is the holding company of Turnstone Bidco 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 are the operation of dental practices and the provision of materials, services and equipment to dental practices.

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

2 Accounting policies

(a) Basis of preparation

The parent company and consolidated financial statements for the year ended 31 March 2021 have been prepared on the historical cost basis, as modified for the revaluation of certain financial instruments including derivatives and contingent consideration. The financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with requirements of the Companies Act 2006, on 31 December 2020 EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. The consolidated financial statements will transition to UK-adopted international accounting standards for financial periods beginning 1 April 2021. There will be no impact or changes in accounting policies from this transition.

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 and the various facilities available to the group.

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

The group's forecasts and projections, including forecasts that have been sensitised to reflect severe but plausible downside scenarios as a result of the coronavirus, show that the group is able to operate within the level of its new facilities following the refinancing of the group on 16 August 2021.

The significant variables in the scenarios related to Covid-19 included the level of contract payments provided by the NHS in England, Scotland, Wales and Northern Ireland over various time periods, the abatement to be levied by the NHS for variable costs where activity is not at normal levels and the speed of recovery for NHS and private dentistry, productivity due to fallow periods, and the cost of PPE. The speed of recovery was also considered against the high demand currently experienced in the UK.

These forecasts demonstrate that while a severe but plausible downside scenario would have a major negative impact on profitability, the group would generate adjusted EBITDA and cash in the year ended 31 March 2022 and beyond and the cash reserves would be sufficient to meet expected obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

The amount to be repaid to the local NHS teams for the shortfall on UDA delivery in the year ended 31 March 2021 of up to £70.5 million will be deducted from contract payments received across the next financial year. This is therefore included in the base case cash forecast and does not impact on the forecast headroom available to the group.

At 31 March 2021, the group's cash balance was £11.6 million (31 March 2020: £76.1 million). During the year there was a cash outflow of £64.5 million due to the repayment of the drawdown made from the group's SSRCF in the early stages of the Covid-19 pandemic. In September 2020, £78.2 million of the facility was repaid and at the year-end the facility was 30% drawn at £30.0 million. On 16 August 2021, the group's external debt was all refinanced with a new £400 million Unitranche facility with a maturity date of 6 years, a £50 million new SSRCF (due in 5.5 years) and a £120 million Subordinated PIK facility with a three year life. This new financing package reduces the amount of cash paid interest for the group.

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

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

The group's reported operating loss and loss before tax arise principally from non-cash items, including the amortisation and impairment of goodwill and intangible assets and depreciation.

Further information on the group's available borrowing facilities and covenants can be found in notes 24 and 32 respectively to the financial statements.

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

(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 2021.

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 2021, 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.

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(d) Foreign currency translation

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

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

(e) Business combinations

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

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

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

(f) Intangible assets

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

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

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

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

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

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(g) Impairment of non-financial assets

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

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

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

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

(h) Property, plant and equipment

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

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

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

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:

Fixtures, fittings and equipment: 4-10 years

Fixtures, fittings and equipment include short leasehold improvements.

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

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(i) Inventories

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

Dental practice consumables are valued at the weighted average purchase cost during the financial year. Average purchase cost is calculated to take account of trade discounts received and transport and handling costs incurred.

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

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

(j) Trade receivables and prepayments

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

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

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

(k) Cash and cash equivalents

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

(l) Trade and other payables

Trade and other payables are initially stated at fair value and subsequently measured at amortised cost.

(m) Government grants

Grants received to assist with the purchase of property, plant and equipment are credited to deferred income within trade and other payables and are amortised to the income statement over a period to match the useful life of the asset acquired. Revenue grants are recognised in the income statement through administrative expenses in the financial year in which the related service or obligation is performed. During the 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 7).

(n) Borrowings

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

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

(o) Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognised within finance costs. Further details are provided in note 25.

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(p) Derivative financial instruments

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

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

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

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

The group does not hedge account for any derivative financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period.

The use of financial derivatives is governed by the group's policies approved by the Board of Directors, which provide written principles in the use of financial derivatives consistent with the group's risk management strategy. The group does not use derivative financial instruments for speculative purposes. See note 32 for further details.

(q) Share capital

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

(r) Revenue

Revenue represents the income received in the ordinary course of business for dentistry or other goods or services provided to the extent that the group has completed the specific performance obligations and has therefore obtained the right to consideration. Amounts are stated net of discounts, returns and value added taxes. Revenue derived from NHS contracts in England and Wales is recognised based upon the volume of dental activity delivered in the financial year. Amounts received from the NHS in advance of dental activity delivery are held on the balance sheet within accruals. More information on this is provided in note 22. Revenue from all private dental work and NHS patients in Scotland is recognised based upon the completion of each piece of treatment carried out, with the exception of orthodontic treatment, which is recognised based upon the stage of completion reached during the course of treatment. Revenue generated from the sale of goods by DD is recognised upon despatch and revenue generated from the installation or repair of equipment, or from other services, is recognised upon completion of the service.

From early March 2020, due to the coronavirus outbreak NHS dental practices were restricted to emergency procedures only. The NHS confirmed that for the contract year ended 31 March 2020, any shortfall in March 2020 activity performance due to the restrictions placed on practices could be mitigated by substituting the number of March 2019 claims for March 2020 performance. This resulted in the recognition of revenue from 326,000 UDAs in March 2020. Routine dental treatment was allowed to restart, with modifications in operating procedures, from 8 June 2020. Modified operating procedures remained in place throughout the rest of FY2021 and into FY2021.

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.

(s) Leases

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

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

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

***(s) Leases** (continued)*

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

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

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

(t) Net finance costs

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

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

(u) Income tax

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

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

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

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

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

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.

Notes to the consolidated financial statements *(continued)*

2 Accounting policies *(continued)*

(v) Segment reporting

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

(w) Employee benefits: pension obligations

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

The group also operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group. The scheme is closed to new members and has no active members. The group makes contributions in respect of current or past service. The group also funds the administration costs of the scheme which are charged to administrative expenses within the income statement as incurred. The re-measurement loss arising from the actual return on assets and changes in demographic and financial assumptions underlying the present value of scheme liabilities is taken to other comprehensive income. The group has no recourse to recover any surplus funds held by the scheme once all liabilities have been settled. Accordingly, where the scheme is in a surplus position at the balance sheet date, this surplus is not recognised as an asset within the balance sheet.

(x) Share based payments

As set out in more detail in note 29, certain employees of the group have been gifted 'E1' or 'E2' ordinary shares in the company for nil consideration. The gift of shares for nil consideration is a share based payment. The fair value of the employee services received in exchange for the gift 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 revises its estimate of the number of leavers when determining the charge to be recognised in the income statement.

(y) Non-underlying items

Non-underlying items are considered to be items which are non-recurring or which do not form part of the underlying trading results of the group. In some cases non-recurring items will appear in more than one year (for example if they relate to an activity that takes place across a year end).

Notes to the consolidated financial statements *(continued)*

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 2021 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 resulted in impairment charges totalling £0.4 million (2020: £79.1 million) being recognised within non-underlying items in the income statement for the year ended 31 March 2021.

Due to the impact of the coronavirus, the base case for future growth in the cash flows of the group has been reduced and focusses on maintaining current levels of NHS dentistry with lower growth in private dentistry than has been historically achieved. More details, including carrying values and the outcomes of the reviews conducted including sensitivity analysis are included in note 15.

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

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

HMRC have notified the group that any withdrawal of the industry specific guidance related to the self-employment status of dentists has been deferred from 5 April 2020 for an unspecified period of time. Based on the application of current guidance, the group considers any potential future change in the tax treatment of associates would be prospective rather than retrospective and that status will need to be considered against HMRC's general guidance for self-employment in the future. Any change this has on the nature of the group's engagement with clinicians is also likely to affect the entire industry.

We continue to discuss the substance and legal form of the bare trust partnership arrangements we have used to acquire 145 practices. This is a widely used industry specific method that allows practices to change hands while meeting the requirements of NHS regulations. Discussions have focussed on the corporation tax deduction allowed for the goodwill amortisation charge recognised on the acquisition of the trade and assets and the VAT treatment of dental facilities provided to the partnerships and associate dentists.

Notes to the consolidated financial statements *(continued)*

3 Critical accounting judgements and estimates *(continued)*

(b) Critical estimates (continued)

***Application of tax laws** (continued)*
The VAT treatment of dental facilities provided to the partnership has now been agreed with HMRC with no changes required to the operating model or previous accounting.

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

However, the likelihood of any such challenge being successful is considered by management, after discussion with specialist advisors including legal counsel, as not probable and accordingly these financial statements do not include any provision in relation to the ongoing tax discussions relating to self-employment status. The corporation tax deduction allowed for goodwill amortisation specifically relating to the NHS contract can be replaced by a claim for capital allowances in each historical period with no cash impact. The group has accounted for this replacement through the increase in deferred tax liabilities for goodwill claims not yet made and the reduction of deferred tax assets for the utilisation of capital allowances to replace historical amortisation claims.

Revenue recognition of NHS UDA contracts during the Covid-19 pandemic
{my}dentist NHS revenue is derived from long-term fixed value contracts with NHS regions and sub regions ('NHS Regions'). Provided the group achieves certain performance related criteria on an annual basis, the fixed-income nature of the contracts in England and Wales provides the group with stability and visibility over its revenue and profit streams. Payments under the framework contracts are made to the business by NHS England, with payment of 1/12 of the contract value paid on the first working day of the following month. Three to six months following the contract year end (31 March), {my}dentist receive a statement detailing UDA performance under each contract. If, at the end of the contract year, a practice has not performed all the UDAs allocated under its contract, NHS England may seek to reclaim UDAs paid for but not performed. Any reclamation of payment must be made after the end of the contract year of underperformance, although repayment may be made in-year (referred to as a "handback") if both parties agree.

Due to the restrictions placed on dental practices during the Covid-19 pandemic, the NHS in England and Wales replaced the normal contractual UDA performance measures with a more flexible system for the year. This system adapted to the restrictions placed on practices by public health authorities and the consequent reduction in productivity as facilities could not be utilised 100%. In England:

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

The group has applied these rules to each of {my}dentists 547 contracts however until the final NHS reconciliation is completed for each contract there is some uncertainty as to the final level of any repayment due back to the NHS for underperformance. See note 22 for further details of the UDA provision.

Notes to the consolidated financial statements *(continued)*

4 Segmental analysis

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

The Executive Management Team considers the business to be split into two main operating segments being {my}dentist and DD.

Through {my}dentist, the group is thc leading provider of dental services in the United Kingdom. {my}dentist owns and manages a national chain of dental practices with 593 sites at 31 March 2021 (2020: 597).

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 arms length basis.

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

Predominantly all services are provided in the United Kingdom.

Revenue is analysed by category as follows:

	2021	2020
	£'000	£'000
Provision of services	**434,708**	472,739
Sale of goods	**127,913**	127,732
Total revenue	**562,621**	600,471

Notes to the consolidated financial statements *(continued)*

4 Segmental analysis *(continued)*

Year ended 31 March 2021

	{my}dentist £'000	DD £'000	Group costs, and intra-segment eliminations £'000	**Total £'000**
Revenue				
NHS dentistry	347,543	-	-	**347,543**
Private dentistry	78,239	-	-	**78,239**
Non-dental practice revenue	205	164,385	(27,751)	**136,839**
Total revenue	425,987	164,385	(27,751)	**562,621**
Gross profit	203,314	35,303	(5,057)	**233,560**
Gross margin	*47.7%*	*21.5%*		***41.5%***
Overheads	(138,161)	(27,585)	(265)	**(166,011)**
Overheads as % revenue	*32.4%*	*16.8%*		***29.5%***
Other income	2,200	-	-	**2,200**
EBITDA before non-underlying items	67,353	7,718	(5,322)	**69,749**
EBITDA margin	*15.8%*	*4.7%*		***12.4%***
Amortisation of intangible assets	(26,717)	(3,408)	-	**(30,125)**
Depreciation	(31,684)	(2,706)	595	**(33,795)**
Amortisation of government grant income	41	-	-	**41**
Impairment of goodwill and intangible assets	(367)	-	-	**(367)**
Impairment of non-current assets reclassified as held for sale and loss on closure or disposal of dental practices	(2,961)	-	-	**(2,961)**
Remeasurement of lease commitments	173	4	-	**177**
Differences between contingent consideration paid and estimates initially recognised	79	-	-	**79**
Other non-underlying items	(2,936)	(1,561)	(6,845)	**(11,342)**
Net foreign exchange losses	-	(127)	-	**(127)**
Segment operating loss	2,981	(80)	(11,572)	**(8,671)**
Net finance costs				**(48,028)**
Loss before income tax				**(56,699)**
Segment assets	578,439	113,281	(5,454)	**686,266**
Segment liabilities	(255,864)	(151,740)	(462,942)	**(870,546)**
Additions				
Goodwill	1,172	-	-	**1,172**
Right of use assets	4,226	386	-	**4,612**
Property, plant and equipment	22,336	996	(691)	**22,641**

Notes to the consolidated financial statements *(continued)*

4 Segmental analysis *(continued)*

In order to provide comparability with the previous financial year, the table below shows the impact of rental and other lease charges and the adjusted EBITDA for each operating segment.

Year ended 31 March 2021

	{my}dentist £'000	DD £'000	Group costs, and intra-segment eliminations £'000	**Total £'000**
EBITDA before non-underlying items	67,353	7,718	(5,322)	**69,749**
Rental and other lease charges	(13,671)	(1,047)	-	**(14,718)**
Adjusted EBITDA	53,682	6,671	(5,322)	**55,031**
Adjusted EBITDA margin	*12.6%*	*4.1%*		***9.8%***

Notes to the consolidated financial statements *(continued)*

4 Segmental analysis *(continued)*

Year ended 31 March 2020

	{my}dentist £'000	DD £'000	Group costs, and intra-segment eliminations £'000	**Total £'000**
Revenue				
NHS dentistry	347,058	-	-	**347,058**
Private dentistry	119,327	-	-	**119,327**
Non-dental practice revenue	307	160,806	(27,027)	**134,086**
Total revenue	466,692	160,806	(27,027)	**600,471**
Gross profit	223,884	38,998	(5,254)	**257,628**
Gross margin	*48.0%*	*24.3%*		***42.9%***
Overheads	(152,192)	(31,288)	543	**(182,937)**
Overheads as % revenue	*32.6%*	*19.5%*		***30.5%***
Other income	1,548	-	-	**1,548**
EBITDA before non-underlying items	73,240	7,710	(4,711)	**76,239**
EBITDA margin	*15.7%*	*4.8%*		***12.7%***
Amortisation of intangible assets	(27,117)	(3,408)	-	**(30,525)**
Depreciation	(31,234)	(2,931)	507	**(33,658)**
Amortisation of government grant income	52	-	-	**52**
Impairment of goodwill and intangible assets	(79,053)	-	-	**(79,053)**
Impairment of right of use assets	(417)	(66)	-	**(483)**
Impairment of non-current assets reclassified as held for sale and loss on closure or disposal of dental practices	(9,971)	-	-	**(9,971)**
Differences between contingent consideration paid and estimates initially recognised	98	-	-	**98**
Value of employee services arising from shares granted	-	-	(1,077)	**(1,077)**
Other non-underlying items	(3,560)	(1,364)	-	**(4,924)**
Net foreign exchange losses	-	(140)	-	**(140)**
Segment operating loss	(77,962)	(199)	(5,281)	**(83,442)**
Net finance costs				**(48,368)**
Loss before income tax				**(131,810)**
Segment assets	674,588	109,153	(5,650)	**778,091**
Segment liabilities	(232,868)	(142,556)	(536,702)	**(912,126)**
Additions				
Goodwill	-	-	-	**-**
Right of use assets	3,967	74	-	**4,041**
Property, plant and equipment	26,187	2,960	(1,417)	**27,730**

Notes to the consolidated financial statements *(continued)*

4 Segmental analysis *(continued)*

In order to provide comparability with previous financial years, the table below shows the impact of rental and other lease charges and the adjusted EBITDA for each operating segment.

Year ended 31 March 2020

	{my}dentist £'000	DD £'000	Group costs, and intra-segment eliminations £'000	**Total £'000**
EBITDA before non-underlying items	73,240	7,710	(4,711)	**76,239**
Rental and other lease charges	(12,812)	(1,306)	-	**(14,118)**
Adjusted EBITDA	60,428	6,404	(4,711)	**62,121**
Adjusted EBITDA margin	*12.9%*	*4.0%*		***10.3%***

Notes to the consolidated financial statements *(continued)*

5 Other non-underlying items

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

	Group 2021 £'000	Group 2020 £'000
Restructuring costs	**974**	1,907
Acquisition related professional fees and expenses	**49**	15
Legal and professional fees	**7,756**	1,636
Dilapidations provision	**83**	256
Business development	**241**	1,057
Loss on disposal of property, plant and equipment	**-**	31
Covid-19 related expenses	**1,772**	-
Brexit related expenses	**420**	-
Expenses in respect of defined benefit pension scheme (note 33)	**47**	22
Other non-underlying items	**11,342**	4,924
Differences between contingent consideration paid and estimates initially recognised	**(79)**	(98)
Impairment of non-current assets reclassified as held for sale and loss on closure or disposal of dental practices	**2,961**	9,971

Restructuring costs
Costs incurred during the year ended 31 March 2021 and the year ended 31 March 2020 principally relate to senior management changes, and other staff and business restructuring, including related professional fees.

Acquisition related professional fees and expenses
The group incurs certain professional fees and expenses in respect of potential practice and subsidiary acquisitions.

Legal and professional fees
Legal and professional fees for the year ended 31 March 2021 include costs incurred in relation to the sale of the business as well as other non-recurring legal advisory services. Costs for the year ended 31 March 2020 include advisory services in relation to the group's VAT discussions with HMRC along with legal settlements and other non-recurring legal advisory services. Recurring legal and professional fees are charged within the underlying trading result.

Dilapidations provision
During the year ended 31 March 2020, a provision was made for the costs associated with a one-off assessment of additional obligations to return practices to their original condition at the end of the lease. Additional costs associated with building up this closure provision have been recorded in the year ended 31 March 2021.

Business development costs
Costs include initial expenses associated with the development and roll out of new operational activities associated with private revenue such as the {my}options projects.

Loss/(profit) on disposal of property, plant and equipment
The loss on disposal for the year ended 31 March 2020 related principally to the write off of OPG x-ray (panoramic wide view) equipment in {my}dentist offset by the sale of equipment and two motor vehicles in DD.

Notes to the consolidated financial statements *(continued)*

5 Other non-underlying items *(continued)*

Covid -19 related expenses
During the year ended 31 March 2021, costs were incurred in order to make the group's dental practices and Support Centre "Covid secure" and to comply with government guidance and social distancing rules. Costs also include restart expenses incurred in practice such as servicing to bring dental chairs back into operation after being out of routine use in the first lockdown, changing air flow filters, sterilisation and cleaning.

Brexit related expenses
During the year ended 31 March 2021 additional costs were incurred by the DD division in order to prepare for Brexit. Costs include professional advice, temporary staff and additional warehouse costs.

Differences between contingent consideration paid and estimates initially recognised
During the years ended 31 March 2021 and 31 March 2020 the group settled certain contingent consideration obligations for amounts which were different to the initial fair value estimates recognised in the balance sheet. The net difference of £79,000 was released (2020: £98,000) to the income statement.

Impairment of non-current assets reclassified as held for sale and profit/(loss) on closure or disposal of dental practices
The practice portfolio is being monitored closely for practices which are no longer deemed viable due to reasons such as low UDA contract values or recruitment issues due to geography. During the year ended 31 March 2021, a further 3 dental practices were closed and 2 sold (2020: 4 closed).

6 Auditors' remuneration

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

	2021	2020
	£'000	£'000
Audit services		
Audit of the parent company and the consolidated financial statements	**40**	16
Audit of the company's subsidiaries	**702**	454
	742	470
Other services		
Other advisory services	**-**	10
Transaction related advice	**1,733**	-
Total remuneration payable to PricewaterhouseCoopers LLP	**2,475**	480

Other advisory services in the previous year relate to work conducted on covenant reporting.

Notes to the consolidated financial statements *(continued)*

7 Employees

The company has no employees (2020: none).

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

	Group 2021 No of employees	Group 2020 No of employees
Business unit		
{my}dentist - surgery staff	**3,820**	3,785
{my}dentist - administration staff	**2,506**	2,527
DD	**522**	563
	6,848	6,875

The staff costs of these persons were as follows:

	Group 2021 £'000	Group 2020 £'000
Wages and salaries	**126,041**	128,590
Social security costs	**8,859**	8,958
Other pension costs	**2,122**	2,191
	137,022	139,739

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

8 Directors' remuneration

The directors received no emoluments from the company for their services during the year (2020: £nil).

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

	Group 2021 £'000	Group 2020 £'000
Aggregate emoluments including benefits	**952**	789

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

The aggregate of remuneration, excluding share based payments, for the highest paid director was £684,000 (2020: £566,000), which included benefits in kind of £5,000 (2020: £11,000).

The group also put in place a transaction related bonus arrangement payable on successful completion of a change in control. These amounts will be charged to the income statement in FY2022 (see note 38). In addition, as part of the transaction, a new share scheme has been put in place for key management of the group.

Notes to the consolidated financial statements *(continued)*

9 Other income

Other income 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.

10 Other net losses

	Group 2021 £'000	Group 2020 £'000
Unrealised (losses)/gains at fair value through profit or loss on foreign exchange forward contracts	**(623)**	768
Realised foreign exchange gains/(losses)	**496**	(908)
	(127)	(140)

11 Finance costs

	Group 2021 £'000	Group 2020 £'000
Recurring finance costs		
Senior secured fixed rate notes	**17,188**	17,188
Senior secured floating rate notes	**9,433**	10,343
Second lien notes	**12,350**	12,383
Bank loans and overdrafts	**2,173**	1,241
Amortisation of debt issue costs and related fees	**1,880**	1,825
Other interest payable – unwinding of discount (notes 17, 25, 32)	**4,371**	4,455
Syndicate charges	**628**	975
Finance expense in respect of defined benefit pension scheme (note 33)	**9**	14
	48,032	48,424

12 Finance income

	Group 2021 £'000	Group 2020 £'000
Bank deposit interest	**4**	56
	4	56

Notes to the consolidated financial statements *(continued)*

13 Income tax (credit)/charge

	Group 2021 £'000	Group 2020 £'000
Current income tax		
Current charge for the year	**-**	-
Deferred income tax		
Origin and reversal of temporary differences	**(9,978)**	(9,552)
Adjustments in respect of previous years	**3,590**	11,367
Effect of change in income tax rate	**-**	2,601
Deferred tax not recognised	**-**	4,241
Total deferred income tax (note 26)	**(6,388)**	8,657
Total income tax (credit)/charge	**(6,388)**	8,657

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

	Group 2021 £'000	Group 2020 £'000
Loss before income tax	**(56,699)**	(131,810)
Loss before income tax multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	**(10,773)**	(25,044)
Effects of:		
Expenses not deductible for tax	**517**	16,367
Utilisation of losses not previously recognised	**(4)**	6
Effect of rate changes on opening balances	**-**	2,601
Adjustments in respect of previous years	**3,590**	11,367
Unrelieved losses carried forwards	**282**	(881)
Deferred tax not recognised	**-**	4,241
Total income tax (credit)/charge for the year	**(6,388)**	8,657

Expenses not deductible for tax principally include the impairment of goodwill which is not tax deductible. The adjustment in respect of previous years relates to writing down the value of future tax deductions arising from the goodwill amortisation associated with partnership acquisitions. Deferred tax not recognised relates to capital allowances allocated to replace previous claims for goodwill amortisation.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase from 19% to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period and increase the deferred tax liability by £4.2 million.

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)*

14 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 profit of £34,160 arises from the company's share of the group audit fee and following a review of its carrying value of the company's investment in subsidiaries a partial reversal of the provision raised against the carrying value of £34,200. The company's loss of £172,023,000 for the year ended 31 March 2020 arose from the company's share of the group audit fee (£16,000) and, following a review of the carrying value of the company's investments in subsidiaries, a full provision against the carrying value of £172,007,000.

15 Intangible assets

Group

	Goodwill £'000	Contractual arrangements £'000	Customer relationships £'000	Brands and trademarks £'000	Total £'000
Cost					
At 1 April 2019	297,668	457,670	66,365	25,765	847,468
Disposals	(4,609)	(4,547)	(485)	-	(9,641)
At 31 March 2020	293,059	453,123	65,880	25,765	837,827
Accumulated amortisation					
At 1 April 2019	73,383	170,355	39,667	8,812	292,217
Charge for the year	-	22,437	6,393	1,695	30,525
Impairment charge	77,613	1,440	-	-	79,053
Disposals	-	(1,375)	(225)	-	(1,600)
At 31 March 2020	150,996	192,857	45,835	10,507	400,195
Net book value					
At 31 March 2020	142,063	260,266	20,045	15,258	437,632

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

Notes to the consolidated financial statements *(continued)*

15 Intangible assets *(continued)*

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

The weighted average unamortised useful life of intangible assets at 31 March 2021 was 10.8 years (2020: 11.6 years).

Cash Generating Units ('CGUs')

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

Net book value of goodwill by CGU	Group 2021 £'000	Group 2020 £'000
{my}dentist	**121,256**	120,084
DD	**21,979**	21,979
	143,235	142,063

Annual impairment review

The annual impairment review for goodwill is based on an assessment of each CGU's recoverable amount based on value in use models. These values are calculated from cash flow projections, normally based on budgets covering a minimum period of 12 months and a maximum period of 5 years which have been approved by the Board of Directors. The cash flow projection for FY2022 has been adjusted from budget to reflect the latest forecast for the year following the disruption caused by the Covid-19 pandemic. The effect of the pandemic has also been considered in reviewing the long term cash flow projections and growth prospects for specific revenue categories.

Cash flows outside of the budgeted period are estimated using the long-term growth rates stated below. Individual long-term growth rates are applied to each CGU. The long-term growth rates applied do 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 each individual CGU, using a Weighted Average Cost of Capital ('WACC') for comparable companies operating in similar markets to the group. This 'base' WACC has been adjusted to reflect risks specific to each CGU. The discount rates applied are as shown below.

Key assumptions that underpin the cash flow projections have been reduced from previous reviews to reflect the effect of Covid-19. These include the level of revenue contracted with the NHS and the associated UDA contract delivery percentage, anticipated growth in private revenues and revenues from DD and the associated cost of materials, dentist fees and staff costs. These assumptions have been set by reference to historical trends and then discounted to reflect likely lower levels of activity and a period of recovery following the lockdown in the UK during Q1 FY2021. The cash flow projections also take account of the expected impact from committed efficiency initiatives and the stability and maturity of the markets in which each CGU operates.

Key assumptions by CGU	Group 2021 %	Group 2020 %
Long term growth rate		
{my}dentist	**1.50**	1.50
DD	**1.50**	1.50
Discount rate		
{my}dentist	**7.54**	9.72
DD	**8.12**	10.95

Notes to the consolidated financial statements *(continued)*

15 Intangible assets *(continued)*

Annual impairment review *(continued)*

At each reporting date an impairment review was performed by comparing the estimated recoverable amount of each CGU with its carrying amount, including goodwill. The impairment review at 31 March 2021 has concluded that no impairment is required. An impairment of £77.6 million was identified against the carrying value of the goodwill in {my}dentist CGU for the year ended 31 March 2020.

The impairment review performed at 31 March 2021 was based upon discounted cash flow forecasts, derived from actual performance in FY2021 with limited increases in EBITDA in each of the following years. This varies from management's strategic plan for the medium term by building into the forecast a continued reduction in performance due to the coronavirus. The strategic plan includes forecasts for the resumption of growth in new private revenue initiatives such as growth in {my}options, clear aligners and implants at 10-15% per annum. This has been reduced to reflect only low volume growth and limited price increases in the coronavirus adjusted scenario.

DD adjusted EBITDA improved in FY2021 compared to FY2020 as during the first pandemic lockdown management were able to replace lost trade with "High Street" dental practices and corporate groups with a pivot towards large PPE supply arrangements with the NHS Supply Chain, Police buying groups and other public authorities, therefore building new relationships with suppliers and customers. Following the return of routine treatments in dental practices, DD has then gained new sales contracts with leading dental corporates. The discounted cash flow forecast used for the impairment review is based on the downside forecast for FY2022 with limited increases in EBITDA in each of the following years. The value in use calculation for FY2021 results in headroom of £35.8 million over the net book value of goodwill and intangible assets (2020: £4.9 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 2021, a change of £2.0 million in the assumed long term annual pre-tax cash flows generated from the {my}dentist CGU, would change the calculated value in use by approximately £17.8 million. A change of 0.25% in the assumed WACC would change the calculated value in use by approximately £19.8 million.

As at 31 March 2021, a change of £0.5 million to the assumed long term annual pre-tax cash flows generated from the DD CGU would change the calculated value in use by approximately £4.0 million. A change of 0.25% in the assumed WACC would change the calculated value in use by approximately £4.2 million.

During the year ended 31 March 2021, the group has agreed some further permanent contract hand-backs with the relevant NHS Regions, principally relating to dental practices which have consistently failed to deliver the contractual volumes due to structural issues such as a shortage of patients, or where there are persistent dentist shortages, making it difficult to recruit. Where we have agreed these permanent contract hand-backs, management have reduced the carrying value of the associated contractual arrangement intangible asset, to reflect this reduced earning potential. This has resulted in a total impairment charge of £0.4 million being recorded in the income statement for the year ended 31 March 2021 (2020: £1.4 million).

For other intangible assets with finite useful lives, the directors have considered whether any indicators of impairment of these assets were present at each balance sheet date. Other than the specific impairments noted above, no indicators of impairment have been identified.

Company

The company does not own any intangible assets (2020: none). However, based on the above assessment, the company has reviewed the carrying value of its investments in subsidiaries and concluded that the fair value of those subsidiaries exceeds the group's net debt, and has therefore reversed £34,2million of the provision raised against the carrying value of investments in subsidiaries in the prior year (see note 18).

Notes to the consolidated financial statements *(continued)*

16 Property, plant and equipment

Group

	Fixtures, fittings and equipment £'000
Cost	
At 1 April 2019	221,006
Additions	27,730
Disposals	(3,318)
At 31 March 2020	**245,418**
Accumulated depreciation	
At 1 April 2019	125,831
Charge for the year	21,745
Disposals	(1,960)
At 31 March 2020	**145,616**
Net book value	
At 31 March 2020	**99,802**

	Fixtures, fittings and equipment £'000
Cost	
At 1 April 2020	245,418
Acquired through business combinations	543
Additions	22,098
Disposals	(1,859)
At 31 March 2021	**266,200**
Accumulated depreciation	
At 1 April 2020	145,616
Charge for the year	21,758
Disposals	(862)
At 31 March 2021	**166,512**
Net book value	
At 31 March 2021	**99,688**

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

Please refer to note 24 for more information about assets pledged as security in respect of group borrowings.

Company

The company does not own any property, plant and equipment (2020: none).

Notes to the consolidated financial statements *(continued)*

17 Leases

Right of use assets

Group

	Land and buildings £'000	Motor vehicles £'000	Other £'000	Total £'000
Cost				
At 1 April 2019	-	-	-	-
Recognised on adoption of IFRS 16	95,076	1,235	80	96,391
Additions	3,393	648	-	4,041
At 31 March 2020	**98,469**	**1,883**	**80**	**100,432**
Accumulated Depreciation				
At 1 April 2019	-	-	-	-
Charge for the year	11,191	693	29	11,913
Impairment charge	483	-	-	483
At 31 March 2020	**11,674**	**693**	**29**	**12,396**
Net book value				
At 31 March 2020	**86,795**	**1,190**	**51**	**88,036**

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

Notes to the consolidated financial statements *(continued)*

17 Leases *(continued)*

Lease liability

	£'000
As at 1 April 2020	93,725
Rental and operating lease payments	(14,807)
Lease additions	4,650
Disposals	(4,752)
Remeasurements	10,306
Interest on lease liability	4,335
As at 31 March 2021	**93,457**

An interest charge of £4.3 million has been charged to finance costs in relation to the unwinding of the discount on the lease liability (2020: £4.4 million). The expense relating to leases of low-value assets that are not shown above as short-term leases was £0.1 million (2020: £0.5 million). The expense relating to variable lease payments not included in lease liabilities was £nil (2020: £nil). Income recognised from subleasing was £0.2 million (2020: £0.3 million). £0.2 million credit has been recognised within non-underlying items relating to the remeasurement of lease commitments (2020: £nil). The total cash outflow for leases for the year was £14.8 million (2020: £15.0 million).

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

18 Investments

Company

	£'000
Investment at cost and net book value in subsidiary undertaking at 1 April 2020	-
Reversal of provision in the current year	34,200
At 31 March 2021	**34,200**

The company owns 100% of its immediate subsidiaries, Turnstone Bidco 1 Limited and IDH Finance PLC.

The cost and book value of its investment in Turnstone Bidco 1 Limited is £171,957,479 (2020: £171,957,479). The cost and book value of its investment in IDH Finance PLC is £50,000 (2020: £50,000). In the previous year, following the impairment review of the group goodwill and intangible assets referred to in note 15, the carrying value of investments in subsidiaries was also reviewed and was fully provided against on the basis that the fair value of the Midco group was estimated to be less than the Midco group debt.

The fair value of the Midco group has increased during the year and therefore part of this provision can potentially be reversed. A review of the investments was performed and indicated that the fair value of the Midco group was estimated to be more than the Midco group debt resulting in a partial reversal of the previous years provision of £34,200,000.

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

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

The company has provided a guarantee to the members of certain subsidiary companies (marked [1] below), over all of their respective outstanding liabilities, under section 479C of the Companies Act 2006. As a result, having also received agreement from all members of each company, the companies identified below are exempt from audit of their individual company financial statements for the year ended 31 March 2021 by virtue of section 479A of the Companies Act 2006.

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

Notes to the consolidated financial statements *(continued)*

18 Investments *(continued)*

Name of subsidiary	Principal activity	Country of incorporation
Turnstone Bidco 1 Limited	Non-trading	England [a]
IDH Finance Plc	Group financing	England [a]
[2]@TheDentist Ltd	Dormant	England [a]
[2]1A Dental Practice Limited	Dormant	England [a]
[1]Adelstone Dental Care Limited	Dental practices	England [a]
[2]ADP Ashford Ltd	Dormant	England [a]
[1]ADP Healthcare Acquisitions Limited	Non-trading	England [a]
[2]ADP Healthcare Limited	Dormant	England [a]
[1]ADP Healthcare Services Limited	Non-trading	England [a]
[1]ADP Holdings Limited	Non-trading	England [a]
[1]ADP No.1 Limited	Non-trading	England [a]
[2]ADP Yorkshire Ltd	Dormant	England [a]
[1]Aesthetic Dental Care Limited	Dental practices	England [a]
[1]Aesthetix Limited	Dental practices	England [a]
[1]Alemdent Limited	Dental practices	England [a]
[1]Alison Brett Dental Care LLP	Dental practices	England [a]
[2]A-Z Dental Holdings (Subsidiary Number1) Limited	Dormant	England [a]
[2]A-Z Dental Holdings (Subsidiary Number 2) Limited	Dormant	England [a]
[1]A-Z Dental Holdings Limited	Non-trading	England [a]
[3]BF Mulholland Ire Limited	Dormant	Ireland [f]
[1]BF Mulholland Limited	Healthcare goods and services	Northern Ireland [c]
[2]Bramora Limited	Dormant	England [a]
[2]Butler and Finnigan Dental Practice Ltd	Dormant	England [a]
[1]Castle Hill Dental Practice Limited	Dental practices	England [a]
Chapel Road Orthodontics Limited	Dental practices	England [a]
[1]Church Street Dentists Limited	Dental practices	England [a]
[1]Clarendon Dental Practice Limited	Dental practices	England [a]
Community Dental Centres Limited	Dental practices	England [a]
[1]Confident Dental Practices Limited	Dental practices	England [a]
[1]Cromwell Dental Practice Limited	Dental practices	England [a]
[1]D and L Jordan Limited	Dental practices	England [a]
[1]D M Jordan Limited	Dental practices	England [a]
DBG (UK) Limited	Healthcare goods and services	England [a]
DBG Acquisitions Limited	Non-trading	England [g]
[2]DBG Subsidiary Limited	Dormant	England [a]
DBG Topco Limited	Non-trading	England [a]
DD Products and Services Ltd (formerly Billericay Dental Supply Co. Limited)	Healthcare goods and services	England [g]
DD Group Holdings Ltd (formerly H M Logistics Limited)	Healthcare goods and services	England [a]
[1]Dental Aesthetics Ltd	Dental practices	Northern Ireland [c]
[1]Dental Excellence Group Ltd	Non-trading	Northern Ireland [c]
[1]Dental Excellence Ltd	Dental practices	Northern Ireland [c]
[2]Dental Health Care Limited	Dormant	England [a]
[2]Dental Talent Tree (Recruitment) Limited	Dormant	England [a]
Denticare Limited	Dental practices	England [a]
[2]Denticare Properties Limited	Dormant	England [a]
[2]Denture Excellence (Franchising) Limited	Dormant	England [a]
Denture Excellence Limited	Dental practices	England [a]
[1]DH Dental Holdings Limited	Non-trading	England [a]
[1]Diverse Acquisitions Limited	Non-trading	England [a]
[1]Diverse Holdings Limited	Non-trading	England [a]
[2]Diverse Property Investments Limited	Dormant	England [a]
[1]DM and LJ Jordan Limited	Dental practices	England [a]
DMJ Norwich Limited	Dental practices	England [a]
[1]Dolby Medical EBT Trustee Limited	Non-trading	Scotland [b]
[1]Dolby Medical Limited	Equipment servicing	Scotland [b]
[1]Du Toit and Burger Partnership (Harwich) Ltd	Dental practices	England [a]
[1]Du Toit and Burger Partnership (Ipswich) Ltd	Dental practices	England [a]
[1]Du Toit and Burger Partnership (Silvertown) Ltd	Dental practices	England [a]
[1]Du Toit and Burger Partnership (Stratford) Ltd	Dental practices	England [a]
[1]Du Toit and Burger Partnership (Sudbury) Ltd	Dental practices	England [a]
[1]Du Toit and Burger Partnership Limited	Dental practices	England [a]

Notes to the consolidated financial statements *(continued)*

18 Investments *(continued)*

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

Notes to the consolidated financial statements *(continued)*

18 Investments *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements *(continued)*

18 Investments *(continued)*

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

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

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

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

**The NHS contract within this partnership has been novated into a group company on 1 April 2021 and has therefore ceased to trade from that date.*

Group

The group does not own any investments (2020: none).

Notes to the consolidated financial statements *(continued)*

19 Inventories

	Group 2021 £'000	Group 2020 £'000
Dental practice consumables	**5,419**	4,974
Goods for resale	**28,617**	20,079
	34,036	25,053

Inventories are shown net of provisions of £11,140,000 at 31 March 2021 in respect of obsolete or slow moving items (2020: £2,697,000).

The cost of inventories recognised as an expense within cost of sales during the year amounted to £125.9 million (2020: £113.9 million).

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

Company

The company has no inventories (2020: £nil).

Notes to the consolidated financial statements *(continued)*

20 Trade and other receivables

	Group 2021 £'000	Group 2020 £'000
Current		
Trade receivables	**22,846**	26,636
Amounts owed by related undertakings	**276**	276
Other assets	**5,483**	5,729
Prepayments	**5,345**	4,166
Accrued income	**13,508**	14,369
	47,458	51,176

Amounts owed by related undertakings comprise expenses paid on behalf of Turnstone Management Investments Limited, a company registered in England and which holds investments in Turnstone Equityco 1 Limited on behalf of group management.

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

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

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

	Group 2021 £'000	Group 2020 £'000
Sterling	**46,217**	50,123
Euro	**1,241**	1,053
	47,458	51,176

As at 31 March 2021, trade receivables of £1,538,000 were past due and/or partially impaired (2020: £1,239,000). An expected credit loss is established based on past default experience adjusted for forward looking estimates. The individually impaired receivables principally relate to businesses within DD. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Notes to the consolidated financial statements *(continued)*

20 Trade and other receivables *(continued)*

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

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

The ageing of these receivables is as follows:

	Group 2021 £'000	Group 2020 £'000
Not overdue	**63**	154
One month to six months overdue	**364**	265
Over six months overdue	**1,111**	820
	1,538	1,239

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

	2021 £'000	2020 £'000
At 1 April	**869**	564
Impairment losses recognised	**462**	338
Amounts written off as uncollectable	**(298)**	(29)
Unused amounts reversed	**-**	(4)
At 31 March	**1,033**	869

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

Company

The company has no trade or other receivables (2020: £nil).

Notes to the consolidated financial statements *(continued)*

21 Cash and cash equivalents

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Cash at bank and in hand	**11,590**	**2**	76,063	2

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 32.

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

	Group 2021 £'000	Group 2020 £'000
Sterling	**11,305**	75,003
Euro	**190**	964
US Dollar	**17**	36
Other currencies	**78**	60
	11,590	76,063

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

22 Trade and other payables

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Current				
Trade payables	**27,691**	**-**	24,113	-
Amounts owed to group undertakings	**-**	**155**	-	115
Accruals	**141,958**	**-**	116,002	-
Deferred income	**2,290**	**-**	1,325	-
Other taxation and social security	**3,524**	**-**	3,954	-
Contingent consideration	**2,251**	**-**	2,026	-
Government grants	**30**	**-**	41	-
	177,744	**155**	147,461	115
Non-current				
Contingent consideration	**275**	**-**	115	-
Government grants	**29**	**-**	48	-
	304	**-**	163	-

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

Included within accruals is an amount due to the NHS of £70,521,000 in respect of UDAs not delivered (2020: £70,387,000), along with fees of £35,712,000 payable to self-employed dentists in respect of work completed (2020: £22,748,000). The NHS accrual represents an amount which has not yet met the highly probable test which would allow it to be recognised as revenue in the current year. Depending on the outcome of the NHS reconciliation process, some or all of this amount will either be repaid to the NHS or be released into the profit and loss account of the group for FY2022.

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.

Notes to the consolidated financial statements *(continued)*

22 Trade and other payables *(continued)*

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% (2020: 2%) which has been deemed the appropriate risk specific rate. This is a level 3 fair value measurement (see note 32).

The fair value of the remaining financial liabilities is not considered to be materially different from their carrying values, due to the short term to maturity.

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

	Group 2021 £'000	Group 2020 £'000
Sterling	**171,873**	144,881
Euro	**4,116**	2,676
US Dollar	**1,822**	3
Other currencies	**237**	64
	178,048	147,624

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

23 Derivative financial instruments

Derivative financial liabilities

	Group 2021 £'000	Group 2020 £'000
Current assets		
Foreign exchange forward contracts	**-**	289
	-	289

	Group 2021 £'000	Group 2020 £'000
Current liabilities		
Foreign exchange forward contracts	**334**	-
	334	-

Fair value of foreign exchange forward contracts
The group has policies and procedures in place to mitigate the impact of fluctuations in foreign exchange rates and, in particular, to provide reasonable certainty over the group's cash flows. As part of this strategy, the group routinely enters into foreign exchange forward contracts, which are negotiated in line with the group's anticipated commitments.

The fair value of the foreign exchange forward contracts is calculated as the present value of the estimated future cash flows when comparing the contracted forward rate against observable forward contract rates at the balance sheet date. This is a level 2 fair value measurement (see note 32).

Fair value of unquoted options
Under the terms of the indenture to the £275 million senior secured fixed rate notes and £150 million floating rate notes, the group holds certain call options to re-purchase all or part of the notes at pre-determined amounts during certain periods. Further details are contained within note 24.

Company

The company has no derivative financial instruments (2020: £nil).

Notes to the consolidated financial statements *(continued)*

24 Borrowings

	Group 2021 £'000	Group 2020 £'000
Non-current		
Senior secured fixed rate, floating rate and second lien notes		
Due between one and two years	**553,316**	552,541
	553,316	552,541
Bank loans		
Due between two and five years	**30,000**	98,200
Less: unamortised arrangement fees and related costs	**(2,884)**	(4,764)
	580,432	645,977

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 36 for a reconciliation of net debt.

Senior secured fixed rate, floating rate and second lien notes
Throughout the year ended 31 March 2021, the group had the following available borrowing facilities:

- £275 million of senior secured fixed rate notes. The notes were issued on 5 August 2016 at par, and mature at par on 15 August 2022. Interest is payable semi-annually in arrears on 15 February and 15 August each year, at a fixed coupon of 6.25% per annum.
- £150 million of senior secured floating rate notes. The notes were issued on 5 August 2016 at 99.5, a discount of 0.5% to par. The notes mature at par on 15 August 2022. Interest is payable quarterly in arrears on 15 February, 15 May, 15 August and 15 November each year, at a coupon of 3 month LIBOR plus 6.00%.
- £130 million of second lien notes. The notes were issued on 5 August 2016 at 96.5, a discount of 3.5% to par. The notes mature at par on 15 August 2023. Interest is payable quarterly in arrears on 15 February, 15 May, 15 August and 15 November each year, at a coupon of 3 month LIBOR plus 8.00%. 3 month LIBOR is subject to a 1.00% floor.
- £100 million Super Senior Revolving Credit Facility ('SSRCF'). £30.0 million had been drawn against the facility at 31 March 2021 (2020: £98.2 million), and a further £1.8 million committed against a letter of credit (see also note 31). Interest is payable in arrears at a rate of LIBOR plus 3.5% per annum. The facility is available until 5 August 2022.

Notes to the consolidated financial statements *(continued)*

24 Borrowings *(continued)*

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

The 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 32.

The market value of the senior secured fixed rate notes and the senior secured floating rate notes at 31 March 2021 was approximately £416.4 million (2020: £277 million). The market value at 31 March 2020 was adversely affected by short term fluctuations in the market caused by the Covid-19 outbreak. Following a recovery in the market during April and May, the value as at 30 June 2020 was £357 million. The increase in value to 31 March 2021 reflects the market view of the transaction process that was in progress at year-end and the likelihood of a full repayment of outstanding liabilities. The directors do not consider the fair value of the group's other borrowings to be materially different from their carrying values.

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

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

The senior secured floating rate notes may be called by the group at par from 15 August 2018.

The above call options are not considered by the directors to have any value at 31 March 2021. See also note 23.

The instruments listed above were redeemed on 16 August 2021 and all outstanding liabilities settled.

Company

The company has no borrowings (2020: £nil).

Notes to the consolidated financial statements *(continued)*

25 Provisions

	Above market rental £'000	Vacant property and dilapidations £'000	Total £'000
At 1 April 2019	2,745	6,806	9,551
Derecognised on IFRS 16 transition	(2,740)	(1,624)	(4,364)
Charged to the income statement	-	647	647
Utilised in the financial year	(5)	(996)	(1,001)
Unwinding of discount	-	39	39
At 31 March 2020	-	4,872	4,872

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

	Group 2021 £'000	Group 2020 £'000
Current	**536**	607
Non-current	**4,070**	4,265
	4,606	4,872

Above market rental

The group has a number of properties where the rentals payable are in excess of the current market rents. Where such rental contracts were acquired as part of a business combination, provisions were made to recognise the liability arising from the 'above market rental' element of these leases.

On 1 April 2019, the opening market rent provision was derecognised following the transition of IFRS 16 and this was reflected in a reduction in the right of use assets in respect of these properties. See note 17.

Vacant property and dilapidations

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

On 1 April 19, the provision relating to the rental charges on these properties was derecognised as these have been reflected in the lease liability under IFRS 16. An impairment to the right of use asset in respect of these properties was recorded (see note 17). The residual non-rental property outgoings are still included within this provision. Provision has also been made for the costs associated with contractual obligations to return practices to their original condition at the end of the lease. The provisions are expected to be substantially utilised over the next five years.

Company: The company has no provisions (2020: £nil).

Notes to the consolidated financial statements *(continued)*

26 Deferred income tax

Deferred income tax is provided in full on temporary differences using the liability method and a tax rate of 19% (2020: 19%). See also note 13. The movement on the deferred income tax account is as shown below:

	Arising on losses	Arising on share based payments	Arising on defined benefit pension obligation	Capital allowances	Arising on intangible assets	Arising on financial assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2019	-	-	101	20,011	(30,751)	6	(10,633)
Recognised in income	1,539	205	7	791	(11,199)	-	(8,657)
Recognised in other comprehensive expense	-	-	(32)	-	-	-	(32)
Recognised directly in equity	-	(205)	-	-	-	-	(205)
Arising through business combinations	-	-	-	-	-	-	-
At 31 March 2020	1,539	-	76	20,802	(41,950)	6	(19,527)
Recognised in income	2,725	-	9	2,685	969	-	6,388
Recognised in other comprehensive expense	-	-	(28)	-	-	-	(28)
Recognised directly in equity	-	-	-	-	-	-	-
Arising through business combinations	-	-	-	-	(203)	-	(203)
At 31 March 2021	**4,264**	**-**	**57**	**23,487**	**(41,184)**	**6**	**(13,370)**

The group has estimated non-trade losses of £27.2 million (2020: £25.8 million) available for carry forward against future non-trade profits. A deferred income tax asset of £5.2 million (2020: £4.9 million) in respect of these losses has not been recognised as the future recoverability is uncertain or not currently anticipated.

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

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

Net deferred income tax of approximately £5.4 million is expected to unwind to the income statement during the year ending 31 March 2022.

Company: The company has no deferred income tax (2020: £nil).

Notes to the consolidated financial statements *(continued)*

27 Share capital

Group and company	Number issued	2021 £'000	Number issued	2020 £'000
Allotted, called up and fully paid				
Ordinary shares of £1.00	**410,961,479**	**410,961**	410,961,479	410,961

28 Reserves

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

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

29 Share based payments

On 12 June 2017, Turnstone Equityco 1 Limited issued a total of 82,559 'E1' ordinary shares of £0.10p and £0.20p and 146,771 'E2' ordinary shares of £0.001p. All of the 'E1' ordinary shares, and 28,666 of the 'E2' ordinary shares, were issued to members of the group's management team. The remaining 118,105 'E2' ordinary shares were issued to an Employee Benefit Trust, to be allocated to other employees of the group. 57,333 of the 'E1' ordinary shares and all of the 'E2 ordinary shares have been gifted to employees of the group for nil consideration.

The 'E1' and 'E2' ordinary shares entitle the holders to a share of the equity value of the company above a defined hurdle enterprise value for the group, in the event of a sale of the business by the holders of the 'A1' ordinary shares.

Furthermore, holders of the 'E1' and 'E2' ordinary shares are subject to certain vesting conditions. 25% of the shares held will vest upon each anniversary from the commencement date of 1 July 2017, with vested shares entitling the holder to an amount equal to fair market value. Shares which have not yet vested entitle the holder to an amount equal to the lower of cost and fair market value. In the event of a sale of the business, all remaining shares held by current employees of the group at such a time will immediately vest.

The fair value of the shares issued during the year ended 31 March 2018, determined using an expected value model, was £12.92 for each 'E1' and 'E2' ordinary share. The expected value model considered a range of probability weighted enterprise value outcomes in the event of a sale of the business.

The fair value of the shares issued was charged to the income statement over the expected life of the shares and ended in the year ended 31 March 2020. As a result, a charge of £nil (2020: £1,077,000) has been recognised in the income statement.

30 Commitments

Group

Operating lease commitments

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

From 1 April 2019, the group has recognised right of use assets for leases and corresponding lease liabilities, except for short term and low value leases which are disclosed separately below. See note 17 for further information.

Land and buildings	Group 2021 £'000	Group 2020 £'000
Within one year	**51**	26
Between one year and five years	**8**	29
After five years	**18**	20
	77	75

Notes to the consolidated financial statements *(continued)*

31 Contingencies

Taxation

The group and HMRC are in discussion over technical tax positions related to the partnership acquisition model.

1) Goodwill deductions

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

There is no immediate cash tax impact as the company has sufficient unclaimed capital allowances which could be utilised to replace any disallowed deductions.

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

2) Self-employed status of clinicians

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

3) VAT on dental facilities

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

HMRC have reviewed the case in detail during the year and have now agreed that the VAT treatment is acceptable. The outstanding assessments have now been withdrawn by HMRC.

Assigned leases

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

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

Partnership guarantees

A number of individuals in the management team have entered into partnerships as part of the group's acquisition of the trade and assets of those partnerships. The partners hold their interest in the partnership under a trust deed on behalf of one of the group companies. In order to indemnify the partners against specific risks in relation to this arrangement, a guarantee is in place supported by a letter of credit from the group's bank for £1.8 million (2020: £1.8 million).

Notes to the consolidated financial statements *(continued)*

31 Contingencies *(continued)*

Company

Guarantee over the liabilities of subsidiaries
The company has provided a guarantee to the members of certain subsidiary companies, as identified in note 18, over all of their respective outstanding liabilities, under section 479C of the Companies Act 2006. As a result, having also received agreement from all members of each company, the companies identified in note 18 are exempt from audit of their individual company financial statements for the year ended 31 March 2020 by virtue of section 479A of the Companies Act 2006.

32 Financial instruments

Financial risk management

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

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

Credit risk
Credit risk is the risk of financial loss to the group if a customer fails to meet its contractual obligations. The nature of the group's contracts with the NHS Regions means that credit risk is minimised for a significant proportion of group revenue. The patient's contribution to NHS charges is usually collected before treatment in order to minimise risk to the group, however a risk may arise if treatment plans change and additional charges are not collected at the time of the appointment. Payment is also requested in advance for major courses of private treatment. In DD, new customers are subject to external credit checks using the main agencies. Credit terms are negotiated individually and subsequently monitored closely by the credit control team. Cash deposits are principally held with institutions that hold a minimum credit rating meeting two of the following: BBB+ (Standard and Poor's or Fitch); or Baa1 (Moody's).

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

The group regularly monitors its cash flow forecasts and currently maintains funds on demand to meet all operational expenses including the servicing of financial obligations. Further details of the group's bank facilities and other borrowings are set out in note 24 and the group's trade and other payables are set out in note 22.

Market risk
Market risk is the risk that changes in foreign exchange rates and interest rates will affect the group's income or costs. The group is exposed to currency risk as business units within DD routinely purchase goods in currencies other than Sterling (principally Euro and US Dollar). The group has policies and procedures in place to mitigate the impact of fluctuations in foreign exchange rates and, in particular, to provide reasonable certainty over the group's cash flows, through the use of, for example, derivative financial instruments such as foreign currency forward contracts or option contracts. This risk is also managed through competitive tendering for the group's significant supply contracts. All other operations are carried out in the United Kingdom and all income, other expenses and facilities are denominated in Sterling.

£275 million of the group's senior secured notes are of a fixed rate nature, therefore, interest charges are fixed in respect of 47% of the group's total drawn debt (2020: 42%). Further details are set out in note 24.

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)*

32 Financial instruments *(continued)*

Sensitivity analysis

Management have considered the risk of changes in interest rates upon the group's financial performance. 47% (2020: 42%) of the group's external debt is subject to fixed interest and therefore the impact of changes to interest rates upon the group's cash flows is significantly mitigated. However a 1% increase or decrease in the rate of LIBOR would have the effect of increasing or decreasing the group's annual cash interest costs by approximately £1.9 million or £1.8 million respectively, based upon the funding structure in place at 31 March 2021.

Capital management

The primary objective of the group's capital management of net debt (which includes cash and specifically excludes shareholder loan notes and 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 2021 £'000	Group 2020 £'000
EBITDA before non-underlying items	**69,749**	76,239
Adjusted EBITDA before non-underlying items	**55,031**	62,121
Net bank and bond debt	**568,842**	569,914
Net debt to EBITDA	**8.16**	7.47
Net debt to adjusted EBITDA	**10.34**	9.17

Net bank and bond debt includes cash and cash equivalents, the senior secured fixed rate, floating rate and second lien notes, bank loans and unamortised arrangement fees but excludes loan notes and redeemable preference shares. Net debt and net debt ratios 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 and disposals ('Proforma EBITDA'). Net debt reflects the consideration paid for all acquisitions, however EBITDA will not reflect the full earnings benefit from these acquisitions until the year following acquisition. Furthermore, EBITDA includes losses generated by practices disposed of during the year. Therefore management considers using Proforma EBITDA gives a more accurate representation of the net indebtedness relative to earnings. Proforma EBITDA (unaudited) at 31 March 2021 was £69,199,000 (2020: £75,396,000) and proforma adjusted EBITDA (unaudited) was £54,481,000 (2020: £61,278,000).

The ratio of EBITDA before non-underlying items to net debt plus lease liabilities of £93.5 million was 9.50 times (2020: £93.7m, 8.70 times).

As at 31 March 2021, the estimated ratio of net debt to Proforma EBITDA was 8.22 times (2020: 7.56) and net debt to adjusted proforma EBITDA was 10.44 times (2020: 9.30 times).

EBITDA interest cover

	Group 2021 £'000	Group 2020 £'000
EBITDA before non-underlying items	**69,749**	76,239
Adjusted EBITDA before non-underlying items	**55,031**	62,121
Finance costs	**41,772**	42,132
EBITDA interest cover	**1.67**	1.81
Adjusted EBITDA interest cover	**1.32**	1.47

Finance costs include interest charges in respect of the senior secured fixed rate notes, senior secured floating rate notes, second lien notes and bank loans and overdrafts and syndicate charges, but excludes amortisation of debt issue costs and related fees, unwinding of provision discount, finance expense in respect of the defined benefit pension scheme, and all other non-recurring finance costs.

Notes to the consolidated financial statements *(continued)*

32 Financial instruments *(continued)*

The group's principal loan covenant is in respect of the ratio of gross debt drawn under the SSRCF to Proforma LTM EBITDA ('Super Senior Gross Leverage Ratio'). Under the terms of the group's SSRCF, this covenant is not required to be tested unless a minimum of 35% of the available £100 million facility has been drawn. Therefore, given that only £30.0 million was drawn against the facility at 31 March 2021 (30%), no covenant test was applicable. In the event that 35% or more of the facility has been drawn, the Super Senior Gross Leverage Ratio is required to be no more than 2.3 times. On 16 August 2021, the debt was refinanced partly through the issue of external borrowings. See note 38 for the post balance sheet events relating to the Palamon transaction.

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 2020	Less than one year £'000	Between one and two years £'000	Between two and five years £'000	After five years £'000
Loans and borrowings	-	-	650,741	-
Trade and other payables	142,182	118	44	1
Lease liabilities	14,333	12,554	28,759	38,079
	156,515	**12,672**	**679,544**	**38,080**

At 31 March 2021	Less than one year £'000	Between one and two years £'000	Between two and five years £'000	After five years £'000
Loans and borrowings	-	553,316	30,000	-
Trade and other payables	171,930	287	12	5
Lease liabilities	14,543	12,473	28,258	38,183
	186,473	**566,076**	**58,270**	**38,188**

Financial instruments measured at fair value

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

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

The following table presents the group's financial assets and liabilities that are measured at fair value. See note 22 for additional details on contingent consideration arrangements and see note 23 for details of the group's derivative financial instruments.

Fair value measurements	**At 31 March 2021**			At 31 March 2020		
	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets						
Derivative financial instruments	-	-	-	-	289	-
Financial liabilities						
Derivative financial instruments	-	**(334)**	-	-	-	-
Contingent consideration	-	-	**(2,526)**	-	-	(2,141)

Notes to the consolidated financial statements *(continued)*

32 Financial instruments *(continued)*

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 (2020: 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;
- 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 2021 £'000	Group 2020 £'000
At 1 April	**2,141**	2,626
Arising on business combinations	**555**	-
Reallocation on non-contingent consideration payment	**-**	44
Contingent consideration settled	**(91)**	(435)
Differences between contingent consideration paid and estimates initially recognised	**(79)**	(98)
Unwinding of discount	**-**	4
At 31 March	**2,526**	2,141

Further information in respect of the valuation techniques used to determine the fair value of contingent consideration can be found within note 22.

Notes to the consolidated financial statements *(continued)*

33 Post employment benefits

The group makes contributions to a small number of defined contribution pension schemes on behalf of its employees, including the National Employment Savings Trust ('NEST'). The pension cost charge for the financial year represents contributions payable by the group to the schemes and amounted to £2,122,000 (2020: £2,191,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year (2020: £nil).

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

During the year to 31 March 2021 the group contributed £62,000 directly into the scheme (2020: £62,000) and the cost of insuring death in service benefits and other trustee expenses were paid by the group and amounted to £99,000 (2020: £75,000). The group expects to make contributions of £62,000 to the scheme and does not expect the costs of the scheme to change significantly in the next financial year.

The latest full actuarial valuation for which results are available, was carried out as at 6 April 2017 and was updated for disclosure purposes to 31 March 2020 and 31 March 2021 by a qualified independent actuary.

The significant actuarial assumptions were as follows:

	Group 2021 %	Group 2020 %
Rate of increase in pensions in payment and deferred pensions	**3.30**	2.80
Discount rate applied to scheme liabilities	**2.00**	2.40
Inflation assumption	**3.40**	2.80

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

Mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member who retires at the age of 65 in 2021 will on average live for a further 22.0 years (2020: 21.9 years) after retirement if they are male and 24.3 years (2020: 24.2 years) if they are female.

It is also assumed that members retiring in 20 years' time will on average live for a further 23.3 years (2020: 23.2 years) after retirement if they are male and 25.8 years (2020: 25.7 years) if they are female.

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

	Group 2021 £'000	Group 2020 £'000
Present value of funded obligations	**(8,026)**	(7,403)
Fair value of plan assets	**7,727**	7,002
Deficit recognised in the balance sheet	**(299)**	(401)

The group has no recourse to recover any surplus funds held by the scheme once all liabilities have been settled. Accordingly, where the scheme is in a surplus position at the balance sheet date, this surplus is not recognised as an asset within the balance sheet.

Notes to the consolidated financial statements *(continued)*

33 Post employment benefits *(continued)*

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

	2021			2020		
	Present value of funded obligations £'000	**Fair value of plan assets £'000**	**Deficit £'000**	Present value of funded obligations £'000	Fair value of plan assets £'000	Deficit £'000
At 1 April	**(7,403)**	**7,002**	**(401)**	(7,824)	7,231	(593)
Scheme expenses paid out	**-**	**(47)**	**(47)**	-	(22)	(22)
Employer contributions	**-**	**62**	**62**	-	62	62
Interest (expense)/income	**(175)**	**166**	**(9)**	(186)	172	(14)
	(175)	**181**	**6**	(186)	212	26
Re-measurement:						
Return on plan assets excluding interest income	**-**	**762**	**762**	-	(271)	(271)
Re-measurement gain from changes in demographic assumptions	**-**	**-**	**-**	135	-	135
Re-measurement (loss)/gain from changes in financial assumptions	**(666)**	**-**	**(666)**	199	-	199
Experience gain	**-**	**-**	**-**	103	-	103
	(666)	**762**	**96**	437	(271)	166
Benefits paid	**218**	**(218)**	**-**	170	(170)	-
At 31 March	**(8,026)**	**7,727**	**(299)**	(7,403)	7,002	(401)

Plan assets are quoted and are comprised as follows:

	2021		2020	
	Value £'000	**Percentage of plan assets %**	Value £'000	Percentage of plan assets %
Equities	**2,946**	**38%**	1,812	26%
Bonds	**2,096**	**27%**	2,557	36%
Property	**148**	**2%**	58	1%
Cash	**86**	**1%**	176	3%
Insured annuitants	**2,451**	**32%**	2,399	34%
Total market value of plan assets	**7,727**	**100%**	7,002	100%

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 139
Rate of inflation	Increase by 0.1%	Increase by 29
Life expectancy	Increase by one year	Increase by 213

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.

Notes to the consolidated financial statements *(continued)*

34 Related party transactions

Company

Audit fee recharge

Petrie Tucker and Partners Limited, a wholly ownded subsidiary company, recharged the company £40,000 in respect of the company's share of the group audit fee (2020: £16,000).

35 Cash generated from operations

Group

	Group 2021 £'000	Group 2020 £'000
Loss before income tax	**(56,699)**	(131,810)
Adjustments:		
Depreciation of property, plant and equipment	**33,795**	33,658
Amortisation of government grants	**(41)**	(52)
Amortisation of intangible assets	**30,125**	30,525
Impairment of goodwill and intangible assets	**367**	79,053
Impairment of right of use assets	**-**	483
Finance costs	**48,032**	48,424
Finance income	**(4)**	(56)
Loss on business and asset disposals	**2,940**	10,002
Differences between contingent consideration paid and estimates initially recognised	**(79)**	(98)
Defined benefit pension scheme expenses	**47**	22
Loss/(profit) from derivative financial instruments at fair value through profit or loss	**623**	(768)
Value of employee services arising from shares granted to directors and employees	**-**	1,077
Pension contributions	**(62)**	(62)
Cash generated from operations before movements in working capital	**59,044**	70,398
Movements in working capital:		
(Increase)/decrease in inventories	**(8,560)**	3,264
Decrease (Increase) in trade and other receivables	**3,641**	(13,500)
Increase in trade and other payables	**30,063**	18,835
Decrease in provisions	**(575)**	(736)
Total movements in working capital	**24,569**	7,863
Cash generated from operations	**83,613**	78,261

Company

	Company 2021 £'000	Company 2020 £'000
Profit/(loss) before income tax	**34,160**	(172,023)
Adjustments:		
Increase in other payables	**40**	16
Reversal/(Provision) against investment in subsidiaries	**(34,200)**	172,007
Cash generated from operations	**-**	-

Notes to the consolidated financial statements *(continued)*

36 Net debt reconciliation

	Other assets	Liabilities from financing activities	
	Cash	Bank and bond liabilities more than 1 year	Total
	£'000	£'000	£'000
Balance at 1 April 2019	8,861	(570,177)	(561,316)
Cash flows	67,202	(73,200)	(5,998)
Amortisation of debt issue costs	-	(1,825)	(1,825)
Other changes	-	(775)	(775)
Balance at 31 March 2020	76,063	(645,977)	(569,914)
Cash flows	(64,473)	68,200	3,727
Amortisation of debt issue costs	-	(1,880)	(1,880)
Other changes	-	(775)	(775)
Balance at 31 March 2021	**11,590**	**(580,432)**	**(568,842)**

The gross cash flows in the year on bank debt comprise repayments of £78.2 million (2020: £5.0 million) and drawdowns of £10.0 million (2020: £78.2 million).

On a pre IFRS 16 basis, the group's net debt (bank and bond liabilities more than 1 year less cash) amounts to £568.8 million (2020: £569.9 million).

On a post IFRS 16 basis, the group's net debt includes its lease liabilities of £78.9 million over 1 year (2020: £79.4 million) and £14.5 million less than 1 year (2020: £14.3 million). Including these items, the group's net debt amounts to £662.2 million (2020: £663.6 million).

37 Business Combinations

During the year the group acquired the trade and assets of two dental practices in Northern Ireland. Total consideration was £2.6 million including £0.6 million of deferred consideration. The value of assets acquired were £0.5 million and £1.2 million of goodwill has been recognised in relation to these acquisitions.

Notes to the consolidated financial statements *(continued)*

38 Post balance sheet events

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

Fees incurred as part of the transaction and refinancing, including legal and other professional advisor fees and financing arrangement fees, were £48.6 million. This also includes amounts payable to management on the completion of a change in control of Turnstone Equityco 1 Limited of £6.7 million of which £4.0 million is payable to three Directors of Turnstone Equityco 1 Limited.

39 Controlling party

The immediate parent undertaking is Turnstone Midco 1 Limited, a company incorporated in the United Kingdom and domiciled in England.

The results of the company and of the group are also consolidated in the financial statements of Turnstone Equityco 1 Limited. Turnstone Equityco 1 Limited is the parent undertaking of the largest group to consolidate these financial statements. No other financial statements consolidate the results of the group.

Carlyle and Palamon have joint control of Turnstone Equityco 1 Limited. Carlyle's majority holding is owned by CEP III Participations S.à.r.l. SICAR, an investment vehicle for Carlyle. Palamon's ownership of the group is through its fund Palamon European Equity II, L.P. At 31 March 2021 and throughout the year, the ultimate controlling party of Turnstone Equityco 1 Limited is considered by the directors to be CEP III Participations S.a.r.l. SICAR.

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

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